

ANGUS COUNCIL

INFRASTRUCTURE SERVICES COMMITTEE – 24 NOVEMBER 2009
CORPORATE SERVICES COMMITTEE – 3 DECEMBER 2009

TOWN CENTRE REGENERATION FUND UPDATE

JOINT REPORT BY THE DIRECTOR OF INFRASTRUCTURE SERVICES
AND THE DIRECTOR OF CORPORATE SERVICES

ABSTRACT: This report informs the Committee that Angus Council has been offered a grant of up to £1.8 million from the Scottish Government's Town Centre Regeneration Fund (TCRF) and seeks authorisation for the Chief Executive to accept the grant offer subject to reaching agreement with the Scottish Government on a practical time frame for claiming the grant and completing the eligible work.

1. RECOMMENDATIONS

1.1 The Infrastructure Services Committee is recommended to:

- (a) Note that the Council's second round TCRF bid to the Scottish Government for the acquisition and renovation of property in Brechin town centre has been successful and up to £1.8 million has been offered to support the project;
- (b) Note that the Council's first round TCRF bid and a re-submitted second round bid to the Scottish Government for improvements to Monifieth town centre were unsuccessful;
- (c) Note that no other TCRF bids from the Angus area were successful;
- (d) Note the terms and conditions of the TCRF grant offer received from the Scottish Government as set out in section 5 of this report;
- (e) Authorise the Chief Executive to accept the TCRF grant offer of up to £1.8 million received from the Scottish Government for Brechin town centre subject to reaching agreement with the Scottish Government to extend the time frame for completing the works and if necessary claiming the grant beyond 31 March 2010 for an agreed extended period;
- (f) Note that in the event that a satisfactory agreement with regard to the time frame for claiming the grant is not reached with the Scottish Government that a further report will be brought forward to Committee;
- (g) Note the risks associated with delivery of this project and the steps that are being taken to mitigate against such risk;
- (h) Delegate the Directors of Infrastructure Services, Corporate Services and Neighbourhood Services in consultation with the Convener of Infrastructure Services to take the necessary actions to improve Brechin town centre using the TCRF grant;
- (i) Authorise the Director of Infrastructure Services to recruit a part time temporary officer to co-ordinate the delivery of the Brechin TCRF project; and
- (j) Note that a further report updating progress on the Brechin town centre project will be submitted to Committee at a future date.

- 1.2 The Corporate Services Committee is recommended to:
- (a) Note the contents of this report and the issues surrounding the acceptance of the grant offer;
 - (b) Delegate authority to the Director of Corporate Services, in consultation with the Director of Infrastructure Services, the Head of Law and Administration, the Head of Property and the Head of Finance to purchase the necessary properties in Brechin at no more than market value;
 - (c) Delegate authority to the Director of Corporate Services to instruct renovation works associated with this project where the work involved is above the £250,000 delegated authority limit set out in Financial Regulations, subject to details of any contracts awarded under such delegated authority being reported thereafter for information to relevant Committees; and
 - (d) Note that a further report updating progress on the Brechin town centre project will be submitted to committee at a future date.

2. BACKGROUND

- 2.1 On 30 April 2009 the Scottish Government issued details of the Town Centre Regeneration Fund (TCRF). It announced £60 million was to be made available to be spent by the end of March 2010 on capital projects within Scottish town centres. It was confirmed that it would be a competitive process with a first round of bids for c£40 million closing 5 June 2009 and a second round of bids for c£20 million closing 28 August 2009.
- 2.2 In Article 11 of the Minute of the Infrastructure Services Committee held 2 June 2009 (Report 463/09 refers) the Committee agreed:-
- i. To approve the submission of a bid of up to £250,000 for the improvement of Monifieth town centre;
 - ii. To authorise the Director of Infrastructure Services to progress other options for further consideration by appropriate committees;
 - iii. To note that advice would be available to properly constituted groups from the Council's Economic Development Division; and
 - iv. That, if necessary any further bids be considered by an Executive Sub-Committee of this Committee over the summer recess due to the time scales involved.
- 2.3 In Article 4 of the Minute of the Executive Sub-Committee of the Infrastructure Services Committee held 10 August 2009 (Report 524/09 refers) the Executive Sub-Committee agreed:-
- i. To note the latest developments with regard to the TCRF; and
 - ii. To authorise the Director of Infrastructure Services to submit an application to the TCRF for property acquisition and renovation of Brechin town centre to compliment the on-going investment being made through the Townscape Heritage Initiative as outlined in the report.

