

Strategic Commercial Land and Property Project

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Purpose of the Report

1. The purpose of this report is to approve the terms of reference and budget for this project which encompasses income generation and regeneration activities and seeks District Executive approval to proceed immediately with the project and associated budget as set out in this report.
2. This includes the project scope and objectives, the roles and responsibilities of the key participants, the project budget and project plan for achieving objectives.

Forward Plan

3. This report did appear on the District Executive Forward Plan for January District Executive.

Public Interest

4. The report provides an overview of the project, the reason for initiating the project, what its objectives, costs and outcomes are.
5. The objectives of the project are to:
 - Develop a Commercial Land and Property Strategy which drives income generation whilst meeting the Economic, Regeneration and Housing ambitions of the Council.
 - Undertake an investment evaluation to assess the current returns on all of our commercial land and property, establishing an ongoing database and performance reports.
 - Recommend a Commercial Land and Property team make-up with the right mix of roles, responsibilities, skills and experience to successfully implement the strategy and minimise as well as manage associated risks.
 - Recommend governance arrangements and processes appropriate to SSDC that will support a commercial approach including portfolio performance management, but also manage risk effectively and ensure transparency and accountability in the use of public funding.

Recommendations from the initial Project (January 2017 – July 2017) will then be reported to the District Executive with a view to:

- Establishing and implementing a Commercial Land and Property team with the right mix of roles, responsibilities, skills and experience to successfully implement the strategy and minimise as well as manage associated risks.
 - Establishing and implementing governance arrangements and processes appropriate to SSDC that will support a commercial approach including portfolio performance management, but also manage risk effectively and ensure transparency and accountability in the use of public funding.
 - Developing appropriate partnerships with the commercial sector to supplement capacity and skills, support delivery and ensure good and early local market intelligence.
 - Creating a balanced property portfolio to deliver income in line with agreed targets and strategy to support SSDC into the future.
6. A budget is provided for the project set up for approval, which entails using both in house expertise and project management with external expertise where required, thus minimising project costs.
 7. The outcome of the project will be to make recommendations, based upon the above objectives, to define the way forward for the Council to manage commercial property investments, both existing and future, to meet wider income generation and strategic objectives, which will be reported back to the District Executive Committee prior to implementation.

Recommendations

8. The District Executive is recommended to:
 - i. Approve the proposed project to develop a Commercial Land and Property Strategy and fund the £103,000 project from general fund balances.
 - ii. Note that a report outlining the way forward and the Strategic Commercial Land and Property Project findings will be reported to District Executive (and later inform the revised Asset Land and Property Management Strategy 2014-2017) in July 2017.

Background

9. South Somerset District Council is ambitious for its communities but needs to save cost and generate additional income over the next four years if it is to be financially sustainable and be able to continue to meet community needs. To this end, an Income Generation Programme has been established to guide and support the Council in becoming financially sustainable.
10. A small number of local authorities have been successful in generating significant net additional income through the implementation of strategic and commercial approaches to land and property including acquisition of commercial property and housing and the direct development of land by the council.
11. Such approaches have been underpinned by a robust strategy and the necessary implementation arrangements such as a team with the right knowledge and skills together with appropriate governance arrangements to ensure an agile, commercial

approach that manages risk and provides sufficient accountability that is necessary with public funding.

12. South Somerset District Council approved its Land and Property Asset Management Strategy in 2014 and this is due to be refreshed in 2017. The Strategic Commercial Land and Property Project findings will exclude non-commercial or non-property assets but will feed into and inform the above wider Asset Management Strategy review when undertaken during 2017.

Strategic Commercial Land and Property Project Detail

Project Scope

13. The project will include, initially, the commissioning of a commercial property strategy expert to work in tandem with the in-house project manager to:
 - (i) Undertake a strategic assessment of the local market and the potential / opportunities that exist now and going forward, particularly examining trends and where the Council might leverage the greatest returns and meet needs the best.
 - (ii) Develop a strategy that will meet the Council's ambitions, in particular around regeneration, economic development and housing needs and set stretching, but achievable targets for growth in net income from commercial land and property, as well as establishing the development of a balanced portfolio.
 - (iii) Undertake an investment evaluation of the Council's current commercial land and property to assess value and return (financial and contribution to strategic objectives) and develop baseline for portfolio performance management.
 - (iv) Design the team required to implement the strategy including roles, responsibilities, skills required (which may be employed or contracted to the Council).
 - (v) Support the development of governance and associated processes (including portfolio performance management) to ensure a commercial approach with sufficient accountability but the agility and authority to move quickly.

Project Approach

14. The project will involve the procurement and commissioning of an appropriate property strategy expert to work with SSDC's own team to undertake the work required initially.
15. This will include considerable research on the local property market and the employment market in terms of the skills required.
16. It will include workshops within the Council with appropriate officers and members to develop the strategy and the governance arrangements.
17. The project will then require a recruitment process and / or the procurement of specialist property support to deliver the strategy.

Project Team Set Up

Project Board Roles	
Project Sponsor	Alex Parmley - CEO
Senior User(s)	Donna Parham - Finance
Project Manager	Clare Pestell – Development Valuation, Commercial Land and Property
Other Project Team members (input from)	Economic Development Regeneration Property Team Housing

Project Deliverables

To be delivered by external expert with support of Council team:

- (i) A report outlining a Market analysis and potential.
- (ii) Commercial Land and Property Management Strategy setting out context – the organisation, the current portfolio and its performance, the market, the headline objectives
- (iii) Commercial Land and Property Management Framework – how the Council is organised to effectively manage, use and review its estate and how it needs to change its organisation – roles, skills, expertise and governance.
- (iv) Strategic Objectives.
- (v) Delivery Plan - Action Plan with timeframes and key projects.
- (vi) Team roles, skills and expertise required to deliver the objectives.
- (vii) Governance arrangements and processes required to deliver the objectives.

