

**Agenda Item 24****Cabinet****5 February 2014****14/1405****Regeneration Revenue Funding Requirements****Exempt Information**

Para 3 Schedule 12A information relating to the finance or business affairs of any particular person.

**Summary**

The purpose of this report is to update Members on the financial spend incurred on the Exmouth Regeneration Projects since the allocation of a revenue budget of £700,000 in March 2012. The report details how this has been spent and identifies that there is approximately £100,000 remaining for project development (eg external professional services, communication activities etc) once staff salaries have been allowed for up to September 2015, the date to which the two posts are currently funded. The report advises members of the next phase of revenue funding from April 2015 onwards to enable future regeneration project development activity for Exmouth. (Note, this report does not include the revenue budget required for Mamhead Slipway which was reported to Cabinet on 27 Nov 2013).

The report also advises on the continued progress and project management situation for 'Seaton Jurassic' (the new name for the Seaton Discovery Centre), and highlights the evolving project management role as the Centre moves forward into its delivery phase later this year.

This report is being submitted under Part B for commercial sensitivity reasons as there are figures disclosed in this report that will be subject to tender.

## **Recommendation**

- 1. That Cabinet notes progress on the Exmouth Regeneration Projects.**
- 2. That Cabinet approves the use of part of the existing Exmouth Budget for professional services to prepare a Delivery Strategy for the next phase for Exmouth and notes that this will leave a shortfall for fixed costs for 2015/16.**
- 3. That Cabinet approves the requirement for an additional £50,720 revenue funding for 2015/16 to cover these fixed costs.**
- 4. That the Regeneration Team prepares a further report for Cabinet later this year to report on the outcome of the Delivery Strategy and makes recommendations for next phase of the delivery process and any requirements for ongoing revenue funding.**
- 5. That Cabinet notes the progress of Seaton Jurassic.**
- 6. That Cabinet approves that an additional capital budget of up to £50,000 be made available for the Project for the appointment of a Project Manager as detailed in paragraph 8 of this report.**
- 7. That the appointment of a Project Manager from Ward Williams be allowed and exemption from standing order Section 1, part 3.1 to allow for speed of appointment and continuity of knowledge and information.**

### **a) Reasons for Recommendation**

There is a need for additional revenue funding to undertake a Delivery Strategy that will aid the Council in making progress on the next set of Exmouth projects.

Following on from the preparation of a Delivery Strategy, the Regeneration Team will prepare a further report to Cabinet later this year with the outcomes of this work. The report will set out the projected income and costs associated with the next set of projects and will make recommendations for further revenue funding required for external professional services to undertake project feasibility work over the next 4 years.

There is a need for additional capital funding to support the project management of the delivery of Seaton Jurassic, following a review of the project's progress with our existing professional advisors and partners.

Seaton Jurassic has the benefit of the initial capital funding of £1.8m that resulted from the sale of land to Tesco. The reason why further funding is now required is:

- When the existing external professional advisors were being appointed, we were requiring cost consultant and employers agent professional services and did not envisage the requirement for specialist Project Management.
- The Project has taken longer to progress, partly due to the funding opportunities that are available.

- There is an increased complexity to the project due to its evolving design, overall concept, the internal Interpretation elements and the opportunity presented by the HLF bid
- Key tasks are at risk of being overlooked
- There is a greater partnership element to the Project which requires the need for more Project Management resource.
- A specialist Project Management role is required to fulfill an overarching role to the management of the project.

The reason that this was not factored into the recent budget setting process is because this is the earliest opportunity that the Regeneration Team has had to share a forward view with Devon Wildlife Trust.

An additional financial contribution to the Project is being made by DWT in both cash and in-kind contribution for the forthcoming year.

It may be necessary on occasion to retain existing professional expertise on projects to ensure that there is continuity of service. Exemption from Standing Order 1.13 is therefore sought for some appointments in order to save time and money in moving forward with a regeneration project.

## **b) Alternative Options**

The alternative option is for the Regeneration Team to make requests on a case by case basis for revenue funding to progress the feasibility of individual projects in Exmouth. This is time consuming and will hold up the delivery of projects and be a significant constraint for the Regeneration Team in being able to progress projects efficiently.

