



REPORT TO: CORPORATE COMMITTEE ON 13 JUNE 2023

SUBJECT: COMMUNITY RENTAL SUPPORT – ANNUAL REVIEW

BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)

1. REASON FOR REPORT

- 1.1 To invite the Committee to consider the level of rental support awarded to voluntary and community organisations (VCOs) occupying Council property under legacy arrangements and the Council's Scheme of Delegation for short-term low-value concessions and to consider options for the review of the level of support provided through community rent rebates.
- 1.2 This report is submitted to the Corporate Committee in terms of Sections III (B) (20) and (30) of the Council's Scheme of Administration relating to the management of Common Good and Trust property and the monitoring and review of concessionary rents respectively.

2. RECOMMENDATION

2.1 The Committee is invited to:

- (i) note that no rental support was approved under the Scheme of Delegation for short-term low-value rental concessions during the financial year 2022/23;**
- (ii) note the extent of long term rental support provided under the legacy arrangements detailed in Appendix 1;**
- (iii) note the extent of rental support provided under the Community Rent Rebate arrangements detailed in Appendix 2; and,**
- (iv) approve one of the following two options for the review of existing community rent rebates:**
 - (a) allow all existing rebates to continue unchanged until such time as a rent review is implemented; or,**
 - (b) cancel all rebates when the related rent is due to be reviewed, whether or not the rent review is implemented, and require the beneficiary to re-apply if they wish the rebate to continue.**

3. BACKGROUND

- 3.1 On 1 September 2015, the Policy and Resources Committee agreed that rental support provided to VCOs occupying Council property be monitored by means of an annual report (para 8 of the Minute refers). On 25 May 2016, the Council agreed that all new requests from VCOs for leases at less than market value would be considered under the Community Asset Transfer (CAT) scheme (para 22 of the Minute refers). New lease applications considered under the CAT scheme are covered in a separate annual report.
- 3.2 Leases where the property has no commercial value, where the rent payable has been reduced to reflect an agreement that the tenant will undertake improvement works to the property, or where the Council's ability to charge a rent is restricted in some way do not involve the provision of discretionary rental support. Such leases are considered outside the scope of this report.

Short-Term Low-Value Rental Concessions

- 3.3 On 12 May 2021, Moray Council delegated authority to the Chief Financial Officer to approve applications for short-term low-value concessionary arrangements to facilitate a light touch process and enable a quick response (para 16 of the Minute refers).
- 3.4 When the approved rent rebate comes to an end the tenant can apply for a rent rebate in the normal way, with the application then being determined by this committee. No applications for short-term low-value rental support were considered under the Scheme of Delegation during the 2022/23 financial year.

Leases with Nominal Rents

- 3.5 **Appendix 1** lists those leases where the property is considered to have a commercial value and where nominal rentals result from the provision of discretionary rental support. There is generally no provision in these leases to review the rent payable during the lease term. When such leases are terminated the tenant is invited to enter into a new lease on commercial terms or apply under the CAT Scheme for a new lease at less than market value. Tenants can apply under the scheme for a transfer of ownership at any time.

Community Rent Rebates

- 3.6 From 23 March 2005, the Council changed the way it handled requests for rental support from VCOs. Instead of agreeing a nominal rent, the rent payable was set at a commercial rate and the VCO could apply separately for a rental grant (rent rebate). Under these arrangements, the rent rebate ceases whenever the rent is reviewed. The VCO can then apply for a continuation of the rent rebate.
- 3.7 On 30 August 2022, the Corporate Committee agreed to allow existing VCO tenants that do not currently benefit from a rent rebate to apply for rental support whenever their rent is reviewed (para 10 of the Minute refers). VCOs that have had an application refused may re-apply at the next rent review. All applications for rent rebates are determined by this committee.

- 3.8 **Appendix 2** lists those leases where the tenant currently benefits from a rent rebate. As each lease comes to an end, any request for a new lease with rental support would be considered under the CAT scheme. The total rental support provided under these arrangements for the 2022/23 financial year amounted to £25,730. This comprised £16,630 relating to general services, £2,700 relating to common good, and £6,400 relating to public trusts.
- 3.9 The current value of rent rebates involved where the rent is due to be reviewed over the next five financial years is shown in the table below:

Financial Year in which rent review is due	Current Rebate Value
2023/24	£9,040
2024/25	£2,700
2025/26	£5,790
2026/27	£6,700
2027/28	£1,500
Total	£25,730

Current rental valuations of the properties where the rent is due to be reviewed in future financial years have not been carried out.

4. **OPTIONS FOR THE REVIEW OF RENTAL SUPPORT**

- 4.1 Rent reviews are due in the current financial year in respect of two leases where the tenants benefit from a community rent rebate. Negotiations are currently underway in relation to a new lease on commercial terms for one of these. The Asset Manager (Commercial Buildings) considers that there is insufficient evidence of any uplift in rental values to justify carrying out a rent review for the other. In these circumstances, no rent review would be carried out until the next rent review date.
- 4.2 Under the current arrangements, there would be no automatic cancellation of the rent rebate for the lease concerned. If no actions are taken then the tenant would continue to benefit from a rebate valued at £5,040 per annum until such time as a rent review is implemented. A similar situation could arise next financial year in respect of one further lease involving a rebate valued at £2,700 per annum.
- 4.3 The Council has two options where there is insufficient evidence to justify implementing a rent review:
- (a) **Do Nothing** – the existing rent rebates would continue unchanged until such time as there is an uplift in rental values sufficient to justify implementing the rent review provisions of the lease; or,
 - (b) **Cancel the rent rebate at the next rent review date even if the rent review is not implemented** – the tenant would then have an opportunity to re-apply for ongoing rental support at the same level under the arrangements for community rent rebates.

