

# Growth & Assets

## Full Business Case



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## **An introduction to Plymouth City Council's Transformation Programme Context**

### **2002-12: A Decade of Improvement**

The City of Plymouth has had an extra-ordinary journey over the past ten years. A decade ago, it had a reputation as a city of low aspiration with a lack of vision, weak financial and strategic planning, poor relationships between agencies, and service delivery arrangements that did not meet the needs of all of its citizens. An acknowledgement of the determined and sometimes inspired effort that was then made to improve the city came in 2010 when the Council was voted 'Highest Achieving Council of the Year' by the Municipal Journal. Behind that accolade, foundations had been laid by successive political administrations of a clear, ambitious vision for the city, sound financial management arrangements, the development of strong strategic partnerships and a determined focus on the improvement of service delivery. The Council has acknowledged and embraced its role as a key player in influencing the broader city and regional agenda, driving economic growth and making coherent contributions to broader policy-making.

### **Drivers for Transformation:**

#### **The Brilliant Co-operative Council with less resources**

On its adoption of a new Corporate Plan in July 2013, the council set the bar still higher, to become a Brilliant Co-operative Council. This 'Plan on a Page' commits the Council to achieving stretching objectives with measurable outcomes, and also sets out a Co-operative vision for the Council, creating a value-driven framework for the way that it will operate as well as the outcomes that it is committed to achieve.

The Corporate Plan was developed using the principles of a Co-operative Council. It is a short and focused document, but does not compromise on its evidence base, and was co-developed with the Cabinet of the Council, before being presented in person by members of the Corporate Management Team to every member of staff throughout the council at a series of 74 roadshows. The positive results of this commitment to strong communications and engagement were evidenced by 81% of council staff responding to the workplace survey conducted in October 2013 agreeing that they understand and support the values and objectives set out in the Corporate Plan.

# OUR PLAN THE BRILLIANT CO-OPERATIVE COUNCIL



## CITY VISION

### Britain's Ocean City

One of Europe's most vibrant, waterfront cities where an outstanding quality of life is enjoyed by everyone.

## CO-OPERATIVE VALUES

One team serving our city

**WE ARE DEMOCRATIC**

Plymouth is a place where people can have a say about what is important to them and where they can change what happens in their area.

**WE ARE RESPONSIBLE**

We take responsibility for our actions, care about their impact on others and expect others will do the same.

**WE ARE FAIR**

We will be honest and open in how we act; treat everyone with respect; we will champion fairness and create opportunities.

**WE ARE PARTNERS**

We will provide strong community leadership and work together to deliver our common ambition.

## OUR OBJECTIVES Creating a fairer Plymouth where everyone does their bit

PIONEERING PLYMOUTH	GROWING PLYMOUTH	CARING PLYMOUTH	CONFIDENT PLYMOUTH
We will be pioneering by designing and delivering better services that are more accountable, flexible and efficient in spite of reducing resources.	We will make our city a great place to live by creating opportunities for better learning and greater investment, with more jobs and homes.	We will promote a fairer, more equal city by investing in communities, putting citizens at the heart of decision-making, promoting independence and reducing health and social inequality.	We will work towards creating a more confident city, being proud of what we can offer and growing our reputation nationally and internationally.

## THE OUTCOMES What we will achieve by this plan

<ul style="list-style-type: none"> <li>The Council provides and enables brilliant services that strive to exceed customer expectations.</li> <li>Plymouth's cultural offer provides value to the city.</li> <li>A Council that uses resources wisely.</li> <li>Pioneering in reducing the city's carbon footprint and leading in environmental and social responsibility.</li> </ul>	<ul style="list-style-type: none"> <li>More decent homes to support the population.</li> <li>A strong economy creating a range of job opportunities.</li> <li>A top performing education system from early years to continuous learning opportunities.</li> <li>Plymouth is an attractive place for investment.</li> </ul>	<ul style="list-style-type: none"> <li>We will prioritise prevention.</li> <li>We will help people take control of their lives and communities.</li> <li>Children, young people and adults are safe and confident in their communities.</li> <li>People are treated with dignity and respect.</li> </ul>	<ul style="list-style-type: none"> <li>Citizens enjoy living and working in Plymouth.</li> <li>Plymouth's brand is clear, well known and understood globally.</li> <li>Government and other agencies have confidence in the Council and partners: Plymouth's voice matters.</li> <li>Our employees are ambassadors for the city and the Council and they are proud of the difference we make.</li> </ul>
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#Plymouth  
www.plymouth.gov.uk/ourplan



The economic, demographic and policy environment affecting public services is accepted as the most challenging in a generation. At the same time as an aging population is placing increased demand on health and social care services, the UK is facing the longest, deepest and most sustained period of cuts to public services spending at least since World War II. The Council's Medium Term Financial plan identified in June 2013 funding cuts of £33million over the next three years which, when added to essential spend on service delivery amount to an estimated funding shortfall of circa £64.5million from 2014/15 to 2016/17, representing 30% of the Council's overall net revenue budget.

The Council has shown remarkable resilience in addressing reduced funding and increased demand in previous years, removing circa £30m of net revenue spend from 2011/12 to 2013/4 through proactive management and careful planning. However the Council has acknowledged that addressing further savings of the magnitude described above while delivering the ambitions of the Corporate Plan will require a radical change of approach.

## **Review of existing transformation programmes**

The council commissioned Ernst and Young in June 2013 to:

- Examine the council's financial projections and provide expert external validation of our assumptions about costs and income in the medium term
- Review the council's existing transformation programmes and provide a view as to whether they will deliver against the Corporate Plan
- Provide advice as to how the council might achieve the maximum possible benefit through a revised approach to transformation

Ernst and Young validated the council's current Medium Term Financial Plan based on projections and assumptions jointly agreed, and judged it to be robust, taking into account the complex financial landscape and changing government policy.

The council has initiated a number of far-reaching and ambitious change programmes over 2012-13 to address the twin aims of addressing financial constraints and improving service delivery. These include:

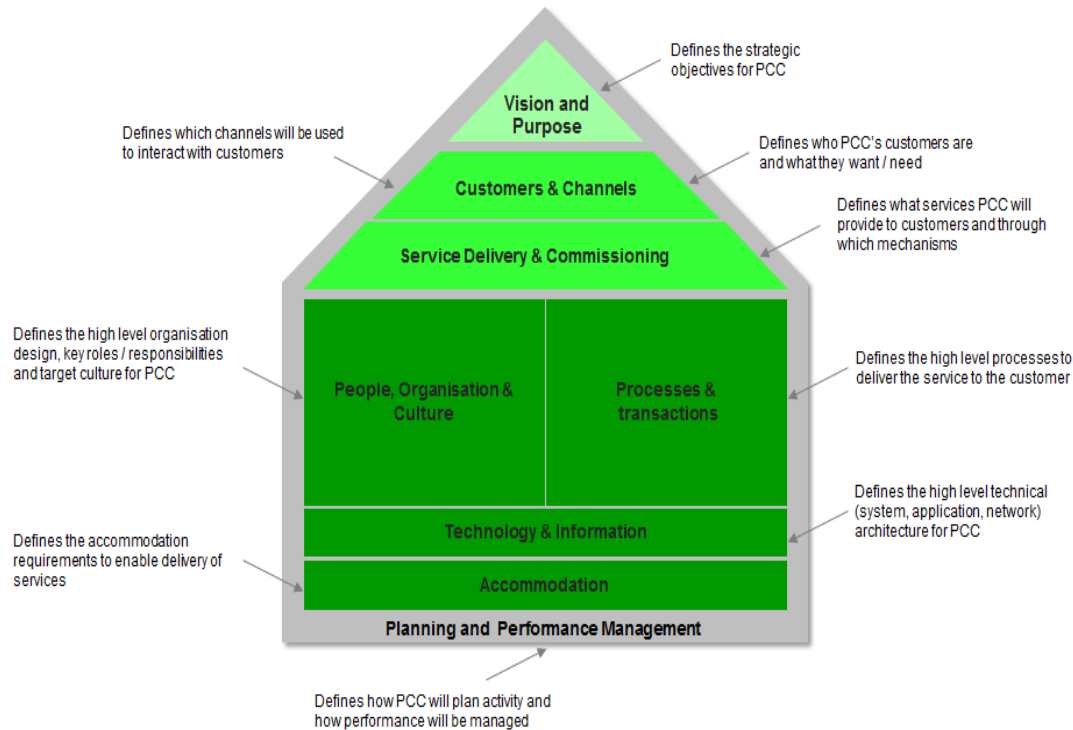
- Investment in Customer Transformation and Core ICT infrastructure (Cabinet approval September 2012)
- ICT Shared Services: DELT (Cabinet approval October 2013)
- Redevelopment of the Civic Centre and future accommodation requirements (Cabinet approval September 2013)
- Modernising Adult Social Care Provision (Cabinet approval January and August 2013)
- Co-location with Clinical Commissioning Group at Windsor House (Cabinet approval January 2013)

