

Cheltenham Borough Council

Cabinet – 10 July 2018

Award of a rent support grant to a Cheltenham Voluntary and Community Sector Organisation

| Accountable member | Cllr. Rowena Hay, Cabinet Member Finance | | | | | | |
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| Accountable officer | Mark Sheldon, Director of Resources | | | | | | |
| Ward(s) affected | All | | | | | | |
| Key/Significant Decision | No | | | | | | |
| Executive summary | <p>As part of Cheltenham Borough Council's wider ambitions to support a thriving voluntary and community sector (VCS), the council enables VCS groups to rent its properties through offering a rent support grant scheme.</p> <p>The current policy was adopted in December 2016 which permits VCS groups to apply for a rent support grant either at start of a lease or at the time of a rent review. Applications are scored against four criteria with the amount of subsidy awarded being proportionate to the degree to which the applicant meets the criteria.</p> <p>Applications for rent support grants have been received from Hesters Way Neighbourhood Project for two properties.</p> <p>This report sets out the proposed level of rent support grant to be awarded to the applicant.</p> | | | | | | |
| Recommendations | <p>Cabinet agrees to the following rent support grants:</p> <table><tr><th>Applicant</th><th>Recommended rent support grant</th></tr><tr><td>Hesters Way Neighbourhood Project Neighbourhood Charity Shop 16-18 Hesters Way Road</td><td>A rent support grant of 36% of current market rent totalling £2,160 per annum.</td></tr><tr><td>Hesters Way Neighbourhood Project The Living Room Rowanfield Exchange</td><td>A rent support grant of 62% of the current market rent totalling £2,790</td></tr></table> <p>Authorises the Strategy and Engagement Manager to enter into rent support grant agreements with the applicants.</p> | Applicant | Recommended rent support grant | Hesters Way Neighbourhood Project Neighbourhood Charity Shop 16-18 Hesters Way Road | A rent support grant of 36% of current market rent totalling £2,160 per annum. | Hesters Way Neighbourhood Project The Living Room Rowanfield Exchange | A rent support grant of 62% of the current market rent totalling £2,790 |
| Applicant | Recommended rent support grant | | | | | | |
| Hesters Way Neighbourhood Project Neighbourhood Charity Shop 16-18 Hesters Way Road | A rent support grant of 36% of current market rent totalling £2,160 per annum. | | | | | | |
| Hesters Way Neighbourhood Project The Living Room Rowanfield Exchange | A rent support grant of 62% of the current market rent totalling £2,790 | | | | | | |
| Financial implications | <p>The two properties occupied by the Hesters Way Neighbourhood Project are HRA properties, if the proposals are accepted, there is a net increase of rent of £1,050 per annum to the HRA.</p> <p>Contact officer:</p> <p>paul.jones@cheltenham.gov.uk, 01242 775154</p> | | | | | | |

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| Legal implications | <p>Under S123 Local Government Act 1972, leases for a term greater than 7 years must be for the best consideration reasonably obtainable. The only exemption to this is where the letting at less than best consideration contributes to the 'social, economic or environmental well-being' of the council's area or residents. Whilst leases for a term of less than 7 years do not have to be for the best consideration reasonably obtainable, the council must still have regard to its general fiduciary duty.</p> <p>Granting a lease at market rent, whilst implementing a policy of grant support, means that if the tenant at any time fails to meet the grant criteria, there is no complicated legal mechanism for ensuring that the rent is uplifted to market value: the grant is simply suspended. Accordingly, the Policy for Property Lettings and Disposals to the Third Sector, Voluntary and Community Groups was adopted by Cabinet on 13 December 2016.</p> <p>Legal advice was sought on whether this policy would fall foul of rules against State Aid. State Aid occurs when financial assistance is given by a public body which favours certain organisations and distorts or threatens to distort competition between Member States of the EU. The advice is that the letting at an undervalue to community organisations will not be State Aid if:</p> <ul style="list-style-type: none"> • The proposed tenant is a not for profit organisation; • The use of the building will be for a community purpose; and • The activities carried out by the organisation(s) are of local interest only. <p>Contact officer: Rose.gemmell@teWKesbury.gov.uk, 01684 272014</p> |
| HR implications (including learning and organisational development) | <p>None identified as a result of this report.</p> <p>Contact officer: , @cheltenham.gov.uk, 01242</p> |
| Key risks | <p>If the Council is overly generous in subsidising tenancies with grants, this will result in reduced income from assets and cumulative impacts on the Council's medium term financial strategy.</p> <p>If appropriate and transparent grant agreements are not put in place, tenants may be more difficult to remove if they fail to meet the terms of any subsidised letting arrangement, with the potential for associated adverse publicity for the Council;</p> <p>If prospective tenants cannot demonstrate a robust business plan when taking on property commitments from the Council, there is an increased risk of failure and associated financial and reputation impacts for the authority.</p> |
| Corporate and community plan Implications | <p>The revised assessment scheme is based on the council's corporate strategy outcomes.</p> |
| Environmental and climate change implications | <p>None identified</p> |

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| Property/Asset Implications | <p>The rental implications of the subsidy are set out in the report</p> <p>Contact officer: Simon.Hodges@cheltenham.gov.uk</p> |
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1. Background to the rent support grant process

