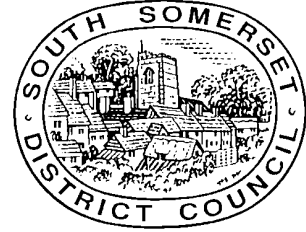


South Somerset District Council
Notice of Meeting



Scrutiny Committee

Making a difference where it counts

Tuesday 27th February 2018

10.00 am

**Main Committee Room, Council Offices
Brympton Way, Yeovil BA20 2HT**

(disabled access and a hearing loop are available at this meeting venue)



The following members are requested to attend this meeting.

Chairman: Sue Steele
Vice-chairmen: Dave Bulmer and John Clark

Jason Baker
John Field
Carol Goodall
Mike Lock

Tony Lock
David Norris
Alan Smith
Rob Stickland

Gerard Tucker
Martin Wale
Colin Winder

Consideration of District Executive agenda items will commence no earlier than 10.30am.

If you would like any further information on the items to be discussed, please contact the Case Services Officer (Support Services) on 01935 462596 or democracy@southsomerset.gov.uk

This Agenda was issued on Monday 19 February 2018.

Alex Parmley, Chief Executive Officer

This information is also available on our website
www.southsomerset.gov.uk and via the mod.govapp



INVESTORS IN PEOPLE

Information for the Public

What is Scrutiny?

The Local Government Act 2000 requires all councils in England and Wales to introduce new political structures which provide a clear role for the Council, the Executive and non-executive councillors.

One of the key roles for non-executive councillors is to undertake an overview and scrutiny role for the council. In this Council the overview and scrutiny role involves reviewing and developing, scrutinising organisations external to the council and holding the executive to account

Scrutiny also has an important role to play in organisational performance management.

The Scrutiny Committee is made up of 14 non-executive members and meets monthly to consider items where executive decisions need to be reviewed before or after their implementation, and to commission reviews of policy or other public interest.

Members of the public are able to:

- attend meetings of the Scrutiny Committee except where, for example, personal or confidential matters are being discussed;
- speak at Scrutiny Committee meetings (limited to up to 3 minutes per person and at the Chairman's discretion usually no more than a total of 15 minutes is allocated for public speaking); and
- see agenda reports.

Meetings of the Scrutiny Committee are held monthly on the Tuesday prior to meetings of the District Executive at 10.00am in the Council Offices, Brympton Way, Yeovil.

Agendas and minutes of these meetings are published on the Council's website www.southsomerset.gov.uk.

Further information can be obtained by contacting the agenda co-ordinator named on the front page.

Recording and photography at council meetings

Recording of council meetings is permitted, however anyone wishing to do so should let the Chairperson of the meeting know prior to the start of the meeting. The recording should be overt and clearly visible to anyone at the meeting, but non-disruptive. If someone is recording the meeting, the Chairman will make an announcement at the beginning of the meeting. If anyone making public representation does not wish to be recorded they must let the Chairperson know.

The full 'Policy on Audio/Visual Recording and Photography at Council Meetings' can be viewed online at:

<http://modgov.southsomerset.gov.uk/documents/s3327/Policy%20on%20the%20recording%20of%20council%20meetings.pdf>

Scrutiny Committee

Tuesday 27 February 2018

Agenda

Preliminary Items

1. Minutes (Pages 4 - 10)

To approve as a correct record the minutes of the previous meeting held on 30 January 2018.

2. Apologies for absence

3. Declarations of Interest

In accordance with the Council's current Code of Conduct (as amended 26 February 2015), which includes all the provisions relating to Disclosable Pecuniary Interests (DPI), personal and prejudicial interests, Members are asked to declare any DPI and also any personal interests (and whether or not such personal interests are also "prejudicial") in relation to any matter on the Agenda for this meeting.

4. Public question time

5. Issues arising from previous meetings

This is an opportunity for Members to question the progress on issues arising from previous meetings. However, this does not allow for the re-opening of a debate on any item not forming part of this agenda.

6. Chairman's Announcements

Items for Discussion

7. Yeovil Innovation Centre (Pages 11 - 21)

8. Verbal update on reports considered by District Executive on 1 February 2018 (Page 22)

9. Reports to be considered by District Executive on 1 March 2018 (Page 23)

Consideration of the District Executive agenda items will commence no earlier than 10.30am.

10. Verbal update on Task and Finish reviews (Page 24)

11. Update on matters of interest (Page 25)

12. Scrutiny Work Programme (Pages 26 - 27)

13. Date of next meeting (Page 28)

Agenda Item 1

South Somerset District Council

Draft Minutes of a meeting of the **Scrutiny Committee** held at the **Main Committee Room, Council Offices, Brympton Way, Yeovil BA20 2HT on Tuesday 30 January 2018.**

(10.00 am - 12.45 pm)

Present:

Members: Councillor Sue Steele (Chairman)

Dave Bulmer	Alan Smith
John Clark	Rob Stickland (to 12.40pm)
John Field	Gerard Tucker (to 12.05pm)
Carol Goodall	Martin Wale (to 11.40am)
David Norris (to 12.25pm)	Colin Winder (to 12.25pm)

Also Present:

Peter Gubbins	Jo Roundell Greene
Henry Hobhouse	Sylvia Seal
Val Keitch	Mike Lock
Ric Pallister	

Officers

Alex Parmley	Chief Executive
Netta Meadows	Director (Strategy & Commissioning)
Clare Pestell	Director (Commercial Services & Income Generation)
Alasdair Bell	Environmental Health Manager
Paul Rayson	General Manager, Yeovil Crematorium
Charlotte Jones	People, Performance & Change Lead
Paul Fitzgerald	Section 151 Officer
Nicola Hix	Lead Specialist (Finance)
David Crisfield	Third Sector and Equalities Co-ordinator
Caroline White	Commercial Property, Land and Development Manger
Jo Gale	Scrutiny Specialist
Becky Sanders	Case Services Officer (Support Services)

105. Minutes (Agenda Item 1)

The minutes of the meeting held on 2 January 2018 were approved as a correct record and signed by the Chairman.

