

BOROUGH OF POOLE

CABINET/EXTRAORDINARY COUNCIL

2 December 2008/4 December 2008

CORE SCHEME DELIVERY STRATEGY

A proposition for advanced delivery of the Twin Sails Bridge and associated infrastructure – using the Regional Infrastructure Funding (RIF) mechanism

1. Purpose of the report

- 1.1 To identify the benefits of delivering the Twin Sails bridge and associated infrastructure – commonly referred to as the ‘Core Scheme’ – in advance of any permissions for development on the Power Station site and to evaluate the risks and acceptability of using the Regional Infrastructure Funding (RIF) mechanism to achieve this end.

2. Decisions Required

- 2.1 That the Cabinet recommend that Council:

- 2.1.1 Support the proposal to use the RIF mechanism for advance delivery of the Twin Sails Bridge and associated infrastructure and endorse the principles contained in the RIF submission. In making this endorsement Members should note the repayment proposals outlined in Section 8 and the potential implications for future MTFP allocations post 2017.
- 2.1.2 Delegate to the Strategic Director, in consultation with the Leader of the Council and the Heads of Financial Services and Legal and Democratic Services, agreement of the final details of the submission to the RDA.
- 2.1.3 Delegate to the Strategic Director, in consultation with the Heads of Financial Services and Legal and Democratic Services, authority to enter into negotiations with JJG/LIH with the intent of establishing an agreement which supports the delivery of the Core Scheme in conformity with the RIF submission.
- 2.1.4 Note that the Head of Property Services will, under the Council’s powers in the 2006 Transport and Works Act Order (TWAo), commence negotiations for the acquisition of a strip of land to the North of the bridge approach off West Quay Road. This land being required to construct the Core Scheme. Any terms agreed will be referred to Cabinet for approval. If it appears necessary to use the CPO powers

contained within the TWAO the implications of this will be referred back to Cabinet and Council for consideration before proceeding.

- 2.1.5 Request the Strategic Director to commission a Gateway Review (Health Check) to externally check the schemes readiness to proceed to procurement. The cost of this review to be met from within existing resources allocated for the Poole Bridge Regeneration Initiative.

3. Background

- 3.1 Following a number of meetings with Ian Piper, Director of Sustainable Communities at the South West Regional Development Agency (SWRDA), Poole were invited to present an outline proposal for advance delivery of the Twin Sails Bridge and associated infrastructure to the RIF Investment Panel. This Panel agreed that the scheme met the essential criteria for RIF investment and should be invited to submit a detailed application for appraisal. It is intended that this appraisal will be considered at the next Panel meeting on 4 December 2008 with a final decision by the RDA Board in January 2009.

4. The RIF

- 4.1 The RIF is a funding mechanism developed by SWRDA to support early delivery of essential infrastructure to achieve Regional Economic Strategy and Regional Spatial Strategy outcomes of more homes and jobs. It is specifically intended to support schemes that require delivery of upfront infrastructure to facilitate more sustainable development, but where developer contributions toward that infrastructure cannot be secured at the outset. The Poole Bridge Regeneration Initiative meets all these criteria and was indeed was used as a pilot scheme when RIF was being developed.
- 4.2 The RIF is a capital grant that requires a local authority and/or developers to enter into a repayment agreement which includes an element to reflect the time cost of money (interest). RIF can be used in circumstances where prudential borrowing would be unacceptable ie where there is no guaranteed income stream directly related to the investment and it can also include provisions for risk sharing between a local authority and the RDA and some deferment of repayments. The total RIF fund stands at £80m with funding from the Transport (£30m) and Economic Development (£50m) blocks of the Regional Funding Allocation (RFA).

5. Alternative strategies for delivery

- 5.1 To date the Council has developed two strategies to take forward delivery – the first was based on landowners within the Regeneration Area working together in the guise of a Master Development Partner, the second was based on working with individual landowners. The first strategy broke down because of the different and conflicting interests of landowners. The second strategy

stalled because exceptional financial circumstances of global magnitude have made successful development much more difficult to achieve at the present time. Furthermore, it is acknowledged that the challenges of developing the former Power Station site are unique in terms of the requirement for remediation, flood protection measures, quay wall improvements and a new lifting bridge – all of which have to be addressed before significant development can take place.

- 5.2 It is against this backdrop that the Revitalising the Town Centre Board requested Officers to explore alternative strategies, drawing on support from Government Departments and Agencies. Following this request a Communities Infrastructure Fund (CIF) application was made to DCLG for the 'Bay Hogg Lane and Marston Road gyratory' – but this was unsuccessful. The Head of Transportation then met with representatives of DfT to explore whether their support could be increased. This meeting was successful in terms of support for some scheme preparation costs but the DfT were not prepared to increase the level of support from transport funds because most of the benefits were not transport related.
- 5.3 This left the authority with two other options – one was the support of English Partnerships or the new Housing and Communities Agency (HaCA) in acquiring an interest in the site that would justify more public sector investment in the infrastructure, the second was the RIF mechanism. Following discussions with key players it was decided that a RIF proposal provided the most likely opportunity of successful delivery in the short-term whilst not precluding the future involvement of HCA in developing the site. Having agreed a new delivery strategy a range of Senior Officers in the Council led by the Strategy Director have shaped the proposition detailed below.

