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| <b>DECISION-MAKER:</b>   | CABINET   |
| <b>SUBJECT:</b>          | SRB2 REGENERATION PROGRAMME SUCCESSION STRATEGY |
| <b>DATE OF DECISION:</b> | 16 JULY 2013                                    |
| <b>REPORT OF:</b>        | LEADER OF THE COUNCIL                           |

**Contact Details**

|                 |         |  |      |               |
|-----------------|---------|--|------|---------------|
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**STATEMENT OF CONFIDENTIALITY**

None

**BRIEF SUMMARY**

The total investment from the SRB2 regeneration programme was £80 million and included a government grant of £26 million. This was used to improve life in the inner city neighbourhoods of St Mary's, Northam, Newtown/Nicholstown and Bevois Valley. West Itchen Community Trust (WICT) was established at the end of the SRB 2 programme as the Successor Body to oversee the continued regeneration of the area.

A decade after the SRB2 grant-funding ceased it is timely to re-invest legacy resources secured through 'clawback' of the original Government grant and held by the Council (as Accountable Body) in WICT – which Cabinet approved as the SRB2 Successor Body on 14<sup>th</sup> October 2002. The final decision on re-investment of clawback had originally rested with SEEDA, although this was delegated to the Council in 2008.

This report recommends making a payment to WICT of £386,000 using clawback of the original Government grant. The clawback is proposed to be used to refurbish the Acorn Enterprise Centre in order to provide 29 light industrial units, and to enhance the skills and employability of people in the inner city neighbourhoods originally covered by the SRB2 programme.

**RECOMMENDATIONS:**

- (i) To award a grant of £386,000 to West Itchen Community Trust for the refurbishment of the Acorn Enterprise Centre in Empress Road subject to:
  - Satisfactory appraisal of the WICT business plan relating to Acorn Enterprise Centre;
  - Confirmation of the type and financial cost of proposed grant funded works by a suitably qualified Property Surveyor; and
  - Confirmation of co-investment/match funding on behalf of WICT and of the works programme.

- (ii) To delegate authority to the Director of Environment and Economic Development following consultation with the Head of Legal, HR and Democratic Services, to enter into a grant agreement with West Itchen Community Trust and to do anything necessary to give effect to the payment of the grant.
- (iii) To protect grant monies through the placement of a Legal Charge for 10 years from the date of issue, on Acorn Enterprise Centre
- (iv) To add, in accordance with Financial Procedure Rules, a sum of £386,000 to the Leader's Capital Programme, for a capital grant towards works at the Acorn Enterprise Centre.
- (v) To approve, in accordance with Financial Procedure Rules, capital expenditure of £386,000 in 2013/14 from the Leader's Capital Programme to award a capital grant.

### **REASONS FOR REPORT RECOMMENDATIONS**

1. Southampton City Council, as the Accountable Body of the SRB2 Regeneration Programme, holds £386,000 of unallocated Government grants which were subject to clawback. The final decision on re-investment of clawback that had originally rested with SEEDA was delegated to the Council in 2008.
2. The reason for this report is to recommend reinvestment of this Government grant in the Successor Body to the SRB2 programme, WICT, to enable it to continue improving the skills and employability of residents in the West Itchen (SRB2) area.

### **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

3. The following options were considered and rejected:
  - a) Using the clawback to reduce the council's financial gap. This was rejected as the Council has a responsibility to continue to address deprivation in the City and a one off grant would not reduce the Council's financial pressures on a year on year basis.
  - b) Following the abolition of SEEDA and the removal of clawback liabilities on the Council the SRB2 Government grant is no longer ring-fenced to meeting former SRB objectives. The option of extending the geographic area of benefit using the clawback was rejected because residents in the former SRB2 regeneration area continue to experience significant levels of deprivation and would benefit from enhanced opportunities that expand the areas commercial base.

### **DETAIL (Including consultation carried out)**

4. The total investment from the SRB2 regeneration programme was £80 million and included a government grant of £26 million. This was used to improve life in the inner city neighbourhoods through:
  - Creating 820 new jobs
  - Directly helping 1,356 residents to get jobs and 909 to obtain qualifications.

