

**Report to:** Cabinet  
**Date of Meeting:** 9 November 2016  
**Public Document:** Yes  
**Exemption:** None



**Review date for release**

**Agenda item:** 16

**Subject:** Queen's Drive Site, Exmouth – Update Report

**Purpose of report:** The purpose of the report is to update members on our delivery of an improved seafront offer for Exmouth and, in particular, progress on the Queen's Drive regeneration project. It advises Cabinet and seeks approval on recommendations relating to progress with the Queen's Drive site phases 1 (road and car park) and 2 (Watersports Hub) and the next steps on phase 3 (mixed use leisure development on the remainder of the site including Harbour View cafe site).

**Recommendation:**

- 1. To note that the Council is negotiating the detail of its development agreement with Grenadier Development to deliver a Watersports Hub and associated development at Queens Drive.**
- 2. To note that in taking forward a fresh review of phase 3 of the Queens Drive site the Council will give Exmouth people another opportunity to have their say on what happens on that site. The Council will bring in external expertise to carry out a review. This will involve full consultation that is neither developer nor Council led.**
- 3. To note that legal delays have had a significant impact on delivering all phases of Queen's Drive improvements including revised timing and increased project costs. (see Appendix 3)**
- 4. To consider and agree the allocation of additional funding to deliver the Council's commitment to the Queen's Drive site regeneration project. The projected total funding requirement before increased income, capital receipt and/or grant funding has risen from the original estimate of £1,500,000 in 2014 to £3,120,000 in gross terms (see Appendix 4).**
- 5. To note that under delegated powers and an exemption to standing orders, officers have engaged planning and design services to take forward a reserved matters application for the continuance of the current planning approval of Queen's Drive (see Appendix 5)**

<b>Reason for recommendation:</b>	To enable progress to be made on further improving the seafront offer for Exmouth with the continuation of the Queen's Drive site project, specifically the Council's responsibility for the road and car park, Grenadier's investment to deliver a Watersports Hub and a fresh review of phase 3 including consultation, design and marketing around a mix of leisure uses and attractions.
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<b>Financial implications:</b>	The financial details have been outlined in the report. There is a significant increase in the gross capital budget of £1.6m to £3.120m, the reasons for which have been identified in the report. This has become a complex and involved project and highlights the need for more detailed cost analysis to be undertaken at the initial stage of such a scheme. The funding of the scheme will be through a combination of capital receipt, borrowing (or use of internal funding) and possibly part grant funded. Differing scenarios have been outlined in Appendix 4 of the report showing payback of investment of between 4 years up to 42 years depending on level of capital receipt and/or grant received. This is purely on financial terms without considering the economic benefits such a scheme should bring to the District. It is suggested the capital programme reflects the worst case scenario as this stage with a 42 year loan period which can then be revised through the phases of the project as more details are confirmed.
<b>Legal implications:</b>	In terms of the exemption to contract standing orders (Recommendation 2), the identified contract value falls below the threshold established pursuant to the Public Contracts Regulations 2015 and therefore the EU procurement procedure does not apply and an exemption can be validly given in accordance with the Council's Contract Standing Orders Rule 3.1. Other legal issues, such as the impact of not protecting the status of the outline planning permission, are detailed sufficiently in the report.
<b>Equalities impact:</b>	Low Impact
<b>Risk:</b>	Medium Risk  There is a risk inherent in the planning process in so far as a decision will be required from the Planning Authority that enables the Council as landowner to sustain a permission for phases 2 and 3. There is an outline planning permission already in place on the site and reserved matters will reaffirm and add more detail to that permission.  As previously advised, the Council has withdrawn from a preferred developer arrangement and is proposing to take a new approach to phase 3 of the development that will involve a consultative visioning and design project. The process will also identify the options for different types of development on phase 3 of the site. This in turn will provide the Council with a new financial analysis of the site including potential funding sources (both commercial and non-commercial), projections on capital receipt and revenues to the Council from business rate and rental.
<b>Links to background information:</b>	<ol style="list-style-type: none"> <li>1. <a href="#">Queen's Drive Cabinet report 5 November 2014</a></li> <li>2. <a href="#">Queen's Drive Cabinet report 7 January 2015</a></li> </ol>

### 3. [Queen's Drive Cabinet report 17 June 2015](#)

#### Appendices:

1. Aerial image of site
2. Aerial image of site phasing plan
3. Queen's Drive Budget Profile
4. Project Cost and Income Projection
5. Exemption to Standing Orders - authority to commission external expertise on Reserved Matters Procedure

