

Strategic Development and Regeneration in South Somerset District Council

Executive Portfolio Holders: Ric Pallister, Strategy and Policy
Jo Roundell Greene, Environment and Economic Development
Director: Alex Parmley, Chief Executive
Contact Details: alex.parmley@southsomerset.gov.uk or 01935 462101

1. Purpose of Report

1.1 South Somerset District Council (SSDC) is transforming the way it organises, operates and delivers services; changing the way customers interact with us, the way they receive services, and the way we are organised to best deliver those services in a modern and efficient way. A central aim of Transformation is to ensure the Council is more efficient and is better able to deliver Members' priorities and meet community needs in the context of fewer resources. Therefore, there is a need to ensure that the way we operate and function as an organisation best enables the delivery of our strategic objectives and outcomes, and this means carefully considering the way we approach our strategic programmes and projects.

2. Public Interest

2.1 In transforming the way it operates, the Council is aiming to become more effective and efficient at delivering its aims and priorities as set out in the Council Plan. It is imperative that we use Officer and Member time efficiently and effectively as well as ensuring governance arrangements and our performance management tools ensure we deliver on our key priorities and ambitions as a Council. In a time of more limited resources, it is also important to focus our resources on delivering a manageable set of priorities, rather than trying to move too many projects forward and spreading resources too thinly and risk undermining effective delivery of our priorities. In being more business-like, we need to move at pace, recognising there is a cost to time both financially and reputationally, and in promoting the development of our towns. However, public accountability for delivery and ensuring Members' ambitions are realised remains important too.

2.2 In February 2018, Full Council set out 5 areas of focus for the Council (High quality cost effective services, Economy, Environment, Homes, Health & Communities). Aligned to this the Council agreed 8 priority projects:

1. To implement the Transformation programme and Commercial Strategy
2. **To complete the "Yeovil Refresh" for Yeovil Town Centre and progress implementation**
3. **To develop proposals for the regeneration of Chard and progress implementation**
4. **To create a town centre action plan for Wincanton and progress implementation**
5. To deliver Phase 2 of the Yeovil Innovation Centre.
6. **To facilitate appropriate local development to ensure that local housing and infrastructure needs are met**
7. **To support our small and medium sized businesses across the District, including internet access, to meet their needs**
8. To meet the new duties of the Homelessness Reduction Act 2017

2.3 Those priorities highlighted in bold represent the focus the Council places on the strategic development of the District including regeneration, economic development, infrastructure and housing. The proposals within this report set out new arrangements to ensure the Council is more effective and efficient at delivering the priorities for the development of the District.

3. Recommendations

3.1 That Full Council:

3.1.1 Discontinue the following Programme and Project Boards:

- a. Strategic Regeneration Board
- b. Local Development Scheme Board
- c. The Four Area Regeneration Boards (West, North, East and South)
- d. The Chard Regeneration Project Board

3.1.2 Establish a Strategic Development Board with the remit and membership as set out in paragraphs 6.1 to 6.5;

3.1.3 Establish a Chard Regeneration Programme Board with the remit and membership as set out in paragraphs 6.6 to 6.16;

3.1.4 Establish a Yeovil Regeneration Programme Board with the remit and membership as set out in paragraphs 6.6 to 6.16;

3.1.5 Establish a Wincanton Regeneration Programme Board with the remit and membership set out in paragraphs 6.6 to 6.16;

3.1.6 Agree the principle of delegating a Gross Spend and Net Cost budget to the Regeneration Programme Boards as outlined in section 7 of this report, and delegate authority to S151 Officer to approve funding arrangements for Gross and Net arrangements;

3.1.7 Agree the principle of prioritising Business Rates Pooling gains for Regeneration Programmes;

3.1.8 That the constitution and financial procedure rules are amended to reflect the proposed delegations.

4. Current Approach to Regeneration

4.1 Currently there is a Strategic Regeneration Board, four Area Regeneration Boards, and more local regeneration boards, such as the Chard Regeneration Board, established with the intention of ensuring that local priorities for regeneration investment could be shaped and submitted to Council for resource allocation. Following this the Area Boards were put in place to monitor the progress of projects. This arrangement will no longer match with the recommended structure of the Programme Boards and their individual projects and this report proposes the changed arrangements necessary to support programme delivery whilst ensuring accountability.

