

	<h2>Policy and Resources Committee</h2> <h3>28<sup>th</sup> June 2016</h3>
<p style="text-align: right;"><b>Title</b></p>	<p><b>Community Benefit Assessment Tool</b></p>
<p><b>Report of</b></p>	<p>Interim Chief Operating Officer</p>
<p><b>Wards</b></p>	<p>All</p>
<p><b>Status</b></p>	<p>Public</p>
<p><b>Urgent</b></p>	<p>No</p>
<p><b>Key</b></p>	<p>Yes</p>
<p><b>Enclosures</b></p>	<p>Annex A – CBAT Screenshots                  Annex B - Business Case Template                  Annex C1 - Confidence Criteria – Governance and financial viability                  Annex C2 - Confidence Criteria – Capacity to deliver                  Annex D- Full Equalities Impact Assessment</p>
<p><b>Officer Contact Details</b></p>	<p>Chris Smith, Head of Estate Management                  (<a href="mailto:chris.smith@barnet.gov.uk">chris.smith@barnet.gov.uk</a>, 020 8359 2987)</p> <p>Sara Elias-Bassett, Community Engagement, Participation and Strategy Lead                  (<a href="mailto:sara.elias-bassett@barnet.gov.uk">sara.elias-bassett@barnet.gov.uk</a>, 020 8359 5320)</p> <p>Catherine Mousdale, Strategy Officer, Community Participation and Engagement                  (<a href="mailto:catherine.mousdale@barnet.gov.uk">catherine.mousdale@barnet.gov.uk</a>, 020 8359 5643)</p> <p>Anthony Jones, Capital Programme Manager- Estates                  (<a href="mailto:Anthony.jones@barnet.gov.uk">Anthony.jones@barnet.gov.uk</a>, 020 8359 4380)</p>

<h2>Summary</h2>
<p>The Community Asset Strategy (CAS) Implementation Plan (agreed by Assets, Regeneration and Growth Committee in September 2015) set out that a new process would be developed for agreeing <b>rent subsidies and leases, including lease renewals</b></p>

**and new leases**, with voluntary and community sector (VCS) organisations leasing the Council's community buildings. The aims of the CAS are to increase **transparency and consistency** in the way that subsidies are awarded to VCS organisations; to recognise the important contribution to the borough that VCS organisations make by awarding subsidies informed by the level of **community benefit** the organisation delivers; and to ensure that the Council's buildings are used in a way that **benefits Barnet residents** by making sure organisations leasing Council buildings are financially viable, sustainable and governed appropriately.

The council has developed and piloted a new process for determining rent subsidies for VCS organisations and assessing their overall suitability to take on a new or renewed lease. Under the new process, VCS organisations will make a **business case** to the council to demonstrate their viability, sustainability, governance arrangements and capacity to deliver activities of benefit to the community; and to demonstrate that awarding them a rent subsidy represents value for money to the taxpayer. To support the business case, a **Community Benefit Assessment Tool (CBAT)** has been developed to provide a fair assessment of the level of community benefit delivered by different organisations through their use of the building they wish to lease, and establish an appropriate level of rent subsidy in light of this.

The information provided by the business case and CBAT will be used to support **negotiations** related to the renewal or agreement of a lease and the final level of rent subsidy awarded. If the business case supports agreement of the organisation's lease, the Council's Estates service will negotiate the specific terms of that lease including lease length. If the community benefit assessment supports award of a rent subsidy, this will be awarded through a grant agreement with the organisation, and credited against the gross debit on the rent account, which will represent the full rent of the property to be leased. The community benefit assessment and rent subsidy will be reviewed every five years to ensure that the organisation continues to deliver benefits to residents.

This is not about re-negotiating existing leases- the council will seek to apply this new approach where possible **when VCS organisations have a lease renewal scheduled or when they approach the Council to take on a new lease**. With regards to renewals, the Community Asset Strategy implementation plan has identified circa 140 properties leased to VCS organisations and of those, circa 66 with expired leases that would be prioritised for review. Review of the leases for these organisations will consider what automatic renewal rights, lease terms or rent level the organisation may already be entitled to as a prerequisite to approaching negotiation with the organisation.