**Link to Council Plan:** Working in, Enjoying and Funding this outstanding place

#### Report in full

##### 1. Background.

- 1.1 Just as Exmouth is growing and changing so the town's seafront is progressively changing and improving its offer to visitors and residents. This is Devon's largest town and a growing one that needs to compete and thrive with high quality, all year round attractions. The Council has enabled the development of a successful Premier Inn, is delivering a bigger, better slipway at Mamhead, has supported LED with both the Pavilion and Ocean and has a vision and plan for the Queen's Drive site as part of Exmouth's stronger future.
- 1.2 The Queen's Drive regeneration project covers a nine acre site (approximately four football pitches in total) made up of a car park, private play park and cafe premises on the seafront in Exmouth between the Ocean and the Maer. It includes the areas included on the plan at Appendices 1 and 2. It does not include the Maer or the cricket club or the bowling club. All of those facilities will remain.
- 1.3 The Council secured an outline planning permission for the site in January 2014 which gave permission for a mix of leisure uses on the site and the road realignment and moving of the car park.
- 1.4 The site was marketed in 2014 and Grenadier Estates came forward with proposals for a Watersports centre on the front part of the site that will be a focus for a range of water sports for which Exmouth is increasingly renowned: kite surfing, wind surfing, foil boarding, paddle boarding and sea kayaking. Grenadier's plans have also included an open air performance space, public realm and some small commercial units. The remainder of the site was subsequently marketed and Moirai Capital was selected as preferred developer. At the same time the Council had been working with its tenants on Queens Drive to return the various parts of the site to the Council's control. This has now been achieved but along the way, the legal action taken against the Council, although not successful, has resulted in the best part of two year's delay in moving forward.
- 1.5
- 1.6 This caused some unfortunate consequences that the Council has been addressing:
  - I. Increased costs to the Council in terms of project management, study costs, professional fees and construction inflation (see below and Appendix 3)
  - II. Delay to the project cost refinement process required to upgrade and add detail to original estimates

- III. The need for the Council to expend funds on the technical process of confirming the existing planning approval through a reserved matters planning application
- IV. Delay in commencing investment and development of all three phases of the site
- V. Delay in further consulting Exmouth residents about the future phases of development
- VI. Expenditure to revisit phase 3 of the site following the imposed delay
- VII. An extended period of time for parts of the site to be vacant and inactive
- VIII. Unproductive costs and delay incurred by some tenants themselves

1.7 In January 2015 the Council gave approval to progress the road and car park “enabling” works (phase 1) in order that the Grenadier Estates’ Watersports centre could go forward on the site of the existing car park (phase 2). Work has progressed on this and a reserved matters approval under this planning permission for the road and car park was secured in March 2016. The Council is, putting in place the actions that enable the different phases of development to happen. The works to the road and car park will only commence when a planning permission has been secured by Grenadier Estates for the Watersports centre. Further, in order to be able to rely on the phase 1 reserved matters approval the next piece of the jigsaw is to secure reserved matters approval for phases 2 and 3 (these are matters of detail not included within the existing outline approval), otherwise construction of the road and car park would be unlawful and the delivery of the Watersports centre would not happen.

## 2. Current Position:

### Planning Approval

- 2.1 The Council is, in effect, putting together the jigsaw that enables this phased development to succeed. Starting with the original masterplanning followed by outline planning permission, it has involved extensive public consultation, marketing and the establishment and maintenance of planning approval that underpins development of all phases of the site. The outline planning permission for the Queen’s Drive site was granted in January 2014 for a period of three years during which development would get underway and be completed. The Council has been delayed in progressing delivery of the project due to litigation proceedings. A new piece of the jigsaw is that the Council now needs to address the issue of the outline planning permission’s status to enable investment and development to progress as previously agreed by the Council. To achieve this, we will be applying for reserved matters for phases 2 and 3 of the site and to progress this action officers have proceeded under delegated powers with the commissioning of planning and design services to secure reserved matters planning application.
- 2.2 This is a technical exercise that is being undertaken to sustain the planning permission and pave the way for a detailed planning application from Grenadier Estates for the Watersport Centre and a further consultation, visioning and design exercise for the future of the latter phase of the site and the Harbour View cafe site. Obtaining the reserved matters approval will achieve three things:

- I. It will enable delivery of phase 1 (the road and the car park). It will also ensure that the whole site retains its planning status (i.e. have the benefit of a planning permission) for investment in and development of new mixed leisure uses. Reserved matters will conform to the existing outline approval in mix of uses, spacing and scale and not divert from the mix of leisure uses and open space that has already been approved (NB there will be no suggestion of any residential aspect within reserved matters either). The planning authority will seek responses from the public to the planning application but the Council itself is not proposing to go beyond this with additional consultation for this technical exercise.

The important and new design to follow for public interest and engagement will be when Grenadier reveal their Watersports Hub designs for public scrutiny and formal public consultation in the new year.

