

**Open Report on behalf of Executive Director for Communities**

Report to:	<b>Executive Councillor for Economic Development</b>
Date:	<b>01 June 2012</b>
Subject:	<b>116 High Street, Boston</b>
Decision Reference:	<b>02006</b>
Key decision?	<b>No</b>

**Summary:**

This paper concerns the loan of up to £300,000 to the Lincolnshire Community Foundation for them to purchase and operate a business and community health centre in a recently refurbished building in Boston. The building has been refurbished by the Heritage Trust for Lincolnshire, using English Heritage, Heritage Lottery and EU funding

The finance to fund the loan would be from the legacy budget of the Boston Area Regeneration Company. There is a clear and demonstrable market failure which is why the council's investment is necessary. The project will directly create 4 jobs but will trigger further investment and job creation amongst the businesses that locate in the property.

**Recommendation(s):**

It is recommended that Lincolnshire County Council loans up to £300,000 to the Lincolnshire Community Foundation for them to purchase and operate a community health centre at 116 High Street, Boston.

**Alternatives Considered:**

1. Do not provide a loan, and leave the Heritage Trust for Lincolnshire to run or dispose of the property on the open market.  
Consequences: the covenants associated with the loan mean that a third party operator is unlikely to be found (NB see "market testing exercise" section below); the property would not be occupied and if the Heritage Trust were unable to sell it the loss of capital could cause significant financial difficulties for the charity. This would prevent the Trust from undertaking any further building regeneration projects in the future and cause reputational damage to Lincolnshire in the eyes of English heritage and other major funders; the opportunity to provide a catalyst to development in a part of Boston would be missed.

2. Do not provide a loan, and LCC run the property as a business centre.  
Consequences: LCC's economic portfolio would be increased but with a facility that does not meet our core economic objectives; staff resources would be required to manage the centre; the opportunity to encourage community led development would be missed.

**Reasons for Recommendation:**

The provision of a loan is recommended so that the property in Boston can be put to full use, so that its use is community led, and so that Lincolnshire's good reputation concerning heritage projects is maintained.

## **1. Background**

The Heritage Trust of Lincolnshire (a countywide “buildings preservation trust”, sponsored by the local authority) and the Lincolnshire Community Foundation (charity number 1092328 (see [www.charitycommission.gov.uk](http://www.charitycommission.gov.uk); a community development agency and grant maker distributing up to £1 million a year) have collaborated on the refurbishment and deployment of 116, High Street, Boston. This is an early 18<sup>th</sup> Century, Grade II\* listed building, formerly owned by the (now defunct) Boston Heritage Trust, later compulsorily purchased.

The Heritage Trust of Lincolnshire has put together a £1.9 million refurbishment package which includes plans to transfer the completed building (offices, community rooms, an apartment and four business units) to the Community Foundation. The package included a loan from Lincolnshire County Council (decision 01776, 9<sup>th</sup> September 2010)

The Foundation will establish and manage a social enterprise (where surplus is re-invested into the social mission and the assets are locked – they have to be applied for local community benefit) whilst complying with the funders’ many covenants and restrictions – for example the building has to be open for public access and education and be used as a “community hub” for at least 25 years.

The Lincolnshire Community Foundation has offered to buy the building, from Heritage Lincolnshire for £312,500 (current valuation) subject to the finance being available. This will allow Heritage Lincolnshire to pay back its loan from the County Council.

The County Council has been in discussion for some months with the Community Foundation over providing a loan of up to £300,000 on a cash-neutral basis over a 24 year period. This was agreed internally in September 2010 and communicated to the Lincolnshire Community Foundation by the former Head of Enterprise Development on 7<sup>th</sup> September 2010. To be cash-neutral, the loan would be paid back at 0.5% (see financial projections below).

The rationale for making this loan is:

It will enable a building with substantial heritage to be brought back to active use, thus strengthening Boston's reputation as a town with significantly important built heritage

It will bring further activity to a part of Boston that LCC has invested in through the waterways programme

It will provide additional managed business space in the town, something for which there is a demand

It will provide support for the networking of social enterprises and small businesses within the centre; this is something that has been shown to increase the sustainability of small business

It will enable there to be community neighbourhood health facilities; Boston's population has substantial health problems

The funds would be drawn from former Boston Area Regeneration Company reserves.

There are four main factors for councillors to consider in taking this decision:

***Is the project worthwhile ?***

116 High Street, Boston is a nationally significant historic building and is listed Grade II\*, making it among the top 8% of listed buildings within England. It has also been noted by the High Street South Neighbourhood group as a key part of their historic built environment and they want the building to be restored and brought back into use. The building has been a priority on the English Heritage at risk register since 1998 and its repair has been championed by members of the national committee.