In addition to feedback and advice about individual programmes, the Council received advice that has been carefully considered, and which has informed the overall design of the Transformation Programme and the content of the business cases for the five programmes.

## **Vision and Direction: The Blueprint**

The Council has responded to concerns that, despite strong support for the Corporate Plan from both officers and members, there was a lack of clarity about how the Corporate Plan translates into practical action and a danger that the council might be attempting to 'do the right things, but in the wrong way'. After significant consultation with Members and over 100 staff from all levels and disciplines within the organisation, the Council's vision for the Brilliant Co-operative Council has been translated into a Blueprint which describes the capabilities which the Council will need in the future. These capabilities will be commissioned by the council and will result in services being delivered by the Council and a variety of other organisations operating across the public, community and voluntary and private sectors. The components of the Blueprint are illustrated below:

## Full Business Case – Growth & Assets



To inform the development of the main components of the Blueprint, a number of principles have been developed co-operatively with Members, senior officers and staff to ensure that the values set out in the Corporate Plan guide how the Blueprint is developed.

### Governance and Oversight

The council has also responded to advice that governance and oversight arrangements for transformation projects would benefit from being strengthened. Whilst ensuring that the council's existing constitutional arrangements for decision making are unaffected, a number of bodies have been put in place to ensure a co-ordinated approach is taken to oversight of the Transformation programme. The detail of the transformation governance arrangements were considered by the council's Audit Committee on 13 March 2014 and can be summarised as follows:

### Members

- The Members Transformation Board provides executive ownership and accountability for the Transformation Portfolio, chaired by the Cabinet Member for Transformation and comprising the individual Cabinet Members aligned to the five programmes
- The Transformation Advisory Group builds cross party dialogue, understanding and consensus on Transformation, and is chaired by the Cabinet Member for Transformation, comprising the Shadow Leader, Chair of the Co-operative Scrutiny Board and an additional ruling group Member.
- The Co-operative Scrutiny Board and Panels are aligned to the Transformation Board and programmes that match their terms of reference

## Officers

- The Transformation Portfolio Board co-ordinates the delivery of the Blueprint, prioritises decisions within and between programmes, ensures effective engagement, ensures overall resourcing and delivery of the programme and recommends Programme Business cases and exceptions. It is chaired by the Chief Executive and comprises Senior Responsible Officers for the Programmes, the Transformation Director, engagement leads, finance and HR Responsible Officers and the Head of the Portfolio Office
- Programmes are led by a Senior Responsible Officer, who is accountable for the successful delivery of the programme, achieving desired outcomes and realising expected benefits and is responsible for chairing the Programme Board and leading the Programme
- Each project within the five Programmes is led by a Project Executive who is accountable to the Senior Responsible Officer for the successful delivery of the Project, and chairs the Project Board.
- The Portfolio Office provides co-ordination and support across all the programmes and projects and ensures that sufficient capacity and capability is in place to deliver the overall programme.

There are 5 programmes to deliver the transformation.

**Customer and Service Transformation:** This programme will transform the way the council interacts with customers to meet their demands and preferences, and transform the services that the Council decides to retain in-house.

**Co-operative Centre of Operations:** Creating the business as usual strategic 'centre' for the Council, which uses the co-operative principles and intelligence to co-ordinate organisational decision making and activity.

**Integrated Health and Well Being:** The Council can engage with partners to deliver services at a lower cost, whilst also improving outcomes and customer satisfaction. The scope of the programme includes:

**People and Organisational Development:** The programme will enable the Council to define and deliver the required workforce and accommodation capability change.

The **Growth, Assets and Municipal Enterprise** programme has been developed to:

- Contribute to the growth of the City and the move towards a brilliant co-operative council.
- Generate and accelerate additional income for Plymouth City Council from economic and housing growth across the Council
- Create a brilliant co-operative street service which will :
  - Make operational changes to enhance service delivery
  - Provide evidence to design and deliver new service delivery models
  - Identify and deliver new opportunities for commercialism, new income streams
- Realise opportunities to bring in additional income from the commercialisation and increased trading of services.



## I. Executive Summary

I.1.1. The GAME programme is fundamentally linked to taking forward the Council’s vision of being a Co-operative council.

I.1.2. The GAME Programme consists of 3 parts:

- **Growth** – The encompassing and acceleration of existing and future economic and development growth within the programme to ensure delivery.
- **Assets** – The development of an asset strategy that raises income and lowers cost.
- **Municipal Enterprise** – An umbrella term for a range of projects and work streams; this includes the review, development and delivery of the street scene service, the development of new delivery models and the new/enhanced commercial focus to existing and future service provision.

This business case sets out the financial and economic case for the **Growth & Assets** project.

I.1.3. The principles behind the project have been developed to:

- Work co-operatively with our citizens as asset owners, partners and stakeholders to grow the City.
- Accelerate and co-ordinate economic growth and housing delivery within the city whilst incentives remain.
- Maximise the financial benefit to the council of new homes bonus, business rates and council tax through a new Growth Dividend.
- Increase the numbers of homes and jobs.

I.1.4. The Growth & Assets (G&A) project proposes that by accelerating commercial and housing developments, an increase of income can be achieved. The aim of project is to maximise government funding through the incentives of New Homes Bonus and retention of National Non Domestic Rates and in doing so creating a “Plymouth Growth Dividend”

I.1.5. The Project will identify a pipeline consisting of potential future housing and commercial developments. By following the proposals outlined in this business case for accelerating growth and increasing resources in key departments within the council, more of these pipeline sites could be brought forward and completed within the next three years; helping the programme to deliver co-operatively our financial and non-financial objectives.

The G&A project brings wider benefits of growth this paper focuses on the financial benefit that can be expected from accelerated development creating a Plymouth Growth Dividend. However it should be noted that the G&A project will also create significant numbers of homes and jobs. In this way there is wider benefit of a more prosperous city lowering the demand for other council provided support services.

I.1.6. In financial terms the Growth & Assets Project is expected to deliver a minimum of **£6.7million** of gross additional benefit per annum at the end of the three year programme at an investment cost of **£720,000**. The net benefit of this project being **£6 million**<sup>1</sup> at the end of financial year 2016/17. This represents a return on investment ratio of 8.3:1.

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<sup>1</sup> Net of £720,000 investment costs. Net Present value £5.8 million.

The proposal contains no other options for appraisal or consideration. The acceleration of building new homes, bringing empty ones back into use, delivering additional affordable homes and growing Plymouth’s commercial floor space, will bring in an additional uplift of income per annum of £6.7million gross.

1.1.7. Without this additional income generated from this project Plymouth City Council would have to find **additional savings** of £6.7million by 2016/17. These savings have not been identified.

