



# City of Westminster Delegated Decision Report

<b>Decision Maker:</b>	Debbie Jackson, Executive Director – Regeneration, Economy, and Planning
<b>Date:</b>	14 March 2024
<b>Title:</b>	Paddington Arts Development Funding and Support
<b>Wards Affected:</b>	Westbourne
<b>Policy Context:</b>	Fairer Westminster Fairer Economy Plan (2023-26) Westminster Cultural Strategy (2021-25) Voluntary and Community Sector Investment Strategy (2023-28)
<b>Financial Summary:</b>	£249,600 capital funding spend approval sought from the £1.5m capital budget provision for Paddington Arts redevelopment
<b>Report of:</b>	Sian Evans, Creative Enterprise Programme Manager – North Paddington, <a href="mailto:sevans1@westminster.gov.uk">sevans1@westminster.gov.uk</a>

## 1 Executive Summary

- 1.1 This report seeks delegated approval to spend up to £249,600 of capital funding for Paddington Arts (Company number: 02224403) to proceed to the next stage of their redevelopment proposals. The project aims to provide a sustainable future for the charitable youth arts organisation, increase the number of young people engaged and supported each year and the provision of more cultural and creative performance, rehearsal, and workspace.

## 2 Recommendation

- 2.1 To consider and approve the spend approval of capital funding to Paddington Arts of up to £249,600 to complete RIBA Stage 4 of their development proposals and bring in additional external fundraising expertise to maximise match-funding for the scheme.

## 3 Context

- 3.1 Paddington Arts, established in 1988, is a Youth Arts charity committed to developing talent and creativity in the community. They encourage young people to use the arts for self-expression and career development; running workshops in Dance, Drama, Steel pan drumming, Singing and New Media and produce original work for stage and screen. Paddington Arts offers a unique series of 'stepping stones' for local young people, many of whom will use the project, its workshops, and activities all the way through from 6 years old to 16 plus. They currently work with over 2,000 young people each year.
- 3.2 Paddington Arts is in North Paddington (Westbourne ward), where a place based partnership approach is working to help those living within the Northwest of the borough live safer, healthier, and more prosperous lives and feel more engaged. This area, comprising of

Westbourne, Queen's Park, and Harrow Road wards, are among the most disadvantaged in the city, facing significant income and health inequalities compared to neighbouring Westminster wards, alongside crime and anti-social behaviour challenges.

- 3.3 The North Paddington Programme is complemented by the new North Paddington Creative Enterprise Zone (CEZ). CEZs are a Mayoral initiative to designate areas of London where artists and creative businesses can find permanent affordable space to work; are supported to start-up and grow; and where local people are helped to learn creative sector skills and access pathways to employment. North Paddington is among several new areas to be designated as a CEZ and received a grant of £170,000 from the Mayor of London. The CEZ will support existing arts and cultural institutions such as Paddington Arts and bolsters the council's North Paddington programme which seeks to address the long-standing social-economic and health challenges in the northwest of the borough.
- 3.4 Additionally, a new approach is being taken by the Council to support the resilience of the Voluntary and Community Sector (VCS) to ensure they survive and thrive in Westminster. The VCS is a key partner which works towards achieving the shared social, health, economic and environmental outcomes at the heart of the Fairer Westminster Strategy. However, long term under investment in the sector combined with the challenges of the Covid-19 pandemic has led to organisational and financial challenges impacting on the sector's ability to deliver additional or enhanced outcomes or expedite the delivery of outcomes. Discretionary capital funding, alongside other revenue grants (VCS Sector Core grants) is being proposed to improve the financial and organisational resilience of the sector. The Council seeks to support VCS organisations to become more resilient and empowered under the Fairer Communities Pillar. This is a key strategic objective of the Fairer Westminster Strategy. The council's policy for Discretionary Capital Funding for Voluntary and Community Sector Organisations has been considered while producing this report.

#### 4 Proposal

- 4.1 Over recent years, Paddington Arts have had their public sector funding cut and have been actively exploring options to remain independent, expand their provision and increase their ability to meet local needs. Their chosen route is to expand their premises on the site of which they own the freehold.
- 4.2 Development plans, for which they have secured planning permission, propose expanding the premises by infilling a piece of land to create an additional 545m<sup>2</sup> space. The new addition will create multiple flexible spaces and significantly enhance the impact of the building within the local community context. The proposal provides for a new reception, dance studio, consultation rooms, new roof terrace, as well as an additional second floor and a dedicated co-working space targeted at creative entrepreneurs. This will have multiple desk spaces, alongside a meeting room and break-out spaces. The expanded premises aims to provide the space to increase the impact of their work with young people, whilst providing more income generating opportunities to subsidise the charitable activities.
- 4.3 Aims of the development:
- **Supporting area regeneration:** The plans will contribute to the inclusive regeneration of North Paddington. An enhanced entrance and street front will improve the streetscape and access to the building.
  - **Children and young people:** The new facilities will enable Paddington Arts to provide more opportunities to improve the physical, mental, and emotional health of young people through performing arts. The proposals aim to engage 50% more children and young people every year.
  - **Mental Health support:** the new development includes four consultation rooms for the purpose of providing Youth Mentoring and Emotional Support Programmes, offering one-to-one sessions for those most in need.

