

REPORT

To: ECONOMIC REGENERATION COMMITTEE		Subject: North Lanarkshire Regeneration Company
From: DIRECTOR OF PLANNING AND ENVIRONMENT		
Date: 01 November 2005	Ref: Rep 1090	

1. Purpose of Report

- 1.1 The purpose of this report is to seek approval for the establishment of the North Lanarkshire Regeneration Company (NLRC). The report also identifies the resources the Council will seek to provide as part of the initial company funding plan and that this will be subject to approval from the appropriate Committee in due course.

2. Background

- 2.1 The Boots manufacturing plant in Airdrie closed in February 2005 after a two-year period of phased withdrawal. As part of this process the Boots Group PLC indicated its willingness to help resource a number of projects that would assist in the ongoing regeneration of Airdrie and the wider North Lanarkshire economy. This included a £250,000 contribution towards the development of the Airdrie Business Centre and financial support for the creation of a regeneration company, linked to the redevelopment of the factory site and additional land holdings in Airdrie.
- 2.2 This proposal was timely and linked directly to work that had been progressed by the Council (Planning and Environment), in partnership with Scottish Enterprise Lanarkshire (SEL), to investigate the feasibility of a "special purpose vehicle" being developed to take forward the successful delivery of a range of key regeneration projects.
- 2.3 The rationale for a North Lanarkshire Regeneration Company (NLRC) is based on a range of opportunities that exist for Scottish Enterprise Lanarkshire (SEL) and the Council to work closer together to address strategic priorities. The Company would be a 50:50 joint venture between the two organisations.
- 2.4 The Economic Regeneration Committee of May 24th 2005 agreed *in principle* to the establishment of the company and requested that a corporate consultation be undertaken by the Director of Planning and Environment, prior to seeking final approval to proceed.

The corporate consultation has been completed and the outcome was in general positive and supportive of the proposals.

3. Company Objectives and Outputs

- 3.1 A *business plan and economic appraisal* have been developed to support the establishment of the Company and these provide an indicative position in terms of project development activity and outputs, (copies of these are available on request). A brief summary of the objectives and outputs are provided in section 3.2 and 3.3.

It should be noted that at present the performance of the company in relation to project activity is indicative and further development work will be undertaken to ensure that any proposals taken forward are viable and in line with the Company's objectives. This will form part of the standard due diligence processes that will underpin the operation of the company.

Objectives

- 3.2 NLRC will contribute to the promotion of regeneration and economic development within North Lanarkshire and will focus primarily on engaging with private sector developers to deliver new investment in physical regeneration projects in areas of established market failure.

The objectives of the Company are derived from the Members key strategies so that all projects will be delivered in line with the partner's strategic policy objectives as outlined in: North Lanarkshire Community Plan, Changing Gear 2010 and the NLC Economic Regeneration Framework. The range of activities that the company may undertake include:

- land assembly to facilitate regeneration plans
- regeneration of brownfield sites for economic development and housing
- engage with the private sector to increase investment into North Lanarkshire through joint venture projects including the development of office / business / industrial space
- facilitate an appropriate range of housing developments
- improve the infrastructure, physical environment and image of North Lanarkshire

Management

- 3.3 The governance / operational arrangements of the company are outlined in the draft *business plan* and *Members Agreement (Please also refer to Appendix 1)*. The arrangements ensure that SEL and the Council retain a level of control that is consistent with their own respective corporate governance requirements but also that the ability of the company to perform is not constrained.

In summary the governance arrangements ensure that:

- the identification and development of projects will be effectively co-ordinated between SEL and the Council to ensure strategic and operational 'fit'.
- written consent from all Members (of the company) is required prior to the Company taking final decisions regarding actions such as entering into joint ventures and incurring loans above an agreed level.
- a quorum for Company Board meetings is five (out of nine) but this must include a minimum of two Directors from both SEL and the Council.

Outputs

- 3.4 The draft business plan for the Company indicates that the company will be self-financing after three full years of operation and that positive surpluses will be realised. However the performance of the Company will also be measured by a number of regeneration based Key Performance Indicators including:

- Reduction in brownfield sites / vacant & derelict land
- Reduction in number of town centre gap sites and derelict buildings
- No of joint venture projects with private sector developers
- Level of additional private and /or public sector funds into North Lanarkshire
- Level of new business space created
- Number of direct, indirect and induced jobs and training places
- Housing units developed (by type – private, social, affordable)
- Gross value added

- 3.5 One of the main reasons underpinning the creation of the company is the potential for leverage of additional funds from both the public and private sectors into North Lanarkshire. This is consistent with the Council's desire to find new sources of funding for physical regeneration projects as a means to alleviate some pressures on the Council's own capital programme.

Initially this leverage is expected to amount to a potential £1m additional investment from SEL, on condition that it is used as both start-up funding and investment for regeneration projects that the Company will undertake. In order to lever this level of funding the Council will require to provide a minimum of investment of £1m.