3. FIRST ROUND BIDS

- 3.1 The Scottish Government reported that it received 133 TCRF bids totalling £125 million following the closure of the first round. On 6 August 2009 Housing and Communities Minister Alex Neil announced that 36 projects were to receive support benefiting 48 Scottish towns by a total of almost £40 million.
- 3.2 At the same time the Council was informed that a bid for £250,000 of grant aid for environmental improvements in Monifieth town centre had been unsuccessful. The Scottish

Government advised the main reasons the bid was rejected were because of a lack of economic impact and the completion date for the project stretching beyond the end of the current financial year.

- 3.3 It is believed the only other bid submitted from Angus in the first round was from Montrose Community Council and Area Partnership for improvements to a number of the Closes in the town centre. This bid was also unsuccessful.

4. SECOND ROUND BIDS

- 4.1 After careful consideration it was decided to respond to the earlier feedback from the Scottish Government and submit an amended but similar £250,000 bid for Monifieth.
- 4.2 It was also agreed that a bid for the acquisition and the renovation of a number of dilapidated properties in Brechin and for some environmental improvement works in the town be submitted. A considerable amount of officers' time and departmental financial resource (£16,162.50) were spent in compiling and submitting this bid. The bid was seeking grant assistance of £2.09 million to undertake the purchases and works in order to stimulate and add value to the Townscape Heritage Initiative while at the same time improving the economy of Brechin.
- 4.3 The closing date for the second round of bids was 28 August 2009. Neither the number or value of bids received by the Scottish Government in the second round has been reported but it is highly probable that once again the fund was greatly oversubscribed. On Friday 13 November 2009, Housing and Communities Minister Alex Neil announced that a further 30 projects were to receive support benefiting 41 Scottish towns by a total of £20 million.
- 4.4 As part of this announcement the Council was advised that the Monifieth bid, despite generally meeting the required criteria, was unsuccessful. The reason given on this occasion was that the bid was not strong enough to merit funding given the volume and standard of competing bids. This is disappointing news but the Council will nonetheless go ahead with a range of priority enhancements in Monifieth, as approved at the Infrastructure Services Committee 13 October 2009 (Report 724/09 refers).
- 4.5 The Council was also advised that the Brechin bid was successful and grant support of up to £1.8 million could be claimed. This is very welcome news and has the potential to add considerable value to the work of the Townscape Heritage Initiative in Brechin in improving the town centre.
- 4.6 In addition to the bids submitted by Angus Council, it is believed three other bids were submitted by Angus based organisations in the second round. None of these were successful.

5. TERMS AND CONDITIONS OF TCRF OFFER

- 5.1 The grant offer was made in a letter from the Regeneration Division of the Scottish Government dated 13 November 2009. Included within the letter were details of the grant offer together with instructions for drawing down the monies. The key terms and conditions can be summarised as follows:
- The written acceptance of the offer to be returned within two weeks of the date of the offer letter (acceptance date is Friday 27 November).
 - The grant is for capital expenditure only.
 - Activities must take place within the town centre of Brechin (as defined in the Local Plan).
 - Payments will be subject to the receipt of claims and monitoring reports to be submitted in December 2009 and February 2010.
 - Scottish Ministers reserve the right to claim back any grant funding that is unspent or not directly spent in delivering the project.
 - Scottish Ministers shall not be bound to pay any instalment of grant which has not been claimed by 31 March 2010, unless otherwise agreed in writing by Scottish Ministers.
 - If the whole of the grant is not spent by 31 March 2010 no carry-over will be permitted and any unspent portion is to be returned, unless otherwise agreed in writing by Scottish Ministers.

- On completion of the project a report is to be submitted to Scottish Ministers summarising the outcomes and performance of the project. Interim reports are also required by 21 December 2009 and 12 February 2010.
- Adequate and proper records are to be retained for a period of 6 years after the expenditure occurs.
- The Council shall not, without prior written consent of Scottish Ministers, dispose of any asset funded, in part or in whole, with grant funds within 6 years of the asset being acquired or developed or during the lifetime of the asset. During that period Scottish Ministers will be entitled to the proceeds of the disposal or the relevant proportion of the proceeds.

5.2 The major difficulty associated with the grant offer is the requirement to spend and claim the grant within the current financial year i.e. by 31 March 2010. The same conditions have been applied to all of the TCRF grant offers issued by the Scottish Government.

6. DELIVERY OF THE BRECHIN TCRF PROJECT

6.1 Although the TCRF is very welcome, potential applicants have always felt that it would be extremely challenging to put together eligible bids, submit applications, undertake procurement and complete capital projects works by 31 March 2010. The Council bid for Brechin was submitted on the planned basis that properties would be acquired in the current financial year i.e. by 31 March 2010, work would be commissioned and hopefully some of the work would commence within the current financial year. The balance of works would be concluded during financial year 2010/11.

