

Regeneration Fund Review

SUMMARY

- 1.1 The purpose of this report is to provide a review of the Regeneration Fund (The Fund) and to make recommendations as to its future direction.
- 1.2 'The Fund' was launched in November 2010 as a £10m investment designed to support the economic development and regeneration of Derby. The initial focus was to promote a quality city centre office market in order to support the city centre economy and vibrancy.
- 1.3 'The Fund' has successfully supported a large number of initiatives and has largely exceeded the initial targets set for it. As a result the Council, in January 2013, increased the resources available for the 'the Fund' (financial implications).
- 1.4 It is proposed that 'the Fund' should continue to be used to support viable projects with sound business plans which promote the economy of Derby. In doing so it is important to retain a focus on the city centre but widen the remit to encompass activity designed to help the restructuring of the city centre given the changing face of retail.
- 1.5 In addition 'the Fund' will continue to be used to strategic inward investment or other economic development or regeneration initiatives.
- 1.6 The first phase of 'the Fund', between November 2010 and 31 March 2013 had the following targets: 20,000 sq.m office floor space, £75m private sector investment and 500 jobs safeguarded or secured. The outputs achieved considerably exceeded these targets, including over 1,200 jobs safeguarded or secured. These factors will be taken into account in setting the targets and outputs for the second phase of 'the Fund', recommended in this report.

RECOMMENDATION

- 2.1 To note the success of the Regeneration Fund to date.
- 2.2 To endorse the future direction of the Regeneration Fund as set out in paragraph eight.

2.3 To instruct Officers to develop a set of targets and outputs for the next three financial years.

REASONS FOR RECOMMENDATION

- 3.1 The Fund's achievements to date are significant. Whilst there is still more to do to support quality city centre offices it has largely achieved its original targets. In practice the Fund has been used to support a much wider range of sound economic development and regeneration initiatives than originally envisaged. When the Fund was established it was in many respects ahead of its time and it is important now to recognise the success of the Regeneration Fund.
- 3.2 A recent review of the future direction of the Fund suggests that the Fund should continue to have a wide remit in order to support projects, with sound business plans, which promote the economy of Derby. It is proposed to retain a focus on the city centre but provide a wide remit to encompass initiatives supporting the restructuring of the city centre (given the changing face of retail). It is also proposed that the Fund should continue to be used to support strategic regeneration initiatives including those designed to capture significant inward investment opportunities.

SUPPORTING INFORMATION

4. Description of the Regeneration Fund ('the Fund')

- 4.1 The Fund was launched in November 2010 as a £10m investment fund designed to support the economic development and regeneration of Derby. The initial focus was the creation of a quality office market in the city centre.
- 4.2 The first phase of 'the Fund', between November 2010 and 31 March 2013 had the following targets: 20,000 sq.m office floor space, £75m private sector investment and 500 jobs safeguarded or secured. The outputs achieved considerably exceeded these targets, including over 1,200 jobs safeguarded or secured. These factors will be taken into account in setting the targets and outputs for the second phase of 'the Fund', recommended in this report.
- 4.3 The Council recognises that, in the current difficult market conditions, it is sometimes necessary for the public sector to 'risk share' private sector initiatives, with sound business cases, in order to help trigger their development – and bring the consequent jobs, businesses and investment to Derby.
- 4.4 The Fund was established as a highly flexible tool to be used in a variety of ways, eg: grants/ loans, equity/ property acquisitions. It was envisaged that it would be a 'revolving fund' i.e. financial returns would be re-invested in future projects. It was however, recognised that it may not always be possible to achieve a financial return. If the return in jobs and other outputs justified it, investments with limited financial returns would be acceptable.
- 4.5 The Fund is made up of both revenue and capital elements in order to provide the above flexibility.

5. Achievements

5.1 There have been a number of significant initiatives which would not have progressed without support from the Fund and these are listed below...

