

LONDON BOROUGH OF WALTHAM FOREST

Meeting / Date	<b>Cabinet – 11<sup>th</sup> July 2019</b>	
Report Title	<b>Community Asset Review</b>	
Cabinet Portfolio	Councillor Simon Miller Cabinet Member for Economic Growth and Housing Development	
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Wards affected	All	
Public Access	Open	
Appendices	Appendix A: Equality Impact Assessment	

## 1. SUMMARY

- 1.1 This report sets out the work to produce and implement a Community Asset Strategy and the creation of local Community Hubs to strengthen the Council's strategic relationship with local Voluntary and Community Sector Organisations (VCSOs) through the use of property as an 'enabler'. This work is integral to produce an improved approach in the way the council and the VCS operate together to benefit residents.
- 1.2 Building on the strength of our Creating Futures Corporate Strategy we want to improve life chances for everybody in Waltham Forest. The Connecting Communities programme seeks to unlock the collective power of Waltham Forest's people where every resident and local organisation is empowered to lead change. The Community Networks will bring together local and key public services in a new way of working. The networks are key to making better use of existing resources such as local buildings and spaces to act in a more co-ordinated way to create new opportunities enabling people to connect with and help each other. The proposed Community Asset Strategy closely aligns with these ambitions and will be a key enabler.

- 1.3 This proposal will bring in additional resources; efficiencies; social and commercial development opportunities and additional income to support the Council's work in the Connecting Communities and Life Chances Unit and the Property and Asset Management team.
- 1.4 This proposal is to be delivered as a staged approach commencing with the Council's community buildings portfolio, extending to a deployment across the entirety of the council's estate in line with the principles of the One Public Estate.

## **2. RECOMMENDATIONS**

Cabinet are requested to provide approval for the following:

- 2.1. To agree further forward funding of £480,000 from the Investment Fund to enable the delivery of the programme over a 2 year period to support the production and implementation of the Community Asset Strategy (as set out in paragraph 3.1 below).
- 2.2. Approve the use of the CBAT tool for awarding rent subsidies capped at a maximum level of 70%, to VCOSs leasing the Council's community buildings.
- 2.3. Agree to the creation of Community Hubs across the Connecting Communities Network areas.
- 2.4. Approve delegated authority to review and implement the outputs of the 2 year programme to the Deputy Chief Executive Officer and Strategic Director for Economic Growth and Housing.

## **3. PROPOSALS**

- 3.1 To implement a phased approach over 2 years to:
  - 3.1.1 Establish a fair and transparent framework for awarding subsidies to VCOSs leasing the Council's community buildings and implement the CBAT to regularise all current tenancy arrangements; identifying opportunities for co-location of VCOSs resulting in the potential for 8 surplus properties over a period of 2 years. To commence in September 2019.
  - 3.1.2 Undertake valuation and condition surveys for all 38 properties and identify the liability for the Council. NPS have been commissioned to undertake the surveys and the final report will be presented in September 2019.

- 3.1.3 Commence a pilot with 6 VCISOs identified in the Walthamstow Network area for the first tranche of the programme from July 2019. Identify opportunities for efficiencies within the VCS estate and any existing properties which become surplus to VCS requirements as a result of co-location. Roll out the programme on a wider basis to cover all of the Network areas from autumn 2019 onwards.
- 3.1.4 Co-produce the blueprint for the Community Hub model in each Network area through stakeholder engagement and consultation to commence from September 2019. This is likely to result in the identification of surplus properties for potential release. The agreed vision and blueprint will be presented in April 2020.
- 3.1.5 Further to the production of a blue print for community hubs; produce the business case for the establishment of the community hubs (on a singular or collective basis) to secure any associated capital funding.
- 3.1.6 Establish a VCS Property Maintenance Fund to protect community assets and improve VCS buildings from the additional rental income generated as a result of regularising all VCISO tenancy arrangements.
- 3.1.7 Identify the future utilisation of any surplus properties and diversify income streams through:
  - Additional market rental income against the potential for 8 properties;
  - commercial/social development opportunities;
  - Disposal and capital receipt.

