

Community Spaces: VCS Rents and Lease Policy

Social Value Discount Framework - 6 January 2023

1. Introduction

1.1. This Social Value Discount Framework has been developed as part of the Community Spaces: VCS Rents and Leases Policy. It sets out the process that London Borough of Camden (the Council) will use to award a rent discount to VCS organisations occupying its properties. It applies where an eligible not-for-profit tenant is in occupation of an eligible premises and providing services of sufficient social value to justify the discount.

2. Scope

2.1. The Community Spaces: Rents and Leases Policy sets out the scope of the Social Value Discount. This covers most (but not all) Council buildings occupied by Voluntary and Community Sector (VCS) organisations. Rooms and halls let by Tenants and Residents Association are excluded, unless let to a VCS organisation. Parks and Schools' premises are also excluded, for example.

3. Eligibility Criteria

3.1. In order to be eligible for the Council's VCS Social Value Discount the following criteria must be met. The organisation must:

- Be an incorporated 'not-for-profit' organisation
- Be a tenant of a building on the VCS premises list.
- Be primarily focussed on improving outcomes for local residents experiencing inequality because of their protected characteristics or socio-economic status
- Adhere to all relevant UK legislation and follow relevant Council guidance
- Have filed up-to-date accounts with the Charity Commission, FCA, Companies House (or equivalent).

3.2. It is unlikely that the social value discount will be awarded to any organisation with an annual turnover in excess of £2m (index linked to RPI and adjusted annually). However, the decision to award the Social Value Discount is at the discretion of the council and consideration may be given to providing Social Value Rent Discount to organisations that exceed this threshold in certain circumstances. In making this decision, the council may consider factors such as the charity's overall financial health (e.g., discretionary reserves), how the revenue was achieved (e.g. large capital investment or a temporary increases in income), or the impact of a decision to not award the discount on the services and beneficiaries of the charity.

3.3. The Council's VCS Social Value Discount will not be awarded to:

- Organisations run on a for-profit purpose (see 4.6)

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- Charity shops operated by charities or associated organisations to raise income
- Organisations whose primary purpose is for the promotion of religious belief
- Organisations operating a restrictive membership policy and/or for which an onerous fee is payable
- Empty or under-utilised spaces
- Space used exclusively for services the Council commissions
- Fee-charging educational establishments

3.4. Once eligibility has been established, the ability of the tenant to manage its affairs and operate the premise will be established. In determining whether a qualifying organisation should be awarded a rent discount, the following 'Award Criteria' will be assessed:

- Well-Run Organisation
- Safe and Well Managed Premises
- Premises optimised for social value
- Good service standards

Well-Run Organisations:

3.5. The Social Value Discount will only be awarded to sound and suitable organisations. This means organisations will be expected to follow standards of good governance and be financially robust enough to manage the space that they have. What is considered to be sound may change over time, but as a minimum tenants will be expected to be able to manage any conflicts of interest, follow proper financial processes, elect boards and directors according to their rules and make their annual returns to their registering bodies on time and operate to their own policies.

Safe and Well Managed Premises:

3.6. In addition to meeting the terms set out in the lease. The tenant will be expected to be able to manage the building effectively. This will mean being able to meet all the statutes, regulations and best practices that cover the management of building in line with the lease or appointing an organisation other than themselves to do this.

If the tenant is responsible for safety, the Council will provide a Tenants Handbook as a guide to what this may entail. As part of the Social Value Discount tenants will be asked to confirm they have followed guidance on matters relating to it. This covers the range of statutory safety obligations, such as fire and electrical safety, gas checks, asbestos and legionella management as well as insurance and non-statutory compliance. The tenant will need to demonstrate how the buildings is to be managed and have sufficient systems in place to do this, proper records are kept, and it is known who is responsible for what.

