

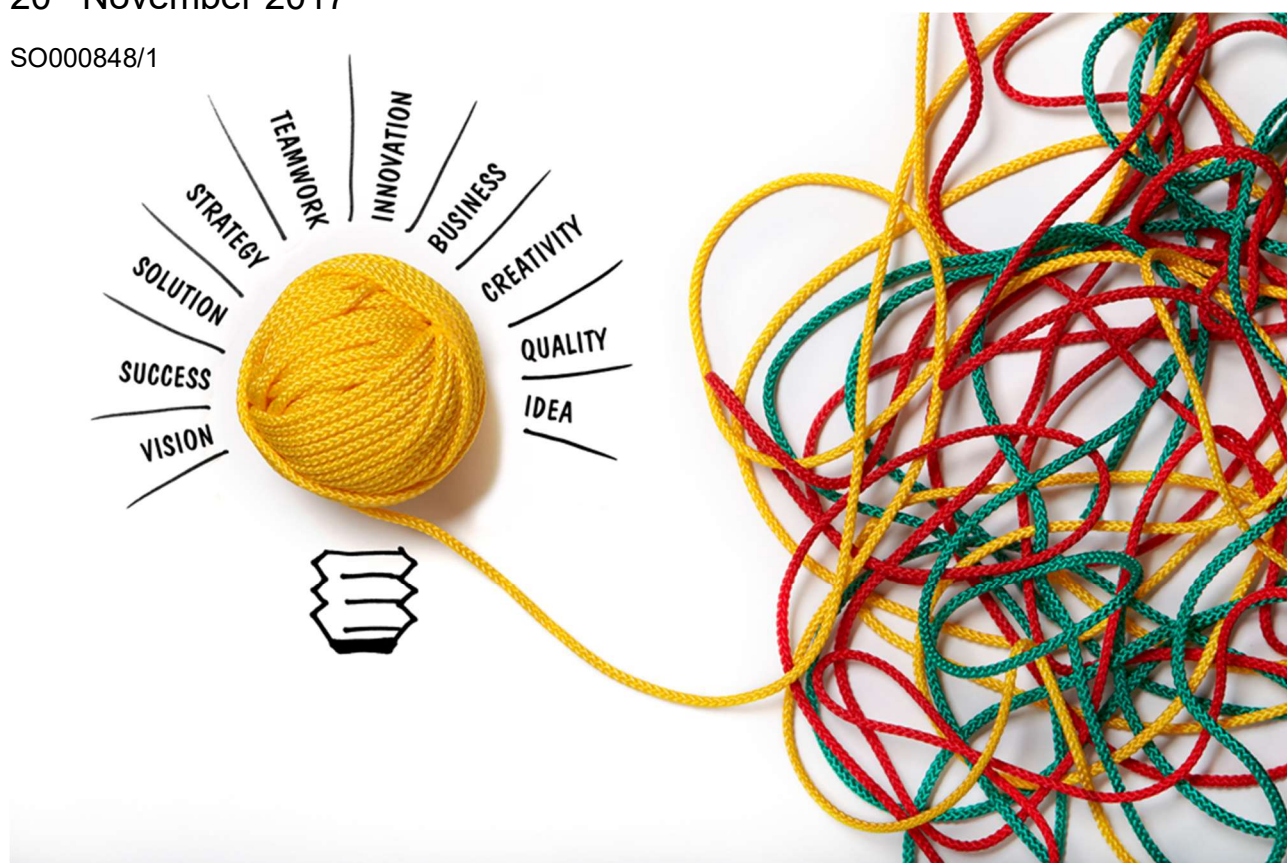


Review of the Swindon Town Centre Regeneration Delivery Model

V4 Services

20th November 2017

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Contents

1. Contact for this report.....	3
2. Introduction	4
3. Executive summary	4
4. The Current Delivery Model and Context	5
4.1. Forward Swindon Limited.....	5
4.2. Deliverability of the Town Centre Masterplan.....	6
4.3. The Current Income and Expenditure Model	8
4.4. The Wider Regeneration Context.....	8
4.5. A Summary of Stakeholders Views	10
4.5.1. Outcome Desired	10
4.5.2. Progress	10
4.5.3. Value	11
4.5.4. Engagement with the Private Sector.....	11
5. Taking Regeneration in Swindon Forward	12
5.1. Options Appraisal Summary	12
5.2. Comparative Strengths and Weaknesses of the Identified Options	13
5.2.1. Maintain Forward Swindon Limited as currently established	13
5.2.2. Wind Up Forward Swindon Limited.....	14
5.2.3. Bring the operations of Forward Swindon and the current staff fully into the Local Authority	15
5.2.4. Retain but Reform and Rebrand Forward Swindon Limited.....	16
5.2.5. Bring the Functions of Forward Swindon Limited into the Housing Company Structure.....	17
5.3. The Implications for the Client – Swindon Borough Council.....	19
6. Conclusions and Recommendations	20
7. Next Steps.....	20

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As an ISO9001 certified company, we always apply strict quality assurance methodologies to maintain our exceptionally high standards.