The business case and CBAT approach was **piloted** with five VCS organisations between February and May 2016. This report sets out in further detail the business case and CBAT methodology. It asks Policy and Resources Committee to **agree that the CBAT and business case approach should be rolled out**, based on findings from the pilot that the process is an effective way to ensure **consistency and transparency** in how rent subsidies and leases are negotiated with VCS organisations, which robustly assesses and considers **benefit to the community** and **value for money**.

Although the Community Asset Strategy was agreed through Assets, Regeneration and Growth Committee, the recommendation on rolling out the methodology is being brought to Policy & Resources Committee. This is because the methodology is about ensuring value for money in the way the Council allocates its resources through rental subsidies.

## Recommendations

**That the Committee agree that the business case and community benefit assessment tool approach to rent subsidies and leases, including renewals and new leases, set out in this report should be rolled out to all VCS organisations, as and when their leases are due for renewal or on first grant. .**

### 1. WHY THIS REPORT IS NEEDED

#### **The Community Asset Strategy (CAS)**

1.1 The CAS Implementation Plan was agreed by Assets, Regeneration and Growth Committee in September 2015. It set out that the council would develop a new process for awarding rent subsidies and leases to VCS organisations.

1.2 The aims of the new process are:

- To increase **transparency and consistency** in how rent subsidies and leases, including lease renewals and new leases, are agreed with VCS organisations.
- To develop a more consistent approach to understanding and recognising the valuable contribution made by VCS organisations to the borough by awarding rent subsidies that reflect the level of **community benefit** they deliver.
- To ensure Council assets are used to deliver **maximum benefit** to Barnet's residents by developing an approach that robustly assesses community benefit, financial viability, sustainability and governance arrangements.

1.3 The CAS set out three core elements of the new process that would be developed to support these aims:

- A **business case** for VCS organisations to demonstrate to the Council that they are capable of taking on a lease and that awarding them a rent subsidy represents value for money to the taxpayer. This would include details on financial viability, sustainability of the organisation, governance arrangements, community benefit delivered, and capacity to deliver.
- A **business case coach** to support VCS organisations to develop their business cases.
- A **community benefit assessment tool** to sit as part of the wider business case and provide an objective assessment of level of community benefit, which will inform the level of rent subsidy awarded.

#### **Development of community benefit assessment tool (CBAT) and business case**

1.4 After an open procurement process, an organisation called **Simetrica**<sup>1</sup> was procured to develop the CBAT and business case template.

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<sup>1</sup> <http://www.simetrica.co.uk/>

