



REPORT TO: CORPORATE COMMITTEE ON 14 JUNE 2022

SUBJECT: LEASES WITH CONCESSIONARY RENTS

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

1. REASON FOR REPORT

- 1.1 This report invites the Committee to consider the level of rental support awarded to voluntary and community organisations (VCOs) occupying Council property under various legacy arrangements and under the Council's Scheme of Delegation for short-term low-value concessions and to agree proposals for the review of the level of support provided.
- 1.2 This report is submitted to the Corporate Committee in terms of Section III(B)(30) of the Council's Scheme of Administration relating to the monitoring and review of concessionary rents.

2. RECOMMENDATION

2.1 The Committee is invited to:

- (i) note that the leases listed in Appendix 1 do not involve the provision of rental support and, as such, can be excluded from future reports on concessionary rents;**
- (ii) note the extent of ongoing rental support provided under various legacy arrangements as set out in Appendices 2 and 3;**
- (iii) note the extent of support agreed under the Scheme of Delegation for short-term low-value rental concessions as set out in Appendix 4; and,**
- (iv) authorise the Property Asset Manager to proceed as set out in section 4 of this report in relation to reviewing the level of support provided by the Council.**

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 through the Community Asset Transfer (CAT) scheme (para 22 of the Minute refers). As all applications considered under that scheme are covered in a separate statutory annual report, this report only deals with ongoing legacy arrangements and approvals of short-term low-value concessions dealt with under delegated powers.
- 3.2 There are separate arrangements in place for dealing with rental support grants provided to existing tenants following a direct application to a Common Good Fund. These arrangements are outside the scope of this report.

Leases at Nominal Rentals

- 3.3 Historically, the Council provided rental support to VCOs by means of entering into leases at nominal rents, typically at £1 per annum or some other nominal amount that would not be collected in practice. The list of leases involving nominal rentals has been reviewed to identify those that did not involve a decision to provide discretionary rental support. These can include leases that have no commercial value, where the rent payable reflects an agreement that the tenant will undertake improvements to the property, or where the Council's ability to charge a rent is restricted in some way.
- 3.4 **Appendix 1** lists those leases that investigations have shown did not involve the provision of discretionary rental support. Consequently, these can be excluded from future reports on concessionary rentals.
- 3.5 **Appendix 2** lists those leases where the building or site is considered to have a commercial value and where nominal rentals result from the provision of discretionary rental support. As each lease is ended, any request for a new lease with rental support would be determined through the CAT scheme.

Former Community Rental Grant Scheme

- 3.6 From 23 March 2005, the way requests for rental support were handled changed, with the rent payable being set at a commercial rate and separate Community Rental Grant (CRG) provided. The CRG Scheme is no longer open to new applicants and, as each lease ends, any request for a new lease involving rental support is determined through the CAT scheme.
- 3.7 VCOs benefiting under the former CRG Scheme are required to re-apply for rental support as and when the rent payable under the lease is reviewed. This affords the Council an opportunity to ensure that the reasons for awarding the support remain valid. Arrangements subject to review in this way are listed in **Appendix 3**.

Short-Term Low-Value Concessions

- 3.8 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 for these and enable a quick response (para 16 of the Minute refers). Concessions approved under these arrangements are listed in **Appendix 4**. Any application for a continuation of the agreed concession is determined through the CAT Scheme.

4. PROPOSED ACTIONS

- 4.1 This section deals with leases where the Council has an opportunity to review the level of rental support provided by initiating either a lease renewal or a rent review during the 2022/23 and 2023/24 financial years.

- 4.2 When leases where the Council has agreed to provide rental support for the duration of the lease (as listed in **Appendix 2**) are terminated, the tenants are invited to renew their lease on commercial terms or apply for a transfer of the property under the CAT Scheme. Requests made under the scheme can be for a transfer of ownership or a new lease. There is only one lease in this category that can be terminated during the relevant 2-year period:

- The lease of the Newmill Institute, Mill Brae, Newmill, to the Newmill Village Hall Management Committee is now running from year-to-year. The Council is responsible for keeping the property wind and watertight.

Actions to bring this lease to an end should be initiated and the tenant invited to either enter into a new lease on commercial terms or apply under the CAT Scheme for a transfer of ownership or a new lease at less than market value.

- 4.3 There are two cases involving rental support provided under the former CRG Scheme (**Appendix 3**) where the lease is now continuing from year-to-year:

- The lease to New Elgin Junior Football Club at Pinefield, Elgin. Negotiations are underway in respect of a renewal of the lease.
- The lease to Buckie Rovers Junior Football Club at Merson Park, Buckie. It is proposed that the lease continues to run from year-to-year with the situation being subject to review at the next due date in April 2026.

No further actions are required in respect of these two leases at this time.

- 4.4 There are three leases involving rental support under the CRG Scheme where the rent can be reviewed during the 2022/23 or 2023/24 financial years:

- Keith Golf Course to Keith Golf Club.
- Buckie Ian Johnston Park Skate Park to the Skate Park Committee.
- Forres Grant Park Bowling Green and Pavilion to the Pavilion Committee. Grant Park is a public trust property and the provision of a bowling green is included under the trust purposes.

It is proposed that, in the first instance, these tenants be asked to submit copies of their financial accounts so that officers can assess whether they are able to sustain paying a market rental. If so, a report will be brought to this Committee with recommendations for further action.

5. **SUMMARY OF IMPLICATIONS**

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

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 the trust purposes.

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.

(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.

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 financial implications of ongoing support following a review is considered on a case-by-case basis and reported to this committee as each is taken through the relevant process. The value of the rents forgone in relation to CRG Scheme beneficiaries and leases of low value and short duration are set out in **Appendices 3 and 4** respectively.

(d) Risk Implications

There are no risk implications arising directly from this report.

(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 Property Asset Management 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 CRG Scheme rent reviews should be considered within this context.

(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), P. Connor Principal Accountant, Legal Services Manager, Community Learning and Engagement Manager, L. Robinson Committee Services Officer, and Equal Opportunities Officer have been consulted and 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 legacy 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 legacy schemes together with support approved under delegated powers and invites the Committee to authorise the Property Asset Manager to proceed with the arrangements for the review of rental support, as set out in Section 4 of this report.**

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Background Papers:	Held by author
Ref:	SPMAN-1293228629-691