- II. Grenadier will have the continued planning approval of a Watersports hub on which they can then promote and consult upon their specific plans as part of their own detailed planning process. Grenadier need this confidence to assure them that they can invest over £4million in the Watersports Centre as well as incurring the costs associated with a full design, formal public consultation and planning application.
- III. Reserved matters approval on the remainder of the site including the remaining Fun Park and Harbour View sites (phase 3) will lead the way for a new visioning exercise to consider what the mix of uses are going to be on that part of the site in the future. This will involve full public consultation that is neither developer or Council led.

### Interim Site Uses

- 2.3 Meanwhile, the Queen's Drive site and surrounding area continue to remain in active use. The tenant of the Fun Park has been granted a fixed term lease of that site to enable continued operation through the summer period of 2017. A similar arrangement has been made with the operator of the Harbour View cafe. Both leisure and cafe operators will continue to trade from now until the end of the 2017 season. In the immediate wider area ten pin bowling, indoor play, cafes and bars, amusements, bowling, cricket, seafront and road access will all continue to be provided.
- 2.4 For the moment, the former golf site must remain boarded up for safety reasons, at least until surveys have concluded, and clearance and demolition have been completed. We will look to open up the site again for the summer with temporary and pop-up uses if we are able and will consider leisure, entertainment, food and drink type attractions if this is feasible.

### Delivery of the Road and Car Park

- 2.5 Following approval of reserved matters, work on the road and car park will commence when Grenadier has secured its own detailed planning application for phase 2, the Watersports Hub site. The Planning Authority has already approved a reserved matters application for building the road and car park. The car park will be redeveloped on the former mini-golf site (see Appendices 1 and 2) and the road will be realigned to pass around the back of the existing car park which, in phase 2 will be redeveloped as the Watersports Hub. The new road and car park location will open up

a new car-free space directly connected to the seafront and beach. The new road design will be able to slow traffic and deter speeding.

2.6 The current estimate of costs for the building of these enabling works is £2.3m plus fees. A detailed breakdown of the latest projected cost estimates is provided at Appendix 3. In addition, a summary of the likely offset in terms of capital and revenue is attached at Appendix 4. The latest projected cost estimates exceed the previous budget projection by £1.6m (see Section 5 below and Appendices). It has been necessary to increase the cost projection for the following reasons:

- The impact of legal delays to the Council including court costs, extended project management and additional planning fees
- Inflation of construction industry costs and materials, reflecting the time elapsed due to legal delays
- Delay to project cost refinement process to upgrade original estimates  
Retention of professional project management

2.7 These are gross figures of expenditure against which the Council has factored cost recovery in terms of options (see Appendix 4):

- I. Capital receipts from development
- II. Uplift in revenues (eg Business Rate and car park income)

As well as capital and revenue income to offset project expenditure, the Council is bidding for three separate grant funding streams to part fund the road and car park infrastructure costs. Exmouth Coastal Community Team has submitted a bid to the Coastal Communities Fund for a 50% contribution to these costs and is currently awaiting the outcome of this. The Council has also submitted bids via Devon County Council Highways capital funding and via the LEP for Growth Deal Round 3. Further information on the existing budget spend is provided at Appendix 3.

## Phase 2 - Grenadier Estates and the Watersports Centre

2.8 The Council is finalising the detail of its Development Agreement with Grenadier Estates for the provision of a Watersports Centre and mix of associated uses and open space on the southern part of the site. The Watersports Centre will operate as a Community Interest Company in partnership with representatives of Exmouth and from the District Council itself. The Development Agreement is a complex legal structure and work is currently being finalised on the legal documentation to enable the project team at Grenadier Estates to move forward. The agreement is a contract that will ensure that there is a two-way commitment between the Council and Grenadier Estates so that the road and car park is delivered by the Council, and that this is then followed by the building out of the Watersports centre and site. The contract is subject to planning in that Grenadier must achieve a satisfactory planning approval before the Council commences road and car park works. An intrinsic part of Grenadier Estates design and planning process will be full public consultation to inform their proposals. Then, following submission of the planning application, the planning authority itself will submit the development proposals to public consultation as part of their consideration of the planning application.

## Phase 3 Site

2.9 Phase 3 of the Queen's Drive site (the remainder of the fun park and the Harbour View café site) will be the subject of a new visioning and design exercise to explore in

consultation with local people what could be developed as a new mix of attractions and uses appropriate to a seafront site. Expertise will be commissioned to carry out the project and the public consultation within the process. This will not be developer led. The Council with the Exmouth Coastal Communities Team has already engaged professional research expertise to carry out an extensive Visitor Survey for Exmouth. This work will reflect visitors' views about the offer of Exmouth as a whole and will be fed into the phase 3 thinking in particular for Queen's Drive.

2.10 The Council had previously secured the interest of a leisure developer, Moirai Capital, for the remainder of the site, phase 3. However, given the time that has elapsed through legal delay and having secured control of the site plus the permission since the original marketing exercise, the Council is now going to refresh and explore what other high quality leisure and mixed use attractions there could be for the site.