- Friar Gate Square – a speculative office development progressed by Lowbridge Developments supported by a loan from the Regeneration Fund. The office space is currently under offer and Phase 2 of the scheme is under consideration.
- HEROtsc – an inward investment success, supported in part by the Regeneration Fund taking a property interest. The initiative brought 650 jobs initially – this has now increased to over a 1,000 jobs.
- Cathedral Quarter Enterprise Centre – managed workspace for creative and other start-up businesses. The CQEC benefits from an investment from the Regeneration Fund and an ERDF grant.
- Strategically Important Site Raynesway – reinvestment and expansion of a site on Raynesway, protecting existing jobs and providing the opportunity for expansion and the creation of enhanced training facilities. .
- Former Magistrates Court – to provide managed workspaces and a new home for the Local Studies Library in this listed building at risk. The Fund has supported this initiative through a forward purchase from Wilson Bowden Developments.
- Darley Abbey Mills – provision of grants to small businesses.
- Darley Abbey Stable Block – a ‘dowry’ to support the refurbishment and sale of the building.
- GTC & Innovation Centre – all of the upfront costs of developing this initiative has been borne by the Fund. This will be reimbursed in part by RGF monies.
- There are many other schemes currently in development which are utilising Regeneration Fund resources, sometimes as a ‘match’ to ERDF monies. These include projects aiming to provide managed workspaces at Shot Tower corner, Kings Chambers and potentially Rosehill Business Centre.

5.2 In addition, the Fund has provided support to Marketing Derby in order to fund an Inward Investment worker, an e-marketing worker and inward investment activity. The latter has included ‘Derby Embassies’ and promotional material.

- 5.3 Finally, the Fund has been used to support a large number of smaller initiatives, including:
- Pre-development work to bring forward initiatives such as Lightspeed Derby, Roman House, Sadler Square (the latter both out to the market).
 - Market intelligence e.g. city centre office demand and supply assessment, CACI study on retail and other city centre activity, and a car parking assessment. These studies are available on the DCC website.
 - Promotional material e.g. supplement in Financial Times.

6. Management of the Fund

- 6.1 The Fund is managed in-house by the Regeneration Projects Division supported by external development consultants (Thomas Lister) and external legal support. It is overseen by the Regeneration Fund Board, chaired by the Director of Regeneration, and including staff from Finance, Estates, Legal as well as Regeneration.
- 6.2 The level of work to help bring forward schemes is significant. In general it is 'unseen' and is easily underestimated.

7. Regeneration Fund Board Conclusions

- 7.1 The Regeneration Fund Board has led a review as to the future direction of the Regeneration Fund and has come up with the following conclusions.
- 7.2 The Fund's achievements to date are significant. Whilst there is still more to do to support quality city centre offices it has largely achieved its original targets. The Fund has been used in practice to support a much wider range of sensible economic development and regeneration initiatives than originally envisaged.
- 7.3 The highly flexible and highly responsive nature of the Fund has been critical to its success. The authority was able to respond within days to the HERO opportunity for example and has been able to respond rapidly to the Balfour Beatty opportunity. Officers have adopted a rigorous but light bureaucracy around the Fund. The excellent support from consultants, Thomas Lister, should be noted as should the fact that the Council is free to make decisions which are not tied to 3rd party hurdles (eg ERDF, RGF, LEP, HCA).
- 7.4 The level of 'risk sharing' necessary to trigger some developments has been higher than originally anticipated. This is an inevitable consequence of the current difficulties in the funding market and in the economy as a whole. Fortunately the Council has recognised that whilst we aim to achieve a financial return on investment it is not always possible to do this.

7.5 The emergence of new funds needs to be more effectively co-ordinated with the activity of the Fund. The emergence of RGF funding, LEP funding in addition to ERDF and HCA funding provides the Council and private sector applicants with new opportunities and we need to ensure we achieve synergy between the various initiatives.