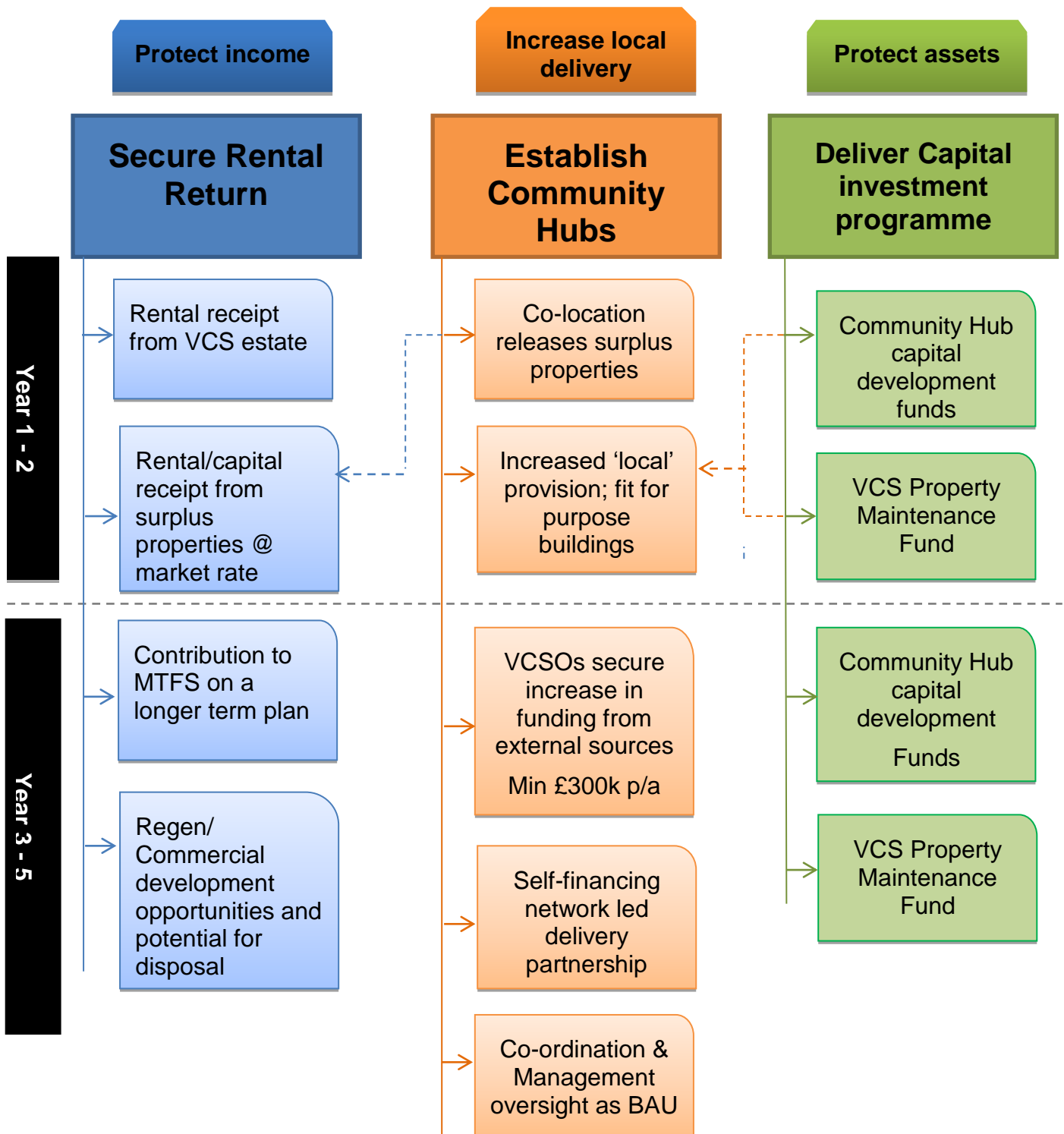
## 3.2 BACKGROUND:

A review of all Council properties let to Voluntary and Community Sector Organisations (VCISOs) has been undertaken which identifies the council has a total of 38 properties (43 occupiers) in use by the VCISO. The current annual rental yield is £312k per annum. The potential yield (full market value) is circa £1.3m per annum, therefore in effect, providing a subsidy to VCISOs of £988k per annum. In addition to this:

- **75%** of tenants are either tenant at will or holding over on a lease that has expired
- **50%** of leases have expired
- **20%** are not paying any rent at all
- **5%** are paying a commercial rent
- **80%** are only paying 30% of the commercial rent due
- **50%** of buildings are believed to be under occupied

- **40%** of the estate is believed to be in need of repair and modernisation
- .
- 3.2.1 In March 2019 Cabinet approved £100,000 seed funding for this programme. In April 2019 a Programme Manager was appointed through the Connecting Communities programme to work with Property Services to establish the viability of this proposal, which has been informed by internal stakeholder engagement. A Steering Group to oversee the governance and delivery for the programme is in place and chaired by the Director of Communities
  - 3.2.2 The Community Benefit Assessment Tool (known as CBAT) uses nationally recognised assessment methodology for assessing social benefit. This provides meaningful information and a transparent and consistent approach to support the negotiation of rent subsidies and leases. The CBAT is designed to be an effective way to ensure consistency in negotiations with the VCSOs. The Council is currently in negotiations with Barnet to purchase the CBAT software on an initial 1 year trial at a full year cost of £5,000
  - 3.2.3 Two desktop pilot studies of the Community Benefit Assessment Tool (CBAT) have been undertaken with 2 VCSOs. The outcome of the desktop pilots demonstrates that this approach works.
  - 3.2.4 A desktop review of the existing arrangements for all properties and VCSOs has been completed and a property matrix prepared resulting in a phased implementation plan.
  - 3.2.5 The potential for commercial development of surplus properties has been speculated on an initial basis by the Property and Asset Management team. The initial findings are that there are sites within the portfolio which could have significant development or disposal potential and this requires further consideration in line with the key drivers for this proposal.
  - 3.2.6 This is an opportunity to strategically align our approach to build strong, sustainable and integrated communities in Waltham Forest and to deliver a key part of the Connecting Communities and Creating Futures vision to mobilise local assets and resources for residents.

3.3 **The key objectives:** the introduction of a Community Asset Strategy (CAS) will enable the Council to deliver 3 key objectives across the following areas of the Community Asset Strategy conceptual framework:



### **3.3.1 Protect income and secure rental return:**

- A new process for agreeing rent subsidies and leases, including lease renewals and new leases with VCSOs.
- Adopt the Community Benefit Assessment Tool (CBAT) which has been tested within LB Waltham Forest to assess and evaluate the monetary value of community benefit with a maximum rent subsidy of 70%.
- Secure efficiencies across the community buildings estate through co location of VCSOs and release properties as a consequence; an initial assessment of 8 surplus properties has been identified.
- Secure market rental income against those properties declared surplus to the VCS programme to further augment the income produced by the Council's existing commercial and investment property portfolio.

### **3.3.2 Increase local delivery and establish Community Hubs:**

- Through consultation establish a blueprint for the Community Hub model across each of the Connecting Communities areas.
- VCSOs provide co-ordinated services and interventions across local assets providing access to affordable and flexible spaces for residents.
- Future proofing of community assets including mixed use developments.

### **3.3.3 Protect assets and deliver a capital investment programme for the community buildings portfolio:**

- Establish a Property Maintenance Fund to maintain and secure the condition of properties where the Council continues to have an obligation.
- Ensure that community buildings in the council's ownership meet all of the statutory obligations and are fit for purpose and maintained to a good standard.

