# Evaluation of the South Yorkshire Social Infrastructure Programme

# Report E: Acquisition and Utilisation of Assets

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# Acquisition and Utilisation of Assets

## Yorkshire Forward: South Yorkshire Social Infrastructure Programme

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# Executive Summary

## Introduction

The South Yorkshire Social Infrastructure Programme (SYSIP) included three new capital projects as accommodation for VCS organisations and revenue support for one development trust encompassing, amongst other activities, development and use of physical assets.

The projects investigated as part of the SYSIP evaluation include:

- The Core (Barnsley)
- Multi-Cultural Centre (Barnsley)
- The Spectrum (Rotherham)
- Zest Developments (Sheffield).

## Policy Context: Community Anchor Organisations

There has been a growing policy debate arround the possibility and potential of giving greater support to community owned assets. In the context of SYSIP, further attention has been given to the notion of *community anchor organisations (CAO).*

"Firm Foundations" defined Community anchor organisations as having at least four common features:

- they are controlled by local residents and/or representatives of local groups
- they address the needs of their area in a multi-purpose, holistic way
- they are committed to the involvement of all sections of their community, including marginalised groups
- they facilitate the development of the communities in their area.

Impetus to the debate around community assets was brought by the 2007 Quirk Review. This focused on the transfer of assets from the public sector into the control or joint control (with public sector agencies) of community organisations.

Whilst policy commitment to this agenda does not appear to be waning, the recession and the prospect of cuts in public expenditure may place greater pressures on organisations. In particular, there has been short term downward pressure on commercial rental values, and larger third sector organisations have reported that management workspace type ventures have become less viable.

## Findings

At face value, two of the projects have accomplished what was envisaged (The Core and The Spectrum); one (Zest) has pursued the activities specified with varying results, and the fourth (MCC) now looks on the brink of being shelved.

**The Core and Spectrum buildings are high standard products, in regeneration contexts, appreciated by their hosts/users and likely to be useful sources of modest annual incomes**. Their intangible impacts in terms of status may, in due course, be of greater financial significance.

Zest's experience illustrates the importance of having internal development capacity to pursue mission-driven business development in parallel with premises-related feasibility. Bringing these to fruition also depended upon partners' abilities to enter into commitments.

BBEMI's project (Multi Cultural Centre) has faced a series of obstacles, not all of the organisation's own making.

The experiences demonstrate the complexities of property development projects in terms of their specifications, capital and revenue costs, business plans and regulatory considerations.

These complexities apply to sponsoring organisations, partners, advisors and appraisers. **Technical and institutional optimism bias is a key risk which can be taken into account by sensitivity analyses at the application stage and treated as part of risk management during implementation**.

**The economic and financial climate for the four beneficiary organisations now is more difficult than was foreseen in 2005, so their status now is not so resilient**. The needs of their beneficiaries, however, are more acute. Acquisition of assets in these circumstances is of peripheral importance although the existence of the assets will have value (including alternative use value) for the future.

## Conclusion and Recommendations

The SYSIP programme has invested in community assets - either at a district scale (with two new Voluntary Action buildings) and at a community level (with Zest). **Common success factors are not unsurprising: robust business plans, careful consideration of income streams and risk, and internal capacity to realise construction projects. A further critical factor was external political and institutional support to realise original aims**. These factors were not all in place in the case of BBEMI.

**Recession and the prospect of tighter public expenditure places greater pressure of the assets**. This may lead to downward pressure on rental income and the risk of voids. These can be mitigated and contingencies are being explored (e.g. other users and uses for space). **Local support to ensure continued high occupancy levels will be crucial**. There were found to be considerable wider benefits to investment in community assets which are experienced by the owners of the buildings but also other stakekeholders.

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# 1. Introduction

## 1.1. Background to SYSIP

The South Yorkshire Social Infrastructure Programme (SYSIP) was supported by Yorkshire Forward, the South Yorkshire Objective 1 Programme and the South Yorkshire Learning and Skills Council which committed investment funds of around £36.8 million (with £24.1 million from Yorkshire Forward, £11.6 million from the South Yorkshire Objective 1 Programme and £1 million from the Learning and Skills Council)to voluntary and community sector infrastructure organisations in South Yorkshire between 2006 and 2009. This funding has now ended. A key aim of the programme was to increase the sustainability of the organisations supported.

Within SYSIP, proposals included three new capital projects as accommodation for VCS organisations and revenue support for one development trust encompassing, amongst other activities, development and use of physical assets.

## 1.2. Scope of the Evaluation

This is one of a series of reports produced on the different themes of SYSIP. These theme reports include:

- investment in volunteering
- acquisition and utilisation of assets (this report)
- core infrastructure services
- AfCL
- neighbourhood infrastructure
- partnership: voice, engagement and influence.

