

**CABINET****Coastal Revival Fund Co-Op Building Bid and  
Accountable Body Arrangements****3 July 2018****v1.0****Report of Economic Development Manager****PURPOSE OF REPORT**

To provide information for Members on: the recent launch of a new round for the Government's Coastal Revival Fund (CRF); approval for to bid to CRF to support local community led business interest in redevelopment of the Co-Op Building for community use; to approve an application for a council partnership capital project to match fund the bid; and agreeing a protocol for considering any request from third party organisations for the council to act as the Accountable Body for their applications.

<b>Key Decision</b>	<b>X</b>	<b>Non-Key Decision</b>		<b>Referral from Cabinet Member</b>	
<b>Date of notice of forthcoming key decision</b>	8 <sup>th</sup> June 2018				
<b>This report is public</b>					

**RECOMMENDATIONS**

- (1) A bid for £40K CRF funds is made to help develop a community business led refurbishment proposal for the Co-Op building which could attract major funding in the future and to undertake some property stabilisation works to prevent further deterioration.
- (2) The CRF bid is matched with £36,565 current capital resources still held under the former Winning Back the West End scheme.
- (3) The council agrees to consider being the Accountable Body for third Party Coastal Revival Fund (CRF) applications subject to the review protocol and proportionate due diligence on any applicant/sponsor organisation as outlined in the report.
- (4) The Revenue Budget / Capital Programme is updated accordingly to reflect the outcome of the above.

## **1.0 Introduction**

1.1 The Ministry of Housing, Communities and Local Government (MHCLG) recently launched a new round and call for applications for a share of up to £50K of a new £1M Coastal Revival Fund (Prospectus attached in Appendix 1). Applications are not restricted to those communities that have secured Coastal Community Team (CCT) status. In summary the grant scheme is for capital projects and is seeking to:

- Support strategies or works which lead to the improvement or reuse of a local coastal heritage assets.
- Encourage partnership working and the prospect of tangible benefit to the community and economy.
- Access additional funding from the private and/or charity sectors.

1.2 The relatively straightforward application process was launched on 18 May with an application deadline of 5th July 2018. Funding is for the 2018/19 financial year only and must be spent by 31 March 2019. Applications are allowed from CCTs, local authorities, charities, community groups and organisations, including social enterprises. However, it is intended that funding is passed to local authorities to hold as accountable bodies and disburse on behalf of successful applicants. Money will be provided by MHCLG direct to the local authority through a non-ring-fenced Section 31 (s31) grant payment.

1.3 The council has received interest from the Exchange Creative Community Interest Company, as well as another local charity organisation, in working to bring forward the refurbishment and reuse of the Co-Op Building on Regent Road. The CRF funding presents a timely opportunity to fund a feasibility project to investigate the potential of this initiative with the intention to secure information for a major funding bid in 2019.

## **2.0 City Council CRF Proposal (Co-op Building)**

2.1 Morecambe and Heysham's Promenade to Port CCT area covers the six wards of Heysham South, Heysham Central, Heysham North, Harbour Poulton and Bare and contains 25% of Lancaster district's population. The four central wards are among the most deprived in the district suffer issues with health, wealth, housing, education, crime and employment that combined make the community least likely to take advantage of the positive economic opportunities in the district. Opportunities for community business start-ups and support for the communities that find starting out the hardest are minimal and not easy to access as they are not locally available in the heart of the CCT area.

2.2 Potential for creating new economic opportunities by providing business start-up space and workshops is limited in the West End. Unlike the predominantly residential terraced properties in the West End, the Co-Op Building offers a large amount of open floor space that can be converted to provide flexible business space.

