

# Cheltenham Borough Council

Cabinet - 24 May 2011

## Rent subsidy request from St Margaret's Hall User Group

<b>Accountable member</b>	<b>Cabinet Member for Built Environment</b> <b>Councillor John Rawson</b>
<b>Accountable officer</b>	<b>Head of Property and Asset Management - David Roberts</b>
<b>Accountable scrutiny committee</b>	<b>Social &amp; Community</b>
<b>Ward(s) affected</b>	<b>Warden Hill</b>
<b>Key Decision</b>	<b>No</b>
<b>Executive summary</b>	<p>The Council is being asked to consider renewing the lease of St. Margaret's Hall to the Trustees of the St Margaret's Hall User Group, a community based charitable organisation on a subsidised rental basis rather than at full market rent.</p> <p>The Trustees of the St Margaret's Hall User Group, which was granted a 10 year lease in June 2001, were given a matching grant for the first five years of the term but due to database system deficiencies, the rent review due in June 2006 was not implemented. Also, the annual building insurance premium, which was to be payable annually by the User Group from the commencement of the lease, was not paid up until the date the database errors were discovered in late 2009.</p> <p>The lease is now up for renewal as of 6<sup>th</sup> June 2011 and the market rent for the new lease is proposed at £13,500 per annum. The tenants cannot afford to pay this or any rent for the building, and have requested a 100% subsidy in accordance with the Council's assessment tool and matrix framework outlined in the approved Cabinet report dated 15<sup>th</sup> March 2011, titled Property Lettings and Disposals to the Third Sector, Voluntary and Community Groups Report.</p> <p>The tenants are however prepared to pay the annual building insurance premium in the proposed new lease.</p>
<b>Recommendations</b>	<ol style="list-style-type: none"><li><b>1. Cabinet agrees to the non implementation of the outstanding 2006 rent review, and to an extension of the original matching rent grant to cover the period from June 2006 to the expiry date of the current lease (5<sup>th</sup> June 2011), thereby avoiding costly administrative time in negotiating a new rent and subsequently producing a report to 'write-off' an outstanding debt.</b></li><li><b>2. Cabinet agrees to grant the Trustees of the St Margaret's Hall User Group a new full repairing lease of the premises from 6 June 2011 at a rent to be formally stated in the documentation of £13,500 per annum exclusive of rates, insurance and other charges and with a rent review at the end of the fifth year.</b></li><li><b>3. Cabinet approves the subsidised rent of 100% of the above rent figure of £13500 per annum until a new rent is determined at rent</b></li></ol>

review or lease renewal in accordance with the Council's agreed Property Lettings and Disposals to the Third Sector policy.

4. The Trustees of the St Margaret's Hall User Group continues to pay the annual building insurance premium throughout the new lease.
5. Cabinet delegates authority to the Head of Property & Asset Management, in consultation with the Head of Legal Services, to negotiate and finalise the lease terms with the Trustees of the St Margaret's Hall User Group and complete the new Lease.

<p><b>Financial implications</b></p>	<p>The Council faces significant budgetary challenges in continuing to support the current range of services provided either directly or indirectly by the Authority.</p> <p>The financial implications of any revised or additional support to third sector or community organisations need to be considered carefully in light of the Council's corporate priorities and the medium term financial strategy.</p> <p><b>Contact officer: Mark Sheldon, mark.sheldon@cheltenham.gov.uk, 01242 264123</b></p>
<p><b>Legal implications</b></p>	<p>Under S123 Local Government Act 1972, leases for a term greater than 7 years must be for the best consideration reasonably obtainable. The only exemption to this is where a letting at less than best consideration contributes to the 'social, economic or environmental well-being' of the Council's area or residents.</p> <p>The Council must not fall foul of rules against State Aid. State Aid occurs when financial assistance is given by a public body which favours certain organisations and distorts or threatens to distort competition between Member States of the EU. Letting at an undervalue to community organisations will not comprise State Aid if:</p> <ul style="list-style-type: none"> <li>• The proposed tenant is a not for profit organisation;</li> <li>• The use of the building will be for a community purpose; and</li> <li>• The activities carried out by the organisation(s) are of local interest only.</li> </ul> <p><b>Contact officer: Donna McFarlane, donna.mcfarlane@tewkesbury.gov.uk, 01242 775116</b></p>
<p><b>HR implications (including learning and organisational development)</b></p>	<p>None</p>
<p><b>Key risks</b></p>	<p><b>Statement on Risk</b> (see Appendix 1)</p>