To be delivered by the Council:

- (a) Market appraisal of the Council's current commercial and investment land and property.
- (b) New team of employed property experts and / or contracted experts to provide expert support to the management and implementation of the Commercial Land and Property Management Strategy.
- (c) Establishment of governance arrangements to support a commercial approach appropriate to a public sector environment and funding.

Sustainability

18. The project will be taken forward through the development of the Commercial Land and Property team and the putting in place of appropriate governance arrangements. The project will be an investment that generates a return for the Council significantly in excess of the cost of the expert support, team and skills required.

Constraints

(a) Priority

19. The project is a high priority for implementation by 2020 if the Council is to generate sufficient income to become financially sustainable and it is to meet its objectives for regeneration, economic development and housing.

(b) Project Timescales

Stage	Target Date
Start Up	November 2016 - January 2017
Initiation to Reporting Recommendations	January 2017 – July 2017
DX Decision	July 2017
Implementation of Recommendations	August 2017 – April 2018
Management Stages	Nov 2016 – Sept 2020
Closure	Dec 2021

Dependencies

20. The project relates strongly to the Council's ambitions for regeneration, economic development and housing as well as supporting the council in becoming financially secure and sustainable.

Interfaces to Other Projects:

21. The project links with other key council projects including but not exclusively:
- Yeovil Town Vision and Refresh
 - Chard Town Centre Regeneration Project
 - Yeovil Innovation Centre 2

Business Case

22. The project will be taken forward on an 'invest to save basis' in that the costs of the project, including the new team and roles required will be offset by the significant additional net income generated for the Council. It will build towards achievement of Council Strategic priorities including but not exclusively:

- (a) SSDC Housing Development
- (b) High Quality Cost Effective Services
- (c) Economy

23. Ultimately, the project will take a highly commercial and efficient approach to income generation through commercial land and property investment and development, which may also involve new and innovative ways of investing in order to generate additional income which could then be used to meet other non-income producing objectives.
24. It will improve the management of existing land and property by strong commercial assessment of what is to be retained and to meet which strategic objectives. Or alternative strategies will be considered e.g. convert, dispose and reinvest funds to meet new objectives.

25. Take an investment approach to meeting regeneration and housing ambitions and ensure the Council has the skills to become the developer in such projects.

Financial Implications

26. The overall cost of this project is as follows:-

Budget Item	Cost Estimate	Notes
External Expert	£50,000	To provide advice and final report and recommendations
SSDC Project Team	£25,000	Project Manager and Support Role
Backfill SSDC Team	£15,000	£9,000 to be met within existing budgets
Property IT system	£12,000	New Commercial Land and Property & Investment Valuation software, licences for staff use, IT implementation and training.
Total Project Cost	£103,000	

27. If Members approve the recommendations in this report the funds will be found from General Fund Balances. This will leave an unallocated balance of £3.858 million which remains sufficient to meet SSDC's financial risks.

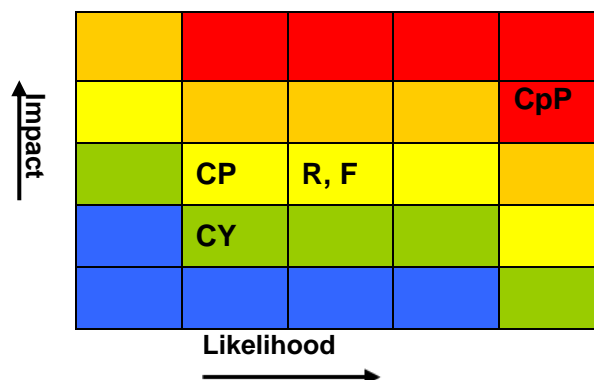
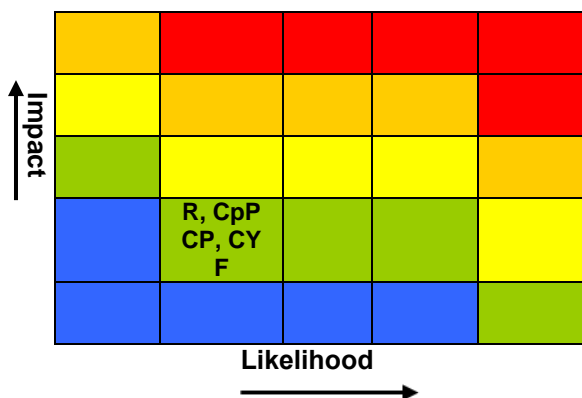
28. Further funding may be required for implementation and these will be presented for further consideration in July 2017 once this part of the project has been completed.

Risk Matrix

29. This risk matrix has been developed with South Somerset District Council issues (SSDC Council Plan, SSDC Capacity, SSDC reputation, South Somerset resident priorities, SSDC finance) in mind.

If District Executive approves the recommendations the identified risks will be as follows:

If District Executive does not approve the recommendations then our long term exposure to financial and reputational risk will increase, whilst our ability to deliver against the corporate plan objectives diminish. The risks generally increase accordingly.



Key

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

Council Plan Implications

- Income Generation
- Regeneration
- Corporate Land and Property Management
- SSDC Housing Development - To work with partners to enable the provision of housing that meets the future and existing needs of residents and employers
- High Quality Cost Effective Services
- Economy – to promote a strong economy with thriving urban and rural businesses

Carbon Emissions and Climate Change Implications

There are no current implications associated with this report.

Equality and Diversity Implications

There are no implications immediately associated with this report.

Privacy Impact Assessment

There are no current implications associated with this report.

Background Papers

None