- **Combating youth violence:** Paddington Arts have developed programmes that offer alternatives for young people to prevent anti-social behaviour. This includes a mentoring programme with one-to-one sessions with a trusted, appropriate adult that targets young people at risk of exclusion, gang culture and/or extremism.
  - **Equality, diversity, and inclusion:** An expanded studio provision will enable Paddington Arts to offer new and diverse directors, producers, and choreographers access to professional rehearsal spaces at affordable prices. Proudlock Associates were appointed as the scheme Disability Access & Inclusion Consultant. They have produced an Inclusive Design and Access Statement 'IDAS' and are working with Paddington Arts to ascertain and guide on how they can provide physical access to their services.
  - **Creative workspace:** The space will function as an engine for local economic development - supporting the local area's economic development, through business workspace, start-up support and employment opportunities. There is a proposed second floor dedicated co-working space (252m<sup>2</sup>), targeted at creative entrepreneurs. This will have multiple desk spaces, alongside a meeting room and break-out spaces.
  - **Sustaining Paddington Arts as a community anchor organisation:** Ensuring the survival of the organisation and its long-term future as a community anchor body serving (primarily but not exclusively) young people in the area. To safeguard the future of both the organisation and the space, the building needs to grow to reach a level of cross subsidy where both commercial and community uses can flourish.
- 4.4 On 15th March 2023, £108,000 of Neighbourhood CIL (Community Infrastructure Levy) was awarded to Paddington Arts to fund design, planning and technical studies needed to progress the proposed extension to RIBA Stage 3.
- 4.5 Paddington Arts have made the following progress to date:

Date	Item
February 2023	Plans for 2nd floor extension signed off by Trustees
September 2023	Full Planning Consent granted ( <a href="#">23/01171/FULL</a> )
September 2023	Design Team appointed – Architect (E8), Structural Engineer (Webb Yates), M & E (Webb Yates), Acoustic Engineer (Sandy Brown), Cost Consultancy (Jackson Coles), Building Control/CDM (Sweco), Fire Safety (BB7)
October 2023	Andrew Sissons (AND London – also working on Taxi House affordable workspace / commercial offer) appointed to produce report on 2nd floor extension (now called Creative Enterprise Hub), outlining economic opportunities as well as community and social benefits
October 2023	Commissioned Sustainability Report for the new development, to include proposals to retrofit existing building to increase energy efficiency and reduce carbon emissions
December 2023	RIBA Stage 3 completed (including construction costs final budget)

- 4.6 Paddington Arts have now received final construction costs through RIBA Stage 3, putting the development total at £3,200,000. They have secured £200,000 from Garfield Weston Foundation and are confident of raising a further £400,000.
- 4.7 To support Paddington Arts to continue progress on the development proposals, and seek to unlock further match funding, this report seeks to authorise release of up to £249,600. This comprises of £209,600 for RIBA Stage 4, also known as Technical Design. This stage will

result in detailed architectural and engineering designs and specifications ready for tendering, submission to building control and construction. This stage includes working with a Disability Consultant to ensure full accessibility of the new scheme.

- 4.8 In addition, up to £40,000 is sought for additional support in external fundraising and project management. Ensuring that Paddington Arts have the best chance of securing additional external funding will be vital in realising these proposals. Whilst a funding consultant has supported them to date (not funded by the council) it is proposed that additional support is provided to maximise opportunities (for example, the currently live Arts Council Cultural Development Fund (Round Four)).
- 4.9 Subject to funding approvals and match-funding being secured, the potential timeline for the capital development is:

Date	Item
March – June 2024	RIBA Stage 4
March – June 2024	Fundraising and proposal support
July – September 2024	Put out to tender
October 2024	Commence construction
Summer 2025	Construction completed
October 2025	Official opening of new building

## 5 Strategic Fit

- 5.1 Considering the council’s policy for Discretionary Capital Funding for Voluntary and Community Sector Organisations, the recommendation to approve release of funding is based on Paddington Arts’ proposals alignment with the follow priorities for the council:

### Fairer Westminster pillars

- **Fairer Community:** The proposal will Provide increased cultural and learning opportunities for young people, working to reduce poverty and inequalities – for example through expanded provision of youth mental health support.
- **Fairer Economy:** The proposal will enable access to creative workspace for artists and creatives, providing them with routes into creative industries. It will enable Paddington Arts to grow its offer and become more sustainable and acknowledges its contribution as a local employer. Paddington Arts’ youth programmes additionally offer employability and skills development as routes into the creative and cultural industries.
- **Fairer Environment:** The proposal will contribute to the Council’s net zero aims. The development will reduce carbon emissions by switching to sustainable heat sources and includes plans for a green roof and increased planting.

