

EAST HERTS COUNCIL

CORPORATE BUSINESS SCRUTINY COMMITTEE – 12 JULY 2016

COMMUNITY LETTINGS POLICY

REPORT BY THE HEAD OF STRATEGIC FINANCE AND PROPERTY

WARD (S) AFFECTED: All

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Purpose/Summary of Report:

- To set out the options for consideration in formulating a community lettings policy.
- To demonstrate transparency in documenting the subsidies provided to community groups who lease land and buildings from the council.

**RECOMMENDATIONS FOR CORPORATE BUSINESS SCRUTINY:**

<b><u>RECOMMENDATIONS FOR CORPORATE BUSINESS SCRUTINY:</u></b>	
<b>(A)</b>	<b>Community lettings leases be recognised, as detailed in paragraph 2.6, in order to comply with the Local Government Transparency Code 2015;</b>
<b>(B)</b>	<b>The Executive be requested to consider the future policy direction of the community lettings policy, as detailed in paragraph 2.11.</b>

**1.0 BACKGROUND**

1.1 This policy has been developed as part of the review of the Asset Management Plan with the aim of documenting community lettings in a way which demonstrates transparency and complies with best practice.

1.2 The Asset Management Plan includes the following description of community lettings:

*“These assets utilise council land and buildings to deliver benefits to the community through Voluntary and Community Services (VCS) organisations. These assets are subject to leases which are subsidised by the council in order to realise the benefits for the*

*community provided by VCS organisations.”*

- 1.3 The Local Government Transparency Code 2015 requires the council to “ensure local people can now see and access data covering use of assets”, in particular “ensuring that local people are able to scrutinise how well their local authority manages its assets”.
- 1.4 The Local Government Transparency Code 2015 requires the council to publish details annually of all grants to voluntary, community and social enterprise organisations. For each identified grant, the following information must be published as a minimum:
- date the grant was awarded
  - time period for which the grant has been given
  - local authority department which awarded the grant
  - beneficiary
  - beneficiary’s registration number (e.g. charity or company registration number)
  - summary of the purpose of the grant
  - amount

## **2.0 REPORT**

- 2.1 The current community lettings leases are documented in **Essential Reference Paper ‘B’** and are also included as an appendix to the Asset Management Plan.
- 2.2 A number of the council’s properties are leased to VCS groups who are charged a low rent on a historic basis. It is recognised that VCS groups perform a valuable function within the community and contribute to the corporate priorities of the council.
- 2.3 The leases granted to VCS groups are leases to which the Landlord and Tenant Act 1954 (the Act) apply. The lease terms have a range of expiry dates from within the current year to 40 years. The lease terms include provision for periodic rent reviews to take place.
- 2.4 The council must also comply with the requirements of the Act which prescribes the grounds on which the Council can terminate the lease should it wish to do so.
- 2.5 The prescribed grounds set out in section 30 of the Act are:
- a) Breach of repairing obligations
  - b) Persistent delay in paying rent
  - c) Other substantial breaches

- d) Suitable alternative accommodation
- e) Possession required for letting or disposing of the property as a whole
- f) Landlord intends to demolish or reconstruct the premises or a substantial part of the premises
- g) Landlord's intention to occupy the premises

The Act provides that the tenant is entitled to compensation if the tenancy is terminated on grounds e, f or g.

