



# DISCRETIONARY CAPITAL FUNDING FOR VCS PREMISES

Guidance



City of Westminster

## 1. Background and Rationale

- 1.1 Westminster City Council commits to providing excellent public health and social care services, and physical activity opportunities that ensure all adults can stay healthy and thrive as they age. It commits to ensuring the city is a great place for children to grow up, with its cultural and learning opportunities, active communities, and excellent schools. It seeks to achieve this by empowering voluntary and community sector (VCS) organisations to prosper in Westminster. This is a key strategic objective of the Fairer Westminster Strategy
- 1.2 Modern and fit for purpose facilities are important enablers of leisure, cultural, health and social care, and any activity that contributes to quality of life for our residents. VCS organisations delivering essential services in Westminster often lack the financial resources needed to invest in the premises they occupy. This leads to them operating from poor quality premises that are not fit for purpose, impacting on their ability to respond to additional community need, expand and grow.
- 1.3 Where the property is under third party ownership, it may be at risk of commercial interests that don't align with the VCS organisation's priorities. Higher land values in a place like Westminster are commensurate with the need to optimise the commercial return on investments. This creates a risk for VCS organisations operating from properties owned by third parties as they struggle to raise the funding to meet these costs alongside the cost of delivering their services to communities.
- 1.4 The Council is therefore keen to empower VCS organisations that lack the financial capacity to enhance service delivery, address additional community need and become more resilient.
- 1.5 It may do this by providing capital funding to expand or improve the condition of the facility that will enable the VCS organisation to deliver enhanced services and improved or additional social outcomes.
- 1.6 Council investment in community assets through grant provision does not come without implications. The investment can confer a financial benefit to the third-party owner, in the form of a future land value uplift, which can be substantial in a place like Westminster. The benefit also extends to capital receipts when the property is sold.

- 1.7 There is a need, where possible, to protect this investment through instruments such as legal charges and claw back arrangements. This will ensure that the VCS organisation continues to deliver outcomes in Westminster.

## 2. Purpose

This policy applies to capital funding granted for the benefit of VCS organisations.

It explains:

- The scope of the policy
- Who can apply for the grant
- The meaning of capital funding
- The Council's investment priorities
- The Council's approach to safeguarding the grant
- Financial considerations
- The application process

This document should be read in conjunction with the following policies:

- Voluntary and Community Sector Investment Strategy 2023-2028
- WCC Capital Strategy
- Delegated Authority to Officers Policy
- WCC Financial Regulations
- Voluntary and Community Sector Rents Policy

These are the key documents in the overall decision making relating to capital funding of VCS premises.

## 3. Scope

This policy applies to capital grants made to VCS organisations for the purposes of securing long lasting benefits in areas of need. It applies under the following circumstances:

- 3.1.** Capital funding granted to VCS organisations (leaseholders or freeholders) that own or occupy their premises. (The definition of capital is set out under 6. below).
- 3.2.** Capital funding granted to VCS organisations that lack the resources and financial capacity to fund the work themselves (the eligibility criteria is set out under 7. below).
- 3.3.** Capital funding granted to VCS organisations to meet a recognised community need. For example, the construction and repair of community facilities.

#### **4. Who is Eligible for a Capital grant?**

To be considered for funding, applicants must be a VCS organisation operating in Westminster.

**4.1.** Funding is aimed at supporting local VCS organisations that lack the resources and financial capacity to fund or part fund the capital works themselves.

**4.2.** Applicants must demonstrate that they have the financial capacity to deliver the project and maintain the running costs of the property. They are required to demonstrate unrestricted cash reserves equivalent to a minimum of 3-6 months operating costs.

**4.3.** If reserves are showing more than 3-6 months operating costs, VCS organisations are required to explain why the surplus cannot be used to part fund the project under the application for funding.

#### **5. What is Capital Funding?**

**5.1.** This policy covers any expenditure that improves fixed assets, and which can be capitalised on the applicant's balance sheet. This includes:

- Building projects to refurbish, improve or extend existing buildings to make them more flexible, accessible and safer, and/or with greater commercial potential.
- Installation or upgrade of digital infrastructure, purchase of security cameras or screens.
- Infrastructure to install/improve Wi-Fi connectivity.
- Improving existing facilities to enhance access to and enjoyment of the building, including the provision of inclusive access for everyone i.e. changing rooms or toilets.
- Works to increase the environmental sustainability of the building such as:
  - upgrading lighting to LEDs.
  - installing or retrofitting sustainable technologies.