- Helping 129 new businesses to start up
  - Creating 25,500m<sup>2</sup> of new and improved business space
  - Building 467 new homes for rent and 386 new homes for sale.
5. Cabinet approved the establishment of West Itchen Community Trust (WICT) as the Successor Body to the SRB2 programme in October 2002 to oversee the continued regeneration of the area. To enable WICT to develop a sustainable regeneration programme a joint investment of £2 million was made by the government and the Council in WICT's property portfolio. A decade after the SRB2 grant-funding ceased it is timely to re-invest unallocated 'clawback' of the original Government grant held by the Council (as Accountable Body) in WICT.
  6. The final decision on re-investment of clawback funds had originally rested with SEEDA, although this power was delegated to the Council in 2008. By 2012 Southampton City Council, as the Accountable Body for the SRB2 Regeneration Programme, had assembled £524,000 of clawback, of which £386,000 remains unallocated and £138,000 allocated.
  7. The allocated element of the clawback (£138,000) relates to the re-investment of clawback funds originally allocated in February 2000 to regenerate Northam Road. The re-released funds are again targeted at the physical regeneration of retail units in the road, and the establishment of an antiques hub. Estimates of the private sector investment the re-released funds will unlock already exceed £2m, along with an additional £100,000 of Government and third-sector grants.
  8. This report recommends that the Council reaffirms its support to the West Itchen Community Trust for its work in overseeing the continued regeneration of a deprived community, by transferring £386,000 of clawback to it as Successor Body to the SRB2 programme. WICT has to-date proven to offer a stable investment platform whilst:
    - Transforming two empty, dilapidated buildings into two new community centres;
    - Supporting in excess of 100 projects that bring local people together;
    - Investing over £1m into developing its property portfolio by improving existing assets and acquiring new buildings;
    - Securing over £500,000 in grants and investment for other local community projects;
    - Delivering business training to 150 people, creating 50 new businesses and assisting 80 existing businesses; and
    - Advising organisations that manage assets or are considering asset transfer
  9. The recommendations in this report propose to strengthen WICT's sustainability through investment in the refurbishment of its income generating asset base (Acorn Enterprise Centre) and to increase the availability of business start-up units in this deprived community. The clawback is proposed to be used to refurbish the Acorn Enterprise Centre in order to provide an additional 13 light industrial units and to replace the existing 16 dilapidated units with 16 new (29 new units in total) (Floor plans

and proposed 3D images in Appendix 1).. The WICT Business Plan (p29) also identifies a number of additional positive outcomes/actions from the rebuild of the Acorn Enterprise Centre.

10. The Acorn Enterprise Centre is owned by WICT and has proven to be a valuable income generator and growth point for emerging local small businesses. A refurbished facility will enhance small business start-up opportunities within a deprived neighbourhood and increase income (through rental) to WICT.
11. **Consultation**  
Leader of the Council  
Cabinet Member for Change and Communities  
Councillors for Bevois and Bargate Wards  
Chief Executive – West Itchen Community Trust  
Director Environment and Economy

## **RESOURCE IMPLICATIONS**

### **Capital/Revenue**

12. £524,000 of investment made during the SRB2 Regeneration Programme was subject to clawback and is held by the Accountable Body, Southampton City Council. The Council is no longer liable to repay these funds to SEEDA.
13. In February 2000, Government funding was awarded to develop an antiques centre in Northam Road. This funding was subject to clawback following a lack of progress with the project. In 2012/13 Cabinet re-allocated £138,000 of the clawback to capital improvements to retail units in Northam Road.
14. Any release of clawback will be subject to approval of a business plan from WICT, and the issue of a funding agreement by the Council. The end-use of the clawback will be ring-fenced to the refurbishment of Acorn Enterprise Centre and the funding agreement will detail restrictions on the use of additional income generated for WICT. The clawback will be released in phased arrears once the works are completed and approved by a property surveyor.
15. The clawback amount forms approximately 26% of the £1.45M total cost of refurbishing the Acorn Enterprise Centre. WICT estimates its surplus from lettings in the Acorn Enterprise Centre will increase in the short/medium term by in excess of 100% as a consequence of refurbishment (up to £40,000 per annum). The Funding Agreement will state that all additional surplus generated through the investment of clawback will be ring-fenced to fund additional opportunities that increase the skills and employability of residents in the inner-city area. The outputs/outcomes generated through this additional activity are to be included by WICT in its newsletter, to ensure transparency in the future use of the clawback.