## 1.3. Rationales for Investment in Assets

The underlying rationales for these investments were combinations of efficiency (for the beneficiary organisations and the VCS sector) and diversified income generation from rental and room hire. The broader contexts included policy developments relating to:

- financial sustainability of third sector organisations
- their ability to deliver services under contract to the public sector
- the role of physical property assets in terms of income and as service delivery points.

The projects investigated as part of the SYSIP evaluation include:

- The Core (Barnsley)
- Multi-Cultural Centre (Barnsley)

- The Spectrum (Rotherham)
- Zest Developments (Sheffield).

Each development is considered in turn.

This section responds to two of the SYSIP theories of change, namely:

- new infrastructure assets increase capacity through a new building, allowing increased support to VCS organisations and VCS aims
- community organisations can be supported to make better use of their assets and so become more sustainable.

This section provides a useful precursor to the consideration of revenue activities delivered through core infrastructure services or neighbourhood infrastructure bodies.

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# 2. About SYSIP and the Evaluation

## 2.1. Introduction

The **aim of SYSIP** is to increase the sustainability of the voluntary and community sector (VCS) in South Yorkshire through support to infrastructure organisations. Through helping frontline VCS organisations become more effective, this is intended to bring wider economic and social impacts. The programme consists of six elements, each with complementary aims:

1. Barnsley Community Infrastructure
2. Doncaster Social Infrastructure
3. Rotherham Social Infrastructure
4. Sheffield Community Infrastructure
5. Sheffield Community Action Plan Programme
6. Academy for Community Leadership.

The programme was **evaluated** by researchers at Sheffield Hallam University, working in partnership with consultants mtl and COGS, in order to:

- estimate the impacts of the activities over time on VCS infrastructure and the economic regeneration of South Yorkshire
- help build monitoring and evaluation capacity in South Yorkshire
- capture learning and inform future action during the course of the programme.

The evaluation ran in three phases from **March 2007 to June 2009** and involved:

- reviewing the context, development and delivery of the programme
- assessing the impacts of the programme on the development of VCS organisations in South Yorkshire
- considering whether the programme is effectively meeting the needs of VCS organisations - particularly those from 'hard to reach' groups
- identifying good practice developed by the programme and individual elements
- assessing the sustainability of activities developed by the programme
- making recommendations for the future development of social and community infrastructure building programmes.

## 2.2. Rationale for SYSIP

The core costs of the SYSIP projects were met by Yorkshire Forward, South Yorkshire Objective 1 Programme, and the Learning and Skills Council. The investment in the SYSIP projects was made jointly by these organisations and funding from each (largely) runs concurrently.

The funding provided was in a range of voluntary and community sector 'infrastructure' activities and associated projects. Investment in VCS 'infrastructure' has been part of economic development programmes in the region since 1995 (as part of the EU Objective 2 programmes and linked SRB programmes of this period). Investment under the South Yorkshire Objective 1 programme extended investment, by seeking to invest funds more equitably in deprived neighbourhoods, through the support of communities of interest (e.g. organisations working with black and minority ethnic groups, and people with disabilities), as well as support to district and sub-regional level infrastructure organisations (e.g. local infrastructure organisations such as Councils for Voluntary Service - CVSs and to groups such as the AfCL and the South Yorkshire Open Forum).

Funding under SYSIP was made at a time when VCS organisations faced a reported 'funding cliff edge' with significant declines in UK and EU regional and regeneration funding going to VCS organisations. The **rationale** for SYSIP was therefore very much to provide support for a transitional period which allowed VCS infrastructure to be supported at an appropriate scale (for the funding available) and to seek sustainability without EU Structural Funds and SRB funding. Such sustainability it is suggested would be through VCS organisations attracting funding locally through new commissioning and procurement opportunities, through charging for services, and in some cases reconfiguring the scale/scope of organisations, through for example merger.

Under BERR (now BIS) evaluation guidance, RDAs may intervene for the following rationales: market failure (including provision of public goods, externalities, imperfect information and market power) and equity. The SYSIP projects can be seen to address these in different ways:

- *equity*: this is the main rationale for the SYSIP investments - namely that the RDA investment helps to reduce disparities between areas or different groups. Measures of the performance of SYSIP should therefore be derived from this
- *market failure*: investment in VCS organisations working in deprived areas and with disadvantaged groups can been seen to be seeking to address myriad market failures. Under the BERR framework, investment in VCS infrastructure does contain public good elements (e.g. advice and guidance available to all residents of a community) and externalities (e.g. neighbourhood effects from increasing employment or wellbeing)
- *investment in volunteer centres*: the interventions of the RDA have been to establish/continue support for volunteer centres. The work of the volunteer centres has primarily been in disadvantaged communities or hard to reach groups (including workless individuals). The justification for support here is therefore very much on *equity* grounds
- *acquisition and utilisation of assets*: this theme covers asset management and purchase of physical assets (buildings). The rationale for RDA intervention includes *equity* arguments (e.g. for asset management), but also seeks to address perceived market barriers faced by VCS organisations (for example in bringing together a critical mass of infrastructure activities in one place), and therefore address issues of *market power* and *imperfect information*
- *core infrastructure services*: these are primarily justified on *equity* and *public goods* grounds
- *neighbourhood infrastructure*: these are primarily justified on equity grounds through increasing resources going to disadvantaged neighbourhoods and the focus on stimulating economic related activities