- Upgrading the existing building fabric to enhance its thermal performance and, protection measures to reduce the risk of flooding such as flood proofing or flood resilient works.
- Decant costs, temporary accommodation and storage costs, including insurance, if the third party needs to move into a different building.
- Professional fees directly related to the activity provided, the appointments have been made in accordance with the applicant organisation's procurement policy.

## **5.2. Out of scope**

- Expenditure that cannot be capitalised on the applicant's balance sheet. This includes any associated revenue costs.
- Goods or services that have already been bought, ordered or contracted before the Council makes a decision about the application. This is because works cannot be funded retrospectively.
- Day-to-day maintenance and minor repairs which should form part of a maintenance and management plan for the building(s).
- Costs that are already paid for by other income including the applicant's own funds or any other funding.
- General running costs or overheads such as, but not limited to, additional staffing and insurance.
- Goods, works or services that have not been procured in accordance with established procurement best practice.
- Marketing/advertising costs.
- VAT that the applicant is unable to recover from HM Revenue and Customs.

## **6. Investment Priorities**

### **6.1. Strategic fit**

To be eligible for capital funding, the applicant must indicate how its priorities align with the objectives of the Fairer Westminster Strategy. It must be engaged in at least one of the following aspects of the key five core priorities.

- **Fairer Communities**

Activities that:

- support Westminster's residents to reduce poverty, inequality or discrimination.
- help residents to remain active and reduce health inequalities.
- provide cultural and learning opportunities for residents.
- provide services to young people, older people, people with disabilities or any other cohort of vulnerable people.

- **Fairer Housing**

- reduces homelessness or provides support for the homeless.
- provides additional housing support to residents over and above the support available through the Council.

- **Fairer Economy**

- create local job opportunities for residents.
- support residents to upskill and acquire new qualifications.
- support residents to become more entrepreneurial or help them to secure good quality jobs.

- **Fairer Environment**

- support Westminster to be safer, cleaner and greener.
- Provide access to high quality green spaces and services
- encourage active travel.

- **Fairer Council**

- Information, advice and guidance services for residents or any activity that provides a service to the residents of Westminster.

## 6.2. Net Zero

6.2.1. Westminster has some of the highest carbon emissions and worst air pollution in the UK. In response to this, the Council has set an emissions target for the City to reach net zero by 2040.

6.2.2. As both buildings and building projects can contribute significantly to carbon emissions, applicants must demonstrate the lead in their approach to environmental responsibility and consider energy efficiency as a priority both in terms of the works and how the service and buildings are run (by lowering carbon emissions, increasing levels of recycling, cutting the use of plastic, and reducing water consumption).

6.2.3. Where feasible, the Council will seek to work with organisations to maximise positive environmental impacts through initiatives such as the Carbon Offset Fund and Energy Audits.

### 6.3. Delivering impact and added value

6.3.1. A benefit is a positive and measurable impact of change. It is important for applicants to be clear about how the additional funding will benefit residents and their localities. Ultimately the investment must show that it has made a tangible difference to the communities of Westminster.

6.3.2. Applicants will need to think widely about the kinds of outcomes and impacts the additional funding will contribute to, as this will improve the value for money the project represents.

6.3.3. The funding must add value to the existing service or provision. It can achieve this by:

- Delivering new outcomes where there were previously none, and / or
- Delivering more in relation to existing provision. For example, more participants taking up an intervention resulting in greater social impacts, and /or
- Delivering better quality provision. Such as enhanced delivery made possible by improved facilities, leading to improved outcomes for participants, and / or
- Delivering change / benefits more quickly as a result of the capital funding.

6.3.4. Applicants should avoid claiming for indirect benefits that cannot be linked to the investment in a tangible way.

6.3.5. For projects that seek to increase revenues through commercial activity, they must also articulate cash benefits resulting from the investment. For example, new space for a new café leading to an increase in turnover, number of new jobs created as a result of the additional investment.

### 6.4. Value for Money

6.4.1. Westminster City Council is committed to ensuring that public resources are invested to deliver the greatest benefit to our communities. It is essential that capital investments deliver value for money. This can mean:

6.4.2. **The careful management of available resources** – preparing a comprehensive budget which considers the whole life cost of the

investment. Delivering within the allocated budget for the project and not exceeding the maximum budget available.