Below is a section of a letter from the Baroness Kay Andrews, Chair of the English Heritage Commissioners to Anne Coltman, Chair of Heritage Lincolnshire's trustees.

"It is testimony to the Trust's endeavour that those who knew the building previously could appreciate immediately the important initial steps you have taken already to safeguard this fragile piece of Boston's heritage. We shall look forward to playing our part in the final push to rescue the building and ensure its sustainable future within the local community."

The commissioner's visit to Boston in February 2011 demonstrated that Boston's heritage and its conservation is both a regional and national priority and action on heritage at risk remains a key element of the National Heritage Protection Plan. The significant levels of grant offered by both English Heritage and the Heritage Lottery Fund (£1.169m, supplemented by a £0.430m European Regional Development Fund grant) attest to the commitment to the restoration of this historic building, which will improve the quality of the built environment of this area of Boston. Lincolnshire County Council's support of the project demonstrated its commitment to the county's heritage and an active partnership with a third sector organisation delivering heritage led regeneration. Other projects undertaken within

Lincolnshire and across the country have demonstrated the social and economic benefits that heritage led regeneration can bring to local residents and can attract further private investment and EU funding has been approved to support this. Heritage tourism is also an important element of Boston's future economic viability and this project will act as a catalyst for change in this dilapidated area of the town.

The project will nurture and deliver new economic activity in the area through support for start up social enterprises in incubator units on the site, fostering entrepreneurship, meeting other less obvious gaps in local health and social care provision and developing new markets within the town. Social enterprise activity on-site will include:

- Social networking pilot project for people with disabilities
- Healthy ethnic foods
- Business incubators helping disabled and disadvantaged people progress into self employment and social enterprise

From an economic regeneration point of view, improving the fabric of the area – which neighbours other major investments such as the Boston Barrier and the Boston Lock Link as well as improved traffic systems- is beneficial. The provision of social enterprise facilities will create employment.

The changes to adult social care, both that delivered by LCC and broader policies, are likely to lead to more private and social enterprise providers of services. The project could provide accommodation for these, and initial contact has been made with the commissioning team within Adult Social Care to ensure that a co-ordinated approach is taken to this property and others in the Boston area.

The Community Foundation will bring together a range of partners delivering services to people with mental and physical health problems, co-locate existing agencies and enable the development of new health-related social businesses. Partners include Age Concern, the Drug Action Team, Healthy Eating in East Lincolnshire, the Mental Health & Primary Care Trusts and the public consultation & information network (the LINK).

This project will establish a community owned health resource for Boston. The Boston Healthy Hub will address key gaps in current healthcare provision and enable additional statutory funding to be drawn down for service delivery. Amongst the contracts and activities delivered on site will be:

- Specialist dementia care
- Substance misuse advice and support
- Healthy eating and lifestyle promotion
- Reminiscence work with the elderly
- Outreach to economic migrants

The Lincolnshire Community Foundation will be responsible for promoting and marketing the centre to businesses, social enterprises, and health groups. They will do this through local property agents, local media, and the local Chamber of

Commerce. The Lincolnshire Community Foundation's links with other voluntary organisations and partnerships will also be used.

This prominent and fully-accessible site offers nine substantial workspaces and includes space for additional development. The project will incorporate four self-contained enterprise start-up units for new activities linked to health and social care provision in the immediate area.

Boston has the highest obesity rate in England, with fully 31% of the adult population considered to be clinically obese. Six out of seven people fail to hit the target of three half-hour sessions a week of moderate intensity sport or active recreation. This obesity has been linked to social deprivation. Boston has the least educated citizens in the County and the lowest GCSE results. Given Boston's poor health (evidenced through life expectancy, disability rates, obesity statistics, etc) and its ageing demographic, substantial policy time has been devoted to determining ways of tackling these issues effectively (see the Boston Community Plan).

Government green and white papers on the development of local rural services stress the value of co-located services in borough towns and health gains through the hub-and-spoke model.

- Research conducted by Age Concern validates the specialist dementia care and reminiscence approach
- Work undertaken by the National Nutrition Council confirms the value of centre-based nutrition and lifestyle education.
- National good practice guidelines on Drug and Alcohol Advisory Services emphasise the importance of location and layout in delivering high quality services.

Boston Healthy Hub will bring key partners together for the first time in the same location, housing them in an accessible venue in an area of Boston in need of significant intervention. This will allow for operational efficiencies through shared resource whilst facilitating easier and more accessible services for those most in need but hardest to reach.