1.1.8. To achieve this significant acceleration in the growth of the city additional capacity will be essential in planning, transport and estate management. Without this additional capacity the income projections within this report will be at risk.

## 2. Vision Statement

2.1.1. The **vision** of the Growth & Assets project is encompassed within the Growth, Assets and Municipal Enterprise (GAME) programme vision. GAME will deliver the key building blocks to enable Plymouth City Council to become “the Brilliant Co-operative Council”

### 2.2. The overall vision of the GAME programme will:

- Be **pioneering** in developing and delivering quality, innovative brilliant services with our citizens and partners that make a real difference to the wealth, health and well-being of the residents of Plymouth through challenging economic times.
- **Grow** Plymouth through accelerating housing and economic development creating new houses, sustainable jobs and making Plymouth an attractive place to do business, making us stronger and more confident as a result.
- Attract new investment into Plymouth by being known to be open for business and supportive of those who want to work with us in **partnership** in investing in our city. Whilst being commercial in our approach to the delivery and development of existing and new services.
- Put citizens at the heart of their communities and work with our partners to help us **care for Plymouth**. We will achieve this together by supporting communities, help them develop existing and new enterprises, redesign existing services which will in turn create new jobs, raise aspirations, improve health and educational outcomes and make the city a brilliant place to live, to work and create a future for all that reflects our guiding co-operative values.
- Raise aspirations, improving education, increasing economic growth and regeneration people will have increased **confidence in Plymouth**. With citizens, visitors and investors identifying us as a “vibrant, confident, pioneering, brilliant place to live and work” with an outstanding quality of life.

2.2.1. The Growth & Asset project will be consistent with Plymouth City Council objectives by:

<p><b>PIONEERING PLYMOUTH</b></p> <p>We will be pioneering by designing and delivering better services that are more accountable, flexible and efficient in spite of reducing resources.</p>	<ul style="list-style-type: none"> <li>• Generating additional income sources from the Growth Dividend</li> <li>• Optimising the use of Council's asset base, to release properties surplus to operational requirements</li> <li>• Delivering efficient in-house services to realise opportunities to bring in additional income from trading</li> </ul>	<p><b>CARING PLYMOUTH</b></p> <p>We will promote a fairer, more equal city by investing in communities, putting citizens at the heart of decision-making, promoting independence and reducing health and social inequality.</p>	<ul style="list-style-type: none"> <li>• Developing more employment opportunities, thus reducing benefit dependency and improved health outcomes.</li> <li>• Developing the provision of appropriate needs supportive housing stock.</li> </ul>
<p><b>GROWING PLYMOUTH</b></p> <p>We will make our city a great place to live by creating opportunities for better learning and greater investment, with more jobs and homes.</p>	<ul style="list-style-type: none"> <li>• Supporting the building of new houses to support the population.</li> <li>• Growing a stronger economy but creating a range of jobs and new business opportunities within the City.</li> <li>• Growing Plymouth's economy and making it an attractive place to live work and do business.</li> </ul>	<p><b>CONFIDENT PLYMOUTH</b></p> <p>We will work towards creating a more confident city, being proud of what we can offer and growing our reputation nationally and internationally.</p>	<ul style="list-style-type: none"> <li>• Creating a Plymouth where citizens and businesses choose to live and work in as a default</li> <li>• Using our citizen's assets to best advantage, maximising jobs, homes and developing renewable energy production.</li> </ul>

**3. Strategic Case**

3.1.1. The strategic case for the investment in this project is very compelling and not just from a financial perspective.

**3.1. Plymouth Growth Dividend**

3.1.1. Plymouth has a well-known and ambitious growth agenda, comprising 33,000 homes, 42,000 jobs and an increase in population by around 50,000 to over 300,000 by 2031. However, historically the financial benefits of this growth have not been fully modelled into the City Council's own budgets in a structured way.

3.1.2. The Growth & Assets Project is being developed to deliver this structure through the creation of a **Plymouth Growth Dividend (PGD)**.

3.1.3. The PGD proposes that by **accelerating** commercial and housing developments from a development base, through the utilisation of extra resources, an increase in income can be achieved in 3 main areas: **New Homes Bonus (NHB)**, **National Non Domestic Rates (NDR)** and **council tax**.

**New Homes Bonus and Council Tax**

3.1.4. The New Homes Bonus Scheme was introduced in 2011 to reward and incentivise local authorities to build more homes. The scheme will deliver a grant over a six year period equivalent to the level of council tax uplift, this funding is not ring-fenced and local authorities can decide locally how to spend it. Since its introduction, the City Council have already received a total annual equivalent of £3.9 million.

- 3.1.5. A local authority adding a band D home to its council tax base will receive £1,444.13 per year for the following six years: £8,664 in total.
- 3.1.6. As a local authority we are rewarded with an extra £350 per year for each home that is deemed an affordable home. In 2013/14 we built 275 affordable homes.
- 3.1.7. As more homes are built and occupied, the City Council tax base also increases, bringing in sustainable new income. Assuming that the level of council tax remains at £1,269.55 for a Band D property, every 1% increase in the council tax base (equivalent to 1,000 additional properties) will generate around an additional £500k for the City Council through increased council tax.
- 3.1.8. Using these two elements, allows the City Council to take a targeted approach to the monitoring and acceleration of future housing developments in attempt to utilise the funding opportunity and create a sustainable income stream for the future.

### **National Non Domestic Rates (NNDR)**

- 3.1.9. In 2013/14 the system of funding local government was changed, with local authorities retaining a higher percentage of National Non Domestic Business Rates (NNDR), and sharing the risk and opportunities with central government. For Plymouth City Council they retain 50% of localised business rates, which means that for any net growth in the amount collected they will retain 50%.
- 3.1.10. The level of NNDR a business pays for a property is based upon a nationally set Multiplier (currently 47.1p in the £; and 46.2p in the £ for small businesses) and the Rateable Value of a property. PCC can influence the total NNDR income for Plymouth City in two main ways, which in reality would go hand-in-hand with each other:
- Support, drive and increase the amount of occupied business space within Plymouth City.
  - Support and drive wider economic growth, which will result in an increase in rateable value of business space in Plymouth City.
- 3.1.11. Whilst previously there was no direct financial benefit to the City Council of achieving these developments within a particular budget timeframe, the new financial system allows the City Council to financially benefit from any investment either direct or by other parties by taking a proactive and coordinated approach to driving commercial and housing sites forward.

### **Plymouth Growth Dividend worked example**

- 3.1.12. The Notte Street joint residential and commercial development completed in October 2013. The site has 132 cluster flats, 0 of which are deemed as affordable homes and retail premises below with 61.9m<sup>2</sup> of rateable floor space. It should be noted in this instance that the residential elements are student units and therefore do not benefit from increased Council Tax income. The two tables below show the increase in the Plymouth Growth Dividend for the site:

**New Homes Bonus (NHB)**

Band	Number of units	Income
A	53	£50,833.38
B	36	£40,031.28
C	25	£32,194.47
D	11	£15,250.01
E	5	£9,319.45
F	1	£ 2,753.47
G	1	£ 3,177.09
H	0	£ -
<b>Total</b>	<b>132</b>	<b>£153,559.16</b>
<b>Affordable homes</b>	<b>0</b>	<b>£ -</b>
<b>NHB</b> (1 year net uplift)		<b>£153,559.16</b>
<b>NHB</b> (6 years net uplift)		<b>£921,354.94</b>

Table 1: NHB calculation

**Non Domestic Business rates (NNDR)**

Floor Space	Rateable Value	Total NNDR (pa)	NNDR to Council (pa)
61.9 m <sup>2</sup>	£9,300	£4,380.30	£2,190.15

Table 2: NNDR Calculation<sup>2</sup>**Building a Development pipeline**

3.1.13. In order to generate a sustainable and long term dividend from growth it is essential to build a pipeline of development and programme of private sector stimulation that will deliver investment into the City within the **next 3 years**. The City Council is equally incentivised for private sector and direct council development activity. It is anticipated that a proactive delivery plan might contain some or all of the following elements:

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<sup>2</sup> Note under the new NNDR arrangements 50% of the business rates comes to PCC and 50% to Central Government.