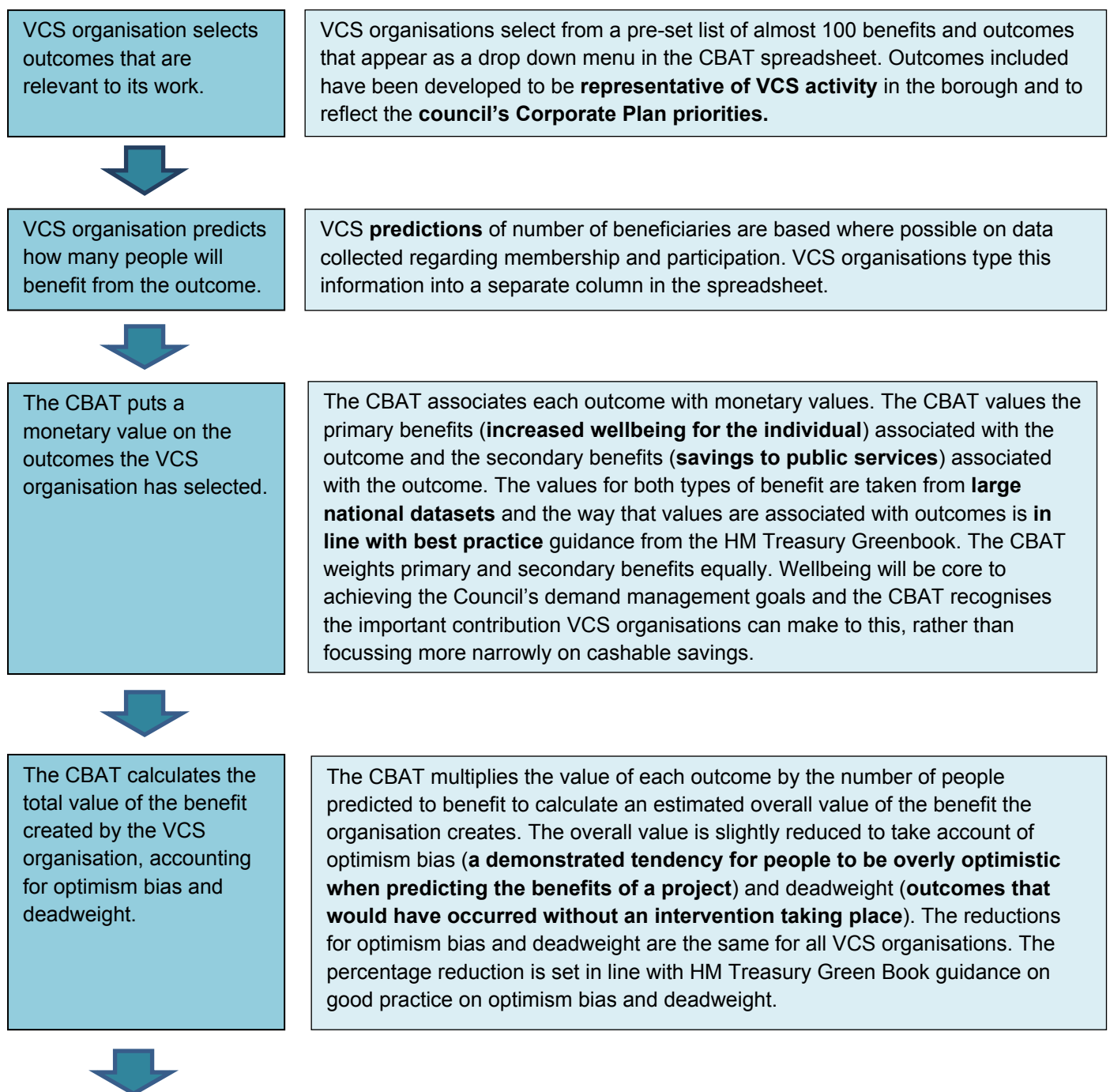
- 1.5 Simetrica is a world leader in valuation of community benefit and in the UK has developed the Social Value Bank, which is now used to assess value across a range of social policy areas. Simetrica has also undertaken work for UK central Government, such as developing a cost benefit model for DWP. The CBAT is based on the Social Value Bank and uses methodology to objectively assess community benefit that is in line with UK **HM Treasury Green Book guidance** on valuation of non-market goods and services.
- 1.6 Outcomes included have been developed to be **representative of VCS activity** in the borough and to reflect the **council's Corporate Plan priorities**.
- 1.7 The CBAT and business case were **piloted with five VCS organisations** to test whether they formed a user friendly process that would support lease negotiations in way that delivers the strategic aims of Barnet's CAS. The pilot included a range of types and sizes of organisation in order to get a representative test.
- 1.8 The pilot organisations received support from a business case coach between February and April 2016 to complete their business cases and then gave feedback on the process. Their business cases, CBATs and feedback were analysed by Simetrica and resulted in some changes to aspects of the process to ensure an effective roll out.
- CBAT methodology**
- 1.9 The CBAT is an **Excel based tool**, which allows VCS organisations to make predictions about the community benefit their activities deliver. This includes selecting benefits or outcomes they believe will result from their activities, and predicting how many participants are likely to benefit.
- 1.10 **The CBAT is a predictive** tool which takes as its starting point self-assessed predictions of VCS organisations. The CBAT doesn't evaluate or measure what outcomes have actually been delivered. This is because evaluation would have to happen over a number of months and would place significant data collection requirements on VCS organisations. 70% of VCS organisations in Barnet are small or micro organisations<sup>2</sup> and therefore it was recognised from the start that the CBAT would need to be proportionate in the amount of capacity required to complete it.
- 1.11 The CBAT has been designed to give a fair assessment of community benefit that applies to all organisations in the same way, whilst avoiding time consuming data collection requirements. It is possible for an organisation to complete the CBAT spreadsheet within a few hours and this can then be reviewed with the business case coach alongside the wider business case.
- 1.12 The CBAT accounts for being based on predictions by considering an **optimism bias and deadweight** (explained in further detail below).

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<sup>2</sup> *State of the Sector Report 2013*, Community Barnet

1.13 VCS organisations receive a detailed written **guidance** document, as well as support from the **business case coach**, to help them make predictions that relate to their main activities.

1.14 The diagram below explains how the CBAT values community benefit. Each step in the process is detailed on the left hand side, with further explanation of the methodology that sits behind that step on the right hand side.



