



## Financing the Yeovil Refresh

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## Purpose of the Report

1. This report updates the Yeovil Refresh budget requirements to enable the completion and delivery of a series of Refresh projects in 2022 and 2023. The report seeks approval from members to increase the Refresh budget as stated in the recommendations of this report to enable delivery of these projects. The report also highlights the risks related to Future High Streets Fund and potential for future adverse financial impacts for SSDC relating to that funding.

## Forward Plan

2. This report appeared on the District Executive Forward Plan with an anticipated committee date of February 2022. This is an update of the budget agreed in July 2021 by Council.

## Public Interest

3. The report provides an updated delivery summary of the Yeovil Refresh programme. The report seeks increases in the budget to allow delivery of planned projects within the Yeovil Refresh.

## Recommendations

4. That District Executive recommends that the Chief Executive agrees to vire £850k from the Lump Sum Payments to County budget to fund other projects within the overall Public Realm programme as set out in paragraph 13, and as permitted under the Council's Financial Procedure Regulations.
5. That District Executive recommends to Council to approve:
  - a) An increase in the Yeovil Refresh capital budget of £1.059m to bring the total project total to £21.838m.
  - b) An increase in the Yeovil Refresh revenue budget of £0.606m to bring the total budget to £1.994m (in total over the length of the delivery period). This is proposed to be funded from the Regeneration Fund Reserve.



## South Somerset District Council

- c) An increase to the council's overall revenue budget of £0.044m (capital financing costs of borrowing £1.059m is £0.025m for interest costs and £0.019m for MRP) to fund the increased borrowing costs likely to be incurred by the project if the ring-fenced assets do not sell during 2022/23.
- d) The creation of an earmarked reserve of £4.784m to pay for the possible pay back of the Future High Streets Funding grant received to-date.

### Background

6. 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.** These relate to the former Cattle Market/Vincent's Yard, Glovers Walk/Bus Station and a potential work hub at Middle Street. Each of these would assume working in collaboration with private developers. We anticipate providing a more detailed report to Council on major development sites later in 2022.
  - **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.
7. 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

### Current Situation

8. The Yeovil Refresh programme entered the delivery phase in 2021; this follows from significant planning work over the past two years. The progress in theme areas is described in this report. As we are now in a delivery phase, we do have more clarity on delivery costs of the programme. However there still remains significant risks in the cost estimates due to the high current rate of inflation in the construction industry.

### Major Developments

9. Whilst the Refresh programme includes a number of major development sites these are largely dependent on third party developers to deliver positive outcomes. When the budget was approved in 2021, these sites were to illustrate the contributions they would receive from FHSF.

10. This is split into two categories with Cattle Market/Vincent's Yard and Glovers Walk/Bus Station being focused on investment from third parties. The co-collaboration workspace would be an investment by SSDC subject to a separate business case being approved by Council.
11. These sites are shown in the tables to highlight the full range of possible schemes and associated FHSF allocations.

### Public Realm enhancements

12. In the public realm theme, we have made good progress. Construction work is underway at Westminster Street and on the Triangle/Wine Street contracts. The contract which covers High Street, the Borough, Middle Street West and Middle Street East is mobilizing. The remaining area which covers streets linked to Wyndham Street is ready to be tendered, should the recommendations set out in this report be agreed by Council.
13. The approved capital budget allocated to the Public Realm theme is £9,308m. The table below shows this and the revisions to the budget seeking Council approval.

<b>PUBLIC REALM ENHANCEMENT WORKS</b>	<b>Budget approved by Council in July 2021</b>	<b>Revisions seeking Council approval in February 2022</b>	<b>Changes</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Middle Street East / Wyndham Street	851	769	(83)
The Bandstand / The Triangle	3,332	2,957	(375)
Middle Street West	1,872	3,090	1,218
The Borough & High Street	1,550	1,483	(67)
Westminster Street	851	1,091	240
Lump Sum Payments to County	852	0	(852)
Project contingency	0	939	939
<b>TOTAL</b>	<b>9,308</b>	<b>10,329</b>	<b>1,020</b>

14. Since the budget was approved by Council in July 2021 there has been a range of pressures on project costs which means that this budget is no longer sufficient. These pressures include significant increases in materials and labour costs, delays in supply chain affecting the construction programme, the wider impacts of the pandemic such as staff sickness and practical matters such as increased traffic management costs.
15. When this budget was agreed, it included a lump sum to provide for maintenance of all of the sections which was payable to Somerset County Council as the Highways authority on completion of works. As a consequence of the decision made by the Secretary of State in July 2021 to create a single unitary for Somerset, this approach was re-evaluated, which means that the maintenance provision can now largely be provided through an annual allocation of funds. This annual allocation amounts to



## South Somerset District Council

£15,000 so the remaining capital sum can now, with District Executive's approval be used to fund other projects within the public realm programme. This has already been incorporated into the table above.