<p><b>Corporate and community plan Implications</b></p>	<p><b>Enhancing and protecting our environment</b></p> <ul style="list-style-type: none"> <li>Using our property assets effectively for the benefit of the community;</li> </ul> <p><b>Strengthening our economy</b></p> <ul style="list-style-type: none"> <li>Contributing to the work of regional and local partnerships;</li> </ul> <p><b>Strengthening our communities</b></p> <ul style="list-style-type: none"> <li>Working in consultation with the community, community groups and the voluntary sector;</li> </ul> <p><i>Recognising, promoting and assisting community groups and volunteers.</i></p>
<p><b>Environmental and climate change implications</b></p>	

## 1 Background

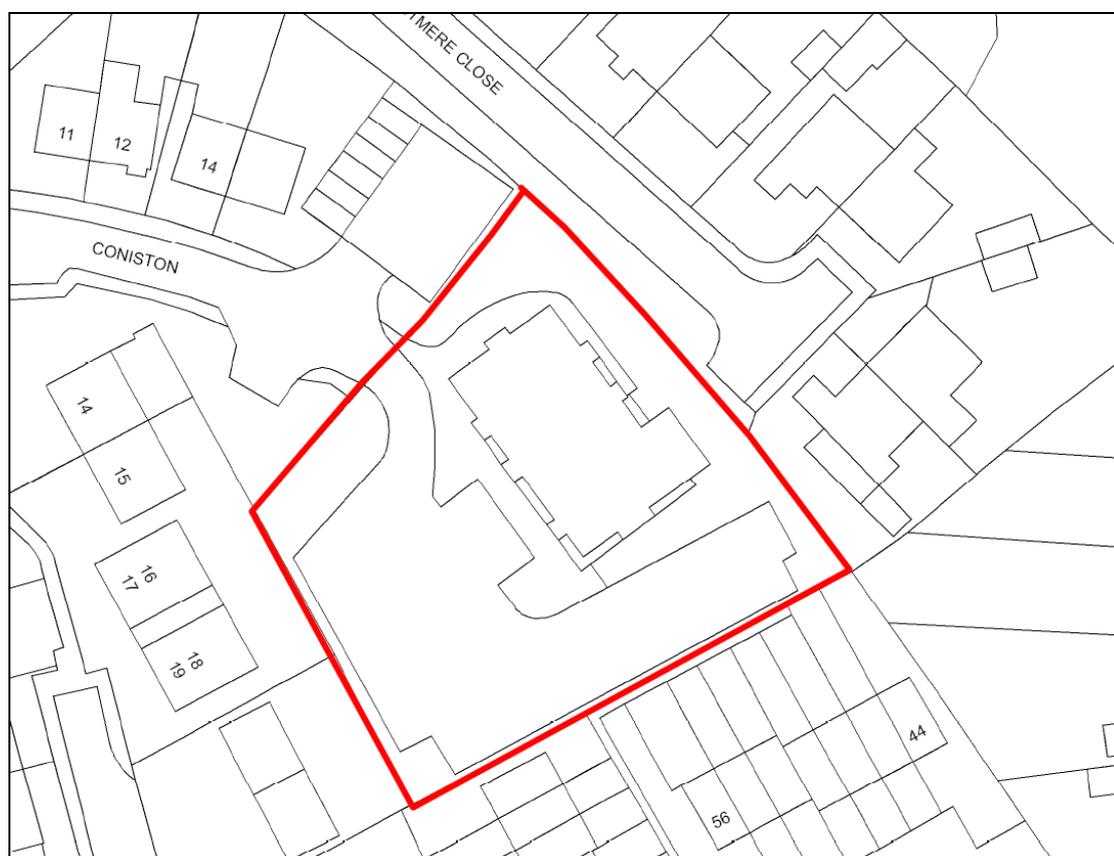
- 1.1 St Margaret's Hall is a detached single storey purpose-built hall constructed in the late 70's of traditional construction with facing brick external elevations and a flat roof with profiled cladding and glazing with a gross internal floor area of 288.2 sq.m. The building occupies a self contained fenced site area of approx 0.52 acres which is level and covered in tarmacadam and concrete with parking. The property is located in a cul de sac at the end of Coniston Road, off Windermere Road, Up Hatherley.



- Address: St Margaret's Hall, Coniston Road. GL51 3NX (P00431)

- Tenant: The Trustees of St Margaret's Hall User Group
- Rent as at 2001: £3550 p.a.-.
- Current Market Rent ; June 2011 - £13,500 pa
- Present Term: 10 years from 06.06.2001, with upward only review after 5 years.
- Asset designation- Non Operational Community Asset
- Acquired by the Council in 2000 from Douai Abbey Trustees Company Ltd.