5. **SUMMARY OF IMPLICATIONS**

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

Leasing assets to the community at less than market value can support the LOIP aim of creating more resilient and sustainable communities with less need for universal services provided by the public sector. It can also be consistent with the Corporate Plan value of promoting community empowerment as a means of supporting communities to take on more responsibility.

Where the property is a Common Good asset, the interests of the inhabitants of the former burgh take precedence over the Council's Corporate Plan and the Local Outcomes Improvement Plan (LOIP).

Where the property is held under a Public Trust, leases must be considered only in relation to uses that reflect the trust purposes.

(b) Policy and Legal

On 21 March 2017, the Policy and Resources Committee approved the following policy statement (paragraph 5 of the Minute refers).

“Moray Council recognises the important role that the transfer of property assets can play in empowering communities and strengthening their resilience. Where appropriate, the council will use the transfer of assets to give more control to communities and local people, inspire them to find local solutions to community needs, and as a means of helping communities become more sustainable in the long term. In determining all asset transfer requests, the council will have regard to the guidance provided by the Scottish Government in relation to asset transfer requests made under Part 5 of the Community Empowerment (Scotland) Act 2015, whether or not such requests are made under the provisions contained in the Act.”

Assets leased at less than market value must comply with the Disposal of Land by Local Authorities (Scotland) Regulations 2010, which require the Council to be satisfied that the proposal is reasonable and that the granting of the lease is likely to contribute to the promotion or improvement within Moray of one or more of the following purposes:

- a) Economic Development,
- b) Regeneration,
- c) Public Health,
- d) Social Wellbeing, or
- e) Environmental Wellbeing.

Reasonableness in this context is taken to imply that the requested discount is the minimum necessary to allow the project to proceed and that it is commensurate with the likely benefits of the project.

In administering Common Good assets, the Council is required by section 15(4) of the Local Government etc. (Scotland) Act 1994 to have regard to the interests of the inhabitants of the area to which the Common Good related prior to 16 May 1975.

Where the Council Members act as Trustees under a Public Trust, they are not acting in the capacity of a local authority but in their capacity as Trustees under and in terms of the Trust.

(c) Financial Implications

The value of the rents forgone in relation to community rent rebate beneficiaries are set out in **Appendix 2**.

If option (a) is followed then a rebate valued at £5,040 per annum would automatically continue without review with effect from 17 September 2023 with the possibility of a further rebate valued at £2,700 per annum automatically continuing the following financial year with effect from 15 May 2024. If option (b) is followed then all rent rebates will cease whenever the rent is due to be reviewed and the VCO will need to re-apply if they wish the rebate to continue.

The financial implications of ongoing support following a review are considered on a case-by-case basis and reported to this committee as each is taken through the relevant approval process.

(d) Risk Implications

Under option (a) there is a risk that a material change in circumstances may be missed that could have resulted in an application for a continuation of the rent rebate being refused. Option (b) provides the Council with an opportunity to ensure that the reasons for awarding rental support remain valid.

(e) Staffing Implications

The properties concerned tend to have unique characteristics that make assessing rental values more staff intensive than usual. Pressures on staff resources within the Property Asset Management team mean that workloads continue to be prioritised in favour of higher value corporate priorities. As such, rent reviews for lower value properties are not being implemented currently. This situation is under continuous review and the merits of implementing lease renewals and rent reviews should be considered within this context.

Adoption of option (b) is likely to result in applications by tenants for continuation of rental support, and staff resources will be required to consider such applications and report to committee.

(f) Property Implications

There are no property implications arising directly from this report. Any such implications arising from changes in the level of support provided are identified on a case-by-case basis during each review.

(g) Equalities/Socio Economic Impact

There are no equalities or socio-economic issues arising directly from this report. Equalities and socio-economic issues are considered on a case-by-case basis as part of each review.

(h) Climate Change and Biodiversity Impact

There are no climate change or biodiversity implications arising from this report.

(i) Consultations

The Depute Chief Executive (Economy, Environment and Finance), Chief Financial Officer, Head of Housing and Property, Property Asset Manager, Asset Manager (Commercial Buildings), S. Souter Senior Accountant, Legal Services Manager, Community Learning and Engagement Manager, L. Robinson Committee Services Officer, and Equal Opportunities Officer have been consulted and their comments incorporated in the report.

6. CONCLUSION

- 6.1 Although the Council has established appropriate arrangements for assessing new requests from VCOs for leases at concessionary rentals, there remains a legacy of agreements entered into prior to these arrangements coming into force. Some agreements involved setting a nominal rent that subsists until the end of the lease. Others can be reviewed at regular intervals. This report sets out the level of rental support provided under these arrangements together with support approved under delegated powers and invites the Committee to consider options for the review of existing community rent rebates.**

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Background Papers:	Held by author
Ref:	SPMAN-1108985784-874 / SPMAN-1108985784-875 SPMAN-1108985784-873