4.2 In addition the Local Development Scheme (LDS) Board was established by the Council to monitor progress on the Local Plan process, and to act as a mechanism to agree with Area Chairs significant reports and stages. The Local Plan is a major policy tool shaping the development of the District including regeneration, economic development,

infrastructure and housing. Thus far, it has worked somewhat independently of the other boards.

- 4.3 Economic development ambitions are, to some extent but not wholly, overseen by the Strategic Regeneration Board. Whilst this same Board was set up to oversee the Council's infrastructure ambitions, the proposed arrangements will ensure greater integration of the related aims and priorities, including infrastructure and housing
- 4.4 At an Officer level, the division of responsibility between community, economy and planning teams has been challenging for a number of years. The new operating model will design in ways of working to focus on to the Council's vision, priority projects and Area+ Plans and will seek to align the whole Council into a "One Team" approach to delivering Member priorities and outcomes as set out in the Council Plan. To be effective it will need robust performance management arrangements including effective governance and accountability. The primary means for achieving this, and to ensure Members are effectively steering the priorities and holding Officers to account for delivery, is through ensuring a good programme management structure, which is appropriately focussed and resourced, supported by effective project management.
- 4.5 It is therefore appropriate as we move forward with Transformation and as we start to commence delivery of some of our regeneration programmes, that we consider how we align our programme governance to support effective delivery of Members' ambitions and priorities.

5. Proposals for Change

- 5.1 There is an opportunity to bring together a number of related strands of work to give a strategic oversight to the development of the District in its multiple aspects: planning, regeneration, economic development, infrastructure and housing.
- 5.2 Regeneration projects that deliver long term economic and social benefits, in turn help deliver the South Somerset vision. However, they are complex pieces of work and involve careful risk management. There are requirements for resources and decisions which sit outside of the direct control of the Council (with other partners and Authorities). There is also a need to be able to move schemes forward at pace, within the agreed parameters, plans and objectives set by the Council. Currently, the approval process to deliver a project in a regeneration scheme is protracted, requiring each element to be approved by the Regeneration Board, possibly Area Board and / or Area Committee, District Executive, and Council even if it requires only modest levels of capital. Coupled with this is the need to ensure that there is clear accountability to deliver value to the taxpayer, and the necessity to include meaningful local involvement during design, planning and implementation.
- 5.3 Each of the priority projects for local regeneration warrant an individual Programme Board, made up of the people best equipped to turn plans into action on the ground, with sufficient authority and delegation to progress the implementation of plans. This needs to be coupled with accountability back to the Council and the wider community for the benefits and outcomes for local residents and businesses.
- 5.4 It is also important that Regeneration Programme governance structures are designed to ensure the right level of involvement by key stakeholders – such as other public sector bodies, business and community representatives. These will be different according the specific ambitions and challenges of each project – and the distinctiveness of each place. Partners working with us can influence success through their own resources and talents, and provide constructive challenge. Ultimately though, the Council is

accountable back to the community – and so the detailed design of boards and their governance must reflect this.

6. Changes to Governance

6.1 In order to deliver the proposals set out in this report and the ambitions of the Council Plan it is proposed to change the governance that wraps around this. Therefore, it is proposed that at a strategic level:

a) the Strategic Regeneration Board and the Local Development Scheme Board are discontinued

b) a Strategic Development Board is created

6.2 The Strategic Development Board would be responsible for managing and coordinating the delivery of the Council's development ambitions for the District including:

- Infrastructure
- Housing
- Economic Development
- Regeneration

6.3 The key purpose of this Board would be to ensure alignment of the appropriate priority projects and have an overview of strategic development to ensure the relevant ambitions of the Council are being delivered. It would also ensure a coordination and synergy between the Council's key strategies including the Council Plan, Local Plan, Housing Strategy and Economic Development Strategy. It would hold and overview the delivery of a programme of work (projects, actions, policy initiatives and potentially service delivery initiatives) aimed at achieving the Council's development ambitions as set out in the Council Plan, Local Plan, Housing Strategy and Economic Development Strategy. In this role it would overview and coordinate the delivery of the Regeneration Programmes (but accountability for the delivery of Regeneration Programmes would be with their relevant Regeneration Programme Board). The Board would also hold responsibility for overseeing and managing the cumulative impact of programmes and projects including associated risks.

6.4 The Strategic Development Board and its delivery would be held to account through Scrutiny and Council. Progress with the programme would be reported through the Council's performance management systems including the quarterly performance reports.