- 2.6 In order to comply with the Local Government Transparency Code, the Council should as minimum recognise each community lettings lease as a grant to the lessor, subject to the disclosure requirements of grants set out in paragraph 1.4, equivalent to the difference between market rent and the rent amount in the lease.
- 2.7 The Executive may also wish to consider the basis on which these leases continue and an annual review of this policy will take place from 2016/17 onwards to facilitate this.
- 2.8 The council has a number of options to consider in the future development of this policy. Four options are set out below:
  - 2.8.1 Establish the current market rent for each of the community lettings and recognise the difference between market rent and the rent amount in the lease as a grant to the lessor.
  - 2.8.2 Introduce a market rent policy which moves each lease to a market rent as the lease comes up for renewal.
  - 2.8.3 Introduce a market rent policy as each lease comes up for renewal with a temporary, phased grant relief scheme, e.g. 80% grant in year 1 reducing by 25% each subsequent year over a four year period.
  - 2.8.4 Introduce a market rent policy as each lease comes up for renewal alongside establishing a grant application process, subject to a maximum rent discount of, for example, 80%.
- 2.9 As the rents currently charged to VCS groups as community lettings are historically low a move towards charging full market rent would result in substantial increases in rent for these organisations. A period of consultation would be required as this is a new policy proposal, including consultation through Corporate Business Scrutiny.
- 2.10 Such an increase could be mitigated through the development of a relief grant scheme as described above. An illustration of how such a

scheme could operate is shown in **Essential Reference Paper 'C'**.

- 2.11 The recommendation from officers is the fourth option described above; introduce a market rent policy as each lease comes up for renewal alongside establishing a grant application process, subject to a maximum rent discount of, for example, 80%. This will ensure that the council complies with its legal obligations.
- 2.12 Similar schemes are already in operation in neighbouring districts. Broxbourne Borough Council offer up to 50% rent relief on council owned properties for sports clubs, voluntary bodies, and charities which must be applied for on an annual basis. Welwyn Hatfield Borough Council introduced a scheme which provides voluntary and community groups a phased rent relief period if their rent increased by either a multiple of 5 or more than £10k on renewal of a lease. The rent relief offered is 80% in year 1, reducing by 25% each year so that no relief is offered by the fifth year.
- 2.13 The proposed criteria for the policy to be implemented in East Herts will be based on a tiered approach. Once a VCS group have demonstrated that they meet the criteria to qualify for stage one of the rent relief grant they may then apply for either or both tiers of relief grant at stage two if applicable.
- 2.14 The tiered stages of rent relief grant are outlined below:
- Stage One: Contribution to East Herts Council Corporate Priorities (50% rent relief).
  - The VCS Group will be asked to provide evidence of how their activities contribute to the achievement of our Corporate Priorities.
  - There will be an assessment of the income of the VCS group, taking into account any other grants received, supported by submission of annual accounts.
  - The VCS Group will be asked to provide evidence of the number of members living in East Herts who benefit from their activities and any restrictions they place on membership of their group (e.g. specific age).
  - Stage Two (Part A): Demonstrates “added value” of their activities (15% rent relief).
  - The VCS Group will be asked to demonstrate how the grant

would generate benefits beyond the monetary value of the grant. For example, where a VCS Group provides a service that reduces costs or improves outcomes for the public sector or where the VCS Group can demonstrate long term benefits of their provision.

- Stage Two (Part B): Status of VCS Group (15% relief).
- The VCS Group will be asked to provide evidence that they are a registered charity, Community Interest Company or an affiliated sports club or voluntary group.

2.15 Following approval of the Community Lettings Policy an application process and form will be developed and implemented to facilitate the award of rent relief grants within the policy.

2.16 The timetable for considering the Community Lettings Policy is detailed below.

2.16.1 Corporate Management Team consideration: 15 Dec 2015

2.16.2 Asset Management Member/Officer group: 18 Dec 2015

2.16.3 Asset Management Member/Officer group: 20 April 2016

2.16.4 Pre-Executive: 30 June 2016

2.16.5 Corporate Business Scrutiny: 12 July 2016

2.16.6 Executive: 19 July 2016

2.17 There is a risk associated with increasing rents to VCS groups that some VCS groups would struggle to survive financially which may result in them closing. This risk has not been quantified although the market rate for each site would be assessed on an individual basis. Some sites will have limited market value whilst others offer scope for alternative uses with a corresponding market rent.

### **3.0 IMPLICATIONS/CONSULTATIONS**

3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

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