- 1.1** As part of Cheltenham Borough Council's wider ambitions to support a thriving voluntary and community sector, the council enables VCS groups to rent its properties through offering a rent support grant scheme.
- 1.2** We know that appropriate rent support to community-based organisations and services can support the viability of such organisations and the services they provide to the benefit of the social and economic well-being of the town. However, the Council will continue to encourage voluntary and community sector organisations to become more self-sufficient and less reliant upon financial support from the Council.
- 1.3** A revised rent support grant process was adopted by the council in December 2016. This is based on assessing an application against the following four outcomes:
- Cheltenham's environmental quality and heritage is protected, maintained and enhanced
 - Sustain and grow Cheltenham's economic and cultural vitality
 - People live in strong and safe communities
 - We will work to strengthen the emotional and physical wellbeing of all Cheltenham residents
- 1.4** The maximum rent support grant that any organisation will be able to apply for will be 80% of their current market rent and that the assessment process will determine the level of grant to be offered up to this maximum and will be staggered incrementally, as follows:
- Meeting one outcome –up to 20% grant
 - Meeting two outcomes –up to 40% grant
 - Meeting three outcomes –up to 60% grant
 - Meeting four outcomes –up to 80% grant
- 1.5** Each outcome is subject to a stepped discount between 0 and 20% depending upon the impact of the defined sub-elements of each outcome.
- 1.6** Cabinet retain the discretion to award a further grant of 10%, bringing the maximum rent support grant that any organisation could receive to 90%. This will only be in exceptional cases and any such decision will only be taken after detailed consideration of the organisation's financial and business case for the rent support.
- 1.7** In addition, the council will scrutinise the applicant's financial standing and make an assessment of the following:
- That the reason for applying for the rent support grant is backed up by the organisation's financial health in that the grant award will support the financial viability of the operation of the building
 - That the organisation has reasonable longer-term plans in place to be able to sustain activities being delivered from the building beyond the term of the grant.
- 1.8** The offer of a grant will be for a maximum of three years that will be reviewed at the end of each 12 month period to ensure that the applicant continues to deliver the activities set out in the original application. The council will reserves the right to either review the grant amount awarded or withdraw it completely if there are changes to the activities being delivered. In addition, if the organisation is in debt arrears to the council; the grant will be withdrawn.

2. The applications and recommendations

| Applicant | Current rent paid | Recommended rent support grant | Assessment |
|---|---|--|-------------------|
| Hesters Way Neighbourhood Project Neighbourhood Charity Shop 16-18 Hesters Way Road | Market rent is £6,000 Currently in receipt of 40% discount and therefore pays £3,600 per annum | A rent support grant of 36% of current market rent totalling £2,160 per annum. | See appendix 2 |
| Hesters Way Neighbourhood Project The Living Room Rowanfield Exchange | Market rent is £4,500 Currently in receipt of 80% discount and therefore pays £900 per annum | A rent support grant of 62% of the current market rent totalling £2,790 | See appendix 3 |

3. Monitoring and Review

- 3.1** The council will put in place an annual monitoring process whereby the recipient of the rent support grant will submit a monitoring form to explain the activities that have been delivered from the premises. The monitoring information will be reviewed by the Asset Management Working Group that will be able to make recommendations to the Cabinet Member Finance about whether the grant should continue into the next year, or whether the level of rent support grant should be reviewed or withdrawn.
- 3.2** The quality and timeliness of previous monitoring information will taken into account, if the applicant wishes to re-apply for a rent support grant at the end of the three year period.

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| Report author | Contact officer: Richard Gibson Strategy and Engagement Manager richard.gibson@cheltenham.gov.uk 01242 235 354 |
| Appendices | <ol style="list-style-type: none"> 1. Risk Assessment 2. Hesters Way Neighbourhood Project - Neighbourhood Charity Shop Assessment 3. Hesters Way Neighbourhood Project - The Living Room assessment |
| Background information | Report to Cabinet 13 December 2016 "Award of rent support grants to Cheltenham's Voluntary and Community Sector Organisations" |

| The risk | | | | Original risk score (impact x likelihood) | | | Managing risk | | | | |
|---|---|----------------|-------------|--|----------------|-------|---------------|--|-----------|---------------------|------------------------------|
| Risk ref. | Risk description | Risk Owner | Date raised | Impact 1-5 | Likelihood 1-6 | Score | Control | Action | Deadline | Responsible officer | Transferred to risk register |
| | If appropriate and transparent grant agreements are not put in place, tenants may not understand the consequences if they fail to meet the terms of any subsidised letting arrangement. | Richard Gibson | 18.6.18 | 2 | 2 | 4 | Accept | Devise rent support grant agreements in conjunction with One Legal | June 2018 | Richard Gibson | |
| | If prospective tenants cannot demonstrate a robust business plan when taking on property commitments from the Council, there is an increased risk of failure and associated financial and reputation impacts for the authority. | Mark Sheldon | 18.11.16 | 2 | 3 | 6 | Accept | Ensure effective assessment of rent support grant applications | Dec 16 | Richard Gibson | |
| | If the grant expires or is terminated, tenants will remain responsible for payment of rent at market value. This may result in an increase in arrears. | Mark Sheldon | 18.11.16 | 2 | 2 | 4 | Accept | Ensure effective assessment of rent support grant applications and that tenants are aware of the risks that the grant is time-limited. | Dec 16 | Richard Gibson | |
| Explanatory notes Impact – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical) Likelihood – how likely is it that the risk will occur on a scale of 1-6 (1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability) Control - Either: Reduce / Accept / Transfer to 3rd party / Close | | | | | | | | | | | |