- *partnership*: this was seen as a cross-cutting theme and could be justified on *public goods* grounds.

These issues are considered further in the thematic sections and more extensively in the section on impact.

## 2.3. Undertaking the Evaluation

The evaluation proceeded in three phases in 2007, 2008 and 2009 respectively. The research in 2007 focused on the development of an evaluation framework, interviewing stakeholders and an initial review of data. The research in 2008 undertook to complete the substantive research tasks around five separate themes and to run a programme of masterclasses. The research in 2009 focused on the primary fieldwork around core infrastructure services, an extensive round of stakeholder interviews, analysis of final monitoring data, and analysis of an array of other data sources (notably the NSTSO and financial account data). Judgements to inform the estimate of impact have also been made.

# 3. Policy Context

## 3.1. Introduction

There has been a growing policy debate arround the possibility and potential of giving greater support to community owned assets. Aitken, Cairns and Thake (2008) in research for the JRF provide a useful strating point in defining four sets of key terms:[1]

- assets may include physical assets such as land and buildings. They include community centres, village halls, former churches used for community benefit as well as community owned parks or woodland
- community ownership of assets refers to a community-based organisation's freehold or leasehold inteerst in an asset on behalf of a wider community or for that organisation's own use
- community-based organisations are local organisations that are independent of government or market and include locally based housing associations and co-operatives
- management of assets means the day-to-day responsibility and accountability for the operation and use of land and buildings.

## 3.2. Community Anchor Organisations

These are important definitions in terms of the debate. In the context of SYSIP, further attention has been given to the notion of *community anchor organisations (CAO).* The CAO term appears to date from the Home Office Civil Renewal Unit's framework for community capacity building; "Firm Foundations" (2004).[2] The document set out the principles for achieving the Government's ambitions for civil renewal. These principles which form the context for the Government's support of the Community Anchor concept include a community development approach to civil renewal; building on what exists; taking a long view; a strong emphasis on the importance of learning. The framework goes on to identify four areas for support *including "The development and support of community anchor organisations as key agents to promote and support local community development and neighbourhood engagement."*

"Firm Foundations" defined Community anchor organisations as having at least four common features:

- they are controlled by local residents and/or representatives of local groups
- they address the needs of their area in a multi-purpose, holistic way
- they are committed to the involvement of all sections of their community, including marginalised groups
- they facilitate the development of the communities in their area.

[1] Aitken, M., Cairns, B. and Thake, S. (2009), *Community ownership and management of assets*, (York: JRF).
[2] Home Office (2004) *The Government's Framework for Community Capacity Building*, (London: Home Office).

The Community Alliance has subsequently expanded that definition as part of their mission to establish a Community Anchor in every neighbourhood. According to the Community Alliance, a community anchor has the following characteristics:

- a building: a physical space which is community controlled, owned or led
- a focus for services and activities meeting local need
- a vehicle for local voices to be heard, needs to be identified and for local leaders and community groups to be supported
- a platform for community development, promoting cohesion while respecting diversity
- a home for the community sector which is supportive of the growth and development of community groups
- a means of promoting community led enterprise, generating independent income while having a social, economic and environmental impact
- a forum for dialogue within communities, creating community led solutions
- a bridge between communities and the state which promotes and brings about social change.

There is an assumption that CAOs operate and are located at a neighbourhood scale. This is the rationale which has been assumed in SYSIP with both Zest and SOAR in Sheffield held up as CAOs.

## 3.3. Asset Transfer

Impetus to the debate around community assets was brought by the 2007 Quirk Review[3]. This focused on the transfer of assets from the public sector into the control or joint control (with public sector agencies) of community organisations. More recently Community Anchors have come to prominence through the "Third Sector Strategy for Communities and Local Government"[4]. In this document Community Anchors are defined as "independent community led organisations with multi-purpose functions, which provide a focal point for local communities and community organisations, and for community services. They often own and manage community assets, and support small community organisations to reach out across the community".