### **3.4 Proposed Outcomes:**

- 3.4.1 To maximise the use of buildings, aligning with the One Public Estate agenda; Creating Futures; Think Family Strategy; London Borough of Culture legacy and the Connecting Communities and Life Chances priorities particularly around the occupation of space at community hubs.
- 3.4.2 The establishment of Community Hubs across the Connecting Communities Network areas. VCSOs co locate and co work more effectively to mobilise local assets and resources in support of shared local priorities; maximising efficiencies and strengthening peer to peer support.
- 3.4.3 Co-ordinated delivery across key local assets (Council, other public sector and community assets) aligned to a stronger relationship with the VCS and wider outcomes for a strong and vibrant VCS.
- 3.4.4 Increased VCS participation in the delivery and integration of services within the community. Community assets are used as a tool for encouraging community engagement and co-production resulting in increased social cohesion, social capital and shared responsibility (key areas for Connecting Communities).
- 3.4.5 To introduce a rental subsidy programme to assist VCSOs that are clearly providing community benefit to Council residents, and supporting the Council's objectives.
- 3.4.6 Greater awareness of VCSOs and the services they provide with an increased understanding of the gaps within local community resources alongside a proactive response to help solve problems locally.
- 3.4.7 Diverse range of modern, flexible, functional spaces for residents and VCSOs where space can be used more efficiently, to maximise the use of buildings and enhance opportunities for organisations to share and co-locate with others. Smaller groups are not limited to fixed premises and long term contractual arrangements.
- 3.4.8 Reinvestment into the community buildings estate to improve and maintain the condition of properties; future proofing and ensuring long term sustainability of the estate and occupants.
- 3.4.9 A clear understanding of VCSOs occupying Council buildings with secure occupancy arrangements in place.
- 3.4.10 Generate a commercial yield on surplus community assets and deal with any surplus to reinvest into community/commercial development opportunities.

### 3.5 Programme & next Steps

3.6 This plan is a phased approach:

- Years 1-2: intensive period of programme delivery to regularise existing arrangements with VCISOs; establish community hubs across the borough; increase local service delivery; 8 surplus properties are released for income generation with potential for disposal of at least one property to generate capital receipt to fund the costs of the programme.
- Years 3-5: secure and embed the Community Hubs; secure a BAU approach to ongoing VCS delivery and development; generate a long term rental income stream for the Council.

3.7 The total cost for the programme delivery for the initial 2 year period is £580,000, during which period the success will be evaluated and any potential future opportunities for generating income such as commercial and development opportunities can be identified on a case by case basis.

The breakdown for this is as follows:

Expenditure	Year 1	Year 2
Programme Management costs (resources for 2 years)	£132,000	£132,000
Market valuations with lease plans; Condition surveys with measured plans and photos	£100,000	0
CBAT Business Assessor (1 FTE PO2 grade incl. on costs)	£43,000	£43,000
Property Services recharge costs	£25,000	£25,000
VCISO training	£8,000	£8,000
Legal Services (Council) <i>19 properties @£500 each</i>	£9,500	9,500
Legal Services support (VCISO)	£10,000	£10,000
CBAT Licence	£5,000	£10,000
Engagement & Comms activity	£5,000	£5,000
<b>Sub total</b>	<b>£337,500</b>	<b>£242,500</b>
<b>Total cost of programme over 2 years</b>	<b>£580,000</b>	
<b>Funding already approved by Cabinet on 21/03/2019</b>	<b>£100,000</b>	
<b>Total funding requirement now requested (less £ 100k)</b>	<b>£480,000</b>	



- 3.8 A business case was submitted to CSAMG on 24<sup>th</sup> June 2019 and was approved on the basis of the outcomes required from the Financial Implications at Paragraph 7.