2. Introduction

On Friday the 27th October V4 Services Ltd were appointed to conduct a review of the Swindon Town Centre Regeneration Delivery Model. The brief provided was as follows;

- Undertake a desktop review of
 - the governance of the current delivery model also legal, commercial and financial arrangements
 - roles, responsibilities and remit
 - current resource commitments and implications
 - risk allocation and transfer
 - current programme and project activity
- Conduct interviews with Forward Swindon Limited (FSL) and Council officers, Members, and under confidential conditions, any relevant delivery partners or stakeholders, including:
 - Consultation with all 57 Councillors through written survey
 - Face to face consultation with key Members
 - Consultation with local MPs
 - Consultation with contractors
- Report to project sponsor on a weekly basis through delivery period
- Deliver a report setting out
 - Assessment of the suitability of the current delivery model, including:
 - deliverability of town centre masterplan
 - Current income and expenditure arrangements
 - benefits realisation and value for money
 - Analysis of options for future delivery models
 - Recommendations for future delivery models in terms of delivery, cost and best value, and risk

Over the course of the following 2 weeks (w/c 30th October and 6th November) the V4 team reviewed in detail the documentation provided in relation to Regeneration in Swindon and the specific information provided in relation to FSL.

The team also either met in person or spoke with 16 of the identified key stakeholders during that period to get their sense of both the current arrangements and their view of the future model.

3. Executive summary

The V4 Services Limited team has, over the course of two weeks, conducted a short but detailed review of the Town Centre Regeneration Delivery Model currently employed in Swindon.

Our review, reaches the following conclusions;

- The masterplan remains a relevant guiding document for the regeneration of Swindon town centre.
- Some projects identified within that masterplan are now in delivery and others appear to be on the point of starting.

- Few of the large projects appear as close to delivery and may need a new approach to make them viable. Multi-phase projects require close monitoring to ensure viability before future phases are commenced.
- There is a need to show how major projects not in the Delivery Plan fit to support the wider regeneration of Swindon.
- There is the potential to achieve the Town Centre Regeneration Objective with less revenue funding for FSL (or its replacement) and the potential exists to move the function onto a self-funding basis in the medium term.
- Steps need to be taken to bring the Company's functions more clearly under Council Control. This can be achieved either through merging the functions of FSL into the Councils new Company structure and/or through changing the FSL board composition to ensure a local authority majority.
- A more thorough and robust approach has been taken recently in terms of strengthening the Councils client side management function and those efforts should be further supported.
- Swindon Council, as a major investor in the town centre, needs to ensure it has the right level of resources to provide strategic direction to the development of the projects and to proactively manage its risk as an investor.

We are recommending the following next steps;

- Our recommendation is that the Company's functions be brought more clearly under the council control either through being merged into the Councils new Company structure and/or through changing the board composition to ensure a local authority majority. It is our view that work should commence on the legal and regulatory steps without delay.
- The Council needs to further strengthen its client function, creating an 'Intelligent Client' Function within the Directorate to proactively manage the relationships.
- The Council should commission a high level, independent financial appraisal of projects within the programme with a view to validating the existing business case assumptions and prioritising schemes based on their deliverability / viability.
- Develop a high-level masterplan which demonstrates how the current Delivery Plan fits with the wider regeneration opportunities and projects across Swindon.

4. The Current Delivery Model and Context

In line with the brief provided to us by the Council, we have reviewed in detail the current position with respect to;

4.1. Forward Swindon Limited

Forward Swindon Limited (FSL) was restructured in 2016 and the majority of staff have come into post as a result of that restructure. The organisation has relocated into offices based within one of the main projects. It is important to stress that this is a review of the current position of FSL and we did not consider any historic aspects of the organisation or the delivery of projects. As we comment in the next sections there is a focus on delivery and a number of long standing projects are now on site. The staff we met during the review appeared to have experience of delivering similar projects and a number have private sector as well as public sector experience.

In addition, there seems to have been a strong focus on improving internal systems and procedures which have been the subject of criticism in the past.

The Council is the funding organisation and is the capital investor in the delivery of the projects. It has also engaged in land swaps with its own property portfolio to help assemble sites and undertaken Compulsory Purchase Orders (CPOs) to further support site assembly.

Swindon Council is the only shareholder in the company but it has a board which is chaired externally and has representatives of local companies on it. Based on examination of the board papers it acts as an advisory and reference body for the delivery of the projects.

The current Chief Executive is leaving the organisation. Currently it has around 9 members of staff including administrative staff.