- 2.3 In terms of the council's current approach to West End regeneration a business use for the Co-Op which builds upon community energy and social enterprises is preferable. Current community led activity in the West End is very positive and offers new opportunities for the Co-Op that were not previously possible. A number of local groups have emerged that have a local led dynamic to improve the area, the economy and the community and the council is working with them to investigate the potential to refurbish the Co-Op Building.
- 2.4 The Co-Op building (also known as Centenary House) was acquired by the council in 2005 with English Partnerships grant as part of a regeneration strategy to deal with large underused prominent buildings. The property comprises four floors over a basement with has a gross internal floor-space of 2,765 square metres. The department store closed in the early 1990s with the majority of the building standing empty ever since (Appendix 2 has more details photographs and plans of the building). The Co-op Late Shop is in year three of a ten year lease for 326sqm of the ground floor. The Late Shop rental income just covers the property holding costs.
- 2.5 However, the building is deteriorating and without significant investment in the near future will continue to impact negatively on the street scene and character the West End's major thoroughfare. This in turn will impact upon the success of recent private sector investment most notably PlaceFirst's West End One and West End Two developments.
- 2.6 A number of attempts have been made by officers to secure both public and private led solutions to bringing the building back into viable residential or commercial use including:
- 2010 Leeds based developers EIDO developed mixed use commercial and educational proposal, but struggled with viability.
  - 2012 Taylor Young/AECOM detailed feasibility for economic use including start up units, workshops and business space included detailed demand research to inform study proposals, but struggled with viability. This study also considered options for demolition and redevelopment that were expensive and there would be no demand for the cleared site and lead to the end of the Late-shop operation.
  - 2013 ERDF bid for business space refurbishment developed but not authorised for submission.
  - 2014 GVA residential feasibility study concluded the need for gap funding for residential and mixed residential commercial.
  - 2015 PlaceFirst produced plans for residential redevelopment but struggled on viability due to cost, absence of parking and rear outlook.

In summary, there was a shortfall between the capital investment and the expected returns via direct sale or through rental values for the conversion of the property into residential and/or commercial units is not a viable option. Comprehensive refurbishment for commercial/business purposes is still unlikely to be feasible/viable due to an anticipated lack of demand and/or high risk in terms of securing occupants, requiring a high level of public funding which is not easily achievable. The absence of any parking to serve the

property hinders the viability of any commercial or residential use.

- 2.7 Despite of considerable recent investment in the West End there has not yet been a significant shift in confidence and development values remain too low make investment viable. This is evidenced by a number of vacant development plots that remain undeveloped.
- 2.8 Exploring a more community led business proposal for the Co-Op is considered to offer advantages over previous options, principally with regard to aiding the overall project viability.
- 2.9 Previous feasibility studies considered comprehensive refurbishment to upgrade the building to modern standards. Recently there have been a number of examples of lighter touch refurbishment which retain more of the original fabric (driven by both cost saving and aesthetic principles). Officers have therefore been exploring a low cost incremental approach to bringing the building back into productive use with active community partners. Positive discussions have been held with the Exchange Creative Community Interest Company (CIC). There is further interest from Morecambe Bay Food Bank and local craft businesses.
- 2.10 There are significant advantages to community led schemes as they have access to a range of funding opportunities. However it is essential to undertake full consideration of all opportunities and develop a detailed business plan and funding strategy to take the project to the next stage. This includes the potential to set up a community based holding company to take forward major funding bids for the building and underpin a business plan. .
- 2.11 It is proposed to make a bid to CRF for a package of circa £76.5K to undertake the following:
  - identify building's users, occupants, functions and needs with a focus on community based economic development;
  - produce costed architectural plans to RIBA Stage 4;
  - produce a business plan;
  - define a community based organisational structure and governance strategy for any improved asset;
  - develop a funding package and engage with Big Lottery, specialist trusts, explore community share options, Power to Change match and community.
  - undertake essential stabilisation works to prevent the building deteriorating and enable safe access e.g. roof repairs, asbestos removal, electrical installations for access lighting and a sump pump for flooded basement.
- 2.12 The package will be made up of £40K CRF bid and council capital funds of circa £36.5K currently retained in the Winning Back the West End Account. Authority is sought to use these latter funds as match funding for the CRF partnership project proposal. It may also be possible to evidence "in kind" match funding through community partners time and other community resources applied in finding a solution. This could improve the bid's chances

of success.

- 2.13 Alongside this and to inform future options appraisal, further marketing of the building would also be undertaken, to ensure a current understanding of any prospects for disposal is gained

### **3.0 Approach to Third Party Coastal Revival Fund Applicants and Projects**

- 3.1 The CRF is open to bids from any eligible organisation, but all CRF applicants must ensure that a local authority is willing to act as their accountable body. Application should also be able to demonstrate support from the local CCT, in this case the local Promenade to Port CCT area would be required to give its support; and this is administered through the council's Economic Development Team.
- 3.2 At the time of writing the council had not been approached by any third party potential applicant. However, experience from the previous round of CRF means it is highly likely the council will be approached by a number of organisations. Previous experience also suggests that due to the size and nature of proposals Members need to consider taking on an accountable body role as a key decision. Due to the deadlines, a protocol will need to be established to allow appropriate delegation of this decision for individual applicants.
- 3.3 The council has experience in the level of control / management expected as an accountable body under the CRF. All requests for the council to act as an accountable body require appropriate due diligence to vet organisations, their systems and capacity with consideration to the amount of funding involved. Officers from Economic Development would be the principal contact for prospective bidders and liaise with Finance.
- 3.4 Given the CRF deadline it is intended that Members agree for any third party proposal / organisation to be reviewed by Economic Development and Finance staff and a recommendation be made to the Cabinet Portfolio Holder for Economic Regeneration and Planning on whether to endorse the proposal. Should there be an agreement to perform the role of accountable body for a particular organisation, Economic Development Officers will issue the supporting letter and also secure the required approval from the CCT. With this proposal there will be a transparent local mechanism in place to decide upon and support worthwhile CRF applications.

