City of Westminster

Cabinet Report

Meeting or Decision Maker:	Cabinet
Date:	30 October 2023
Classification:	General Release
Title:	Capital Investment in Community Assets
Wards Affected:	All
Policy Context:	VCS Sector Investment Strategy
Key Decision:	Yes
Financial Summary:	Capital grant funding to be provided from an existing programme budget approved in the annual capital strategy report
Report of:	Pedro Wrobel, Executive Director, Innovation and Change

1. Executive Summary

1.1. Westminster's voluntary and community sector organisations (VCSOs) play an essential part in helping people live happy and healthy lives, as well as preventing acute problems from developing in communities. Our Fairer Westminster strategy is committed to creating an equitable city in which community and voluntary sector organisations are empowered to succeed.

1.2. The Council has developed a) a capital funding policy and b) supplementary guidance to the Property Investment Strategy which aim to support VCSOs to deliver services in premises that are of high quality and fit for purpose, and which support the future resilience of the organisation.

1.3. The appendices referred to in this document include:

1.3.1. **Discretionary Capital Funding Policy** (Appendix 1). This policy outlines a process for enabling VCSOs to access capital funding from the council. It establishes the strategic and social objectives of the funding as well as the eligibility criteria. It enables applicants to demonstrate value for money through the application process and outlines the legal safeguards to be put into place to secure the Council's funding.

1.3.2. **Property Investment Strategy Supplementary Guidance** (Appendix 2) The guidance also seeks to clarify some of the existing principles and objectives outlined in the Property Investment Strategy within the Council's annual Capital Strategy that guides the purchase of property for regeneration purposes. The guidance explains the meaning of 'regeneration' in the context of the Property Investment Strategy, within the Capital Strategy, and in the context of the aims of the Fairer Westminster Strategy. It also summarises the existing process (as articulated in the Council's annual Capital Strategy) to be followed when making a case for a property acquisition. It provides additional guidance on preparing an Economic case, including a social cost benefit analysis which enables the Council to consider the full economic value of an acquisition alongside its Financial case.

1.4. The policy and guidance is based on the following investment and acquisition principles**.**

1.4.1. **Strategic fit with the Fairer Westminster Strategy and the Voluntary and Community Sector Investment Strategy -** Capital investments must facilitate the resilience and growth of the VCSO sector, thereby achieving the aims of the Fairer Westminster Strategy to empower communities.

1.4.2. **Additionality** - capital Investments should lead to positive and lasting change in the communities benefitting from the investment. This means securing outputs and outcomes that are additional to business as usual. VCSOs benefitting from the investment must be able to sustain these outcomes over time.

1.4.3. **Value for Money** - capital investments must represent public value for money, including cost effectiveness and the achievement of best value.

1.4.4. **Affordability** – all capital investment including funding and acquisitions must be supported by an approved budget line or existing allocation. A key principle in relation to property acquisitions is that all investments confirm to Minimum Revenue Provision (MRP) regulations.

2. Recommendations

It is recommended that the Cabinet:

- Approve the adoption of the Discretionary Capital Funding Policy (Appendix 1);
- Approve the adoption of the Property Investment Strategy Supplementary Guidance (Appendix 2); and
- Delegate authority to make minor future administrative and drafting amendments to both policies to the Executive Director of Innovation and Change in consultation with the Executive Director of Finance and Resources.

3 Reasons for Decision

3.1 The policy and supplementary guidance will allow the Council to support the growth and future resilience of the VCS Sector by either providing funding to improve and / or expand existing VCS occupied premises or by acquiring underutilised and vacant premises for social, economic and environmental regeneration. The policy, through capital investment in existing VCSO spaces and Supplementary Guidance, through acquisitions will enable the delivery of additional and improved outcomes as well as catalysing local regeneration, leading to wider amenity benefits.

4 Background, including Policy Context

4.1 The Council is taking a new approach to supporting VCSOs to become more resilient and empowered under the Fairer Communities Pillar. This is a key strategic objective of the Fairer Westminster Strategy.

