

Rental Subsidy Applications

Strategy & Resources Committee Thursday, 29 June 2023

Report of: Chief Finance Officer (Section 151)

Purpose: For decision

Publication status: Public

Wards affected: Oxted South and Tatsfield & Titsey

Executive summary:

- The Council has an obligation under S123 of the 1972 Local Government Act to obtain best consideration when letting or selling its land or buildings.
 - Several of the Council's assets are currently let at less than market value reflecting the wider value that their use brings to the community.
 - A Rental Grant Subsidy policy was adopted by the Council in 2015. This policy aimed to provide greater transparency regarding the extent to which the Council subsidises tenant organisations.
 - This report considers Rental Grant Subsidy applications from two tenant organisations Hurst Green Community Centre and Tatsfield Parish Council (Furze Corner Playing Field).
 - The Committee should consider the applications and determine whether a rental grant subsidy will be awarded, and if so, the amount of rental grant subsidy.
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This report supports the Council's priority of:

Building a better Council

Creating the homes, infrastructure and environment we need

Supporting economic recovery in Tandridge

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Recommendations to Committee:

- A. That the Hurst Green Community Association be granted a 100% rent subsidy, to be reviewed at five yearly intervals, on the condition that:
1. The Association is to enter into a new 25-year full repairing and insuring lease of the property. The rent until 20 August 2029 (the expiry date of the existing lease) is to remain at £50 per annum (the passing rent under the existing lease). For the following 5-years (21 August 2029 until 20 August 2034), the Association is to be granted a 100% rent subsidy.
 2. The Association is to seek external grant funding and fundraise to continue to maintain the property and to improve or replace the current building.
 3. If the terms of the new lease – including the rent review provisions - prohibit the Association from obtaining funding for a redevelopment of the property, then the matter will be returned to Committee to reconsider.
- B. That Tatsfield Parish Council be awarded a 100% rental grant subsidy, subject to rent review after the fifth anniversary, on the condition that:
1. The Parish Council enters into a 25-year lease full repairing and insuring lease so that the tenant is fully responsible for all repair and maintenance for the buildings and the grounds within the demise.
 2. The Parish Council seeks external grant funding and fundraise to continue to maintain the property and to improve or replace the current building.
 3. If the terms of the new lease – including the rent review provisions - prohibit the Association from obtaining funding for a redevelopment of the property, then the matter will be returned to Committee to reconsider.
- C. Officers will review Council policy for the grant of rent subsidies and make recommendations to the Committee at the next meeting.

Reasons for recommendations:

The Council's Strategic Plan acknowledges the importance of local voluntary and community organisations in supporting strong and healthy local communities. It also acknowledges the need to tackle significant financial challenges. The scale of the financial challenge is significant, and it is therefore crucial that applications for subsidies are considered very carefully, so that subsidies are given to those community organisations that bring greatest value to communities, and that assets are revenue raising where organisations do not demonstrate wider community value.

The policy guides the Council to consider whether an organisation can demonstrate that it brings significant benefits to a community, and whether or not these benefits could still be realised without the rent subsidy. Consideration must also be given to any other costs in connection with the asset, and whether these are being met by the Council as landlord, or the tenant.

As part of the Future Tandridge Programme ('FTP'), each service has undergone a robust service review to consider opportunities for service improvement, the potential for services to be delivered through a different delivery model and to identify savings needed to address the Council's significant budget gap in 2023/24. These rental grant subsidy applications are all linked to the granting of longer leases that transfer the Council's current ongoing maintenance responsibilities for these assets to the community and charitable organisations, therefore delivering revenue savings to Council budgets and shifting our relationships with these organisations.

Given that the Council's Rental Grant Subsidy policy has been in place since 2015, a review is now timely, hence Recommendation C above.

Introduction and background

- 1.1 The Council has an obligation under S123 of the 1972 Local Government Act to obtain best consideration when letting or selling its land or buildings.
- 1.2 Several of the Council's assets are currently let at less than market value reflecting the wider value that their use brings to the community.
- 1.3 When considering the extent to which these applications align with the Council's Strategic Plan, it is evident that there may be conflicting priorities. Priority Outcome 1.5 of the Plan states:

"the Council shall look for opportunities to support better health and wellbeing for local residents"

and specifically

"Work with the Voluntary, Community and Faith Sectors (VCFS) to develop proposals to support community resilience in the face of a crisis, building on work during the COVID pandemic"

"Maximise wellbeing and opportunities for young people through development of a Youth Strategy in partnership with health and employment partners"

- 1.4 However, Priority Outcome 1.1 is about agreeing and implementing the financial recovery plan, and states that we should:

"Explore commercial opportunities within the district"

- 1.5 A Rental Grant Subsidy policy was adopted by the Council in 2015. This policy aimed to provide greater transparency regarding the extent to which the Council subsidises tenant organisations. The policy was intended for use at lease expiry and rent review dates.
- 1.6 The most recent applications considered by the Council were with respect to the applications for rental grant subsidy by Caterham & Whyteleafe Tennis Club, Lingfield Nature Reserves Association and the Lingfield Sports Association on 29th September 2022. All three applicant organisations were awarded a rental grant subsidy, subject to conditions.
- 1.7 This report provides information on three further applications for rental grant subsidy, the tenants have agreed to surrender their current leases in order to enter into longer leases, so that external funding for improvements can be sought.
- 1.8 Income and expenditure associated with both of these properties is part of the General Fund, specifically the Community Services budget. The impact on these budgets will be marginally positive if the recommendations are approved.