**1.2** The Hall is a Council owned non operational community freehold asset providing a base for a number of local groups, clubs and societies. The existing lease arrangement is under review and due to be renewed. This is currently a full repairing lease arrangement carried out by the St Margaret's User Group. However, the Group would appreciate a full rent subsidy to enable it to survive.



LOCATION PLAN

- 1.3** In 1976 the Council sold 0.52 acres of land at Coniston Road to the Trustees of the Douai Abbey who intended to build a Church Hall on it. The sale was at a discounted value and a condition of the sale reserved unto the Council a right of first refusal to repurchase the land at 40% of its residential value should the Abbey decide that it no longer required the land. The Abbey subsequently built St Margaret's Hall on the site.
- 1.4** In 1995 the Abbey decided that the Hall was redundant and served notice on the Council under a pre-emption clause. The Council decided to exercise its right to repurchase the land.
- 1.5** Organisations and local residents who previously used the Hall constituted themselves as the St

Margaret's User Group and entered into a lease with the Council.

- 1.6 A grant request was submitted by CBC Community Services by the St Margaret's Hall User Group, who have been in occupation of the property since 1998, initially under licence whilst essential capital works were undertaken and subsequently under a lease, the Council giving a grant to cover the rent until the first rent review in 2006.
- 1.7 The period of the grant expired in June 2006 and no rent has been paid since that date. Recent attempts to initiate the rent review have not been successful mainly due to the fact that the User group had the benefit previously of a matching grant.
- 1.8 The User Group whose sponsor is Cllr Josephine Teakle submitted a subsidy request initially to Property Services in June 2010 via Community Services to cover the proposed increased rent backdated to the rent review date June 2006.
- 1.9 The User group submitted their previous 3 years accounts which CBC Finance Department have commented on below.

## **2. Property Lease Information**

- 2.1 The St Margaret's Hall User Group have been in occupation of the Hall since 1998.
- 2.2 The Council acquired the Hall in 2000 and granted the Trustees of the St Margaret's Hall User Group a 10 year lease from June 2001, subject to a rent review in June 2006. The lease statutorily expires on 5<sup>th</sup> June 2011. The lease also had a break clause (June 2006), which was not exercised and in addition the ability to determine the lease upon 2 months notice should they not be able to observe and perform their charitable duties.
- 2.3 The User Group is also responsible for keeping the property in repair and good decorative condition.
- 2.4 Under the terms of the present lease, the tenants are legally obliged to pay the rent, (the first 5 years being covered by the grant), but have not paid any rental following the expiry of the grant in 2006, and the Council have not demanded any. Technically therefore there is a rental debt amounting to £17,750.
- 2.5 Due to the political and sensitive nature of the issue the rent review was effectively skirted around and has remained outstanding up to the present day.
- 2.6 In addition the Council are entitled to recover the annual building insurance premium from the tenants. No premiums have been recovered until last year (2010) when 50% of the premium £782.35 was recovered (i.e. £ 391.18). The insurance debt up to that point was £4,500.
- 2.7 It is considered that the current market rent for the property is £13,500 pa.

## **3. Rent subsidy tool and matrix assessment - Input from Community Services**

- 3.1 The Sponsoring Councillor for this application is Councillor Josephine Teakle who has supported a rent subsidy and comments as follows: '

'As the Warden Hill Councillor, I consider the User Group, St Margaret's Hall, to be a fit and proper organisation which meets local needs and the Council's business objectives and is worthy of a substantial rent subsidy.

I believe activities and provision at the Hall meet each of the Council's business objectives as outlined in the Business and Community Plan submitted to the Council. In particular, I would like

to point up:

- how well the Hall is used by both charitable groups and commercial users, also by tenants and residents neighbourhood meetings
- how activities run by these groups meet the needs of all age groups in the local community, with fitness groups, social, music and dance groups including tea dances, mothers and toddlers groups, and tumble tots
- how the Hall supports the local economy by bringing such groups to the area
- the efforts made to improve the building and reduce energy use, for example by cavity wall insulation

I would very much commend the recent initiative to offer parking spaces to a local business in the day time, thereby substantially reducing parking pressures nearby, which have intensified after the provision of yellow lines in Windermere Road.

St Margaret's Hall is an excellent local facility which is being managed proactively to maximise its potential and value for the whole community.'