The CBAT compares the value of the community benefit to the evaluated market rent for the building to establish an appropriate level of rent subsidy.

To ensure it reflects **value for money** to the taxpayer, the CBAT considers both community benefit created through use of the building, and rent for the building being leased, in the calculation of rent subsidy. It does this by comparing rent to benefit in a '**rent: benefit ratio**'. The CBAT sets a rent benefit threshold of **50:1**, which means that in order to get a 100% rent subsidy, a VCS organisation will need to create benefits equal to 50 times the annual market rent. If the organisation created benefits equal to 25 times the annual market rent, it will get a 50% rent subsidy. The ratio threshold is high because in a rent to benefit model, the only cost considered is rent, whereas in the more common cost to benefit model, all costs associated with an intervention are considered. When tested in the pilot, the 50:1 ratio achieved an adequate level of variation between organisations to ensure the CBAT acts as an effective tool to distinguish between different levels of community benefit created by different organisations. The 50:1 ratio was not deemed to be too high and some pilot organisations were able to achieve 100% rent subsidy at this ratio.

- 1.15 Screenshots documenting how VCS organisations will use the spreadsheet are at **Annex A**.
- 1.16 The CBAT will establish an **appropriate level of rent subsidy** for the VCS organisation, which reflects the value to the taxpayer resulting from the organisation's use of a public building. This will help to inform a final negotiation on the level of rent subsidy that can be awarded by providing a **baseline figure**. It is recommended that there is some flexibility within this process, and that Council Officers will be authorised to negotiate on this by **up to 10 percentage points** based on information put forward by the VCS organisation in its wider business case. In exceptional cases where a change from the CBAT baseline of over 10% is sought, the over terms will be signed off by the Assets Regeneration and Growth Committee.
- 1.17 To ensure transparency, VCS organisations will be able to request a breakdown of how their community benefit level has been assessed.
- 1.18 Individual VCS organisations' CBATs, along with their business cases, will be **reviewed every 5 years** in line with standard rent reviews. This will ensure the level of subsidy continues to reflect the value to the taxpayer of the benefit the organisation is delivering.
- 1.19 The tool itself will be reviewed every five years in line with corporate priorities as set out in the Corporate Plan. The next review point will be 2020, when the current Corporate Plan will be refreshed.

### **The business case**

- 1.20 The business case has three main functions:
- Demonstrating the organisation is **viable, sustainable and appropriately governed**, giving the Council confidence that it can take on a lease for the proposed term, and giving the VCS organisation confidence that it is taking on a commitment it can manage.
  - Supporting the CBAT by demonstrating that the Council can have confidence the organisation has **capacity to deliver** the benefit it has predicted.
  - Providing an opportunity for the VCS organisation to make any **additional points** that it believes should be taken into account in the final negotiation on level of rent subsidy awarded.
- 1.21 Consideration will be given to the overall financial health of the organisation.
- 1.22 The business case template is at **Annex B**.
- 1.23 Business cases will be assessed by Council Officers against criteria associated with confidence levels to establish overall **level of confidence** on 1) viability, sustainability and governance and 2) capacity to deliver community benefit predicted. The confidence criteria related to both fields are at **Annex C**.
- 1.24 The confidence levels will inform the negotiation on lease renewal or grant of a new lease. Where a VCS organisation has a low confidence rating, they will be offered additional sessions with the business case coach to try and improve this. Where improvement is not achieved and the confidence rating remains low, it may impact the negotiation in a number of ways. Where there is low confidence, Council officers may seek to mitigate the risk that exists in relation to the organisation taking on a public asset in a number of ways, such as:
- To negotiate a shorter lease term than that proposed by the VCS organisation;
  - To establish appropriate conditions relating to break clauses;
  - To review the business case more regularly than the standard 5 year review date; and/or
  - In exceptional circumstances to agree the business case with Assets and Capital Board or Assets Regeneration and Growth Committee before the lease can be finalised.

This process aims to help VCS organisations mitigate the risks that they take on when they enter into a lease, as well as providing assurance that the lease represents a viable use of public resources.

### **Lease negotiation and decision making process**

- 1.25 As happens currently, negotiation and agreement of final rent subsidies and lease terms will happen between the Council's Estates team and VCS

organisations. In exceptional circumstances, Assets and Capital Board or Assets Regeneration and Growth Committee agreement might be required.

- 1.26 It is hoped that the lease negotiation, when supported by a process of VCS organisations receiving coaching to put together a business case, will **incentivise** VCS organisations to work in partnership with the Council to ensure the **most effective use of public buildings**. Two examples are illustrative of how this could work in practice:
- Where a VCS organisation has a low confidence rating for its business case due to lack of appropriate governance and management arrangements, the business case coach may offer support to the organisation to strengthen its arrangements. This would mean better value for the taxpayer as a result of the public asset being more secure. It would also benefit the VCS organisation by strengthening its governance, which can be put forward to support funding applications.
  - Where a VCS organisation has a low level of rent subsidy and it is identified that this is because it is leasing an expensive asset but not using it for the maximum operational hours possible, and therefore involving only a few participants, the business case coach may support the organisation to develop as part of its business case plans to run additional activities in the space, or to licence the space to other organisations when it is not using it. This would maximise the use of the building to benefit Barnet residents and could result in additional income or new partnership opportunities for the VCS organisation.

### **Findings from the Pilot**

- 1.27 There was good engagement in the pilot from the five organisations that participated.
- 1.28 The pilot identified a number of strengths to the CBAT and business case process:
- A number of VCS organisations found the process of articulating the benefits they deliver helpful and **welcomed the transparency** that Barnet's new approach to agreeing rents and leases brings.
  - The CBAT subsidy figure and wider business case provide **meaningful information** to support lease negotiations- there is now a **consistent** approach to agreeing rent subsidies leases with VCS organisations. The viability/ sustainability and the level of community benefit delivered by an organisation can be considered against **clear criteria** that relate to delivering **value for money** through use of public buildings.
  - The CBAT outcomes are **relevant** to the work of VCS organisations- most participants in the pilot reported that it was possible to find an outcome in the CBAT that represented the activities they deliver.
  - The CBAT doesn't assess all organisations as having the same level of benefit and **can differentiate based on both 'quality' and 'quantity'**- the five pilot organisations came out with different levels of subsidy and this reflected how deep/ intense the support they provide to participants is, as well as the total number of participants they are reaching.



- The CBAT provides a **fair and credible** baseline assessment of community benefit delivered by VCS organisations- it uses robust methodology to value benefits that is in line with best practice.
- The **business case coaching** has the potential to build VCS capacity and sustainability- pilot sites gave feedback that the business case coach support was incredibly helpful and helped them to develop and strengthen their plans (rather than just helping them to fill in a form).

1.29 The pilot also identified a number of points for improvement, which have been addressed or mitigated as demonstrated in the table below:

Point for improvement	How it was addressed/ mitigated
A minority of participants in the pilot reported that they were <b>unable to find an outcome</b> in the CBAT that related to part of their activities.	<ul style="list-style-type: none"> <li>• CBAT is used to provide a <b>baseline</b> for rent subsidy to inform the <b>final negotiation</b>. VCS organisations can include in the business case additional points they wish to be considered, which can be reflected in the final negotiated subsidy.</li> <li>• <b>Additional outcomes</b> can be developed if significant gaps are identified.</li> </ul>
There were challenges in ensuring <b>reliability of VCS predictions</b> of community benefit, with some instances in the pilot where the VCS organisations' selection of outcome did not match its main activities, or where predictions were not well justified and supported by evidence of capacity to deliver in the wider business case.	<ul style="list-style-type: none"> <li>• In the pilot this was limited to some VCS organisations, with some providing clear and robust evidence to support their community benefit predictions.</li> <li>• By providing some 'friendly challenge' the <b>business case coach</b> was able to support organisations to justify their predictions.</li> <li>• Stronger criteria were developed for <b>assessing confidence</b> on whether the business case demonstrates that the organisation has capacity to deliver the benefit it has predicted.</li> </ul>
The <b>timeline</b> in the pilot of 8 weeks to complete business case and CBAT was achievable for some but not all organisations. This was related to the capacity that already existed in the organisation.	<ul style="list-style-type: none"> <li>• In the roll out, business case coaching will need to be <b>tailored to the needs</b> of each VCS organisation.</li> <li>• 8 weeks will be set as a target for completing the process, but to ensure organisations benefit fully from the business case coaching there will need to be <b>some flexibility</b> on timeline for those that need more support.</li> </ul>
The business case template was <b>not flexible enough</b> to reflect the reality of different VCS organisations.	<ul style="list-style-type: none"> <li>• The business case template was amended to move away from a more rigid format modelled on HM Treasury's 'five case' model to a <b>more flexible template</b> that could adapt more easily to the circumstances of different organisations.</li> </ul>
VCS organisations experienced some <b>challenges in using the CBAT spreadsheet and navigating the VCS guidance</b> .	<ul style="list-style-type: none"> <li>• Some <b>amendments</b> were made to the <b>format</b> of the CBAT and guidance.</li> <li>• The pilot highlighted that the <b>business case coach</b> has an important role in supporting organisations to use the CBAT.</li> </ul>