### Do Nothing.

#### **Exmouth**

If no funding is provided for 2014/15 for the preparation of a Delivery Strategy, we will lose the opportunity to undertake an holistic approach to the Exmouth Masterplan and gain an understanding of the commercial viability of its future projects as well as other development opportunities in the town such as affordable housing.

#### **Seaton**

If no funding is made available for the Project Management role, the project is at risk of important matters being overlooked now that will impact on the design and cost issues when we are on site. It could also result in a failure to comply with requirements of funding bodies and will mean a far greater time input being made by the Principal Regeneration Project Manager that will impact on other regeneration work.

## **c) Risk Considerations**

The risks associated with approving this level of funding are that it is spent without proper consideration being given to its use. To ensure that this is not the case, decisions on the use of the revenue fund will be discussed at the Exmouth Project Executive Team meetings attended by Cllr Andrew Moulding, Cllr Tim Wood and Cllr John Humphreys.

A new monitoring system has been devised with colleagues in Financial Services, to enable the Regeneration Project Manager to monitor the spend of the budget on a monthly basis.

#### **d) Policy and Budgetary Considerations**

The Council's Regeneration agenda is framed by the priorities of the Council Plan (2012 – 2016). The programmes identified in this report will aid our ambitions in relation to:

- Living in this Outstanding Place
- Working in this Outstanding Place
- Enjoying this Outstanding Place

#### **e) Date for Review of Decision**

A budget report will be included in an annual Regeneration Report provided to Cabinet, which will give details of spend to date.

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## **Main Body of the Report**

### **EXMOUTH VISION**

#### **1 Current Position for Exmouth**

- 1.1 In March 2012, Cabinet approval was given for a budget of £700,000 for the next four years to support the delivery of the Exmouth Regeneration Projects that were identified in the Exmouth Masterplan. The Council has achieved significant progress to date with the delivery of the masterplan, with the disposal of Elizabeth Hall for a Premier Inn and securing the outline planning permission for Queen's Drive, which will soon be taken to the market. The complexities of the Estuaryside project has meant that we have not yet reached an agreement with the Rugby Club for their relocation, but are making steady progress in this regard. In addition, officer time has also been spent on the Mamhead Slipway, an important but unforeseen project, which has been allocated a separate budget.
- 1.2 The sale of the Premier Inn, generated a receipt of approximately £1.2m and a s.106 contribution of £225,000. At the July 2013 cabinet meeting, it was approved that a significant proportion of this capital receipt be set aside for the rebuilding of Mamhead Slipway as well as possible infrastructure requirements at Queens Drive. The balance continues to fund priority project development and the team's activities. Capital investment in Queens Drive infrastructure is now proposed within the Capital Programme and could, if required, amount to up to £1.4m. The marketing exercise for Queens Drive will ascertain what likely capital receipt could be expected from appropriate leisure and mixed development propositions. As a separate exercise, approval is being sought from the Capital Programme for this amount to be set aside and this is currently going through the approval process to Overview and Scrutiny Committee and Cabinet.

## **2. Future Income Generation for Exmouth**

- 2.1 The Queen's Drive opportunity will be taken to the market in February 2014 and we will be following a procurement process over the subsequent months that will identify our developer partner for this project. There are options in terms of the development propositions for Queens Drive and the Council will seek to secure the most optimal mix of capital receipt, revenue stream and regeneration benefits. Whilst it may be that a straightforward capital receipt is obtained for the project, an alternative proposition is that we enter into a joint venture agreement with a Developer that offers us a mixture of capital and revenue income. Either way, we aim to be in a position by the summer when we will be able to report to cabinet on the amount of net receipt and regeneration impact being generated by that site, after any infrastructure costs contributed by the Council.
- 2.2 The timetable for achieving a capital receipt for the Estuaryside site is not yet defined. Discussions are on-going with the Rugby Club about the alternative site and the costs of their relocation. The Exmouth Project Team projection is that this project will move forward during 2014/15 to the extent that the site can be marketed, a preferred supermarket operator identified and a financial offer received.

## **3.0 Budget Profile**

- 3.1 The actual and committed spend on this budget to Mar 2014 is set out in Table 1 below. This identifies that there is currently a sum of **£231,530** remaining from the original £700,000. Part of this remaining budget is needed to cover the salaries of the two posts with the Regeneration Team, the Project Manager and the Communications and PR Officer, who are employed on fixed term contracts by the Council up to September 2015. It is also required for payment for in-house Legal Services. Table 2 indicates how this remaining budget has been allocated for the remainder of 2013/14 and for 2014/15.