6.5 It is proposed that the Board would comprise:

- the Leader of the Council
- 4 Area Chairs
- the relevant Portfolio Holders covering Economy, Homes, Environment, Infrastructure, Spatial Planning & Development Management

6.6 At a Regeneration Delivery level it is proposed to:

a) Discontinue the 4 Area Regeneration Boards and the current Chard Regeneration Project Board

b) Create 3 new Programme Boards to manage, direct and deliver the Yeovil, Chard and Wincanton regeneration projects.

6.7 As the regeneration of the three towns progresses, other Council priority projects may be identified for other South Somerset towns and subject to resources, it is envisaged

similar Regeneration Programme Boards would be formed. Smaller scale regeneration initiatives will continue to be within the remit of the Area Committees and form part of the Area Development Plan.

- 6.8 The three boards will be responsible for the delivery of the Regeneration Programme for each of the respective town centres. They will operate with a large degree of decision making and financial delegation within parameters agreed by the Council. The Regeneration Boards will be accountable for delivery and scrutiny of their progress will be undertaken by the relevant Area Committee, the Strategic Development Board and the Scrutiny Committee. Progress will be reported through the Council's performance management arrangements including the quarterly performance reports.
- 6.9 In order to progress the programme, the Regeneration Programme Boards will be required to produce for the Strategic Development Board:
- scheme objectives and outcomes
 - an outline programme
 - a delivery plan outlining the approach including funding approach.
 - a programme risk log with mitigation measures
- 6.10 They will also be required to:
- put in place robust and proportionate project management arrangements for each element of the scheme following the Council's prescribed methodology which will include a risk log with mitigation measures
 - put together a business case for project investment against a set of criteria and seeking to follow a commercial approach in line with that set out in the Commercial Strategy (such business cases being able to be approved by the Regeneration Board within the financial delegations) which will also include a risk assessment and mitigation measures
 - produce quarterly performance reports for consideration of their Programme Boards, the Strategic Development Board, and for informing the Councils quarterly performance reporting to Area Committees, Scrutiny and District Executive.
- 6.11 These Boards would be made up of:
- There will be normally four Members whilst ensuring the following criteria and representation are met:
 - the Area Chair (unless otherwise agreed with the Area Chair) - who will chair the Board, to ensure tie in to the Strategic Development Board (mentioned above), and to ensure strong links back to the Area Committee and its work plan
 - at least one member from each of the political groups in and around the town where the regeneration programme is to be delivered
 - at least one of the members is a ward member for the town area
 - The Leader of the Council - To ensure consistency across the regeneration programmes
 - the Lead Director,
 - the Chief Executive,
 - where appropriate, a limited number of key delivery partners (i.e. partners who bring a contribution and resource to the scheme). This will be at the discretion of the Chairman and Lead Director and will not normally exceed two
- 6.12 Given the importance of the projects to the Council Plan which was agreed by the whole Council, the Boards will operate on a cross party basis and therefore will aim to be politically inclusive. It is important that they are able to work effectively as a team and therefore the Chairman of each of the Programme Boards will have the authority to