2. Hurst Green Community Centre

- 2.1 Hurst Green Community Centre was originally constructed in 1978 by local volunteers and is therefore long established within the local community. It is operated by the Hurst Green Community Association. The land is leased from the Council at a rent of £50 per annum until the expiry of the existing lease on 2nd November 2029.
- 2.2 The Association is in the process of applying for a grant of up to £1m from Your Fund Surrey to fund improvements to the building. It is hoped that these improvements will provide greater flexibility and increase accessibility. The proposals are widely supported by the local community. The Association has been in discussions with a number of other organisations, including Oxted Health Centre and Surrey County Council regarding the expansion of services, but is currently constrained by the layout of the building and available space.
- 2.3 In order to qualify for these external funds, the Community Association needs to demonstrate long term security of tenure and has requested a 25-year lease. Heads of Terms for a new 25-year lease and a simultaneous surrender of the existing lease have been agreed. The Association has full responsibility for all buildings and grounds within the demise. The Council will have the ability to break the new lease if the Association is not successful in securing funding to improve the premises.
- 2.4 The application for 100% rental grant subsidy is considered by the Association to be essential to assist its cashflow and support its improvement plans.

2.5 Officers have assessed the market rent of the premises at a guide of £17,000p.a. This assessment was supported by comparable evidence. The Club has requested a 100% rent subsidy. Officers have scored the rental grant subsidy application at 22 out of a possible total of 28 (see Appendix B). The proposals in respect of the application are as per Recommendation A above.

3. Tatsfield Parish Council (Furze Corner Playing Field)

3.1 The Parish Council plans to rebuild the current pavilion to provide modern and accessible facilities that would meet the current needs of the member clubs and also enable the facilities to be opened to a far wider range of community and sports uses. A pitch survey, with recommendations for improving drainage and external surfaces, has also been commissioned.

3.2 External funds in the region of £1.5m are being sought to fund these improvements. Applications are being made to a number of potential funding sources, including Your Fund Surrey, Community Infrastructure Levy and national sports bodies.

3.3 In order to qualify for these external funds, the Parish Council needs security of tenure and has requested a 25-year lease. The incumbent lease has expired. Heads of Terms for the new lease and a simultaneous surrender of the existing lease have been agreed. The Council currently has full grounds maintenance responsibilities and is also responsible for some of the repairs and maintenance of the current pavilion building, which includes paying for statutory compliance, such as legionella testing, fire risk assessments, electrical testing and asbestos management.

3.4 Under the terms of the new lease, the Parish Council has agreed to take full responsibility for all buildings and grounds within the demise. The Council will have the ability to break the new lease if the tenant is not successful in securing funding to improve the premises.

3.5 The application for 100% rental grant subsidy is considered by the association to be essential to assist their cashflow and support their improvement plans, which are essential to continuing and expanding the sports activities at Furze Corner Playing Field.

3.6 Officers have assessed the market rent of the premises at a guide of £8,000 p.a. This assessment was supported by comparable evidence of similar local authority-owned facilities. The Parish Council has requested a 100% rent subsidy. Officers have scored the rental grant subsidy application at 25 out of a possible total of 28 (see Appendix G).

3.7 The proposals in respect of the application are as per Recommendation B above, which would remove the Council's maintenance liabilities for both the grounds and building, therefore having a positive effect on revenue budgets.

Key implications

Comments of the Chief Finance Officer

Local authorities are required to obtain best consideration in the disposal, including by lease, of its land. This generally means obtaining market value. A local authority can, however, grant a lease of more than seven years below market value, if it can demonstrate that the arrangement contributes to the improvement of the social, economic or environmental wellbeing of the area, or its residents. The proposals set out here are therefore consistent with the requirement to demonstrate value for money. The agreements need to strike a balance between adherence to the Council's established policies in this respect, whilst recognising the significant benefit that could come from external investment. In order to ensure that neither of these are compromised, a further Committee decision may be needed if external funding terms are incompatible with the agreements set out in this paper. The proposals have a marginally positive impact on the Council's revenue budget.

Comments of the Head of Legal Services

The report tries to balance the concept of best value under S123 of the Local Government Act recognising with the need and basis to provide rent subsidy via a definitive application process. The process modelling is designed to obviate accusations of unfair subsidies being provided from public funds and ensure a transparent auditable system of rent to be charged. It also avoids potential challenges regarding fairness and equality of the assessment process and subsequent outcomes.

If Members chose to charge rents at market value or reduce any rent subsidy there will be implications for the organisations involved. In terms of the level of support they can provide and might result in the organisations casing to operate with the Council incurring additional cost from taking back the assets or from residents no longer receiving support.

Equality

Community organisations play a key role in supporting equality of opportunity and supporting all protected characteristics. The applications for rental grant subsidy should be considered in this context.

Climate change

There are no significant environmental / sustainability implications associated with this report.

Appendices

Appendix A – Rental Grant Subsidy Application Hurst Green Community Centre

Appendix B – Assessment Matrix Hurst Green Community Centre

Appendix C – Business Case Hurst Green Community Centre

Appendix D – Draft Accounts HGCA year ending 31 March 2023

Appendix E – HGCA Accounts year ending 31 March 2022

Appendix F - Rental Grant Subsidy Application Furze Corner

Appendix G - Assessment Matrix Furze Corner (Tatsfield Parish Council)

Appendix H – Furze Corner Pavilion Development Plan

Appendix I – Tatsfield Parish Council Accounts year ending 31 March 2022

Appendix J - Tatsfield Parish Council Accounts year ending 31 March 2021

Background papers

None

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