106. Apologies for absence (Agenda Item 2)

Apologies for absence were received from Councillors Jason Baker and Tony Lock.

107. Declarations of Interest (Agenda Item 3)

Councillor John Clark declared a personal interest for item 7 on the District Agenda – 2018/19 Draft Revenue and Capital Budgets and Medium Term Financial Plan – as he was on the Project Brief Group for the new Westfield Community Centre which was the subject of a request for capital funding.

108. Public question time (Agenda Item 4)

There were no members of public present at the meeting.

109. Issues arising from previous meetings (Agenda Item 5)

Councillor Martin Wale advised members that he had attempted to call in the item regarding Yeovil Markets on the District Executive agenda in January, but had since retracted for a number of reasons. He noted that after discussions with Legal it had been agreed that elements of the Council Constitution would be reviewed as the details about the terms of any call in was not as clear as it could be.

In response, the Scrutiny Manager clarified that a call in would normally be regarding a decision, and on this occasion the points raised didn't refer to the decision but to the subject matter more in general. It had therefore been suggested by Councillor Wale that Scrutiny request a report providing an overview of the Yeovil Refresh including the funding and governance arrangements.

110. Chairman's Announcements (Agenda Item 6)

The Chairman provided several updates including:

- Outcome of the further meeting held with the Director for Strategy & Commissioning and the People, Performance & Change Lead regarding performance monitoring. The revised Performance Indicators were detailed in a report on the District Agenda.
 - Confirmation that the hours of the Scrutiny Officer had been reduced and so members may need to re-prioritise work undertaken by the Committee.
 - Task and Finish work by the Committee had featured in the Rural Housing Spotlight newsletter because we had identified the disposal policy as an example of failure to rural proof.
-

111. Update Report on Progress with the Scheme to Develop and Refurbish Yeovil Crematorium (Agenda Item 7)

The Portfolio Holder for Area South introduced the report as detailed in the agenda, and was happy to answer any questions members raised. The Environmental Health Manager noted the project was all on track and running to schedule and budget. He provided some updates including:

- The project had now gone out to tender for the cremators

- Work had commenced on the Bluebell Road access

Comments made by the Portfolio Holder and Environmental Health Manager in response to comments made during a brief discussion included:

- A scale model of the scheme would be available in the near future – it was currently being modified to incorporate some minor changes that had been made to the design..
- Project was on budget and included the small changes being made to the scheme and the new tarmac paths.
- Plans will be available to view online when they are finalised, but members were welcome to view the current plans on request.

Members were pleased to note the progress and thanked the Environmental Health Manager and the Portfolio Holder for the informative report.

ACTION: That members note the Update Report on Progress with the Scheme to Develop and Refurbish Yeovil Crematorium.

112. Verbal update on reports considered by District Executive on 4 January 2018 (Agenda Item 8)

The Chairman noted that the Scrutiny comments had been considered and were included in the District Executive minutes which had been circulated.

The Scrutiny Manager noted at the last meeting a query had been raised under the draft budget item, about whether a figure had been set yet regarding a Council Tax premium on empty properties. A response had since been received from the Revenues Team Leader explaining that the change would no longer be taking effect from April 2018 due to required legislation changes. It would be from April 2019 that we could potentially charge 200% for long-term empty properties.

113. Reports to be considered by District Executive on 1 February 2018 (Agenda Item 9)

Members considered the reports within the District Executive agenda for 1 February 2018 and made comments including:

SSDC Council Action Plan 2018-19 (Agenda item 6)

- Para 2.9 – Members were disappointed that rural businesses, land based businesses and agriculture did not feature more prominently in the Action Plan given that so much of the district is of a rural nature.
- Broadband – several members felt this was more a key performance indicator for County and the LEP, as broadband is something that can be promoted by SSDC rather than administered.
- Scrutiny queried what role SSDC was playing in the iAero project.
- Page 12, priority 1 – regarding satisfaction rates, members queried if dis-satisfaction and complaints would continue to be monitored.

- Members sought reassurance that there will be some directly comparable performance indicators, so that we can benchmark against other appropriate local authorities.
- Members asked if data would be available at a district level or whether, in time, it would be possible to drill down to a lower level such as wards and specific service provision.
- Members also sought reassurance that customer service data will continue to be measured in order to facilitate improvements being made or ensuring adequate capacity. eg. How long callers waiting, calls abandoned etc.
- It was noted that customers contacting us by telephone now receive a recorded message indicating the time to be connected to an advisor. It is suggested that if a caller chooses to hang up after the message it should be recorded differently to an abandoned call, as the customer has made an informed choice to hang-up.
- Member suggested that a performance monitor was measured for those activities that SSDC is specifically responsible for with regard to anti-social behaviour and make it clear in any reports – what constitutes anti-social behaviour so the measure is more meaningful to residents.

2018/19 Draft Revenue and Capital Budgets and Medium Term Financial Plan (Agenda item 7)

- Members asked for some clarity and further explanation regarding the figures relating to New Homes Bonus within the report.
- With regard to the Government 4 year settlement, Scrutiny queried if there was still doubt about funding for Year 5 onwards?
- Page 21, para 23 – Members found elements of the table difficult to understand. It was suggested a short narrative for sub headings in the table may be useful or possibly to see if there is any alternative way of presenting the information.
- Page 17 - Scrutiny felt the wording of Recommendation 4b was a little confusing as it wasn't clear if the £1.85 for the SRA is part of, or in addition to, the Council Tax increase of £5.
- Scrutiny were content that the recommendations go forward.

2017/18 Revenue Budget Monitoring Report for the Quarter Ending 31 December 2017 (Agenda item 8)

- Scrutiny did not raise any queries, and were content that the recommendations go forward.

2017/18 Capital Budget Monitoring Report for the Quarter Ending 31 December 2017 (Agenda item 9)

- Scrutiny did not raise any queries, and were content that the recommendations go forward.