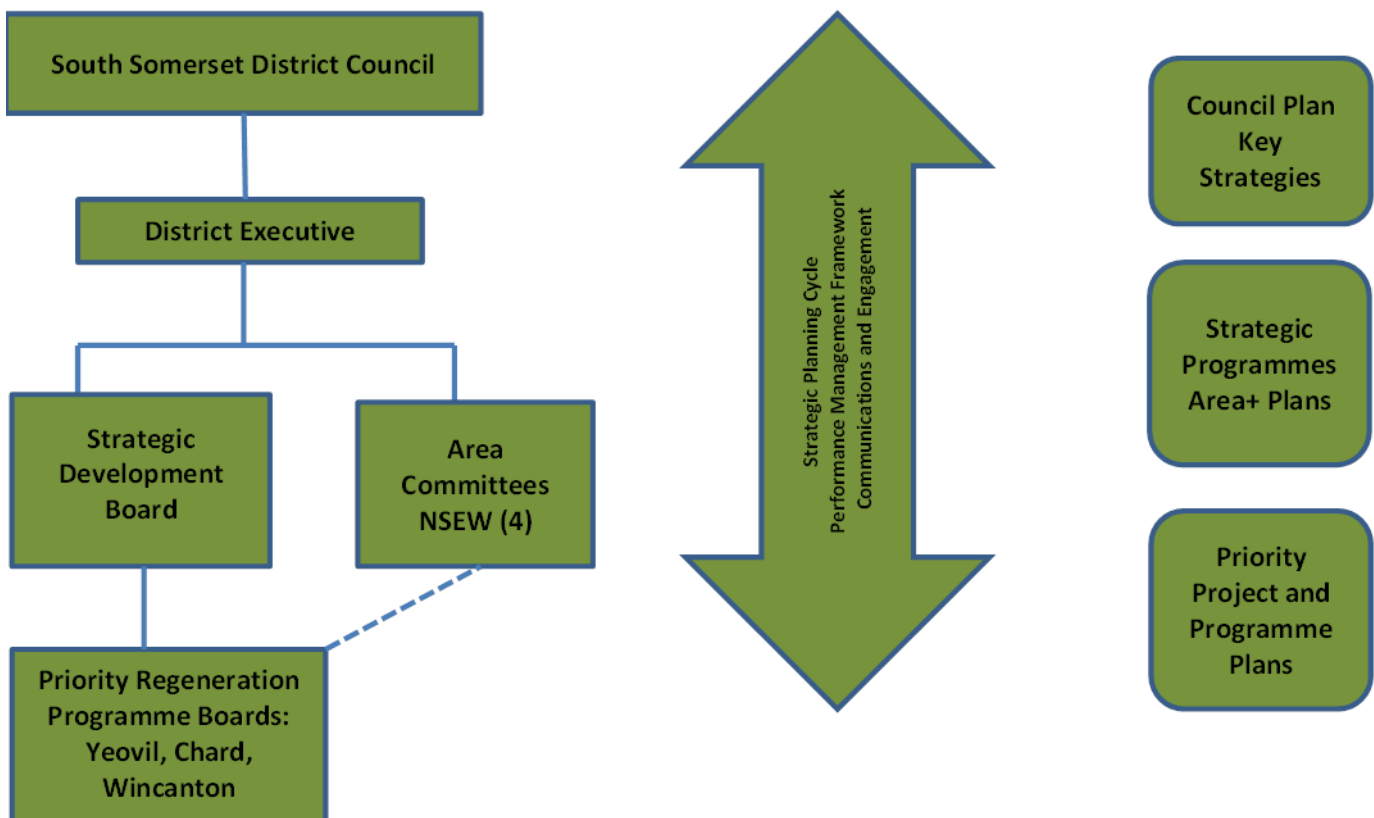
select the other members from those on the relevant Area Committee who have expressed an interest.

6.13 It is intended that each Regeneration Programme Board will operate by consensus. Should differences occur that cannot be reconciled, then they will be referred to the CEO and Leader for a decision in the first instance and exceptionally District Executive for any major differences.