<b>TABLE 1</b>					
	Actual & Committed Spend to end Mar 2014	2011/12	2012/13	2013/14	
1	General		35,226	66,670	
2	Queen's Drive	583	68,269	80,000	estimated
3	Estuarieside	583	56,497	120,000	estimated
4	Elizabeth Hall		40,593	-	
5	in-house Legal			20,048	
6	TOTAL	1,167	200,585	286,718	
7	Total spend over previous years			488,470	
8	Amount remaining from initial budget of		700,000	<b>211,530</b>	
<b>TABLE 2</b>					
	Remaining Budget	2014/15	2015/16		
9	Staff salaries	101,440	50,720	(includes Legal Services) tbc..	
10	External consultants	55,000	4,370		
11	TOTAL	156,440	55,090		
12	Total available for external consultants for feasibility work			<b>59,370</b>	

3.2 This indicates that there is **£59,370** available for professional services over the next 2 years up to March 2016, the end of the 4 year period of the initial allocation of £700,000. £55,000 of this is set aside for the marketing and consultancy advice on Queen's Drive and the Estuarieside Supermarket project, leaving less than £5,000 for other projects.

#### 4. Future Budget Requirements for Exmouth

4.1 It is recognised that the Head of Finance is currently finalising the budget for 2014/15 through the formal approval processes. The identification of budget requirements from the Regeneration Team is unfortunately late for this process as the Principal Regeneration Project Manager has required time to review the financial position for the Exmouth Regeneration programme alongside progressing the priority projects themselves.,

4.2 The two significant projects to bring forward during 2014 are Queen's Drive and the supermarket site in Estuarieside. Queen's Drive has now achieved an outline planning permission and this site will be brought to the market in the next couple of months in order to identify a development partner to deliver the scheme. There will be marketing costs involved and agency fees incurred with our professional advisors. A sum of £20,000 has been set aside for this. The Marketing Timetable for this is set out in Appendix 1 attached and the draft brochure is attached at Appendix 2.

- 4.3 A sum of £35,000 has been set aside for the Estuaryside project. This will be necessary for professional services advice on negotiations and planning advice regarding the alternative site for the Rugby Club. It has been our policy to support those organisations such as the Rugby Club, Sea Cadets and Sea Scouts, that will need to relocate as part of our proposals, by paying for relevant professional advice in relation to their new facilities. This funding will also be required for the preparation of any development brief, marketing information, and advice on negotiations with a supermarket operator.
- 4.4 There are additional projects in Exmouth that the Project Team would like to start to move forward as time and resource allows such as London Inn. .such as London Inn..
- 4.5 One of the key items of work that will usefully compliment the Exmouth Masterplan is an overarching Delivery Strategy. The masterplan identified the locations for new development and the land take required but it could also usefully merit a commercial viability assessment that reviews the cost and value of each site and its deliverability. It would be a logical step at this point in time to take a fresh view of the masterplan that can add a commercially focused approach to these next projects. Such a review will give us an opportunity to reflect on the current market conditions, the Council's Asset Management Review and the Council's aspirations for other regeneration and development activities, including opportunities for aligning housing and regeneration investment.
- 4.6 This would be a key piece of work in determining how the Council moves forward with its aims for Exmouth to achieve the best regeneration outcome for the town, the provision of more affordable housing and the best value from its assets in terms of capital and/or revenue return. The specialist professional expertise required for this sort of work is likely to be in the region of £50,000. We would therefore like to have this funding available in 2014/15.
- 4.7 As can be seen from row 11 in Table 2 above, the total budget available in year 2015/16 is £55,090. We could therefore bring forward £50,000 of this to use for the Delivery Strategy work during 2014/15. However, this will leave us with a shortfall of £50,000 for 2015/16 which as can be seen from row 9 is committed funding for staff salaries. We will therefore bring a more detailed proposal to Cabinet later this calendar year, for extended revenue funding for 2015/16 to cover this £50,000 salary cost.
- 4.8 Once we have completed the overarching Delivery Strategy we will have a greater idea of the need for further feasibility work on the individual projects, such as London Inn, the Transport Interchange and Foxholes.
- 4.9 It should also be noted that further discussions will be taking place with our colleagues in the Housing Team regarding the regeneration and affordable housing opportunities in Exmouth and it is possible that joint funding of some of this feasibility work could reduce the impact on the Economy budget.

