

## Financing the Yeovil Refresh

Executive Portfolio Holders:	Cllr. Peter Seib, Finance and Legal Services Cllr. Peter Gubbins, Yeovil Refresh lead
Strategic Director:	Jan Gamon, Director, Place and Recovery
Service Manager:	Natalie Fortt, Regeneration Programme Manager
Lead Officers (for report):	Ian Timms, Yeovil Refresh Project Manager Karen Watling, Interim S151 Officer
Contact Details:	lan.Timms@southsomerset.gov.uk or 01935

## Purpose of the Report

1. This report outlines the current position relating to delivery of the Yeovil Refresh and outlines the additional funding to be unlocked if we wish to fully benefit from the successful Future High Streets Fund (FHSF) bid.
2. The report seeks approval from members to increase the net budget to enable delivery of the Yeovil Refresh projects that are included in the Future High Street Bid over the 36 month construction period associated with this Fund.
3. Whilst the estimated financial implications of *all* of the projects included in the Future High Street Bid are included in this report for completeness and transparency, the approvals sought exclude any budget required to deliver the collaborative working space project. The decision whether to proceed with this project will be the subject of a separate Business Case report to Council in the near future.

## Forward Plan

4. This report did not appear on the District Executive Forward Plan, as implications for funding to permit to take full advantage of the FHSF has only been fully understood over the last month.

## Public Interest

5. The report provides a summary of delivery of the Yeovil Refresh programme. The report seeks approval to increase the net budget in response to the allocation of funding from the FHSF. This will enable us to enhance our delivery in Yeovil Town Centre. This funding allows SSDC to draw £5.58m of Government funds from the Future High Streets Fund. Without this additional funding, SSDC will forfeit some of the funding from the FHSF.

## Recommendations



## South Somerset District Council

6. That District Executive recommends that the Chief Executive agrees to propose that Council approve:
  - a) An increase of the Yeovil Refresh **net** budget of £2,604,168.
  - b) An increase in long term borrowing of £2,604,168 to fund the project.
  - c) An increase to the gross budget by £367k from the current approved budget (see Appendix A for more detail)
7. That District Executive recommends that the Chief Executive agrees to ask Council to note:
  - a. That a future Council meeting will consider the Business Case for establishing a cooperative working space at Yeovil.
  - b. That in the worst case scenario the Council may need to increase its long term borrowing to £4,529,168m in total (ref. Para 26)

### Background

8. The Yeovil Refresh is an ambitious programme seeking to transform the town centre through a range of projects and interventions. The programme is split into four themes which will be delivered by a number of different stakeholders. These are broadly defined as;
  - **Major Developments.** Old Cattle Market and Glovers Walk working in collaboration with private developers. Also a new workspace and possible developments on SSDC land.
  - **Public Realm enhancements.** Improvements to core streets including Westminster Street, High Street, Borough, Middle Street, Triangle and Wyndham Street area. This will create a better shared space which will be greener and easier to navigate. A new events square will be created at the Triangle.
  - **Transport system changes.** Changes to road systems, additional cycle ways, improved walking routes, review of bus routes, car parking improvements and possible highways junctions.
  - **Soft interventions.** This includes events programmes, markets, management of spaces in the town, evening economy changes and a range of other economic activities.
9. These themes all include ambitious projects, which will fundamentally change how the town centre works. These projects individually and as a whole aim to regenerate Yeovil Town Centre

### Future High Streets Fund

10. The Yeovil Refresh is about to enter a delivery phase which is built on significant work that has been undertaken over the past two years. This work includes a successful bid to the Future High Streets Fund (FHSF), with Yeovil being among the first tranche of 76 towns to benefit from the fund. The bid secured an allocation of £9,756,897.



## South Somerset District Council

This required a strong investment case, which passed a range of tests set out by government to ensure maximum delivery is achieved for the funds that are supplied.

11. The fund application was complex requiring a robust five point business case based on Treasury Green Book Principles. The five areas of focus all required strong supporting evidence based work. These came together to produce a central Benefit Cost Ratio (BCR) to support the allocation.
12. As part of this BCR applicants were expected to provide co-funding to support delivery of their aspirations. This co-funding can either come from private or public sector sources. This is the case in Yeovil with major development sites using private investment combined with SSDC funded schemes.
13. The public realm projects identified in the bid have been allocated £4,784,377 from the fund. The co-funding requirements mean that match funding is now needed to be able to deliver the entirety of the public realm aspirations.
14. The provision of innovative work space in the Town Centre has been included in the cost estimates shown in this report as it is part of the FHSF bid. However, as mentioned in paragraph 3 above, a decision to agree whether this project should proceed will be sought from a future Council meeting.
15. The FHSF is of a short 36-month duration commencing on 1<sup>st</sup> April 2021. All projects within the bid are expected to be substantially completed by 31<sup>st</sup> March 2024. This means that any funds relating to these projects need to be physically available during this period of time. Council approval of the increase to net budget will allow us to proceed with construction works.
16. Members should note that the funding in future years is subject to the outcome of the government's spending review and progress SSDC achieves in delivery.