Given the terms of the offer letter, it is now necessary to go back to Scottish Ministers to seek their approval in writing to undertake some expenditure in the next financial year (2010/11). It is therefore recommended that the Council's grant acceptance is conditional upon the Council being able to reach satisfactory agreement with the Scottish Government on the phasing of the grant monies and the likely dates for incurring the expenditure, which extends beyond 31 March 2010. Serious consideration will need to be given to whether or not it is in the Council's best interest to accept the grant offer if an acceptable agreement can not be reached. In the event that an acceptable agreement is not reached with the Scottish Government a further reporting setting out the full implications for the Council will be brought forward to Committee.

6.3 Assuming an agreement is reached and the decision is taken to proceed with the project the following key actions will need to be taken:

1.	Re-contact residential and commercial property owners to determine if they still wish to sell their properties to the Council.
2.	Re-contact a number of owners of 'strategic' properties, who previously declined to sell, to see if they have changed their minds.
3.	Determine a list of priorities within the budget available.
4.	If necessary, undertake further valuations of properties. <i>(A number of properties have already been valued in order to construct the bid).</i>
5.	Inspect the properties to agree a schedule of improvement works.
6.	Consult with Registered Social Landlords to determine their formal interest in entering into a Lead Tenancy Scheme (where they commit to an extended lease of properties).
7.	Acquire the properties from the owners.
8.	Commit to the improvement works. <i>It is hoped much of the works can be procured via the existing Schedule of Rates 'Framework Agreement'.</i>
9.	Complete works.
	Throughout it will be necessary to liaise with and report to the Scottish Government on drawing down of the grant and the activities undertaken.

7. BUSINESS RISKS

- 7.1 The business plan supporting the TCRF application described the project as:
- 7.2 *'Revitalising the town centre of Brechin by identifying and stimulating a number of regeneration projects that will upgrade a series of vacant commercial and residential properties. In the process they will be brought back into use for the benefit of individuals and local businesses in the community and will generate sustainable economic growth.'*
- 7.3 The TCRF clearly provides an excellent opportunity to improve Brechin town centre. However, acceptance of the grant offer and proceeding with the project will create a number of business risks. The key identified risks are as follows:

Risk: The property owners decline the opportunity to sell their properties.
Although a number of owners have previously expressed a willingness to sell their properties to the Council they may change their minds. There should be little direct loss incurred by the Council however the overall impact of the project may be lessened and the grant drawn down may be below the £1.8m offer.

Risk: The Scottish Government reject the inclusion of a substitute properties in the event that owners of properties included in the initial bid decline to sell. *An indicative list of properties was included within the initial bid, so this is not considered to be a significant risk. However, in the event that this risk materialises the scale of the project would be affected.*

Risk: The purchase of one or more of the properties takes longer than expected.
This will make it very difficult to contract for the required remedial works in the current financial year. This could mean it is not possible to draw down grant funding for the works resulting in the Council being left with poor quality property and no budget to complete the works. Consideration will therefore need to be given to applying a cut off point for acquiring properties so that any renovation work can still be completed in a timescale commensurate with the Scottish Government's grant timescale requirements.

Risk: There are delays to the procurement of the remedial works because of unforeseen difficulties or extended procurement procedures.
As above, this could mean it is not possible to draw down grant funding for the works resulting in the Council being left with poor quality property and no budget to complete the works. It should be possible to manage this risk by procuring the works through schedule of rates contracts, however, care will be needed to ensure delivery to timescale by contractors.

Risk: One or more of the proposed renovations requires planning consent thus delaying activities. *The majority of the proposed remedial works can be undertaken without the need for planning consent.*

Risk: Lack of officer resource to successfully deliver the project.
Proceeding with the project will require considerable officer input from a number of divisions including Economic Development, Planning (Brechin THI), Property, Housing, Finance and Law & Administration. Failure to provide support for the project could result in delays and difficulties in drawing down the grant funding.

Risk: The provision of officer resource for the project impacts negatively on other Council activities.
Clearly officer support in delivering the Brechin project has the potential to have a negative impact on other Council projects.

- 7.4 In order to plan the potential delivery of this project, and mitigate against the risks identified above, a team of experienced officers representing divisions with a role in the project has already been assembled. The project team is led by Economic Development with the involvement of officers from other divisions (Law & Administration, Property, Planning and Transport and Finance) as and when required. The project team will meet at regular intervals to monitor progress during the project delivery phase. In addition, discussions with the Scottish Government have already commenced in order to try and more fully understand the risks and the terms of the grant offer. If the grant offer is accepted, it is recommended to approve the proposal to recruit a part time officer on a temporary 6 month contract to work with officers across the divisions to co-ordinate the delivery of the project.