16. A value engineering process is being applied to the High Street and Borough, Middle Street West and East contract, which we hope will allow us to reduce construction costs but, for the purposes of this report, we have included the indicative contract sum. Until we have members' agreement to the recommendations in the report we are not able to finalise the signing of this specific contract.
17. It should also be noted that unless the additional budget is agreed, the areas around Wyndham Street will not progress.
18. We are currently projecting an underspend of £375,000 on the Triangle project but this budget may be required for ground condition works in that area and delays to the programme. The level of risk and its impact will become clear as construction commences.
19. We would also suggest creating a contingency budget of 10% for all of these projects which amounts to £939,000. Therefore, the additional budget requirement for public realm works on top of the agreed budget is £1,021,000.
20. If members agree this increase to the capital budget that will permit us to deliver all of the sections originally identified in the Yeovil Refresh programme.

### Transport system changes

Improving the Network (Transport) Construction and Phase 2 Design	Budget approved by Council in July 2021	Revisions seeking Council approval in February 2022	Changes
	£000	£000	£000
Pedestrian, Cycle & Traffic Calming - South Street/Stars Lane	314	317	3
Pedestrian & Cycle - Hendford	300	300	0
Pedestrian & Cycle - Addlewell & Stars Lane	421	270	-151
Pedestrian & Cycle - Old Station Road	513	513	0
Way Finding	0	42	42
Contingency	0	144	144
<b>TOTAL</b>	<b>1,548</b>	<b>1,586</b>	<b>38</b>

21. The Transport projects in the town centre are focused on pedestrian wayfinding, active travel measures, some junction enhancements and the reversal of traffic flow in South



## South Somerset District Council

Street/ Stars Lane. This is currently subject to formal consultation with statutory bodies and residents along the route.

22. The Transport theme has a current approved capital budget of £1,547,186. The construction costs of the Town Centre Active travel package are estimated at £1.25 million. We have submitted a bid of £650,000 via SCC to use Active Travel 3 funds to support these projects. If this were successful it would provide a grant which could be used to assist in delivery of these projects. There could also be cost reductions of £151,000 from original estimates as a scheme at Addlewell lane, which was being evaluated as part of phase one, has been removed from future plans.
23. We are currently updating these figures and taking into account factors that have impacted the public realm projects would suggest creating a contingency amount in this budget area. In evaluating Transport projects, The Department for Transport make an assumption that a 40% contingency is applied to any project that is allocated funding. Whilst this is generally highways projects this rationale could be applied to this area of work. We would therefore suggest an allocation by 40% may be more appropriate to account for possible additional design and construction costs. However this would mean an increase of £618,874.40 on the overall allocation. Therefore, this report proposes a 10% increase which is consistent with the rest of the programme and would equate to £144,000.
24. We would also propose the specific inclusion of a sum for the delivery of pedestrian wayfinding systems into the town centre. This project has a contract value of £41,072.00. A contingency of 10% for this project is included in the proposed £144,000 above.
25. Therefore, taking in to account all of the changes, the proposed budget requests an increase of £38,000 for the transport schemes.

### **Animations and Managed Spaces**

26. The general principle of tackling this theme is laid out in the Refresh strategy and was recently restated by the Refresh board. There are a number of specific areas that will be addressed in 2022/23 which include events and activity management. This is required to ensure the best use of the public areas created through the Public Realm Project. Events are required to drive footfall, which will benefit the economy and provide opportunities for community activity in the town centre. Space management relates to the new public realm including maintenance of water features and the necessary licenses required for the big screen and large events.
27. All of these activities will develop the use of the public realm that is being constructed. A number of these items such as maintenance of the water feature in the Triangle public square will ensure that these spaces leave a strong legacy for the town centre.
28. We would anticipate that an enabling budget of £150,000 per annum should be allocated to deal with these issues. This will need to be in place for 2 years to provide a basis for action in this area. A detailed plan will be provided to underpin this funding as the costs related to these activities are more clearly defined.

29. The current project management budget is £1,263,000 and work to date has identified variance of £273,000. This budget includes design costs relating to both the public realm and the transport schemes. It also includes some costs relating to the design of the art works together with a share of regeneration programme management costs which had not previously been budgeted. The proposed budget for this, if approved, becomes £1,536,000.
30. The additional maintenance requirements and proposed budget to deliver events and animations results in an increase of £300,000 to the revenue budget. There are also additional accountancy costs amounting to £18,000 and a Section 278 maintenance payment of £15,000. Therefore, the total revenue budget, if approved, would increase to £1.994m over the delivery period which is proposed to be funded from the Regeneration Fund reserve.

