

## For General Release

<b>REPORT TO:</b>	<b>CABINET 20 JANUARY 2020</b>
<b>SUBJECT:</b>	<b>Policy for Council community properties, rent subsidy and rate relief for the voluntary and community sector</b>
<b>LEAD OFFICER:</b>	<b>Jacqueline Harris Baker, Executive Director of Resources and Monitoring Officer</b> <b>Gavin Handford, Director of Policy and Partnership</b>
<b>CABINET MEMBER:</b>	<b>Councillor Hamida Ali, Cabinet Member for Safer Croydon &amp; Communities</b> <b>Councillor Simon Hall, Cabinet Member for Finance and Resources</b>
<b>WARDS:</b>	<b>All</b>

### **CORPORATE PRIORITY/POLICY CONTEXT/ AMBITIOUS FOR CROYDON**

The Corporate Plan and Voluntary & Community Sector Strategy recognise the importance of working in partnership to deliver the priorities and outcomes we have promised in new and creative ways. This includes working with the voluntary and community sector. This policy will enable the Council to make best use of its premises-related support to the sector.

### **FINANCIAL IMPACT**

The financial impact is neutral. The budget for rent subsidy and discretionary rate relief will not change as a result of these proposals. Any extra income raised from charging market rents instead of peppercorn rents will be used to provide rent subsidy for qualifying organisations.

### **FORWARD PLAN KEY DECISION REFERENCE NO.: 0220CAB**

The notice of the decision will specify that the decision may not be implemented until after 13.00 hours on the 6th working day following the day on which the decision was taken unless referred to the Scrutiny and Overview Committee.

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below

### **1. RECOMMENDATIONS**

Having due regard to the consultation outcomes detailed in Section 12 of this report, Cabinet is recommended to:

- 1.1 Adopt the policy for the allocation of council community properties to voluntary and community organisations and groups, providing rent subsidy and discretionary rate relief set out at Appendix 3.
- 1.2 Agree that the provisions for the allocation of council community properties to voluntary and community organisations and groups is implemented from 1 April 2020.
- 1.3 Adopt the framework for setting market rents in council community properties to be effective from 1 April 2021.
- 1.4 Agree that the provisions for allocating rent subsidy to eligible voluntary and community organisations and groups renting community properties owned or leased by the Council are implemented from 1 April 2021.
- 1.5 Agree that the provisions for allocating discretionary relief from national non-domestic rates to voluntary and community organisations and groups are implemented from 1 April 2021.
- 1.6 Delegate authority to the Director of Policy and Partnership in consultation with the Cabinet Member for Safer Croydon & Communities to make the administrative preparations required to implement the policy adopted under 1.1.
- 1.7 Note the proposal to review this policy in 2023

## **2. EXECUTIVE SUMMARY**

- 2.1 The Voluntary and Community Sector (VCS) is a key partner of the Council in delivering services and support to residents of Croydon. The Council is a strong contributor to the VCS in Croydon, providing significant funding and staff support through various teams, its commissioning and procurement function and the One Croydon partnership.
- 2.2 The availability of affordable premises and space for events is a major challenge for VCS organisations and groups. The Council supports VCS organisations in respect of premises and associated subsidies in a number of ways, in total worth more than £0.5m a year. Its intention is to continue supporting the sector at the same level, but focus this assistance on organisations that support the priority outcomes in the Council's [VCS Strategy](#) (adopted in March 2019) and have the greatest community impact and need, and spread the benefit of funding as widely as possible.

- 2.3 The provisions in this policy give effect to the pledges made in the VCS strategy relating to premises related support. It covers the allocation of council community properties, sets a framework for charging rents for those properties, and the allocation of rent subsidy and discretionary business rate relief to voluntary and community organisations. It provides transparency on how support is allocated and offers equality of opportunity to organisations that have not received funding to date, while operating within the Council's budgetary constraints.
- 2.4 Consultation on the draft policy was undertaken between 9 October and 19 November through an online survey and engagement event. A wide range of VCS organisations responded. 63 took part in the survey and 21 VCS representatives attended the engagement event. Responses were broadly supportive of the proposals across the board.
- 2.5 The budget for rent subsidy and discretionary rate relief (DRR) will no change as a result of the policy. Any extra income raised from charging market rents instead of peppercorn rents will be used to provide rent subsidy for qualifying organisations. The policy for allocating council community properties would come into effect on 1 April 2020. The new rent charging framework and policies on rent subsidy and DRR would take effect from 1 April 2021.

