

Cheltenham Borough Council

Cabinet – 14 February 2023

Award of rent support grants to Cheltenham's Voluntary and Community Sector Organisations

Accountable member:

Cabinet Member Finance and Assets, Cllr Peter Jeffries

Accountable officer:

Executive Director Finance, Assets and Regeneration, Paul Jones

Accountable scrutiny committee:

N/A

Ward(s) affected:

Oakley and Pittville

Key/Significant Decision:

No

Executive summary:

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.

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.

Applications for rent support grants have been received from:

- Harvest Field Church

- 10th Cheltenham Scouts

This report sets out the proposed level of rent support grant to be awarded.

Recommendations:

1. Cabinet agrees to the following rent support grant:

Applicant	Recommended rent support grant
Harvest Field Church Lynworth Hall, Mendip Road	A rent support grant of 54% of current market rent.
10 th Cheltenham Scouts Scout Hut, Pittville Park, Central Cross Drive	A rent support grant of 72% of current market rent.

- ### 2. Cabinet delegates authority to the Participation and Engagement Team Leader, in consultation with the Director: One Legal to agree the terms of a rent support grant agreement with the applicant.

1. Implications

1.1. Financial implications

The Harvest Field Church has previously paid a nominal rent per annum. The benefit to the general fund from the uplift in rent will be £1118 per annum versus previous years.

10th Cheltenham Scouts have previously paid a nominal rent per annum. The benefit to the general fund from the uplift in rent will be £1118 per annum versus previous years.

Signed off by: Andy Taylor, Finance Business Partner, andrew.taylor@cheltenham.gov.uk

1.2. Legal implications

2. 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.

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.

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.

It is our advice that the financial assistance proposed will not constitute unlawful subsidies because, neither organisation are likely to be deemed to fall within the definition of bodies that fall within the scope of the Act (enterprises that are engaged in an economic activity that entails offering goods and services on a market) and even if they were, due to the local nature of the organisations, 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.

Signed off by: One Legal: legalservices@onelegal.org.uk

2.1. HR implications

There are no direct HR implications identified within this report.

Signed off by: Clare Jones, HR Business Partner, clare.jones@publicagroup.uk

2.2. Environmental and climate change implications

Harvest Field Church maintains the grounds around the building, providing a green space through planting and maintaining plants, shrubs, hedging and trees, which attracts wildlife.

10th Cheltenham Scouts plays an important role in the education of young people about protecting the environment and recycling. Through their stewardship of the Scout Hut building they have also worked to improve its efficiency to reduce heat loss and reduce electricity consumption.

Signed off by: Laura Tapping, Climate Emergency Programme Officer, laura.tapping@cheltenham.gov.uk

2.3. Property/asset implications

The rental implications of the subsidy are set out in the report.

For Harvest Field Church, the Council will be providing a rent support grant which equates to 54% of the market rent.

For 10th Cheltenham Scouts, the Council will be providing a rent support grant which equates to 72% of the market rent.

All other usual terms and conditions will be contained within the two leases in respect of rent reviews, insurance, repairs, compliance, etc, and will be monitored on an ongoing basis to ensure compliance.

Signed off by: Gemma Bell, Director of Finance and Assets (Deputy Section 151 Officer), gemma.bell@cheltenham.gov.uk

2.4. Corporate policy framework implications

The two applications for a rent support grant have 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.

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.

Signed off by: Richard Gibson, Head of Communities, Wellbeing and Partnerships
richard.gibson@cheltenham.gov.uk

3. Performance management – monitoring and review

- 3.1.** 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.
 - 3.2.** 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.
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4. Background

- 4.1.** 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.
- 4.2.** 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.
- 4.3.** 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
- 4.4.** 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

4.5. Each outcome is subject to a stepped discount between 0 and 20% depending upon the impact of the defined sub-elements of each outcome.

4.6. 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.

4.7. 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.

4.8. 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.

5. Reasons for recommendations

5.1. The submissions from Harvest Field Church and 10th Cheltenham Scouts have been assessed against the criteria detailed in 1.4.

5.2. The Harvest Field Church has demonstrated some evidence of their contribution to the themes assessed against, particularly under helping people to live in safe and strong communities and in supporting the emotional and physical wellbeing of residents. They also maintain the building and surrounding grounds. The organisation has plans to better promote the facilities on offer to community groups in the area, for use during the week. The hire charge income from these sessions would help make it possible to sustain activities delivered from the building against the increase in rent paid.

5.3. The 10th Cheltenham Scouts demonstrated strong evidence of their role in all of the themes assessed against (please see Appendix 3). While the rent increase is fairly significant for a small organisation, run by volunteers, the group has plans under the new lease to let the space for use by other community groups and for events to increase their income over the term of the grant.

6. Alternative options considered

6.1. None

7. Consultation and feedback

7.1. None

8. Key risks

- 8.1. 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.
 - 8.2. 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.
 - 8.3. 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.
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Report author:

Helen Down, Participation and Engagement Team Leader, helen.down@cheltenham.gov.uk

Appendices:

- i. Risk Assessment
- ii. Harvest Field Church rent support assessment
- iii. 10th Cheltenham Scouts rent support 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	April 2023
	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			