

MILLFIELDS COMMUNITY ECONOMIC DEVELOPMENT TRUST LOAN REFINANCE JUNE 2024 (PART I REPORT)



1. Decision to be taken:

- If required, provide a bridging loan to repay the original loan that was provided by Somerset County Council (on behalf of Heart of SW LEP) to Millfields Community Economic Development Trust (“the Trust”) for the development of the Genesis building, Union Street, Plymouth.
- Delegate authority to the Section 151 Officer to agree the final terms and conditions of the bridging loan, to a value not to exceed £1.7m.

2. Organisation being supported.

Name Millfields Community Economic Development Trust

Registered Address HQ 237 Union Street, Stonehouse, Plymouth, PL1 3HQ.

Registration number 03513202

3. Background

Profile of the Trust

- 3.1. The Trust, a trading social enterprise, was founded in 1999 with the goal of revitalising Plymouth's Stonehouse community. Its goal is to revitalize Union Street as a civic spine and provide residents in the heart of Stonehouse with chances for employment that will change their lives, re-establishing the city's once-important connection to Devonport.
- 3.2. The Trust is a democratic organisation with membership open to anyone over the age of 17. Members elect Directors to the Board of management on an annual basis.
- 3.3. This is accomplished through delivering high-quality, reasonably priced office space for renting on flexible terms, as well as a platform for SMEs to grow and thrive. Its facilities are built to accommodate beginning, small, and medium-sized businesses in many industries. New, growing, and existing firms from various industries, including the creative and third sectors and social enterprises, are housed in the business spaces.
- 3.4. The Trust has been using its trading surplus in part to develop work with young people in Stonehouse and to support other community initiatives. This is undertaken in part via its sister charity, Millfields Inspired, which runs a programme with the goal of raising the aspirations of year 5 children. For the last 14 years, this work has supported approximately 200 children a year.
- 3.5. The Trust recorded an operating profit of £203,056 before tax during the year 2021/22 compared to £226,255 in the preceding year. Income was almost exclusively generated via the letting of business units and conference rooms.
- 3.6. Throughout the year, the Trust ran a series of events to support local businesses and to forge links with the community. This included celebrating 20 years at HQ with tenants.
- 3.7. Following funding of £194,000 from Homes England, secured in 2019 for the development of Block D at the HQ site, a planning application was submitted in December 2021.

Profile of the Stonehouse area:

- 3.8. Stonehouse is an inner-city neighbourhood of Plymouth and forms part of the St Peter and the Waterfront Ward. Stonehouse has a population of approximately 9000 people. In 2019 the overall Index of Multiple Deprivation score for St Peter Ward was 47.1 This ranks the ward as 1 in the City. In 2019, 11.5% of the population were claiming universal credit, compared to 5.6% across the City as a whole.
- 3.9. The neighbourhood is also characterized by high levels of social housing and poor-quality private sector housing.
- 3.10. Stonehouse also has a lower life expectancy than the Plymouth average and is the worst neighbourhood in terms of anti-social behaviour. The Ward has the highest rates of child protection cases and children going into care.
- 3.11. Stonehouse is a densely populated neighbourhood, with flats and houses in proximity. With the decline of the pubs and the loss of two community centres and the local health centre, the area lacks places where people can congregate, socialize, meet their neighbours and friends, plan and conduct normal community activities.

4. Loan Background

- 4.1. Through Heart of the South West LEP ("HSW LEP"), the Trust secured funds from the Growing Places Fund in November 2013 for the building of Genesis (Unit C), HQ building, 237 Union Street, Plymouth, of £2,100,00. This was in the form of a loan from HSW LEP.
- 4.2. Terms and conditions of the loan requested that the balance of the loan be repaid within 10 years (by 31 October 2023 and since extended to 30 June 2024). PCC acted as a guarantor to this agreement and a charge was placed on the Trust's property by PCC (second to the Charge by Devon County Council acting at that time for the HSW LEP).
- 4.3. The loan and Guarantor agreements have since been novated to Somerset County Council who became the accountable body for HSW LEP.
- 4.4. More details of the outstanding balance of the loan are in Part 2 of the report to this Executive Decision.
- 4.5. The Trust has been proactively tracking commercial loan availability for several years and in June 2023 chose a bank with which to secure the loan. Personnel changes in both the Trust and the Bank have delayed finalisation of the loan offer and this was exacerbated by the bank's request that renewal of a lease and a grant from Plymouth City Council also be confirmed.

5. Decision

- 5.1. This loan from PCC is being requested in the realistic anticipation that the bank will not be able to transfer the money to the Trust by early June, ready for repayment to Somerset County Council by the end of the month.
- 5.2. It is recommended that Plymouth City Council either loan the money to the Trust or pay Somerset County Council directly – but with a loan agreement in place with the Trust for reimbursement.

- 5.3. Should a loan agreement not be put in place between PCC and the Trust, repayment of the loan from HSW LEP is likely to be enforced against either the Trust or PCC in its role as guarantor. Recovery of the outstanding value of the LEP loan would be enforced by Somerset County Council enforcing the legal charge on the Trust's properties or requiring repayment from PCC.
- 5.4. Confidential details about the loan and security arrangements are in the Part 2 report with this decision.