4.2. Deliverability of the Town Centre Masterplan

The Town Centre Masterplan was formally adopted in 2012 and currently, in respect to FSL's remit, consists of the following projects;

- 1) Carriage Works
- 2) Falcon House
- 3) Farringdon Road
- 4) Kimmerfields
- 5) Wellington Street
- 6) Aspen House
- 7) Mechanics Institute
- 8) Corn Exchange

In broad terms we consider the Masterplan to be focussed in the right areas, to be seeking to deliver the right offer and practically we feel there is little to gain by rethinking a masterplan which, if delivered, could clearly have a transformative effect on Swindon Town Centre. Once the projects have been delivered there would be an obvious need to review the next steps but, at present, we would agree with the Council's view that the focus has to be on the delivery of those schemes in the pipeline and not on the generation of further projects / concepts / opportunities.

There are however, other major projects underway, such as the Swindon Museum of Art and the North Star scheme which only get a brief mention in the Masterplan. There does need to be a wider vision document or overview showing the fit of these projects to create a common vision for Swindon Town centre. In our interviews with stakeholders the lack of this did create a feeling that there was not a single vision and that the projects were not co-ordinated. This is a communications challenge and not a requirement to engage in rethinking the projects or plans but it is important that they are seen as unified programme.

While the terms of this review specifically excluded a detailed financial appraisal of the constituent projects it is clear, from no more than a cursory look and discussion with those involved, that some of those projects can be more easily proved viable than others.

Kimmerfields: The site has now been assembled, the CPO challenges dealt with and clearance of the site will begin next year. However, the selected development partner has not delivered the scheme. Overall our sense is that this site should be deliverable but it is unlikely that the council will find a single partner to deliver this. We also understand that CBRE have produced a report showing it is unviable in its current form. As a result, the most likely solution will be to break the site into smaller elements and increase the

residential focus to support viability. This will need to be done while ensuring the incremental returns support the delivery of the infrastructure in a phasing profile that does not require the infrastructure investment upfront.

Carriage Works: A potentially viable and significant site has now been created under the councils ownership. The first phase of shared working space is on site and the ability to let that will demonstrate the demand for subsequent phases. The site may also have residential potential and further work is needed to assess the demand for the planned space and whether the site has been maximised for its regeneration potential.

Mechanics Institute: This a very difficult site as it's a grade2* listed building in poor condition on a tight footprint with no space for enabling development. Even in a high value location this would be a challenge. The key is finding an appropriate end user which will not be straight forward. It is therefore not surprising that it is the project which has made the least progress. Its prominence means it must remain in the plan. It is understood that there may be university interest in both carriage works and potentially the mechanics institute. If this can be realised it would significantly add value to the regeneration of Swindon and should be supported.

Corn Exchange: Again a difficult project with tight site and a listed building in extremely poor condition. If the current development arrangement does not deliver then a fresh approach is going to be needed. The extremely poor condition of the building means that there may need to be more flexibility around the adaptation to new uses.

Falcon House: This was not in the original masterplan but it's just the sort of project that should be taken forward and, once delivered, could be the model for other sites in the town centre. Its creating housing supply, removing an oversupply of poor quality office space and enhancing the gateway to the town centre.

Farringdon St: Onsite and due to be completed in February 2018.

What is now important is that all stakeholders understand the relative priority (based on delivery potential) of the projects within the programme. We recommend that the Council undertakes a short, sharp and independent, high level appraisal of the schemes within the programme with a view to validating the business plan assumptions of those schemes in delivery and understanding the relative levels of challenge associated with those schemes proposed but not yet in delivery.

Once completed there will need to be an evaluation of each of the projects within the programme and any challenges identified, together with revisions to delivery timescales, should clearly and transparently be communicated to all stakeholders.

What is needed is a robust appraisal process to ensure the option chosen represents the best return and use of the site while minimising the risk to the investor. There is a risk in these situations that projects are overly driven by a preferred vision and then subject to optimistic assumptions to demonstrate viability. The projects should to be subject to periodic review to see if the original assumptions or market conditions have changed and whether the current planned use remains the best approach to the site. This will be true of both the Carriage Works and the Kimmerfields sites as they are taken forward.

Clearly marking this financial year out as the transition from concept development to delivery will be important in building stakeholder confidence in the town centre regeneration programme and in starting to create the sense of momentum which is so important to sustaining any Town Centre Regeneration and Development Programme.

4.3. The Current Income and Expenditure Model

At the Cabinet Meeting on the 9th December 2015 The Council, as part of an overarching review into 'Growing Swindon's Economy', determined that FSL was to continue as an arm's length company but should become more focussed on Regenerating Swindon Town Centre. As part of this decision an allocation of £750,000 for both 2016/17 and 2017/18 was made to Forward Swindon from the Regeneration Reserve. That decision effectively provided £1.179m of funding in 2016/17 and £1.1m in 2017/18 direct from the Council to FSL.

As part of this refocus on Town Centre Regeneration, Forward Swindon undertook a staffing restructure during 2016/17.

