



Leicester  
City Council

**CABINET**

**30<sup>TH</sup> July 2001**

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**LEICESTER REGENERATION COMPANY**

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**Report of the Director of Environment, Development and  
Commercial Services**

**1. Summary**

This report seeks formal approval to join and fund the Leicester Regeneration Company (LRC) formerly the Leicester Urban Regeneration Company (LURC), following approval in principle given by the Regeneration Sub-Committee on 1<sup>st</sup> June 2000.

The report sets out the general objectives of the Company and legal and financial frameworks that will apply and it's key working mechanisms.

**2. Recommendation**

Cabinet is asked to agree that:-

1. the City Council participates in the LRC (always provided that any resulting participation does not trigger the rules relating to local authority companies and that the balance of membership remaining as described in the report).
2. the Leader of the Council and the Chief Executive be nominated as directors of LRC.
3. a contribution of up to £250,000 be provided by the City Council for the first year of the Company's existence on the basis of equal contributions having been provided by EMDA and English Partnerships.
4. approval, in principle, to a similar level of funding for a further 2 years subject to the level of contributions from other funders.
5. the above is subject to the Head of Legal Services being satisfied as to the final details of the framework within which the Company will operate.
6. agree to the interim funding arrangement with the Company as described in the report with a further report being submitted with specific financial arrangements when these have been resolved to the satisfaction of the Chief Financial Officer.
7. a further report be submitted on the professional staff input needed to serve the Company more effectively and any additional resources this might involve.

### 3. Financial Implications

The contribution towards the Company will be £250,000 for the first year of operation. With the recent recruitment of an Acting Chief Executive and other administrative and fee incurring work now being undertaken, the effective operational start date of the Company is 1<sup>st</sup> June 2000.

Consequently our pro-rata contribution in 2001/02 will be £187,500 with a commitment to funding at least the balance of £62,500 in 2002/03. If a further commitment is given then additional funding will be required. The funding is to be covered by both revenue and capital budgets. Over a three year period this would be as follows:-

|     | <u>2001/02</u> | <u>2002/03</u> | <u>2003/04</u> | <u>2004/05</u> |
|-----|----------------|----------------|----------------|----------------|
| Rev | 87,500         | 150,000        | 150,000        | 62,500         |
| Cap | 100,000        | 100,000        | 100,000        | -              |
|     | <hr/>          | <hr/>          | <hr/>          | <hr/>          |
|     | <b>187,500</b> | <b>250,000</b> | <b>250,000</b> | <b>62,500</b>  |
|     | <hr/>          | <hr/>          | <hr/>          | <hr/>          |

£100,000 has been provided in the City Council's main Capital Programme for 2001/02.

The revenue costs would come from the Regeneration budget within the Environment and Development department.

### 4. Report

In June 2000 the Regeneration Sub-Committee approved in principle the setting up of an Urban Regeneration Company in Leicester together with some funding on the basis of similar support from EMDA, EP and the private sector. If EP and EMDA were to commit similar amounts per annum, the City Council in principle agreed to contribute to the Company £250,000 per annum for 3 years.

That report set out overall purpose and working mechanisms of the Company which was based on the experience of the 3 pilot URC's and the situation in Leicester.

Following a successful submission jointly with EMDA and EP to the DETR in November 2000, the DETR approved the setting up of the Company which gave EMDA and EP clearance to sit on the Board and to also fund the Company. Both parties have agreed to provide £250,000 for the first year with EMDA agreeing to fund the Company for a further 2 years. EP will review their position after the first year which is consistent, I understand, with their position on all new URC companies.

The City Council has agreed in principle to fund the company for 3 years. This report seeks approval for the City Council to fund the first year's contribution of £250,000.

The attached report sets out the following:-

- Overall objectives of the Company
- The LRC boundary
- The legal and financial framework
- City Council's representation on the Board
- Key activities of the Company
- Additional supporting role for the City Council

**Report Author** – Meredith Evans – Assistant Director  
City Development



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**LEICESTER CITY REGENERATION COMPANY LTD.**

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**SUPPORTING INFORMATION**

**1. Overall objectives of the Company**

- 1.1 The objectives of the Company as set out in its Memorandum of Association are deliberately broad. These are:-

“to assist, promote, encourage, develop and secure the regeneration in the social, physical and economic environment of the central area of the City of Leicester”.

In the submission to the DETR, four more specific objectives were set out as follows:-

- Produce sustainable opportunities to meet the pressing demands of structural changes in Leicester’s existing economy.
- Create opportunities to diversify the economic base into high-technology uses.
- Generate sustainable housing development on brownfield sites.
- Produce a masterplan to deliver the vision while re-uiting the city centre with its waterfront and inner city housing areas.