2.11 The Council considers that there are fewer risks associated with the site now and that investor interest is likely to be increased. To take forward a refreshed look at phase 3 and engage the views of local people, businesses and visitors the Council is proposing to engage external expertise. In response to encouragement from the local community we are in discussion with Wayne Hemingway and his design company who have a particular expertise and sensitivity in the regeneration of seafront locations. There are others in this field and the Council will consider how best and with whom to take a phase 3 visioning exercise forward. The Council is looking for an approach to phase 3 that focuses on consultation, visioning and design towards bringing new life and attractions to the site.

2.10 The prospect of undertaking a separate and earlier marketing exercise of the Harbour View Cafe site has been explored by the Exmouth Regeneration Board. This is possible but, for the moment, the current tenant has been given an extension and officers are recommending that it remains within the phase 3 opportunity especially while we are in the process of exploring the totality of designing Phase 3. This is not to say that the cafe site cannot still be a separate development prospect. It should be noted that the site of the existing Harbour View Cafe potentially represents the most valuable part of the site both aesthetically and commercially, given its beach frontage location and it therefore adds considerable importance and value of itself and to the wider site area for phase 3.

### **3. Next Steps/Proposed Way Forward**

#### Planning Applications, Community Engagement and Consultation.

3.1 The Council needs to go through the technical exercise of securing the reserved matters approval for phases 2 (Watersports centre) and 3 (mixed use leisure site) as outlined above. This application will be submitted in December 2016/January 2017. It relates to the existing outline permission for the site in which all matters were reserved "except for layout". It maintains the existing outline approval and will form the background against which specific, detailed and evolved proposals for the Watersports Centre and then phase 3 design can be brought forward for full consultation with the public and wider interested parties before individual submission to the Planning Authority for consideration and additional comment from the public and others.

#### Site Preparation Work

3.2 In the meantime the Council has been undertaking works to the vacant parts of the site. These include ecology works relating to existing wildlife and demolition work. These are time bound activities and it is necessary to proceed with these at this time

of year. It is also essential that the site safety is maintained in order to protect the public. The boundaries of the site have been secured with panels to prevent members of the public from accessing the site. Demolition of the vacant buildings on the site will be taking place during November to ensure site safety. Information boards have been erected to provide information on the future aspirations for the site. The site will be monitored to ensure that it is clean, tidy and presentable. Any graffiti, fly-posting or damage caused has been and will continue to be rectified or removed.

#### 4. Timeline Ahead

- 4.1 An indicative timeline has been set out below of the various activities that will take place over the coming twelve to eighteen months. Ideally the Council would have liked to have been much further ahead at this point but for delays already described.
- 4.2 By way of comparison, Seaton Jurassic, opened earlier this year, is an attraction that is a matter of great pride to the town now that it is fully and successfully operational with tens of thousands of visitors through its doors. This was a complex, multi-million pound project that was achieved with EDDC's leadership and the cooperation and positive commitment of many in the local community. Another success is the Beehive Community Centre in Honiton that is now a thriving focus for the town's community and came about with the support of EDDC in funding, land transfer and project support to a positive and committed local community. In Exmouth itself the Strand is now a thriving public space for leisure and business brought about by the joint funding of EDDC, County and Town Councils. Mamhead Slipway is, at long last, nearing completion with £1.2m of EDDC investment. Queen's Drive could be well underway in developing the all year round leisure attractions that replace tired, under-invested facilities and meet the expectations of a growing and changing town and visitor economy.
- 4.3 The timeline below is a calculated estimate of the timescales for delivery of future phases of Queen's Drive and reflects the actions needed now to move forward from previous. Careful consideration within this timetable will be given to the timing of community engagement and consultation for phases 2 and 3.

Date	Activity
Dec 2016	The technical exercise. Council submits the reserved matters planning application for Phases 2 and 3.
<i>Early 2017</i>	<i>If appointed, Hemingway Design would undertake public engagement, vision and design on final phase 3 site.</i>
April 2017	Reserved matters application for phases 2 and 3 determined.
April-May 2017	Grenadier undertakes public consultation on the phase 2 watersports centre.
June 2017	Grenadier submits detailed planning application for Phase 2, Watersports centre
<i>Mid 2017</i>	<i>Commencement of marketing and developer selection for phase 3.</i>
September 2017	Grenadier planning application for Watersports centre determined.
Sept/Oct 2017	Works commence on phase 1, road and car park works. (Assuming that above detailed planning application is approved).
Mar 2018	Works on phase 1, road and car park is completed.
Mar/Apr 2018	Watersports centre works commence.