6. The benefits of advanced delivery of infrastructure

- 6.1 The main benefits of regeneration come in the form of new homes and jobs and increased public access to the waterfront. Therefore, before developing a proposal for advanced delivery of infrastructure the Council needs to determine if the benefits for the town are sufficient to justify the approach. The key benefits of early delivery of the 'Core Scheme' are shown below;
 - 6.1.1 It allows phasing of exceptional infrastructure costs related to the development of important regeneration sites that are expected to deliver 25% of Poole's RSS allocation of jobs and homes for the next 20 years.
 - 6.1.2 It provides opportunities for early delivery of the most sustainable development sites in Poole.
 - 6.1.3 It supports development of Town Centre sites. The Twin Sails Bridge will provide an alternative means of escape from flooding in the town; this is

a pre-requisite requirement of the Environment Agency to the development of sites along West Quay Road.

- 6.1.4 It minimises the risk of losing grant funding secured through the DfT (£14.1m, plus an allowance for preparation costs).
 - 6.1.5 It demonstrates to regional partners and stakeholders that Poole is capable of delivering large scale, complex infrastructure projects, improving support for future bids and reducing the regions risk of losing resource to other regions.
 - 6.1.6 It minimises disruption arising from future maintenance of the existing lifting bridge, including strengthening work to the approach spans, which has been identified as a short to medium priority.
 - 6.1.7 It supports the investment plans being prepared for the Port of Poole.
 - 6.1.8 The iconic nature of the Twin Sails Bridge will create a new and positive image for the Town during a challenging economic period and demonstrates Poole's ambition for high quality development.
- 6.2 The risks of not proceeding in the short-term stand in contrast to the above benefits. Maintaining a state of readiness to build the Core Scheme will become more difficult in the medium-term as key issues such as maintaining the Regeneration Team, keeping the documentation and approvals up to date and renegotiating grants and funding, present themselves.

However, it should also be appreciated that the approach being suggested is not without its challenges and risks and these are outlined in the sections below.

7. Outline of the RIF proposition

- 7.1 In putting together this proposal careful judgements have been made achieving a mutually acceptable solution for all partners and managing the Council's exposure to risk. In broad terms the arrangement being promoted is;

7.1.1 The cost of the Core Scheme will be met from a combination of;

- a. The original DfT grant and a further contribution from the DfT towards preparation costs
- b. Accrued contributions from the interim developer contributions scheme for transport improvements

- c. An agreed allocation of capital funding from Growth Point submission for 2009-2011
 - d. The balance of funding to be provided through the RIF
- 7.1.2 JJG/LIH will dedicate land in their control required for the construction of the Core Scheme.
- 7.1.3 The Council will negotiate, or use compulsory powers within the Transport and Works Act Order, to secure the strip of land in Nikal's ownership required for the construction of the Twin Sails Bridge and its approach road to West Quay Road. It should be noted that Nikal, themselves, require the bridge to provide for safe access and egress in the event of flooding.
- 7.1.4 The Link Road works will be constructed to an agreed cost and specification by JJG/LIH at the expense of the Council with a guaranteed maximum sum. The cost of these works, together with any rolled-up interest payments, to be met by JJG/LIH over a term to be agreed but in any event not exceeding the repayment period for the RIF agreed between the RDA and the Council.
- 7.1.5 The Twin Sails Bridge, including its approaches and junction with West Quay Road and associated variable message signing and controls will be constructed by the Council.
- 7.1.6 The Council will enter into an agreement with the RDA for the provision of RIF funds with a repayment schedule over 5 years commencing 15 months after completion of the works. Repayments will include interest at the Treasury's base rate. The terms of the repayment will be reviewed if assumptions about market conditions within the agreement vary significantly. In any event it would be prudent for the Council to offer to undertake to make minimum payments of not less than £0. 5m per year, as evidence of commitment towards delivering the benefits of regeneration.
- 7.1.7 In the first instance none of the above agreements are to be linked to planning agreements but they may subsequently get wrapped up into a planning agreement as development proposals are brought forward. These agreements will not prevent JJG/LIH's disposal of their land interests but the terms of the agreement will need to transfer in a way acceptable to the Council in the event of such an occurrence. This arrangement should not prejudice the Council's ability to secure necessary obligations in the future; the landowner or developer would

always have been expected to provide the Link Road and make an appropriate contribution to the Regeneration Area's transport infrastructure.

8. Repayment of the RIF funds

8.1 It is proposed that the loan will be repaid using from the following sources;

8.1.1 Any surplus monies arising from unused contingency funds built into the budgeted cost of the scheme as it stands

8.1.2 Funding from the agreement between JJG/LIH and the Council

8.1.3 S106 (planning agreement) contributions relating towards the Core Scheme of the Regeneration Area. - It should be noted that there is significant uncertainty about the timing of these contributions.