- 1.30 Whether subsidy levels were ‘too high’ or ‘too low’ was not a critical success factor for the pilot, as the **aims of the CAS do not include guaranteeing a minimum level of income** for the Council, but rather achieving **better value for money** through use of the Council’s assets. Of the five organisations included in the pilot, one will pay less under the new process for agreeing subsidies than it did previously, two will pay more than they did previously, one will remain the same and one organisation was not previously leasing a Council building. There is further discussion of the financial implications of this policy in section 5 of this report.

### **Capital Funding Contributions**

- 1.31 Where a VCS organisation has invested capital funds to rebuild or improve the premises it is leasing, funds contributed will be reflected through a rent free period.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 The pilot stage demonstrated that the business case and community benefit assessment methodology provide meaningful information to support negotiation of rent subsidies and leases. The new process for determining rent subsidies and leases is designed to be an effective way to ensure **consistency** in negotiations with the VCS and that subsidies awarded represent **value for money** to the taxpayer and this is supported by the findings from the pilot.
- 2.2 The process piloted **achieves the strategic aims of the CAS** and should be rolled out across the Council’s community assets, as and when properties are due for lease renewals.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 **Do nothing**- maintaining the status quo would mean that there is lack of rigour in the way the Council agrees rents and leases, diminishing its ability to promote use of its community buildings to deliver maximum benefits to Barnet’s residents. This is not recommended as it loses an opportunity to achieve strategic aims.
- 3.2 **Adopt a different methodology**- there are a spectrum of different methodologies that could be adopted to assess viability/ sustainability of VCS organisations and community benefit delivered. These sit along a spectrum of being more or less robust and more or less flexible.
- At one end of the spectrum, a grant application process that required organisations to answer set questions to be scored in line with loose criteria set by the Council would provide a high degree of flexibility to ensure subsidy levels reflect the circumstances of particular organisations, but a low degree of robustness as a result of relying entirely on subjective assessment without any objective component. It would also provide no clear way of linking community benefit to rent.
  - At the other end of the spectrum, relying solely on an objective assessment tool such as the CBAT, without fitting this into the context of a wider business case and lease negotiation- and providing a degree

of flexibility within that negotiation- would provide total consistency and objectivity, but no opportunity to take account of Barnet's highly diverse VCS.

It is therefore recommended that rolling out a process which has an objective assessment tool (the CBAT) at its centre, but applies this as a baseline in the context of a wider business case and lease negotiation represents the best balance to achieve the strategic aims of the CAS.

#### **4. POST DECISION IMPLEMENTATION**

- 4.1 Through the CAS, the Council will seek to approach rent subsidy awards and lease renewals or grant of a new lease with VCS organisations under the new methodology **when they have a lease renewal scheduled or approach the Council to be granted a new lease**. In relation to renewals, implementation will prioritise for review circa 66 organisations that are currently have expired leases.
- 4.2 As a prerequisite to implementing the new business case and CBAT process, the Council's Estates service will conduct a review of the VCS organisation's circumstances to ensure that any automatic renewal rights, lease terms or rent level the organisation is entitled to are taken into account.
- 4.3 Rent subsidies and lease renewals or grants will be negotiated by Council Officers with VCS organisations. In exceptional circumstances where agreement cannot be reached, decisions will be referred to Assets and Capital Board and Assets, Regeneration and Growth Committee.
- 4.4 Rent subsidies will be awarded through a grant agreement and credited against the gross debit on the organisation's rent account, which will represent the full rent of the building being leased. The community benefit assessment and rent subsidy will be reviewed every five years, in line with standard rent reviews, to ensure the organisation continues to deliver benefits to residents.