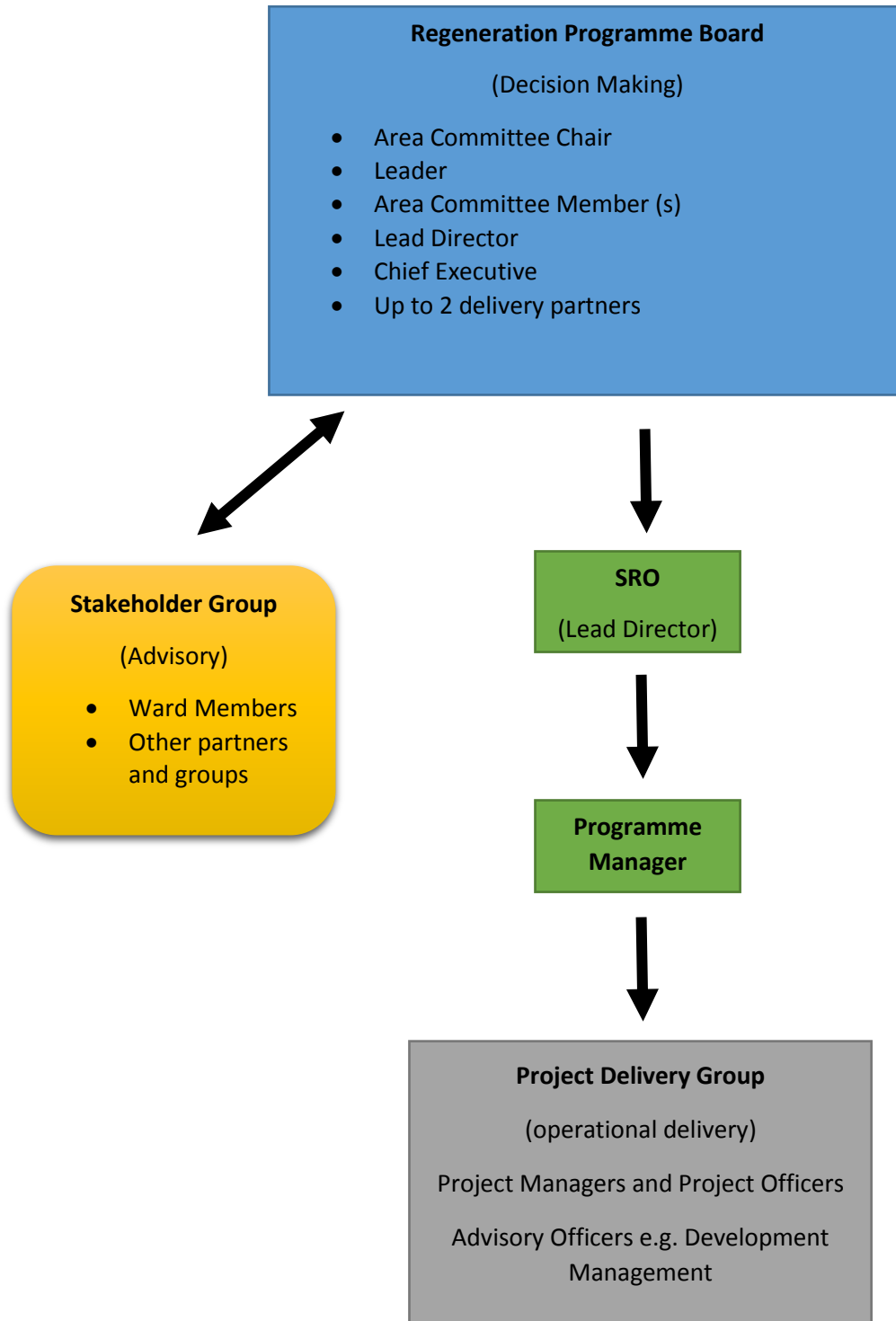
6.14 In addition to the Programme Manager, who will normally attend the Board, other officers of the Council and potentially other agencies, will attend the Board from time to time as required, to contribute advice and support. However, for the avoidance of doubt, they will not be Members of the Board.

6.15 Sitting beneath each Board will be a Stakeholder Advisory Group which will consist of relevant Members and external partners or groups considered by the Board to be important to the success of the Regeneration Programme. In addition there will be an officer Project Delivery Group, which will provide professional input and advice and also be tasked with delivery by the Board.

6.16 The above proposal is outlined diagrammatically below.



Scrutiny would continue to review policy and make recommendations to Council



7. Financial Approach

7.1 Regeneration Programmes consist of a related set of projects that will deliver the overall vision and objectives. Currently the funding approval process for each project requires the agreement by Area Committees, District Executive and Full Council. If the Council is to move forward the delivery of the key Council Plan priorities at pace and secure the benefits it desires for its communities, similar to meeting the Commercial Strategy ambitions, it is important to review delegations and limits on these and the impact they might have on delivery. To facilitate progress it is proposed to delegate a large degree of operational financial decision making to the Programme Boards, within parameters and

clear financial envelopes. It is proposed that each Programme will be allocated a gross spend budget and a net cost to the Council budget.

- 7.2 Within Yeovil and Chard, considerable research has been undertaken in to what is desirable and feasible. Included in this are some high level costings. However, each project does not have detailed costings at this stage and some of the final costings (and likely revenues or capital surpluses) will not be known until the projects and therefore Programmes are further advanced.
- 7.3 Each Programme Board would be responsible for delivering the broad aims of the scheme within both the gross spend budget and the net spend budget. This would be subject to them having produced scheme objectives and outcomes, an outline programme, and a delivery plan outlining the approach including funding, as mentioned above. This approach will require the Programme Boards to develop the projects in more detail, but also ensure there is synergy between projects in the Programme. Projects that can generate surpluses will seek to generate the maximum return in regeneration and financial terms to provide support to those projects which are not self-financing and require a subsidy. In practice, the actual delegation of the budgets would sit with the Lead Director in consultation with the Chair of the Board and S151 Officer (or his Deputy) having put the proposals before the Board for agreement.
- 7.4 If a Programme Board wished to or needed to go outside of its gross spend or net cost budget, or wanted to change the programme substantially to that which was agreed, (such as changing objectives or commissioning projects that were significantly out of scope of what was originally envisaged) they would need to come back through the democratic process for further approval.