The aspiration in 2015 was that as the projects progressed to the delivery stage (during the course of the 2-year funding agreement) it would be possible for FSL to become self-financing – levying a development margin on the projects in delivery (c.2.5%) in order to fund its operational costs. This is the normal funding process adopted by Housing Associations in delivering major development programmes and has the advantage of linking successful delivery to operational funding. It will also reduce the perception of the council putting money into an organisation as opposed to projects.

It's clear to us that there is not the potential for FSL to become fully self-financing from the 1st April 2018. However, on the strength of the proposals put forward by the Deputy Chief Executive of FSL during this review, it is considered that a self-financing model does have the potential to significantly reduce the net Council expenditure on Forward Swindon in the medium term and it may be able to start moving its cost base onto that model in 2018/19 as projects are now in delivery or due to start.

We are happy to endorse the principle of a cost-recovery model. When considered in the round such an option could, realistically, be considered to mean the organisation operates at a nil net cost to the Council. The council effectively takes a margin on lending for the projects and that could be factored into the funding of the delivery costs.

In 2016/17 FSL received £1.29m grant funding. Work done by FSL based on current staffing levels and project progress suggested that this cost could come down to circa £700k. That would mean the current Chief Executive not being replaced and a new staff structure largely based on the current staff in post. This would deliver a saving to the council of circa £529k over current costs. This would create a staff team of at least nine to oversee the delivery of the programme and that seems broadly appropriate to the scale of the task envisaged. The salaries of the staff remaining do not look out of place with the market for staff with significant delivery experience.

Clearly there is further work to do in respect of the potential to reduce the net cost to the Council and in particular the timescales for the migration to the "self-funding" model.

4.4. The Wider Regeneration Context

In the 1990's and early 2000's a number of Urban Regeneration Companies were created. The model assumed that regeneration was better delivered outside of the local authority and that they offered a way to engage with the private sector that local authorities could not achieve on their own. The ability to access major funds was often linked to the existence of an Urban Regeneration Company. Very few now exist and of those which do the focus of them has moved to sector development and skills rather than physical development.

Undoubtedly the austerity period after 2008 led to the closure of many but it was also due to the evidence which suggested they had not achieved significantly more than local authorities could do directly. Examples of major transformative regeneration delivered directly by local government are widespread and examples include;

- Birmingham City Centre
- Manchester City Centre
- Salford Docks
- Newham
- Southwark
- Leeds

The reason for the change is firstly that councils have become generally more commercial and able to directly engage with the private sector. Also, it's clear that the private sector does not always have the ability to take on the risk involved in projects where there are high upfront costs and marginal returns. Often public investment is required to assemble and unlock major sites to begin delivery and increasingly its public finance being used to fund such projects. Once started, it can be continued by the private sector and that is the way they lead to much wider changes. Secondly, private investors want the certainty of delivery by the council – especially around planning- and would prefer to deal direct rather than dealing with an intermediary.

As part of this review we did investigate whether there were other urban regeneration companies we could draw useful lessons from but we found almost no comparative examples. Below is a list of those we identified as existing in 2004 and their current status;

Urban Regeneration Company	Current Status
Central Sanford	Ceased in 2011
Ist East (Lowestoft)	Ceased in 2011
Opportunity Peterborough	Focus is on business growth and inward investment
RE Blackpool	Merged in 2010 with Blackpool, Flyde and Wyre Economic Development Company (EDC)
Renaissance Southend	Ceased in 2010
Wolverhampton Development Company	Ceased in 2010
Prospect Leicestershire	Ceased Trading and Staff transferred to Local Authority
Catalyst Corby	Merged with Northants to create new EDC in 2006. Current Status Unknown
Liverpool Vision	Merged in to the Local Enterprise Partnership (LEP)
New East Manchester	Became a subsidiary of Manchester City Council
Sheffield One	Work is now covered by Creative Sheffield and a Sheffield Housing Company
Hull Forward	Ceased in 2016
CPR (Cambourne, Pool and Redruth)	Ceased in 2012
Cornwall Development Company	Role in physical development unclear

Therefore, our conclusion is that there is no innate advantage in maintaining FSL as a standalone, private sector led regeneration company based on experience elsewhere.

4.5. A Summary of Stakeholders Views

As part of the research which has underpinned this report we have spoken with a number of the Key Stakeholders identified as having a direct interest in Swindon Town Centre Regeneration. While stakeholder views were gathered on the condition of anonymity it is possible to provide a summary of the views expressed.

Broadly speaking it is considered that there are four themes to the stakeholder feedback;

4.5.1. Outcome Desired

Reassuringly there is a very clear and obvious consensus amongst all key stakeholders that both Economic Development and Town Centre Regeneration are vital for the future prosperity of Swindon and should remain as a strategic priority for all concerned. This is a key ingredient for success.

There was a divergence of views on the relevance of the masterplan but broadly all stakeholders agreed that the essence of the masterplan was correct and that the focus should be on delivering those projects which were viable, effectively buying time to review and redefine those with the most acute viability challenges.

