

<b>Individual Mayoral Decision</b> Decision Log No: 194	
<b>Report of:</b> Sharon Godman, Divisional Director, Strategy, Policy and Performance	<b>Classification:</b> Unrestricted
<b>Community organisations and Faith Based Groups Leasing Premises from the Council – Rent Relief</b>	

<b>Is this a Key Decision?</b>	<b>No</b>
<b>Decision Notice Publication Date:</b>	17 April 2020
<b>General Exception or Urgency Notice published?</b>	<b>Not required</b>
<b>Restrictions:</b>	None
<b>Reason for seeking an Individual Mayoral Decision:</b>	Urgency. The support for community organisations proposed in this report is needed to help them cope with the impact on their sustainability through the Covid 19 epidemic. There is no scheduled meeting of the Grants Determination (Cabinet ) Sub-Committee in the near future.

## EXECUTIVE SUMMARY

This report sets out the case for supporting through rent relief, local community based organisations that lease premises from the council, including those which are faith based, during the current Covid 19 epidemic.

These buildings are subject to government regulations which in most cases results in closure and loss of income to the lessees at a time when demand for services is increasing and other funding may be more difficult to secure.

The proposal to grant rent relief for three months will help community organisations through the current crisis and help ensure they are able to continue to provide valued services to local residents in the future.

## RECOMMENDATION

It is recommended that the Mayor:

1. Agrees rent relief to the community based organisations that lease premises from the council for the period 1 April to 30 June 2020 as set out in Appendix A of this report.

## **1**     REASONS FOR THE DECISIONS

- 1.1     The proposal to provide rent relief to local community organisations that lease premises from the council will relieve the financial difficulties they will experience because of enforced closure in the current Covid 19 epidemic and help ensure they are sustainable and able to resume their support for local communities in the future.

## **2**     ALTERNATIVE OPTIONS

- 2.1     The council could decide to take no action. This could potentially lead to the closure of local community organisations.

## **3**     DETAILS OF THE REPORT

- 3.1     The council announced on 20 March that it would continue to support local community organisations through the Covid 19 epidemic in a variety of ways including providing a rent relief, a rent holiday, for organisations leasing premises from the local authority that might qualify. This report sets out which community organisations might qualify.
- 3.2     The Covid 19 regulations and guidance put in place by the government on 26 March 2020 to enforce the closure of certain public spaces and premises require the closure of non-residential institutions including 'Community Centres, youth centres and similar' and 'Places of Worship'. Playgroups and nurseries, while not affected directly by these regulations, are affected by the restriction of childcare to parents deemed to be 'key workers' and many have closed.
- 3.3     Premises may be used for essential services as defined in the regulations and guidance such as food distribution centres and some may have office accommodation that can continue to be used subject to the social distancing and other guidance for workers not able to work from home.
- 3.4     Community organisations and faith-based groups will continue to try to support service users through remote access and other ways. Most of the community organisations listed in Appendix A are supported by the council and will have agreed plans in place or will be working with officers on ways to deliver services differently. Faith organisations are supporting bereaved families and have recruited volunteers to assist with funeral arrangements. However, while the Covid 19 restrictions remain in place and can only be used for limited purposes, their premises may be more of a liability than an asset, potentially causing financial difficulty for organisations whose outgoings on their premises still need to be paid.
- 3.5     Organisations are facing financial difficulty for a variety of reasons. These include,
- Loss of income from hall hire;
  - Loss of income for faith groups from congregants;

- Uncertain decision making deadlines from funders;
- Loss of income from trading activities such as charity shops, and
- Loss of income from charges to service users

Some organisations may have the resources to manage these losses, others will be less financially resilient and could be forced to close. Most council lessees are incorporated associations, but a minority are not and individual trustees may become personally liable in the event of closure because of insolvency.