### **Property/Other**

16. None

## **LEGAL IMPLICATIONS**

### **Statutory power to undertake proposals in the report:**

17. The award of this grant is undertaken in accordance with section 1 of the Localism Act 2011. The exercise of this power is subject to any precommencement restrictions or prohibitions contained in the statutory powers used to award individual grants.

### **Other Legal Implications:**

18. It would be a requirement and pre-condition to the payment of any grant by the Council to WICT, that WICT should first enter into a Legal Charge in favour of the Council secured over a 10 year period against WICT's freehold interest in the Acorn Enterprise Centre, Empress Road, Southampton, such charge to be registered at Weymouth Land Registry. It is understood that there is already a first Legal Charge registered against Acorn Enterprise Centre in favour of National Westminster Bank plc; in all probability the Bank's first charge is an "all moneys" charge rather than a charge to secure a fixed sum. Accordingly WICT will be required to negotiate with NatWest (and also any other existing lenders should there be any) for each and every previous lender to enter into a separate Deed of Postponement with the Council, so as to ensure that the amount secured by the Council's Legal Charge would have priority to any further lending against prior charge(s). WICT should also be required to provide to the Council an up to date independent valuation of the Acorn Enterprise Centre, together with accurate information as to the amount currently owing to existing lenders, to enable the Council to be clear that sufficient equity does exist in the property in order adequately to cover the amount of the grant. WICT should also provide to the Council a full report on title to the Acorn Enterprise Centre, to include appropriate searches and on terms which are acceptable to the Council, to include for example verification that any subletting is on satisfactory terms and not such as to jeopardise the security being offered to the Council. Similarly WICT should verify that (a) all lettings and usage of the property shall only be in accordance with the business plan previously provided to the Council and (b) all planning and other requisite approvals for the existing use of the property have been obtained and will at all times be complied with.
19. 'Sufficient safeguards will be contained within the funding agreement with West Itchen Community Trust to ensure that the monies are paid only by stage payments and therefore any risk of non-completion is as reduced as it can reasonably be
20. The Council has considered the legal position in relation to State Aid and is satisfied that the payments do not constitute State Aid in the circumstances

## **POLICY FRAMEWORK IMPLICATIONS**

21. The proposals contained within this report are consistent with and not contrary to the Council's policy framework

KEY DECISION? Yes

|                             |                          |
|-----------------------------|--------------------------|
| WARDS/COMMUNITIES AFFECTED: | Bevois and Bargate Wards |
|-----------------------------|--------------------------|

### SUPPORTING DOCUMENTATION

#### Appendices

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| 1. | Acorn Enterprise Centre Redevelopment Business Plan Appendices;<br>A. Map of WICT Area<br>B. Site plans and planning statement<br>C. GLEADS Cost Analysis<br>D. Business Rates Assumptions |
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#### Documents In Members' Rooms

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| 1. | None |
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#### Equality Impact Assessment

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| Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out | No |
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#### Other Background Documents

**Equality Impact Assessment and Other Background documents available for inspection at:** The Regeneration and City Limits Employment Office, East Wing, Ground Floor, Civic Centre

Title of Background Paper(s)      Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

|    |  |   |
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| 1. | Acorn Enterprise Centre Redevelopment Business Plan 2013 - June 2013 (West Itchen Community Trust) | Appendix is confidential, the confidentiality of which is based on category 3 of paragraph 10.4 of the Council's Access to Information Procedure Rules. It is not in the public interest to disclose this because it is considered that publication of this information is likely to prejudice the business and commercial affairs of West Itchen Community Trust by disclosing information that would ordinarily be confidential in this context and if disclosed, would be likely to give competitors an unfair advantage |
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