### **3. VOLUNTARY AND COMMUNITY SECTOR STRATEGY 2019-23**

- 3.1. In March 2019 the Council adopted a VCS Strategy that provides a framework for prioritising the Council's support and resources for the VCS while working in partnership with it to deliver for Croydon. A summary of the priority outcomes within the strategy is set out in Appendix 1.
- 3.2. Engagement with VCS organisations during the development of the VCS Strategy highlighted that the availability of affordable premises and space for events was a major challenge for the VCS.
- 3.3. There was a desire for greater transparency and clearer guidelines about how and why organisations are allocated council community premises or paid rent subsidy or discretionary relief from national non-domestic rates (commonly known as business rates), when many others do not receive such support. Organisations also said that there should be more monitoring of performance and of usage of allocated premises.
- 3.4. The VCS Strategy therefore includes a number of actions for the Council concerning premises related subsidies:

- Develop clear criteria for allocating properties and rent subsidy, requiring organisations to support our priorities and making the sharing of premises a desirable requirement.
- Allocate properties for a limited term; performance and the level of use of the premises will be monitored regularly.
- Improve transparency by transitioning from peppercorn rents for community properties to market rents, with rent subsidy provided where appropriate.
- Encourage organisations to share available space: we will amend our leases to allow occupiers to sublet to approved organisations and develop proposals in 2019/20 to facilitate the exchange of information on spaces offered and spaces sought by VCS organisations.

3.5. The new rent charging framework and policies for allocating council community properties, Rent Subsidy and DRR seek to implement these actions.

#### **4. CURRENT APPROACH**

4.1. Premises are a critical area of support for VCS organisations. However, they are an expensive resource that is often in short supply. The Council supports voluntary and community organisations in respect of premises and associated subsidies in a number of ways, in total worth more than £0.5m a year.

4.2. In order to make council-owned community premises more affordable, many rents are charged at only a peppercorn rent (for 51 premises), or the Council provides Rent Subsidy to support the VCS with premises costs. The Council provides DRR in addition to the 80% mandatory rate relief that may apply. It also provides and fully funds internal and external repairs to its properties, buildings insurance and statutory inspections, a significant subsidy in itself.

4.3. The Council's approach to premises related subsidy and support to the VCS has lacked an integrated approach. There has been no formal adopted policy or procedure for allocating council community properties and setting the rents for such properties, and determining which organisations should benefit from Rent Subsidy and DRR. The draft policy is designed to rectify this.

##### **Rent subsidy**

4.4. The Council is providing £245,000 in Rent Subsidy in 2019/20 for 19 premises. The subsidy benefits a range of organisations including sports clubs, scouts associations, residents associations, youth and community centres as well as larger VCS organisations.

4.5. The budget is fully allocated against historic commitments, and the council is therefore not able to consider any new applications for Rent Subsidy under

current arrangements. No assessment is currently made on the community benefit provided by the organisations receiving funding.

### **Discretionary Business Rate Relief**

- 4.6. Charitable organisations such as registered charities are entitled to 80% mandatory relief for national non-domestic rates ('business rates') wherever they are located. This cost is absorbed by central government.
- 4.7. Discretionary Business Rate Relief (DRR) provides further discount on non-domestic rates. If Discretionary Business Rate Relief is offered by the Council, it is required to be met from Council resources.
- 4.8. In 2019/20 a total of £143,000 was awarded in DRR to 47 organisations in respect of 69 properties. While the vast majority of organisations receive a 20% top-up in DRR to their mandatory rate relief, three payments cover 100% discretionary relief where groups did not qualify for mandatory relief.
- 4.9. There are currently three simple eligibility criteria. These are that the organisation is Croydon based, not for profit and meets basic requirements regarding governance, financial management and equalities.
- 4.10. Most of the payments are low value: 51 (74%) of payments are below the average of £2,075, but nearly 50% of the total budget is paid to just seven organisations.
- 4.11. As with Rent Subsidy, the current DRR budget is fully allocated, and the Council is unable to consider any new applications for DRR under current arrangements. No assessment is currently made on the community benefit provided by the organisations receiving funding.
- 4.12. The Council operates a separate scheme (approved by cabinet in December 2016) for providing discretionary rate relief to increase or safeguard the number of jobs in the borough by supporting inward investment from large companies bringing significant numbers of new jobs to the borough; supporting smaller business to locate in the area and help them through difficult periods to become sustainable in the longer term; and bringing empty space back into use to support the economy. Under that scheme, the council uses its discretion to pay up to 100% of the business rates charge having regard to the impact on other residents and tax and rate payers in the borough and the affordable budget available. Awards are made for one year, with no guarantee of renewal. The proposals in this report will have no impact on this scheme. Ratepayers are not eligible for relief under that scheme if they are eligible for any mandatory or other discretionary relief and/or they could receive relief as a non-profit making organisation or as a sports club or similar.