### **4.0 Details of Consultation**

- 4.1 The Co-op building is a longstanding council priority that has been subject to extensive consultation since 2004. The Housing Regeneration Cabinet Liaison Group (HRCLG) has received updates and discussed Centenary House in detail. The regeneration of the empty property attracted strong support and HRCLG are particularly keen to see this issue addressed. The outturn of the council's offer of the building to the wider developer market and housing associations has been discussed in broad terms.

**5.0 Options and Options Analysis (including risk assessment)**

5.1 The following options can be considered for bid to CRF for the Co-Op partnership project proposal:

	<b>Option 1: Do Nothing - continue to manage/maintain the Co-op building.</b>	<b>Option 2: Bid to CRF and use current capital resources to develop a community led refurbishment proposal for the Co-Op which could attract major funding in the future and to undertake property stabilisation works to prevent further deterioration, alongside further market testing.</b>
Advantages	<p>No immediate impact on the council's budget.</p> <p>Basic holding costs currently covered by income lease (due for renewal) with Late Shop.</p>	<p>Builds on community interest and energy in one of the district's more deprived areas.</p> <p>Positive community led business project has much greater chance of funding opportunity and success.</p> <p>Could lead to positive economic use of the Co-Op and the opportunity to successfully exit from ownership of building secure in the knowledge it has a sustainable future.</p> <p>A successful bid would help mitigate current adverse impact on street scene. This would aid the attractiveness of Chatsworth Gardens to prospective tenants and the overall viability of that project.</p>
Disadvantages	<p>Potential for future unplanned maintenance and capital spend given the age and structure of the building.</p> <p>Misses out on potential to test community based solutions and interest to transfer development and building risk away from the city council.</p> <p>Currently no prospect of securing grant aid from external sources for any major project.</p> <p>Continuing adverse impact on West End street scene.</p>	<p>Officers have to project manage a basic refurbishment/feasibility project.</p> <p>Budget provision of circa £36K capital to be sourced from existing Winning Back the West End grant funds.</p>
Risks	<p>The council would continue to hold a property which has the potential to become a serious liability without significant intervention in future.</p> <p>Likelihood of incurring cost without deriving a benefit.</p> <p>Negative impact on adjacent Chatsworth Gardens scheme</p>	<p>There is no guarantee that any funding bid will be successful.</p> <p>In the long-term stabilizing works are unlikely to be sufficient to mitigate the risks of holding a property which has the potential to become a serious liability without significant intervention in future.</p> <p>The goal of the initial investment would be to secure a long-term future in</p>

		association with community stakeholder interests.
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## 6.0 Officer Preferred Options (and comments)

- 6.1 With regard to the idea for the council to make a CRF application for the Co-Op building **Option 1: Do Nothing** is a continuing risky proposition as the council will be faced with unplanned capital expenditure in the medium and long term to meet repair obligations and secure the building for the benefit of the current Late Shop lease.
- 6.2 The Preferred Option is **Option 2: Bid to CRF and use current capital resources to develop a community led refurbishment proposal for the Co-Op which could attract major funding in the future and to undertake property stabilisation works to prevent further deterioration.**
- 6.3 It is intended to use the CRF proposal and initial funds as a first phase “jumping off” point for the development of a future major project which could bring significant resources to refurbish the building. If successful the project could provide an end to the council’s ongoing building liabilities and risks. A natural progression would be to follow up with a bid to a future round of the Coastal Communities Fund (CCF) main grants programme. CCF guidance is will only accept capital projects at an advanced stage of development and - capital projects need to be worked up to the RIBA Plan of Work Stage 4 technical design stage with detailed cost information.
- 6.4 There is no guarantee any bid will be successful as the MHCLG’s will undertake an assessment/scoring procedure and other national bids may be seen as simply a better ‘fit’ under the scheme. The market testing is to be undertaken alongside the main proposal may help identify other potential options for the building, but the outcome of this is very uncertain also.
- 6.5 Alongside the main proposal members should consider the positive benefits of additional external funding for the CCT area as ample justification for the council to agree to being the Accountable Body for third Party CRF applications subject to due diligence of the bidding organisations.

