

LONDON BOROUGH OF NEWHAM

CABINET

Report title	Community Centres and Social Value Policy	
Date of Meeting	3 December 2019	
Lead Officer and contact details	Mohamed Hammoudan, Assistant Director for Resident Engagement and Participation	
Director, Job title	Ian O'Donnell, Organisational Change Consultant and Conrad Hall, Corporate Director of Resources	
Lead Members	Cllr John Gray, Deputy Mayor (Statutory) and Cabinet Member Housing Services and Councillor Charlene McLean, Deputy Mayor (Community) and Cabinet Member Community Neighbourhoods	
Key Decision?	Yes	Reasons: Whole Borough
Exempt information & Grounds	Yes / No	Grounds:
Wards Affected	ALL	
Appendices (if any)	<ol style="list-style-type: none"> 1. Community Centre Asset Review Flowchart 2. Community Centre Strategy 3. Social Value Policy 4. Overview of current lease terms 5. Equality Impact Assessment 6. Social Value Matrix 7. Map of council run community centres 8. List of Community Centres 	

1 Executive Summary

- 1.1 The council owns a number of community centres which are run by Voluntary and Community Sector (VCS) organisations. The council continues to incur costs for many of those centres whilst in some cases receiving no income for the asset. Whilst some organisations are delivering a social value to residents through those centres, in some instances centres are under-used and the social value is minimal. There is a need to agree the methodology for managing those centres and for calculating the social value that they deliver. This will enable the council to support the Voluntary and Community Sector whilst also ensuring that its assets are maximised and benefit residents.
- 1.2 The current proposals are looking specifically at the community centre portfolio (Appendix 8), rather than a wider approach looking at all community spaces

and / or assets which could be used as community spaces.

- 1.3 This is in recognition of the identified issues outlined in 1.1. However, it will also serve as a pilot which could, following an analysis of the process and further financial modelling, be adapted for other community assets such as parks buildings and / or for VCS organisations leasing other council properties.

2 Recommendations

- 2.1 For the reasons set out in the report and its appendices, Cabinet is recommended to agree:
 - 2.1.1 The methodology for managing the community centre estate, including those centres which are leased to the VCS, as set out in this report.
 - 2.1.2 To delegate authority to the Director of People, Policy and Performance to implement the methodology set out in this report, in consultation with the Deputy Mayor (Community) and Deputy Mayor (Strategy).
 - 2.1.3 That the overall management of all LBN community centres sits under the Assistant Director for Resident Engagement and Participation.
 - 2.1.4 To delegate authority to the Director of People, Policy and Performance to determine, in accordance with the methodology outlined in this report, the social value subsidy to be awarded to VCS organisations leasing community centres, in consultation with the Deputy Mayor (Community) and Deputy Mayor (Strategy).
 - 2.1.5 To review annually.

3 Background

- 3.1 Following previous cabinet decisions on 25 September 2014 and 12 January 2017 the current policy within the council is to charge the VCS a market rent when leasing council premises without financial assistance or subsidy from the Council. This does not align with the priorities of the council in 2019-20 and the Corporate Plan includes an action to 'Deliver a strategic review of community spaces that recognises wider social value'
- 3.2 The council owns a large number of community spaces with over 30 community centres. Over two thirds of those centres are run by the VCS. Other community spaces include parks buildings in addition to a range of council assets which are occupied by the VCS. There have been significant challenges in implementing the decisions outlined in 3.1 and in many instances the council continues to incur running costs for these assets whilst receiving little or no rent and this is not a sustainable situation.
- 3.3 Whilst some of the organisations that run these buildings deliver social value to their local community, there are a number that either do not appear to deliver social value or the level of social value delivered appears very low. Where organisations do deliver social value, there is no current mechanism within the council to measure or recognise that value.

- 3.4 Community Wealth Building is an Administration priority. Through it the council seeks to ensure economic growth in the borough is shared locally and held democratically. This will include a focus inwards, at realising the potential of the community, residents, local businesses and the VCS. To help realise this, there is an action within the corporate plan 2019-20 to deliver a strategic review of community spaces that recognises wider social value.
- 3.5 A strong and thriving VCS in the borough is key to Community Wealth Building. Recognising the social value delivered by the VCS occupying council buildings contributes to that aspiration. The wider ambition for a dynamic voluntary sector includes reimagining how the council can best partner with and support the VCS across a range of initiatives including reshaping approaches to commissioning and grant giving; increase resource available for the sector; facilitate the sharing of time, skills and intelligence; and the utilisation of community buildings and spaces.
- 3.6 Out of a sample of 8 community centres there is an average dilapidations liability on each community centre of £80000. Whilst the council wants to ensure that its assets are of a high quality and well-maintained, it is aware that many of the organisations currently occupying community centres would be unable to address these dilapidations. In the current situation where the council continues to incur running costs for centres, especially where there is little social value generated for local residents, the Council would need to decide on a case by case basis, following analysis of the business case, whether it was a good use of resources to address the dilapidations.