## 5 Budget

### Latest Overall Projection for Queen's Drive Site Development

5.1 Our project managing agents have estimated that taking into account the two year delay in delivering the realignment of road and moving the car park, construction costs inflation for that time and more refined projections of project cost as well as costs associated with legal proceedings and delay the gross cost to the Council of its commitment to regenerating Queen's Drive has risen from an initial estimate of £1.5m to £3.1m in total. This is the total project cost before factoring in the financial gains to the project from three key sources. These are:

- Income uplift from increased Business Rates<sup>1</sup>, car park income<sup>2</sup> and ground rents.
- Capital receipt from developer partner(s) for Phase 3<sup>3</sup>
- Grant funding if one or more of current live applications are successful:
  - Heart of the South West LEP – Growth Deal 3 £2,000,000
  - Devon County Highways Grant £1,200,000
  - Coastal Communities Fund £1,100,000

<sup>1</sup> Business Rate reflects increased income from new uses on the site but is cautious in that it does not include any percentage uplift that might result from the Government's plans to devolve NNDR

<sup>2</sup> By way of comparison for the first 8 mths of 2016 car park income in Seaton Underfleet car parks has risen from £32,314 to £73,798. This is an increase in income of nearly 230% directly attributable to the presence of Seaton Jurassic.

<sup>3</sup> As a comparison on which to assess likely capital receipt we can consider the Elizabeth Hall site. The size of Queen's Drive phase 3 land is 4.3 acres. This is over five times larger than the Elizabeth Hall site for which Whitbread PLC paid the Council £1,200,000 to build a 60 bed hotel.

Appendix 4 identifies multiple scenarios of expenditure and income for the project and any gaps that could result in a Council borrowing requirement with projected cost recovery periods. The scenarios range from a combination of grant and/or capital receipt of £2.5m (grant and developer capital payment combined) and revenue income of £300,000 that enables a repayment of prudential borrowing in a 4 year timescale. At the other end of the scale the options include a worst case scenario of only £1,000,000 capital coming into the project. With more modest Business Rate uplift projected as well this would involve an annual interest payment of £35,714 on borrowing of £2.1m over 42 years.

Appendix 3 details the cost elements of the delivery of Queen's Drive and the variations that have been incurred. The table identifies the original estimate of project cost from 2014 and the latest total provided by our cost consultants. The project cost overall has slightly more than doubled from an original estimate of £1,500,000 to £3,119,500. The variance of £1,619,500 detailed in Appendix 3 under the following categorisations:

#### **1. Costs Relating to Project Delay**

- a. Direct Costs of Legal Delay **£386,500**  
These are the additional costs that EDDC has incurred as a direct result of the legal actions brought against the Council and the impact of the associated delays to the project
- b. Delayed Cost Identification **£358,000**  
For some period of time the Council was unable to access parts of the site which prevented survey work and investigations to inform a costed works programme

**2. Construction Cost Inflation** **£275,000**  
The project is two years behind schedule and an inflation factor has been calculated using BCIS indices.

**3. Variation to Original Budget** **£600,000**  
This is the difference between the original 2014 project cost estimate and the first detailed cost projection given by our cost consultants, WSP Parsons Brinkerhoff.

**Total - £1,620,000**

### Future Income

- 5.6 Members have consistently expressed a desire to secure capital receipt(s) on the development of the phase 3 (leisure site) in order to offset the costs incurred in delivering the road and car park, as set out in the cabinet report of January 2015. This remains a key objective of the project to secure capital receipt(s) for the phase 3 (leisure area) site. Previously, an offer was made for this site although this relied on uses that included residential use at first floor level over part of the site. As part of the future detailed design and investment options for phase 3 of Queen's Drive key consideration will be given to the potential for capital receipt. Now that the Council has secured control of the whole of the site again it becomes a more valuable opportunity to deliver the best quality mix of uses for Exmouth and can attract capital receipt(s) that reflect that value. As a comparison on which to assess likely capital receipt we can consider the Elizabeth Hall site. The size of Queen's Drive phase 3 land is 4.3 acres. This is over five times larger than the Elizabeth Hall site for which Whitbread PLC paid the Council £1,200,000 to build a 60 bed hotel.
- 5.7 The Council also has three separate bids in progress for sums of between £1,100,000 and £2,000,000 of public grant funding with which to support a quality mix of developments and match the Council's own investment in the site. We expect to have results for each of these funding streams before the end of the Financial Year.