There has been sustained and considerable support from the voluntary and community sector for greater exploration of community owned assets. The Development Trust Association for example sees asset ownership as a means to achieve long-term social, economic and environmental improvements. Other groups such as Community Matters highlight the importance of a clear assessment of benefits and risks before assets (and associated liabilities) are taken on by community organisations. Whilst benefits may include financial returns, improvements to services and less tangible community empowerment benefits, the risks tend to focus on long term costs and liabilities (e.g. costs for upkeep) and the commitment over time of funders to support buildings. A rationale underpinning arguments for community ownership is the buildings are multi-purpose, which

[3] CLG (2007), *The Quirk Review of Community Management and Ownership of Public Assets* (London: CLG)
[4] Third Sector Strategy for Communities and Local Government, discussion Paper June 2007 - Department for Communities and Local Government

enables a wider range of income streams to be accessed but also for greater use of buildings by a more diverse array of community groups and residents.

## 3.4. Conclusion

Much of the policy development around community owned assets has occurred against a relatively benign environment. There has been support nationally and locally for the development of community owned assets, and an interest in opening up opportunities to third sector organisations: for example in the delivery of various public services through locally owned assets.

Whilst policy commitment to this agenda does not appear to be waning, the recession and the prospect of cuts in public expenditure may place greater pressures on organisation. In particular, there has been short term downward pressure on commercial rental values, and larger third sector organisations have reported that management workspace type ventures have become less viable. At the same time tightening public expenditure may place greater emphasis on narrow value for money in service delivery over wider community benefits.

These issues provide the context for the success or otherwise of the asset deveopments supported through SYSIP.

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# 4. Barnsley: The Core and Multi-Cultural Centre

## 4.1. Original Concept

The Barnsley Community Infrastructure component of SYSIP originally (2005) envisaged support to eight theme-based activities, the first of which was the development of a VCS asset base. This envisaged two complementary buildings - the first (opened in November 2008) was a VCS building, now called The Core and managed by Voluntary Action Barnsley (VAB). The second (Multi Cultural Centre), to be operated by the Barnsley Black and Ethnic Minority Initiative (BBEMI), remains unbuilt because its costs have not been fully funded.

The concept was that the two buildings would provide ‘a central hub of expertise’. This would comprise physical infrastructure, amenities and facilities (offices, business units, training/conference/meeting rooms, multi-faith/multi-functional spaces). The accommodation would provide the base for generic infrastructure services to the VCS (management support, training, HR, legal advice, advocacy, accounts/ payroll, resource centre and volunteering).

Both construction projects were envisaged as complementary, on adjacent sites in the town centre, close to the new public transport interchange. The urban renaissance idea was that they would represent “a new, innovative VCS quarter”. Described as a “transformational initiative”, benefits were foreseen in terms of:

- a catalyst for managing change in the VCS
- meeting the requirements of Change Up
- enabling the sector to help disadvantaged groups reconnect with the economy
- revenue generation by the buildings providing long term core funding, assisting VAB and Barnsley Black and Ethnic Minority Initiative (BBEMI) move toward self-determination, sustainability and continuing the provision of core infrastructure services.

Both organisations (VAB and BBEMI) would provide infrastructure services, VAB to the VCS, BBEMI to the BME community. The facilities in the buildings would be complementary and, when combined, provide large scale conference facilities.

## 4.2. The Core (Barnsley)

VAB’s original premises were three separate Victorian houses close to (but outside) Barnsley town centre. Their maintenance costs were high, working conditions poor and, for the most part, not DDA compliant. The original idea was for a central ‘one stop shop’ VCS building accommodating (and managed by) VAB and providing rented office space for other VCS organisations/social enterprises, hot desks for embryonic organisations, meeting/training rooms and conference facilities.

The project’s business plan (2007) described the building as a high specification facility (IT, access and environmental sustainability) providing a full range of services whose design and accommodation reflected extensive user and community consultation. The net internal floorspace area on four floors is some 17,000 sq ft (gross external = 26,600 sq ft) with a roof terrace and green roof. Total costs, including land (provided at a peppercorn by BMBC), construction, fees and fittings were £4.7m. These were funded by Yorkshire Forward, BMBC, Objective 1 ERDF, CRT and VAB. The VAB funding represents an overdraft (Unity Bank), convertible to a mortgage for a lesser sum upon the sale of VAB's original premises at Queens Road.

Cash flow forecasts envisaged building-related income over three years to grow from £300,000 to £400,000 per year and costs of £300,000 per year. Profit and loss forecasts show initial annual deficits until the third year when a surplus is produced. The business plan states assumptions about occupancy are very conservative. The density of workstations is, however, high (equivalent to one per 80 sq ft) and the rental charge (fully inclusive of all costs except rates and VAT) is equivalent to £30 per sq ft.