## **5. PRACTICE IN OTHER LOCAL AUTHORITIES**

- 5.1. In developing the draft policy, the Council looked at how other local authorities provided premises related support for the VCS.
- 5.2. Many authorities do not offer any rent subsidy at all. Those that do only support organisations in council owned premises and require organisations to provide a community benefit. We are not aware of any authority that offers rent subsidy to VCS organisations renting privately.
- 5.3. The level of rent that is subsidised varies. Some councils require VCS tenants to pay for repairs, insurance and statutory services to council community buildings, reducing the value of the rent subsidy they provide. Some only pay subsidy to community centres.
- 5.4. DRR is provided by more councils than rent subsidy, but by no means all offer this support. Some will only support organisations that qualify for mandatory relief, and pay 20% top-up relief so that organisations pay no business rates at all. Others offer partial relief only, but exclude organisations getting 80% mandatory relief. Generally, organisations must apply annually for DRR.
- 5.5. The analysis demonstrated that Croydon Council continues to provide a strong level of financial support for the VCS, and more than most local authorities.

## **6. DRAFT POLICY OBJECTIVES**

- 6.1. In drafting the policy proposals, the Council is seeking to offer organisations equality of opportunity to access premises and subsidies, ensure value for money and to spread the benefit as widely as possible across the VCS.
- 6.2. A number of objectives have been included in the draft policy, and are aligned to the priorities within the VCS Strategy:
  - Focus funding on VCS organisations with biggest community impact and greatest need.  
*This is considered to be those organisations that support VCS Strategy priority outcomes, operate in areas of the greatest deprivation, use their properties as intensively as is practicable and those with the greatest financial need.*
  - Focus funding on VCS organisations occupying council community properties  
*This is proposed for phase 1 (2021-2024). From 2024/25, subject to a review in early 2023, the policy proposes the option to open the rent subsidy*

*scheme to applications from VCS organisations renting premises in the private sector, thus further widening the number of organisations that would be eligible.*

- Provide transparency on how rents are charged, subsidies are offered and council community properties are allocated.
- Spread the benefit of the funding as widely as possible, offering opportunity to organisations that have not received funding to date, while operating within the council's budgetary constraints.

## **7. DRAFT POLICY PROVISIONS: RENT SUBSIDY**

- 7.1. It is proposed that a new application process be introduced for rent subsidy. In order to provide some stability to VCS organisations, and enable them to plan in the medium to long term, it is intended that rent subsidy will be awarded to successful applicants for a period of 3 years. The scheme will offer rent subsidy up to 100% of the contractual rent.
- 7.2. Whilst rent subsidy funding will be awarded for 3 years, it will be with a requirement for annual monitoring and the ability to amend or remove rent subsidy if the recipient no longer qualifies.
- 7.3. Clear eligibility criteria will be introduced. Organisations will need to be:
  - Community led, a co-operative [or a social enterprise](#);
  - Properly constituted, with good governance;
  - Capable of sustainably, legally and safely managing an asset and delivering services;
  - Compliant with the Equality Act 2010; and
  - Willing to offer space (if available) and support to smaller groups.
- 7.4. The organisations will also need to provide services that support the Council's VCS strategy (see Appendix 1) and these services must be delivered primarily for the benefit of Croydon residents. At least 75% of beneficiaries must be Croydon residents.
- 7.5. Profit making organisations (other than co-operatives and social enterprises), faith groups using premises mainly for religious purposes, and organisations providing services to a restrictive membership group will be excluded from receiving rent subsidy.
- 7.6. Where an organisation wholly or mainly sublets the premises to other organisations, then the property may be eligible for rent subsidy on condition that the subtenants are VCS organisations approved by the Council and the

amount paid by the subtenant is no more than a charge to cover the organisation's reasonable costs of managing and running the building. The organisation's rent subsidy will only be reduced if it is making a profit from the arrangement.