### Scenarios

- 5.8 Appendix 4 provides differing scenarios of expenditure and income for the Queen's Drive development compared to the previous income profile of the site with the then tenants. At that time the Council was in receipt of rental income and a proportion of Business Rate as well as receipts for the Queen's Drive car park. The future projections involve estimates of income from capital receipt(s) and grant funding, business rates, ground rent and car park income. As a key part of the future visioning of phase 3 we will refine the projection of capital receipt and additional potential grant funding sources. As previously explained the Council is in discussion with Hemingway Design regarding a review of phase 3. They or other expertise will include an analysis of financial elements, viability of development and investment options as part of their work.
- 5.9 Currently, the site generates business rate income of £48,474, of which the Council receives 9% i.e. £4,363. An estimate of the future business rate income has been undertaken, based on the uses identified in the outline planning permission. Erring on the side of caution this suggests a future business rates income to the Council of between £19,350 and £30,000 per year in total.
- 5.10 On top of this we are factoring in car park income in each scenario of £170,000 per year. This is an increase on the current income of £89,000 and reflects both the number of car park spaces and projected increased usage promoted by the

Watersports Centre, wider leisure attractions and greater all year round and seasonal usage.

- 5.11 Furthermore, the development out of the more extensive mix of uses will generate increased ground rent which is also reflected in the different scenario income projections.
- 5.12 Appendix 4 uses a range of different scenarios of combined capital receipt(s) and grant funding for phase 3. The projections vary from £1,000,000 to £2,500,000. The table compares the most recent development costs projections for road and car park against capital receipt and projected revenue uplift. Where the combined capital receipt/grant is lowest then this incurs the highest borrowing requirement of the Council and vice versa. We have projected borrowing at between £2,120,000 and £620,000. With interest and capital repayment the worst case scenario has a repayment period of 42 years and a best case scenario of 4 years with mid-range scenarios of between 7 and 15.5 years.

## **6 Conclusion**

- 6.1 The opportunity to create a modern mix of all year round attraction that helps Exmouth's vitality, economy and competitiveness as the town continues to grow is a continued need and EDDC recognises how important that is. This report addresses the changed circumstances of development and investment for Queen's Drive so that Cabinet can consider the costed options, timelines, key actions and other elements that need to be addressed if we are to sustain our commitment to the modernisation and renewal of this prominent and important site at Queen's Drive.
- 6.2 The project has suffered from delays, but key achievements have taken place which mean that the project can continue toward the delivery of the new Watersports centre and other facilities on the seafront. Our developer partner, Grenadier, remains committed to deliver the Watersports centre and the moving of the road and car park is therefore an essential component of the project. The short term priority is therefore to secure the reserved matters permission as detailed above that will then enable Grenadier to take forward their proposals. Phase 3 will be taken forward with a fresh look at the mix of uses and attractions that the site can deliver. This will involve commissioning expertise in the new year to lead a locally consultative visioning and design exercise to lead on to development.
- 6.3 The recommendations in this report ask Cabinet to recognise the costs of delay that we have been unfortunately faced with, reflect on the different financial projected scenarios and maintain its commitment to the delivery of this key regeneration site and phased development programme for the future wellbeing of the largest town in Devon.

### **Appendices.**

**Appendix 1 – Aerial image of Site**

**Appendix 2 – Aerial image of site with phases identified**

**Appendix 3 - Queen's Drive Budget Profile**

**Appendix 4 - Projected Cost and Income Projection**

**Appendix 5 - Exemption to Standing Orders - authority to commission external expertise on Reserved Matters Procedure**

Appendix 1



**Phasing Plan**

The red area is the Amusements Arcade which remains in place in the short term but will eventually be utilised as car parking as per the outline planning permission.



**Addendum 3 - Queen's Drive Budget Profile**

Preliminary Budget 2014	
Element	Cost
Works cost	1,200,000
Phase 1 project management & design fees	150,000
Compensation to businesses	105,000
Other surveys	45,000
<b>TOTAL COSTS</b>	<b>1,500,000</b>

Revised Budget 2016	
1. Costs Relating to Project Delay	
	Cost
<b>Direct costs of Legal delay</b>	
Phase 1 project mgt & design fees	41,000
Surveys required for court	23,000
Demolition	40,500
Litigation costs	67,000
Reserved matters planning application	95,000
Revisiting proposals for phase 3	120,000
<b>sub-total</b>	<b>386,500</b>
<b>Delayed Cost Identification</b>	
Project management fee increase	27,000
DCC Site supervision for roadworks	48,000
Project manager site supervision	30,000
Fee contingency	28,000
Works cost earthworks movement	170,000
Works cost utility information	55,000
<b>sub-total</b>	<b>358,000</b>
<b>sub-total (A+B)</b>	<b>744,500</b>
<b>2. Construction Cost Inflation</b>	
BCIS Cost inflation over 2 years	275,000
<b>3. Variation to Original Budget</b>	
Variation from original estimate in 2014 and first cost estimate by cost consultants in 2015	600,000
<b>TOTAL INCREASED COSTS (C+D+E)</b>	<b>1,619,500</b>
<b>REVISED TOTAL PROJECT COST</b>	<b>3,119,500</b>