The gross spend budget

- 7.5 This is the maximum amount the Regeneration Board can spend on the scheme but is not the true cost to the Council. It is based on the assumption that the Programme will seek to maximise the leverage of other sources of funding within the entirety of the programme. To achieve this it will require the Council to spend money in order to gain a return. This recognises that some aspects of programmes are likely to represent a net cost and others are likely to represent a net income but will require investment to achieve that income. Therefore, the gross expenditure does not represent the true final cost to the Council which will be much lower than the gross expenditure budget.

The net spend budget

- 7.6 This is the maximum true cost to the Council over the term of the Programme. It represents the money the Council will spend that will not be directly returned to the Council in some way. It is the product of the gross spend budget minus income generated by the scheme whether through capital receipts e.g. sales of property, through revenue generated over a term of an invested asset above operating costs, which can be used to “pay back” capital expenditure, or grants secured towards the scheme from other agencies or sources.
- 7.7 In order to deliver this approach, it will require that the Council establishes revolving funds for each Regeneration Programme. To support the revolving fund the Council will also need to agree that specified corporate assets and any direct surpluses (capital or revenue) generated by their development as part of the Regeneration Programme, will be included in the fund and therefore ring-fenced to the delivery of other projects or aspects of that programme. To be clear, this is not establishing a principle that assets within an Area and any proceeds arising from them are for the use of that Area. The

assets remain corporate assets and the proposal is that the Council agrees that certain corporate assets be utilised in delivering corporate priorities agreed by the Council.

7.8 An example of how the revolving fund and ring-fencing of assets would work is as follows: Improvement of the public realm as part of the regeneration programmes will represent a cost. The improvements this will make to the town may indirectly contribute income to the Council e.g. through increased business rates and increased use of car parks and therefore income (or arresting the decline in parking income). However, this is difficult to account for and cannot be relied upon to fund this work. It is likely that developers contributions can be secured towards some of the costs of these works, however, these may not be realised until after the works are complete and may not cover the full costs. Therefore, there is likely to be:

- a. a forward funding issue – getting the works done before the money comes in, and
- b. a final net cost to the Council.

7.9 However, the final net cost to the Council of this project could be offset, partly or entirely, by another project(s) that generates a net surplus - for example, the development of a site in the Council's ownership which should aim to generate a surplus to the Council. Within this proposal, the development of that asset would be included in the Regeneration Programme and the surpluses generated would be used to support the public realm works (and potentially other projects or aspects within the Programme). In such cases the surpluses would be outside the scope of the Commercial Strategy and related funding.

Example Scenario:

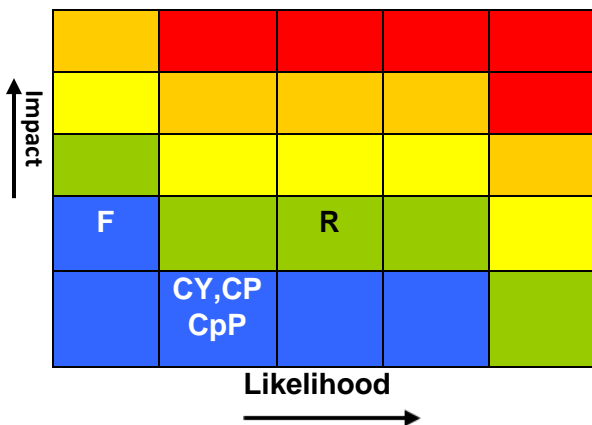
| | Project A | Project B | Project C | Programme Total |
|-------------------------------------------------------------|------------|------------|------------|-----------------|
| Gross Project Costs | 1,000,000 | 5,000,000 | 4,000,000 | 10,000,000 |
| Capital Receipt | -2,500,000 | | | -2,500,000 |
| Grants / CIL / S106 | 0 | -3,000,000 | -500,000 | -3,500,000 |
| Net Capital Cost | -1,500,000 | 2,000,000 | 3,500,000 | 4,000,000 |
| Capital receipt recycled (revolving fund) | 1,500,000 | -1,500,000 | | |
| Borrowing Requirement | | 500,000 | 3,500,000 | 4,000,000 |
| Surplus revenue income over project term – repays borrowing | | -500,000 | -1,500,000 | -2,000,000 |
| Programme Net Costs | 0 | 0 | 2,000,000 | 2,000,000 |