The process of designing and developing the building was helped by a receptive architectural and professional team, good contractors, support and encouragement from BMBC and Yorkshire Forward, and growing confidence within the sector. The consensus was for a signature building, quirky like the sector, visible and with profile and to convey a professional image as well. The reaction to the finished product has been very positive.

VAB actively promoted The Core during its construction and, a year ahead of envisaged opening, was reasonably comfortable with expected occupancy and utilisation forecasts. This was in a context of forthcoming accommodation in the nearby Digital Media Centre and The Civic, and the demolition/ rebuilding of part of the Barnsley College complex. Unfortunately, the contractors went into administration which delayed the opening and the ability to confirm room hire bookings. Disposal of all of VAB's old accommodation has taken longer to achieve but VAB is still well within the ceiling of its overdraft facility.

The accommodation includes:

- Ground Floor: reception, conference room and Volunteer Centre
- 1st Floor: lettable office space (all inclusive rental), meeting rooms and, originally, hot desking space
- 2nd Floor: VAB offices and facilities/resources for VCS organisations and a training room
- 3rd Floor: originally open plan office floor area for single user occupancy, now converted to 5 offices.

Office rental is based on (fully equipped/serviced) workstation accommodation at £2,500 per year. Meeting/training and counselling rooms are available at sessional (up to three hours) and daily rates, with a discounted charge for VAB members. Hot desks were to be available at a session charge, discounted for VAB members. The building is generally available for use during weekday office hours.

Two changes to the specification have been made. First has been to change the hot desk facilities, for which there was no demand, to an IT training room and, second, to sub-divide the open plan 3rd floor which had not attracted occupiers. The 1st floor is now fully occupied with seven third sector (including social enterprise) tenants and the 3rd floor has its first tenant due to move in shortly. The projected income from the hot desks (circa £25,000 pa) is expected to be compensated for by booking income from the IT training room. So far, the rate of bookings for meeting and training rooms has performed as projected in the business plan. Most of the full rate bookings so far are from the Local Authority. The mixture of occupants and users has been a positive feature, helping develop understanding and networks.

Financial outturn projections for the first full year are still somewhat uncertain. This is more a reflection on costs than on income. The Core building has £1m of moving parts, plant and equipment and VAB is still exploring the basis for the most advantageous maintenance arrangements. Some of the IT systems need refining in the light of experience to date and VAB realises that costs and pricing policies need constant attention in order to build a budget informed by actuals.

In terms of occupancy, 22 jobs are accommodated (by tenants) on the 1st floor, VAB has approximately 50 staff and the top floor could accommodate up to 40 people. The business plan projected outputs were:

- 55 jobs safeguarded (VAB and its tenants in Queens Road)
- 20 jobs created (at VAB)
- 150 jobs accommodated (73 non VAB).

The building itself does not, of course, create any jobs other than management/maintenance. It is the activities of the organisations accommodated that would create a need for further employees. Income, including from contracts, grants, service level agreements etc, would be required for this to happen. Having an efficient and professional working environment and profile as represented by The Core may help in these regards but it is too early, since opening, to assess the likelihood. If The Core performs financially as expected in the business plan, then an annual surplus at Year 3 of £100,000 would be useful unrestricted income for VAB but is of marginal significance in terms of overall organisational sustainability.

## 4.3. Multi-Cultural Centre (MCC)

BBEMI is a community organisation membership body and Barnsley's Borough-wide BME umbrella organisation. Since 2003 BBEMI has championed, with the support of BMBC and One Barnsley (the LSP), the vision of a multi cultural centre in Barnsley town centre. The functions of the centre, as envisaged in the 2005 Barnsley Community Infrastructure Programme, were:

- facilities to accommodate social and cultural needs of the ethnic minority communities
- community facilities for use by all sectors of the population
- business support infrastructure.

The specification for the centre included:

- large multi purpose hall (capable of catering for festivals)
- office space for BME organisations
- meeting and conference facilities
- IT/training rooms
- business starter units
- café and communal kitchen.

The estimated costs of the new facility were £2.5m, on BMBC land leased at a peppercorn (and adjacent to The Core). Income generation by 2008 was estimated at £170,000 per annum.

Capital funding was expected from CRT, Big Lottery, Futurebuilders, LEGI (for which Barnsley was unsuccessful), ERDF and venture capital - amounting to £1.9m. Yorkshire Forward funding was £1.1m. This gives a funding package (excluding land value) of £3m, i.e. £0.5m above the estimated cost. In the event, the matched funding to put alongside the Single Pot investment was not secured.

A revised business plan (2008) projects the centre's role, following design changes and size reductions, as a social enterprise aiding access to jobs and prosperity, and providing income generation to support the future of BBEMI. A three-storey building of approximately 11,000 sq ft was envisaged containing:

- a large sub-dividable hall
- catering facilities
- multi faith prayer room
- 2 training rooms (one for IT)
- business advice office
- 7 lettable office units
- accommodation for BBEMI (area not specified).