4 Key Considerations & Proposals

- 4.1 The community centre asset review flowchart will be used to assess community centres run by VCS organisations on a case by case basis to ensure that a strategic approach is taken with these assets that maximises their benefit to residents.
- 4.2 Currently all community centres are occupied and a number have tenancies in place under a lease (Appendix 4). Where there is a lease, it is proposed that each centre is assessed within the final year of its lease. In addition, centres which are not occupied under a tenancy will be assessed immediately.
- 4.3 A centre will be assessed for its redevelopment / housing opportunities in accordance with the policy framework, including opportunities to re-provide community space with housing where this is required.
- 4.4 A centre will also be assessed against the council's own requirements for space – either as a community centre in line with the community centre strategy, as multifunctional space as endorsed by the Local Plan or for another purpose which fulfils the council's priorities, such as space for youth provision.
- 4.5 Where the council does not have an objection to the renewal of a tenancy, for example, it does not need the centre for its own use or for redevelopment, it is intended that a new lease will be negotiated with the current occupier. Where an organisation is eligible for a social value subsidy in line with the social value policy, an assessment of social value will be calculated using the social value

matrix.

- 4.6 There will be a two stage process. In the first stage, a market rent will be assessed for the property based on an up to date valuation. The second stage is to assess the level of social value subsidy that an organisation will generate and apply that subsidy to the market rent. It is intended that negotiated lease agreements will be for the market rent and the obligation is upon the organisation to ensure that an application for a social value subsidy is made in sufficient time.
- 4.7 The five social value strands that organisations will be assessed against have been developed to match the Council's aspiration for the borough and are closely aligned to council priorities in the corporate plan: Buildings; Employment and Skills; Community and Social; Access; and Environment. They also closely match the themes in the national Themes, Outcomes and Measures (TOMS) social value calculator. The National TOMs Framework provides a reporting standard for measuring social value for use by the VCS.
- 4.8 In conversations with the VCS, it was clear that it is important that mechanisms for measuring social value are transparent, easy to understand, are not overly bureaucratic for VCS organisations and not an administrative burden within the council. The procedure needs to be easy to use and sustainable.
- 4.9 Social value subsidies are to be given as a rental discount and applied on the invoice. The rental discount mechanism is an agile and transparent tool enabling the matrix to be kept updated to current Council priorities, whilst giving organisations the opportunity to capacity-build and provide greater social value as they evolve (and for that value to be captured and for the organisation to benefit from delivering that value).
- 4.10 A simpler process is already in place for regular and ad hoc room hire within council run community centres. It recognises social value through a tiered rate card offering a community rate and a start-up rate and this will continue to operate for VCS organisations hiring rooms.
- 4.11 Qualifications for a social value subsidy would ensure that large, major and super-major charities (defined by NCVO as organisations with more than £1million income per annum), commercial operations or organisations not based in Newham and that do not deliver directly to Newham residents are ineligible for the subsidy. This is to ensure that it is the micro, small and medium VCS organisations who are based in Newham and have a mandate to serve Newham residents, which benefit from this subsidy contributing to the Council's aim of a thriving and vibrant VCS in the borough.
- 4.12 The Resident Engagement and Participation service will administer the process on behalf of the Housing Revenue account and for General Fund centres. A new FTE will be created to manage this. The cost of this additional resource will be met by the additional revenue generated from the application of the new methodology and will not incur further costs to the Council. (See 8.1)
- 4.13 In the future when community centres become empty the process within the flowchart will be followed. This will be in line with the community centre strategy and Local Plan policies relating to community facilities. If as a result of the flowchart, the asset is considered not to be required as a community

centre and is not leased to a VCS organisation but is retained and leased to another organisation, the asset will become part of the commercial property portfolio.

