

# The Forward Strategy for Delivering Economic Development and Regeneration in Swindon

**Cabinet**

**Date: 15<sup>th</sup> March 2017**

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Author:	Cabinet Member for the Economy, Regeneration, and Skills, Corporate Director Economy, Regeneration and Skills
Wards:	All
Locality Affected:	All
Parishes Affected:	All

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## **1. Purpose and Reasons**

- 1.1 This report is to enable Cabinet to consider its forward strategy for delivering economic development and regeneration in Swindon; and its approach to generating new sources of income from development activity.
- 1.2 These activities will contribute directly to the Council's vision Priorities, "Improve infrastructure and housing to support a growing, low-carbon economy", "offer education opportunities that lead to the right skills and right jobs in the right places" and "ensure clean and safe streets and improve our public spaces and local culture" and will provide further funding to support services that help protect the most vulnerable.

## **2. Recommendations**

Cabinet is recommended to:

- 2.1 Confirm the continued role of Forward Swindon Limited (FSL) as the Council's delivery vehicle for town centre regeneration, together with the revised remit set out in Table Three at paragraph 3.16;
- 2.2 Agree to establish a separate wholly owned Council company to take forward the Wichelstowe development and authorise the Director of Law and Democratic Services to complete all associated legal documentation necessary to establish the company, including:
  - Companies House registration.
  - Memorandum of Association and Articles – setting out the remit and rules governing the running of the company.
  - Shareholder Agreement.
  - Appointment of Company Secretary
  - Insurances including Directors insurance.

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- 2.3 Agree that a further review of FSL's role and remit should take place towards the end of 2017-18 and in advance of when the current funding agreement expires;
  - 2.4 Delegate authority to the Director of Law and Democratic Services, in consultation with the Cabinet Member for Economy, Regeneration and Skills, and the Cabinet Member for Strategic Planning and Sustainability to determine revised governance arrangements for FSL and the new Wichelstowe company and that he report back to Council or Special Committee in relation to the appointment of Board members;
  - 2.5 To note that the Swindon Economy and Regeneration Board Cabinet Member Advisory Group requested by Cabinet in December 2015 (Cabinet Minute 44(7), 2015/16 refers) not be progressed pending the further review referred to in recommendation 2.3 above;
  - 2.6 Authorise the Director of Law and Democratic Services, in consultation with the Cabinet Member for the Economy, Regeneration, and Skills and the Council's section 151 Officer, to complete the documentation required to implement the proposals set out in this report on such terms as he considers necessary to protect the Council's interests.

## **3. Detail**

### Background

- 3.1 In December 2015, Cabinet considered the Vision for Growing Swindon's Economy, recognising that for Swindon's economic growth to be sustainable it has to work in tandem with well-managed housing growth. The Swindon Economic Strategy (Council Minute 93, 2012/13) builds on this high growth ambition. A current review of the Swindon Economic Strategy is presented to Cabinet via a separate report on this Agenda. The fundamentals of delivering strong economic growth remain the same as they did in 2015. The major regeneration projects that will drive economic growth are long term in their gestation and delivery. The projects identified in 2015 are therefore the same projects that the Council needs to remain focused on and as the Council's development company FSL has a key role to play in ensuring they are delivered successfully.
- 3.2 FSL is a wholly council owned company formed in 2010 to deliver regeneration, growth, economic and cultural development in the borough. Funding for FSL has been approved to the end of the 2017/18 financial year.
- 3.3 The company's Articles of Association state that the Company's objects are unrestricted and include, but are not limited to: carry on a business with a view to improving the economic, social and environmental well-being of the area and residents of Swindon Borough Council; and assist in job creation, facilitate

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Further information on the subject of this report can be obtained from Stephen Taylor, Direct Dial 01793 463012, [staylor@swindon.gov.uk](mailto:staylor@swindon.gov.uk).

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tourism and related cultural activities, and to deliver physical regeneration; forward fund and deliver master plans, and viability studies in order to bring forward major projects and development sites; and attract funds and investments to Swindon. These objects are wide ranging and open to interpretation in a number of ways.