8. Future Direction

8.1 In relation to 7.2 above it is proposed that the Fund should continue to have a wide remit in order to support viable projects, with sound business plans, which promote the economy of Derby. It is important to retain a focus on the city centre but provide a wider remit to encompass initiatives designed to support the restructuring of the city centre given the changing face of retail. In addition the Fund should continue to be used to support strategic regeneration initiatives including those designed to capture significant inward investment opportunities.

8.2 The following priorities for future investment are proposed:

1. **City centre** - promotion of a quality city centre offices market and strategic initiatives designed to support the restructuring of the city centre. It is believed that in the near future there is scope for one or perhaps two more new quality office developments. In addition officers are working on proposals to bring forward a scheme to help bring empty space in the city centre (both at ground floor level and above) back into use – whether for offices, housing or leisure use.
2. **Strategic regeneration initiatives** with a significant impact. Examples might include initiatives to help bring forward Sadler Square or Friar Gate Warehouse.
3. **Major inward investment** and/or job retention initiatives. Much of this is opportunistic or is in response to market developments. However, incentives to support the development of the GTC are one area that officers are looking at.

8.3 Officers are working with private sector partners on a number of initiatives that might fall within the above areas. Whilst it is not the scope of this report to list all of the possible initiatives it is hoped that the above gives a good flavour of the range of initiatives being considered.

8.4 All investments are subject to rigorous scrutiny and result in a report to Cabinet for approval. It is proposed that schemes are considered against the following criteria:

- (i) Economic Impact – in particular: jobs, business growth and new housing.
- (ii) City Centre impact – in terms of vibrancy, footfall and heritage.
- (iii) Financial Implications – value for money, affordability and return of investment.
- (iv) Deliverability – the ability to deliver the proposals and the associated risks

- 8.5 A set of targets and outputs will be applied to reflect these criteria and also based on the previous performance of the Fund. Draft outputs, which will be subject to more detailed discussion with officers and colleagues, will include the following: new office floor space, private sector investment, jobs safeguarded and created, reuse of redundant buildings and protection of heritage assets, businesses supported, reuse of former retail premises and other public sector funding levered.

OTHER OPTIONS CONSIDERED

9. Individual proposals for support from the Fund undergo a rigorous options appraisal which considers alternative means of support (including 'do nothing'). The fund is only used where there is no other reasonable approach and the outcomes or benefits of the initiative justify the risks accepted by the Council.

This report has been approved by the following officers:

Legal officer	N/A
Financial officer	Martyn Marples
Human Resources officer	N/A
Service Director(s)	Richard Williams, Christine Durrant
Other(s)	Greg Jennings, Steve Meynell

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Background papers:	Note there are separate reports on the agenda for Cabinet 12 th June 2013 on the Regeneration Capital Programme and on the proposals for the Balfour Beatty site at Raynesway.
List of appendices:	Appendix 1 – Implications

IMPLICATIONS

Financial and Value for Money

- 1.1 The Regeneration Fund was launched in November 2010 with a combination of capital and revenue resources which approximated to a fund of £10m. In January 2013 Council agreed to increase the resources available for the Fund (together with the City Centre Regeneration Framework) by up to £7.5m of capital spending.

Legal

- 2.1 The Council have power under Section 2(1) Local Government Act 2000 to do anything which it considers likely to achieve the promotion of improvement of the economic or social wellbeing of their area which includes the power to give financial assistance.

Personnel

- 3.1 n/a

Equalities Impact

- 4.1 n/a

Health and Safety

- 5.1 n/a

Environmental Sustainability

- 6.1 Sustainability issues are taken into account in assessing specific proposals.

Asset Management

- 7.1 The Head of Asset Management and Estates is involved in regeneration initiatives involving asset acquisition or disposal.

Risk Management

- 8.1 Individual proposals for support from undergo rigorous risk assessment as part of the evaluation process.

Corporate objectives and priorities for change

- 9.1 The Fund supports the Council and Derby Plan objective of '*A thriving sustainable economy*'. The Fund has had a significant impact on job creation/protection.