**1.2 The LCRC boundary**

This is set out on the attached plan. It consists of the four Priority Investment Areas (Abbey Meadows, St. Georges, Old Town and Frog Island), the whole of the city centre and the areas linking all of these.

The Boundary is consistent with the Strategic Regeneration area within the emerging new local plan. Policies being developed for this area very much support the regeneration of this area.

The LRC area of activity will cover nearly all the commercial land areas within the central part of Leicester.

## 1.3 The legal framework

### 1.3.1 Power to participate in the company

Although we do not have regeneration powers as such, we do now have powers to secure the economic, social and environmental wellbeing of our area, or part of it, or people within it. Subject to sight of the draft constitution documents, I consider that this gives us sufficient power to participate in this company, and give financial assistance to it.

### 1.3.2 Local Authority Control/Influence to Companies

If the company fell within these categories, this would cause problems for us (from a credit cover point of view) and may well inhibit the activity of the company itself. It is proposed that the company constitution contains specific clauses that would effectively prevent a situation arising in which the company was controlled/influenced.

### 1.3.3 Council Liability via the Company

The proposal is for the company to be limited by guarantee, therefore if the Council were to be a member and the company liquidated, our liability would be limited to our “stake” which would be something of the order of stlg 10.00. We would, however, in our dealings with the company need to take care not to become so influential that we could be said at any stage to be a “shadow director”. However, the ethos of the company is that it should be very much private sector led and given the safeguards proposed under paragraph 2 above, it is difficult, in the absence of any other relationship, to see how the Council would on the face of it be said to be a shadow director in participating in the company and giving it financial assistance to the extent proposed.

### 1.3.4 Appointment of Directors

If Council officers/members are appointed as directors of this company, they would have dual role. Their responsibility, whilst acting as director, would be to the company, exercising a level of skill commensurate with their qualifications/calling. Due regard must be had to the Council's procedures on declarations of interests and exclusion from matters.

### 1.3.5 Other Participants in the Company

In participating in the company and giving financial assistance, we have to bear in mind the reasonableness of the prospects of our aims being delivered. The proposed membership of the company comprises the three “statutory” agencies (the Council, EMDA and English Partnerships) and a balance of representatives from the private sector business, and the community. Provision is proposed to ensure that, in future appointment of members, a similar balance is respected. Selection of the first members has been done on the basis of existing/emerging expressions of interest from various representatives.

### 1.3.6 Company Participation/Private Interest Problems

This is an issue because inevitably there will be instances where the private interest of the member will conflict (even in a non-contentious way) with the interests of the company. The obvious examples are private developers seeking to obtain a commercial profit out of the development of part of Leicester, and the Council itself acting in a regulatory capacity. The constitution documents will need to ensure sufficient provision to ensure probity and transparency in the company's decision making process.

### 1.3.7 Grant Making Powers

The powers identified in point number 1 above are sufficient to enable financial assistance in the circumstances described in this report. However, the "wellbeing" grant making powers have to be used against the background of the emerging community strategy and also the Council, acting reasonably, will need to consider existing priorities. However, the proposal the subject of this report was subject to committee approval in June 2000 in which the context of assistance to the proposed company was noted against anticipated budgets.

### 1.3.8 Land Disposal/CPO Momentum

Decisions by the Council on these matters must be dealt with in all the circumstances of the case at the time. In the terms of compulsory purchase, this must be looked at against the framework of the proposed powers we would be using for compulsory purchase, as well as the need to have a sound case for compulsory purchase, and to address the financial implications of the resulting compensation claims. In the case of the disposal of land, the Council is under a duty to ensure best consideration reasonably practicable, and it is the current view of the District Auditor that, in general, this would involve some competitive process. We must also have regard to our fiduciary duty towards Council assets.

### 1.3.9 The Council's Interest

My recommendation would be that in terms of internal decision making processes within the Council, there be a separation between supporting the activities of the company through our participation and safeguarding the Council's investment.

### 1.3.10 EU Rules on Regulation of State Aid

The participants in the formation of the company need to ensure that these rules are addressed, although it is understood that EMDA are satisfied that the requisite steps have been taken".

### 1.3.11 Safeguarding the Council's Involvement

Generally speaking it is possible for a company to change its objectives. Therefore in theory it would be possible for this company, if sufficient votes could be mustered, to change its activities from those described in this report, to wholly commercial ones. This would jeopardise the basis on which we were able to participate and fund the company. It is proposed that protective measures are included in the constitution, effectively to either prevent this from happening or to allow the Council to end its participation. Similarly, there would have to be such provision in the terms of the financial assistance. Given the amount of financial assistance, it is suggested that this is also conditional upon certain milestones being achieved, for example, the securing of other contributions as anticipated, and the achievement of the key outputs also described.