The project will house and subsidise a range of community services and social enterprises rather than being especially weighted towards health service delivery.

However, the project will host subsidised, community-based dementia support services. In that context the need for services is increasing, state support (both specialist venues and financial benefits based on assessment) is reducing, and the capacity of 3rd sector groups to provide support has also reduced. Providing a community based location for these services will help to reduce the risk for these groups, thus making their services more likely to be viable.

The site will include specialist provision for tackling dementia, including tailored space for reminiscence and a provision for healthy eating based around a community kitchen. It will perform the broad range of functions described above

whilst simultaneously enhancing and preserving Boston's cultural heritage for all to enjoy, both for the people of Boston today and for future generations.

National research undertaken by English Heritage (The Heritage Dividend, 1999) has demonstrated that heritage led regeneration has attracted substantial private and public sector investment, new jobs, improved homes and increased economic activity. Heritage Lincolnshire's projects over the past 10 years have provided further evidence that the conservation and conversion of historic buildings can contribute to the regeneration of an area. The following case studies demonstrate the creation of sustainable jobs, further private investment and the provision of training opportunities.

#### Case Study: 'Scott House' St John's Workhouse in Boston

- Total of £600,000 investment brought into the county
- Provision of centre for physically disabled adults, 5 FTE sustainable jobs
- Further private investment in the area since completion include housing developments, and new commercial premises.

#### Case Study: Sir Joseph Banks Centre, Horncastle

- Total of £900,000 investment brought into the county
- Provision of 5 FTE apprenticeships during construction and creation of 10 FTE sustainable jobs once completed
- Creation of 4 small/medium enterprises within the property
- Development of brownfield site
- Businesses in the area reported an increase in profitability in the 24 months following completion - particularly those further down Bridge Street
- 4 properties within Bridge Street were improved by private owners following completion of the centre.

The proposal has also been shared with the Assistant Director for Public Health who said:

*"The Borough of Boston is the centre of service for a very diverse range of communities with some significant barriers to achieving good health. This has led to a spread of health inequalities that is difficult to address. The development of this hub in the area proposed will allow an improvement in service access in a diversity sensitive fashion. We support this welcome proposed development."*

#### **Could the project be run commercially –probably by a private business?**

The Heritage Trust for Lincolnshire appointed local estate agents Hill & Clark to undertake an assessment of the commercial market for the property on completion of the capital works. The property was marketed locally, regionally and nationally for a period of 2 months and a full report is available on the assessment.

The conclusions of the assessment were that it would prove difficult to find a private sector buyer on the open market, for a sum which reflects the size,

condition and facilities of this individual property. It was noted that the restrictive covenants placed upon the property by the funding partners would make a sale to a private sector buyer difficult to achieve even if the building was in a more commercially attractive location.

It should be noted that the property is situated within a deprived area of Boston that currently demonstrates 'market failure' in terms of a lack of private investment. This was the justification for the need for ERDF funding for the capital project and this view was upheld during the appraisal of the application.

Turning to the ongoing operation of the property, the predicated average incubation lease for these each unit would be 2 years and would involve a minimum of 1 person and a maximum of 3 persons operating a business from each incubator. After the initial 2-year period nurtured enterprises (having built capacity and a viable financial asset buffer) will move out into fit for purpose accommodation within the wider business community of Boston.

When the units are operating at 100% occupancy we forecast a job creation output range of between 4 and 12 over the two-year cycle. It must however be noted that we have conservatively calculated an increasing level of occupancy (from 0 in yr 1 to 100% in year 5) over the inaugural 5 years of operation. Therefore, it becomes necessary to forecast this success factor over a longer period of time to accommodate the cyclical nature of the incubator business model (11 years). Given these occupation presumptions (0% year 1, 25% year 2, 50% year 3, 75% year 4 and 100% year 5) we can estimate that; in years 1-5, a lower count of 10, and an upper count of 30 jobs would be range yielded. In the proceeding 6 years of full occupation, a range of 12-36 jobs is forecast to be yielded.

***Could the Community Foundation find funding from other sources ?***

The Community Foundation has applied to Barclays, NatWest, and a partner bank, for a commercial loan. The response has been a firm "no" based on the valuation (equal to the loan), the asset lock (the bank, therefore, cannot take a realistic charge on the building) and relatively low surplus.

This is a clear example of market failure, and therefore some public support should be considered. The regeneration, heritage, and health benefits mean that the project should be supported by the county council.