- 7.5 Of course a successful project will deliver the core aims and has the potential to offer a number of additional benefits including:
- The town centre of Brechin will be upgraded making it a more attractive place and a more successful economic hub.
 - The THI project will have a greater impact.
 - Other economic development projects in and around Brechin will have a greater impact.
 - An increase in the supply of low cost housing.
 - Commercial and residential property values in Brechin should rise.
 - A successful project will encourage more private sector investment in the town centre.
 - The combined efforts of the Scottish Government, Brechin THI and Angus Council will create positive PR for the town.

8. PROCUREMENT

- 8.1 The guidance received from the Scottish Government is that the TCRF cannot be used to purchase land or property at a cost exceeding market value. Due to the tight timescales in acquiring properties it is recommended that the Director of Corporate Services be given delegated authority to purchase the properties in Brechin at no more than market value.
- 8.2 Due to the restricted timescale imposed by the terms of the Brechin grant offer received from the Scottish Government it is proposed that orders for the renovation works are issued through the current framework agreement incorporated within the Council's Schedule of Rates (SOR) term contract. As it is not possible to precisely predict when each property/flat will become available for refurbishment, it is further proposed that orders are issued on an individual property, or flat by flat basis, as they become available. However, the Head of Property will need added flexibility to batch flats together to meet the project timescale. This may, on occasion, require the Head of Property to instruct works above his £250,000 delegated authority per Financial Regulations and the Committee is therefore requested to authorise the Director of Corporate Services to exercise enhanced delegated authority in these circumstances, subject to appropriate reporting for information purposes thereafter.

9. FINANCIAL IMPLICATIONS

- 9.1 Preparation of the Brechin TCRF bid involved the inspection of a number of properties and the compilation of a number of reports providing a valuation for each property and an estimate of the cost of the remedial works. This work was undertaken by the Council's property advisers at a cost of £16,162.50 +Vat. This cost has been met from the Economic Development and Environmental & Consumer Protection 2009/10 capital budget as the TCRF will not allow this expenditure to be claimed retrospectively.
- 9.2 The Scottish Government grant offer for the Brechin Town Centre project is for up to £1.8 million. The majority of the expenditure incurred for the acquisition of properties, remedial works and associated professional fees for the Brechin Town Centre regeneration project will be met from the TCRF grant. The cost of employing a part time project officer for 6 months will cost no more than £12,000. This will be contained within the overall resources available to the Infrastructure Services Department in the relevant financial year.
- 9.3 In addition some of the projects will be undertaken in conjunction with Brechin THI project. Where this is the case any costs attributable to the THI will be met from resources already allocated to the Brechin THI project.

The Brechin project gives the Council the opportunity to acquire a number of capital assets and to redevelop them at minimal cost. The properties will then have the potential to generate rental income for the Council. In the short term there may be some additional revenue costs associated with owning the properties e.g. council tax and non-domestic rates. These costs are estimated to be no more than £10,000 in a full year and these will be contained within the Economic Development and Environmental & Consumer Protection revenue budget in the appropriate year until such time as the properties are let.

Although the grant award (£1.8m) is less than was bid for (£2.09m) the nature of the project will allow the extent of acquisition and renovation works to be scaled back to meet the budget available. There

are some financial risks to the Council from undertaking this project, particularly around compliance with Scottish Government timescales for completion of the works. These financial risks are, however, capable of being managed and will therefore be given specific attention as part of taking the project forward.

10. HUMAN RIGHTS

10.1 There are no Human Rights Implications arising from this report.

11. EQUALITIES IMPLICATIONS

11.1 The issues dealt with in this report have been the subject of consideration from an equalities perspective (as required by legislation). An [equalities impact assessment](#) is not required.

12. SINGLE OUTCOME AGREEMENT (only if required)

12.1 This report contributes to the following local outcomes contained within the Single Outcome Agreement for Angus:

- Sustainable business growth in Angus is achieved.
- The housing needs of residents in Angus are met.
- People in Angus can access amenities and services through a variety of affordable and sustainable means.
- The places in which we live in Angus develop in a sustainable manner.
- Angus' built environment is protected and enhanced

13. CONSULTATION

13.1 The Chief Executive, Director of Neighbourhood Services, Head of Law and Administration, Head of Property and the Head of Finance have been consulted in the preparation of this report.

14. CONCLUSION

14.1 The TCRF grant offer from the Scottish Government provides a unique funding opportunity to improve Brechin town centre for the benefit of local people, local businesses and visitors to the town. However, it also presents a number of challenges that need to be carefully considered.

14.2 Of prime importance is the need to ensure that the project is taken forward as quickly as possible and that the officer resource required to deliver the project is made available. Any failure to meet the Scottish Government's stringent timing conditions could leave the Council exposed through failure to secure grant funding for the remedial works required on the acquired properties. It is important that this position is not allowed to develop.

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NOTE: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

ECDEV/SW/FM/DV
18 November 2009