## 7.0 Conclusion

- 7.1 A CRF bid to develop the necessary plans and proposals for a community led refurbishment represents a good use of funds compared to other reasonable alternatives/ideas in the current market and the potential liabilities of ‘doing nothing’ given the building condition. There is no current or future prospect of external grant assistance to help deliver a way forward for the Co-op building outside of a community based solution. Working with the Exchange Creative CIC and other key local stakeholders offers the best chance of bringing an important and prominent West End building back into productive use.
- 7.2 The report has also appraised Members on the issues and duties required in

consideration of any future request for the council undertake an Accountable role for any application for funding under the current CRF.

**Appendices:**

Appendix 1 – Prospectus for Coastal Revival Fund 2018

Appendix 2 – Co-Op Building photographs and plans

**RELATIONSHIP TO POLICY FRAMEWORK**

In supporting this CRF proposal the council will be making progress against a number of its corporate objectives/outcomes as defined in the Corporate Plan 2018 - 22. Should the project be successful in generating a major refurbishment scheme and follow through to implementation it should actively support a Thriving and Prosperous Economy Sustainable Economic Growth outcomes, success, measures and actions.

**CONCLUSION OF IMPACT ASSESSMENT**

**(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)**

**Health & Safety:** None arising from accepting the role of Accountable Body.

**Equality & Diversity:** None arising from accepting the role of Accountable Body.

**Human Rights:** None arising from accepting the role of Accountable Body.

**Community Safety:** None arising from accepting the role of Accountable Body.

**HR:** Should the application be successful council officer resource will need to be applied as outlined in the report. In the main the implications will be on Regeneration and Planning Service and financial input from Resources service in dealing with offer letter and claims processes and managing the Co-op capital works and feasibility project with local stakeholders.

**Sustainability:** None arising from accepting the role of Accountable Body.

**Rural Proofing:** None arising from accepting the role of Accountable Body.

**LEGAL IMPLICATIONS**

Recent previous s31 grant made to third parties via the council outline the likely minimum requirements which must be met in order for any grant award to be progressed in a prudent manner. The council must effectively satisfy itself that the proposing organisation is a competent body and capable of dealing with legal and administrative requirements the council will impose to ensure the prudent expenditure of public funds. The route for the council to discharge its responsibilities as an Accountable Body under this fund is outlined in the report.

Any CRF grant award to third parties should be subject to a written funding agreement/contract administered by the Regeneration and Planning Service in line with processes used for similar third party grant initiatives.

The deadline for the bid submission is 5 July 2018 and before the end of the council's Call In period for Cabinet decisions. If the decision is subject to call in and the outcome negatively affects the CRF bid, then officers will retract the bid.

**FINANCIAL IMPLICATIONS**

The matching funds for the CRF bid/project proposal of around £36,500 date from 2009. These are still being held in connection with Homes and Communities Agency funding matters linked to the former Winning Back the West End scheme, and it is considered that this proposal would be in line with associated funding conditions.

Once spending details of any successful bids (including those in relation to accountable body status) are known, the Revenue budget and/or Capital Programme would need to be updated accordingly and this is reflected within the recommendations.

The other resourcing implications of a successful bid would be in the application of officer time in dealing with the grant offer and claims processes / budgetary control.

Article 13.03(b) (v) of the Constitution provides that a decision is a Key Decision if it relates to proposals that involve taking on the role of Accountable Body for a particular initiative.

**OTHER RESOURCE IMPLICATIONS**

**Human Resources:**

Should any CRF application be successful council human resources will be used to support the grant offer and claim process as outlined in the report. The main operational issues will primarily involve Regeneration and Planning staff in managing offer/claims process.

Financial support from Resources service will be involved in reviewing third party applicants and any claims

**Information Services:**

No implications.

**Property:**

As referred to in the report.

**Open Spaces:**

No implications

**SECTION 151 OFFICER'S COMMENTS**

The s151 Officer has been consulted and has contributed to the report. To inform a robust options appraisal, an up to date view of potential market interest and the possibility of disposal should also be considered, and this is reflected in the proposal.

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments.

**BACKGROUND PAPERS**

**Coastal Revival Fund Prospectus and application form available at the following link:**

<https://www.gov.uk/government/publications/coastal-revival-fund-an-invitation-to-apply-for-funding>

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