- 7.7. If an organisation receives rental contributions from other council grants or commissioning, they will not be eligible to apply for rental subsidy. This ensures there is no duplication in funding contribution.

### **Assessment**

- 7.8. Even with the exclusions above, there will be more eligible organisations than there is funding to support. Therefore, an assessment process will be utilised to score and prioritise applicants for rent subsidy.
- 7.9. Priority will be given to organisations that:
- Make greater use of the premises  
This will encourage organisations to make valuable community assets available throughout the week, offering more services and support to local communities.
  - Share premises with other VCS organisations  
This will also increase availability of valuable community assets. However, where it is agreed that organisations cannot share premises, they will not be disadvantaged.
  - Deliver services in areas of the greatest deprivation
  - Are critical for achieving priority outcomes
- 7.10. The Council will seek to develop a web-based system to put VCS organisations and groups that have available space(s) within their premises in touch with other VCS organisations and groups that are looking for premises or space.
- 7.11. A financial assessment will form part of the application, with priority given to organisations with a lower gross annual income. Organisations with higher levels of gross annual income will be expected to demonstrate how they have secured funding from non-council sources. This will target funding where it is most needed, whilst also encouraging VCS organisations to be less reliant on council funding.
- 7.12. Any organisation with reserves equivalent to more than two years' operating costs will not receive funding.

## **8. DRAFT POLICY PROVISIONS : DISCRETIONARY RATE RELIEF**

- 8.1. It is proposed that a new application process also be introduced for DRR. As the amounts awarded are generally lower, it is considered less critical to provide a multi-year award. Therefore, it is intended that DRR be awarded on an annual basis.
- 8.2. DRR will be paid at 20% of the total business rate charge. Some eligible VCS organisations may also qualify for mandatory rate relief, which is paid at 80% of the business rate charge. If so, DRR will provide a top-up to provide 100% relief. This policy seeks to encourage organisations to apply for mandatory rate relief, as it brings in central government funding and frees up the Council's DRR budget to support other organisations.
- 8.3. Revised eligibility criteria for DRR will be introduced. Organisations will need to:
- Be community-led, a co-operative or or a social enterprise
  - Support priority outcomes of the Council's VCS strategy (see Appendix 1)
  - Meet requirements on governance, management and financial competence
  - Comply with the Equality Act 2010
- 8.4. The organisations will also need to provide services that support priority outcomes in the Council's VCS strategy (see Appendix 1) and these services must be delivered primarily for the benefit of Croydon residents. At least 75% of beneficiaries must be Croydon residents.
- 8.5. The following organisations will not be eligible for discretionary rate relief
- charity shops and cafés operated by trading arms of charities
  - housing associations
  - buildings used mainly for worship or to promote religious belief
  - bodies operating a restrictive membership policy, unless they are fulfilling a special need within the community
  - profit making organisations (other than co-operatives and social enterprises)
  - empty properties
  - social clubs.

It should be noted that buildings registered for public religious worship or church halls are exempt from business rates altogether.

### **Assessment**

- 8.6. Applications will open in October each year, with a closing date of 31 October. Assessment of applications would take place in November and December with decisions taken by March at the latest (see 8.10 and 8.11). It is anticipated that the total relief sought by eligible organisations will exceed the budget available.

- 8.7. VCS organisations will be asked to submit an application form for DRR, their most recent audited/checked accounts, the amount and purpose of funding currently received from the council and other sources and a business plan or budget to allow an assessment of their financial management and viability.
- 8.8. Priority will be given to organisations with lower rateable values. It is proposed that applications will be ranked according to the rateable value of the property, from lowest to highest. Rate relief will be allocated, starting with the lowest amount of relief to be awarded, until the budget is fully allocated.
- 8.9. Using rateable value is administratively simple, encourages organisations to avoid higher value properties and use buildings with a lower rateable value.
- 8.10. The allocation system prioritises smaller qualifying organisations, although there is no guarantee that an organisation will get relief two years in a row, even if its circumstances have not changed. This is because it will be dependent on the total applications received.
- 8.10 Awards in valuation years:** every three years the government's Valuation Office Agency will calculate the rateable value of each property. The next valuation year is 2021, the first year of the implementation of the provisions in this policy relating to DRR. As some rate bills can vary considerably as a result, the Council will calculate the DRR to be awarded only once the new rateable value is known and the Government has notified the Council of the multiplier to be used to calculate the business rate charge. A decision letter will be sent to the organisation in March.
- 8.11 **Awards in non-valuation years:** in order to give organisations a decision as early as possible, subject to administrative arrangements, the Council will calculate the DRR amount on the basis of the old year's business rate charge and issue a decision in January. It is likely that the new business rate charge will subject to an increase for inflation (applied through the multiplier set by central government). The VCS organisation would therefore have to pay the difference between the DRR awarded (20% of the old year's business rate charge) and the new rate charge, and would receive a bill asking for the difference in April.