## SEATON JURASSIC

### 5. Current Position

- 5.1 The Seaton Jurassic project has been making good progress over recent months. The selection of DWT as our partner in bringing forward this project (and operating it, once open) has proved to be a very successful appointment as they have provided considerable expertise in working on the funding bid submissions for Coastal Communities Fund (CCF), Heritage Lottery Fund (HLF) and private Trusts.
- 5.2 At the time of writing we are still waiting to hear about the £301,000 for CCF funding and should hear by the end of January. DWT is currently preparing the HLF bid for £621k which will support the delivery of the Interpretation element of the new Centre.
- 5.3 For further background information on Seaton Jurassic, please see the previous report on this project dated 28 November 2012.
- 5.4 The Council is fully committed to the delivery of this exciting project and has indicated its commitment to the local community over many years. We have the support of local partners and stakeholders such as the Natural Seaton Partnership and the Town Council.
- 5.5 This is a significant and complex project that EDDC has taken on and is far more than just building an asset to be let for general commercial purposes (retail/office/industrial use for example). It has a number of components that must be integrated to ensure that the project fulfils our expectations and meets funding requirements.

### 6. Capital Budget

- 6.1 Managing the budget is particularly complex due to the different funding sources and the different elements of the project that can be covered by each external funding source. A summary of the budget is provided at Appendix 3. The various sheets demonstrate the complexity of the budget calculations.
- 6.2 In the last couple of months the budget has had to be revised in order that the interpretation elements that will be installed inside the building will retain the “wow” factor that is so important to attract visitors. This has resulted in the Project Team deciding to separate out the project into 2 phases for its delivery. Images of some of the interpretation proposals are provided at Appendix 4
- 6.3 **Phase 1** will fund the entire building, the internal interpretation elements, the car park, the external covered space and part of the external landscaping area. Part of the external area, to the east of the new car park, will not be developed at this stage and will form **Phase 2**, for which funding will be raised at a future date. It was felt important by the Project Team that the building and its interior were the priority at this stage, and the exterior could be added to with different features in years to come. This is often the case with similar tourist attractions, such as the

Eden Project which has added new features from time to time over the last 10 years. For the visiting public, it will not appear as though the project is incomplete, as the phase 2 area will be fenced off or treated in a way to ensure a seamless transition from the Phase 1 external areas.

- 6.4 You will note from the Capital Budget Summary at Appendix 3 that the costs for Phase 1 and Phase 2 have been split out. This has resulted in a Phase 1 budget cost/income as follows:

Cost	3,677,124
Income	3,521,450 (assuming CCF and HLF successful)
Funding Gap	155,674

- 6.5 It should be noted that if we receive the CCF funding, there will be sufficient funding to proceed with the construction work. The funding gap above, relates to the interpretation element and this can be scaled back further if required. We hope however, that the funding strategy will successfully identify future sources for such funds
- 6.6 The HLF funding is for the interpretation work. We expect to have a result on the HLF bid in June.
- 6.7 The £155k gap funding is in the process of being identified via four funding bids to Trust Funds as identified in Appendix 3. Should all these funds be offered, the budget projections indicate a small surplus of approximately £44,000. If not required as an addition to the contingency fund for Phase 1, it is intended that this be reserved for the Phase 2 work.

## **7. Project Timetable**

- 7.1 The project is due to start on site in June 2014, following the outcome of the HLF funding bid. The build period will take approximately 1 year and will complete in the summer of 2015. The Project Team is currently considering the implications of this for an opening date. It has always been hoped that the Project can open in the summer of 2015, but a delay to the build of the project would mean an opening in the autumn of 2015 or March 2016 might have to be considered.

## **8. Project Management**

- 8.1 To date, the project management of the project has worked well. The review of the budget which has been managed by DWT has highlighted the fact that whilst we have a wide range of skills across the Project Team, we do not have an overarching role that is able to bring all of the components of the project together.
- 8.2 There is currently a risk that key tasks could be overlooked or are not fully understood due to a lack of relevant expertise. The linking of the interpretation element with the main construction of the building is an example of this.