## Financial Implications and Risks

### Capital budget implications

	Budget approved by Council in July 2021	Revisions seeking Council approval in February 2022	Changes
	£000	£000	£000
Public realm enhancement works	9,308	10,329	1,020
Transport system changes	1,548	1,586	38
Major Projects	9,323	9,323	0
Budget increase to purchase potential property	600	600	0
<b>TOTAL</b>	<b>20,779</b>	<b>21,838</b>	<b>1,059</b>

31. The current capital approved budget is £20.779m and the request is to bring the budget to £21.838m. This includes the budget for the Major Projects (at Cattle Market and Glovers Walk), which, if they proceed, will be undertaken by the private sector and part-funded by the Future High Street Fund grant. The budget also includes an amount for a possible property purchase which was agreed by Full Council at its December 2021 meeting. As agreed in July 2021 the budget excludes any allocation to the collaborative workspace project which will, if progressed, be the subject of a separate business case to a future council meeting.
32. The current turbulent nature of the construction industry has increased the risk of contractors going in to administration or ceasing to operate. The company currently contracted to complete the Westminster Street area of public realm has recently entered administration. However, the terms of the Council's Construction Framework mean that there is a remedy in place to deal with such occurrences. This should enable us to re-start work at a relatively quick pace. We will bring a further report to committee should this cause a significant change to the agreed timescales or budget.

33. The funding approach for the programme builds on what was agreed in the July 2021 report to Council.

Capital Funding	Approved by Council in July'21				Proposed in February '22 Budget				Change in funding			
	FHSF	Third Party	SSDC	Total	FHSF	Third Party	SSDC	Total	FHSF	Third Party	SSDC	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Capital Funding - Future High Streets Fund	-£8,977			-£8,977	-£8,977			-£8,977	£0			£0
Capital Funding - Third Party		-£5,131		-£5,131		-£5,131		-£5,131		£0		£0
Reallocation of unspent Yeovil Budgets (funded by capital receipts)			-424	-£424			-424	-£424			£0	£0
Area South Capital Fund contribution (funded by capital receipts)			-151	-£151			-151	-£151			£0	£0
Usable capital receipts already held			-1,000	-£1,000			-1,000	-£1,000			£0	£0
Income target for Project Board			-1,000	-£1,000			0	£0			£1,000	£1,000
CIL relating to Triangle Project				£0			-1,141	-£1,141			-£1,141	-£1,141
S106				£0			-325	-£325			-£325	-£325
Long Term Borrowing			-4,096	-£4,096			-4,689	-£4,689			-£593	-£593
<b>Total capital funding</b>	<b>-£8,977</b>	<b>-£5,131</b>	<b>-£6,671</b>	<b>-£20,779</b>	<b>-£8,977</b>	<b>-£5,131</b>	<b>-£7,730</b>	<b>-£21,838</b>	<b>£0</b>	<b>£0</b>	<b>-£1,059</b>	<b>-£1,059</b>

34. The capital funding table above highlights the changes in funding as follows:

- The income target for the Project Board of £1m as approved in July '21 is removed as the CFO advises that the assets ring fenced for sale to part fund this project are not likely to complete during 2022/23 and therefore it is more prudent to assume that this funding source will need to be replaced by borrowing. The impact of additional borrowing is capital financing charges of £0.044m of which interest costs are £0.025m and MRP is £0.019m per annum;
- The receipt of CIL funding as agreed by Strategic Development Board at its December 2021 relating to the Triangle Project;
- The receipt of S106 monies of £325k in 22/23 relating to Wyndham element of the project.

### Future High Streets Fund

35. As members will be aware the Future High Streets fund (FHSF) potentially provides a significant sum of £ 9,756,887 to support the delivery of the Refresh. The business case for this fund is based on treasury green book principles and was subject to rigorous scrutiny by DHLUC prior to award. In order to secure the grant funding, the business case needed to generate an overall Benefit Cost Ratio (BCR) above 2.

36. Due to a number of factors, there has been slow progress on the Major Development Projects. In order to explore the possible impacts of these delays on BCR, we have commissioned Stantec, who supported the original business case, to evaluate impacts caused by a number of scenarios. This piece of work indicates that there is a significant risk to the FHSF if these sites become undeliverable within an acceptable time frame.



