

# Cheltenham Borough Council

Cabinet – 27 September 2011

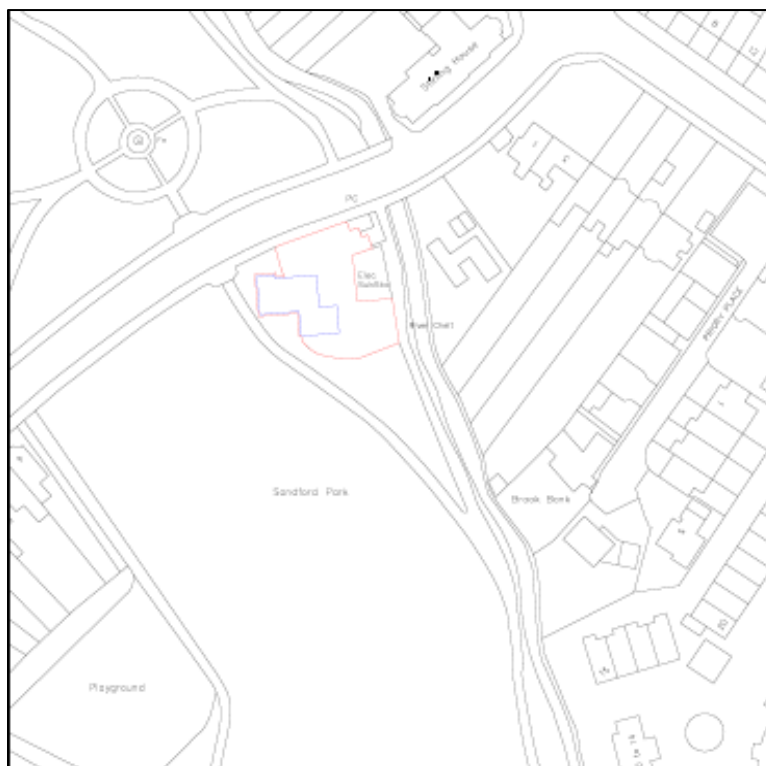
## Rent subsidy request from Third Sector Services, Sandford Park Offices

<b>Accountable member</b>	Cabinet Member for Built Environment ,Councillor John Rawson
<b>Accountable officer</b>	Head of Property and Asset Management, David Roberts
<b>Accountable scrutiny committee</b>	Social & Community
<b>Ward(s) affected</b>	College
<b>Key Decision</b>	No
<b>Executive summary</b>	<p>The Council is being asked to consider entering into a formal lease of the Sandford Park Offices to the Trustees of Third Sector Services (a community-based volunteer organisation), on a subsidised rental basis rather than at full market rent.</p> <p>The full market rent of the premises is currently estimated at £10,560 per annum. but no rent is collected, as there is no lease in place.</p> <p>Third Sector Services, who currently occupy the whole of the premises, cannot afford to pay this level of rent and have requested a rent 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>Provisional agreement has however been reached with the prospective tenants representative for a new 15 year lease of the premises with 5 yearly rent reviews and that Third Sector Services take on the responsibility for full repairs, maintenance and decoration of the premises in their entirety along with payment of the annual building insurance premium.</p>
<b>Recommendations</b>	<ol style="list-style-type: none"><li><b>1. Cabinet agrees to grant the Trustees of Third Sector Services a full repairing and insuring lease of the above premises for a term of 15 years and at a rent to be stated in the lease of £10,560 per annum (exclusive) and subject to five yearly rent reviews.</b></li><li><b>2. Cabinet delegates authority to the Head of Property &amp; Asset Management, in consultation with the Head of Legal Services, to negotiate and finalise the remaining lease terms with the Trustees of Third Sector Services</b></li><li><b>3. Subject to the Head of Property and Asset Management reaching an early and satisfactory agreement on all lease terms, Cabinet approves the subsidised rent of 100% of the rent in accordance with the Council's agreed Property Lettings and Disposals to the Third Sector policy.</b></li><li><b>4. The subsidy is to be fully reviewed at the same time as the corresponding five yearly rent review dates.</b></li></ol>

