

**EXECUTIVE
COMMITTEE**

29th October 2019

**POLICY FOR VOLUNTARY AND COMMUNITY (VCS) CONCESSIONARY
RENTS**

Relevant Portfolio Holder	Councillor David Thain, Portfolio Holder for Corporate Management
Portfolio Holder Consulted	Yes
Relevant Head of Service	Claire Felton, Head of Legal, Equalities and Democratic Services
Wards Affected	All
Ward Councillor Consulted	N/A
Non-Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1 This report recommends that the Council withdraws its Concessionary Rents Policy for VCS organisations. It is recommended that VCS organisations currently receiving a concession on their rent be placed into transitional arrangements in order to wind the scheme down over a period of two years.

2. RECOMMENDATIONS

The Executive Committee is requested to RECOMMEND that

- 1) the VCS Concessionary Rents Policy end on 31st March 2022;**
- 2) all VCS organisations currently in receipt of a concessionary rent on a Council owned property be placed onto transitional arrangements as detailed in Appendix 1; and**
- 3) the Concessionary Rent Scheme budget be increased to £47k for 2020/21 and to £23k by 2021/22 to accommodate the transitional period of the scheme. Should this funding be approved there would be an increase of £32k in 20/21 that would have to be met from other savings within the Council.**

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3. KEY ISSUES

Financial Implications

- 3.1 The current budget for the VCS Concessionary Rents scheme is set at £15k. All VCS organisations currently in receipt of a discount in their rent as part of the scheme can receive up to a 70% reduction. All are currently at that level. The shortfall between the amounts of income the Council receives and the market rent of the properties leased to VCS organisations is £82k, per annum and therefore is an annual overspend to allocated budget. In the current financial climate and with the amount of savings the Council needs to make now and in the future, it is suggested that the amount of Council subsidy is no longer sustainable. It is therefore recommended that this scheme be phased out and the VCS groups who currently utilise the scheme be placed onto transitional arrangements until the scheme is completely withdrawn in 2022.
- 3.2 Appendix 1 sets out the transitional arrangements in more detail but essentially all VCS Group will be moved to a 40% level of rent reduction for the first year of the transition process and then for year 2 will receive a 20% reduction in their rent. By year 3, all VCS groups will be paying full market rent on their property should they chose to continue to rent their property. It is worth noting that charitable organisations and small businesses will continue be eligible for discount on their business rate payments.
- 3.3 The amount the Council will subsidise the scheme through the first year of the transition process will fall to £47k. For the second year it will fall to £23k. There will remain a shortfall to budget of £32k (£47k-£15k) and this will have to be met from other savings within the Council.

Background

- 3.4 The Council has historically offered the opportunity to VCS organisations in the town to rent Council owned commercial properties at a reduced rate. Various changes have been made to the policy over the past 7 years; however the maximum level of concession has been kept at 70%. Owing to increasing financial pressures the Council can no longer maintain this level of subsidy.

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Legal Implications

- 3.5 There are a number of properties where leases have been let subject to receiving a concession although the lease itself recites the full commercial rent that would be due. A number of the leases and concessionary rent terms have expired. VCS organisations in this position will be offered the option of taking up the proposed transitional arrangements.

Service / Operational Implications

- 3.6 The proposed transition arrangements will start from April 2020. This will enable any VCS groups currently leasing a property from the Council and in receipt of a concessionary rent to work with Property Services to agree any appropriate changes to their lease if needed so as to align with the new transitional arrangements.
- 3.7 Property Services will work with any VCS organisations which are currently in arrears or who may fall into arrears during the transition period. Issues around arrears will be dealt with by the terms of the lease.

Customer / Equalities and Diversity Implications

- 3.8 VCS organisations currently in receipt of a concessionary rent have been contacted by letter to advise them that changes to the policy will be made in the near future.
- 3.9 An Equalities Impact Assessment has been conducted for the withdrawal of the scheme. It is difficult to know what impact this eventual loss of support given by the Council will have on the VCS organisations involved. It could have a direct financial impact and may result in organisations cutting back on the delivery of certain services or giving up their property altogether if they cannot afford to pay the rent. This will have an impact on service users from all backgrounds. Many of the VCS organisations that receive a concessionary rent are based in areas of high deprivation where service users tend to come from. If VCS organisations do not obtain alternative funding there could be a negative impact on their ability to provide the same level of service to this particular set of customers.

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4. RISK MANAGEMENT

- 4.1 From a financial perspective there is a significant risk by not acting now to reduce the amount the Council subsidises this scheme. The current level is financially unsustainable and is not commensurate with the budget which has been set for the scheme.
- 4.2 As set out in 3.9 there is also a risk that by lowering the level of discount which VCS organisations receive for these properties and phasing out the scheme may impact financially on those organisations affected. There is a balance to be struck between supporting the local VCS and ensuring that the Council has a financially viable commercial property portfolio. The Council does support the local VCS in many other ways such as through other grant processes like the Councillor Community Grants Process, Homelessness Support Grant and Metals Recycling Scheme Grant.
- 4.3 The risk of properties becoming void because of these changes has been evaluated. There clearly would be additional costs such as utility charges and void inspections costs to the Council if properties were left empty. The risk is counterbalanced by the fact that currently, without any advertising, there have been a number of other businesses requesting properties, in particular in the District Centres. This would assume that there is demand and potential new businesses that can take units on at full market value.

5. APPENDICES

Appendix 1 – VCS Concessionary Rents Transition Arrangements

6. BACKGROUND PAPERS

- Policy for Leases of Council Land & Property at a Concessionary Rent – Executive Report – 18th December 2012
- Concessionary Rents – pre-decision scrutiny, short, sharp review – final report to Executive Committee from O&S Committee - 18th December 2012
- Review of Policy for Leases of Council Land & Property at a Concessionary Rent – 9th July 2013

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