District-Wide Strategic Grants – Proposal for Two-Year Funding Agreements With Access for All, CASS and SPARK 2018-2020 (Agenda item 10)

- Scrutiny sought reassurance about how the performance is measured and reviewed for each of the organisations.

- Members endorsed comments made by the Portfolio Holder at the Scrutiny Committee, and noted the role of CASS was crucial and should continue to be supported by SSDC.
- Scrutiny noted the grants to be awarded would be the same as previous years and so effectively the organisations were absorbing inflation, hence effectively year on year we were granting them less.
- Some members sought reassurance that the funding to CASS was appropriate given that they were now helping more clients especially since the roll-out of Universal Credit.

Loan to Somerset Care & Repair Ltd (Agenda item 11)

- Scrutiny were encouraged by the project as it would help to address the challenges of the new Homelessness Reduction Act. It was also noted how the social attributes of the company complimented the aims of SSDC.
- Members did query if once a unit was rented out to someone whether it would be on a permanent basis or for a defined length of time?

Food Hygiene Rating Scheme – Cost Recovery for Requested Re-Inspections (Agenda item 12)

- Scrutiny sought some clarity about the scheme and queried if re-visits were just for the purposes of a business trying to gain a higher rating?
- Members queried how the £115 fee had been derived at, and whether it would be an SSDC figure or one that would be more widely used.

Commercial Property, Land and Development – Performance Management Indicators (PMI) Report (Agenda item 13)

- Page 140, PMI 1b – Members acknowledged that estimating the spend required would be a big unknown for some properties.
- Members asked for clarification of how information relating to PMIs 1a - 1d would be detailed in the overarching Performance Monitoring.

District Executive Forward Plan (Agenda item 14)

- Scrutiny made no comments.

CONFIDENTIAL – Exclusion of the Press and Public

In accordance with Section 100A(4) of the Local Government Act 1972 (as amended), the Committee resolved that the press and public be excluded from the following items in view of the likely disclosure of exempt information as described in Paragraph 3 of Part 1 of Schedule 12A to the Act, i.e. "Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Commercial Services & Income Generation Update (Confidential) (Agenda item 17)

- Scrutiny made several comments in confidential session.

114. Discretionary Housing Payment Policy Update (Agenda Item 10)

The Benefits Team Leader presented the report as detailed in the agenda, which provided an update on progress made and analysis of results following the implementation of the new Discretionary Housing Payment Policy in April 2017.

There was a very brief discussion during which members were pleased to note the progress made. No concerns or issues were raised.

Members thanked the Team Leader for her report.

ACTION: That the Discretionary Housing Payment Policy Update report be noted.

115. Verbal update on Task and Finish reviews (Agenda Item 11)

Members noted the updates provided by the Scrutiny Manager on each of the Task and Finish Groups currently in progress or commencing in the near future.

Customer Accesibility – An invitation to participate was issued at Full Council and included in the Full Council Agenda, but no names had come forward and so she would approach the political group leaders. A meeting would be scheduled for mid-February for the group to meet with relevant officers and to collectively discuss the scope of the review in more detail

She explained this would be an important piece of work and integral to the Transformation Programme, and the group would need to work at a pace.

Council Tax Support Scheme 2019 – No updates since the last meeting.

Homefinder Somerset Plain English Policy - No updates since the last meeting.

116. Update on matters of interest (Agenda Item 12)

There were no updates on matters of interest.

117. Scrutiny Work Programme (Agenda Item 13)

The Scrutiny Manager provided a number of updates including:

- The report about the Yeovil Innovation Centre was due at the following meeting. The Economic Development Manager had asked if members may wish for a tour of the Centre prior to the meeting. Members thanked the officer for the offer of a tour but declined due to concerns about time availability for the Committee meeting.
- As discussed earlier in the meeting it was suggested that there was a follow up report on Yeovil Markets/Yeovil Vision/Yeovil Refresh following concerns raised at the previous meeting and the attempted call-in.

The Chairman also noted that she felt there was a need to look at the rural areas and market towns given the economy focus in the Council Plan.

118. Date of next meeting (Agenda Item 14)

Members noted the next meeting of the Scrutiny Committee was scheduled for 10.00am on Tuesday 27 February in the Main Committee Room, Brympton Way.

.....
Chairman

Agenda Item 7

Yeovil Innovation Centre

Executive Portfolio Holder: Jo Roundell Green, Environment and Economic Development
Director: Clare Pestell, Commercial Services and Income Generation
Service Manager: David Julian, Economic Development Manager
Lead Officer: Clare Pestell, Director, Commercial Services and Income Generation
Contact Details: David.julian@southsomerset.gov.uk
Clare.pestell@southsomerset.gov.uk

Purpose of the Report

This report has been prepared in response to a request from Scrutiny Committee. The report answers specific questions raised by the Committee in relation to the operation of the Yeovil Innovation Centre (YIC). The questions and the responses are detailed in the report.

Much of the detail included in this report is already in the public domain in separate reports or as part of SSDCs routine financial reporting procedures. For example the YIC Business Plan, The Business Plan for the YIC2 Extension and regular financial updates have all been reported and approved by District Executive and/or Full Council.

Report Background

1. Rationale and general background.

The original feasibility study for YIC (Ancer Spa 2005) had identified a twofold need for an innovation and business incubation centre based in Yeovil. Firstly there was a geographical 'gap' for a sub-regional innovation centre, with Yeovil ideally placed between the high-tech industry centres of Exeter and Bristol. Secondly there was a need to help reduce Yeovil's over-dependence on a small number of large employers within the local Aerospace Sector. The intention was to facilitate the growth of small business, ideally (but not exclusively) within the valuable high-tech sectors. This would begin the gradual shift away from our dependence on the major employers without reducing local GVA whilst helping to increase productivity in the local and wider economies.

YIC enables the establishment and growth of new businesses by providing a secure and supportive business environment that helps to de-risk business start-up and nurture businesses through their early years of development before releasing them into the wider business world. The centre assists tenants with business planning, creates opportunities to access specialist advice, helps them to make contacts to develop local business hubs and feed into supply chains.

