

### Briefing four

# How can charities use their property to survive in the current environment?



52% of charities have experienced difficulties in obtaining core funding for premises costs in the last three years.

## Background

In 2012 the first national survey of property issues affecting charities in the UK was commissioned by the Ethical Property Foundation, the leading property advisor for charities. This paper summarises its findings on the key issue of using property to support charitable objectives, and outlines solutions to the problems identified.

Other topics covered in this series include:

- How charities get advice and support on property issues.
- How charities can use their property to support their mission.
- A summary of survey findings.

## Key findings on this issue

- 40% of charities consider their building is the greatest risk facing their organisation.
- 80% of charities enjoy discretionary rates relief, but this is under threat as a result of policy changes from 1 April 2013.
- 10% of charities do not know whether discretionary business rates relief is being received.
- Local authorities are the largest landlord to the charity sector, followed by other charities.
- 30% of charities benefit from discounted rents, which typically come from local authorities: but many local authorities are moving towards market rents.
- There is a general trend for local authorities to transfer properties and other assets to charities, but 52% of charities have experienced difficulties in obtaining core funding for premises costs in the last three years.
- Only 15% of charities think local authorities have the necessary strategies and policies in place for charity properties.
- Only 18% of charities feel they have an opportunity for involvement in forming their local authority's policies towards charity property.

In today's climate, good management of property assets can make the difference between a charity surviving or sinking.

## Why is this happening?

Local authorities have traditionally been supporters of charities, in terms of direct financial aid, but these sources have now mostly ceased. Support from local authority staff is also under pressure.

Many local authorities are reviewing their property holdings, with a view to transferring those assets which are surplus to requirements and maximising the income from those they retain.

Local authorities have reduced capacity to the extent that it is now very difficult for charities to identify and engage with a local authority officer who has overarching responsibility for the sector, and appropriate knowledge alongside that responsibility.

Smaller charities are sometimes unable to access fiscal benefits because they are unaware of them or uncertain about their eligibility.

## Why does this matter?

In today's climate, good management of property assets can make the difference between a charity surviving or sinking.

The financial pressures on local authorities will become even more acute in the immediate and medium term future, and charities need to plan for this.

## What can be done about this?

Top tips for charities:

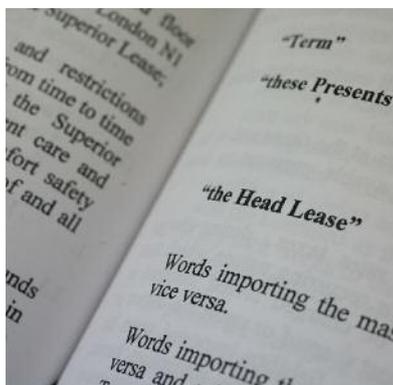
**Budget for a rates rise.** You should always budget assuming that discretionary rates relief will not be granted as it is reviewed annually. Given current policy changes, availability of discretionary rates relief is likely to decrease.

**Know the terms of your lease.** Check your lease to find out when your rent reviews are, and when your lease term ends. These will be the times you will need to negotiate on the amount you pay as rent.

**Assess the risk of a rent rise.** If you currently pay a peppercorn or sub-market rent on your property (particularly if it is local authority owned), consider how you would cope if this was raised towards an open market rent. Good communication with your landlord will help avoid nasty surprises.

**Monetise your space.** Ensure you are getting as much income from your property as you can. Consider letting spare space to bring in income. Check your lease to see whether you can sublet. (But be careful if renting to commercial organisations, as this may affect any rates relief you receive.) Consider your storage space, meeting rooms and car parking as well: others may want to hire these.

**Set a sensible service charge.** If you are a landlord, ensure your service charges to tenants fully cover your costs, and are regularly reviewed to ensure they continue to do so.





Charities can access advice and support from the Ethical Property Foundation.

## Further information

A summary of the survey report is available for free download at [www.ethicalproperty.org.uk](http://www.ethicalproperty.org.uk).

The Ethical Property Foundation is the leading provider of property advice to the charity sector. Its advice and consultancy services include:

- Free online guide to all aspects of renting, buying and managing property for charities.
- Tailored advice and support on property problems, with initial help provided free.
- Access to a network of over 80 property professionals, offering free or discounted support to charities.
- Consultancy including business and strategic planning, options appraisals, feasibility studies and social audits.
- Training on all aspects of property from a charity perspective.

For further information, visit [www.ethicalproperty.org.uk](http://www.ethicalproperty.org.uk) or call 020 7065 0760.

## Survey methodology

The survey was commissioned by Ethical Property Foundation in partnership with the Charity Commission, and delivered by independent consultants Campbell Tickell. It comprised quantitative research on 250 charities, whose turnover, remit and geographic spread match the sector profile; and qualitative research with 20 representatives from infrastructure and frontline charities and local authorities.

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