- 8.3 The Project Management role has largely been covered by 2 individuals at 2 organisations, DWT and Ward Williams. The latter has been involved in the project for some 4 years and their initial appointment as cost consultant and employer's agent was to advise EDDC of project costs and to act as the client's representative during the build process. Ward Williams current role therefore is to bring together the specialist engineers and architects and ensure that the design work is completed prior to letting the build contract. Separately, DWT are managing the bid process for HLF and CCF, co-ordinating the various working groups involved, ensuring tasks are completed and generally managing all the administration work. The recent budget review has been undertaken by DWT's Chief Executive and a copy of this review is included at appendix 3 of this report.
- 8.4 Both Ward Williams and DWT have put in considerable time to this project, in excess of original estimates and the role of Ward Williams has changed over the life of the project in part due to the introduction of a "second client" in the form of DWT. DWT estimate that they will have provided in-kind support over and above the original offered in their tender, to the sum of £112,000 by the end of February 2014.
- 8.5 DWT has identified that following the submission of the HLF, it will be necessary for a continued level of support by DWT the sum of around £80,000 throughout the build process. This will include an additional financial contribution of £20,000 plus an in-kind contribution of £60,000 for staff time.
- 8.6 The Regeneration Manager has met with DWT and Ward Williams to discuss the future management of the project. The level of in-kind contribution from both organisations is commendable, but unsustainable, not only for the 2 organisations, but for the Project itself, as the lack of an overarching Project Manager is further adding to their workloads in trying to join the various strands of the project together. Beyond this is a need to keep track of all the activities to be reported on to the funding organisations that support the Project. This is not a role that can be fulfilled by EDDC's new Regeneration Manager both in terms of her skills and time available.
- 8.7 Instead, the Project Team would like to consider the appointment of an experienced Project Manager who can fulfil this role. The new PM would be a highly skilled individual able to analyse the project in detail, identify gaps and weaknesses, review timings, costs, risks and quality aspects of the project. In discussion with Ward Williams, this is a role that they can fulfil, and it would benefit the project to be able to continue their appointment in this as there is a close link with the existing appointment of cost consultant and employer's agent.
- 8.8 In the first instance, Ward Williams has committed to provide up to 2 days at nil cost to the project for one of their Senior Project Managers to meet with members of the Project Team and identify some of the key issues for the project. This will result in a set of recommendations on how the Project should move forward and what resource would be required by a specialist Project Manager over the coming year.
- 8.9 If we are to make this appointment, it will be necessary to identify an additional capital budget for this role. It is anticipated that a sum of up to £50,000 will be required. This financial commitment made by EDDC will be matched by the additional contribution of DWT that is expected up until the end of the build period as outlined in paragraph 8.5 above.

8.10 The original capital budget contributed by EDDC for Seaton Jurassic is approximately £1.8m and was funded through the land receipt from Tesco. This £50,000 is an additional amount on top of the Tesco funding. The timing for the use of this capital is likely to be a small amount in 2013/14 for March and then throughout the build period in 2014/15.

### **Legal Implications**

In house legal support has reduced legal costs and increased convenience of access for our in house clients over the last eighteen months, compared with outsourcing the work to private practice. However, we now have a vacancy in the team and it will be a challenge to attract a replacement with the right specialist skills, given the high demand in the private legal sector, following the upturn in the property market.

The range of work referred to in the report will require the project teams to consult the legal team/possibly outsource to private practice on a regular basis, including on issues such as complying with European procurement procedures and timetables for the Seaton Jurassic project.

### **Financial Implications**

The financial implications are detailed in the report. The additional £50k revenue funding required for Exmouth regeneration projects in 2015/16 will need to be included in the budget setting process for that year.

### **Consultation on Reports to the Executive**

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### **Background Papers**

- ❑ Exmouth Regeneration: Masterplan Projects Report to Cabinet 7 March 2012
- ❑ Seaton Discovery Centre Report to Cabinet 28 November 2012
- ❑ Appendix 1. Marketing Programme for Queen's Drive, Exmouth
- ❑ Appendix 2. Draft marketing brochure for Queen's Drive, Exmouth
- ❑ Appendix 3. Seaton Jurassic Capital Budget (hyperlink attachment only)
- ❑ Appendix 4. Seaton Jurassic images

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Cabinet  
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