

EAST AYRSHIRE COUNCIL

DEVELOPMENT SERVICES COMMITTEE : 16 DECEMBER 2003

CONSULTATION ON URBAN REGENERATION COMPANIES

Report by Director of Development Services

1 PURPOSE OF REPORT

- 1.1 To present to Committee for consideration a response to the Scottish Executive's consultation report on Urban Regeneration Companies (URCs).

2 BACKGROUND

- 2.1 In their introduction to their report on URCs the Scottish Executive state that the purpose of the consultation is "to increase understanding and assess support for innovatory delivery vehicles for urban regeneration in Scotland. It is not a consultation on the principles of one model over another. It will, therefore, end not only with a summary of responses, but we hope with specific pilot projects." Although the concept of introducing URCs in Scotland has its origins in the Cities Review the Executive have deliberately widened the consultation, presumably intending that other areas may submit proposals for "Pathfinder URC Pilots". The Ayrshire Economic Forum has already formally intimated its interest in submitting proposals for a Pathfinder Pilot.

- 2.2 The function of the consultation report as a framework for submitting concepts for Pathfinder Pilots is clear from the form of the questions. These are:

- What are the current barriers or obstacles to delivering successful, sustainable regeneration? In what circumstances would a URC help address these problems?
- Should URCs attract additional funds from Central Government and, if so, why?
- What range of partner organisations is needed to form a successful delivery vehicle like a URC?
- How should a delivery vehicle like a URC ensure that it is accountable both to its contributing partners and to the local community?
- Are there circumstances in Scotland where the URC approach would be appropriate?

- How should a URC relate to other local partnerships and agencies?
- Do you have specific proposals for a URC in your area?

3 BASIC PRINCIPLES OF A URC

3.1 The consultation report does not give a clear outline of a standard format for a URC, essentially because there is no such standard format. The consultation report does, however, set out some important principles:

- It should be a public/private partnership: “In short, a vehicle through which the public and private sectors combine effectively to create growth and add value for both.”
- It should offer the following operational benefits:
 - better co-ordination of activities of existing activities through a dedicated team
 - independence from local authorities and other public agencies
 - a strong focus on national priorities with local strategies
 - a clear signal to the private sector of exactly where public agencies are focusing their energy and crucially investment.
- URCs should be formed through local agreement – not through Central Government initiative.
- URCs will not receive any additional funding beyond that committed by its contributing parties (there is no indication, however, whether this would generally be expected to be limited to operating costs or might also include capital funds for investment)

3.2 Despite the emphasise on public/private sector partnership, however, the consultation report also suggests that a URC could be set up by public sector partners alone “in order to enter into a subsequent joint venture with a private sector partner.” In fact, the consultation report indicates that URCs are normally established as companies limited by guarantee rather than being investment vehicles in themselves.

3.3 The consultation report is essentially silent on whether there is any intention to provide additional funds from Central Government. The introduction suggests that URCs may be a vehicle through which some of the £90 million set aside for

the new city growth fund will be invested. But apart from this it simply indicates criteria to be used by the Treasury to define a URC. These are:

- The main function of the body is to co-ordinate the regeneration of a specific area
- The body is expected to perform that function by creating a plan for development of the area
- The body is expected to work together with some or all of the public or local authorities within the area

3.4 A number of further principles are established in relation to how URCs would fit into the Scottish context:

- There should be a clear relationship with community planning partnerships
- Consideration might be given to linking URCs to the new powers available to local authorities under the Power to Advance Wellbeing
- The work of URCs should be interconnected with the strategies developed by Economic Forums
- Consideration should be given to the relationship with SIPs, but there appears to be a view that areas appropriate for URC programmes may not coincide with SIP areas – rather the relationship may be through training and employment strategies promoted by the URC which benefit people living in other areas including SIPs

4 A CONCEPT FOR AYRSHIRE

4.1 The AEF has agreed a development strategy which provides a framework within which the partner organisations are committed to promoting development projects within a wider agenda of promoting higher educational attainment and levels of skills. The promotion of specific projects within this overall context depends, however, on the initiative of individual partners either individually or on the basis of project specific collaboration. Whilst a number of projects are being effectively promoted within current arrangements a URC might reinforce these efforts in a number of ways:

- Even small scale development projects which involve a partnership with private investment sources and perhaps a variety of public sector funding sources are complex to put together and promote. A central team under a URC could support the initiatives of individual partners by drawing together expertise in project development including master planning skills, expertise in funding sources, and property development skills.