The revised capital cost was £2.7m, met largely by the approved Yorkshire Forward funding and by an expected ERDF grant (£1.4m); the balance was the land value (£250,000 BMBC) and BBEMI (£30,000 loan finance).

The goals for the centre's operations emphasise economic activity, entrepreneurship, social enterprise and business support. A schedule of activities to be accommodated includes general community activities, sport/ health/fitness, skills/education/learning, older people, arts/crafts/leisure, youth activities and miscellaneous/ other uses. Outputs envisaged included 25 jobs and 3 businesses created.

Financial analyses (profit/loss) in the business plan indicate income rising from £191,000 in the first full year to £254,000 by Year 3 against costs of £207,000 rising to £218,000, i.e. a surplus by Year 3 of £36,000. Approaching 60 per cent of the projected income was expected from hire of meeting rooms.

An outline business plan application for ERDF support was prepared by BMBC later in 2008, seeking £1.3m grant toward the total cost of £2.7m. The aims for the project are the same as the goals in the earlier business plan and the objectives itemised emphasise business and economic development and community cohesion. The main projected outputs include:

| YORKSHIRE FORWARD | ERDF |
|---|---|
| Job Creation – 12<br>Business Creation 12<br>Businesses supported – 80 per annum | SMEs assisted – 50 per annum (10 social enterprises)<br>New businesses created – 12<br>Gross new jobs created – 16<br>Gross jobs safeguarded – 6<br>Gross increase in GVA - £567,717<br>Cross cutting:<br>• new jobs for BAME and women – 9<br>• safeguarded jobs for BAME and women – 6<br>• new business BAME and women – 12 |

The ERDF application followed an initial submission under the new ERDF Programme which had not been accepted on the grounds of demand, need and sustainability. The resubmitted application was also unsuccessful because the original Single Pot allocation for the project had been reduced by £375,000 and BBEMI was not considered a sustainable organisation.

The alternative proposition put to BBEMI was to move into The Core's top floor, the rent for which would be paid for five years to VAB out of the SYSIP original funding. In return, BBEMI was asked to prepare budget forecasts and scenarios for BMBC to consider. The expectation of demonstrable joint working between BBEMI and VAB was part of the deal.

BBEMI's Board now feels boxed-in with little room to manoeuvre and faced by an ultimatum. Previous attempts to obtain match funding have been unsuccessful and alternatives of using the Single Pot money to acquire premises have not been approved. The dream of the centre is now felt to have turned into a nightmare, absorbing attention at the expense of developing the organisation. Directors now face immediate and fundamental decisions relating to BBEMI's future, its identity and whether to persist with the original vision of a centre. They point to a growth in votes for the BNP in local elections since 2005 which, it is felt, can be associated with the delays faced by their project.

A problem for BBEMI throughout has been making a persuasive case for the matched funding being sought where the funding sources have different criteria from one another. Consequently, the emphases in the narrative alter to reflect the funding regime and questions are raised about feasibility, track record, viability, State Aid compliance and compatibility with The Core.

The Directors' aspiration to obtain premises in which they could be a host rather than always a guest in others' premises persists, if somewhat battered now after 4 years from securing the Yorkshire Forward finance. BBEMI services (eg ESOL, IT, gipsy and traveller support, mental health, IT training, cultural awareness training etc) have secured revenue support from a range of sources but obtaining the organisation's own premises as a base for delivery and development has not materialised.

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# 5. Rotherham: the Spectrum

## 5.1. Original Concept

Compared to the two Barnsley capital projects, the Voluntary Action Rotherham (VAR) project is straightforward. It was wholly funded by Yorkshire Forward at a total capital cost of £2.8m so VAR did not have to go through the complex channels of securing match funding.

The project was delivered on time and to budget, opening in April 2008 as The Spectrum. A success factor in this regard was good project management; the SYSIP funding paid the cost of a post and VAR made a good appointment. The post holder had a Royal Mail background so was new to the sector and to RDA funding but found dealing with both straightforward.

The case for the new building was to accommodate new staff required to deliver infrastructure services, volunteering and public procurement support as funded through SYSIP. It enabled VAR to vacate its older premises (Durlston House) for rent to other VCS occupants and for income generation to VAR.

## 5.2. Progress


The Spectrum is located on Coke Hill, a short walk from Rotherham town centre in a mixed-use industrial and commercial area, not far from Moorgate Crofts business centre. It is a 3-storey building of around 8,500 sq ft (6,000 sq ft net lettable). It accommodates VAR itself, meeting/ conference/training rooms and office space to let (circa 2,000 sq ft). Several VCS organisations who were tenants in Durlston House relocated too. Upon opening, The Spectrum housed 43 VAR employees (33 FTE), 9 (FTE) tenants' employees and provided the base for some 20 outreach workers of the tenants.