## 1.4 The Financial Framework

1. The City Council wishes to support the Leicester Regeneration Company and is being asked to pledge financial support for the first year and in principle for two further years. The operational details of how that financial support can best be given to the Company have still to be decided. In particular, both the City Council and the Company must have due regard to the status of each organisation with regard to VAT and the administrative arrangements must take this into account. Officers are currently exploring the ways in which this issue can best be resolved.
2. In the interim period, the City Council wishes to ensure that the Company is fully supported, and that the Council's financial support is utilised to maximum advantage. Until the framework is agreed, the financial support of the Council will be made available to the Company either:-
  - a) In kind. The City Council may, in its own name, purchase and account for goods and services which further the aims of the Company, providing that the activities for which the goods and services relate fall within the Council's statutory powers. VAT may be reclaimed in these cases.
  - b) In cash. The City Council may pay the Company by way of grant to enable the Company to arrange payment for goods and services in its own name. Such grant will be payable to the Company on presentation of a certified invoice (or copy) from the supplier to the Company. Alternatively, the City Council will pay suppliers direct on presentation of the invoice, but in this case the VAT may not be reclaimed, and the gross amount of the invoice will count against the Council's contribution.

Payments shall only be made providing that the total financial support in cash and kind does not exceed the annual sums available as set out in the table at 3.2 below. The following paragraphs consider the preparation of a financial framework.

### 3. Matters to be decided

- 3.1 A formal framework can only be put together once discussions with the Company have taken place to ensure that all partners are happy with the proposed methods of working. The following items will need to be resolved as part of those discussions:
- i) The financial regulations of the Company.
  - ii) A means of verifying that the Company is continuing to operate within the terms of its memorandum of association.
  - iii) The extent to which equivalent financial support is pledged and paid by both English Partnerships (EP) and the East Midlands Development Agency (EMDA).
  - iv) The financial reporting arrangements of the Company, and what reports are required by the City Council and other partners.
  - v) Payment arrangements.
  - vi) The extent to which the Council will act as a “clearing house” for the contributions of the other partners. Is it likely that the Council will be required to administer the other partners’ funding as well as our own?
  - vii) The scale of fees to be charged for administration, the amount to be treated as “in-kind” contributions towards the Company’s activities.
  - viii) Distribution arrangements between the partners in the event that the Company is wound up.
- 3.2 The total payments in each year are set out below:



**TABLE 1 Annual Payments from Leicester City Council to the Company**

| Year         | Revenue element<br>£ | Capital element<br>£ | TOTAL<br>CONTRIBUTION<br>£ |
|--------------|----------------------|----------------------|----------------------------|
| 2001/02      | 87,500               | 100,000              | 187,500                    |
| 2003/03      | 150,000              | 100,000*             | 250,000                    |
| 2003/04      | 150,000              | 100,000*             | 250,000                    |
| 2004/05      | 62,500               | -                    | 62,500                     |
| <b>TOTAL</b> | <b>450,000</b>       | <b>300,000</b>       | <b>750,000</b>             |

\*Subject to the inclusion within the City Council's approved Capital programme.

3.3 The Council will also need to consider the resourcing implications and practicalities of administering the proposed framework. There may need to be specific staff allocated to support the Company, and manage the procurement processes. A formal "client officer" should also be named to co-ordinate and manage the Council's relations with the Company.

#### 1.5 **Key Activities for the Company**

The Company has now appointed an Acting Chief Executive in Nigel Smith a leading expert in this field, together with some administrative support.

The Shadow Board chaired by Peter Wheeler, Chief Executive of Leicester Tigers now meets regularly and is very active and enthusiastic. The City Council is represented by the Leader, Councillor Ross Willmott and the Chief Executive, Rodney Green.

Key outputs from the Company in its first year will be:-

- To produce a Base Line Study.
- To produce a Masterplan for the LCRC area.
- To produce a Business Plan to deliver the masterplan's objectives.

#### 1.6 **Additional support from the City Council**

In addition to direct funding and participation on the Board itself, there is a clear necessity for the Council to generally support the working of the Company through the delivery of its own services, its legal powers and its land and property holdings.

##### 1.6.1 **Professional support**

A general commitment has been given to ensure co-ordinated, pro-active and efficient support is given particularly in the fields of planning, transport and property. While this should not extend to compromising or fettering our wider legal and community obligations, some measures will need to be put in place to facilitate effective support for the company, through identifying lead officers,

champions, and cross service working groups. Undertaking this effectively will involve a significant amount of additional time from key officers. Additional staff to supplement their existing work are needed especially in the planning and property, legal and finance areas. Further thought needs to be given to this and how it might be funded. A further report will be brought back to Cabinet on this.