8.1.4 S106 (planning agreement) contributions secured through the SE Dorset Transport Contributions Policy, currently the subject of consultation. An average of about £5,000 per home built in the Poole catchment is expected to be secured and it is anticipated that a portion of this funding will be returned to the SED Scheme once the S106 contributions referred to in (3) have been achieved.

8.1.5 A Council guaranteed minimum annual repayment of up to £1M. This is a backstop position only and having regard to the points mentioned above, it would not apply until April 2017 at the earliest. If this eventuality occurs the Council will either need to make corresponding savings within a future MTFP or accommodate repayments from reserves or consider through the disposal of other assets.

8.2 In broad terms repayment of the RIF can be achieved if obligations are secured through the grant of planning permission for approximately 3,500 homes between April 2009 (when the SED Scheme is introduced) and April 2017 (the anticipated final date of RIF repayment). This is well within the rate of development expected to come forward during the plan period of the Regional Spatial Strategy and the Council's own Core Strategy.

9. Provisional programme

9.1 The Council's Revitalising the Town Centre Strategy Team have committed to submitting a RIF bid in December 2008. Using this as a start date subsequent key milestones are listed below;

9.1.1 December 2008 – RIF Panel consider Full Business Case for Twin Sails Regeneration RIF bid and recommend allocation of resource to RDA Board.

- 9.1.2 December 2008 or January 2009 – RDA Board considers RIF Panel recommendation and approve RIF funding.
- 9.1.3 January 2009 – Recommence OJEU procurement procedures.
- 9.1.4 January/February 2009 – Complete agreements between the Council and the RDA, the Council and JJG/LIH and the Council and Nikal Developments.
- 9.1.5 May 2009 – SED Transport contributions policy introduced.
- 9.1.6 May 2009 – Invite tenders Twin Sails Bridge contract
- 9.1.7 July 2009 – Select preferred contractor and agree release of DfT/RIF funds based on tender return.
September/October 2009 – Commence construction of Twin Sails Bridge
- 9.1.8 December 2011 – Complete construction of Twin Sails Bridge and associated infrastructure.
- 9.1.9 April 2013 – Begin repayment of RIF funding
- 9.2 In order to achieve steps (1) to (3) of this programme by the dates stated it will be necessary to delegate responsibility for establishing the agreements to the Strategic Director in consultation with the Leader and the Heads of Financial Services and Legal Services. If terms of agreements can't be achieved within the parameters outlined in this report they will be brought back to Cabinet or Council (as deemed necessary) for further consideration.

10. Current position and work in preparation

- 10.1 RIF presents a unique opportunity for the advanced delivery of the Twin Sails bridge and associated infrastructure in the short-term. Senior Officers from Strategic Planning, Finance, Legal, Transportation and Property Services are working closely with the Regeneration Team to complete the RIF Full Business Case and associated agreements. The RDA has appointed an Economist to oversee the work. Key tasks currently being undertaken include;
 - a. updating costings for a September 2009 start date
 - b. preparing agreements
 - c. undertaking sensitivity testing on a range of market conditions and repayment schedules
 - d. re-assessing risk based on an alternative delivery strategy

- e. reviewing options to secure timely delivery of key development outcomes once the infrastructure is built out
 - f. resolving technical and logistical issues associated with early delivery
e.g. installation of utilities, remediation of strip of land for Link Road etc
- 10.2 It is appropriate to be cautiously optimistic that this strategy will deliver the Core Scheme. However, until the above work is complete and the RDA approve the RIF bid there remain significant risks. Indeed, even after this date, there are important hurdles to be crossed – not the least of which is securing a good tender price for the works.
- 10.3 Several years ago the regeneration initiative was subjected to an external review. Given the development of a new delivery strategy and it would be advisable to undertake another Gateway Review to check the Council's readiness to procure the works. A 'health check' on the technical aspects of the procurement can be undertaken for about £7,500. Subject to the RIF and associated agreements progressing satisfactorily, it is recommended that this review be undertaken in February/March 2009. The cost of this review will be met from existing budget allocations for the Poole Bridge Regeneration Initiative.

11. Achieving the outcomes of new homes, new jobs and increased public access to the waterfront

- 11.1 There is concern amongst some that the RIF approach may result in the developer being 'let off the hook' or the developer banking the land, leaving Poole with a deficit of land for residential and employment use.
- 11.2 In response to the first of these concerns I would advise that the RIF mechanism is only a loan and whilst it improves viability by addressing the burden of upfront investment it does not lessen the overall burden and the Council's planning framework helps ensure appropriate contributions are achieved.
- 11.3 With regard to the second point the proposed landowner repayment agreement encourages the developer to bring forward development proposals. To support this the new Head of Planning and Regeneration will work with Members over the next 18 months to agree which parts of the development can proceed at an early stage with the support of RSL's – helping to address the Council's Housing Priority. In addition to these approaches the Council is actively engaging with HaCA, who have expressed some early interest in acquiring some interest in the site.

- 11.4 With respect to improved public access to the waterfront the Twin Sails Bridge itself will present exciting opportunities for views of Holes Bay that have never been enjoyed before, at least from the land.

Report by

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