## **9. DRAFT POLICY PROVISIONS: ALLOCATION OF COMMUNITY PROPERTIES**

- 9.1. The Council works closely with the VCS to identify suitable future uses for vacant space within its community properties portfolio. Allocation may be through Community Asset Transfer (CAT), competitive tender, or through

discussion with specific groups identified as suitable occupiers for the space concerned.

- 9.2. CATs transfer the council asset to the occupying VCS organisation on a long lease at a peppercorn rent. The organisation takes on full responsibility for the cost of running the building. A CAT may be appropriate if a council property asset is surplus to requirements, the Council considers that the VCS organisation is better placed than itself to deliver the service in question, and the transfer would enable them to benefit from grant funding available to organisations with longer leases.
- 9.3. The Council will publish a list of council community premises and their lessees. These properties will be available to organisations delivering services primarily for the benefit of Croydon residents, and that support the priority outcomes in the VCS Strategy (see Appendix 1). Organisations will need to be properly constituted, capable of managing an asset, willing to offer space to smaller groups and compliant with the Equality Act 2010.
- 9.4. The supply of council properties is insufficient for all potentially eligible VCS organisations that may need premises. The Council will therefore consider applications according to a number of criteria including:
  - The soundness of the business case for why the building or land is needed
  - The community benefit offered by the organisation
  - Local need for the service
  - Financial management and viability: VCS organisations will be asked to provide their most recent audited/checked accounts, a business plan or budget, and sources of funding.
  - Ability for the organisation to manage an asset and comply with the lease obligations.

## **10. DRAFT POLICY PROVISIONS: RENT CHARGING FRAMEWORK**

- 10.1. It is proposed to establish a framework for charging VCS organisations market rents for council community properties, rather than peppercorn rents. Instead, subsidy will be provided through rent subsidy. This approach provides greater transparency.
- 10.2. The market rent will reflect the geographical location, the use, the physical condition and the repair liability applicable to the property. However, a market rent for a D1 (community use) property may be significantly lower than the market rent for other properties classified for alternative commercial use.

- 10.3. Although rents will be individually assessed, given the nature of Croydon's community buildings and their current occupation, it is proposed that a simplified approach be adopted:
- Basic properties offering community activities that actively support the council's key policies will give rise to a rental value in the region of £4 per square foot per annum (it is assumed most will fall within this category)
  - Buildings that offer more potential for third party/commercial letting will be valued at £8 per square foot per annum or higher where the property is predominantly used as office space, is in a specific geographical location commanding higher rental values (such as a town centre), or involves a use that generates a significant income.
- 10.4. Any additional income raised by moving from peppercorn rents will be utilised for the continued funding of the VCS sector, such as through rent subsidy, and the provision of council services.
- 10.5. Exceptions to the above framework will include properties such as scout sites, where, due to the restrictive nature of the use, a standard rent of £500 per annum will be applied. There will also be some instances where a volunteer group with no income is undertaking a service on behalf of the Council where it is appropriate to continue to charge a peppercorn. Where a VCS organisation is investing capital to fit out premises, the Council may agree a rent-free period in recognition of this investment.
- 10.6. There will be no change to the current rent charged where there is an existing lease or agreement that sets the rent. There will also be no change to properties that are subject to a Community Asset Transfer.

## **11. IMPLEMENTATION**

- 11.1. The proposed changes to the funding schemes may have an impact on those organisations currently in receipt of the funding.
- 11.2. The Council has notified these organisations at regular points over the last two years of the intention to review the scheme, and that this could impact on any future funding.
- 11.3. In addition, it is proposed to implement the changes to the scheme over a longer period, to ensure organisations have sufficient notice of any changes in the funding they receive.
- 11.4. Therefore, during 2020/21 rent subsidy and rate relief will be payable under current arrangements.