A  
B  
C  
D  
E  
F

## Appendix 4. Project Cost/Income projection

	Annual income	SCENARIO 1		SCENARIO 2			SCENARIO 3			SCENARIO 4			Notes
		capital receipt	capital costs	Annual income	capital receipt	capital costs	Annual Income	capital receipts	capital costs	Annual Income	Capital receipt	Capital costs	
<b>Existing Income</b>													
Existing rental income from current/previous tenants	60,250												
Existing business rates income from current/previous tenants @ 9% of 48,474	4,363												2
Existing car park income	89,044												
<b>sub-total Existing Income</b>	<b>153,657</b>												
<b>Future Cost/Income Projection</b>													
Capital costs on delivery of phase 1 + site prep for ph 2 and 3			3,120,000			3,120,000			3,120,000			3,120,000	1
capital receipt estimated for phase 3 and/or grant funding		1,000,000			1,500,000			2,000,000			2,500,000		
Ground rent	50,000			75,000			100,000			100,000			
car park income (250 spaces)	170,000			170,000			170,000			170,000			7
Business rates income @9% of full rate (215,000 for scenario 1)	19,350			30,000			30,000			30,000			3
<b>sub-total Future Income</b>	<b>239,350</b>			<b>275,000</b>			<b>300,000</b>			<b>300,000</b>			
<b>Additional Income (future less existing)</b>	<b>85,693</b>			<b>121,343</b>			<b>146,343</b>			<b>146,343</b>			
<b>Loan Required</b>			2,120,000			1,620,000			1,120,000			620,000	
Total interest over relevant no. years			1,525,302			263,541			70,266			19,851	
Total capital plus interest cost			<b>3,645,302</b>			<b>1,883,541</b>			<b>1,190,266</b>			<b>639,851</b>	
Loan payback period (years)			42			15			7.5			4	

## Notes:

1. Capital cost to the Council could be reduced by external grant funding. Live bids are: LEP £2m; CCF £1.1m; Highways £1.2m
2. Currently the Council receives 9% of the total business rates.
3. Assume business rates increase for scenario 2, 3 and 4 if capital receipt increases - reflecting more commercial uses.
4. Future allocation of business rate income not known, so assume same as existing, 9%
5. SCENARIO 1 - capital receipt/grant plus additional annual income (above the past £153k) recovers the cost in 42 years.
6. SCENARIO 2 - capital receipt/grant plus additional annual income recovers the cost in 16 years.
7. SCENARIO 3 - capital receipt/grant plus annual income recovers the cost in 8 years.
8. SCENARIO 4 - capital receipt/grant plus annual income recovers the cost in 4 years.
9. Car park income is pro rata based on existing, plus uplift assuming greater usage all year round.



## REQUEST FOR EXEMPTION TO CONTRACT STANDING ORDERS

A request for exemption to Contract Standing Orders (CSO) can be made under CSO 3.1 – 3.5.  
No exemption can be used if the EU Procedure applies.

Name: Alison Hayward	Date: 27.9.16
Service: Economy	Team: Regen & Economic Development
	Total contract value: £65,000



Background (including product and supplier details, costs etc):

- 1.1 The Queen's Drive regeneration project covers the existing play and leisure areas on the seafront in Exmouth between the Ocean and the Maer.
- 1.2 The Council secured an outline planning permission for the site in January 2014 which gave permission for a mix of leisure uses on the site and the road realignment and moving of the car park.
- 1.3 The site was marketed in 2014 and Grenadier Estates came forward with proposals for a Watersports centre on the front part of the site. The future of the remainder of the site is still to be determined following delays caused by lengthy litigation process with one of the tenants on the site.
- 1.4 In January 2015, the Council gave approval to progress the road and car park "enabling" works (phase 1) in order that the Grenadier Estates proposal for the Watersports centre could be progressed on the site of the existing car park (phase 2). Work has progressed on this and a reserved matters planning permission for the road and car park was secured in March 2016. The works to the road and car park will not commence however, until a planning permission has been secured by Grenadier Estates for the Watersports centre.

2. Existing Planning Permission

- 2.1 The outline planning permission was granted in January 2014 and lasts until January 2017 unless reserved matters are submitted for the remainder of the development that has not already been the subject of previous applications for reserved matters. The Council has been seriously delayed in progressing delivery of the project due to the lengthy and unsuccessful litigation proceedings brought by two of the Queen's Drive tenants. The Council now needs to address the issue of ensuring the permission remains 'live'. To achieve this, the Council will be applying for reserved matters for phases 2 and 3 of the site.
- 2.2 This is a technical exercise that is being undertaken to sustain a planning permission. A reserved matter approval will achieve three things:
  - This will enable delivery of phase 1 (the road and the car park). It will also ensure that the whole site maintains its planning status i.e. have the benefit of a planning permission and is secured for investment in and development of new mixed leisure uses,
  - The site will have the continued planning approval of a Watersports hub. Grenadier need this certainty and confidence to assure them that they can invest several Emillions in the Watersports Centre and to incur the costs associated with a full planning application;
  - Reserved matter approval on the following phases including the remaining Fun Park and Harbour View sites will enable the Council to bring these sites forward in a manner that attracts investment and the highest quality mix of uses. In the event that Hemingway Design will be advising on the sites' potential uses, (see 3.8 below) a continued planning approval will underpin the best likelihood of new uses that meet the Council and Town's desires and high expectations.

