

**Title of meeting:** Cabinet

**Date of meeting:** 10<sup>th</sup> March 2020

**Subject:** Social Value - A rent subsidy model

**Report by:** Tom Southall Assistant Director Regeneration - Property & Investment

**Wards affected:** All

**Key decision:** ~~Yes~~/No

**Full Council decision:** ~~Yes~~/No

---

## **1. Purpose of report**

- 1.1 The report forms part of the Property & Investment Team's response to PCC's current priorities and seeks to:-
- 1.1.1 recognise financially the current level of commercial support provided by PCC to a number of charitable or not-for-profit organisations;
  - 1.1.2 set out to councillors a new framework for which social value and / or impact provided by third-party organisations can be valued to enable transparency in decisions regarding occupation of council-owned property by way of rent subsidy;
  - 1.1.3 ensure and record that where discounts to these organisations are in place, the Directorates within the Council recognise the lost income and are in agreement that it represents best value for the Council.

## **2. Recommendations**

- 2.1 That Cabinet approve a property valuation framework where social value can be taken into account when PCC is looking to rent out property to third parties where their aims coincide with the objectives of the Council;
- 2.2 That Cabinet Members acknowledge that the service areas that benefit from the third-party support recognise the discounted income in their Portfolio cash limits and that equivalent savings may be necessary to accommodate any reduced income

### **3. Background**

- 3.1 'Social value' is an umbrella term that is used to describe an organisation's activity in relation to its wider economic, social and environmental effects.
- 3.2 Social value is being recognised more and more as an important consideration in decision-making, both in the private and public sector.
- 3.3 Measuring social value is a well-researched field with many publications directed at specific applications and use of valuation such as procurement.
- 3.4 This paper proposes a social valuation tool specifically for calculating subsidised rent levels. It is hoped that once adopted by the Council, it will help support voluntary / community and not-for-profit groups' use of Council assets at subsidised rental levels.
- 3.5 PCC provides valuable services to residents across Portsmouth, which have to be paid for. Funding for these come from:
  - 3.5.1 Government grants including Business Rates
  - 3.5.2 Council Tax
  - 3.5.3 Fees and charges
  - 3.5.4 Other government grants
  - 3.5.5 Income produced by Council activity.
- 3.6 The Council provides social housing and services to tenants within those housing areas. This is funded by tenant rents as well as by commercial activities undertaken by the Housing, Neighbourhoods and Buildings Directorate and the money raised is invested in local services.
- 3.7 Since 2012, the Council has sought to generate income to counter austerity measures, with policies in place that mandate Directorates to achieve full cost recovery for their services and assets, and a legal obligation to achieve commercial "best value" from all their commercial assets.
- 3.8 The Council has looked (where possible) at maximising rental income from its assets but due to the charitable nature of many of its tenants it has always fallen short of this target and thus is subsidising these tenants. PCC currently receives over £27m in gross rents from its various council properties and without these rents, front line services across the Directorates would have to be reduced.
- 3.9 The Council works with many third-party organisations, a large proportion of which are charitable or not-for-profit and which share the Council's values and objectives to provide services to the people of Portsmouth. These services often address gaps in the Council's own service provision that may have to be resourced elsewhere, potentially at the Council's cost, should they cease to trade.

## **4 The Proposed Framework**

- 4.1 Rent subsidy models based on measuring social value can be found in operation at a number of Councils, for example the London Borough of Barnet, Teignbridge Council and Redcar & Cleveland.
- 4.2 The proposed rent subsidy model (Appendix A) works by scoring the applicants' impact against the Council's current priorities, the beneficial impact of the applicant organisation on the City as a whole, and the detrimental impact on the Council and the City if the organisation were unable to provide the services provided.
- 4.3 To initiate a review the applicant organisation will be required to have the 'sponsorship' of the relevant portfolio Director to act as a champion / expert as part of the evaluation process.
- 4.4 Tenancies will only be reviewed when appropriate (e.g. at lease events as designated in the contracts) and the level of rents paid reviewed on a case-by-case basis where organisations are unable to afford a market rent. Officers working with the sponsor will look to see if the reduction of rents, and the services that rent pays for, is of a higher or lower value than the activities that the third party would be able to provide to Portsmouth residents if rents were reduced.
- 4.5 It is proposed that the impact of the applicant organisation will be assessed through the submission of a business plan and supporting documentation and will be scored by the Director of Regeneration, Director of Finance (S.151 Officer), the relevant Portfolio Holder, and the 'sponsor' Directorate lead.
- 4.6 The Sponsor will be asked to consider any reduction in revenue to the Council in the context of their own revenue pressures and all discounts currently granted for their area.
- 4.7 Standard tenancy terms will be offered to organisations that apply for and are successful in being granted a subsidised rent level. The principles of these standard terms are set out at the bottom of Appendix A.
- 4.8 Organisations that currently fall within the definition of voluntary / community and not-for-profit, and which are already in occupation of Council assets, will be offered the use of this rent subsidy model at the first opportunity legally available under their current tenure.
- 4.9 There are some categories of Council's property assets whereby the operation or purpose of the asset will be incompatible with the implementation of a rent reduction policy. The two most prominent examples of this are;
  - 4.9.1 Enterprise Centres, who operate specifically in the start-up and business support environment for new businesses. Therefore the Council's Enterprise Centres will be out of scope for this proposal.

4.9.2 Land and property assets held in the council's property investment fund, these assets are held purely for their commercial investment and revenue return to the council, locally this includes Lakeside North Harbour, Portsmouth Retail Park, and Dunsbury Park. Therefore these assets will be out of scope for this proposal.

4.10 Rent reductions to third party organisations across the portfolio currently amounts to around £150,000. Careful consideration will need to be given on a case-by-case basis for new applications to ensure that the Council does not receive a net reduction in direct or indirect funding. A confidential worked example is attached Appendix B.

## **5. Reasons for recommendations**

5.1 Currently there is no consistent transparent method to record the approach taken by the Council to support organisations who deliver social value and are unable to pay market value for their occupation of Council-owned land and buildings.

5.2 To enable the Council to evaluate bids on a consistent, fair and equitable basis for non-commercial rents by organisations that share their aims, objectives and strategies and deliver services to achieve them. Bids will be examined on a case-by-case basis.

5.3 The recommendations in this report, if approved, will enable the Council not only to overtly recognise the contribution made by organisations, but also evidence these and record the decisions in a fair and transparent way.

## **6. Integrated Impact Assessment**

6.1 See Appendix C

## **7. Legal implications**

7.1 The paper balances the concept of social value and best value recognising that there is a need and basis to provide subsidy via definitive application. The process modelling is such as to give a consistent platform for application thereby being fair transparent and avoiding to a large extent potential claim. The ability to undertake support of this nature sits aligned with the concept of "competency" within the Localism Act 2011 and is not something that is either unusual or outside the power of the Authority.

## **8. Director of Finance's comments**

8.1 If after taking account the Social Value of a tenants operations a non-commercial rent is offered, this could lead to the service being unable to meet its cash limited income target and therefore require equivalent savings to be made by the Portfolio holder

- 8.2 The process described within this report is expected to be sufficient for the Portfolio Holder to make a balanced judgement between offering a rent reduction in order to obtain the social value versus the impact on service delivery of making a saving of equivalent value elsewhere within the Portfolio cash limit.

.....  
Signed by:

### **Appendices:**

Appendix A - Rent subsidy application

Appendix B - **Confidential** - worked example

Appendix C - IIA

### **Background list of documents: Section 100D of the Local Government Act 1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

<b>Title of document</b>	<b>Location</b>

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by ..... on .....

.....  
Signed by: