



**Corporate Policy and  
Resources Committee**

**8 November 2018**

**Subject: Market Street Renewal Ltd – Annual Update**

Report by:

Executive Director of Resources (S151)  
Ian Knowles

Contact Officer:

Eve Fawcett-Moralee  
Executive Director of Economic & Commercial Growth  
Tel 01427 676535  
Email [eve.fawcett-moralee@west-lindsey.gov.uk](mailto:eve.fawcett-moralee@west-lindsey.gov.uk)

Purpose / Summary:

To accept the Financial Statements to September 2017 and approve the 2018/19 Business Plan (in the Council's capacity as a 50:50 shareholder) in the joint venture company – Market Street Renewal Limited and authorise the Council's Shareholder Directors to deliver activity and expenditure in accordance with the plan.

**RECOMMENDATIONS:**

- 1. That Members accept the Financial Statements of Market Street Renewal Ltd up to 30 September 2017.**
- 2. That Members approve the Business Plan for 2018/19 for the joint venture company – Market Street Renewal Limited and authorise the Council's Shareholder Directors to deliver activity and agree expenditure in accordance with the plan.**

**Public Interest Test:**

**APPENDIX B and C only**

The Proper Officer has determined in preparing this report that paragraph 3 should apply. The view on the public interest test was that while he was mindful of the need to ensure the transparency and accountability of public authority for decisions taken by them in relation to the spending of public money, disclosure of the information would give an unfair advantage to tenderers for commercial contracts.

This information is not affected by any other statutory provision which requires the information to be publicly registered.

On that basis it was felt that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are asked to consider this factor when excluding the public from the meeting.

**IMPLICATIONS**

**Legal:**

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**Financial: FIN/112/19****Statement of Accounts (Appendix A)**

The Council has a 50% share of all assets and liabilities of the Joint Venture Company.

The Council has invested £375k in the Company in the form of a Shareholder loan.

No dividends were allocated for the year.

There was no scheduled repayment of shareholder loan principle.

**Business Plan Profit and Loss Summary**

The original business plan was approved by Corporate Policy and Resources Committee on 15<sup>th</sup> June 2017. Both shareholders have a 50% interest in the Company.

A revised Business Plan cash flow for the project has been provided which has been converted to create an overall project Profit and Loss Account as detailed Appendix B.

The original Business Plan projected remaining funds of £206k after a 5 year period.

The Business Plan 2018/19 updates projections and remaining funds at the end of the project are now forecast to be £19k, a variance of £187k from the original.

The 2018/19 business plan varies to the original reflecting changes that have been made over the last year and refined estimates of income and expenditure, these include;

- Increase in Capital Shareholder contributions from £500k to £750k (agreed CP&R 14<sup>th</sup> December 2017). WLDC contribution now stands at £375k.
- Construction costs have been increased by £50k, this is primarily due to additional cost of works at 25 Market Street.
- The balance of the difference of £56k is made up of VAT assessment leading to increased costs as well as minor additional works at 27 Market Street.
- The removal of 3/5 North Street takes away significant financial risk for the company in relation to the acquisition and refurbishment costs exceeding projected funds. These costs would have required increased investment with no beneficial uplift in returns.

Of the total remaining funds WLDC has a 50% share, currently estimated to be £9,500.

The Directors have now provide assurance that the shareholder loans will be repaid including interest within 10-15 years. A revised repayment schedule is attached at Appendix C.

The business plan reflects the position that no further acquisitions will be made at this time due to the viability funding gap.

WLDC has benefitted from a total capital receipt of £91,000 for the sale of the long leasehold of 3-5 North Street, Gainsborough.

**Staffing:**

This project is led by the Executive Director Economic and Commercial Growth and supported by Growth Team as part of the agreed work plan.

**Equality and Diversity including Human Rights:**

This project has been developed to accelerate the regeneration of the town centre by improving the viability of Market Street and attract footfall from Marshall's Yard into the historic centre and down to the riverfront.

This is a key project within the Gainsborough regeneration programme, with the primary focus being the creation of a self-sustainable and affluent town and constituent community. Specific programmes for the South West and North Wards will assist in addressing the multiple indices of deprivation, in tandem with the Strategic Partnership in the South West Ward and the Council's Skill's programme.

The Council is required to demonstrate its compliance with the Equality Act 2010 and in particular it's Public Sector Equality Duty (Section 149). An Equalities Impact Assessment will be undertaken specifically for this project and will highlight how the delivery of the hotel, and further regeneration works delivered through the joint venture company will have due regard to the need to:

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The Council is also required to demonstrate how it has complied with its duty under Section 17 of the Crime and Disorder Act 1998. This requires the Council to exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent:

- (a) crime and disorder in its area (including anti-social and other behaviour adversely affecting the local environment); and
- (b) the misuse of drugs, alcohol and other substances in its area; and
- (c) re-offending in its area.

It is anticipated that the regeneration of Market Street will have a material impact on the reduction of crime and disorder in the area.

**Risk Assessment:**

The activity in the business plan, has been developed from inception with confirmation that it is legally sound and with in-principle agreement from both Prosperous Communities and Corporate Policy and Resources Committee.

The following risks will need to be reassessed on an annual basis and inform future Business Plans.

**Risk:** Property Valuations - The market value of the completed properties do not meet estimates within the Business Plan.

**Risk:** Costs exceed current estimates.

**Climate Related Risks and Opportunities:**

The refurbishment of the shops and new homes above is an exemplar of sustainable living and achieve current building regulation standards on sustainability.

In addition, the projects will support our bid to the Heritage Lottery Fund for Townscape Heritage Funding of circa £1million all of which is driven to deliver a “whole town” offer and improved quality of life for existing and new residents.

**Title and Location of any Background Papers used in the preparation of this report:****Call in and Urgency:****Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?**

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

**Yes****No****x****Key Decision:**

A matter which affects two or more wards, or has significant financial implications

**Yes****No****x**

## 1. Background

- 1.1 Market Street Renewal Ltd was created on the 27 July 2016 as a joint venture company by West Lindsey District Council and Dransfield Properties Limited, both of whom hold a 50% share in the company.
- 1.2 The joint venture company aims to act as a delivery vehicle capable of attracting investment into Gainsborough that might otherwise not have been available to the Council (acting alone). The economic benefits of the Joint Venture Company were outlined in the previous committee report (PRCC53 16/17).
- 1.3 The purpose of this joint venture is to support regeneration of the Town Centre, specifically, North, Market and Church Streets and the Market Place.
- 1.4 This initial focus has been on Market Street as this is the principal east-west axis of the historic town centre. The regeneration of Gainsborough town centre will be dependent upon this route. Improving the condition of this route by enhancing existing properties containing active ground floors and town centre uses is a priority, which must establish the aspirational quality benchmark for the rest of the town centre.
- 1.5 Whilst the original business case proposed the acquisition of 5 properties, 3 have been acquired on Market Street and redeveloped to provide 3 commercial units available for rent in addition to 3 flats above the shops, which are now available for sale.
- 1.6 It was intended that 3 & 5 North Street would be acquired by the Company from West Lindsey District Council who held the long leasehold. After appraising these properties they were deemed unviable for the Company as they could not attract heritage grant funding to support their refurbishment, and costs would exceed the investment putting the company at risk of requiring further investment for no financial return.
- 1.7 However, the long leaseholds have subsequently been sold to North Street (Gainsborough) Ltd (a wholly owned subsidiary of Dransfield Properties Ltd) and are currently being refurbished with support of £30k grant funding from ACIS.
- 1.8 This joint venture has provided evidenced support for significant grant funding of £4.1m to the Greater Lincolnshire Local Enterprise Partnership (GLLEP) Growth Deal, this funding will focus on the wider Gainsborough Regeneration programme.
- 1.9 In addition the refurbishment, new shop fronts and the creation of new entrances accessible from the back of the properties (from Roseway car park) enhances the area to the rear creating a courtyard effect with the hotel/restaurant and car parking. All works have been undertaken on the advice of English Heritage and the WLDC Conservation Officer, which has significantly increased the build cost. However this demonstrates the Council's Commitment to Heritage-led regeneration and will support future and current funding applications and the ongoing due diligence for £1.8m Heritage Lottery funds for the Townscape Heritage Initiative.