The existing Yeovil Innovation Centre occupies a refurbished factory with a floor area of approx. 3,000 sq. m. The existing building comprises; approx. 800 sq. m. of 'anchor tenancy' space (this helps to financially underpin the whole operation); approx. 1,200 sq. m. of small and medium size units that form the wider tenancy space; approx. 1,000 sq. m. of shared facilities including a foyer, meeting rooms, administrative office space, kitchen, 'meet and greet' area, toilets and general access areas.

Yeovil Innovation Centre was officially opened in the spring of 2009 and South Somerset District Council (SSDC) became the operator by default when the procurement of an independent operator proved unsuccessful due to the prevailing national economic climate at that time. It should be noted that despite being opened at the height of a severe economic recession, the centre enjoyed both early and continuing demand and success.

2. The legal and statutory position

The YIC site was originally acquired and refurbished with capital grants from three funding partners:

Somerset County Council (SCC) -	£ 750,000
South Somerset District Council -	£1,200,000
South West of England Regional Development Agency (SWERDA).	£2,910,000

Note that the interests of the latter organisation passed to the Homes and Communities Agency (HCA) in 2012.

The resulting 'Funding Partnership' is bound by formal legal agreements that set out the agreed use of the building. These legal agreements include certain conditions:

- The terms of the SWERDA grant state that the funding was awarded for the development and running of an innovation and business incubation centre.
- There are 'claw-back' clauses in both the Funding Partners Contract and the Operating Contract to legally protect this position. These documents are signed and sealed by all parties and require contract variations even for minor changes.
- There is a charge (held by HCA as a contingent asset assigned to them on the demise of SWERDA) on the title deeds of the premises that prevent the use of the YIC for any other purpose than that of an Innovation and Business Incubation Centre. This means that whilst SSDC own the land and the building, the HCA can ensure the use of the site for its designated purpose.
- Cessation of the use of YIC for its intended purpose could result in a request to repay the original grants.
- Sale of the YIC would result in the financial proceeds being shared by the funding partners in proportion to the amount of capital they originally invested.
- HCA as the majority funder (and not SSDC) hold the 'step-in' rights if the original project is varied or abandoned.
- The use of the centre for its intended purpose is also governed by State Aid Exemption agreements.

Therefore the use of YIC for its current purpose is clearly defined and legally protected and cannot be varied by SSDC. The performance of YIC is monitored by the Funding Partners and this process is detailed at 3.14 below.

Report Detail

3 This section provides responses to specific questions and observations raised by the Scrutiny Committee. The questions are shown in bold italics and the responses in standard print.

3.1 It appears that the Innovation Centre may be required to broaden its original intended purpose and objectives to also generate income. In the commercialisation strategy it states the Income & Opportunity Development Manager will be tasked with overseeing and managing existing business units and developing them into self-contained and independent profit centres (such as the Yeovil Innovation Centre) and investigating new business and income opportunities and taking these projects forward to fruition on a similar basis of funding and development.

The Yeovil Innovation Centre is mentioned in the Commercial Strategy purely as a working example of a self-contained profit centre.

The strategy does not intend to infer that the YIC 'may be required to broaden its original intended purpose'. The purpose and scope of YIC cannot be changed and this is detailed in section 2 of this report.

Yeovil Innovation Centre was set up as a regeneration project and not an income generating project. Whilst we would not wish to sustain financial losses at the centre and making a profit is desirable, the primary function is to foster sound business growth for South Somerset (and further afield) and to benefit the wider economy.

3.2 *Members appreciate there is more pressure than before to make better returns on our assets but feel SSDC should prioritise as agreed previously the investment in growth of all sectors, to diversify its employment base, business support for all sectors is vital for the longer economic growth and prosperity of the district.*

The original and specific agreed aim of YIC was to help diversify the local economy away from its over-dependence on a small number of major employees operating in the aerospace and high tech sectors in Yeovil.

The YIC project is a way of helping absorb future shocks- particularly in the aerospace economy on which Yeovil is very dependent. Business start-up is accommodated at the centre to enable diversification, but we particularly encourage high tech start up because this sector will generate high levels of productivity and GVA (gross value added to the local economy). SSDC intervention in this sector will offer sound long-term benefit and value to the local economy. YIC also has a commitment to wider business start-ups and to companies from further afield wishing to test the local markets. Several tenants at YIC represent inward investment ventures into South Somerset from elsewhere in the country and Europe.

The wider Economic Development Service does not focus exclusively on the YIC and the service works on wider business support, infrastructure and employment land provision, town centre regeneration and 'softer regeneration projects' such as the organisation of specialist business events. Additionally the Economic Development Service has been responsible for delivering our Tourism activities. The service is responsible for providing business support across wide sections of the local economy.

3.3 *Members have expressed concern that phase 2 may not be required in terms of providing office space and alternative purposes should be considered, in particular with a focus on manufacturing diversifying the local economy and increasing employment and productivity.*

This concern has not been raised prior to this request from Scrutiny Committee. The YIC Business Plan (District Executive 2015) referred to the phase 2 extension and the full Business Case for the extension (Feb 2016) was agreed by the District Executive Committee and Full Council respectively- so there have been opportunities to air any concerns prior to this occasion.

The Business Case outlined the need for additional office space at YIC2- with a particular emphasis on the provision of small offices for small business start-up. Occupancy levels at YIC have generally held between 80% and 85% (with temporary extremes at 79% and 95%) over the last 3 years, which is as high as could be expected in any business centre with 'easy-in and easy-out' terms. Full centre occupancy would never be expected to be sustained in this type of operation. What is noticeable is the almost continual full occupancy of the smaller offices. There are rarely any small offices available even with reasonable tenant turnover. The vacancies invariably occur in the much larger offices. It has been tempting to consider converting the larger spaces into smaller offices, but larger offices are often needed to accommodate expanding businesses. One tenant slowly expanded their business over a period of years, moving progressively through the larger offices and is now occupying an anchor

tenant office. Additionally the larger vacant offices are well used for meetings and small conferences. YIC 2 aims to address the unmet demand for small offices and the new ground floor of YIC2 will almost exclusively comprise smaller office space.