- 3.2 The completed application form and community contributions have been assessed by the Corporate Asset Group - as highlighted and attached in **Appendix 2**. Findings indicate a 100% rent subsidy as appropriate

#### 4. **Summary of scores**

The St Margaret's Hall User Group has charity status, registration no. 1071545 and contributes towards the following strategic community plan or corporate business plan priorities which are scored as follows:

Objective 1: Enhancing & protecting our environment (includes investing in environmental quality, investing in travel and transport and promoting sustainable living) = 20%

Objective 2: Strengthening our economy = 0%

Objective 3: Strengthening our communities (includes promoting community safety, promoting housing choice, building healthier communities and supporting older people) = 20%

Objective 4: Enhancing the provision of arts and culture = 20%

Objective 5: A focus on children and young people i.e. where one or all of the following outcomes for children and young people are met: = 20%

- Be healthy
- Stay safe
- Enjoy & Achieve
- Making a positive contribution
- Achieving economic well-being

Furthermore, as set out in Appendix H of the adopted 2010-2015 Asset Management Plan, as a general rule, when leases are due to be renewed and at the Cabinet's discretion, charities leasing Council property should be given the standard 20% discount against the full market rent.

As St Margaret's Hall User Group are a registered charity they could be entitled to this 20 % discount, subject to Cabinet's discretion.

## 5. Finance Comment

- 5.1 For the past five financial years, the User Group has been operating at a net loss and has been heavily reliant on its reserves. The reserves have reduced from £34,538 in 2005/06 to around £15,200 in 2009/10, a drop of 56%. The forecast loss (on a cash basis) for 2009/10 is significantly less than in previous years suggesting that the effects of more restrained improvement purchases and the User Group's review of its day-to-day running expenses has had a positive effect.
- 5.2 It is noted that the User Group anticipates improved income generation in the current financial year with revenue exceeding expenditure by £800 in the first six months of 2010/11 with a projected surplus for the year of £2,500 in relation to operational running costs.
- 5.3 In a previous assessment it was recognised that the User Group's reserves would not support expenditure relating to cladding the building. It is therefore pleasing to note that the Group has managed to complete this work with the majority of the funding coming from grants and fundraising.
- 5.4 The User Group could no doubt benefit from continuing in the same arrangement but whether or not the Council wishes to take this option cannot be made on solely financial performance measures.

## 6. Corporate Asset Group Comment

- 6.1 The Corporate Asset Group evaluated the business case and supporting information. It is clear that they are a registered charity and they significantly contribute to the Council's Corporate Plan.

## 7. Conclusion/Recommendation

- 7.1 In accordance with the Property Lettings and Disposals to the Third Sector, Voluntary and Community Groups Policy approved by Cabinet in March 2011, St Margaret's Hall User Group has submitted a business case with supporting information for a subsidy on their rent. This has been supported by a sponsoring Ward Councillor and the Corporate Asset Group have assessed their request in accordance with the policy and determined from the submission that a 100% rent subsidy subject to review is acceptable.

<b>Report authors and contact officers</b>	<b>David Roberts, Head of Property and Estate Management</b> <b>david.roberts@cheltenham.gov.uk,</b> <b>01242 264151</b> <b>Norman Ashworth, Senior Estates Surveyor</b> <b>norman.ashworth@cheltenham.gov.uk</b> <b>01242 264109</b>
<b>Appendices</b>	Appendix 1 : Risk Assessment Appendix 2 : Evaluation and assessment

<b>Background information</b>	<ol style="list-style-type: none"><li data-bbox="491 145 1390 226">1. Property Lettings and Disposals to the Third Sector, Voluntary and Community Groups. Cabinet Report - March 2011.</li><li data-bbox="491 248 1246 329">2. 'Making Assets Work' - The Quirk Review of community management and ownership of public assets.</li></ol>
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The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1	Financial; the risk of setting adverse financial precedents with granting of overly generous subsidies, or in the disposal of property interests which could impact on the MTFS	DR	2011	4	2	8	Accept	Corporate Asset Group assessment and Cabinet approval required for subsidy request	asap	DR	
2.	Financial; the viability in the provision of the services	DR	2011	3	3	9	Accept	Corporate Asset Group assessment and Cabinet approval required	asap	DR	
3	Reputation; if the applicant's subsidy request and supporting information is not robust and a subsidy not issued this could have an adverse impact on the reputation of the Council	DR	2011	2	2	4	Accept	Corporate Asset Group assessment and Cabinet approval required for subsidy request	asap	DR	