**North Paddington Creative Enterprise Zone** - Paddington Arts’ Development Plan aligns with the Zone ambitions as it will bring economic and employment opportunities in the creative industries; offering new creative workspace and young people the chance to participate in Production, Training and Business start-up as well as being supported to find the correct pathway to further their education or employment careers in the creative industries. Additionally, Paddington Arts provides rehearsal space for major West End shows, contributing to the wider cultural economy of Westminster and London.

**Promoting Financial and Organisational Resilience** – Paddington Arts secures funding from multiple sources, in the past the largest proportion of funding has come from grants and

donations. With a reduction in grants available, the organisation seeks to diversify its income streams. The development will provide an opportunity to generate alternative revenue, including from hire of newly refurbished and additional facilities. This will support Paddington Arts to accelerate the financial resilience of their arts centre.

**Value for money** – RIBA Stage 4 provides a clear and detailed plan ready for tendering and construction. This will give Paddington Arts, and any funders, more certainty over costs.

Paddington Arts have produced detailed budgets in RIBA Stage 3, which outlined the need for further match funding and increased fundraising efforts. It is suggested this happens alongside RIBA Stage 4 to reduce increased construction costs if this stage was postponed.

**Safeguarding the council’s investment** – Whilst it is proposed that standard claw back arrangements are incorporated into any grant agreement, funding would only be released by the council on receipt on evidence of approved spend. It is not proposed that a title restriction or legal charge on the building is made. This is because the works to be funded through this approval seek to only benefit the longer-term redevelopment of Paddington Arts as a charitable organisation delivering local benefits. However, should any future funding be approved for capital works to commence, sufficient title/legal charges would be sought.

There is a risk that the council may fund this RIBA Stage 4 work and it not result in the full construction project and aspirations being achieved (should the full construction budget not be secured), however by completing this work it will provide increased chances of securing the match-funding required and ensure momentum continues on the proposals.

## 6 Financial Implications

- 6.1 Capital Expenditure budget – Capital Programme, approved by Full Council in March 2023, includes a £1.5m provision to Paddington Arts.
- 6.2 Cost - Delegated Authority spend approval is sought for the following spend against the existing budget to fund the following:

Cost Type	Amount (£)
RIBA Stage 4	209,600
Fundraising and Project Management Support	40,000
<b>Total</b>	<b>249,600</b>

Costs are fixed and the Council is not committed to any further spend.

- 6.3 Future requests - Paddington Arts development costs are costed at £3,200,000. Currently the WCC Capital budget allocation and the external funding they are confident of achieving would leave a development budget deficit of £1,100,000.

	Amount (£)
Paddington Arts – total construction budget	3,200,000
WCC capital funding (budget allocation)	-1,500,000
External Funding (secured)	-200,000
External Funding (expected)	-400,000
<b>Total</b>	<b>1,100,000</b>

A further Cabinet Member spend request for £1,250,400 will likely be sought against the existing provisional budget, at which point the full funding package will need to have been secured. Should further external funding not be successful then future Capital spend requests may be made by Paddington Arts to help deliver their development plans outlined in section 4 above. Decisions on additional funding/budget will be made by the relevant

Senior Council officer(s) and Cabinet Member(s) within the context of existing Council procedures such as the Financial regulations and the Discretionary Capital Funding for Voluntary and Community Sector Organisations policy.

- 6.4 Revenue implications - There will be no revenue implications regarding this Capital spend as the costs relate to RIBA stage 4 design.

## **7 Legal Implications**

- 7.1 The Council is seeking approval to fund £249,600 to Paddington Arts. The funding will be used to support the development of their capital redevelopment.
- 7.2 The Council has the power to award funding in the form of a grant under section 1 of the Localism Act 2011, subject to sections 2-4, which permits the Council to do anything that individuals may do.
- 7.3 The Council must consider if the award of the grant to Paddington Arts is subject to the Subsidy Control Act. The definition of a subsidy is set out in section 2 (1) of the said Act. All of the limbs of the definition must be met in order for it to be a subsidy.
- 7.4 It is considered there is a strong argument that the Recipient is not an enterprise for the purpose of the definition. This is because Paddington Arts' objectives are all non-economic and any economic activity that it does undertake is ancillary to and solely for the purpose of supporting the non-economic activity. In addition, the youth services that it provides are either free or a nominal charge is made.
- 7.5 An interested party can seek a review of this position at the Competition Appeal Tribunal. If the Tribunal were to find that the grant is an unlawful subsidy, it can order the Council to recover the grant given with interest.
- 7.6 A grant agreement will have to be drawn up by and in consultation with Legal Services. That agreement will be enforceable so that if a grant is not used for the purpose for which it was given it may be recovered by the Council and/or further payments of the grant may be refused. The Council should also seek to align the grant payment to appropriate monitoring and review provisions.

### **If you have any queries about this report, please contact either:**

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