It is also important to note that the YIC site has B1 planning use rather than the B2 planning use normally associated with manufacturing. Compatibility issues might also be created if manufacturing were to be permitted on a site that predominantly hosts office use.

3.4 What has been the performance of the Yeovil Innovation Centre since the last update to members in the business plan and Innovation Centre phase 2 project brief provided in 2015 Please provide:

- **Financial performance record from 2015 when the last business case was prepared.**
- **Levels of occupancy**
- **Turn Over – how long tenants have occupied the facility for**
- **How many business and organisations have gone on to expand and operate at alternative premises in South Somerset.**

Financial Performance Record:

The financial performance for YIC is reported as a profit and loss account as part of the monthly financial performance report to the District Executive Committee. Detailed narrative is provided on the Quarters if and when required. The table below shows performance since opening the operation with the minus (-) bottom line figures indicating profit.

	2007/8	2008/9	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
	£	£	£	£	£	£	£	£		
Pay	0	93,452	127,636	88,522	103,572	126,650	155,338	152,408	144,978	145,234
Non Pay	48,764	89,170	115,024	134,281	151,998	200,593	204,402	202,614	236,792	190,854
Support Service	0	37,711	77,031	70,378	44,200	42,233	38,282	36,484	41,742	69,600
Income	-90,000	-20,557	-85,029	-159,319	-255,846	-352,734	-432,039	-429,704	-492,335	-434,314
	-41,236	199,776	234,662	133,862	43,924	16,742	-34,017	-38,198	-68,823	-28,626

* **The forecast for 2017/18 is approximately £35k net profit (forecast as of 31.12.17)**

Levels of Occupancy:

The tenant occupation level at YIC hit a peak of around 95% for a brief period in 2015/2016. As predicted, this was a temporary peak, but it drove the net income figures for the year towards £69k.

2016 saw the departure of some of our longer serving tenants and this impacted on the 2016/17 figures. The combined effect of this was to reduce the net income figure to around £29k – a position from which it has since recovered.

There has been a steady churn of tenants throughout 2017/18 with the current occupancy level now holding between 82% and 85%. The figures can vary on a monthly basis as tenants take up residency or vacate the building.

The following points are noted:

- Empty large suites tend to take longer to let and have greater financial impact when they become empty. They also attract NNDR even when empty. The vacant suites at YIC tend to be the larger suites, but they are nevertheless required for expanding companies and when vacant they do generate income as meeting spaces.

- The prevailing demand from business start-up is for smaller suites and this has been taken into consideration in the design of YIC2.
- The original feasibility studies for YIC suggested that occupancy would level off at around 85%. With occasional variations, this would seem to have been a reasonably accurate forecast and should remain the basis on which financial forecasts are made. 85% occupancy does not indicate lack of demand - it is the inevitable product of the 'churn' of tenants and very typical of the nature of these types of centre.
- It is believed that the break-even financial mark for YIC is around 60% occupancy. Higher occupancy rates produce disproportionately higher income levels because the overheads of the operation remain largely fixed regardless of the number of tenants.

Tenant Turn Over

The average length of occupation by the current tenants is currently 1.7 years with 10 tenants having been with us for less than a year. This does now indicate a reasonable 'churn' of tenants at YIC with some 30% of the total number of tenants turning over in 2017/18. In past years a far lower churn (a max 7 in any one year) has been the experience. Of the tenants at YIC only 2 currently exceed the 4 year Exit Strategy, but in both cases one or more of the exception points in that strategy are valid (see below).

Tenant turn-over tends to be largely natural but is also governed by the Exit Strategy as set out in the YIC Business Plan. The principle of a tenant moving-on after 4 years is explained to a tenant at the onset of a tenancy and the tenant's 'License of Occupation' makes specific reference to the 'exit strategy'.

The Exit Strategy advises:

It is not in the interest of any party to enforce the exit strategy before a business is capable of surviving outside the Centre. The Operator will establish the robustness of a business to move on before the exit strategy applies. Where possible, the Operator will support the exiting tenant to relocate within Somerset.

Exceptions to the four-year rule include:

- A company is deemed to be placed at undue risk if an exit is forced upon them.
- A company may be at a critical point of expansion or contraction and the exit is deemed to be inappropriately timed.
- A tenant has affected a move between suites within the Centre to accommodate the growth of a company and the company is deemed to be in a new phase of growth.
- Special consideration should also be given if a business is part of a wider cluster or collaboration within the Centre where the removal of that business will have a negative impact on the remaining tenants.
- A tenant may move to a full standard lease agreement and become an 'anchor tenant' at the Centre provided the amount of anchor tenancy space does not exceed approx. 8000 sq. ft. in total.
- In enforcing the exit strategy, the funding partners should not put the Operator in a position where overall financial operating losses may result.

Business Leaving the Centre and Business Expansion.

Business expansion and business growth are not synonymous and are difficult to measure - a business can expand in terms of premises or staff without growing its turnover or profit. Conversely a business can increase its turnover and profit considerably without the need to take on extra staff or take on larger premises. A business moving to larger premises is not necessarily an indicator that the business has grown.

We know that businesses leave the centre for a variety of reasons. Some are in growth mode and do need bigger premises- whilst some have simply moved their existing business elsewhere. We also know that some businesses do not experience the growth they expected with several returning to work from home – this in itself underlines the advantage of new businesses being able to use YIC without needing to commit to a long term lease.

Of the 31 businesses that we have tracked since 2013, we are able to break down accordingly:

Relocated to offices in Yeovil 29%
Relocated elsewhere in South Somerset 6%
Relocated outside South Somerset 6%
Reverted to home working 26%
Closed Regional Office 16%
Owner retired 6%
Ceased trading in existing form 10%

We are not readily able to measure the specific growth (or contraction) of businesses who leave the premises.

3.5 Please detail what level(s) of business support are currently available and if this is included in the tenancy package. Are there additional chargeable support packages?

