

Cheltenham Borough Council

Cabinet – 13 February 2024

Award of rent support grants to voluntary sector organisations

Accountable member:

Cabinet Member Finance and Assets, Cllr Peter Jeffries

Accountable officer:

Executive Director Finance, Assets and Regeneration, Paul Jones

Ward(s) affected:

Lansdown

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.

An application for a rent support grant has been received from the Gardens Gallery. This report sets out the proposed level of rent support grant to be awarded.

Recommendations: That Cabinet:

- 1. agrees to a rent support grant of 74% of current market rent to the Gardens Gallery, Proscenium Building, Montpellier Gardens**
 - 2. 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.**
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1. Implications

1.1. Financial, Property and Asset implications

The Gardens Gallery was previously in receipt of a rent support grant of 100%. Following the review of their lease terms, cabinet agrees to a new rent support grant of 74% which will mean the tenant will pay an annual rent of £1,040 per annum. Please see appendix 2 for more details.

Signed off by: Andy Taylor, Principal Commercial Accountant,
andy.taylor@cheltenham.gov.uk

All 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.

Signed off by: Simon Hodges, Principal Estates Surveyor,
simon.hodges@cheltenham.gov.uk

1.2. Legal implications

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 Act). The

subsidy control regime has replaced state aid which applied before the UK's withdrawal from the EU.

One of the requirements for a subsidy to be present is for financial assistance being given to an 'enterprise' which is defined in the Act as a person (including all legal entities) who is engaged in an economic activity that entails offering goods or services on a market. The Gardens Gallery does not carry out such economic activity so there will be no subsidy present when providing the proposed rent support grant.

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

1.3. Environmental and climate change implications

There are no direct climate change implications arising from this report, but the Gardens Gallery has in its application for rent support detailed the measures being taken to respond to climate change and promote sustainability.

Signed off by: Maizy McCann, Climate Emergency Officer,
Maizy.mccann@cheltenham.gov.uk

1.4. Corporate Plan Priorities

This report contributes to the following Corporate Plan Priorities:

- Ensuring residents, communities and businesses benefit from Cheltenham's future growth and prosperity
- Being a more modern, efficient and financially sustainable council

1.5. Equality, Diversity and Inclusion Implications

There are no direct equality implications from the recommendations, though the organisation will continue to promote equality and diversity in line with their own policy.

1.6. Performance management – monitoring and review

The council will put in place a 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 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 five-year period.

2. 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 five 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.

3. Reasons for recommendations

- 3.1.** The submissions from the Gardens Gallery has been assessed against the criteria detailed in 1.4.

- 3.2. The Gardens Gallery demonstrated strong evidence of their contribution to the themes assessed against, particularly in terms of sustaining and growing Cheltenham's economic and cultural vitality through supporting artists to become established.
- 3.3. The recommendation of a rent support grant of 74% is made up of 64% as recommended by the assessment panel (**please see appendix 3** for the assessment of the submission), plus the discretionary additional 10% awarded by Cabinet as per paragraph 1.6, given that the Gardens Gallery was previously in receipt of 100% discount and is a small voluntary organisation which derives income from the weekly rental charges to local aspiring artists, craftspeople and community groups to use the space.

4. Alternative options considered

- 4.1. None

5. Consultation and feedback

- 5.1. None

6. Key risks

- 6.1. 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.
- 6.2. 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.
- 6.3. 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.

Report author:

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

Appendices:

- i. Risk Assessment
- ii. Gardens Gallery 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	February 2024
	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			