

Updated Policy for Property Lettings and Disposals to the Third Sector, Voluntary and Community Groups

Policy framework

This policy aligns to the vision and objectives of the council's Asset Management Plan 2016/17 to 2020/21

The vision for the Council's Asset Portfolio is:

'A fit for purpose property portfolio which drives delivery of our corporate vision and outcomes'

The three specific asset management policy objectives are:

1. To use our assets to sustain and grow Cheltenham's economic and cultural vitality and make a positive contribution to people's lives.
2. To maintain a 'fit for purpose' property portfolio to support service delivery
3. To make a positive contribution to the Council's financial position.

General Principles

As a guiding principle, the Council seeks to maximise the return on its non-operational portfolio. However, where a property is occupied by a registered voluntary or community sector (VCS) group which clearly supports the Council's priorities, the authority will consider offering a rent support grant. The level of grant will be calculated against the total assessed rental value of the property on the open market and will be counted as grant aid.

Market value

All lettings by the Council start from the basis of a commercial or market rate clearly set out in the tenancy agreement and any rent support grant will be set out in a separate document.

The decision on whether a particular VCS organisation occupying a Council-owned building should be offered a rent support grant Council needs to be related to the assessed benefits of the service it provides to the community. If the arrangement is subsidised in anyway, it must avoid falling foul of European legal requirements relating to state aid.

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. The current position is that the letting at an undervalue or the awarding of a grant to community organisations will not be State Aid if:

- The proposed tenant is a not for profit organisation;
- The use of the building will be for a community purpose; and
- The activities carried out by the organisation(s) are of local interest only.

Rent Support Grants

Council owned-buildings being leased to organisations that are open to the community at large and are working to further the aims of the Council's corporate priorities can be offered a rent support grant, subject to an assessment of the benefits of the services being delivered from the building provides to the community.

It is the responsibility of the relevant Cabinet Member, acting on advice from the Director of Resources, and in consultation with other appropriate officers and other Cabinet portfolio holders, to decide whether or not the organisation contributes sufficiently enough to the Council's corporate priorities and those of our partnerships to be awarded a rent support grant and what the level of this grant should be.

Commissioned Services

The policy will not apply to those VCS organisations occupying our buildings that have been formally commissioned or contracted to provide services on behalf of the Council. In these cases, the amount to be charged in rent will be specified in the formal contracts or service level agreements.

New lettings

The proposed disposal must be at best consideration and on commercial terms.

The proposal must contribute towards meeting the Council's corporate priorities and those of our partnerships.

A business plan must be submitted, clearly indicating the community benefits of the proposed operation and its financial viability over both the short and longer term.

If a planning consent will be required, there must be a reasonable prospect that this can be obtained in a timely fashion.

In the case of proposed retail uses, any neighbouring shops must not be adversely affected.

The current state / condition of the premises and any proposed repairs by the incoming tenant will be taken into account in assessing the market rent.

Existing leases

To be considered for a rent support grant the existing lease must be at best consideration and upon commercial terms.

The proposal must contribute towards meeting the Council's corporate priorities and those of our partnerships.

A business plan should be submitted, clearly indicating the community benefits of the proposed operation and how it will be viable in the longer term.

In the case of proposed retail uses, any neighbouring shops must not be adversely affected.

Temporary licences

E.g. Access licences to cross Council land. These are not classed as a disposal and therefore the disposal strategy does not apply and neither does 'opportunity cost'.

Access must be necessary to allow the organisation to function.

The applicant must be exempt from the State Aid rules as set out under Legal implications.

Legal documentation

The unrestricted market value of the disposal should be noted in the financial accounts.

The Council will request an annual progress report on the operation if it so chooses.

The Council will include appropriate rent review periods upon commercial terms and mutually acceptable break clauses in all new letting arrangements, to provide financial assurance for both the authority and its tenants.

If the tenant or use changes, the Council will have the option to terminate the grant support agreement.

The disposal must comply with European legislation relating to state aid.