**3. Requirements for Securing a Reserved Matters Planning Approval**

3.1 It is necessary to appoint a consultant to advise the Council on securing a reserved matters planning approval for phases 2 and 3 of the site. This application must be submitted by the end of 2016 as the exiting outline planning permission expires in January 2017.

3.2 The work that is required includes preparation of designs to comply with the existing layout of the outline planning permission and preparation of various surveys and reports to accompany the application. This is a considerable amount of work to be undertaken in a period of 3 months.

3.3 Given this short timescale, and the level of work involved; it is considered necessary to directly appoint a consultant who has experience of working with local authorities as landowners, and who has experience of undertaking this particular exercise of securing a reserved matters application, working with the necessary design team.

3.4 Officers have therefore approached Ed Heynes, of Jillings-Heynes to undertake this work for the Council. Ed has previously undertaken work for this Council and is working on a similar project with a firm of architects, in Cornwall. The firm of architects is GJR who will be appointed by Ed Heynes as the lead consultant.

3.5 Ed Heynes has provided a cost estimate for the delivery of this commission as follows:

- |  |         |
|--|---------|
| • Design consultants, GJR architects               | £35,000 |
| • Jillings Heynes, planning and project management | £10,000 |
| • Landscape architects                             | £10,000 |
| • Contingency                                      | £10,000 |

3.6 The total cost estimate is £65,000. A contingency has been allowed for this work incase there is any additional survey work required that is not currently known about, or if there is additional consultancy advice, or a community consultation exercise required.

**Business Reasons for an Exemption:**

Although the following are justifiably accepted as valid reasons for an exemption to Contract Standing Orders, they are closely monitored and should be applied only in cases where a full procurement exercise is not a viable option. (Tick appropriate boxes)

	✓	Which CSO rule?
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An Emergency		
Goods or Services to existing systems or kit		
Purchase or repair of patented or proprietary articles sold only at a fixed price		
Effective competition is prevented by government control		
Goods and/or Services recommended by a Central Government Department		
Extension to an existing contract for the purpose of achieving Best Value		
Purchase or Sale by Auction		
Where the Contract is with a Public Utility Company or other organisation which will assume liability for the works on completion e.g. sewer adoption		
Other Reasons (please provide details)	√	3.2
<ol style="list-style-type: none"> <li>1. There is a significant urgency to this process so as to be able to submit a planning application in a timely and time constrained manner. Using Jilling Heynes and GJR on a single tender basis makes for the most efficient time management as well as using experts who are already familiar with the location and context. In this way we can make best use of the time and established experience in an urgent and important process.</li> <li>2. Loss of income in the future if redevelopment of the site cannot take place due to failure to secure the reserved matters planning application and the consequences for the non delivery of the project that would then ensue. Increased costs in then commencing planning process again.</li> </ol>		

**Business Benefits for an Exemption:**

It enables this complex regeneration project to progress through the planning stages so that the delivery of the road and car park (phase 1) can take place. It gives certainty to both Grenadier and the future developer of the phase 3 site, when dealing with their own design work and planning applications.

**What are the implications to the following:**

Finance: Requirement for additional funding as detailed in the Cabinet Report to 12 October 2016 cabinet.

Human Resources: none

ICT: none

Asset Management: none

**Strategic and/or Operational Objectives:** Enables continued delivery of the Queen's Drive regeneration project as part of the regeneration programme for Exmouth.

**Risk Assessment:**

**Detail risks here:**

The risk of not appointing this consultant now is that we run out of time and are too late in submitting the reserved matters planning application. The existing permission would expire. This would leave Grenadier Estates exposed to risk on the proposals for the Watersports centre, and the future of the site at risk without a clear mixed use leisure designation.

Or attach print from the RM system

Signature of line manager or service head



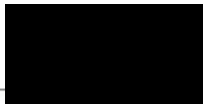
Supporting signature of Chief Procurement Officer



Supporting signature of Strategic Lead - Finance



Supporting Signature of Strategic Lead - Legal, Licensing & Democratic Services



**PLEASE NOTE:**

Rule 3.2 requires you to prepare a report for Cabinet to support the action taken.

Procurement is required to keep a Register of Exemptions. **Please ensure that your report to Cabinet is copied to Procurement.**