The site was formerly owned by RMBC, acquired at a market price assessed by the District Valuer; a different approach to that in Barnsley.

Tenant rentals are on a licence at £12/sq ft and an apportioned cost for services and utilities. Room hire rates are, like rent levels, below those of The Core in Barnsley.

Projected rental income in The Spectrum was initially up to £24,000 per year and room hire at around £6,000 per year; rental income from Durlston House rises, in stages, to £26,000 per year.

Immediate impacts for VAR included a professional image, enhanced status with the statutory sector, more efficient working practices and a visible improvement in staff confidence and satisfaction. Quite quickly, VCS organisations came to recognise the role of the building. These features, combined with town centre renaissance redevelopment which removed some meeting room accommodation, helped with room hire bookings.

A further (hoped-for) financial effect was the possibility of charging staff costs (and their accommodation) to projects' funding on a full cost recovery model. The full potential income from this source was envisaged as £80,000 per year, with £60,000 budgeted for the first year.

A year later, there are 38 VAR employees and around a dozen tenant employees (and the same number as outreach workers) at The Spectrum. Durlston House accommodates 20-30 (non VAR) employees. The top floor of The Spectrum has never been fully let, so tenant rental income is less (around £4,000 per year) than budgeted.

Meeting rooms operational costs have been higher than expected so surpluses are reduced. Public sector bookings are less than initially envisaged and third sector bookings have reduced. Price sensitivity is a critical constraint for VAR and applies to cost of membership and services as well. Nonetheless, utilisation of meeting/training rooms in the first year has been at 60 per cent capacity.

Maintenance and inspection costs have risen higher than expected so VAR is market testing providers and liaising with colleagues in Sheffield and Barnsley on joint procurement for better value. Some progress has been made on full cost recovery but funders remain wary of providers' overhead costs. A reflection on the past year is that there are many premises-related implications for the sector in general which need careful attention.

## 5.3. Conclusion

Although direct financial performance arising from The Spectrum has not been as good as initially projected, VAR recognises the importance of fostering culture change (in the sector and with public sector bodies) towards acknowledging the necessity to be charged for services used. Indirectly, The Spectrum has been instrumental in conveying professionalism at project tendering and contracting stages. It has also helped to strengthen joint working in the sector in preparing submissions for invitations and funding rounds, in which South Yorkshire has done quite well recently. Overall, the financial contribution to VAR from The Spectrum (and Durlston House) is useful but modest in terms of VAR's incoming resources which, subject to funding cycles, have been £1.5m-£2m per year.

Currently, some initial attention is being given by VAR to an adjacent plot of land for development as social enterprise accommodation and a volunteer centre of excellence. VAR is interested in incubating higher value added social enterprises, feeling that there are only a few in the Borough. But greater certainty about demand and commercial viability is recognised by VAR as a necessity before countenancing a further capital project; the recession is a looming factor in this regard.

# 6. Sheffield: Zest

The Zest (formerly NUCA) element of the Sheffield programme is different from the Rotherham project and 2 Barnsley projects in that the funding provided was revenue to support existing posts in the core team (8.7 FTEs). Amongst 15 itemised development activities were a handful relating to specific or generic land and property development initiatives. The remainder were to do with services and business development initiatives, some of which would be users/occupiers of premises developed.

Zest is an established, high performing development trust, operating a Healthy Living Centre which is its main base, owned by a Trust Board (Zest, City Council and PCT) and managed by Zest. It is a community anchor organisation in Sheffield, has been an accountable body for SRB and Objective 1 funding, and is part of the G9 group of VCS neighbourhood economic development organisations in Sheffield. The trust has around 70 staff including project funded personnel.

Project documentation does not permit a separate analysis of the Zest element of the Sheffield Community Infrastructure Programme total expenditure (circa £9m) and outputs. Gross staffing costs for 2.7 years of the programme for Zest's core team are shown as some £775,000. The Sheffield programme had no output targets relating to land or property development.

Zest's roots are in community development although its role has changed towards economic outcomes, achieved through community development principles and approaches, which include access to appropriate services provision. The Healthy Living Centre, now known as the Zest Centre, is an important exemplification of this approach – delivering health, social and leisure services to provide integrated wellbeing-enhancement opportunities. The nearby Zest one stop shop for Jobs, Training and Enterprise has a reciprocal referral relationship with Zest Centre operations.

The SYSIP funding has allowed Zest to tackle the menu of activities envisaged in 2005 as an integrated portfolio of work. The physical development activities then envisaged included:

- site redevelopment (St Vincent's) via S106 agreement
- identification of asset development opportunities
- continued development of the One-Stop-Shop
- further development of the Healthy Living Centre.