- Focus on Major Redevelopment Schemes e.g. Derriford and City Centre
- Strategic Property Review interventions e.g. acquisitions fund and trading arm
- Surplus land review
- Get Plymouth Building
- The Plan for Homes
- Inward Investment strategy, business grants and incentives package
- City Deal and other major government interventions
- Maximising all available gap funding e.g. Growing Places
- Collaboration with regeneration agencies e.g. HCA
- Business Support, demand stimulation and accelerated growth programme
- Meanwhile uses
- Intensification and expansion of existing estate e.g. Tamar Science Park
- Direct Development schemes
- Get the Plymouth Housing Development partnership to deliver more homes.
- Sherford
- Plymstock Quarry
- North Prospect
- Project vision (Bretonside)
- Millbay regeneration
- Plymouth Plan

3.1.14. It should be noted that some of these developments will continue to deliver benefits beyond the three year period as not all units will be complete the imperative of the programme being to bring forward and accelerate schemes that are able to deliver within the 3 year period. Equally some may not be delivered in the next 3 financial years due to their size and complexity but will be part of the longer pipeline supporting the City's future growth and ambitions.

### Promoting Growth

3.1.15. Plymouth City Council has a good record of promoting growth and a healthy pipeline of opportunities. However the added financial pressures linked to current incentives means that this work stream (i.e. the Plymouth "**Growth Dividend**") will be the mechanism to **accelerate** this activity over the next three years in a more proactive way. This will involve a much more coordinated and integrated commitment to developing investor relationships. The City Council itself is equally incentivised for direct development activity on its own land and in relation to possible future land acquisitions.

3.1.16. The programme provides a driver for developing the prioritisation and acceleration of growth projects for delivery in 2014/15. Equally it enables acceleration and "horizon scanning" for the 2015/16/17 pipeline growth opportunities that will deliver within the timeline of the programme.

### Enabling Growth

3.1.17. The chart below outlines the opportunity for growth over the next 10 years. Within this there is a substantial potential pipeline of projects that can be accelerated to be completed within the current 3 year budget timeline. The current **baseline** position can be delivered within existing resources but the opportunity for increased revenue is substantial if resources are invested in enabling that growth. The potential "pipeline" schemes would need additional resource to deliver them.

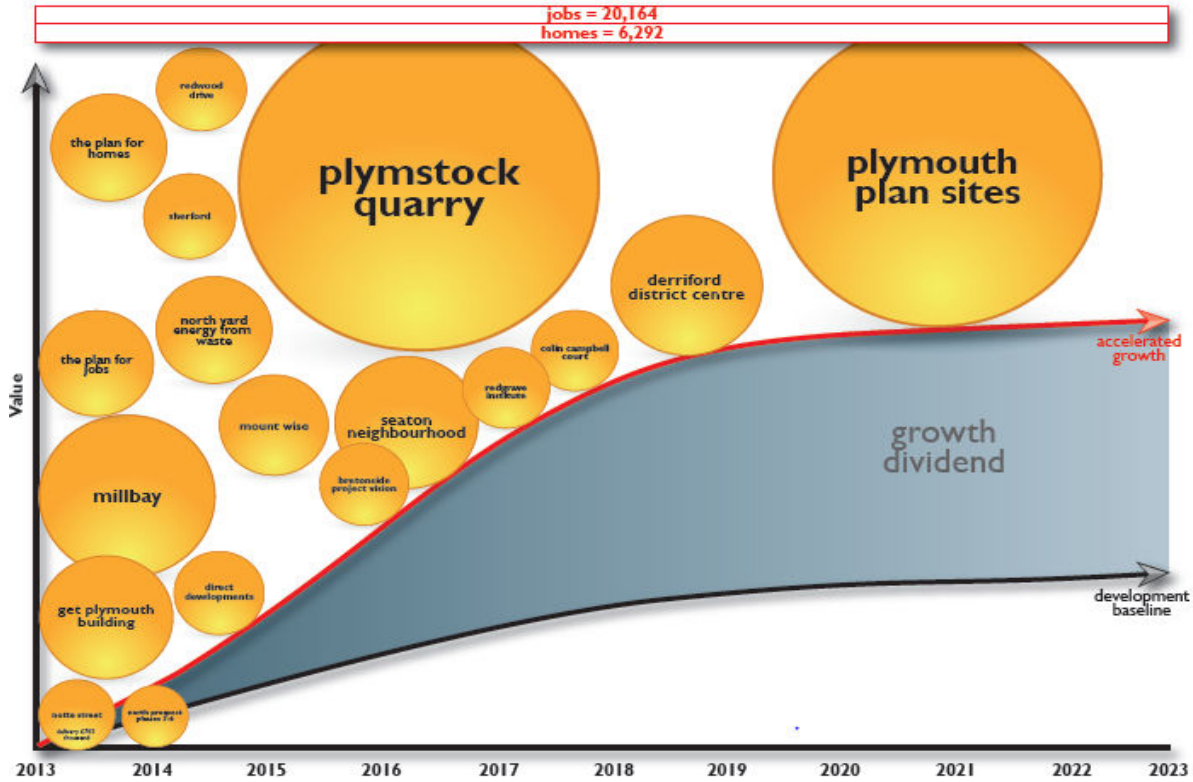


Chart 1: Potential pipeline

3.1.18. This project is unlike other project work streams within GAME as it is centred on the acceleration of existing working practices rather than changing them. For successful delivery, the project requires specialist subject matter experts; these include specialists which have skills in the following areas.

- Regeneration expertise
- Planning and Transport expertise
- Surveying and development viability expertise
- Legal expertise for unlocking large scale developments

**Resilience of the pipeline**

3.1.19. The Table below shows the number of potential development sites currently in the pipeline for both housing and commercial developments. The strength of this pipeline provides further confidence of achieving the targets. There are always a percentage of projects that ultimately will not be implemented, despite securing planning permission. Some planning permissions granted will not be implemented for a variety of financial, legal or other reasons. In acknowledgement that in the normal course of events some development projects will not ultimately be completed – and therefore contribute to the Plymouth Growth Dividend, it will be important that the structured approach of the programme minimises the number of non-implemented projects.

	2014/2015	2015/2016	2016/2017	2017+	Total
<b>Housing Sites</b>	28	32	24	34	<b>118</b>
<b>Commercial Sites</b>	12	15	15	70	<b>112</b>

Table 3: Resilience of the pipeline

There are 23 live inward investment enquires in the pipeline<sup>3</sup>. These vary from large opportunities which will create 100 plus jobs to smaller high tech businesses which will generate niche high value jobs.

3.1.20. Table 4 below contains the programme of accelerated income from the Plymouth Growth Dividend components for the next three years. The schedule is made up of expected income from future developments

	20/14/15	2015/16	2016/17	Total
New Homes Bonus Scheme	£1,188k	£743k	£ 958k	<b>£2,890k</b>
New Council Tax	£500k	£650k	£850k	<b>£2,000k</b>
Increase in NNDR	£850k	£500k	£500k	<b>£1,850k</b>
<b>Total</b>	<b>£2,538k</b>	<b>£1,893k</b>	<b>£2,308k</b>	<b>£6,740k</b>
No. new homes	450	620	800	<b>1,970</b>

Table 4: Growth Dividend Schedule

### 3.2. Asset Management

3.2.1. This element of the project will ensure strategically we link with the People & Organisational Development project to ensure that we deliver our corporate strategic accommodation blueprint aims of:

- have the right buildings in the right places to deliver our outcomes and support collaboration with partners
- align assets and buildings with our priorities, maximising their value for the city

3.2.2. Plymouth City Council is fortunate to own a substantial estate comprising circa 2,467 property interests made up of the corporate and commercial estate.