- 3.6 The potential loss of services provided by local community organisations and faith-based groups could have a significant impact on local residents post Covid 19. Many are funded by the council through the Local community Fund and the Small Grants Programme while other attract funding from other grant makers bringing external resources to the borough to support its residents. As a landlord the council can help support organisations occupying its premises by providing a period of rent relief as one of the measures it is putting in place to help them continue to provide services both in the immediate future and when the Covid 19 restrictions are lifted.
- 3.7 The council could offer the same rent relief to community organisations and faith groups as it is offering commercial tenants, a rent deferment. However, community organisations and faith groups rely on voluntary income through fundraising and donations rather than income from commercial trading activity. Their ability to pay deferred rent in the future is therefore likely to be limited as they will be seeking funding and donations to pay a debt. Most charitable funding falls within the definition of restricted funding and could not be lawfully used for such purposes.
- 3.8 Voluntary and community sector organisations, as defined in the Council's VCS Strategy, occupy over 90 council owned building on some form of tenancy. It is proposed that rent relief is offered to local organisations supporting residents rather than a blanket offer to all VCS organisations that are based in the borough. The council already has in place agreed criteria for discretionary rate relief (DRR) that define local benefit in this context. It is therefore proposed that those criteria are used to determine whether an organisation qualifies for rent relief.
- 3.9 Some organisations such as those listed for business rate purposes as places of worship may be exempt from business rates and will not have been assessed for discretionary rate relief. Where organisations have not been assessed already for business rates, officers have carried out an assessment based on the DRR criteria. Organisations listed at Appendix A have met these criteria.
- 3.10 The council will also consider financial need. The DRR criteria include a threshold of free reserves not exceeding a full year expenditure. In addition, the council will not provide rent relief where an organisation provides services through contracts or council funding that already includes provision for rent.

- 3.11 Organisations that do not meet the criteria for rent relief may still be eligible for the rent deferment scheme the council is offering to commercial tenants.
- 3.12 The scheme will only apply to organisations that have completed leases and pay rent to the council. There are a number of leases in the process of negotiation and completion. Any that complete during the period where rent relief may apply will be assessed against the same criteria as existing leases.
- 3.13 Playgroups and nurseries face the same financial challenges as other community-based organisations. However those operating as full time day care settings are operating on the same basis day care settings that are set up as private businesses. The council has set up separate rent relief arrangements for lessees that are private companies. It is therefore suggested the day care settings with leases are offered the same relief as privately owned day care settings in council owned premises. At present, part time playgroups occupying council premises have not yet completed lease arrangements and so would not require rent relief.
- 3.14 The proposed rent relief for local community groups and faith-based organisations would be a rent holiday for up to three months, the period April to June, and would be reviewed thereafter on a monthly basis if the government lockdown regulations are still in place. The council would reserve the right to reduce the rent relief period in the event of the regulations being lifted before the end of June. The list of organisations that would be awarded rent relief and the cost to the council of this relief for three months is set out at Appendix A. The cost the council would be £98,210.
- 3.15 Rent invoices for organisations awarded rent relief for the April to June period will be cancelled by issuing credit notes.
- 3.16 A small number of organisations have been awarded community benefit rent reduction. This is normally paid quarterly and so the payment for the April to June period will have been made. Organisations that receive rent relief and CBRR will therefore be informed that they will not receive CBRR for the July to September quarter.
- 3.17 Many of the buildings where rent relief will be granted are vested in the Housing Revenue Account. The Chief Finance Officer has advised on the implications of this in paragraph 6 below.
- 3.18 Asset Management Comments

The proposal relates to certain community organisations that pay rent to the Council under leases, for the use of premises. It involves the Council providing rent relief for a three month period. This will be achieved by the Council cancelling rent invoices that have been raised for the period from April to June inclusive. The relevant leases will continue, and other obligations under the leases will not be affected. Any existing rent arrears will continue to be payable. The loss of income to the relevant GF and HRA budgets will be funded from a corporate covid-19 provision.

The Council is putting in place a rent deferral scheme for other tenants. Under this scheme, eligible organisations will be able to apply to defer payment of the current quarter's rent to later in the 2020/21 financial year. Community organisations such as playgroups and others, which are not eligible for the rent relief scheme, will be able to apply for the rent deferral scheme if they wish.

#### **4 EQUALITIES IMPLICATIONS**

- 4.1 The proposal has significant positive equality implications. Many of the community based organisations that would benefit from the proposals target their services to local people with protected equality characteristics.

#### **5 OTHER STATUTORY IMPLICATIONS**

- 5.1 There are no specific other statutory implications arising from this report.