4.2 Anecdotally, VCSOs experience lack the financial and organisational capacity to improve and develop the premises they occupy. This results in premises that are not a) fit for purpose and b) growth enabling. Occupants are also at risk of escalating rents and commercial interests often compounded by the lack of affordable premises in Central London.

4.3 The decline and potential displacement or loss of community facilities is likely to exacerbate existing inequalities due to the pressures of demand, leading to fewer residents accessing services. This is also likely to have a detrimental impact on the social capital generated at a neighbourhood level leading to reduced participation in local events and volunteering.

4.4 In response to this, the Council developed a Voluntary and Community Sector Investment Strategy which sets out a plan for supporting organisational and financial resilience through core funding and capital investment in VCS spaces.

4.5 The Council does not currently have a programme of capital investment in VCSOs. Although Neighbourhood CIL (NCIL) funding is available for community organisations, the eligibility criteria is specific in that the investment must support new and existing public infrastructure needed to support growth and development, such as the provision of affordable housing or sustainable and active travel. NCIL funding is also limited to the neighbourhoods impacted by the development. The Discretionary capital funding policy addresses this gap by providing VCSOs across Westminster with an opportunity to access discretionary funding for growth enabling works, irrespective of their NCIL eligibility status.

4.6 Additionally, vacant and underutilised properties offer untapped potential and opportunity to achieve regeneration outcomes (additional social, economic and environmental outcomes) in deprived neighbourhoods, where they are returned to use. There is a need to consider this as part of the package of interventions being developed to support VCSOs become more resilient.

4.7 The Council’s Property Investment Strategy within the annual Capital Strategy makes provision for the acquisition of assets for regeneration purposes. However, there is a need for clarity around the term ‘regeneration’ and the conditions under which an asset acquisition can be considered for regeneration. The Supplementary Guidance addresses this in greater depth.

4.8 Where the Council makes a capital investment, the above policy and supplementary guidance has been developed to a) deliver additional community benefit in line with the Council’s Fairer Westminster Strategy b) provide a consistent framework to ensure decisions provide value for money and c) the investment is safeguarded d) investments are affordable.

5 Financial Implications

5.1 Applications from VCS sector in respect of capital grants will be assessed to ensure that they meet the Council’s strategic objectives, and that the applicant has the appropriate plans in place to deliver on their investment proposal.

5.2 Any capital grant given will be provided from an existing programme budget approved in the annual capital strategy report. This will ensure that affordability across the whole programme is maintained within the General Fund.

5.3 Allocation of capital grants will follow the Council’s financial regulations in accordance with any other capital expenditure,

6 Legal Implications

Discretionary Capital Funding Policy

6.1 The report seeks authority to implement a Discretionary Capital Funding Policy which is explained at paragraph 1.3.1 of the report. The Council can enter into grant funding arrangements using its general power of competence under the Localism Act 2011. The Council should ensure that the distribution of grants is fair and proportionate and also complies with the public sector equality duty pursuant to the Equality Act 2010.

6.2 Further the Council must have regard to the Subsidy Control Act 2022 (SCA) whereby the Council has a duty to consider whether any funding could fall within the definition of “subsidy” under the SCA. If this is the case the Council must then consider whether the funding would comply with the subsidy control principles. Each grant should be assessed on a case-by case basis and Legal Services will be available to provide relevant support.

Property Investment Strategy Supplementary Guidance

6.3 The Property Investment Strategy Supplementary Guidance is explained at 1.3.2 of the report and is a guide to be followed when considering the acquisition of property for regeneration purposes.

6. 4. Under section 1 and section 12 of the Local Government Act 2003 Local Authorities have broad powers to invest and to borrow, either for purposes relevant to the performance of any of their functions or generally for the prudent management of their financial affairs.

6.5. Section 1 of the Localism Act 2011 also gives the Council a general power of competence to do anything that individuals generally may do, save where the Council is prohibited from or limited in doing it

6.6. The Council is a Best Value Authority under the Local Government Act 1999 and is obliged to “make arrangements to secure continuous improvement in the way in which functions are exercised, having regard to a combination of economy, efficiency and effectiveness” (Section 3 LGA 1999). Guidance requires the Council to consider the overall value, including economic, environmental and social value. The best value duty underpins all Local Authorities’ activities and functions and the Council must have regard to it and maximise the use of assets for the benefit of its area and Council taxpayers.