6.4.3. **Obtaining best value** by securing competitive quotes which provide a cost comparison of the goods and services procured.

6.4.4. **Optimising outcomes** by securing more / additional / enhanced benefits over and above business as usual.

6.4.5. **Match funding / co-financing** - The ability to match fund an investment proposition demonstrates commitment and buy-in from partners and landlords and is a strong indicator of value for money. Applicants are encouraged to maximise the value of their capital investment through early engagement with landlords and co-investors to secure match funding. This is an essential prerequisite particularly for high value schemes that represent scale and ambition.

6.4.6. Match funding can include:

- Funding from the grant recipient's own resources
- Grants from trusts and foundations.
- Grants from the National Lottery or Arts Council.
- Donations from individuals or companies.
- Public appeals and fundraising events.
- In-kind support i.e., a non-cash contribution of a good or service such as volunteering time.

6.4.7. Where applicants have declared match funding in the application but have not been able to evidence this, they must clearly state how the remaining funds will be raised and must provide evidence to support financing plans.

6.4.8. Unrestricted reserves which are held for cashflow purposes should not be used as match funding.

## **6.5. Promote VCS organisation's Financial and Organisational Resilience**

6.5.1. The underlying aim of the capital investment is to ensure VCS organisations are supported to become more resilient, leading to future growth. The investment should be considered as seed funding, encouraging organisations to progress their long-term plans.

6.5.2. Applicants must demonstrate their plans for the ongoing management and maintenance of their premises over its expected lifespan. They are also expected to demonstrate how the outcomes will be supported after the funding period. This information is required in the application form and should be supported by the organisation's business plan.



## **7. Safeguarding council investments in third party assets**

**7.1.** This policy explains the measures that can be taken to safeguard public investments to third party owned assets not under Council ownership. There is a risk that premises benefitting from capital funding from the Council may be sold on, thereby conferring a commercial and financial benefit to the owner. The following legal safeguards are incorporated in the Grant Agreement to ensure capital funding under such circumstances is recovered:

**7.1.1 Contractual claw back arrangements** – there is provision in the Council's standard grant agreement to clawback some or all of the funding in certain situations. Once the funding is returned, the council will then reinvest it back into delivering schemes and initiatives that optimise social value in local communities.

**7.1.2 Property security requirements** – If the third party has a sufficient property asset (a freehold or a lease) registered with the Land Registry, the Council can seek a title restriction at the Land Registry against disposals of the property and/or take a legal charge of interest in the property to the value of the funding. This provides sufficient protection of the Council's investment to third parties.

## **8. Financial Considerations**

**8.1.** Due regard must be given to the effective and prudent management of Council finances documented in the Council's Financial Regulations, the Council's Annual Capital Strategy and the Treasury Management Strategy Statement. Commitments for capital funding should be affordable, with risks mitigated and supported by a robust case for investment.

**8.2.** This means that investments being made must come from an approved budget line associated with the place-making/regeneration in question. Decisions on individual grant will be in line with the Council's scheme of delegation and fall to the relevant officer/Cabinet Member.

**8.3.** Service Managers considering or identifying the need to provide a grant, must first consult their Finance Business Partner at the earliest opportunity and prior to any commitment being made on behalf of the Council.

**8.4.** Capital funding must not exceed the maximum budget available for that project. The capital grant must be contained within a Council-approved capital budget line and will form part of the project budget expenditure.

**8.5.** Any grant funding to third parties should not increase the Council's borrowing exposure beyond that already approved by the Council.

**8.6.** Any third-party payments must follow the Council's financial regulations in respect of officer and/or member approval.

## **9. The Application Process**

**9.1.** Organisations are required to complete an application form. It provides the Council with additional assurance that the investment is justified and provides optimal public value for money as well as assurance that the funding proposition is deliverable, affordable, and commercially sound.

### **9.2. Due Diligence requirements**

The application requires organisations to provide due diligence data and is proportionate to the value of the project. This will need to be provided before a decision can be made to fund the project.

### **9.3. Investment decisions**

Applications will undergo a 2-stage assessment process: a due diligence check followed by a panel assessment of the application.