- 3.4 Cabinet agreed in July 2015 to commission jointly with FSL a review of the Master Plan, to inform decisions about priorities for the use of Council and FSL resources on key projects (Cabinet Minute 16(7) 2015/16 refers).
- 3.5 At its meeting on 9<sup>th</sup> December 2015, Cabinet approved a more focused remit for FSL around delivery of the Town Centre masterplan, including developing and holding relationships with existing and prospective landowners, employers and developers (Cabinet Minute 44, 2015/16 refers).
- 3.6 It was also agreed that inward investment activity should be brought back in-house to SBC. This function is now performed by the Business Growth and Inward Investment Service within the Economy, Regeneration and Skills Directorate.
- 3.7 Cabinet further requested that the Leader establish a Swindon Economy and Regeneration Board Cabinet Member Advisory Group (CMAG) to provide strategic oversight of economic development and regeneration across the borough. This CMAG has not yet been established and in view of the recent launch of the Switch On To Swindon as the Place Board for the borough and the proposed review of the continuing role of FSL in recommendation 2.3 it is not proposed that this be progressed at the present time.

## Scope of Current FSL Development Activities

- 3.8 Broadly speaking, the activities undertaken by FSL on the Council's behalf can be categorised at either advisory/enabling/facilitating development or falling within the pre-construction phase, as described in Table One below:

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**Table 1: Development Roles**

Role	Responsibilities
Advisory service, enabling and facilitating.	Master planning Identifying development opportunities Developing strategic options for development sites. Advising on the best route for delivery
Pre-construction phase	Producing business cases including financial appraisals Due diligence of sites De-risking sites Designing schemes Seeking outline planning Marketing
Operational Development (Construction phase)	Procurement of build contracts Construction management Cashflow management Contract management
Property Management (Post-construction phase)	Lettings Tenant Services Sales Property maintenance

## Consideration of Options

- 3.9 Following the December 2015 Cabinet decision to refocus FSL on delivering town centre regeneration priorities, the FSL team has been restructured and inward investment has been brought back in-house. With one year left before the

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current funding arrangements expire, it is timely to review the role of FSL as the Council's development company and to consider whether further changes to FSL's remit would be appropriate at the present time in light of the Council's evolving approach to regeneration that is moving in the direction of direct development of its assets to accelerate housing delivery and generate additional revenue income to the Council. The main options are considered below.

(i) Bring all FSL activities back in-house

- 3.10 Whilst there could potentially be benefits to the Council from bringing development activity back in house in the form of revenue savings and clearer accountability for the delivery of key projects this would inevitably involve short term disruption and uncertainty, resulting in lost momentum in taking forward the Town Centre Masterplan at a critical juncture when many of the existing projects are at an advanced delivery stage.

(ii) Status quo

- 3.11 Notwithstanding Cabinet's decision in December 2015 to refocus FSL on the Wichelstowe development and town centre regeneration, progress since that time has fallen short of expectations. FSL are still trying to do too many things and spreading their resources too thinly. Further narrowing of their remit would therefore be beneficial at the present time.

(iii) Broaden FSL's role to include direct housing development

- 3.12 FSL has proposed that with a core team with commercial development experience and retained external consultants it has the capability to deliver direct housing development on behalf of the Council. Legal advisers Pinsent Masons have confirmed that commercial development is within the scope of the company's articles of association and that FSL can therefore operate as a housing development company. Pinsent Masons have also recommended that should the Council be minded to broaden the role of FSL to include direct delivery of commercial housing, development projects should sit within SPVs, which would be subsidiaries of FSL, in order to ring-fence development risk.
- 3.13 Although delivering commercial housing development through SPVs established as subsidiaries of FSL could be a viable option, there is a real risk that broadening FSL's remit further would result in a significant dilution of focus, to the detriment of the delivery of the Council's town centre regeneration ambitions. The alternative would be for the Council to establish a separate wholly owned housing development company and this is the subject of a separate report on Cabinet's agenda.

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(iv) Refocus FSL on town centre regeneration

- 3.14 As noted at paragraph 3.9 the evidence suggests that the remit of FSL is still too broad and a further refocusing on a smaller number of specific projects included within the Town Centre Master Plan or closely connected to the Council's Pledges would be beneficial. This will entail setting up a separate wholly owned company to take forward the Wichelstowe development.