	Commercial Estate	Corporate Estate	Total Estate
Number of Buildings	1767	700	<b>2467</b>
Capital Value of Buildings	£136m	£351m	<b>£487m</b>
Gross Annual Running Costs			<b>£13.7m</b>
Gross Annual Income Stream	£6.73m	£.700k <sup>4</sup>	<b>£7.43m</b>

Table 5: Plymouth City Council Estate

<sup>3</sup> As at 1/6/14

<sup>4</sup> CCG, PCHT, AMEY



3.2.3. The size of the City Council's estate should enable it to utilise its assets strategically to support and drive the growth agenda. However, there will also be opportunities for the City Council to occupy less space itself, to deliver and support services. In doing so, the cost of running its Corporate Estate can be reduced. Depending on the assets vacated, this may provide an opportunity to organically grow the Commercial Estate, if and when commercial opportunities arise, which are worth producing to restock the estate against increased income potential. The current rate of occupancy of the commercial estate stands at 94%.<sup>5</sup>

### **The Commercial Estate**

3.2.4. The Commercial Estate comprises an extensive and diverse range of properties and more than 1,800 interests and tenancies including retail, industrial and office properties, business centres, market stalls and benches, ground leases, development land and leisure assets. In 2013/14 there was £6.7 million of income to the City Council; the Commercial Estate supports 326 businesses and 2,670 jobs.

3.2.5. Within the Commercial Estate, 35% of property interests accounts for 85% of the total income with the top three tenants accounting for £1.2 million (18%) of the annual rental income. Work is underway to maximise income.

#### **Some examples are:**

- Deliver 30,000 sq. of direct development employment space at Langage
- Create Asset Categorisation System
- Delivering increased income
- Cross Sector Strategic Asset Management with partners
- Delivering Homes – agree terms of disposal for Get Plymouth Building and Plan for Homes housing sites.

3.2.6. In addition, the Council could utilise capital receipts from the disposal of assets to create an income stream. For example £10 million of capital receipts from land sales could be re-invested in Plymouth commercial property acquisitions to create an income stream of circa £900k per annum based on a 9% property yield. In this way the Council could increase the size of its Commercial Estate and generate an additional sustainable net income source.<sup>6</sup> Therefore, as part of this programme, opportunities will be reviewed as they maybe become available and considered within a wider strategic fit.

### **The Corporate Estate**

3.2.7. The City Council's Transformation Programme is reviewing how the organisation interacts with its customers (through the Customer and Service Transformation programme) and its staff (People and Organisation Development programme). Both programmes are likely to significantly change the assets required in the future from changing delivery models and new ways of working.

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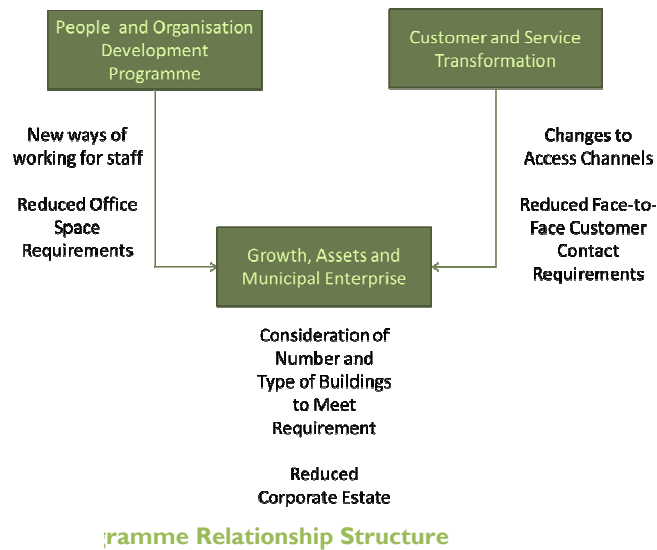
<sup>5</sup> As at 28/5/14

<sup>6</sup> Jones Lang LaSalle Strategic property review 2013.

3.2.8. The City Council has recently introduced a Corporate Landlord model, and in tandem with the accommodation element of the Transformation Programme could release assets with more services co-locating and the development of shared facilities with other partners within Plymouth such as the co-location of City Council, Clinical Commissioning Group and NHS at Windsor House.

3.2.9. The GAME programme Asset Management work stream is driven from the output of two other programmes. The Customer & Service Transformation and the People and Organisation whose strategic decisions will form the “future state” of accommodation asset need. The GAME programme is ideally placed to be the guardian of Council wide asset portfolio.

3.2.10. The development of the specification for corporate asset usage will be derived from the other Transformation programmes and feed into the Asset project as outlined in the Figure 1 below.



3.2.11. The outputs of the change programme present a significant opportunity to strategically reduce the size of assets that the City Council occupies directly. Any Corporate Assets that become surplus to operational requirements should be reviewed to see if they could add value to the Commercial Estate prior to disposal.

3.2.12. In addition, there is a significant multi-million pound liability related to building repairs where assets have not been historically maintained. By strategic rationalisation of assets, the City Council can avoid this liability, although there may be a negative impact on the ability to dispose of some assets.

## Enabling the Asset Work Stream

3.2.13. To enable the **acceleration** of this project and subsequent delivery of a plan through the programme that delivers reduction in operating costs, increase in income and releases surplus assets and supports the Growth project there is a need for an additional resource to accelerate this area of work and deliver the project.

### 3.3. The Growth & Assets project in context 2014/15

3.3.1. The Growth & Assets project is in flight and we have already commenced work on this project so it is important to provide assurance that this project can be delivered. The project started to deliver financial benefits for 2014/15 and is proving itself as a deliverer of growth. Therefore setting the context for 2014/15 gives credibility to our proposal and the investment required continuing the acceleration of this growth.

3.3.2. The GAME programme is required to return £4 million worth of benefits in 2014/15 of which £2.5 million will be delivered from the Growth & Asset Project. Table 2 shows the breakdown of this income stream. There is a high degree of confidence that 2014/15 targets will be delivered.

## New Homes Bonus

3.3.3. The government confirmed on the 5th February 2014 that Plymouth's New Homes Bonus for 2014/2015 will be £3.595 million. The Plymouth Growth Dividend was required to return additional income of £1.1 million on top of the existing baseline of £2.4 million in 2013/2014. Therefore this target has already been met.

3.3.4. A pipeline of accelerated new developments is already in place to ensure that 2015/16/17 targets can be met, although there are complexities associated with this in relation to the payment of New Homes Bonus from October to October (rather than financial years) and the deductions that are made from the demolition of homes most often associated with major regeneration programmes across the city.

## Council Tax

3.3.5. As a result of more new homes there is a clear correlation with additional revenue from these new homes and Council Tax payments. In 2014/2015 the target of £500,000 for additional Council Tax will be subject to confirmation of the net additions to the city's housing stock from the CTB returns to CLG, which are influenced by the number empty properties in those returns. Whilst New Homes Bonus is paid by CLG as an unringfenced grant (with provisional allocations usually announced in December of each year) Council Tax revenues will come direct from the occupiers of the new homes.

3.3.6. The Council tax target has been defined allowing for the fact that student property developments do not incur Council Tax and that there will be inevitably a number of homes that will become vacant in the year.