#### **4. OPTIONS & ALTERNATIVES CONSIDERED**

- 4.1 To do nothing is not an option for the reasons set out in this report and would result in a missed opportunity by the Council in the efficient use of its assets and resources to support residents and VCSOs in the Borough. The greater risk to the council is the failure of VCSOs to expand and enhance provision of local services to communities which would ultimately cost the Council more in delivery. Approximately 70% of leases have expired presenting a significant risk to the Council and requiring remedial action.

#### **5. SUSTAINABLE COMMUNITY STRATEGY PRIORITIES (AND OTHER NATIONAL OR LOCAL POLICIES OR STRATEGIES)**

- 5.1 This proposal sits within the Council's strategic objective of the Connecting Communities Strategy to establish a new relationship with our community, where we empower people to help themselves and each other.

#### **6. CONSULTATION**

- 6.1 A detailed stakeholder engagement plan has been produced and covers the following areas:
- a. Engagement with a wide range of stakeholders to increase dialogue and communication in a phased approach in order to gather insight and intelligence on the status and activity base of VCSOs occupying Council buildings.
  - b. To provide stakeholders with information to establish different communication channels to inform and embed the proposal for managing the community buildings portfolio.
  - c. To confirm current occupancy of community buildings and identify the condition of the community estate and value of community buildings.
  - d. To co-produce a blueprint for the Community Hubs model in each Network area and develop consensus on the proposal and plan; establishing 'Community Champions' for the programme.

## **7. IMPLICATIONS**

### **7.1 Financial Implications –**

- 7.1.1 The 2 year programme costs are required to enable programme delivery as set out in the Proposal point 3.1 and Programme point 3.5.
- 7.1.2 This programme will be funded via the Investment Fund Reserve. The return on investment case for this funding is on the basis that the Council will receive returns through the following expected outcomes:
- i. rental income stream from surplus properties and/or
  - ii. capital receipt from disposal of surplus properties to fund the cost of the whole programme
- 7.1.3 Any revenue returns will be used to replenish the Investment Fund Reserve and the payback period is currently expected to be approximately five years. Capital receipts will be used to finance the future capital programme.
- 7.1.4 The programme management will be led through the Connected Communities programme supported by Property and Asset Management team.

### **7.2 Value for Money**

- 7.2.1 VCSOs in co-location results in greater efficiencies in overhead costs and impact of service delivery. The evaluation undertaken by Beaconsfield Community Centre showed that this approach provided value for money. The cost-benefit analysis showed that for every £1 spent there was a return of £3.17, in the form of adverse outcomes avoided.
- 7.2.2 Other evaluations suggest Social return was higher at £4.07 for every £1 spent. Studies on Social Return on Investment demonstrate a range of other significant and specific impacts on local resident's i.e. Lower crime rates, fewer falls for seniors, decreased diabetes rates, and higher levels of community trust etc.
- 7.2.3 This approach will protect current VCS rental income of £312,000 and potentially generate additional commercial income.

7.3 **Risk** – summary of risks stated below:

	<b>Description</b>	<b>Countermeasure(s)</b>	<b>*Like lihood</b>	<b>**Imp act</b>
1	Subsidy levels awarded to VCSOs are not sustainable with varied local agreements in place.	<ul style="list-style-type: none"> <li>Financial modelling undertaken demonstrates that current levels of income will be maintained; even if all VCSOs are awarded the full subsidy.</li> <li>Standard Head of terms to be issued to VCSOs, followed by a process of lease negotiation and a subsidy side letter outlining the % of subsidy to be awarded.</li> </ul>	2	2
2	VCSO unwilling to engage and resistance to the implementation of the strategy.	<ul style="list-style-type: none"> <li>Detailed stakeholder mapping completed.</li> <li>Stakeholder engagement has commenced with key partners and includes a VCS lead from the Council's VCS team to support the process.</li> <li>Two desktop pilots carried out already.</li> <li>Firmly embedded into the Connecting Communities Network Managers priorities for each area.</li> <li>Walthamstow network will be the Pilot area; commencing with 6 groups with a view to the pilot VCSOs to be asked to "champion" the Implementation Programme.</li> <li>LBWF to provide training to VCSOs and provide a clear information pack, before phased implementation of the scheme.</li> </ul>	2	3
3	Deterioration of VCSO sites and poor use of space.	<ul style="list-style-type: none"> <li>Condition surveys have been factored into the programme for all sites. Valuations to be undertaken to establish current market rental values.</li> <li>Utilisation and co-location will be considered as part of the engagement with VCSOs.</li> <li>LBWF to offer training to VCSOs on the maintenance and running of community buildings.</li> <li>Building Maintenance Fund established.</li> </ul>	2	3

