

Report to: **Cabinet**

Date of Meeting: 5 November 2014

Public Document: No

Exemption: Para 3 Schedule 12A Information relating to the finance or business affairs of any particular person

Agenda item: **20**



Subject: **Update on Regeneration Projects Part 2**

Purpose of report: The purpose of this report is to inform members of the anticipated programme of capital expenditure and income that will arise from regeneration activities over the next 5 years.

The report also advises on the remaining revenue funding available to cover project feasibility work for the rest of 2014/15 and staff resources committed for the next 3 years.

Recommendation:

- 1. That cabinet notes the current programme of future capital income and expenditure expected to result from regeneration activities in Exmouth.**
- 2. That cabinet recognises the potential requirement and risk associated with borrowing in expectation of future capital receipt and will await further detail arising through budget and service planning processes.**
- 3. That cabinet notes that more detailed evaluation of cost implications will emerge through budget setting and service planning processes for 2015/16 onwards.**
- 4. That cabinet agrees to receive future reports seeking decisions regarding required borrowing to deliver the priority regeneration projects.**

Reason for recommendation: To enable the Economy and Regeneration Manager to progress individual regeneration projects through the feasibility stages and bring detailed recommendations on their financial feasibility and asset ownership implications to Cabinet in due course.

Officer: Alison Hayward Economy and Regeneration Manager, x 1738, 01395 571738 ahayward@eastdevon.gov.uk

Financial implications: The capital programme relating to Exmouth regeneration is shown as a balanced position with all expenditure matched by Capital receipts.

Individual scheme approvals will need to be presented for Cabinet with details of both the capital and revenue implications to meet this principle of self-funding.

Current cash flow projections indicate borrowing cost of around £331k and loss of revenue income. These will need to be factored into these calculations.

Legal implications: Where this has not already taken place, projects mentioned within the report will require detailed legal advice and review in terms of compliance with local government legal frameworks and investigation of possible title restrictions.

Equalities impact: Low Impact
All regeneration projects will be assessed in relation to their impact on equalities and diversity to ensure that all members of society are able to benefit from the regeneration outcomes that individual projects offer.

Risk: Medium Risk

There is a risk that the Council does not achieve a net receipt of £11m for the Exmouth Rugby Club site.

This figure is based on a receipt of £10m for a supermarket and £1m for the surplus land that could be used for residential purposes. The figure of £10m is based on feasibility work carried out in summer 2013 using expert sector advice. This figure was based on a store size of 70,000 sq ft gross. Since then, and recognising the volatility within the food retail store sector, we have referred back to the 3 large supermarkets during the year to understand what their current requirements would be and have spoken to 2 of the 3 in the last 3 weeks. Both of these supermarkets have advised that Exmouth remains a priority for them, given that there is only one other large supermarket in the town. One of them suggested that their space requirement may have reduced by around 10%.

If the supermarket is smaller, there will be the opportunity to consider additional uses on the site. This could redress the balance in the capital receipt available.

Further feasibility work will be undertaken on the viability of supermarket and other uses and a report brought to Cabinet in the near future.

Should the Council not receive the required amount when offers are made by the supermarkets, the option agreement with the landowner for the future ERC site, will not be exercised, or will be renegotiated to ensure that it meets the Council's financial aspirations.

If we are in a situation where the Council cannot afford to relocate the Rugby Club to the preferred site, Officers will continue to work with the Club to find a solution that ensures that the Council can secure a capital receipt from the Estuaryside site within the next 5 years.

There is a risk that the Council is incurring expenditure before it is known what amount we will secure from the Estuaryside site.

The report sets out the timescales for when we would know what amount we will receive from a supermarket/developer, (2016/17), and when we would actually receive it, (2018/19).

We are recommending that some spend is incurred in advance of 2016/17, namely the investment in the replacement Mamhead slipway, the infrastructure costs for Queen's Drive (if funding for both of these cannot be secured elsewhere) and the grant to the Exmouth Sea Cadets. The total outlay for these three projects is estimated to be approximately £2,400,000 and this would attract on-going borrowing costs if there is no supermarket receipt or other receipt forthcoming in 2018/19.