## Non Domestic Business Rates

- 3.3.7. Plymouth City Council currently retains half of the total of Non – Domestic business rates, which for 2014/15 will be at 46.2% of the rateable value.
- 3.3.8. All commercial properties have been identified that can deliver NNDR increases in the period used to measure the 2014/15 target.
- 3.3.9. To date £750,000 of new business rates to set against the 2014/15 target have been identified. In addition, a current pipeline of another £100,000 in new commercial properties coming on stream 2014/15 will be brought forward.
- 3.3.10. Additional NNDR will also arise from the opening of the North Yard Energy from Waste plant. The actual level of NNDR expected has not yet been confirmed by the Valuation office and so has not been built in to targets. However, income from this for the last quarter of the 2014/2015 can be reasonable expected upon the plant becoming operational, and that will add to the NNDR.

## 3.4. Objectives

- 3.4.1. The GAME programme through Growth & Assets is expected to achieve the following outcomes within 2014/15/16:
- Maximising government funding – increased sustainable income to the City Council through the New Homes Bonus, uplift in NNDR and increased Council Tax income totalling £6.74 million.
  - Accelerated investment –through a pipeline of private sector and City Council-led regeneration projects.
  - Wider growth benefits from acceleration – including from lower unemployment, reduced long-term benefit dependency and improved health outcomes.
  - Asset governance – a structured asset governance structure that supports the strategic plan for assets; and facilitates the efficient and cost-effective management of existing assets.
  - Efficient, creative and effective use of assets – more proactive alignment of assets (accommodation, operational and non-operational) and estate with Plymouth’s priorities, maximising their value, with the right buildings in the right places to deliver outcomes and support collaboration with partners. This will act as an enabler for the outcomes of the other programmes.
  - A less costly asset base – an asset base that costs the City Council less money to run and maintain and maximise commercial opportunities.

## 3.5. Scope

- 3.5.1. The scope of this project is largely confined to land and buildings within the boundary of the city. Where there are cross-border opportunities the City Council will work with neighbouring authorities. This can be seen in the diagram below:

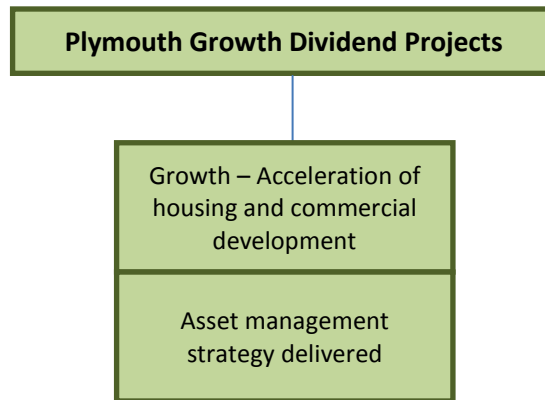


Figure 2: Project Scope

### 3.6. Out of scope

3.6.1. The following areas are not within scope of this project, and will form parts of the transformation programmes indicated

- Facilities management (Co-operative Centre of Operations)
- Accommodation strategy (People & Organisational development)

### 3.7. Assumptions

- That NHB/NNDR legislation remains unchanged throughout the duration of the programme.
- That financial resource is available to fund the need to accelerate developments to realise the Plymouth Growth Dividend.
- That the New Homes Bonus is based upon the delivery of an accelerated delivery of additional homes which number: 450 dwellings in 2014/2015; 620 dwellings in 2015/2016; and 800 dwellings in 2016/2017.
- That there are no major changes in the reporting arrangements to CLG in relation to empty homes.
- That a suitable financial accounting allowance is made in relation to the Plymouth Growth Dividend associated with developments completed in 2016/2017 given that the New Homes Bonus payments are October to October and will not be paid until April 2017.
- That the Council Tax baseline is £86.7 million in 2014/2015; £88.4 million in 2015/2016; and £90.2 million in 2016/2017.
- That the NNDR base date is 1<sup>st</sup> February 2013 and baseline is £42.13 million
- The 2013/14 baseline for New Homes Bonus is at £2.4 million.

## 4. Stakeholders

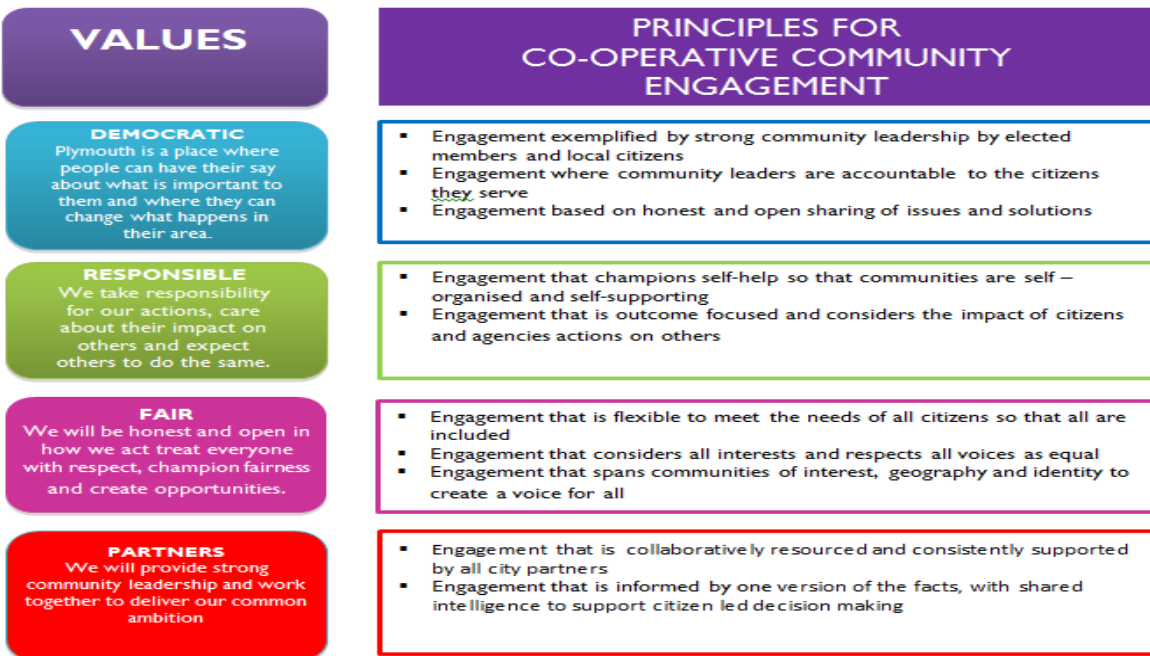
### 4.1. Background

4.1.1. The project will need to engage with staff, partners, customers, community and elected members throughout its whole duration. Existing communications channels will be utilised and engagement will align with Plymouth City Council's corporate values and corporate vision.

4.1.2. There are already existing communications channels open for planning and economic development and these will be utilised during this project. The project will develop new methods of engagement where appropriate and utilise existing mechanisms through existing groups/networks/boards as well as the statutory processes through systems such as planning. This project recognises that our citizens are:

- Customers as innovators, Citizens know things that many professionals don't know.
- Customers as resources, Citizens have time, information and financial resources that they are willing to invest to improve their own quality of life and into helping others.
- Customers as asset-holders, Citizens have diverse capabilities and talents which they can share with professionals and other citizens
- Customers as community-developers, Citizens can engage in collaborative rather than paternalistic relationships with staff, with service users and with other members of the public.

We will adopt and live the principles for co-operative community engagement.



4.1.3. Below are a set of high level analyses of identified stakeholders. All stakeholder involvement is subject to change as the project evolves.

## 4.2. Staff Engagement

4.2.1. Staff across council may be affected by changes made within this project; therefore engagement with all staff areas is a major aspect of our communication plans. Events such as walk-ins, briefings and road shows will enable maximum involvement from affected and non-affected staff adhering to the holistic and cohesive principles adopted by all of the Transformation related projects.

Stakeholder Type	Stakeholder	Responsible	Accountable	Consulted	Informed
Affected Staff	CMT		X		
	SMT		X		
	Trade Unions			X	
	Place Directorate			X	
Non-affected Staff	Council Wide Staff				X
	Transformation Programme		X		

Table 6: Staff Engagement

## 4.3. Partner Engagement

4.3.1. The following partners (see below) will be closely involved with the project. This list of partners may change to reflect the scope as will the nature of the engagement as it becomes clearer as to how partners will need to be involved with Growth & Assets.