As part of the Social Value Discount the tenant will confirm that the fabric of the building (that they are responsible for) is being well maintained and invested in. This will include repairs being carried out in line with the lease, and that any capital needs of the building are planned for. All relevant standards for the works are met, including

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planning, landlord permissions and building regulations. The council is informed of the long-term management issues of the premises in a timely fashion.

Premises optimised for social value:

- 3.7. It is expected that the tenant will take steps to optimise the use of the premises to create vibrant and thriving spaces. This means that steps will be taken to ensure the building is as well used as practically possible, such as publicising the building, seeking service providers, funding activities etc. Where organisations are under-occupying, they may not receive the full discount for part or the whole, so it is important that tenants consider finding ways to optimise space. As an alternative they may need to take steps to downsizing as necessary. In rare cases the tenant may be offered alternative space or asked to offer space to sub-tenants.

Good Service Standards:

- 3.8. It is expected that activities and the operations of the space follow good services standards. These include ensuring insurance, safety, safeguarding and equality considerations are consistently met whether by the tenant, contractors or hirers. It is expected that an organisation will have sufficient policies in place to evidence their good service standards, staff are properly trained or vetted and contractors are carefully appointed. Services should be run with appropriate regard to all legislation e.g., GDPR.

4. Social Value Discount

- 4.1. The tenant will be expected to define and evidence what social value is generated by the discount of the premises and who benefits. The Council has accepted that tenants can define social value themselves and the council will not introduce an onerous system of key performance indicators, or proxy measures. However, there are some important principles which each VCS tenant will be expected to follow set out below. In addition, the Social Value that is generated should be proportional to the size and value of the premises; although each building will have some limitations on how it is and can be used.

Beneficiaries

- 4.2. Beneficiaries should be local residents, have an established local connection, or be drawn from a community of interest that experience disadvantage. Steps should be taken to ensure activities are as accessible as practically possible, making reasonable adjustments to accommodate a range of individual needs. Where there are restrictive membership criteria should be clear and obvious in nature, e.g., a shared health condition, parental status, etc. Tenants will be expected to have information about who is benefiting from the discounted property.

Service Delivery

- 4.3. Services generating social value should be targeted towards improving life chances or improving social outcomes to disadvantaged communities. Services should promote and improve health and wellbeing, financial resilience, address poverty,

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improve employability, the rights of individuals and generally have a positive impact on the individuals and their social resilience etc. (this list is not exhaustive). The VCS tenant will be expected to be able to demonstrate how people have benefitted and ways beneficiaries can provide feedback and shape services. Services generating social value should deliver social goods and may prevent more complex demands being made on public services in the future.

Second Tier Services and Support to Organisations

- 4.4. Second tier organisations are tenants who support other charities (who go on to provide social value for local residents). Second tier organisations will be considered to be creating social value where this is delivered by organisations they support. It is expected that less will be known about the residents who benefit from their services. Letting space to businesses will not be considered as generating social value if the primary relationship is income generation.

Excluded Activities

- 4.5. Not all charitable activities generate social value. Some activities will be excluded if they are of a restrictive nature, not targeted on needs, or inaccessible (not exhaustive). This is likely to include single faith groups or activities, political parties, family events, activities with qualifying membership or onerous membership criteria or conditional on certain behaviours. Not targeting social needs may result in social value not being recognised by the Council, for example executive job support, elite sports, private coaching or tuition, some health consultations may not qualify despite accessing employment, improving health, increasing education etc. VCS organisation may host these to generate income provided no other services or groups are disadvantaged by this. Some arts, environmental, or business support may deliver social value, but may need assessment on a case-by-case basis.

Other considerations:

- 4.6. In some cases, the Council reserves the right to apply the social value discount in situations outside of the usual process, or specify what social value is required as a condition of occupation. This would be for different needs such as:

- Strategic needs of the Council
- New or emerging services
- Where premises may be unused, or to bring in to use again
- Where there is only a single user or use for a premises
- Where any use may prevent social harm (e.g., ASB issues etc)
- Good estate and property management (e.g., temporary or meanwhile use)

These arrangements are intended to be managed within this policy, and at a suitable time to be managed on a par with the usual remit of the policy and to take steps towards this. This may include a profit-making company or ineligible organisations benefiting from the discount if no suitable not-for-profit can occupy the premises.

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5. Reviewing Social Value

- 5.1. The tenant's social value will be reviewed regularly by the Council, typically annually. Where the organisation is in receipt of multi-year grant funding this review may be incorporated into annual monitoring reviews.
- 5.2. Unless other more suitable monitoring arrangements are in place (such as through a commissioning manager, separate service level agreement, grant arrangements etc), a two-phase process will be applied; an initial self-assessment process will be sufficient to provide assurance that a social value discount can be justified in most cases. Where the social value is not apparent or obvious through the self-assessment there will be a second phase. In the second-phase, the Council will require further information in a more detailed assessment to establish the eligibility of discount.
- 5.3. In the second-phase, further information will be sought which may relate to any aspect of the Social Value Framework. This may be in relation to the soundness of the organisation, the ability to manage the space or about the social value generated. A detailed process will be used to establish the facts not captured in the self-assessment process. The detailed assessment can take place at any time if triggered by any risks or issues that emerge and an assessment process may start at the second-phase. Following the detailed assessment, the Council may initiate a process involving an improvement plan being given to the tenant.
- 5.4. An improvement plan will clearly state areas needed to be changed in order to be eligible for the Social Value Discount and allow sufficient time to achieve this. Details about how to challenge this will also be provided. The improvement plan will be authorised by a suitable manager at the Council.
- 5.5. The rent discount may be suspended temporarily or withdrawn permanently. This is likely to occur with notice however in cases where there is a clear breach of significant tenancy terms (safeguarding, equalities or similar) this may lead to an immediate withdrawal of the discount and immediately moving to a second-phase assessment, seeking further information or improvement plan or other proportional action.
- 5.6. Where the social value discount is withdrawn guidance will be given on how to challenge this decision or make a complaint. Where the tenant decides to surrender the lease consideration should be given as to whether the discount should be applied for the notice period, particularly if the tenant is surrendering for grounds of affordability.
- 5.7. The tenant will be kept up to date as to the progress of their social value discount and any subsequent improvement plan emanating from the process, including when decisions are made.
- 5.8. Losing the social value discount where insufficient social value criteria are being met will not necessarily result in tenancy action being taken, and the tenant is likely to be able to continue to occupy the premises but at the reserved 'market rent' of the

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premise. At this point the Council may initiative a rent review to check the market rent. However, if the Social Value Discount is withdrawn the council do reserve the right to trigger a break clause and gain possession. This may not result in eviction as at the Council's discretion a commercial lease may be offered to the tenant as alternative to leaving.

- 5.9. Between reviews, the tenant should at all times keep the Council up to date of any occurrence that may impact on the Social Value Discount, as soon as practicable. This could include the turnover going over £2m, merging with another charity, safeguarding incident, etc.
- 5.10. A Service Level Agreement will be issued as part of the lease and signed stating how the arrangements of the Social Value Discount will be managed, and further detailed conditions of the arrangements.
- 5.11. As part of the lettings process the council may specify social value outcomes required. Where these are specified, the tenant is required to fulfil these unless subsequently agreed otherwise. A review of social value outcomes can be requested between regular reviews by either party.
- 5.12. The timings of the ordinary review process should be sufficient so that the tenant can experience continuity of discount and both parties should allow sufficient time to conclude the review.
- 5.13. Organisations in receipt of the discount are expected to fully co-operate in a timely manner with the self-assessment and any subsequent process. This is in order to ensure the discount can continue. Before taking a tenancy, prospective tenants should ensure they can meet the demands of the social value process. A discount will not be applied without the tenant's engagement in the process.

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