- 4.14 As part of both the lease and licensing processes, due diligence is carried out to ensure that the usage of community centres does not negatively impact the local community and that appropriate safeguarding measures are undertaken.
- 4.15 A large number of community centres are part of the Housing Revenue Account (HRA) and there is a need to ensure that the organisations who occupy those buildings understand that the primary purpose of the building is to serve tenants and leaseholders and this should be key to their delivery model.
- 4.16 By undertaking this review and implementing the social value policy, community centres in Newham will contribute to the council's ambitions around community wealth building, enabling the VCS, reducing social isolation and promoting social integration whilst reducing costs to the council and ensuring that council assets are properly managed.
- 4.17 Engagement with VCS organisations has helped to shape the Social Value policy document and the matrix has been tested against current provision in one of the community centres.
- 4.18 Recommendations for capital spend on individual centres will follow the Council's process for capital spend, on a case by case basis dependent on the business case for that centre.
- 4.19 That the methodology for calculating social value would also be applied to meanwhile usage of community centres by VCS organisations. Other processes for meanwhile usage of vacant community centres will follow Council policy on meanwhile use.

5 Delivering Council Policy & Corporate Priorities

Social Integration

- 5.1 Community Centres are council owned venues whose core purpose is to promote social integration not only as venues where residents of different backgrounds can come together, engage in shared experiences, interact and building meaningful relationships; but also by working to tackle a range of inequalities that residents face through the provision of advice, support and workshops; and in tackling loneliness and isolation.
- 5.2 The methodology proposed for the management of community centres seeks to maximise the opportunities for social integration within those centres [whilst cognizant that for some centres the provisions of the Landlord and Tenant Act 1954, Part II, may apply] by giving a 50% weighting to the community and social integration strand of the social value matrix.
- 5.3 Where a VCS organisation delivers a comprehensive programme for residents which delivers social integration opportunities it will benefit from a higher level of social value subsidy.

Community Wealth Building

- 5.4 The proposed methodology and social value policy is aligned with the Community Wealth Building strategy through the recognition of the contribution that the VCS gives to the local economy and the provision of a rental subsidy in recognition of and in relation to that social value.
- 5.5 In addition, the employment and skills strand has a weighting of 20% in the social value matrix. For example, it recognises VCS organisations that pay the London Living Wage, have trade union recognition, offer apprenticeships to local residents, provide accredited volunteering opportunities, capacity build other local groups, and offer placements and roles for vulnerable adults.
- 5.6 Whilst the recommendations in this report are in relation to Council owned community centres, the methodology and mechanism for measuring social value could be extended, subject to financial modelling and an analysis of lessons learnt, to other buildings that the Council leases to the VCS.

6 Alternatives considered

- 6.1 Do Nothing. To do nothing is not an option and fails to promote the proper management of the council's Community Centre estate. It would not contribute to the Mayoral Priorities or the Corporate Plan. There are some centres run by the VCS that appear not to deliver an effective or useful service to our residents. There is a need to take necessary action to ensure that these Council assets deliver a benefit to our residents.
- 6.2 Regularise leases at a market rent without a social value subsidy. To continue the previous policy of charging a market rent for Community Centres regardless of the social value that they provide is not an option. Previous attempts to implement this policy have met with significant barriers including affordability and the potential impact on the VCS. Moreover, Community Wealth building is a mayoral priority and it is recognised that the Voluntary and Community Sector contribute to a vibrant local economy. Ensuring that social value is recognised through our community centres is an objective on the corporate plan for 2019/20. As such, a method for recognising the Social Value of the Voluntary and Community Sector organisations leasing our community centres is necessary.
- 6.3 The Council takes over the direct day to day operational management of all community centres. This could be an option but it is not currently recommended. The Community Centre Strategy and the Asset Flowchart will identify centres that could be returned to Council control. However, to seek to return all community centres to Council control would risk losing the contribution that the Voluntary and Community sector can contribute through running community centres. There would also need to be a considerable Council resource required to achieve this, in addition to on-going revenue costs.

7 Consultation

- 7.1 Cllr John Gray, Deputy Mayor (Strategy) and Cabinet Member Housing Services; Cllr Charlene McLean, Deputy Mayor (Community) and Cabinet

Member Community Neighbourhoods and Cllr Terence Paul, Cabinet Member Finance and Corporate Services have been consulted on this report on 11 November 2019.