Other delivery options will be considered that could result in a phased capital receipt from the supermarket/developer and/or a deferred capital payment to the landowner of the future ERC site, that would minimise borrowing requirements to the Council.

Background information:

- Appendix 1 – Profile of Capital Spend and Receipts
- Appendix 2 – Flowchart for Receipt from Supermarket/Developer for Estuaryside site.
- Cabinet report February 2014 - Regeneration Review Funding Requirements.

Link to Council Plan: Working in, funding and enjoying this outstanding place.

Report in full

1. Background

Exmouth Regeneration - Capital Receipts to Fund Future Regeneration Projects

- 1.1 It is necessary to understand the whole picture of regeneration opportunity and cost for delivery of the priorities identified from the Exmouth masterplan. We are considering further how we will pay for future regeneration projects and establishing in more detail a programme that profiles future receipts, expenditure and impact. The table at Appendix 1 provides an indicative profile of this spend and the possible capital receipts.
- 1.2 The key project is the Estuaryside project which proposes the redevelopment of the existing Exmouth Rugby Club to provide a new supermarket. This will generate a capital receipt from the supermarket/developer. This project is currently being progressed with discussions on-going with both the Exmouth Rugby Club and landowner of a potential site. A report will be presented at a future Cabinet recommending the way forward for delivering this opportunity.
- 1.3 The table at Appendix 1 identifies two key dates. 2016/17 as the year when we expect to know what receipt we are going to achieve for the sale of the ERC site, and 2018/19 as the year when we expect to receive it. The flowchart at appendix 2 summarises the process for receiving the supermarket receipt.
- 1.4 The delivery of some of the other projects such as Camperdown Creek, which are important investments integral to the wider Estuaryside project, will depend upon this capital receipt being delivered.

2. Process for Relocation of Exmouth Rugby Club and delivery of new supermarket

- 2.1 As illustrated, in the flowchart at Appendix 2, this is a complex process and the completion of this disposal will take some years to complete due to the conditions required for the Rugby Club to surrender their existing lease. Namely, a planning permission will have to be secured for a new facility for the Club which will be followed by a marketing exercise to select a supermarket/developer for their existing site. Following selection, planning permission will need to be secured by that supermarket/developer. This will then give the necessary certainty to all parties that the transactions can proceed. It will be at this point that the Council will have certainty on the level of capital receipt we will receive from the supermarket/developer and also the costs we will incur in facilitating the relocation of the rugby club. In terms of the timescales involved, we do not expect a supermarket/developer to have achieved a planning permission until 2016.
- 2.2 There follows a further period before we will actually receive the payment from the supermarket for the ERC site due to the time taken to construct the new ERC facility, which

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is estimated at 2 years in order for the pitches to be ready for play. When the ERC has moved to the new facility, which is expected to be in 2018 we will then complete the sale of the site to the chosen supermarket/developer, which can then commence delivery of the new store.

2.3 The details of these transactions will not be finalised until relevant parties have been selected and negotiations taken place. It was identified in the capital programme last year, that it may be necessary for the Council to provide upfront capital funding to facilitate the relocation of the Rugby Club. We are exploring the means of the transaction between ourselves, the landowner of the new ERC site and the supermarket/developer that will minimise our borrowing requirements. Further details are provided in Appendix 1 which indicates a worst case scenario for borrowing.

3. Revenue Funding and Resources to Deliver Regeneration Activity in Future.

3.1 In order to progress the Exmouth regeneration projects, funding of £700,000 was agreed by Cabinet for a four year period starting in 2011/12 to take forward the priority projects and pay for the costs of staffing resources, feasibility studies and other pre-development costs required to progress sites through to the development stage.

3.2 There remains a budget of approximately £150,000 which is available for staffing, project feasibility, technical, professional and legal advice.

3.3 The Economy and Regeneration Manager will be making a proposal to the forward budget and service planning setting process which will pay for on-going staff costs and project feasibility/external professional advice work for 2015/16 and beyond.