4	Establishing the Community Hubs is costly and lengthy.	<ul style="list-style-type: none"> <li>• The programme is phased delivery over a 7 year period; intense 2 year activity to establish the model through strong engagement and consultation approach.</li> <li>• Programme Manager and team in place for delivery.</li> <li>• Steering Group chaired by Director of Communities maintains strong oversight and governance.</li> <li>• Existing VCS community hubs can be utilised.</li> <li>• Commencing with Walthamstow pilot where no Hub is currently operational provides opportunities and traction for the programme.</li> <li>• Emerging strong collaborative approach with Housing and other partners builds in capacity and opportunity.</li> </ul>	1	3
5	Release of surplus properties for commercial gain is delayed.	<ul style="list-style-type: none"> <li>• The forecasting for financial return on surplus properties allows for a sequential approach over a period of time i.e. co-location of VCS groups; release of properties; marketing of properties and subsequently securing a commercial tenant.</li> <li>• The financial model identifies that this will take place from year 3 (of the 7 year plan).</li> </ul>	1	3

#### **7.4 Legal Implications:**

7.4.1 Under section 123 Local Government Act 1972 the Council may dispose of land in any manner it wishes subject to obtaining the best consideration or otherwise with the consent of the Secretary of State. Disposals under this section include a lease of more than 7 years.

7.4.2 Under the Local Government Act 1972: General Disposal Consent 2003 the Council may dispose of land for less than best consideration where the Council considers the disposal will help it to secure the promotion or improvement of the economic, social or environmental well-being of its area. The undervalue may not be for more than £2,000,000.

7.4.3 To provide a financial benefit is likely to constitute state aid. However, individual transactions are likely to be below the de minimis threshold and therefore exempt. The position will be assessed on a case by case basis.

## **7.5 Equalities and Diversity**

There are no negative implications. An impact screening template is attached at Appendix A.

## **7.6 Sustainability (including climate change, health, crime and disorder)**

During implementation of this strategy the Council will seek to ensure the following:

7.6.1 **Improving energy efficiency of the building stock.** We will consider the appropriate energy efficiency measures i.e. Salix funding or Carbon Offset Fund.

7.6.2 **Water efficiency** –where possible and dependent upon availability of funds, install or recommend the installation of the appropriate and available measures to improve water efficiency.

7.6.3 **Transport** –recommend groups to consider how VCSO staff might be encouraged to take sustainable forms of transport, rather than drive, e.g. through car sharing schemes, cycle storage infrastructure etc.

7.6.4 The improvement to the condition and fabric of the community buildings portfolio will improve the local environment and quality of provision for service users and communities.

## **7.7 Council Infrastructure**

7.7.1 There is no immediate impact on the Council's infrastructure as there will be officer and consultant teams in place to deliver this programme.

## **7.8 Brexit**

7.8.1 We have carefully considered any Brexit implications and the most likely area to be affected is the potential for disposal of any site and subsequent sale. Treasury predictions are that Brexit could result in a reduction in property values in the short term of between 10 – 18%. This outcome could mean the achievable prices for the open market units would be less than the value required by the Council to make projects viable. Should this situation occur the Council may have a number of options of alternate use of the open market units, including renting at open market rents. This risk will be managed throughout the delivery of the programme.

## **BACKGROUND INFORMATION (as defined by Local Government (Access to Information) Act 1985)**

None