It was noticeable however the number of stakeholders who now support an increased role for housing provision in place of the more traditional ambitions for office and retail accommodation in the Town Centre.

4.5.2. Progress

The majority of stakeholders identified expressed concern about the pace of delivery and 'jam tomorrow' or iterations of the phrase appeared to represent the consensus where delivery of FSL projects was concerned.

All expressed varying degrees of frustration with progress however in this context many stakeholders identified the Kimmerfields project as a particular source of frustration. Many were acutely aware of the potential for viability issues on Swindon projects given the relatively depressed land values but few key stakeholders had a detailed understanding of the viability position of the Kimmerfields Development site, despite this appearing to be the flagship development.

While the Council has appropriately commissioned an appraisal by CBRE there is something in this about communication and ensuring the right level of detail is provided to the right individuals going forward. There was a divergence of views as to whether FSL should remain in existence to lead on the projects. A number of stakeholders felt a new delivery arrangement was needed with staff in the council. Others felt there was now progress on the major schemes and no changes should compromise the delivery of those projects.

Clearly, in appropriate circumstances, detailed communication is essential to fostering the sense of ownership (of the inevitable problems as well as the desired outcomes) for significant regeneration programmes such as this to succeed.

4.5.3. Value

A key concern for stakeholders is whether the current model is delivering best value. A few were clear in their view that it wasn't. Most were seeking some external reassurance, through this report, that either it was or that there was a proposed new structure that could.

Outside of FSL there is a view that the regeneration company model itself had not significantly added value but stakeholders did value the contributions of the staff and the commitment of the board members. Those involved in FSL thought the company structure had created a clearer focus on delivery and brought in valuable expertise through the board.

4.5.4. Engagement with the Private Sector

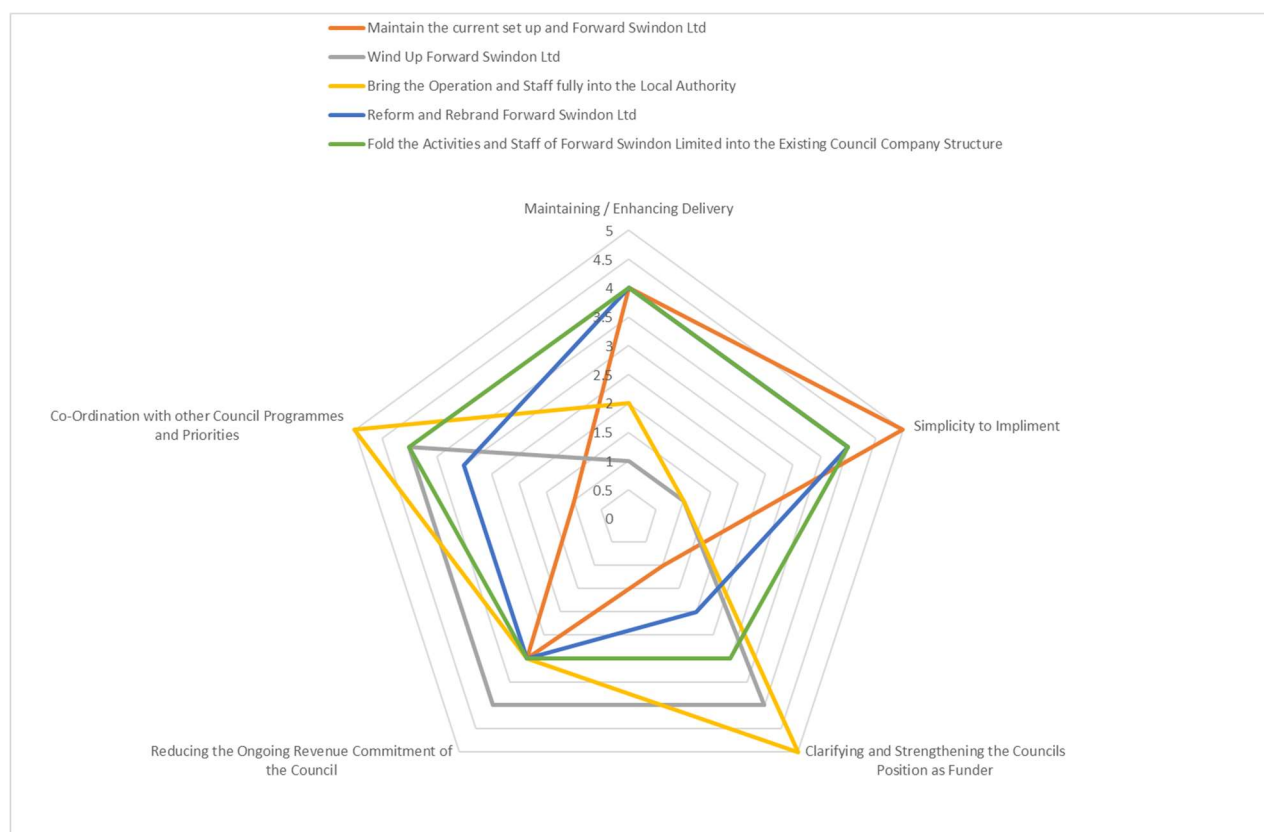
Some stakeholders expressed a clear view that much more could be delivered if FSL and by extension The Council effectively 'got out of the way' and allowed private developers to invest and develop. Because of this strong view this report specifically reviews the option of winding up FSL and replacing the function in a very limited capacity within the locally authority.