#### **5. IMPLICATIONS OF DECISION**

##### **5.1 Corporate Priorities and Performance**

##### **5.1.1 This policy delivers the strategic aims of the Council's Community Asset Strategy, which include:**

- Increasing transparency and consistency in the way that rent subsidies and leases, including lease renewals and new leases, are agreed with VCS organisations.
- Recognising the valuable contribution made by VCS organisations to the borough by awarding rent subsidies that reflect the level of community benefit they deliver.
- To ensure Council assets are used to deliver maximum benefit to Barnet's residents by developing an approach that robustly assesses community benefit, financial viability, sustainability and governance arrangements.

##### **5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

5.2.1 The pilot highlighted the importance of the **business case coach role** and this resource will be in place for the roll out. The role has the potential to increase VCS capacity and sustainability, delivering a return on the investment made in it by protecting and enhancing the ability of Barnet's VCS to deliver benefit to residents. There is potential for this role to be taken on by a VCS organisation.

5.2.2 The Council currently has a rental income of **£332,047** from its community assets. Guaranteeing a minimum level of income to the Council from its community assets is not one of the aims of the CAS and the CBAT methodology has not been designed to guarantee that the Council will continue to get this level of rental income from its community buildings. Based on the pilot findings (of the five VCS organisations involved one will pay less under the new process for agreeing subsidies than it did previously, two will pay more than they did previously, one will remain the same and one organisation was not previously leasing a Council building). Whilst the full impact on the rental income will not be known until all the reviews have taken place, it is anticipated that the overall impact of this policy on the Estates budget should **not be significant** and instead the policy will distribute subsidies more fairly against value for money criteria.

5.2.3 There is a small risk that the new process for agreeing subsidies will reduce the council's rental income from its community buildings. It will be important for the council to **monitor through the first tranche** of the roll out to ascertain the impact of this policy on rental income. This will enable the Council to make informed decisions about income generation across the Estates portfolio, not just the community estate, to account for any variance as necessary. This will also take account of a six month adjustment period from the time the new rent is agreed in cases where an organisation is required to pay more rent than it did previously.

### 5.3 **Social Value**

5.3.1 This policy promotes social value in the context of lease agreements.

### 5.4 **Legal and Constitutional References**

5.4.1 Under the Council's Constitution (Responsibility for Functions – Annex A) the responsibilities of the Policy & Resources Committee include:

(1) To be the principal means by which advice on strategic policy and plans is given and co-ordinated and to recommend to Full Council, as necessary, on strategic issues. This is to include:

- Approval of the Corporate Plan
- Council's Capital and Revenue Budget setting (subject to Full Council) and Medium Term Financial Strategy
- Ensuring effective Use of Resource and Value for Money

5.4.2 Pursuant to s 123 of the Local Government Act 1972 a Local Authority may not, save with the express consent of the Secretary of State, dispose of land other than by way of a short tenancy, other than for the best consideration that can be reasonably obtained. Circular

6/03: Local Government Act 1972 general disposal consent (England) 2003 disposal of land for less than best consideration allows disposals to be made subject to the limitations therein contained, where the Local Authority considers that purpose for which land is to be disposed of is likely to contribute to the promotion or improvement of the economic, social or environmental well being in respect of whole or part of the Local Authority's area or all or any persons resident in it.

The adoption by the Council of the CBAT will ensure that the Council has due regard to the provisions of s 123 in assessing the rents to be applied in respect of the disposal of any of its assets to CVS organisations where the circumstances permit. In the alternative, the CBAT confirms the social wellbeing benefit to the area or part thereof and to those persons in it.

## 5.5 Risk Management

5.5.1 A full risk register for the roll out of the new process has been developed. A summary of the key risks and how they will be mitigated is:

Risk	Rating	Mitigation
VCS organisations generally have low capacity to complete the business case and CBAT. This could result in delays to finalising leases in line with the timeline set out in the CAS implementation plan, or needing to resource the business case coach role at a higher level than anticipated.		Resourcing has been planned based on experience in the pilot of how long VCS organisations needed to complete the business case and CBAT, and how much support they required from the business case coach. This risk will be reviewed regularly in the roll out.
The CBAT process results in some organisations paying more rent than they did previously, which could result in some VCS organisations no longer being able to afford the rent on the building they are leasing. This could have far reaching consequences for the organisation, including in the worst case scenario, closing down.		The new process for agreeing rent subsidies has been piloted to ensure that it won't result in large sections of the VCS no longer being able to afford their rents. Where the CBAT process does result in an organisation paying more rent than they were previously, the Council will allow a six month adjustment period from the time the new level of rent is agreed. Moreover, where an organisation receives a low level of rent subsidy or doesn't have enough income to cover the rent, the CBAT and business case will make it possible to identify the reasons for that, (for example that the organisation doesn't deliver a high level of community benefit or that it doesn't have a strong business plan in relation to ensuring financial sustainability).The business case coach will then support the organisation to identify how it could develop its business case in relation to those points. The organisation would need to demonstrate improvements to its CBAT and business case in order to negotiate more favourable rent or lease terms with the Council.