These are not pursued, however, as ends in themselves. Zest's philosophy is that there must be a viable business proposition for the Trust, which fulfils its mission, before considering the necessity of acquiring and developing assets. So the other development activities, eg LEGI, social enterprise support, cohesion, young people and sport, procurement and service delivery have been the primary drivers.

Some of these other development activities have proved harder to bring to fruition as they depended on multi-agency and partners' abilities to commit and proceed at the same pace. This meant that certain physical projects were not required and also, unfortunately, that some physical investment (eg at the Zest Centre), intended for project initiatives, has not yet produced the income expected due to third party delays.

A selection of initiatives, events and circumstances illustrates the complexities and uncertainties faced, as well as achievements:

- the Zest Centre secured circa £400,000 (PCT, Dept of Health Social Enterprise Fund and ERDF) for further refurbishment – this provided a bigger/better gym with new equipment and air conditioning for otherwise basic office space. The gym is generating record income, catering for more leisure users and different customers in addition to the health therapy former users. The office space was intended for the City Council's Local Team (16 staff), agreed a year ago but not yet enacted
- the former City Council housing office, where Zest has in principle agreement with the Council, has been the subject of a children and young people project aimed at health and obesity. This is a group that is not a natural fit with users of the Zest Centre. A MySpace application for funding was unsuccessful and options are now being considered
- Zest has a city-wide contract with the PCT for work on obesity with young people. The former housing office could have been a delivery point and now the Zest Centre will fill this role. This is an important area for Zest and its spectrum of health promotion
- a retail premises partnership initiative with SCEDU has not progressed due to financial issues faced by SCEDU
- Zest's one stop shop fulfils 2 DWP contracts and a City Council ERDF bid would have brought more resources for services but is taking a long time to progress. This facility is under review by Zest, weighing up usage, contract values and services to the local community
- Zest heads up the VCFS Children and Young People's Consortium (part of a wider approach to third sector roles in public procurement). Opportunities here are yet someway off but could enable economies of scale and efficiency in use of the Zest Centre
- Yorkshire Forward's funding subsidised the City Council SLA with Zest for running the Zest Centre. Its expiry means there is a £30,000 per annum deficit and negotiations between Zest and the City Council are seeking to reach agreement on the services specification and their costs
- several operational issues are material. The library in the Zest Centre is serviced by staff transferred under TUPE to Zest and a one-off unforeseen pension deficit of £95,000 has arisen. Furthermore the library is a part-time operation and oversees an open access IT suite. It has not been possible to reach agreement with the library service to open the IT suite when the library is closed.

Several contextual circumstances in the city have meant cuts in staff and in hours of staff employed by Zest and the outlook is one of rationalisation. The core focus of Zest is its services for its local community which drives the business model, so buildings and contracts are a means to this end. Zest would be wary of accepting transferred ownership of the Zest Centre as an 'asset'.

Today Zest has some 50-60 staff and the core team is now 6 people (from 8.7 FTE). The Trust has reserves, a turnover for 2009/10 of some £2m and a modest projected surplus just below £100,000. The outlook for 2010/11 is tougher, so Zest is checking its operations for mission drift, having a hard look and rethink on its core purpose and working hard on its partners to get them to recognise service level requirements, true (full) costs, benefits from alignment, ie all the problems of multi-agency, multi-level governance faced by many third sector (and other) delivery agents.

# 7. Conclusion and Reflections

At face value, two of the projects have accomplished what was envisaged (The Core and The Spectrum); one (Zest) has pursued the activities specified with varying results, and the fourth (MCC) now looks on the brink of being shelved.

The Core and Spectrum buildings are high standard products, in regeneration contexts, appreciated by their hosts/users and likely to be useful sources of modest annual incomes. Their intangible impacts in terms of status may, in due course, be of greater financial significance.

Zest's experience illustrates the importance of having internal development capacity to pursue mission-driven business development in parallel with premises-related feasibility. Bringing these to fruition also depended upon partners' abilities to enter into commitments.

BBEMI's project, the Multi Cultural Centre, has faced a series of obstacles, not all of the organisation's own making.

The experiences demonstrate the complexities of property development projects in terms of their specifications, capital and revenue costs, business plans and regulatory considerations. These complexities apply to sponsoring organisations, partners, advisors and appraisers. Technical and institutional optimism bias is a key risk which can be taken into account by sensitivity analyses at the application stage and treated as part of risk management during implementation.

The economic and financial climate for the four beneficiary organisations now is more difficult than was foreseen in 2005, so their status now is not so resilient. The needs of their beneficiaries, however, are more acute. Acquisition of assets in these circumstances is of peripheral importance although the existence of the assets will have value (including alternative use value) for the future.