- 7.2 Cllr John Gray, Cllr Charlene McLean, Cllr Terry Paul, Cllr Shaban Mohammed and Cllr Rahman were involved with the working group and attended a number of meetings between September 2018 and November 2019:

Member	Meeting and Date
Cllr John Gray, Deputy Mayor (Statutory) and Cabinet Member Housing Services	Project Board 27.09.18 Project Board 12.11.18 Project Board 19.12.18 Members Briefing 14.02.19 Project Board 21.05.19 Members Briefing 25.06.19 Project Board 08.07.19
Cllr Terence Paul, Cabinet Member, Finance and Corporate Services	Project Board 12.11.18 Members Briefing 14.02.19 Project Board 21.05.19 Members Briefing 25.06.19 Project Board 08.07.19
Mayor of Newham, Rokhsana Fiaz OBE	Project Board 19.12.18
Cllr Charlene McLean, Deputy Mayor (Community) and Cabinet Member Community Neighbourhoods	Project Board 19.12.18 Members Briefing 14.02.19 Project Board 21.05.19 Members Briefing 25.06.19 Project Board 08.07.19
Cllr Shaban Mohammed, Deputy Cabinet Member - Housing Services	Project Board 19.12.18 Project Board 21.05.19 Members Briefing 25.06.19 Project Board 08.07.19
Cllr Mohammed Muzibur Rahman, Deputy Cabinet Member for Communities	Members Briefing 25.06.19 Project Board 08.07.19

- 7.3 The Council has sought views on the proposal from Community and Voluntary organisations in Newham through a survey, correspondence and meetings including:

Organisation	Meeting and Date
OneNewham (umbrella organisation of VCS organisations - invitation sent to full network and 12 groups attended)	Social value discussion 10.07.19
Stratford Circus	Social value discussion 18.07.19
Bow Arts	Social value discussion 18.07.19
Bonny Downs	Social value discussion 18.07.19

- 7.4 The Survey has been publicised via the Newham Council website between 19 June 2019 and 12 July 2019 and emailed directly to over 200 community and voluntary organisations. Paper copies were sent to the VCS organisations occupying Council community centres where no email address was available.
- 7.5 There were 57 responses to the survey. 30 individuals responded and 27 responses were on behalf of an organisation. Of those organisations, 15 currently lease space from the Council.
- 7.6 Findings from the survey showed a high level of support for the idea of social value subsidies with 51 out of 57 (89%) respondents agreeing that this was something that the council should do.
- 7.7 There was also a high level of support for using a rental discount to apply a social value subsidy with 43 out of 57 (75%) respondents agreeing that was a good way to reward social value.
- 7.8 In meetings with community organisations it was clear that transparency and fairness of application were key factors when recognising social value. All organisations also wanted to ensure that systems were simple, not time consuming and replicated, where possible, the documentation processes that they needed to provide for other funders.

8 Implications

8.1 Financial Implications

- 8.1.1 The report outlines a methodology for managing community centres and the application of social value subsidies. The modelling of the impact of the potential social value subsidy levels has been undertaken all community centres (except those managed directly by the council), across both the Housing Revenue Account (HRA) and General Fund.
- 8.1.2 Subsidy levels of 20%, 50% and 80% on the market rent, have been applied to the current rent receivable from existing tenants in the sampled community centres. For each potential subsidy level, in both the HRA and General Fund, the modelling has shown that there would be no detrimental impact on community centre rental income. There is the potential for an increase in rent under the proposed social value policy, as some of the organisations that are currently occupying the community centres at a reduced rent, or rent-free, may incur higher rental cost. However, this brings the risk of organisations choosing to terminate the lease arrangements.
- 8.1.3 The increase in rent receivable from the community centres sampled, even with the highest level of subsidy of 80%, would be sufficient to fund the creation of 1FTE post (PO4) to manage the community centres and social value subsidy process. Should the expected income

not be realised and was insufficient to fund the post then the service would need to be prepared to fund any shortfall from existing budget allocation.

- 8.1.4 The Housing Revenue Account (HRA) community centres should benefit tenants and leaseholders and the rental income any proposed subsidy should be applied as appropriate.
- 8.1.5 The arrangements outline above, by providing a standard approach, enhance both the transparency and consistency of the Council's community centre portfolio. This will also improve the financial management of the portfolio by enabling rents to be set at a market rate and allowing subsidy where social value can be demonstrated.