The draft business plan indicates that the return for this investment, over a 5 year period, may include:

- 8.54 acres of derelict and vacant land reclaimed
- £4.50 million of private investment levered
- GVA in North Lanarkshire of £16.07 million
- Construction investment in North Lanarkshire of £13.83 million
- 425 direct, indirect and induced jobs in North Lanarkshire
- 26 direct, indirect and induced construction jobs

4. Finance - Company Funding Plan

Overview

- 4.1 In relation to the initial funding plan (to support the company start-up) both SEL and Boots Group PLC (Boots) have agreed to contribute significant levels of funds to the company, subject to the Council also providing an agreed level of resources.

Boots will gift the company a cash contribution as the final part of a wider support package for regeneration activities that the company has provided following the factory closure in Airdrie. SEL have agreed to provide an initial cash contribution of £1.076m

Revenue

- 4.2 The core revenue costs are estimated in the draft business plan at £643,000 for the first three years. This includes costs for staff and advisors, premises and project development activity. It is anticipated that NLRC will be self-financing from year four, as surpluses generated from projects will be sufficient to cover core operating costs.
- 4.3 The company will be fully resourced in the first three years of operation by contributions from the Boots and SEL with no revenue funding required from the Council.

Capital

- 4.4 Members of the company can provide agreed levels of start - up resources for the company in the form of cash and / or assets. SEL have agreed to provide an initial cash contribution of £1m. It is intended that Boots will also make a contribution to the company and that this will be reported to Committee once agreed.

It is intended that the Council will seek to provide the Company with assets to match or better this value as its contribution, with £1m being the minimum required. This would be on the basis that the assets be assigned to the Company at no cost.

The main asset that has been identified for this purpose is the Luggieglen Development site in Coatbridge. This is on the basis that the site has been developed with the support of public sector and EU grant aid and therefore any future value realised from the asset must be re-invested into similar economic regeneration type projects.

Additional land and / or assets that the Council may seek to transfer for this purpose will be determined in due course and will, of course, be the subject of a report to the Economic Regeneration Committee for approval.

4.5 The assignation of land and / or assets to the Company will require approval of the Scottish Executive in accordance with *Section 74(2) of the Local Government Scotland Act 1973*. Subject to Council approval, a business case will be developed and presented to the Scottish Executive and a decision taken thereafter.

4.6 In addition the Company may seek to support future project activity by attracting further public sector funding from the Council or other sources such as Vacant and Derelict Land Funds or EU. This support would be in the form of grant aid and be dependent on the company developing an appropriate business case for each project. Any such proposal would of course be the subject of the approval of the Economic Regeneration Committee.

5. Corporate Considerations

5.1 The Company structure is based on a board of nine Directors, made up of three from SEL, three from the Council and three from the private sector. Members and / or Officers with relevant skills and experience will be required to take up the Council places on the Board.

At an operational level the Policy and Economic Development Service will provide direct support to the Company and ensure effective co-ordination with other Council Services as required. There is potential for the accountancy services required by the company to be provided direct by the Council's own Department of Finance.

5.2 In order to provide an update on progress and project activity an annual performance report will be presented to the Economic Regeneration Committee.

5.3 The company will not replace the existing Campsie Centre company in relation to the development of Cumbernauld town centre or office accommodation in Motherwell (Scott Street). However, it is intended that the new Company will take a lead role in new property development projects, particularly those involving the private sector.

6. Recommendation

6.1 The Economic Regeneration Committee is requested to agree:

- i) that subject to all revenue funding being in place as outlined in sections 4.2 and 4.3 of this report, we proceed to establish the North Lanarkshire Regeneration Company
- ii) that a further report is prepared seeking Committee approval to nominate Members and / or Officers to become Directors of the Company.
- iii) that the Director of Planning and Environment and the Director of Housing and Property prepare a joint report seeking Committee approval to proceed with a request to the Scottish Executive to approve the assignation of land and / or assets from the Council to the Company.
- iv) That it be noted that the transfer of Council resources / assets to NLRC will be the subject of a report to the Economic Regeneration Committee.



David M. Porch
DIRECTOR OF PLANNING AND ENVIRONMENT

Date of Report: November 01 2005

Local Government Access to Information Act: for further information please contact Ewan Green, Policy & Economic Development Service at Tel 01236 618137.