11.5. If the policy is approved by Cabinet, the following timetable is planned.

#### **Rental subsidy**

10 February 2020	New rent subsidy scheme opens for applications
13 March 2020	Deadline for applications for rent subsidy
April 2020	Organisations notified of decisions regarding rent subsidy
1 April 2021	New rent subsidy payments begin

#### **Discretionary rate relief**

1 October 2020	New rate relief scheme opens for applications
31 October 2020	Deadline for applications for discretionary rate relief
March 2021	Organisations notified of decisions regarding discretionary rate relief (due to the valuation process)
1 April 2021	New rate relief payments begin

11.6. The transition from peppercorn rents to market rents would be implemented over time from April 2020: immediately for expired leases, and in other cases, as leases expire or break clauses allow.

11.7. Allocations of council community properties will be made under the new policy from 1 April 2020, starting with a review of expired leases that are holding over.

## **12. CONSULTATION**

12.1 As mentioned at 3.2 above, the Council undertook engagement to inform the VCS Strategy that was adopted in March 2019, which in turn has informed the proposals within the draft policy.

12.2 In addition, consultation on the draft rent setting framework and provisions for allocating properties, rent subsidy and rate relief was undertaken between 9 October and 19 November. The consultation included an online survey and engagement event. The consultation was promoted on the Council's Get Involved web portal and via the VCS infrastructure organisations' regular communications channels to VCS organisations across Croydon.

12.3 21 representatives of VCS organisations and groups attended the engagement event, which was held on 1 November 2019. 63 VCS organisations responded to the online survey. Respondents to the survey included organisations that did not rent their premises from the Council (52%); did not receive rent subsidy (65%) and did not receive DRR (43%). Of those that did rent from the Council, 23% paid nil rent; and 68% did not share their premises with another VCS organisation.

12.4 Responses to the proposals were broadly positive across the board:

- **Overall policy objectives:** 67% agreed or strongly agreed with the policy objectives, and 24% neither agreed nor disagreed
- **Rent setting framework:** 51% agreed or strongly agreed with the proposed method for setting rents in council community properties, and 33% neither agreed nor disagreed
- **Rent subsidy:** 70% agreed with the proposed eligibility and assessment criteria for rent subsidy, with 24% neither agreeing nor disagreeing. 57% agreed or strongly agreed with the proposed grounds on which rent subsidy might be reduced or withdrawn, with 33% neither agreeing nor disagreeing
- **Renewal of lease:** 77% thought that the council should renew the lease if a tenant organisation still met the eligibility criteria at the end of the lease
- **Discretionary Rate Relief (DRR):** 57% agreed with the proposed criteria for determining eligibility, assessing priority and awarding DRR, and 28% neither agreed nor disagreed
- **Performance monitoring:** 67% agreed or strongly agreed with the proposed arrangements for performance monitoring and other arrangements, and 21% neither agreed nor disagreed
- **Implementation:** 64% agreed or strongly agreed with the proposed implementation arrangements, and 24% neither agreed nor disagreed.

12.5 A summary of the consultation responses is set out in Appendix 2.

## 13 PRE-DECISION SCRUTINY

13.1 The policy was considered by the Scrutiny Streets, Environment & Homes Sub-Committee on 17 December 2019 for pre-decision scrutiny. In reaching its recommendations, the sub-committee came to the following **Conclusions:**

1. It was not deemed appropriate for social enterprises and co-operatives to be

automatically excluded from submitting an application for rent subsidy.

2. The timeline for notification of award of discretionary business rate relief be amended to ensure that organisations were notified as early as possible of the decision made to enable alternative arrangements to be made ahead of the beginning of the financial year should they not be eligible for the rate relief.

### 13.2 The Sub-Committee resolved to **Recommend**:

1. That social enterprises and co-operatives should:
  - a) Be eligible to submit an application should they meet the criteria and their application be considered on its own merit.
  - b) Officers to discuss and formulate a plan as to how to assess the eligibility of these groups if there is to be a difference in application criteria to that of voluntary organisation.
2. That in order to reduce the length of time between submission of application and notification of decision, organisation be notified of the outcome of their application for discretionary rate relief no later than the January following submission. Except in a re-evaluation year where notification should be made in the March following submission of their application to ensure that a definite decision is provided in the first instance.