<b>Financial implications</b>	<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: Nina Philippidis, <a href="mailto:nina.philippidis@cheltenham.gov.uk">nina.philippidis@cheltenham.gov.uk</a> 01242 775221</b></p>
<b>Legal implications</b>	<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: Rose Gemmell <a href="mailto:rose.gemmell@tewkesbury.gov.uk">rose.gemmell@tewkesbury.gov.uk</a> 01684 272014</b></p>
<b>HR implications (including learning and organisational development)</b>	<p>None</p>
<b>Key risks</b>	<p>None</p>
<b>Corporate and community plan Implications</b>	<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 and recognising, promoting and assisting community groups and volunteers.</li> </ul>
<b>Environmental and climate change implications</b>	

## 1 Background

## LOCATION PLAN



### 1.1 Property Information

- The building was previously an operational facility for the Council's Parks Department and became surplus to operational use in 2003.
- Address: Sandford Park Offices, College Road. GL53 7HX
- Occupant: Third Sector Services (TSS)
- Current Rental Value: £10,560 p.a. - although not collected.
- Asset designation- Non Operational Community Asset
- Current Asset Value - £95,000 based on 2009 valuation.

**1.2** Third Sector Services (TSS) formerly Cheltenham Volunteer Centre has been in occupation of the majority of the subject premises since 2003 and not paid any rent to date. TSS do not have a lease currently in place but would be prepared to sign up provided a subsidised rent could be allowed.

**1.3** Cheltenham Volunteer Centre and Cheltenham Community Transport – official name now Third Sector Services - historically received a grant and then a service level agreement from the Borough Council to cover rent.

**1.4** The building is a Council owned non operational miscellaneous freehold asset currently providing a base for TSS, who are a volunteering infrastructure and community transport services group in Cheltenham.

**1.5** Parts of the property have in the recent past been sub-let at full market rental to two community based user groups, Mencap and Glomas, Since their departure in 2010, TSS have taken occupation of those rooms

- 1.6 Third Sector Services have submitted their previous accounts for 2009 and 2010 which CBC Finance Department have commented on in Section 4 below. .
- 1.7 Due to the political and sensitive nature of this issue the provision of a formal lease has, in the past, effectively been skirted around and remains outstanding.

## **2. Rent subsidy tool and matrix assessment- input from Community Services**

- 2.1 The Sponsoring Councillor for this application is Cllr. John Webster who supports a rent subsidy to be applied in this instance. The completed application form and community contributions have been assessed and are highlighted and attached in **Appendix 1**. Findings indicate a 100% rent subsidy as appropriate.

## **3. Summary of scores**

- 3.1 TSS is a registered charity (No 1119310) and contributes towards the following strategic community plan or corporate business plan priorities and 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 = 20%

Objective 3: Strengthening our communities (includes promoting community safety, promoting housing choice, building healthier communities, 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%

## **4. Finance Comment**

- 4.1 Third Sector Services are concentrating on becoming more self sufficient and less dependant on grants, in response to the current economic climate. Their growth strategy is reflective of this change. The organisation is currently tendering for commercial contracts and setting up a trading arm to ensure the future sustainability of community transport and volunteering services.
- 4.2 Income from both internally generated sources and through grants has increased from 2009 to 2010. The gearing of the organisation in respect of grant income shows 64% of its income being internally generated. Losses in grants are being mitigated through increased community fundraising, gift aid, a legacy giving campaign as part of its growth strategy.
- 4.3 It is noted that although a profit of £70k was generated in 2010, £50k of this is earmarked for reinvestment in the organisation's vehicles on an annual basis. The organisation is being prudent in forecasting its future financial performance, recognising they rely on the achievement of new contracts, and has sufficient reserves to maintain its operations should there be delays.
- 4.4 The organisation could no doubt benefit from the recommended arrangement whilst they make progress in implementing their growth strategy. However, whether or not the Council wishes to take this option cannot be made on a solely financial performance measure.

## **5. Corporate Asset Group Comment**

5.1 Members of the Corporate Asset Group evaluated the business case and supporting information. It is clear that TSS are a registered charity (No 1119310) and they significantly contribute to the Council's Corporate Plan.

## 6 Reasons for recommendations

6.1 To place the occupation of the subject premises on a proper legal footing.

6.2 To demonstrate transparency in the assessment and provision of a rent subsidy.

## 7 Alternative options considered

7.1 None

## 8 Performance management –monitoring and review

8.1 Not applicable

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<b>Appendices</b>	<b>Appendix 1</b> Evaluation and Assessment Matrix