## 2. Financial Statements to 30 September 2017

- 2.1 The Company recorded a deficit of £1,656 for the period 27 July 2016 to 30 September 2017.
- 2.2 The Profit and Loss Statement reflects this deficit which mainly related to costs of professional fees and bank charges.
- 2.3 The Balance Sheet reflected net liabilities of £1,456.
- 2.4 The full statements are attached at Appendix A

### **FIXED ASSETS**

Investment Properties	333,729
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### **CURRENT ASSETS**

Debtors	3,004
Cash at Bank	178,660

### **CURRENT LIABILITIES**

#### **CREDITORS**

Amounts falling due within one year	16,849
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### **NET CURRENT ASSETS**

164,815

### **TOTAL ASSETS LESS CURRENT LIABILITIES**

**498,544**

### **CREDITORS**

Amounts falling due after more than one year	500,000
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### **NET LIABILITIES**

**-1,456**

### **CAPITAL AND RESERVES**

Called up share capital	200
Retained earnings	-1,656

### **SHAREHOLDERS' FUNDS**

**-1,456**

- 2.4 Since September 2017, the Company has requested additional loan funding from each shareholder of £125,000 to support the increasing costs of development due to the conservation led approach which results in significantly higher costs than originally estimated but which ensures that the character of the buildings reflect their original heritage. The refurbishment scheme has the benefit of planning consent and Historic England support which has been instrumental to securing the Heritage Lottery Fund bid (£1.8m).

### **3.0 West Lindsey District Council (WLDC) Financial Statements as at 31 March 2018**

3.1 In accordance with proper accounting practices the Council's share of the Joint Venture company's profits/losses and assets/liabilities are considered for consolidation into the WLDC Statement of Accounts 2017/18. The financial position of the Company as at 31<sup>st</sup> March was a deficit of £1,540 and with net liabilities of £2,996, 50% of which are attributable to WLDC as joint shareholder. Due to the low amounts there was no requirement for consolidation of the Company's accounts into that of WLDC.

### **4 Business Plan 2018/19 – Project Profit and Loss Account**

4.1 The revised Business Plan 2018/19 does not propose further investment in acquiring properties for development at this time. This will enable the flats to be sold and the realised capital receipts used to repay part of the shareholder loans. The shops are to be retained to generate an ongoing rental income.

#### **4.2 Project life - Profit and Loss Analysis**

See Appendix B (Commercially Sensitive)

The P & L is based on the 5 year cashflow of the Company. The company have acquired 3 properties and anticipate selling the 4 flats whilst retaining the shops for ongoing revenue income. The properties have been redeveloped to a high standard and within conservation and planning regulations.

The work undertaken has been funded by the shareholder loans (£375k from each shareholder – agreed 14<sup>th</sup> December 18), grants of £171k, and anticipated income from the sale of the flats.

The business plan assumes an overall property value of £385k.

The latest Business Plan indicates the shareholder loans of £340k will be repaid by April 2023, leaving a balance of £410k (a forecast schedule is attached at Appendix C). However actual payment will be dependent on the timing and sale of the flats.

The Directors continue to provide assurance that shareholder loans will be repaid including interest within 10-15 years.

It is proposed that the directors retain delegated authority to vary the costs up to 25% subject to overall funding and without recourse to the shareholder.

### **5. Economic Impact**

5.1 The redevelopment of three properties on Market Street and two on North Street was expected to generate an average Gross Value Added of £618k. The actual Gross Value Added will be determined at the closure of this project.



## **6. Council Investment**

- 6.1 It must be recognised that without the Council's financial support this development would more than likely not have taken place.