SSDC has a Business Support Officer who is based either at Brympton Way or at the Yeovil Innovation Centre. Business support is offered to businesses from across the District and is generally carried out at that business or at YIC. We provide basic business support that will typically offer advice on Start-up, Business Planning, cash flow projections and marketing.

So far in 2017/18, 68 individual business supports on a 1:1 basis have been recorded and an additional 92 businesses have benefited from the Boost Networking sessions held at YIC (these are mainly guest speaker presentations on topics such as marketing, social media, business planning etc.) Additionally we respond to many more general business enquiries without recording these as a business support.

Business support from SSDC is free of charge and given without prejudice, but we are also able to signpost to additional and specialised assistance such as the Growth Hub (the national hub for business advice). We also advise on funding opportunities and funding sources, although it has been rare for a YIC tenant to request specialist funding advice.

Events have also been organised to showcase YIC tenants (and the services they provide) to overseas businesses.

3.6 In 2015 the business plan stated the criteria for tenancies will be widened but will maintain the central tenor of innovation. Has this remained? Please can you provide the latest criteria.

The original entry criteria for YIC tenants were based on SWERDA 'target sectors' (2009) and these were Aerospace/ Advanced Engineering, Creative Industries, Food and Drink, Marine Technology and Tourism. These sectors were deemed as business growth sectors for the South West, and the list was broadened for Yeovil Innovation Centre to include Medical, Information Technology and Finance.

The entry criteria were simplified for the 2015 revision of the Business Plan and remain current.

The published entry criteria (2015) states

- *The entry criteria had originally been based on the target sectors as previously identified by the South West Regional Development Agency. At this stage the criteria will be widened but will maintain the central tenor of innovation. It is intended that this position will be reviewed again in 2018 at the earliest, or at the latest in the next review of the business plan.*
- *If a tenant's ability to match the entry criteria is in doubt, then the matter will be referred to the Funding Partners for a view. A majority decision then prevails.*
- *These criteria will not apply to approximately 8000 sq. ft. designated as anchor tenancy space within the Centre, although the appropriateness of the anchor tenant should receive full and careful consideration.*

It is intended that the YIC2 extension should have a greater focus on high tech business where possible.

3.7 Please can you confirm if the objectives as detailed in the business plan remain unchanged?

The objectives for YIC remain unchanged from the 2015 Business Plan. These are best encapsulated in the YIC Visionary Statement as:

'Yeovil Innovation Centre exists to provide a dynamic and supportive incubation environment to accelerate the growth of ambitious, innovative firms in the South West region'.

The fundamental principles of the innovation centre are to provide:

- Flexible office space
- On-site support from a trained Centre team
- High speed broadband and excellent telephony
- A range of conference and meeting rooms
- Access to networking and collaboration opportunities

The Operator is also set specific objectives and these are to:

- Identify ways for the Innovation Centre to act as a catalyst for economic development.
- Market and promote the Centre. An annual marketing plan will be prepared and agreed by the funding partners.
- Provide flexible accommodation to support successive stages of tenant's development.
- Provide financial reports and other information as requested by the funding partners.
- Act as secretariat to the Funding Partners/Advisory Group.
- Identify and secure funding for provision of specialist services where possible.
- Provide an induction to new tenants re the facilities and technical services provided at the Centre.
- The assessment and vetting of prospective tenants.

- On-going administration of tenancies and front of house support services.
- In-house provision of some business advice for the Centre and the wider start-up community.
- Develop linkages with relevant knowledge bases including university and research establishments.
- Provide networking opportunities to enable businesses to learn from and do business with each other.
- Creation of links between finance and investment ready companies.

3.8 *If the objectives have changed please provide the revised list agreed by funding partners and confirm when and how they were last reviewed?*

There has been no change to the objectives, they were reviewed and accepted by the Financial Partners in 2015 and will be due for review in 2018/19, ideally once the YIC2 extension is operational. The Business Plan will be reviewed at that stage.

3.9 *Is there any intention to revise the objectives with regard to improving return / generate a greater income? (As suggested in the Commercial Strategy.)*

With reference to 3.1 and 3.2 above, there is no intention to revise the objectives with regard to generating greater income. The Commercial Strategy does not imply that this should be the case for the Innovation Centre. The term 'income generation' also encapsulates obtaining external grant funding and/or cost reduction in order to enhance services or to assist services in becoming self-financing.

The Business Case for YIC2 does however illustrate that YIC can expand without unduly increasing certain fixed costs such as staffing the centre. This will ultimately increase income without revising the objectives. The objectives will remain primarily focussed on tenant support and not income generation.

3.10 *We know SSDC has experienced problems recruiting the right calibre of staff in the Economic Development Team. Do we have enough staff resource to achieve the Business plan as detailed in 2015.*

The Economic Development Team has had no recruitment issues in recent years, although any vacancies that have occurred in the team in the last 12 months have been held over pending Transformation. These posts are now being filled through the Transformation process as the service is strengthened. The new Economy Lead Officer is already in place.

Under the new operating mode (as with all Commercial Services business units) YIC will also review any resource needs that it may have for the future as part of its ongoing business planning. The Commercial Services team will be responsible for the Operational Management of the Innovation Centre, and they will be supported by competent and capable staff as required.

The Economic Development team will be responsible for ensuring the YIC fulfils its core purpose and plays its part in the development of the South Somerset economy

3.11 *Members are still keen that Economic Development remains a high priority. We do not want to see the Innovation Centre and other related work around growth and business diversification suffer. Is there anything that can/needs to be done to prevent or reduce risks to achieving the objectives?*

Economic Development remains a top priority for South Somerset District Council and has no intention of diminishing our business support activities at YIC or in our activity to foster business growth and diversification within South Somerset and beyond. Transformation will expand the ED team with

additional resource available through the new Commercial Land and Property Development Team – see 3.10 above.