## 14 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

14.1 Current annual funding for rent subsidy (£276,000) and discretionary rate relief to the VCS (£157,000) will remain unchanged as a result of the policy. Additional income, obtained from charging market rents (instead of peppercorn rents) from 1 April 2021, would eventually amount to £46,000. This income would be allocated for paying rent subsidy to eligible VCS organisations renting council community properties.

### 14.2 **The effect of the decision**

There are no direct costs arising from the implementation of the policy.

### 14.3 **Risks**

There is a risk that any unsubsidised rent due is not paid if a tenant's financial management is poor. This is mitigated against by strong and close working relationships between the Council and funding recipients. The policy provides for requiring tenants to demonstrate that they are viable, competent at financial management and able to manage an asset and comply with the lease obligations. Where tenants are eligible for rent subsidy and DRR, these sums will be credited directly to the appropriate account.

#### 14.4 **Options**

Transfer the extra rental income obtained from charging market rents (instead of peppercorn rents) in council community properties to the communities rent subsidy budget.

#### 14.5 **Future savings/efficiencies**

The funding will be focussed more effectively on activities that support the Council's priority outcomes, as set out in the VCS Strategy.

Approved by Felicia Wright, Head of Finance

### 15. **LEGAL CONSIDERATIONS**

15.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that the proposed policy covers a number of different statutory regimes.

15.2 The Local Government Finance Act 1988 makes provision for local authorities to award 80% Mandatory relief to charities. Section 47 of the Local Government Finance Act 1988 allows a local authority to grant Discretionary relief if:

- a) all or part of the hereditament is occupied for the purposes of one or more institutions or other organisations:
  - i. none of which is established or conducted for profit and
  - ii. each of whose main objects are charitable or otherwise philanthropic or religious or concerned with education, social welfare, science, literature or the fine arts; or
- b) the hereditament:
  - i. is wholly or mainly used for purposes of recreation, and
  - ii. all or part of it is occupied for the purpose of a club, society or other organisation not established or conducted for profit.

15.3 A local authority may in its discretion award up to 20% Discretionary relief to charitable organisations in receipt of 80% Mandatory rate relief. A local authority may also in its discretion award up to 100% of Discretionary relief to organisations not eligible for Mandatory relief.

15.4 In respect of Croydon specific discounts or rebates, the Localism Act 2011 amends Section 47 of the Local Government Finance Act 1988 to allow local authorities to grant Discretionary reliefs to any ratepayer, subject to the rules on State Aid.

15.5 State aid rules apply as a matter of course to any assistance or advantage given on a selective basis by a public authority (such as a Council or body through whom government funding is channelled) to any organisations that could potentially distort competition and trade in the EU. The rules will continue to apply even if/when the UK leaves the EU.

15.6 The definition of state aid is deliberately very broad because 'an advantage' can take many forms. It is anything which an undertaking (an organisation

engaged in economic activity) could not get on the open market. “Undertaking” in this context can include voluntary and non profit-making public or private bodies such as charities or voluntary sector bodies when they engage in activities which have commercial competitors. It includes self-employed/sole traders.

- 15.7 State aid specifically includes such things as grants, loans, tax breaks, rate relief, the use or sale of a state (or Council) asset for free or at less than market price (such as peppercorn rent) etc. Not all State Aid is unlawful as there are certain defined exemptions.
- 15.8 Consideration of State aid will form part of the assessment undertaken by the department in considering whether or not to grant aid via the proposed policy at Appendix 3 in respect of which they will seek specific advice as and when required.

Approved by Sandra Herbert, Head of Corporate and Litigation on behalf of the Director of Law and Governance & Deputy Monitoring Officer

## **16. HUMAN RESOURCES IMPACT**

- 16.1 There are no direct Human Resources implications for Croydon Council staff arising from this report.