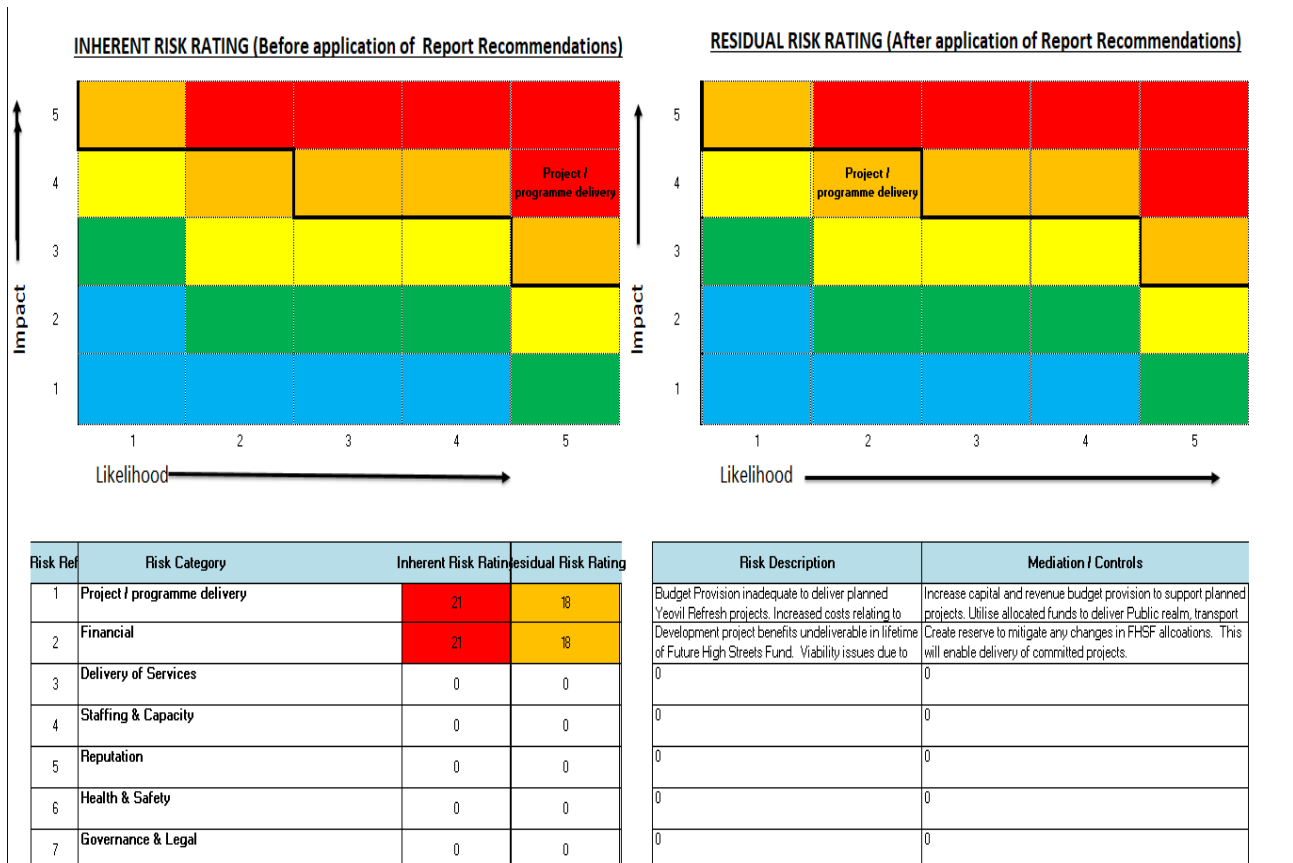
# South Somerset District Council

37. Whilst the project team will continue to progress options and seek action from the developers, the risk of these schemes not being delivered within the FHSF timescales is now deemed to be substantial. There are change control options within the FSHF that allow transfer of benefits to alternate schemes but there are currently a limited number of developments in the town centre that could support these changes.
38. At the current time this means that there is a substantial risk around the Future High Streets Fund. If we are unable to utilise the fund then an additional £4,784,000 would need to be provided to deliver all of the current schemes. It is felt therefore, that it would be prudent to create a reserve to make appropriate provision for the potential loss of this grant. Clearly if this risk is not realised then funding will not be required from the reserve. This impact would not be realised under the financial year 2023/24.
39. Discussions with DHLUC relating to the fund are ongoing. Anecdotally, we understand that other councils are facing similar challenges given the current challenges around construction. Further reports will be bought to District Executive and Council as the situation progresses.

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

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

## 41. Risk Matrix







### **Council Plan Implications**

42. The delivery of Yeovil Refresh forms part of Priority Project 2 of the Council Plan. This report therefore directly links to and supports this priority.

### **Carbon Emissions and Climate Change Implications**

43. None identified.

### **Equality and Diversity Implications**

44. The Refresh itself has been subject to consultation on a number of occasions. Specific projects are also subject to full Equality Impact Assessments with appropriate adjustments being made to projects in line with identified issues. This report itself has no direct implications as it relates to financing approach but has been reviewed in line with Council policy to ensure consideration of these issues.

### **Privacy Impact Assessment**

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

### **Background Papers**

46. None.