#### **6 COMMENTS OF THE CHIEF FINANCE OFFICER**

- 6.1 The proposal to cancel the requirement to pay rent for the three months April to June 2020 would result in reduced rental income to the Council of £98,210. This includes community organisations that provide a range of services including social clubs, faith groups and sports activities. The rental holiday will not apply to organisations that have rental cost paid to them as part of their service contracts, and similarly will not apply to Tenant Resident Associations (TRA's) whom receive rental monies from THH within the HRA.

- 6.2 The reduction in rental income relates to General Fund amounting to £41,920 and the Housing Revenue Account (HRA) amounting to £56,290.

- 6.3 The total reduction in rental income (£98,210) will be recorded in the Place Covid-19 cost centre 70751 and reported as part of Place Covid-19 financial impact monitoring. It is requested that the decrease in income for both the General Fund and HRA is met through the Covid-19 Emergency Grant from MHCLG.

#### **7 COMMENTS OF LEGAL SERVICES**

- 7.1 The reduction of rent below its market value constitutes a grant by the Council to the relevant organisation. The value of the grant whilst being "in kind" is the difference between of the amount of the actual requested rent and the real market value rent of the particular building

- 7.2 Therefore, rent relief constitutes a grant to voluntary and community sector organisations in the same way that a physical gift of money to the same value of the rent reduction would constitute a grant.

- 7.3 Under the Council's constitution the executive decision making power for grants is delegated to the Grants Determination Sub-Committee of Cabinet.

However, the Council operates executive arrangements for the purposes of the Local Government Act 2000 which means that for these purposes the delegator of that the power to the Grants Determination sub-committee is the Mayor. The Mayor as delegator of the decision making power is entitled to make the decision himself and therefore it is lawful for this decision to proceed by way of Individual Mayoral Decision and in accordance with the constitution

- 7.4 The rent reduction could also constitute state aid for the purposes of European law. However, this could only apply where an organisation benefits from more than two hundred thousand Euros of rent reduction in any continuous 3 year period which is unlikely even when aggregated with any rent reduction already received under the Council's rent reduction scheme. Also, in the event that this threshold is exceeded the beneficiary organisations are of a type that do not operate for profit and in a commercial context and therefore in any event any benefit received under the rent holiday as compared with similar organisations of a similar type that do not receive such a benefit, is unlikely to provide an advantage in the context of any relevant marketplace within which the beneficiary organisations operate. Therefore, State Aid is very unlikely to apply in this instance.
- 7.5 The rent reduction is intended to apply to all groups equally regardless of the individuals they represent and in particular and notwithstanding any protected characteristics such individuals may have. Therefore, it is not anticipated that there will be any impact on such individuals for the purposes of the Equality Act 2010

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## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

- NONE

### **Appendices**

- Appendix A Proposed Rent Relief for Community Based Organisations

### **Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012**

- NONE.

### **Officer contact details for documents:**

N/A

## Appendix A

Lessee/Organisation	Rent Relief proposed 1 April to 30 June 2020
<b>Community and faith groups</b>	
Bishop's Way Community Centre (UK)	£4,063
Bowhaven	£2,750
Breakthrough (Deaf-Hearing Integration)	£2,875
Docklands Community Organisation	£16,250
Docklands Settlement	£1,625
Dorset Community Association	£2,500
Ensign Youth Club,	£100
Fern Street Settlement	£3
Globe Town Mosque and Cultural Centre	£6,375
Legal Advice Centre (University House),	£5,750
Limehouse Project Ltd	£1,420
Limehouse Town Hall Consortium Trust	£2,500
Osmani Trust	£28,625
Our Base LTD (Goulston Street)	£1,500
Redcoat Community Centre,	£1,750
Stifford Centre Ltd	£6,113
Tower Hamlets Community Transport	£125
Tower Hamlets Opportunity Group	£1,250
Turners and Locksley TRA	£2,500
Wapping Bangladesh Association	£3,500
Wapping Bangladeshi Association	£2,625
Weavers Adventure Playgroup Association	£13
Weavers Community Forum	£1,000
Working Well Trust	£3,000
	<b>£98,210</b>