STATEMENT OF THE ROYAL BOROUGH’S APPROACH TO THE TERMS OF OCCUPANCY OF COUNCIL PROPERTY BY VOLUNTARY ORGANISATIONS

This statement concerns the current occupancy by local voluntary organisations of existing property owned by the Royal Borough Council.

1. The Council provides a significant level of support to local voluntary organisations in a variety of forms, including grants, contracts, rent subsidies, discretionary rate relief and discounts on the use of Council premises. This support is not provided to local organisations as of right; rather, it reflects the Council’s view of the contribution such organisations make to local quality of life and to the achievement of the Council’s aims and ambitions for its residents.

2. Voluntary organisations are independent bodies. They hold responsibility for the management of their budgets, including choices, judgements and decisions over the location, amount and quantity property they occupy and the costs associated with doing so.

3. The Council has its own responsibilities for budget management; and an important component of this concerns the financial management of its property portfolio.

4. The Council recognises that the costs associated with occupying property in the Royal Borough can be significant. In recognition of this, the Council has, from time to time, agreed to provide some local voluntary organisations with financial assistance towards meeting these costs, especially when organisations have chosen to occupy property owned by the Council.

5. Decisions on when to provide such support have been taken over many years, and the terms on which organisations occupy Council property vary considerably. As a result, it is difficult to demonstrate consistency, fairness or transparency in these arrangements, or for occupants to predict how their property costs might change in the future.

6. The Council wishes, over time, to move to a simpler, more consistent and transparent set of arrangements. In order to achieve this, there needs to be

   • a clear and understandable basis for determining the rent that occupiers should pay
   • a single and appropriate means for channelling any property subsidy to occupiers of Council property
• a clear process for deciding whether and the extent to which the Council will provide a rent subsidy to a particular organisation.

(a) A clear and understandable basis for determining the rent that occupiers should pay

The Corporate Property department has been given a remit to maximise revenue from the estates held in both the Housing Revenue Account (HRA) and General Fund. The income thus generated contributes to the wider management of the Council’s budget. In pursuit of this remit, the departments’ approach is to charge a full market rent on all new lettings and to move to a market rent if and when the terms and conditions of an existing lease allow this (e.g. at a rent review).

The varied terms on which organisations occupy property at present has not developed by accident. Rather, the variety of arrangements that exist reflects

• the extremely heterogeneous nature of the local sector
• the complex variety of relationships and links that local organisations have with many different parts of the Council
• the mores and customs that have underpinned Council relations with the voluntary sector at any given time; and
• highly particular and idiosyncratic circumstances that may exist at the time a particular decision is made.

The Council does not intend to question or revisit the basis on which previous rent subsidy arrangements have been agreed; and (save for instance in circumstances where an organisation’s need for space changes significantly) it will not seek to alter any arrangements that are currently in place.

The Council’s approach to rent setting for organisations occupying its property can therefore be expressed as follows:

*The rents associated with all new and renewed leases will be set at market levels. Rents under existing leases will be moved to market levels if and when the terms and conditions of the lease allow this (e.g. at a rent review).*

*The Council will not seek to renegotiate existing leases to bring them into line with this approach; rather, it will introduce this new approach on a rolling basis as existing arrangements unwind.*
(b) A clear process for deciding whether and the extent to which the Council will provide a rent subsidy to a particular organisation

The Council's budget is under pressure, and directly provided services are under threat. Rent subsidies effectively reduce the income the Council generates from its property portfolio, depriving it of income that could be used to protect front-line services.

On the other hand, the Council recognizes that, over time, the existence of locally-based voluntary organisations will be threatened by the property costs they face. This would have a negative effect on Council services, some of which increasingly depend on local voluntary sector provision. A diminished local voluntary sector would also weaken community cohesion and reduce the ability of the Council to engage residents through initiatives such as City Living, Local Life and local volunteering.

In order to balance these competing pressures the Council has agreed the following:

Voluntary organisations that currently occupy Council property and which experience an increase in the rents they are charged (e.g. because of a rent review or lease renewal) will receive a concomitant increase in their grant or contract so that the rent increase is cost neutral to the organization.

Voluntary organisations that are not currently occupying Council property but seek to do so will be able to include a request for rent subsidy as part of any bid for a grant or contract from the Council. The amount of any subsidy to be paid by the Council will form part of the Council's overall evaluation of the amount of funding (if any) that the applicant should receive.

(c) A single and appropriate means for channelling any property subsidy to occupiers of Council property

In the past, subsidies have been provided to voluntary organisations in a variety of ways. Sometimes, subsidies have been intrinsic to the lease (e.g. peppercorn rents or rent-free periods). On other occasions, specific sums for rent payments have been incorporated into Council grants or contracts. And sometimes rents have been paid on behalf of local organisations through an internal transfer within the Council.

The difficulty with these arrangements is that (a) they are not transparent and (b) the Council can find itself locked into a rent
subsidy for a voluntary organisation even if that organisation no longer delivers services to a significant number of local residents, or other forms of Council support to the organisation have ceased.

The Council therefore intends to phase out such arrangements and, instead, to include any sums for property subsidies in the grants or contracts that voluntary organisations receive. The advantages of this arrangement are that:

- The level of rent subsidy that the organisation receives will be transparently evident to the organisation and to any other interested parties.
- Levels of subsidy can be increased (e.g. to take account of an upward movement in rent following a rent review) or reduced (e.g. if the organisation’s focus shifts so that it no longer serves a significant number of local residents) at relatively short notice.
- Decisions on whether and how to subsidise property costs can be taken as part of a wider set of decisions associated with the Council’s commissioning and grant-making cycles. Rent subsidies will be regarded as an integral part of the wider range of financial assistance organisations receive, rather than as somehow detached from this broader context.

**Exceptional circumstances**

7. The Council intends to apply the approach above as consistently as possible across the range of its relationships with voluntary sector organisations. The Council recognizes, however, that a single set of policies or rules is unlikely to apply in all the possible circumstances that might affect a voluntary organisation’s occupancy of Council property. There may therefore be occasions when the Council believes it is justified in adopting a different approach.

8. By way of example, some local organisations have, in the past, been successful in attracting significant funds from third party organizations to improve the property that the organisation occupies. Under these circumstances, because such funding enhances the value or usability of the Council’s property, the Council may be prepared to enter into specific rent arrangements negotiated between the third party funder, the occupier and the Council.

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