5. Taking Regeneration in Swindon Forward

5.1. Options Appraisal Summary

Having reviewed the current situation in detail both through a desktop assessment and an intensive period of engagement with key stakeholders we have, based on our extensive experience in supporting Town Centre Regeneration and Economic Development across the UK, assessed five options for delivery of Town Centre Regeneration in Swindon. These options, together with our assessment of the relative merits of each option is as follows.

Weighted summary	Maintaining / Enhancing Delivery	Simplicity to Implement	Clarifying and Strengthening the Councils Position as Funder	Reducing the Ongoing Revenue Commitment of the Council	Co-Ordination with other Council Programmes and Priorities	Total Score
Maintain the current set up and Forward Swindon Ltd	40.0%	10.0%	3.0%	6.0%	3.0%	62.0%
Wind Up Forward Swindon Ltd	10.0%	2.0%	12.0%	8.0%	12.0%	44.0%
Bring the Operation and Staff fully into the Local Authority	20.0%	2.0%	15.0%	6.0%	15.0%	58.0%
Reform and Rebrand Forward Swindon Ltd	40.0%	8.0%	6.0%	6.0%	9.0%	69.0%
Fold the Activities and Staff of Forward Swindon Limited into the Existing Council Company Structure	40.0%	8.0%	9.0%	6.0%	12.0%	75.0%



5.2. Comparative Strengths and Weaknesses of the Identified Options

5.2.1. Maintain Forward Swindon Limited as currently established

As stated earlier the reform of FSL in 2016 appears to be bearing fruit and projects do appear to now be in delivery or due to start. Internal procedures are improved and engagement with the council and its project and budget planning processes are stronger.

The cost of the operation can be reduced to around £700k per year and be adequate for the delivery of the current programme. The council could renew the grant funding or move it to project fee based system.

Evaluation Criteria	Strengths	Weaknesses
Maintaining / Enhancing Delivery	There is some evidence to suggest that since the re-structure in 2016/17 the current FSL is much better focused on delivery and the quality of the team currently employed is widely considered to be good.	<p>The reputational overhang from previous incarnations of FSL would remain and might overshadow the progress on any projects.</p> <p>There will remain continued pressure to further reform FSL and this pressure, in itself, creates uncertainty.</p> <p>We cannot find sufficient evidence to suggest that there are any significant and demonstrable benefits of the Urban Regeneration Company model when compared to the other models available to the Council.</p>
Simplicity to Implement	Maintaining the current organizational model is the most straightforward to implement.	None
Clarifying and Strengthening the Council position as Funder	The work undertaken very recently to improve governance and communication appears to have had a positive impact.	The historic issues in respect to FSL understanding the role of the council as a principle funder could return as could identified issues of 'mission creep'.
Reducing the Ongoing Revenue Commitment of the Council	There is the potential to demonstrate a reduction in the Councils net expenditure on FSL through a move to a self-financing, development fee model which in turn	

	should strengthen the incentives around delivery.	
Co-ordination with other Regeneration Programmes and Council Priorities		<p>The nature of an arm's length company means its integration to the Council will be more challenging.</p> <p>Evidence to date suggests this has been an area of real challenge for FSL</p>

5.2.2. Wind Up Forward Swindon Limited

This option is favoured by the vocal opponents of FSL. The company would simply be wound up and a new team recruited by the local authority. In this option we have assumed that the Council would then restructure the regeneration function to deliver the major projects identified with capacity greatly diminished and the role reduced effectively to one of light touch enablement as the lead would be coming from the private sector.

Evaluation Criteria	Strengths	Weaknesses
Maintaining / Enhancing Delivery	A clean break with any negative reputational overhang.	<p>The disruption inevitable in pursuing this option would result in a break in the delivery of the projects causing further delay. In some cases, without careful management, this could result in progress on certain schemes regressing.</p> <p>The delivery of the projects currently on site might stall if staff left and/or there was a gap in recruiting the new team.</p> <p>It is unlikely a new team would be in place for when the current grant funding expires. Therefore an extension to FSL grant might be required. The current structure of the council would need changes to accommodate a new team of this size with a delivery focus.</p> <p>Considerable effort and the focus from the local authority will inevitably end up being devoted to delivering the restructure</p>