Approved by Sue Moorman, Director of Human Resources

## **17. EQUALITIES IMPACT**

- 17.1 The Equality Analysis concluded that no major change was required. The Equality Analysis demonstrates that the policy is robust and that the evidence shows no potential for discrimination and that all opportunities to advance equality have been taken.
- 17.2 Having clear, written policies will increase transparency and ensure fairness. The policies create opportunities for relatively new groups to apply for and obtain community premises, get rent subsidy and DRR, when previously support was provided on a rolling basis to existing beneficiaries.
- 17.3 The policies focus premises related support on organisations that will contribute to the achievement of the priority outcomes in the Council’s VCS strategy (see Appendix 1). These priorities have been designed to enhance the Council’s ability to meet its Public Sector Duties, namely advancing equality of opportunity between people who belong to protected groups, eliminating unlawful discrimination, harassment and victimisation and fostering good relations between people who belong to protected characteristic groups and those who do not. The focus on the priority outcomes means that organisations that deliver services that benefit people with protected characteristics will receive premises related support.

- 17.4 The allocation of properties will take account of local need and community benefit. The policy for DRR prioritises smaller qualifying organisations. Enhanced priority will be given for rent subsidy to organisations with lower income and those that work in areas of greatest deprivation.
- 17.5 Policies encourage the sharing of premises, creating opportunities for smaller groups to access space in other organisations' premises for part time use or a small work station.

Approved by: Yvonne Okiyo, Equalities Manager

## **18. ENVIRONMENTAL IMPACT**

- 18.1 There are no direct environmental sustainability impacts arising from this report.

## **19. CRIME AND DISORDER REDUCTION IMPACT**

- 19.1 There are no direct impacts on crime and disorder reduction arising from the recommendations in this report.

## **20. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

- 20.1 The Council's approach to premises related subsidy and support to the VCS has lacked an integrated approach. There has been no formal adopted policy or procedure for allocating council community properties and setting the rents for such properties, and determining which organisations should benefit from Rent Subsidy and DRR.
- 20.2 This policy is designed to rectify this and gives effect to the pledges made in the VCS strategy relating to premises related support. It covers the allocation of council community properties, sets a framework for charging rents for those properties, and the allocation of rent subsidy and discretionary rate relief to voluntary and community organisations. It provides transparency on how support is allocated and offers equality of opportunity to organisations that have not received funding to date, focuses the council's assistance on organisations that support the priority outcomes in the council's VCS Strategy (adopted in March 2019) and have the greatest community impact and need, and spreads the benefit of funding as widely as possible.

## **21. OPTIONS CONSIDERED AND REJECTED**

- 21.1 **No change**  
No transparency in allocations, rent subsidy and discretionary rate relief allocated on a historic basis, with no opportunity for new organisations to apply for premises related support, support not focussed on council's priority outcomes, no clear mechanism to bring support to an end in the event of unsatisfactory performance.

## 21.2 Rent subsidy

- ***Open scheme immediately to organisations renting from private landlords:*** to ensure that there is the capacity to pay rent subsidy to all eligible existing VCS tenants of council community properties when market rents are introduced.

## 21.3 Discretionary Rate Relief

- ***Using same eligibility criteria as Rent Subsidy, with applicants not required to qualify for mandatory rate relief.*** Mandatory rate relief attracts government funding for 80% of the rate burden. If the Council had to cover 100% of a rate bill, it would be able to support fewer organisations with DRR.
- ***Direct DRR to organisations not qualifying for 80% mandatory relief.*** Some smaller organisations lack the resources to cover even part of a rate bill. DRR that tops up mandatory relief achieves 100% relief. Profit-making organisations are more able to afford business rates.
- ***Using organisations' turnover to rank applications*** would favour smaller organisations. This would apply to the whole organisation. The assessment would have to be alert to larger organisations setting up a subsidiary with a low turnover in order to benefit from this provision. However, this option would ignore the burden of rate bill and not encourage organisations to seek premises with a lower rateable value.

## 22. DATA PROTECTION IMPLICATIONS

### 22.1 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

No

The Director of Policy and Partnership comments that data obtained in relation to applications for council community properties, rent subsidy and discretionary rate relief will all relate to organisations, not individuals.

Approved by: Gavin Handford, Director of Policy and Partnership.

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**CONTACT OFFICER:** John Montes, Senior Strategy Officer, ext 61613.

#### **APPENDICES:**

Appendix 1: Summary of Voluntary and Community Sector Strategy priorities

Appendix 2: Summary of consultation responses

Appendix 3: Draft Policy for allocating council community properties, setting rents and providing rent subsidy and discretionary rate relief to VCS organisations

Appendix 4: Equality Impact Analysis

**BACKGROUND PAPERS:** None