## Financial Implications

### Current approved budget

17. These projects are funded through a budget allocation process which uses a net / gross approach to enable works to progress. The broad principle being that over time expenditure up to the gross sum is permissible with the aim of returning to the net budget position. This approach to budgeting for the regeneration projects, including the Yeovil Refresh, was approved by Council on 17<sup>th</sup> May 2018.
18. The current approved net budget for Yeovil Refresh is £2.655m. Council also approved a separate budget of £1.2m at its meeting in February 2021 for the Yeovil town centre cycling and walking package. It is proposed to include this separate approval into the overall Yeovil Refresh finances to improve clarity and transparency and also to align with the budget monitoring undertaken by the Yeovil Refresh Board, as well as the costs included in the Future High Streets Funding bid – therefore the current net approved budget is £3.855m.

19. The costs that need to be funded by SSDC have grown by £3,604,168 to £7,459,168, due to the need for the Council to increase its funding commitment by £2.8m to match fund the FHSF grant and in order to pay for commuted highways costs. The latter is a one off sum to be paid to the County Council based on the sum required to maintain the hard features e.g. paving above the basic highway requirements. This is calculated section by section as construction progress. The current total estimated value of this sum is £500,000 to £851,850.
20. Expenditure to date is £1.2m (as at the end of March 2021).

### **Overall impact on SSDC's Capital Budget**

21. The increase of £3,604,168 in the Council's costs of supporting the scheme, as reported above, is significant and, it is therefore the recommendation of the interim S151 Officer that the net budget is increased, rather than an assumption being made that the scheme itself can generate all of this quantum of funding through grants, asset sales, or by other means.
22. Therefore it is proposed that the net budget is increased by £2,604,168 from £3,855,000 to £6,459,168.
23. The definition of the "Net Budget", with reference to SSDC's Regeneration Programmes, was explained in the report to Council in May 2018 as follows:

***"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."***

### **Funding the Council's share of the programme**

**Table One: Total Funding identified to-date**

<b>Identified Funding Sources</b>	
Reallocation of unspent Yeovil Budgets (funded by capital receipts)	£424,000
Area South Capital Fund contribution (funded by capital receipts)	£151,000
Usable capital receipts already held	£1,000,000
Long term borrowing approved by Council for cycling & walking package	£1,200,000
Future High Streets Fund administration grant	£155,000
<b>Total funding identified to-date</b>	<b>£2,930,000</b>
<b>Estimated current shortfall from £7,459,168 needed</b>	<b>£4,529,168</b>

24. The Council's share of funding the estimated costs of the programme is £7.5m. To-date £2.93m has been identified/approved and secured leaving a current funding requirement of £4.5m. It is proposed that the gap is funded via the following means



**Table Two: Proposed funding of the current gap**

Increase in council borrowing	£2,604,168
Future BR pool gains or borrowing	£925,000
Income target for Project Board	£1,000,000
<b>Total</b>	<b>£4,529,168</b>

25. Other potential sources of funding, mentioned in the original committee report, include the use of income gains arising from SSDC being a member of the Somerset Business Rates Pool. Some £925k was assumed to be available from this source. Recent enquiries with Mendip District Council, have confirmed that a gain has been made in 2020/21 of some £850k (although the interim S151 Officer is awaiting the final figure). However, this source of financing has also been assumed to part-fund the Chard Regeneration Project (£1m is included in that project's funding estimates). Consequentially further work needs to be undertaken to understand where best to use the gain that will be received for 2020/21 and to estimate any potential gain for 2021/22. If such gains are insufficient then the gap will need to be financed from further long term council borrowing. Further information on this will be included in the MTFP refresh report that is going to District Executive in September 2021
26. This leaves an income target of £1,000,000 for the scheme to generate, of which £350k has already been secured from s106 contributions.
27. Original plans for financing the Yeovil Refresh programme included the conversion of underused car park land into development sites to bring in sales income of some £2m. However, work undertaken so far, which has been slower than desired due to availability of resources through the pandemic, has indicated that there are a range of remediation and practical problems with securing a development profit on these sites. Whilst this is work-in-progress, the development and sale of these assets is unlikely to realise significant capital receipts that could contribute to the funding of the programme, particularly in the short to medium term. The sites have noise and land contamination issues and while it is possible to remediate these, the costs of that remediation, when compared to the likely end value of the development, means these assets should be considered as long term investments rather than possible short/medium term sources of income.
28. At its meeting on 2<sup>nd</sup> September 2020, District Executive was informed of the issues regarding the car park sites, mentioned above, and consequentially agreed to ring-fence the sale proceeds from 16 Council-owned sites, with the potential value of £1.06m, to part-fund the Yeovil Refresh Programme.
29. No sales have yet been made due to internal capacity issues and the need to obtain outline planning consents to optimise the sales value. The latter work is being affected by the phosphate mitigation planning issue. However, these small sites are always likely to be of interest to the market and so should deliver a reasonable return through sale to small builders over the next few years. Returns of £500k to £750k could therefore be realistically achieved.