		<p>and therefore cannot be focused on delivery.</p> <p>Some projects might not recover from the delay and uncertainty. The new team would have to rebuild those relationships.</p>
Simplicity to Implement	None	<p>There is a risk the council will not be able to recruit suitably skilled individuals with the requisite experience of major projects delivery within the confines of the Councils existing pay and grading structure.</p> <p>Existing staff will have transfer rights under TUPE and the process may well become protracted and difficult.</p>
Clarifying and Strengthening the Council position as Funder	Resolves the structural relationship with the council as a funder/investor	None
Reducing the Ongoing Revenue Commitment of the Council	If the intention is not to replicate the functions of FSL then the core funding allocated would be released, reducing (or making available for reallocation) the revenue commitment currently made by the Council.	There is a cost associated with winding up the current operation and while redundancy costs are likely to be less substantial than they might be (given the relatively recent re-structuring exercise) there is still likely to be a significant in year cost.
Co-ordination with other Regeneration Programmes and Council Priorities	With the Council directly providing the resource there is an expectation that there will be a more seamless integration with other Council functions	The much-diminished capacity may present challenges when linking the wider development activity back to Council priorities and functions.

5.2.3. Bring the operations of Forward Swindon and the current staff fully into the Local Authority

Transfer the existing staff into the council so they become Local Authority Employees and dissolve the company structure and board.

Evaluation Criteria	Strengths	Weaknesses
Maintaining / Enhancing Delivery	<p>Could retain expertise of staff</p> <p>Could provide continuity compared to the wind up option</p> <p>A clean break with any negative reputational overhang.</p>	There is no certainty that this (staff retention) would be the case however
Simplicity to Implement	Simpler than a wind up and might avoid the costs of a wind up	There is a risk that not all staff wish to become employees of the Council and key knowledge and experience is lost.
Clarifying and Strengthening the Council position as Funder	Resolves the structural relationship with the council as a funder/investor	
Reducing the Ongoing Revenue Commitment of the Council	<p>Through a review of the operation while migrating from FSL to The Council it should be possible to identify overlap particularly in respect to some of the strategic leadership functions which should reduce the overall revenue commitment.</p> <p>There are some costs associated with a regeneration company that would be saved.</p>	There may not be significant savings from bringing the entire FSL operation 'in-house'
Co-ordination with other Regeneration Programmes and Council Priorities	With a single function responsible for Town Centre Regeneration and Economic Development a collaborative approach to delivery and better links to the wider Council objectives should be a given.	

5.2.4. Retain but Reform and Rebrand Forward Swindon Limited

In this option the company would be rebranded in a way that entirely broke the link to all the previous incarnations of FSL. The costs of running the team would be largely moved to a development fee on projects as in other options. The board would be reconfigured to ensure more links with locally based companies and crucially a Council majority. The relationship with the council would be restructured to that of an investor/shareholder with clear performance and reporting structures.

Evaluation Criteria	Strengths	Weaknesses
Maintaining / Enhancing Delivery	Maintains continuity and delivery	Rebranding might not be enough to break the link with the past leading to continued criticism and pressure for further change which unsettles delivery. Little evidence that urban regeneration company model creates advantages over other delivery mechanisms
Simplicity to Implement	Simple to implement	
Clarifying and Strengthening the Council position as Funder	Efforts have been made to strengthen the client / funder relationship with the Council and governance appears strengthened	There is an inherent risk that the Councils client management is/or becomes overstretched as inevitably other priorities and pressures develop which occupy the capacity of the Councils Senior Team
Reducing the Ongoing Revenue Commitment of the Council	There is the potential to demonstrate a reduction in the Councils net expenditure on FSL through a move to a self-financing, development fee model which in turn should strengthen the incentives around delivery.	
Co-ordination with other Regeneration Programmes and Council Priorities	The reforming and rebranding exercise may in of itself offer a further opportunity to realign the Company and Council Objectives.	The risks inherent in maintaining FSL exist equally in this option.

5.2.5. Bring the Functions of Forward Swindon Limited into the Housing Company Structure

Swindon has created a new housing company to deliver new housing supply. It has a board which reflects that SBL is the major investor and has a Development Company (DevCo) and Rent Company (RentCo) to oversee the different types of scheme that come forward. Apart from the Carriage Works the majority of projects FSL are focussed on have a substantial residential element. Even the Carriage Works may have residential potential in the future. Its already being considered that some of the FSL schemes may come under the new housing company structure. It is also likely that housing is going to be major drive for development in the town centre. It is understood that currently the DevCo structure exists on paper but has not been staffed yet.

This may also help create benefits to the development and delivery of other housing projects by bringing in a strong delivery team.

Therefore, there is potential for the current FSL staffing structure to become either the DevCo or a subsidiary of the DevCo.