A large proportion of VCS organisations base their CBATs and business cases on predictions that are not well justified and supported. This could undermine the credibility of the CBAT and business case as effective tools for agreeing rent subsidies and leases.		Where there were questions in relation to reliability of VCS predictions in the pilot, the business case coach had a high level of success in ensuring organisations were able to provide evidence to back up their statements (and organisations in the pilot found this process useful). The Council has developed robust criteria for assessing overall confidence level in the business case.
Some VCS organisations refuse to engage with the process from the outset. This could delay the timelines for agreeing leases.		A communications and engagement plan has been developed to ensure VCS organisations have a good understanding of the new process and its benefits.
The Council's rental income from its community buildings is significantly reduced as a result of the new process for agreeing rent subsidies with VCS organisations. This could put pressure on the overall Estates budget.		Experience in the pilot suggested it is not likely that this will happen. A review point will be scheduled into the implementation to allow the Council to review what impact the new process is having in practice. This will allow the Council to take informed decisions about income generation across the Estates portfolio, not just the community estate, to account for any variance as necessary.
VCS organisations are able to make excessive profit from their use of the building.		The Council will include in leases an Alienation Clause (related to subletting/sharing etc), which will be caveated such that all subletting/ sublicensing of the demise will be conditional on landlords consent (not to be unreasonably withheld or delayed). In addition the Council can refuse consent (at the Council's absolute discretion) if the use is contrary to Community Use objectives. The clause will have a condition that any excessive profit rent will be shared with the Council.

## 5.6 Equalities and Diversity

5.6.1 A full Equalities Impact Assessment has been carried out (this is at **Annex D**). This identified that there is a risk of a small negative impact. It is possible that situations will arise where VCS organisations can no longer afford the rent determined in the final lease negotiation, and it is possible that some of those organisations will have service users falling within the nine protected characteristics. This risk has been mitigated in a number of ways:

- The business case and CBAT methodology have no inbuilt bias towards or against any particular types of VCS organisation. They have been designed to be fair in their assessment of the value of the work all VCS organisations are doing, taking account of both depth/ intensity of the service provided and number of participants reached. Outcomes included in the CBAT have been selected to be representative of a wide range of VCS activities in the borough.
- The process has been piloted with 5 real VCS organisations to understand the potential impact before it is rolled out more widely.
- A business case coach will work with VCS organisations to help them develop their business cases and community benefit assessments. The business case coach will monitor whether any particular types of VCS organisation find it more difficult to complete the CBAT and business case than others and take steps to address this if it arises. This issue

did not arise in the pilot.

- If the CBAT process results in an organisation paying more rent than it did previously, the Council will allow a six month adjustment period from the time the new rent is agreed. Moreover the CBAT and business cases will make it possible to understand why this is. The business case coach will work with VCS organisations to help them address things such as low level of community benefit created or lack of sustainable income streams. The organisation would then need to demonstrate improvements to its CBAT and business case in order to negotiate more favourable rent or lease terms with the council. The Council will point VCS organisations towards potential sources of funding to help cover the rent increase in the meantime.

## 5.7 **Consultation and Engagement**

5.7.1 Consultation on the Community Asset Strategy happened between December 2014 and March 2015.

## 5.8 **Insight**

5.8.1 No specific insight data has been used to inform the decision required.

## 6. **BACKGROUND PAPERS**

6.1 The Community Asset Strategy is here:

<https://barnet.moderngov.co.uk/documents/s25574/Appendix%202%20-%20Community%20Asset%20Strategy.pdf>

6.2 The Community Asset Strategy Implementation Plan is here:

<https://barnet.moderngov.co.uk/documents/s25649/Appendix%201%20-%20Community%20Asset%20Implementation%20Plan.pdf>