

# Dealing with premises

**Jo Taylor** summarises the lessons arising from the largest survey of its kind about property and the charity sector.

AT THE ETHICAL Property Foundation, we work with charities to improve the environmental and social performance of buildings, and to ensure that property is a boost, not a burden.

With charities operating in one of the toughest environments of recent times, we felt a nationwide survey of their property needs was essential.

The survey, designed for us by consultants Campbell Tickell, and delivered in partnership with the Charity Commission, attracted close to 250 responses. The turnover, type of activity, and geographic spread of respondents reflected that of charities as a whole.

Our research found that 60 per cent of respondents own the majority of their premises. Larger charities are more likely to occupy premises on a freehold or long lease, whereas short leases and informal

arrangements are more common for smaller charities. Almost 90 per cent of respondents occupied fewer than five properties, with slightly over half occupying just a single property.

“ In tough times, making property work can be the key to survival ”

Given that we work with charities on property issues every day, many of the findings were not new to us. What was surprising was the significance of property to charities. Property issues are now pressing and urgent, and proving an obstacle for an increasing number of charities.

Our research underlined one of the reasons we set up the Foundation as a charity almost a decade ago. Charities, particularly small charities, are often not well

placed to make the most of their property assets. For most, their income, and limited volume of property-related transactions, is such that employing a property specialist in-house or on a retainer is unrealistic.

## Inefficient use of property

This increases the likelihood that charities will deal with issues such as maintenance, rent reviews, lease negotiations and relocation in a reactive and unplanned way. This can be costly and inefficient. For example, 44 per cent of survey respondents reported incurring unforeseen maintenance or major repair costs in the last three years.

We know that many charities evolve and grow in an organic way. As demand for these charities' services changes over time, they find their premises are no longer of the appropriate size, layout or location to meet their beneficiaries' changing needs. However, we found little evidence to suggest that charities are seeking asset-management advice, or engaging in regular reviews of their property situation.

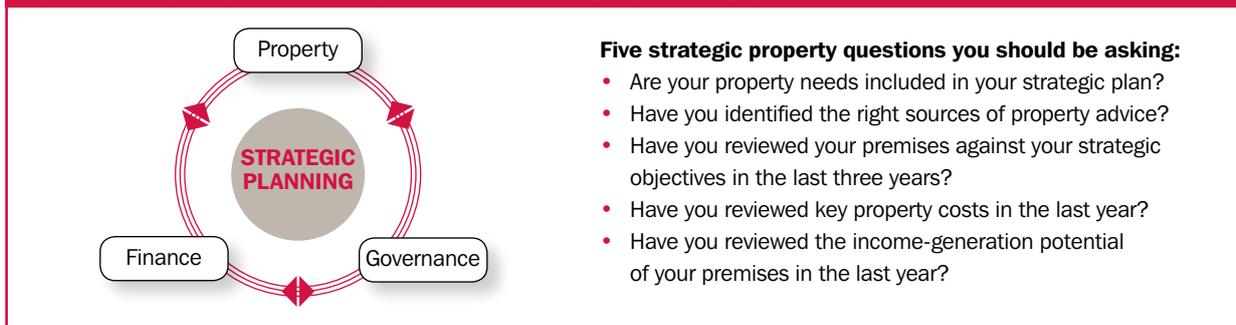
The lack of practical information, support and co-ordination to help charities explore more efficient ways of working, such as co-locating with another charity, was identified as a particular factor contributing to charities' property inefficiency.

But charities are by no means static in their property situations. We found that 40 per cent of respondents are anticipating changes to their property position in the next three years. From our day-to-day work with charities, we know that funding cuts are driving the need to reduce overheads, while some better-positioned charities are looking to make opportunistic moves in a quieter market. Many feel that they are having their hand

## Dealing with unforeseen maintenance or major repair costs

- If you are a tenant, check the terms of your lease to establish whether undertaking and paying for the repairs is your responsibility. If you are unsure, consult a solicitor for clarification.
- Where the work and costs are your responsibility, negotiate with the landlord. Agree details of how the work will be carried out, by whom and at what cost. Negotiate to reduce cost and any disruption.
- Where you are liable for significant costs, consider negotiating a payment plan with the landlord to spread the cost over time.
- Where the landlord is responsible, and failing to take action, consult a solicitor. A likely first step is a letter to the landlord reminding them of their responsibilities.
- Learn from the experience. Commission a condition survey and costed schedule of planned maintenance from a building surveyor. Create a 'sinking fund' to cover the future costs of planned work. This will prevent unforeseen costs, and maintain the building in a safe, welcoming condition.

**figure 1: Property should be part of the strategic planning process**



**Five strategic property questions you should be asking:**

- Are your property needs included in your strategic plan?
- Have you identified the right sources of property advice?
- Have you reviewed your premises against your strategic objectives in the last three years?
- Have you reviewed key property costs in the last year?
- Have you reviewed the income-generation potential of your premises in the last year?

forced by changes in the operating environment, such as less-supportive local-authority practices.

### Advice and support

Smaller charities can struggle to afford property advice or expertise. Our research found a large, unmet need for property-related advice, support and mentoring, with many respondents citing this as a problem. This results in poor, or no, asset management decisions and unnecessary or additional costs.

Of particular concern was the finding that 45 per cent of respondents have sought informal advice via their contacts. We see two main problems resulting from this. Firstly, advice is taken from a well-meaning generalist lacking specific property and charity knowledge and experience, which stores up problems and costs for later years. Secondly, if problems do arise as a result of informal advice, there is no formal recourse to resolve the issues if the advice proves unsound.

Because of these difficulties, we expanded our Property Advice Service last year to build on the success we have had, since 2004, in helping over 2,500 charities to rent, buy, sell and let property (please see our website for details of this service).

Some 80 per cent of respondents to our survey were senior staff or

trustees. This supports our experience that, in all but the largest charities, dealing with property falls to already-busy leaders. There is an obvious opportunity for property to be integrated into strategic planning (see figure 1), but this is the exception rather than the rule.

“ 44 per cent incurred unforeseen major repair costs in the last three years ”

I understand the multiple pressures that charities are under. However, it is vitally important for them to review their property situation so that they can maximise the benefit of their premises by properly managing risks and capitalising on opportunities.

Local authorities remain the dominant charity sector landlord. They are under increasing pressure to ‘sweat their assets’, and we are seeing this impacting on charities in the shape of increased rents and less favourable lease terms, often with limited notice.

There needs to be robust asset planning by senior staff and trustees for both the short and long-term, and charities should seek the expertise they need in order to put in place effective property strategies.

Although many charities are feeling the ‘squeeze’, the current environment does offer opportunities – via the Localism Act and resulting community rights; access to vacant premises on a temporary basis (sometimes known as ‘meanwhile use’); and cost savings through joint purchasing or co-location.

### Charities in crisis

We have seen a rise in the number of charities coming to us in crisis – where their property situation is threatening service cuts or even closure. We know that, particularly when finances are fragile, making property work can be the key to survival.

Organisations should be exploring the different routes available to them as a matter of routine. Property can be challenging, but it can also be an exciting part of a strategy for success.

Next month, I will explore the property challenges and opportunities for charities linked to the financial operating environment, and the culture of the charity sector. ■



*Jo Taylor is director of the Ethical Property Foundation*