Stakeholder Type	Stakeholder	Responsible	Accountable	Consulted	Informed
Growth Related Partners	Public Sector Land Board			X	
	Local Enterprise Partnership			X	
	Plymouth Growth Board			X	
	Plymouth Culture Board			X	
	Destination Plymouth			X	
	Regeneration Forum				X
	After Care Programme				X
	Businesses wanting to be in Plymouth				X
	Plymouth Stakeholder Group				X
	Chamber of Commerce				X
	Land Owners				X
	Federation of Small Businesses				X

Table 7: Partner Engagement

#### 4.4. Member Engagement

4.4.1. The Growth & Assets project will need to understand how and when to utilise the democratic decision making processes available, and be aware of the importance, where appropriate, of ensuring elected member/political engagement throughout its duration. This will often involve existing opportunities for member engagement and information sharing. Furthermore, elected members, where appropriate, will also need to receive feedback from other engagement strands to aide broader understanding of how we are using a co-operative approach to engagement throughout the transformation programme.

4.4.2. This list of elected member stakeholders may change to reflect the scope of the relevant project:

Stakeholder Type	Stakeholder	Responsible	Accountable	Consulted	Informed
Elected Members	Cabinet			X	
	Shadow Cabinet				X
	Member Transformation Board		X	X	
	Council's Scrutiny Function			X	
	Transformation Advisory Group			X	
	MPs				X

Table 8: Member Engagement

#### 4.5. Community Engagement

4.5.1. The successes of this project will be of benefit wider community with increases in the local economy, number of affordable new homes and number of jobs; and will need to be communicated to them accordingly.

Stakeholder Type	Stakeholder	Responsible	Accountable	Consulted	Informed
Communities and Customers	Communities of Identity			X	X
	Communities of Interest			X	X
	Communities of Geography			X	X
	Citizens			X	X

Table 9: Community Engagement



## 5. Financial Case

### 5.1. Benefits

5.1.1. The Growth & Assets Project is aiming to deliver a minimum over **£6.7million** of gross additional benefit at the end of the three year programme. This at an investment cost of **£720,000**, a net benefit of £6 million at the end of financial year 2016/17.

5.1.2. The Baseline dates for the Plymouth Growth Dividend are as follows:

	2014/15	2015/16	2016/17
NHB	1 <sup>st</sup> Oct '12 – 31 <sup>st</sup> Sep '13	1 <sup>st</sup> Oct '13 – 31 <sup>st</sup> Sep '14	1 <sup>st</sup> Oct '14 – 31 <sup>st</sup> Sep '15
Council Tax	1 <sup>st</sup> Oct '12 – 31 <sup>st</sup> Sep '13	1 <sup>st</sup> Oct '13 – 31 <sup>st</sup> Sep '14	1 <sup>st</sup> Oct '14 – 31 <sup>st</sup> Sep '15
NNDR	1 <sup>st</sup> Feb '13 – 31 <sup>st</sup> Mar '15	1 <sup>st</sup> Apr '15 – 31 <sup>st</sup> Mar '16	1 <sup>st</sup> Apr '16 – 31 <sup>st</sup> Mar '17

Table 10: Baseline Dates

5.1.3. Table 11 below indicates the Gross benefits. The costs are Human investment costs as the project is dependent on extra resources to deliver an acceleration of benefit.

Target Addressable Income	Target Addressable Income / £	Income Generating Theme	Income Opportunities	Additional Income 2014/15 - £k	Additional Income 2015/16 - £k	Additional Income 2016/17 - £k	Total Additional Income £k
<b>New Homes Bonus</b>	450 Homes in 14/15 620 Homes in 15/16 800 Homes in 16/17	Increase (Volume)	Increase in # of new homes and business sites > increase in NHB entitlement	1,189	743	958	<b>2,890</b>
<b>Council Tax</b>	13/14 - £85m 14/15 - £86.7m 15/16 - £88.4m 16/17 - £90.2m Average (14/15-16/17) £88.4m	Increase (Volume)	Increase in # of new homes > increase in total value of council tax income	500	650	850	<b>2,000</b>
<b>National Non Domestic Rates</b>	13/14 – £42.134m Rates Retained (Jan 13 NDRI form)	Increase (Volume)	Increase in # of business sites > more businesses > increase in total value of NNDR income	850	500	500	<b>1,850</b>
<b>Total</b>				<b>2,539</b>	<b>1,893</b>	<b>2,308</b>	<b>6,740</b>

Table 11: Gross Financial Benefits

## 5.2. Expected Costs

5.2.1. Table 12 & Table 13 below show a breakdown of the expected costs of the project and the resources required to deliver them.

Costs	14/15	15/16	16/17	Total
Programme Support	£69k	£69k	£69k	<b>£207k</b>
Subject Matter Experts (see Resources table below)	£171k	£171k	£171k	<b>£513k</b>
<b>Total</b>	<b>£240k</b>	<b>£240k</b>	<b>£240k</b>	<b>£720k</b>

Table 12: Project Costs Breakdown

Resources																		
Area	Resource Description																	
Estimated Costs <ul style="list-style-type: none"> <li>▪ Capital</li> <li>• Revenue</li> <li>• External Funding</li> </ul>	<ul style="list-style-type: none"> <li>• <b>£720k over the duration of the Programme the job</b></li> </ul>																	
Estimated Funding <ul style="list-style-type: none"> <li>• Internal Revenue</li> <li>• Internal Capital</li> <li>• Grants</li> </ul> Include any requirements set by funding providers	Transformation funding of resources to deliver G&A																	
Ring Fenced Budgets e.g. HRA / Schools	NA																	
Project Team (give details of project team members)	<table border="1"> <thead> <tr> <th>Role</th> <th>FTE</th> <th>Outline role</th> </tr> </thead> <tbody> <tr> <td>Planning Officer /Urban Designer (FTC)</td> <td>1</td> <td>Senior planning post with to drive city centre/ Derriford projects and deal with major applications</td> </tr> <tr> <td>Transport Officer (FTC)</td> <td>1</td> <td>Senior transport post with to drive city centre/ Derriford projects and deal with major applications</td> </tr> <tr> <td>Viability Officer/Surveyor (FTC)</td> <td>1</td> <td>Shared resource with ED to help with valuations, viability assessments, Section 106 discussions etc. (separate from need for ED to have dedicated surveyor – this is NOT an alternative proposal as that is still needed)</td> </tr> <tr> <td>Surveyor (FTC)</td> <td>1</td> <td>To drive and project manage the asset management strategy</td> </tr> </tbody> </table> <p>The team will be supported by a Project Support Officer.</p>			Role	FTE	Outline role	Planning Officer /Urban Designer (FTC)	1	Senior planning post with to drive city centre/ Derriford projects and deal with major applications	Transport Officer (FTC)	1	Senior transport post with to drive city centre/ Derriford projects and deal with major applications	Viability Officer/Surveyor (FTC)	1	Shared resource with ED to help with valuations, viability assessments, Section 106 discussions etc. (separate from need for ED to have dedicated surveyor – this is NOT an alternative proposal as that is still needed)	Surveyor (FTC)	1	To drive and project manage the asset management strategy
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Surveyor (FTC)	1	To drive and project manage the asset management strategy																
Transformation Resource Requirements E.g. business analyst; finance; legal; procurement; HR	<b>Technical Resource Required</b>	<b>Est Start Date</b>	<b>Est End Date</b>															
	The project will draw on technical support during the duration of the project, the exact nature to be determined.																	
Business Resource Requirements E.g. subject matter experts; internal service area resources	<b>Business Resource Required</b>	<b>Est Start Date</b>	<b>Est End Date</b>															
	See above	28/2/14	31/6/14															