3.12 Are the current charges subsidised or at Market Value and regularly reviewed?

Charges at YIC are not subsidised. Rents were originally set by the Valuation Office and whilst first year tenants qualify for a small discount, the discounted rate is still equivalent to current Market Values in Yeovil. Business rates are a statutory charge and set by the Valuation Office and cannot be discounted. Service costs are set by wider commercial markets and these are not subsidised by the District Council

The charges are regularly reviewed, with adjustments likely to be made in 2018/19 with the opening of YIC2. Our tenants pay all charges at going market rates. In return they expect and receive a high value service from SSDC.

3.13 Are there conditions or commitments as part of the LEP funding?

The specific conditions associated with the LEP funding are for YIC to continue the operation for its intended purpose as an Innovation/Incubation Centre.

As is standard practice with LEP funding (and most public funding streams) there is also an agreed set of outputs and outcomes that the project will be measured against.

These outputs are based on job creation, business creation and ‘business safeguarded’ targets

Output/Description	Year 1*	Year 2**	Year 3	Year 4	Year 5	Total
Jobs in Construction Phase	25					
New Business Created by YIC2		7	7	7	7	28
Jobs created (indirect) at YIC2 (this includes jobs created by businesses growing whilst at YIC2)		17	19	23	29	88
Business Safeguarded (supply chains) using HCA recommended multiplier (Businesses created X 1.44)		10	10	10	10	40
Jobs safeguarded (supply chains) using HCA recommended multiplier (Businesses created X 1.44)		24	27	33	42	126
Business Supports incl. ex tenants		2	9	9	11	30

*Note: Year 1 will be 2017/18

**Note: Year 2 will be 2018/19 and will be the first year of operation for YIC2

3.14 The current governance, including the refreshed Terms of Reference, monitoring and reporting arrangements of the Innovation Centre – a copy of the latest quarterly report

The Governance arrangements are unchanged from the reported detail in the 2015 Business Plan

The Operator (SSDC) reports to the Funding Partners against an evaluation scheme based on the agreed project outputs.

The Funding partners Board comprises:

SSDC Portfolio Holder (Economic Development and Environment) - Chair
 SSDC Director (Commercial Services and Income Generation)
 SCC Portfolio Holder (Economic Development)
 SCC Lead Officer (Strategic Manager for Economy and Planning)
 HCA Specialist Advisory Officer

Other Officers can be requested to attend as required.

For SSDC, strategic decision making is vested in the District Executive Committee (or Full Council for projects with major financial implications) with monthly and quarterly financial reporting to that committee. The business support is reported through SSDC Council Plan monitoring.

The funding partners meet twice a year and agree the financial and operational decisions for the Centre.

However, quarterly financial reports are made to the Funding Partners. As the partners all have a financial interest at YIC that includes profit sharing, the accounting spreadsheets are forwarded electronically to them for transparency and they may interrogate the detail with SSDC financial officers if required. The spreadsheets themselves are quite extensive documents and do contain much commercially sensitive data (for example anchor-tenant rentals and commercial service charges) these and other data are covered by the Data Protection Act and for that reason are not public documents.

The accounts for YIC are covered by statutory financial regulations and are thus subject to regular internal and external audit to ensure compliance. The operation of YIC is also subject to regular external audit (there have been two in recent years) and these audits have provided considerable levels of assurance. The audits are published documents. Financial reporting is made at a headline level to the District Executive Committee as outlined in section 3.4 above.

Other performance measures are reported to the Funding Partners and are a record of an agreed set of outputs set by those partners. The key outputs recorded include:

Project Outputs	2014/15	2015/16	2016/17	Forecast 2017/18
Number of Tenants at YIC	28	32	31	c33
Businesses Created annually	2	2	7	6
Ratio of businesses created Indigenous: inward investment			2:1	2:1
Businesses created cumulative	25	27	34	40
Jobs created annually	4	8	14	10
Jobs created cumulative	124	132	146	156
Jobs safeguarded annually	120	132	135	135
Business supported annually	c75	c75	c75	100+
Number of new networks created	2	2	2	2
Recovery of temporary Operator costs	£34k	c£68k	c£29k	c.£45k

3.15 The latest version of the development plan

The link to the YIC2 Project Brief is provided below (background papers).

The final costings and output projections for the project remain unchanged, but the planning and design processes resulted in a minor reduction in overall footprint of the building (approx. -4%) without affecting the amount of office floorspace that will available in YIC2 for tenants.

3.16 A breakdown of the current tenants by service area:

This breakdown of current tenants by service area is:

Aerospace	8%
High Tech	45%
Service Provision	20%
Media and Comms	23%
Education	4%

The most notable change since 2015 has been an increase in High Tech, Media and Comms occupancy whilst other occupancy levels have fallen in relative terms.

A clearer distinction between high- tech and service provision would be useful in interpreting these figures. For example; should a website design company be classed as high-tech or a service provider? The next revision of the Business Plan will address this issue so that a more meaningful and consistent way of measuring sector take-up at YIC can be implemented.

Background Papers

- *YIC Business Plan 2015-2020 (District Executive Dec 2015)*
 - *YIC2 Project Brief (Full Council Feb 2016)*
<http://modgov.southsomerset.gov.uk/documents/g1513/Public%20reports%20pack%2004th-Feb-2016%2009.30%20District%20Executive.pdf?T=10>
page 84, 92, 93 and page 94-104
 - *Capital Budget details:*
<http://modgov.southsomerset.gov.uk/documents/g1830/Public%20reports%20pack%2001st-Feb-2017%2009.30%20District%20Executive.pdf?T=10>
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Agenda Item 8

Verbal update on reports considered by District Executive on 1 February 2018

The Chairman will update members on the issues raised by Scrutiny members at the District Executive meeting held on 1 February 2018.

The draft minutes from the District Executive meeting held on 1 February 2018 have been circulated with the District Executive agenda.

Agenda Item 9

Reports to be considered by District Executive on 1 March 2018

Lead Officer: Jo Gale, Scrutiny Specialist
Contact Details: joanna.gale@southsomerset.gov.uk or 01935 462077

Consideration of the District Executive agenda items will commence no earlier than 10.30am.

Scrutiny Committee members will receive a copy of the District Executive agenda containing the reports to be considered at the meeting on 1 March 2018.