6.7. Individual reports will need to be produced on a case by case basis for each acquisition, which will provide detail on the due diligence and legal implications.

6.8 In addition to the above, the Council has the powers below available to it for the acquisition of investment properties.

6.9 Under section 120 Local Government Act 1972, the Council have a general power to acquire land and property by agreement situated inside or outside their area for the purposes of any of their functions, or for the benefit, improvement or development of their area. Local Authorities are empowered to acquire land notwithstanding that the land was not immediately required for that purpose.

6.10 Local Authorities can also take any action (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to ,the discharge of any of their functions, which includes investment functions under section 111 Local Government Act 1972.

6.11 There are also more specific powers that support acquisitions for capital programmes or specific projects. As an authority possessing compulsory purchase powers, the Council may make compulsory purchase orders which, if approved, allow the Council to acquire by compulsion.

6.12 Legal due diligence will be required on any acquisition, to include review of title and ownership, searches and enquiries, in order to ascertain relevant liabilities and encumbrances, and any associated risks, and guidance should be sought from Legal Services prior to any decision to acquire.

7 Carbon Impact

7.1 The Capital Funding Policy and application requires the applicant to articulate, as far as practicable, the carbon impacts of the works, the building and the ongoing maintenance of the building.

7.2 Applicants are asked to outline their approach to environmental responsibility in terms of how the service and buildings are run (by lowering carbon emissions, increasing levels of recycling, cutting the use of plastic, and reducing water consumption). As building projects and the building itself can contribute significantly to carbon emissions, applicants are requested to consider energy efficiency as a priority. We expect them to consider:

- sourcing environmentally responsible goods and materials.
- whole-life cycle costs in the selection of materials, plant and equipment.
- sustainable construction practices.
- the long-term environmental impacts of buildings.

7.3 With regards to acquisitions, the carbon impact of the property and its end uses are considered in the Business Case, under the Economic and Financial Cases. During refurbishment /development and maintenance, it is the responsibility of the Council to ensure that negative carbon impacts are minimised.

7.4 **Environmental Management Plan (EMP).** It is standard practice for contractors to submit Environmental policies as part of the tender process, indicating how they intend to measure and achieve compliance with the environmental protection and mitigation requirements of the project. The monitoring of the EMP is the responsibility of the organisation issuing the tender / procuring the works.

8 Equalities Implications

8.1 An Equalities Impact Assessment (EIA), initial screening, has been completed.

8.2 The initial screening highlights that although the policy and supplementary guidance is likely to have a positive impact on community organisations, it is not known how capital investment will impact residents with protected characteristics as there is a lack of baseline data. The EqIA sets out the expectation for grant funding applicants to explain how they meet the Councils equalities considerations. This will establish the baseline from which the equalities impact of the capital investment will be assessed through the project's performance framework.

8.3 Individual EQiAs will be required where there is a case for new acquisitions. This will establish the baseline for equalities impact assessment which can be monitored after the acquisition has taken place.

8.4 Additionally, there are equalities implications arising from making targeted decisions about funding specific organisations. This may disadvantage smaller organisations who have been excluded from the grant funding process. There are likely to be equity considerations arising from this approach. The EqIA addresses this and puts into place actions to embed equalities into the future development of the Capital Funding Policy.

9 Consultation

9.1 A number of directorates across the council have been consulted and engaged about the new approach to funding VCS organisations, including the capital investment policy and supplementary guidance:

- Corporate Property
- Finance
- Legal
- Procurement Team
- North Paddington Programme (Growth Planning and Housing)
- Communities Team (Innovation and Housing)
- Place and Investment (Innovation and Change)
- Strategy and Intelligence (Innovation and Change)

9.2 A communications plan will be developed to guide our engagement with Community organisations seeking funding in the future. Additionally, One Westminster has been consulted during the design of the capital funding application form to ensure accessibility.

If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:

Rahima Begum, Principal Policy Officer

APPENDICES

Appendix 1: Discretionary Capital Funding Policy

Appendix 2: Property Investment Strategy Supplementary Guidance

BACKGROUND PAPERS