- Rebuilding the Ayrshire economy requires attracting investment into activities and development projects which are not “mainstream” investment opportunities. There continues to be a requirement for “pump priming” funding in order to build the confidence of local entrepreneurs and potential investors in Ayrshire. A URC could be a more efficient and effective route for routing investment funds from both public programmes and private investment agencies from outside Ayrshire than individual AEF partner organisations acting on their own.
- A key feature of areas which have successfully brought about regeneration is that they have sent out a consistent message to businesses and investors about potential development opportunities. A URC could help to ensure that the central themes of the AEF Strategy and its Vision for Ayrshire are presented in a consistent manner which achieves a high profile within Scotland and beyond.

In many respects a URC within Ayrshire would fill the gap left by the withdrawal of the Scottish Enterprise Network from taking a lead in property developments (except a limited number of strategic sites).

4.2 In setting up an organisation which has the capacity to complement the efforts of individual partner organisations in implementing the Ayrshire Economic Forum Strategy a number of further operational questions would need to be considered including:

- The area over which it would function
- How far specific projects would be led by the URC, and to what extent its role would be to support projects led by individual partner organisations
- Mechanisms which might be established to draw in additional investment funds
- Whether it would be an investment vehicle in its own right, which could include the endowment of assets by the partner organisations.
- The scope of the URC in relation to components of the strategy in which it would be directly involved in implementation

5 FIT WITH PRINCIPLES SET OUT IN THE CONSULTATION REPORT

5.1 It is recognised that the suggested Ayrshire wide focus would represent a departure from the conventional focus for Urban Regeneration Companies. A company operating under the aegis of the Economic Forum may also not be

limited to urban areas – to this extent the generic title of an Urban Regeneration Company would require replacement as an “Area” Regeneration Company.

5.2 Otherwise it is considered that the concept outlined in the earlier section of the report would fit well with the principles set out in the consultation report:

- It would draw private expertise into its management and its investment funding arrangements
- It would provide a centre of property development expertise which would reinforce the capacity of the existing partner organisations
- It would operate independently from the partner organisations, within the framework of the Forum’s Development Strategy
- The Forum’s Strategy draws together a number of national strategies within the Ayrshire context which will be reflected in the functions and programme of the Regeneration Company
- It should provide a clear focus for external investors and other agencies to support the regeneration of the Ayrshire economy
- The Forum has itself agreed that it should explore the establishment of a Regeneration Company – this is a local initiative and is set out in the Forum’s Strategy
- It is recognised that investment funding for delivery of projects should be drawn in on the basis of a commitment of funding by the partner organisations themselves including the local authorities using the new Power to Advance Wellbeing and possible funding through the new Prudential Framework for Capital Programmes
- It is envisaged that the programme of the Regeneration Company would be closely integrated with the community plans which have been developed by the three Ayrshire Councils and that the Regeneration Company might be engaged in supporting small scale regeneration projects within areas of Social Inclusion Programmes as well as major “Gateway” projects which form the strategic building blocks of the Forum’s Development Strategy.

6. NEXT STEPS

6.1 If following a preliminary submission of interest in the formation of a Regeneration Company for Ayrshire a positive response is received from the Scottish Executive it is anticipated that a more detailed programme will require to be submitted for discussion with the Executive on the establishment of a

Regeneration Company Pathfinder. This submission would require formal commitment from the core partner organisations. The Pathfinder programme would include:

- Consideration of details of the form and constitution which might be adopted by a Regeneration Company
- Identification of an early action programme of projects for development by a Regeneration Company within the context of the Forum's Strategy
- Investigation of potential funding mechanisms including private investment support and consideration of assets held by the partner organisations which might be allocated to specific projects promoted by the Regeneration Company within its initial action programme
- Consideration of the scope of activities which might be undertaken by a Regeneration Company
- Development of initial strategic and operating guidelines for a Regeneration Company

7 RECOMMENDATIONS

7.1 It is recommended that the Committee:

- (a) endorses this report as the basis of a response to the Government's Consultation report on Urban Regeneration Companies; and
- (b) Notes that further reports will be submitted to committee on further developments

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26 November 2003

BACKGROUND PAPERS

Nil

For further information on the content of this Report, please contact Robert Paton, Head of Economic Development (ext 6142)

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