

**Cheltenham Borough Council
Cabinet – 13th September 2022**

Award of rent support grant to the Playhouse Cheltenham

Accountable member	Cllr. Peter Jeffries, Cabinet Member Finance and Assets
Accountable officer	Paul Jones, Executive Director Finance, Assets and Regeneration
Ward(s) affected	College
Key/Significant Decision	Yes
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 the 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>An application for a rent support grant has been received from The Playhouse Cheltenham. This report sets out the proposed level of rent support grant to be awarded.</p>
Recommendations	<ol style="list-style-type: none">1. To agree a rent support grant of 90% of current market rent totalling £27,720 per annum to the Playhouse Cheltenham.2. To delegate authority to the Participation and Engagement Team Leader, in consultation with the Director One Legal and the Cabinet Member Finance and Assets, to agree the terms of a rent support grant agreement with the applicant.

<p>Financial implications</p>	<p>The Playhouse Cheltenham has previously paid rent of £1 per annum and has been in receipt of an annual grant of £5,699.</p> <p>Under the current proposal, they will pay rent of £3,080 per annum and will no longer be in receipt of the grant payment.</p> <p>The combined affect will benefit the general fund by £8,778 per annum.</p> <p>It is however worth pointing out that if we were to rent the property to an alternative tenant on commercial terms, the market rate is £30,800.</p> <p>Contact officer: Andy Taylor, Finance Business Partner, Andrew.taylor@cheltenham.gov.uk</p>
<p>Legal implications</p>	<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 exception 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,</p> <p>Voluntary and Community Groups was adopted by Cabinet on 13 December 2016.</p> <p>When considering the giving of financial assistance, the council must ensure that it is not giving an unlawful subsidy under the Subsidy Control Act 2022. The subsidy control regime has replaced state aid which applied before the UK's withdrawal from the EU.</p> <p>It is our advice that the financial assistance proposed will not constitute an unlawful subsidy because, due to the local nature of the theatre, the assistance will not affect competition or investment within the UK or trade and investment between the UK and any country outside of the UK.</p> <p>Contact officer: One Legal, legalservices@onelegal.org.uk</p>
<p>HR implications (including learning and organisational development)</p>	<p>There are no direct HR implications identified within this report.</p> <p>Contact officer: Clare Jones, HR Business Partner, clare.jones@publicagroup.org.uk</p>
<p>Key risks</p>	<p>Risk assessment in Appendix 1</p>

<p>Corporate and community plan Implications</p>	<p>The Playhouse's application for a rent support grant has been assessed against four criteria:</p> <ul style="list-style-type: none"> • Cheltenham's environmental quality and heritage is protected, maintained and enhanced • Sustain and grow Cheltenham's economic and cultural vitality • People live in strong, safe and resilient communities • We will work to strengthen the emotional and physical wellbeing of all Cheltenham residents. <p>The criteria have been developed with regard to the council's corporate plan 2019-2023 and the council's recovery plan to ensure that the size of the rent support grant reflects how well the proposed use of the building meets the council's priorities.</p> <p>Contact officer: Richard Gibson, Head of Communities, Wellbeing and Partnerships, Richard.Gibson@cheltenham.gov.uk</p>
<p>Environmental and climate change implications</p>	<p>The Playhouse Cheltenham has received planning permission from Cheltenham Borough Council for a £4-million improvement scheme for the Playhouse, which would enable them to make far greater use of the building as a real, thriving arts centre in the heart of the community.</p> <p>The sensitive reconfiguration of much of the building that the project entails provides the chance to reduce carbon emissions and be an exemplar for sustainability, as well as preserving one of Cheltenham's best loved heritage buildings. Without the rent support grant, there is a possibility that the improvements would not take place, therefore the building would remain energy inefficient and the opportunity to reduce carbon emissions would be missed.</p> <p>Contact officer: Laura Tapping, Climate Emergency Programme Officer, laura.tapping@cheltenham.gov.uk</p>
<p>Property/Asset Implications</p>	<p>The rental implications of the subsidy are set out in the report.</p> <p>The Council will be charging an initial market rent for the property of £30,800 per annum against a 35 year lease, which represents Best Consideration within the context of s.123 Local Government Act 1972.</p> <p>A rent support grant will be given of 90%. The rent grant will be £27,720 per annum.</p> <p>The Council will be receiving a rent after grant of £3080 per annum. This will be an increase in rent of £3079 per annum from the rent currently being received.</p> <p>All other usual terms and conditions will be contained within the lease in respect of rent reviews, insurance, repairs, compliance, etc, and will be monitored on an ongoing basis to ensure compliance.</p> <p>Contact officer: Peter Woodley, Senior Estates Surveyor, peter.woodley@cheltenham.gov.uk</p>

1. Background

- 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 retains 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 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. Reasons for recommendations

- 2.1 The Playhouse has demonstrated strong evidence of its important role in all of the themes assessed against (please see Appendix 2), as well as commitment and desire to become an arts

centre and community hub which will further increase its scope. The recommendation is for a rent support grant of 90%, given that the annual grant of £5699 will also come to an end and the Playhouse Cheltenham is responsible for managing one of the town's important historical buildings. It is a small organisation, dependent on volunteers, with any annual profits used for continual repair, restoration and improvement of the Grade II listed building.

Applicant	Current rent paid	Recommended rent support grant	Assessment
The Playhouse Cheltenham	Market rent is £30,800 for the new lease. Current rent paid is £1 per annum.	<p>A rent support grant of 90% of the revised market rent of £30,800 per annum, equating to a subsidy of £27,720 per annum.</p> <p>The net rent paid will therefore be £3,080, representing an increase of £3,079 per annum against the previous lease.</p>	See appendix 2

3. Alternative options considered

3.1 None.

4. How this initiative contributes to the corporate plan

4.1 The Playhouse's application for a rent support grant has been assessed against four criteria:

- Cheltenham's environmental quality and heritage is protected, maintained and enhanced
- Sustain and grow Cheltenham's economic and cultural vitality
- People live in strong, safe and resilient communities
- We will work to strengthen the emotional and physical wellbeing of all Cheltenham residents.

4.2 The criteria have been developed with regard to the council's corporate plan 2019-2023 and the council's recovery plan to ensure that the size of the rent support grant reflects how well the proposed use of the building meets the council's priorities.

5. Consultation and feedback

5.1 None.

6. Performance management –monitoring and review

- 6.1 The council will put in place an annual monitoring process whereby recipients of a 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 and Assets about whether the grant should continue into the next year, or whether the level of rent support grant should be reviewed or withdrawn.
- 6.2 The quality and timeliness of previous monitoring information will be taken into account, if the applicant wishes to re-apply for a rent support grant at the end of the three year period.

Report author	Helen Down, Participation and Engagement Team Leader, helen.down@cheltenham.gov.uk
Appendices	1. Risk Assessment 2. The Playhouse Cheltenham Assessment
Background information	Report to Cabinet 13 December 2016 “Award of rent support grants to Cheltenham’s Voluntary and Community Sector Organisations”

Appendix 1: Risk Assessment

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
	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.	Helen Down	2	2	4	Accept	Rent support grant agreement to be put in place, in conjunction with One Legal	Helen Down	October 2022
	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.	Gemma Bell	2	3	6	Accept			
	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.	Gemma Bell	2	2	4	Accept			