**Table 2: Evaluation of options**

Option	Pros	Cons
(i) Bring back in-house	Potential cost savings  Clearer accountability and visibility	Potential disruption  Risk of losing key personnel and commercial skills
(ii) Status Quo	More time for new team to bed in  Minimises disruption	Risk that resources will continue to be spread too thinly affecting progress on key projects  Hand offs to the Council and/or a Council owned housing development company would be required between pre-construction and post-construction phases of projects
(iii) Broaden role	Single end to end development process with no requirement for hand-offs between pre-construction and post-construction phases	Further dilution of focus  Question mark over whether FSL have the necessary in-depth skills and experience to undertake operational development activities at the present time
(iv) Refocus	More focus and resource can be brought to bear on delivery of key town	None

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	centre regeneration projects and pledges and the Wichelstowe development respectively.	
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- 3.15 For the reasons set out above, Option (iv) is recommended and, therefore, that FSL be retained as the Council's delivery vehicle for town centre regeneration for the time being, with a further review at the end of 2017-18 when the current funding arrangement expires and that a separate company be established to take forward the Wichelstowe development.
- 3.16 Table Three below sets out the specific projects that would fall within FSL's revised remit together with a description of their role in relation to each and the current development stage.

**Table 3: Proposed FSL Remit**

<u>Project</u>	Stage	FSL role
<u>Kimmerfields</u> (Pledge 5, 11,12)	JV partner in place/ pre-construction	Advisory/Enabling
<u>Aspen House/Granville Street</u> (Pledge 10)	Pre-construction	Advisory/enabling
<u>Corn Exchange</u> (Pledge 23)	JV partner in place/pre-construction	Advisory/enabling
<u>Mechanics Institute</u> (Pledge 23)	Feasibility stage	Advisory
<u>Public Realm Improvements</u> (Pledge 6)	Detailed design stage	Operational development
<u>1-3 Farringdon Road</u> (Pledge 16)	Renovation commenced	Operational development
<u>North Star</u> (Pledge 22)	JV partner in place	Advisory
<u>Carriage Works</u> (Pledge 16)	Detailed design	Operational development
<u>Carriage works links/Bristol street tunnel</u> (Pledge 16)	Feasibility	Advisory/enabling/operational development

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## Governance Arrangements

- 3.17 FSL is a wholly owned Council company, funded by the Council, but operated independently with a private sector dominated Board. The Delivery Plan has been agreed between the Council and the Company's Board. Ultimately, decisions on Capital spend and Revenue budget setting are agreed by Cabinet. However, there is no member representation on the current FSL Board and lines of accountability are unclear. Members may now wish to consider appropriate cross party representation in line with other Council owned companies in order to provide greater accountability and visibility.
- 3.18 It is proposed that the Board of Directors of the new Wichelstowe company will consist of a minimum of the following:
- 3 elected members, to include one representative from the Opposition Group,
  - The Managing Director of the company,
  - 2 senior officers of the Council, and
  - 2 independent Non-Executive Directors.
- 3.19 Cabinet are requested to authorise the Director of Law and Democratic Services to agree governance arrangements including the shareholder agreement and Board membership for the new company, in consultation with the Cabinet Member for Strategic Planning and Sustainability and the Cabinet Member for Housing and Homelessness, and report to the Council's Special Committee as appropriate.

## **4. Implications, Diversity Impact Assessment and Risk Management**

### Financial and Procurement Implications

- 4.1 These are set out in the body of the report.

### Legal and Human Rights Implications

- 4.2 Legal and Human rights considerations have been taken fully into account in compiling this report. It is considered that the proposals within this report are compatible with convention rights. The Director of Law and Democratic Services will oversee the preparation of the necessary legal documentation to give effect to the recommendations.

### All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 4.3 This report has no specific implications other than referred to in the report.



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## Diversity Impact Assessment

- 4.4 No Diversity Impact Assessment is required in relation to these proposed appointments.

## Risk Management

- 4.5 There are no identified unmitigated risks.

## **5. Consultees**

- 5.1 The section 151 Officer and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

## **6. Background Papers**

- 6.1 Swindon Town Centre Masterplan Review 2015

## **7. Appendices**

- 7.1 None

## **8. Key Decision/Decision in Cabinet Work Programme and Forward Plan**

- 8.1 This is a Key Decision and is included in the Cabinet Work Programme and Forward Plan for March 2017.