Evaluation Criteria	Strengths	Weaknesses
Maintaining / Enhancing Delivery	<p>The team would be located in a structure that focused on delivery.</p> <p>Projects that mostly driven by residential housing demand are in structure focused on housing.</p> <p>The reputational overhang and continued criticism of FSL is broken.</p>	<p>The Link with local major business such as Zurich to help inform projects currently comes through the board. Those links will need to be maintained in another way and widened.</p>
Simplicity to Implement	<p>The staffing operation could be relocated without the onerous work of transitioning the team to formally becoming Council employees.</p>	
Clarifying and Strengthening the Council position as Funder	<p>The relationship with the council as an investor is clear</p>	<p>The town centre focus could be lost if the housing company is mainly focused on out of centre projects</p>
Reducing the Ongoing Revenue Commitment of the Council	<p>There is the potential to demonstrate a reduction in the Councils net expenditure on FSL through a move to a self-financing, development fee model which in turn should strengthen the incentives around delivery.</p> <p>Synergies in the skills requirements between the DevCo and FSL leads to collaborative working generating efficiencies.</p> <p>There are some costs associated with a regeneration company that would be saved.</p>	

Co-ordination with other Regeneration Programmes and Council Priorities	The DevCo gets a strong delivery team with the Company focussed clearly on the Councils wider, built asset, regeneration objectives.	
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5.3. The Implications for the Client – Swindon Borough Council

In 2015 the restructure of FSL deliberately moved the council away from a commissioning relationship and into a more hands-off relationship based on an expectation of “positive and meaningful collaboration”. The council was not only funding FSL as an organization it was also a principal funder of the projects they were developing.

However this new relationship did not work as well as originally envisaged and there were concerns around;

- the lack of oversight of FSL and delivery
- FSL’s commitment to capital projects and the process of linking with the councils’ budget allocations process.

Since the restructure it appears there has been a dramatic improvement and FSL are taking capital projects through the councils’ budget management process. There is a clearer engagement with the council to coordinate with projects in Swindon and there is clear progress reporting to officers and councillors.

As the delivery of major projects progress there will be a need to create even more robust processes to ensure that projects are deliverable, viable, on track and the risks and rewards of development are being managed. The council needs to move to a more formal and structured investor relationship.

If bank funding were being sort then there would be considerable scrutiny of the proposal prior to investment, very clear performance targets set to be achieved and frequent monitoring of progress. As an example, a Joint Venture, in which we were involved, required a £7m bank loan facility for an estate renewal project with private sale. The project had not only to do a financial appraisal but also fund a full financial model that was updated monthly by an independent firm and had bank project managers attend the monthly project meetings to ensure progress reports reflected the true position being reported.

While not necessarily suggesting that level of scrutiny the council does need to act as a robust investor to secure its funding, ensure the risks are minimized and rewards are being managed fully. The Council needs to be able to challenge assumptions independently where it is not happy and propose an alternative course(s) of action. To achieve this there needs to be a strong Intelligent Client function in the authority with the resource, time and skills necessary to undertake this role. It is understood at this time that the economic development team is relatively stretched with a senior vacancy and the burden of that role is falling to the Corporate Director of Resources and Growth. The improvements seen and the commissioning of this review show that much has been achieved despite those capacity challenges however to be sustainable that role will need to be supported as the delivery programme grows in size and complexity.

The need to further support, strengthen and define this Intelligent Client function within the Council is key to making a success of the delivery options being recommended within this report and is, in our view, a critical next step for the Council.

6. Conclusions and Recommendations

There remains a need for the activities and capabilities brought to the Regeneration of Swindon by the current FSL team.

Having considered the available options which have been detailed and scored in this report we are recommending that the Company's functions be brought more clearly under the Council's control. That could be done either through being merged into the Council's new Company Structure and/or through reviewing the current board with a view to ensuring a local authority majority. It is our view that work should commence on the legal and regulatory steps without delay.

We have identified that there is an ability to reduce the councils ongoing revenue commitment to the function while still maintaining a capacity to deliver the regeneration objectives universally supported by key stakeholders. The funding model for the new or reformed entity should move from a block grant to a development fee structure (ensuring practical delivery is appropriately incentivised).

We are clear that for the model outlined to deliver successfully the next steps identified in the following section are key. Specifically, we believe it is critical that the Council undertake the independent review of individual project viability and create a strong intelligent client function within the Council to ensure robust management of the function going forward.

7. Next Steps

Critical to the success of either delivery model will be the development of a small but skilled and experienced team, around the Director for Resources and Growth, to provide The Council with the Intelligent Client function needed to proactively manage the function.

Given the impending deadline of April 2018 (when FSL funding is to formally expire) should it accept the recommendation of this report the Council will need to commence work on the legal and regulatory steps of SBC increasing its direction of FSL, through either folding forward Swindon into the new Company Structure and/or taking greater operational control through a majority stake on its board.

The Council should to commission a high level, independent financial appraisal of projects within the programme with a view to;


- validating the existing business case assumptions and
- prioritising schemes based on their deliverability / viability.

There is a need for a high-level masterplan which demonstrates how the current Delivery Plan fits with the wider regeneration opportunities and projects across Swindon.




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