***Will the Community Foundation be able to repay the loan ?***

As requested by Andrew Thurston (then "Head of Enterprise Development", Lincolnshire County Council) at a meeting with the Lincolnshire Community Foundation in November 2010, an exercise was undertaken, in December 2010, to develop a draft repayment model for the loan of £300,000 (from the BARC Fund held by the County, to the Foundation)) to facilitate the freehold purchase of the site on behalf of the community.

It was agreed that this model should have the following key characteristics:

1. The loan should be cash-neutral (within practical constraints)
2. The loan repayment rate should be linked to predictable occupancy patterns, post-completion.

The repayment model (attached) reflects an option that aims to nurture economic activity and growth on the site in a sustainable manner, whilst reducing the debt in a realistic and serviceable way.

Economic Development officers have revisited this model, the figures are still realistic in the context of current conditions. See the previous section of the report for confirmation of the assumptions over % of accommodation to be occupied. These findings have been validated with private sector letting agents in the Boston area.

The cashflow projection is attached as an appendix to this report.

The assumptions in the cashflow projection have been scrutinised by LCC officers who are confident that they are fair.

In terms of risk there is a worst case scenario: that the Lincolnshire Community Foundation cease trading.

In order to avoid this unlikely scenario happening, Legal Services Lincolnshire have been instructed to draw up a contract between Lincolnshire County Council and the Lincolnshire Community Foundation which includes provision whereby any sale of the property would result in the county council receiving the remaining proportion of the loan back as a first charge on the property. No loan will be made to the Lincolnshire Community Foundation until that contract has been signed by both parties. Should there be any change to the nature of the project then the agreement that has been produced by legal services Lincolnshire will come into play.

Specific consultation has been undertaken with the Charity Commission on this point. In this scenario the "Charity Land" (having been vested with the Official Custodian of charities<sup>1</sup> to satisfy administrative probity) would be transferred to a charity of similar means and objects in accordance with the Charities Act 1993 (section 36, subsection 9b). The result in practice would be that the value of the asset would be returned into trust for the benefit of the people of Boston

It should be noted that the term "Charity Land" has a technically complex definition; in summary it is land held by, or on trust for, a charity in England or Wales together with any buildings or structures on the land. It covers both land held on charitable

---

<sup>1</sup> The Official Custodian is a corporation created by statute to hold land on behalf of charities; in practice he or she is a member of the Charity Commission's staff who is appointed to this role. If "Land" is to be held by the Official Custodian it has to be 'vested' in the appointed person.



trust and land held as corporate property by a charitable company or corporation. In this context the word "Land" also covers any estate, interest or easements over that land boundary. These could include, for example, a "right of way" or "access", particularly significant in the case of the 116 High Street development due the requirement for public access and its "mixed use" nature.

Legal Services Lincolnshire have also advised that the county council should satisfy itself that consents are in place between the funders of the refurbishment (European Regional Development Fund, Heritage Lottery Fund) and the heritage Trust for Lincolnshire so that they can transfer the property to the Community Foundation. Written confirmation of this has been received from the Heritage Trust.

## **2. Conclusion**

It is clear that the proposed use of 116 High Street, Boston, will benefit the area and its socio-economic circumstances.

A market failure has been evidenced, and a loan from the county council will help to overcome that market failure to the benefit of the local economy.

### **3. Legal Comments:**

The Executive Councillor has the remit to authorise the loan provided he has the delegated authority of the Leader. It is suggested that the loan should be secured by way of a charge over the property.

### **4. Resource Comments:**

Approval of this report commits the Council to a loan of up to £300,000 to the Lincolnshire Community Foundation that will enable them to provide community health services at 116 High Street, Boston.

The loan will be repaid over a period of 24 years at an interest rate of 0.5%. The necessary safeguards have been put in place to ensure the Council's investment is protected should circumstances change.

This loan will be funded from the remaining balance of Boston Area Regeneration Company (BARC) money given to the Council in 2009/10.

## **5. Consultation**

### **a) Has Local Member Been Consulted?**

n/a

### **b) Has Executive Councillor Been Consulted?**

Yes

**c) Scrutiny Comments**

This has not been considered by a Scrutiny Committee.

**d) Policy Proofing Actions Required**

n/a

**6. Appendices**

These are listed below and attached at the back of the report	
Appendix A	Marketing Report
Appendix B	Letter from English Heritage
Appendix C	Cashflow Report

**7. Background Papers**

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Justin Brown, who can be contacted on 01522 550630 or [justin.brown@lincolnshire.gov.uk](mailto:justin.brown@lincolnshire.gov.uk)