8.2 Legal Implications

- 8.2.1 Cabinet is asked to approve a new approach to the arrangements for council owned community centres run by the voluntary and community sector.
- 8.2.2 Paragraph 4.5 of the report refers to an intention to negotiate new leases. The grant of a lease for more than 7 years is a disposal for the purposes of section 123 of the Local Government Act 1972. Pursuant to s.123, a council may dispose of land held by them in any manner that they wish but in doing so, the council must obtain best consideration for the land and can only do otherwise with the consent of the Secretary of State or in cases of a short tenancy (i.e. less than 7 years).
- 8.2.3 Under the Local Government Act 1972: General Disposal Consent (England) 2003, the Secretary of States provides Councils with general consent to dispose of land otherwise than by way of a short tenancy, where, (a) the Council considers that the purpose for which the land is to be disposed is likely to contribute to the achievement of any one or more of the promotion or improvement of economic wellbeing; social well-being; environmental wellbeing of the whole or any part of its area, or of all or any persons resident or present in its area; and (b) the difference between the unrestricted value of the land to be disposed of and the consideration for the disposal does not exceed £2,000,000 (two million pounds).
- 8.2.4 Where it is intended that a new lease is to be negotiated with a current occupier, the provisions of the Landlord and Tenant Act 1954, Part II, may apply. The legislation gives security of tenure and protection to occupiers holding a business tenancy and allows a tenant to apply to Court to renew a lease. Should the Council wish to terminate any existing lease, the Council must put forward statutory grounds for termination and the tenant is entitled to statutory compensation. It is recommended, therefore, that any proposals for negotiation have regard to on-going legal advice as to the Council's rights and remedies as landlord in respect of any particular community centre.

- 8.2.5 The proposed social value subsidy raises State aid implications requiring monitoring for compliance. State aid is any advantage or benefit provided by a public body or through use of state resources to any undertaking. The Council's provision of subsidy will constitute State aid. Importantly, however, this is not unlawful State aid because the service to be provided is an exempted Service in the General Economic Interest (SGEI) meeting social needs: see 2012/21/EU: Commission Decision 20 December 2011 – SGEI – notified under document reference C(2011) 9380. Public authorities have considerable discretion when it comes to defining what they regard as a SGEI.
- 8.2.6 The subsidy arrangements should ensure compliance with the conditions for a SGEI set by the Commission Decision, including parameters for controlling and reviewing the subsidy paid and the service delivered. The amount paid must not exceed what is required to deliver the service including a reasonable profit. Where SGEI and non-SGEI services are being provided by the same body, then there must be separate accounts to ensure no utilisation of SGEI compensation to cross-support any non-SGEI services. Normally, the duration of the State aid cannot be for more than 10 years other than where there has been significant investment that is required initially by the service provider requiring amortisation over a longer period. The Council should also ensure that the grant of subsidy is subject to a claw-back condition in the event that it amounts to overcompensation (i.e. unlawful State aid) allowing the Council to claim back the amount and remove the State aid risk.
- 8.2.7 To the extent that the report makes reference to community centres held within the HRA, DOE Circular 8/95 remains applicable in relation to the provision of amenities under the HRA. Whether or not these should be provided under Part II of the Housing Act 1985 and charged to the HRA depends on local circumstances. Circular 8/95 identifies the key issues as the purpose of the provision and the use made of the facilities by tenants and other people. There can only be a charge to the HRA where the amenities are provided and maintained in connection with Part II housing accommodation. To the extent that an amenity is shared by the community as a whole, a contribution should be made by the General Fund: see paragraph 3 of Part III of Schedule 4 to the Local Government and Housing Act 1989.

8.3 Equalities Implications

- 8.3.1 Community centres in Newham are used by a broad representation of residents which includes those with protected characteristics. The majority of the VCS organisations currently in occupation of council owned community centres do not provide services exclusively for one group of people but tend to provide a universal offer and / or provide hire space for a range of groups.

- 8.3.2 A high-level Equalities Impact Assessment (EqIA) has been carried out. However, every centre and every organisation is unique and an individual EqIA will be completed for each centre as part of the process to ensure that decisions reached do not knowingly or unknowingly disadvantage particular groups of residents or the organisations supporting them.
- 8.3.3 The social value matrix embeds equality, diversity and inclusion by ensuring that organisations that work with vulnerable individuals and / or protected characteristics are recognised through the scoring process. The matrix is flexible allowing organisations to measure their social value in different ways without comparing or prioritising one group against another. The Director of People, Policy and Performance in consultation with the Deputy Mayor (Community) and the Deputy Mayor (Strategy) will consider and approve the level of subsidy to be provided.
- 8.3.4 The model has been tested, without prejudice, with a VCS organisation occupying a council run community centre who provides a varied programme both universal and targeted. It has also been tested against 3 hypothetical organisations.

8.4 Other Implications relevant to this report:

- 8.4.1 None

9 Background Information used in the preparation of this report