Members are asked to read the reports and bring any concerns/issues from the reports to be discussed at the Scrutiny Committee meeting on 27 February 2018.

The Chairman will take forward any views raised by Scrutiny members to the District Executive meeting on 1 March 2018.

Consideration of the District Executive agenda items will commence no earlier than 10.30am.

Please note:

The Press and Public will be excluded from the meeting when a report or appendix on the District Executive agenda has been classed as confidential, Scrutiny Committee will consider this in Closed Session by virtue of the Local Government Act 1972, Schedule 12A under paragraph 3 (or for any other reason as stated in the District Executive agenda):

“Information relating to the financial or business affairs of any particular person (including the authority holding that information).”

It is considered that the public interest in maintaining the exemption from the Access to Information Rules outweighs the public interest in disclosing the information.

Agenda Item 10

Verbal update on Task and Finish reviews

The Task and Finish Review Chairs or Scrutiny Specialist will give a brief verbal update on progress made.

Current Task & Finish Reviews

- Accessible Homefinder Common Lettings Policy
- Council Tax Support 2019/20
- Customer Accesibility

Agenda Item 11

Update on matters of interest

Lead Officers: Jo Gale, Scrutiny Specialist
Contact Details: joanna.gale@southsomerset.gov.uk or 01935 462077

Action Required

That members of the Scrutiny Committee note the verbal updates as presented by the Scrutiny Specialist.

Purpose of Report

This report is submitted for information to update members of the committee on any recent information regarding matters of interest to the Scrutiny Committee, and for the Scrutiny Specialist to verbally update members on any ongoing matters.

Scrutiny Work Programme

Meeting Date	Agenda Item	Background/Description	Lead Officer/ Lead Member
TBC 3 April 2018	Council Tax Penalties and Civil Penalties in Housing Benefit	In April 2017 the council agreed to introduce penalties for those who have failed to notify the Council of change of circumstances that has resulted in them continuing to receive a Council Tax exemption, discount, Housing Benefit or Council Tax Support award that they are not entitled. Scrutiny Committee agreed at their meeting on 4 th April 2017 for an item to be added to the forward plan for October to monitor the effectiveness of the policy. Figures with regard to the cost of issuing and collecting penalties have been specifically requested.	Ian Potter/Cllr Peter Seib
TBC 3 April pending national fee increase regulation coming in (Jan/Feb)	Monitoring of the implementation of Charges for Pre-Application Development Control Advice	In April 2017 Scrutiny Committee supported the introduction of charging for Pre-Application Development Advice and requested a monitoring report is brought forward to establish the effectiveness of recouping costs and to consider the re-evaluation of fees.	Simon Fox/ Nigel Marston/ Cllr Angie Singleton
TBC	Precepting for Somerset Rivers Authority	Scrutiny Committee requested at their 30 th January meeting a progress report on the precepting arrangements for the Somerset Rivers Authority.	
TBC	Overview of Yeovil Refresh	Following a report to District Executive with regard to Yeovil Market at the beginning of January 2018, Scrutiny Committee members raised questions with regard to Yeovil Vision and felt they needed a better understanding of it to effectively scrutinise the governance, investment and strategic impact/relationship with the Council.	Helen Rutter/ Natalie Fortt /Cllr Peter Gubbins
TBC	Troubled Families Programme	Members requested an update report on the progress of the troubled families following a report covering the work of South Somerset Together, Local Strategic Partnership. A specific report request needs to be compiled.	Helen Rutter
TBC	Review of Economic Development Strategy	This Strategy is due for review and Scrutiny members have previously been involved in the review and development of this Policy. The Lead Officer has agreed that Scrutiny involvement will be factored in to the review process and we will be kept informed regarding the most appropriate point for effective Scrutiny engagement.	David Julian / Cllr Jo Roundell Greene.
TBC	Increased Joint Working Between Police Forces	At the meeting of Scrutiny Committee on 30 August 2016, the SSDC representative on the Police and Crime Panel requested that there be a report looking at the proposals for increased joint working between police forces across the South West.	

The Somerset Waste Board and Somerset Waste Partnership Forward Plan of key decisions can be viewed at:
<http://democracy.somerset.gov.uk/mgListPlans.aspx?RPId=196&RD=0>

Current Task & Finish Reviews

Date Commenced	Title and Purpose	Members
February 2017	<p>Accessible Homefinder Common Lettings Policy</p> <p>A review of the policy to ensure it is accessible for customers/the general public. Phase 1 completed with comments re style, layout and terminology fed back, phase 2 to commence June 2017 or later.</p>	Cllrs Sue Steele, Carol Goodall
October 2017	Council Tax Support 2019/20 - Consider the merits/risks of moving towards a discount based policy.	Cllrs Sue Steele, Carol Goodall, David Norris, Rob Stickland, Anna Groskop, Sue Osborne
Due to Commence February 2018	Working with the Transformation Team to identify, and deliver, Best Practice to provide accessible on-line information and services for all.	Cllrs Dave Bulmer, David Norris, Colin Winder, Carol Goodall, Sue Steele.
TBC	Rural Allocations Policy - The Disposal of Third Party properties had highlighted issues with the Rural Allocations Policy and some work now needs to be done to review the policy, no start date has been agreed for this as yet.	
TBC	Review of the rural economy and identifying business needs that SSDC could support or help facilitate to further growth and or diversification.	Agreed at 30 Jan Scrutiny Committee, no project scope has been developed at this stage.
<p>If you have any suggested topics for Scrutiny Committee to consider please contact Scrutiny Specialist – joanna.gale@southsomerset.gov.uk</p>		
<p>(The Overview and Scrutiny Committee are committed to ensuring they have capacity to contribute to the Council's Transformation programme and therefore fewer Task and Finish reviews may be conducted during the Transformation period).</p>		

Agenda Item 13

Date of next meeting

Members are requested to note that the next meeting of the Scrutiny Committee will be held on Tuesday 3 April 2018 at 10.00am in the Main Committee Room, Brympton Way, Yeovil.