Table 13: Resources

## 6. Risk Analysis

Key Risks <i>List any identified risks</i>							
ID	Risk Owner	Risk Description (A short summary of the event)	Current Risk Rating	Actions to reduce risk to target	Action Implementation Date	Action Owner	Decision, Action or Escalation Required
GAME_08_RSK_1	Paul Barnard	Changes in national policy related to NNDR & NHB changing funding regimes post 2015.	M	The project will be controlled by delivering revenue throughout the life cycle and ensuring acceleration of schemes to maximise revenue whilst existing schemes are valid, whilst lobbying to maintain.	03/12/2013	Paul Barnard	To Note
GAME_RSK_3	Paul Barnard	The development market is uncertain and therefore development gain cannot be guaranteed.	M	The programme prioritises schemes based upon those projects that will be delivered within the lifespan of the programme.	03/12/2013	PM	To Note
GAME_RSK_4	Paul Barnard	The nature of development is such that there is a 2/3 year lag as development projects are worked up from initiation.	M	Accelerate deliverable GROWTH projects within the current pipeline and dedicate resources to ensure acceleration.	03/12/2013	PM	To Note
GAME_RSK_7	Malcolm Coe	The revaluation of business rates will now take place in 2017. With the uncertainty of the outcome of this revaluation a residual risk exists to the financial benefits after the programme life cycle	M	The programme/project cannot control this risk but it should be noted as a potential residual risk post 2017.	14/01/2014	Malcolm Coe	To Note
GAME_RSK_8	Malcolm Coe	New Homes Bonus. With no clear indication that Central government will continue with NHB after 2015 there is a residual risk after the programme closes of this revenue stream being "turned off" which would result from a sizeable year on year income stream	M	The programme/post cannot control this risk but it should be noted as a potential residual risk post 2015	14/01/2014	Malcolm Coe	To Note

Table 14: Risks

## 6.1. Interdependencies

6.1.1. The Growth & Assets element of the project will have a particular interdependency with the POD and Customer-Centric Council programmes. Changing the ways of staff working across the City Council will alter the building and office space requirements to support council staff. Similarly, changing how the City Council engages with its staff will have a fundamental impact on the number, location and type of assets that the organisation will require in the future.

## 7. Project Plan

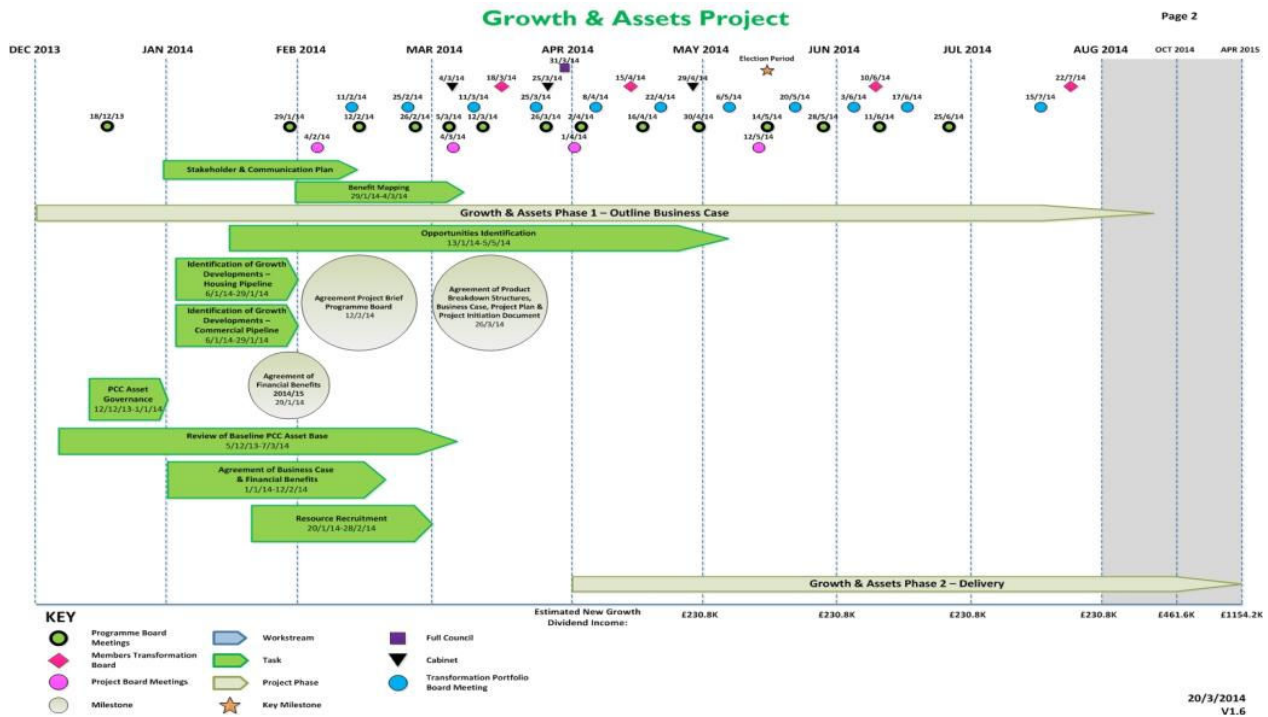


Figure 3: Project Plan

### 7.2. Project Organisation

7.2.1. A Growth & Assets Project Board will be chaired by Paul Barnard or David Draffan. This board will include relevant staff from Economic Development, Strategic Planning and Infrastructure and Finance so as to ensure that there is better coordination on modelling of the Plymouth Growth Dividend, and the assumptions behind future projections, better coordination with Finance on various statutory and other returns to government which will affect NNDR and New Homes Bonus, and a clear drive and focus on delivering the projects that are crucial to achieve these accelerated levels of commercial and housing development supported by sufficient capacity from transformation costs.

- Project Board Chairs - David Draffan (Assets) and Paul Barnard (Growth)
- Professional support from members David James, James Watt, Matt Ward, Grant Jackson, Claire Judd and Nick Carter

7.2.2. The Plymouth Growth Dividend is a unique project as the financial benefits and outcome are based upon successfully **completed** developments. Development projects can often be multi-faceted complex and have long time periods between conception and delivery as financial and legal due diligence is undertaken and various statutory consents secured. The project accelerates the development pipeline and with dedicated additional resources can deliver the Growth & Asset element of the GAME programme.

7.2.3. It is proposed that these two projects will be supported initially as follows:

- **Growth Project** : Subject Matter Experts (planning, transport, regeneration, surveying, legal)
- **Asset Project** – Subject Matter Experts (surveyor, legal)

7.2.4. Resources will be scaled up and down over the life cycle of the project depending upon need.

### **7.3. Quality Management**

7.3.1. This project will follow the Quality Management Strategy and Plan which can be found at S:\Transformation\Portfolio Office\12. Quality Planning

### **7.4. Project Management Methodology**

7.4.1. Management of Portfolio, Managing Successful Programmes and Prince 2 methodologies will be used as tailored specifically for Plymouth City Council Transformation Portfolio. See S:\Transformation\Portfolio Office

### **7.5. Any other tools / methodologies / processes / standards / assurance**

1. Plymouth City Council Transformation Portfolio Lifecycle has been developed to assure the safe delivery of the projects and programmes in the Transformation Portfolio.
2. Governance is applied across the Projects and Programmes in accordance with the Transformation Start-up pack and subsequent documentation found in the Portfolio Office. See S:\Transformation\Portfolio Office
3. All documents pertaining to the standards, processes, tools, methodologies and assurance to be applied to all Programmes and Projects in the Transformation Portfolio will be found in the Portfolio Office Folder as shown above.

All files for specific Programmes and Projects will be filed by Programme and Project. See S:\Transformation\Programme and Project Folders