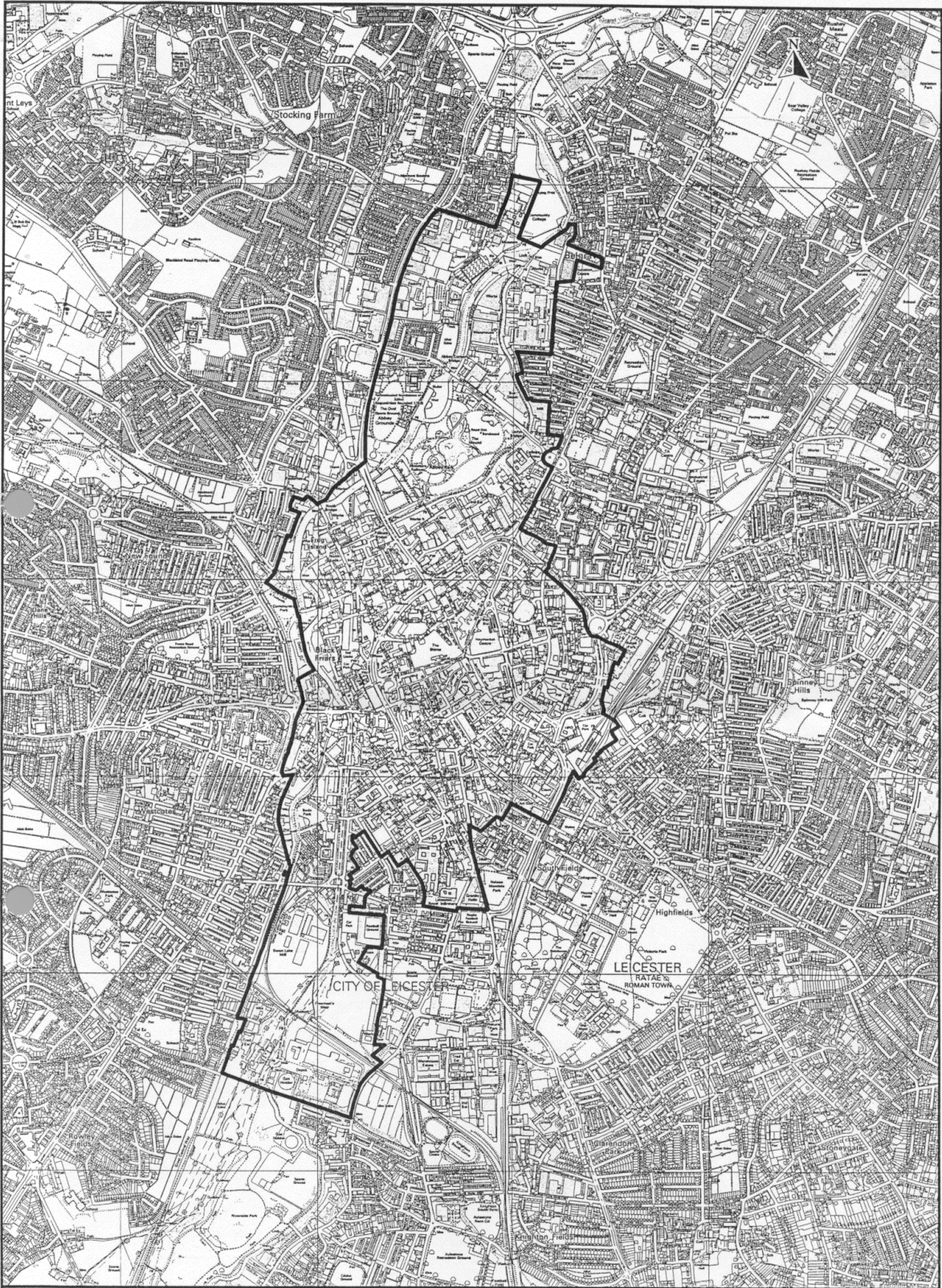
#### 1.6.2 Land and Property

There is no obligation on the Council to put any of its assets at the Company's disposal. However, using appropriate assets in a proactive way to promote regeneration or land assembly will be something the City Council will be considering positively.

#### 1.6.3 CPO powers

Both the City Council and EMDA have CPO powers, while not to be used lightly, in appropriate cases the City Council will (as it has in the past) be willing to use its powers to facilitate the Company's objectives.

It would be expected that prior to committing itself to such a course of action, a sound case will have been established under the appropriate Act and the City council's costs and obligations be covered by an arrangement with a third party.



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Scale 1:25000  
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Peter Webster, Director,  
Environment & Development  
Leicester City Council