Appendix One Overview of Governance Arrangements

Reserved Matters of *Members Agreement* (Section 11.1)

- 11.1 Each Member shall procure that the Company shall not, and separately the Company undertakes (to the extent that it can validly do so) that it shall not (except as provided for in clause 15), at any time, without the prior written consent of all of the Members:
- 11.1.1 issue any loan stock;
 - 11.1.3 vary the provisions of the Company's memorandum of association or articles of association, or adopt new articles of association in substitution for the existing articles of association of the Company;
 - 11.1.4 take any steps directed towards the winding-up of the Company or do any act or thing the effect of which could result in the winding-up of the Company;
 - 11.1.5 hold any general meeting of the Company unless there is a quorum present in accordance with the provisions of this Agreement and the Articles;
 - 11.1.6 repay in whole or in part any loan stock;
 - 11.1.7 enter into a joint venture (whether structured through a corporate vehicle or a joint venture contract), partnership or profit-sharing arrangement with another party or parties;
 - 11.1.8 create a subsidiary or make any investment which would have the effect that another company or entity became a subsidiary undertaking of the Company;
 - 11.1.9 acquire shares in, or any other securities issued by, another company or other entity;
 - 11.1.10 make a loan or issue any loan capital to any party;
 - 11.1.11 [enter into a contract or other arrangement in which any director of the Company (or any person connected with a director of the Company, within the meaning of s.346 of the Companies Act 1985) or any Member (or any company within the same Group as any Member) has a personal interest;
 - 11.1.12 grant a guarantee or security for the benefit of any other party;
 - 11.1.13 make any political or charitable donation;
 - 11.1.14 depart from the strategy reproduced in Part 2 of the Schedule;
 - 11.1.15 enter into any contract for the acquisition or disposal of an asset or assets (which may include intellectual property rights) which has/have a value (or, as the case may be, aggregate value) of £2,000,000 or more
 - 11.1.16 enter into any lease or contract under which the payments over the term of the lease or contract may amount to £2,000,000 or more
 - 11.1.17 incur any liability (which may include a contingent liability) to pay any sum of £2,000,000 or more in respect of any transaction or series of transactions
 - 11.1.18 borrow or otherwise raise any sum of money, or grant any charge over the whole or any part of the Company's assets and undertaking
 - 11.1.19 incur any expenditure or liability (or authorise or permit any expenditure or liability to be incurred on behalf of the Company) where such expenditure or liability (or such part of it as relates to the Financial Year in which it is incurred), when aggregated with all other expenditure and liabilities incurred or expected to be incurred in respect of that Financial Year, exceeds 110% of the total amount of budgeted expenditure for that Financial Year set out in the Approved Business Plan for the three year period within which that Financial Year falls.
- 11.2 A Member shall be deemed to have given its prior written consent for the purposes of clause 11.1

11.2.1 to any matter which is specifically provided for in the Approved Business Plan applicable to the relevant Financial Year

11.2.2 to the carrying out of any reasonable feasibility work in respect of a proposed project (including reasonable expenditure by way of fees or other costs incurred to consultants and contractors in relation to site investigations and/or the preparation of designs, reports and financial projections) irrespective of whether that proposed project was referred to in the relevant Approved Business Plan.

Excerpt from Section 4 of draft *Business Plan* Operation: Project Selection

NLRC needs transparent and clear criteria to prioritise and evaluate potential projects. The following table shows suggested criteria, based on the objectives of NLRC.

Criteria	Notes
Acquire & reclaim derelict land & develop priority sites	Will the project acquire and reclaim derelict land and facilitate the development of priority sites?
Quality business environment	Will the project create a quality business environment that will retain and attract businesses to the area?
Adequate stock of premises	Will the project provide an adequate stock of premises which allows indigenous business the opportunity to grow, retains businesses in the area and attract investment to the area?
Finance	Will the project provide finance to invest in other projects?
Private Leverage	Will the project attract additional private sector investment?
Level of Risk	Is the level of risk appropriate?
Scale of Finance	Is the scale of finance feasible?
Sustain local communities	Will the project reverse decline by retaining residents to an area and retaining and attracting businesses to town centres?
Improve physical environment & image of North Lanarkshire	Will the project improve the image of North Lanarkshire to both residents and outsiders and will it create a better place to live and work?
Housing development	Will the project create an appropriate range of housing development to attract and retain a skilled workforce?

NLRC will follow the following processes for taking forward the project as stated in the Member's Agreement:

1. Papers presented to Board for approval in principle to undertake project development and/or feasibility work (which may include, as appropriate, site investigation works or other preliminary testing, investigative, scoping, market testing or costings work).
2. On completion of 1., the outcome of such work to be presented to the Board for approval to undertake more detailed work on masterplan/design work, delivery mechanisms, phasing, costings and other aspects of implementation, along with a detailed business plan.
3. On completion of 2., the outcome of such work to be presented to the Board for approval to proceed with the project or (in the case of a project to be progressed in phases, to proceed with the first phase of the project).
4. Following approval, project (or the relevant phase of the project) to be taken forward and implemented, with regular reports to the Board; and with Board approval being sought in relation to engagement of consultants and contractors, borrowings, acquisitions/disposals and other major contractual or financial commitments.
5. In the case of a medium or long-term project, business plan to be regularly updated and presented to the Board for approval.