## South Somerset District Council

30. Other potential sources of funding, mentioned in the original committee report, include further grant funding opportunities and the use of CIL (Community Infrastructure Levy) monies of which SSDC currently has £892,900 in-hand. Officers are currently working on a proposed strategy of how CIL money could be utilised in the borough and since the regeneration projects are high priority and fit within the broader CIL purpose, the strategy is likely to include proposals to at least use part of this money for funding existing regeneration projects.
31. In conclusion identifying further sources of direct funding for the programme continues with an increased focus. It is proposed to include information on the progress being achieved in generating the £1,000,000 income target in the quarterly budget monitoring reports to District Executive. The worst-case option is that this income target will also need to be funded by long term borrowing by the council.

### **Overall impact on SSDC's Revenue Budget**

32. Borrowing £2.6m would increase the financing charges needing to be met from the Council's revenue budget by £86,500 per annum. This includes both external interest charges and the requirement to set aside amounts to repay the loan principle (known as the Minimum Revenue Provision). Over a 50 year loan term the financing costs arising from this borrowing totals £4.3m.
33. If, as the worst case scenario, the Council needed to finance all of the current shortfall shown in Table One of £4.5m, the increase in financing costs totals £150,500 per annum. The overall cumulative financing costs over a 50 year loan period are £7.5m.
34. These cost estimates are based on the Council accessing borrowing from the Public Loans Work Board (PWLB) at the current interest rate of 2.22%. Changes made in November 2020 to the PWLB terms of lending mean that SSDC is unlikely to access this lending facility due to its commercial property acquisition programme. Arling Close, the Council's Treasury Management advisers, have been engaged to provide advice on the Council's borrowing options and will report to the interim S151 Officer and Senior Leadership Team on this matter in the next few weeks. Members should note therefore that the interest rate used in this report could change depending on the borrowing option/s chosen.
35. In addition to annual financing costs there will be a requirement to undertake on-going maintenance works to the roads estimated to cost £15k per annum per section of road. Given there are six new sections of roads then the total full year maintenance costs would be £90k per annum.

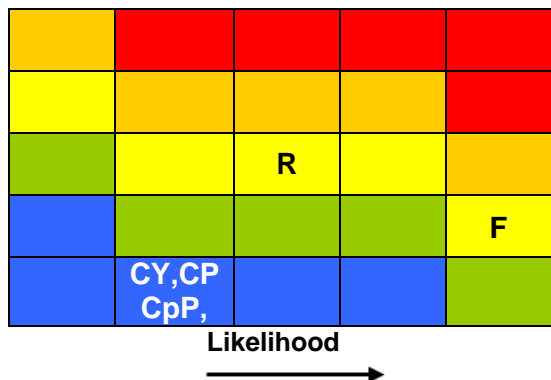
### **Legal implications (if any) and details of Statutory Powers**

36. The recommendations will solidify the budget approach related to Yeovil Refresh. This will ensure compliance with the council's standing orders and financial regulations.

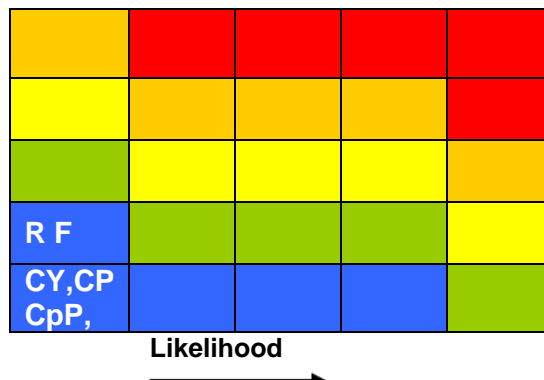
### **Risk Matrix**

37. The risk matrix shows risk relating to the Council Plan headings.

**Risk Profile before officer recommendations**



**Risk Profile after officer recommendations**



**Key**

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

**Council Plan Implications**

38. The delivery of Yeovil Refresh is one of the Council’s key priorities. This report therefore directly links to and supports this priority.

**Carbon Emissions and Climate Change Implications**

39. None

**Equality and Diversity Implications**

40. Specific projects are also subject to Equality Impact Assessments with appropriate adjustments being made in line with identified issues. This report itself has no direct implications as it relates to financing approach.

**Privacy Impact Assessment**

41. There are no identified issues relating to this matter.

**Background Papers**

42. Appendix A: Confidential