7.10 The financial approach will require Council to approve Gross Budgets and Net Budgets for each Programme. The Council's current capital programme effectively fully allocates existing capital resources and therefore the funding requirements for gross spend will require borrowing approvals. This is likely to be a mix of short term borrowing need, pending income receipts, and longer term borrowing where this represents the net cost and relies on net surpluses materialising over the long term. The Borrowing Limits within the Treasury Strategy will need to be increased when Council approves Gross Spend allocations – recommendations will be included in Mid-Year and Annual Treasury Strategy reports to secure such increases once delegated amounts are determined by Council.

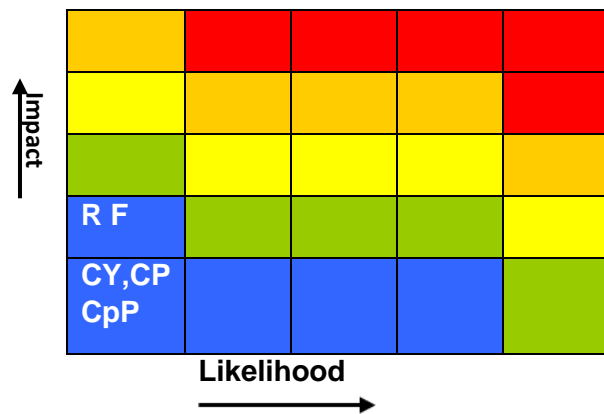
- 7.11 In addition to borrowing, as referred in the Council's Financial Strategy, there may be options to reprioritise some New Homes Bonus funding through reducing reliance on this grant in the revenue budget for day to day services. Members may also consider drawing from the MTFP Support Fund (deferred NHB income) to contribute to Regeneration schemes. There is also the potential for gains in business rates retention through the Pooling arrangement with other Somerset authorities. Whilst the gain will not be confirmed until the end of each financial year, Members are requested to agree in principle that Pooling gains are prioritised to fund Regeneration Programmes.
- 7.12 The S151 Officer will ensure treasury arrangements enable the delivery of these programmes, taking advice from Arlingclose as necessary to optimise these arrangements. It is also proposed that the S151 Officer reviews the Minimum Revenue Provision policy (due to report to Council in February 2019), and recommends any changes to Council if beneficial to delivering the Programmes and maintaining corporate financial prudence.
- 7.13 In order to safeguard the robustness of budget delegations, and financial planning and delivery by the Programme Boards, finance specialists will advise the Programme Boards and Project Delivery Groups. It will be important that robust financial, legal and other implications and recommendations are included in decision reports, with specific advice provided by the S151 Officer (or delegates) as required. Financial performance will be managed through delegated arrangements and periodically reported to Members in line with the Council's performance and reporting framework. The Programme Boards and Strategic Development Board will be accountable to the Executive in operating within delegated powers.

Risk Matrix

Risk Profile before officer recommendations



Risk Profile after officer recommendations



Key

| Categories | Colours (for further detail please refer to Risk management strategy) |
|---------------------------------|-----------------------------------------------------------------------|
| R = Reputation | Red = High impact and high probability |
| CpP = Corporate Plan Priorities | Orange = Major impact and major probability |
| CP = Community Priorities | Yellow = Moderate impact and moderate probability |
| CY = Capacity | Green = Minor impact and minor probability |
| F = Financial | Blue = Insignificant impact and insignificant probability |

8. Council Plan Implications

8.1 This report seeks to support the delivery of key priority projects in the Council Plan namely:

2. To complete the “Yeovil Refresh” for Yeovil Town Centre and progress implementation
3. To develop proposals for the regeneration of Chard and progress implementation
4. To create a town centre action plan for Wincanton and progress implementation
6. To facilitate appropriate local development to ensure that local housing and infrastructure needs are met
7. To support our small and medium sized businesses across the District, including internet access, to meet their needs

9. Carbon Emissions and Climate Change Implications

9.1 There are no carbon emission and climate change implications arising out of this report.

10. Equality and Diversity Implications

10.1 There are equality and diversity implications arising out of this report.