

## **RECOMMENDATIONS TO CABINET ON 3<sup>RD</sup> FEBRUARY 2009 FROM THE REGENERATION AND ENVIRONMENT PANEL HELD ON 28<sup>TH</sup> JANUARY 2009**

### **RE87: THE FINANCIAL PLAN 2008/2012**

The Deputy Chief Executive presented an overview of the budget to provide a context for the report now presented to the Panel. He explained that this had been the most difficult budget preparation that he had known during the life of this Authority. This was due to the current recession and uncertainty about Local Government Review. The Panel was advised that the Government Grant of £15,049,080 had been confirmed for 2009/2010 and the Grant for 2010/2011 was provisionally confirmed at £15,391,010. The figure for 2011/2012 had still to be announced but had been assumed that the Grant would increase by 2%.

It was explained that the Council had seen a considerable reduction in its income in respect of services such as planning and land charges, building control and leisure. In addition, the bottom had dropped out of the recycling market with no income being anticipated. There had also been a 52% increase in energy bills. The Deputy Chief Executive advised that the budget for the current year, and projections for the three years to 2012, had been reviewed making assumptions based on the experience of the last quarter and the view that the recession was likely to last for 2 to 3 years.

With regard to investments, it was explained that due to the drop in interest rates, the return on investments were expected to reduce in 2009/2010. It was highlighted that this reduction was offset to a degree by the reduction in interest rates on lending. It was noted that the Council's investments had performed well in 2008/2009 and some of this income had been used to protect its financial position in 2011/2012.

The Deputy Chief Executive explained that the record of the Council on council tax over the past few years had been exceptional with a 3% reduction in tax in 2006/2007 being followed by a standstill zero increase in 2007/2008 and a modest increase in 2008/2009. Setting a council tax for a Band D property for 2009/2010 at the current level of £108.05 would mean that it remained lower than the Band D charge of £108.67 set for 2005/2006.

It was explained that the cumulative impact of updated costs of services and revised council tax levels on the current plan was projected to produce a deficit over the period of £1.5m.

The effects that a 0% increase would have on council tax for the next three years were explained. The Panel was advised that the recommendation being made to Cabinet was for an increase of 2.5%

on council tax for 2009/2010, which would bring in an additional £134,000 and raise the tax base for future years. Projections for 2010/2011 had also been based on a 2.5% increase. Even if the proposed council tax increases of 2.5% were made there would still remain a deficit on the Budget Plan for 2011/2012 of £925,000. It may be necessary to identify the services which the Council will no longer provide from 2010/2011, in order to identify the required savings or increase income. This would be undertaken through in depth service reviews to be undertaken during 2009 and be reported to the relevant Panel. The Deputy Chief Executive emphasised that difficult decisions would need to be made in order to address the issue of an ongoing budget deficit.

On a final point it was stressed that there remained a level of risk in the projections of the budget through to 2011/2012. For example, income levels could reduce further than anticipated and Government grant may not be increased in 2011/2012 by 2%.

The Principal Accountant then presented the report which outlined changes to the Financial Plan 2008/2012 originally agreed by Council on 21 February 2008 and revised at Cabinet on 13 January 2009. The report set out how the corporate and relevant service plans in Regeneration and Environment were reflected in the Financial Plan. The Deputy Chief Executive had monitored the budget throughout the year, and where necessary, had sought approval for additional budget provision, which had been approved at Cabinet in January 2009.

The Principal Accountant explained that part of the report presented to members looked at the service budget and plans within Regeneration and Environmental Improvement and projection and how they had changed, but continued to contribute to the aims of the Corporate Strategy.

The Principal Accountant asked the Panel to note one amendment to the Financial Plan as it related to Regeneration and Environment:

Page 15 of the Agenda: Environmental Improvement and Protection: New budget projection should be £6,544,810.

He then drew attention to the summary of changes from the approved budget to projected outturn. He explained that savings had been made due to a reduction in the contribution to the concessionary travel scheme, efficiency savings within the recycling service and a reduction in the demand for removal of abandoned vehicles.

Within the projected budget, calculations of revised salary estimates and reallocation of support services had been undertaken. The Principal Accountant explained that a cost of living increase had

been included for 2009/2010 of 2.5%, but this had subsequently been reviewed and reduced to 1%. He explained that it had not been possible to recalculate the budget to take into account this change, however the necessary credit would be included in the overall Financial Plan, to be published in March 2009.

The Principal Accountant drew attention to the summary and detail of the Regeneration and Environment budgets (page 20-25 of the report) and the fees and charges (page 26-35 of the report). He explained that these were subject to amendments throughout the year as necessary.

Councillor Long explained that the Council was required to publish its fees and charges for trade waste and refuse collection services, however he had given authority to the Waste and Recycling Manager to negotiate fees where appropriate.

The Deputy Chief Executive and Principal Accountant invited questions and comments from the Panel, as summarised below:

In response to a question regarding concessionary travel savings, the Principal Accountant confirmed that a review of the scheme had been conducted and contributions from each Authority had been recalculated. Initially the scheme had been split between urban and rural travel, but now it had been split more evenly by use in each area, meaning the contribution to the scheme by this Council was likely to be reduced.

He further explained that reserves had been used to reduce the impact of cost of the concessionary travel scheme throughout 2009/2010 and 2010/2011 as it was thought that in 2011/2012 this scheme would be administered centrally by Norfolk County Council.

The reduction in car parking income had been profiled, but there was no data available to confirm whether car park usage had decreased following the introduction of the concessionary travel scheme.

The Panel were reminded that they had been invited to put forward views to Cabinet on the proposal for Council Tax for 2009/2010. Councillor Daubney advised that a proposal of 2.5% would be a sensible balance, and would maintain the manifesto commitment. He was grateful for the hard work of officers and members in keeping council tax levels down in past years and acknowledged that it would be a challenge to maintain the current level of service in the present climate and keep council tax increases at or below the rate of inflation.

Councillor Pitcher requested that in future, when possible, agendas and reports for meetings be sent out at the earliest opportunity to give members adequate time to digest the information.

**RESOLVED:** (i) That the Panel recommend to Cabinet an increase of 2.5% on Council Tax for 2009/2010.

(ii) That the Panel note the increase in fees and charges for services in relation to Regeneration and Environment.

(iii) That the Panel note that there may be implications for services within Regeneration and Environment from the programme of service reviews.

RE88: **WATERFRONT REGENERATION PROJECT REVISED MASTERPLAN**

The Executive Director, Regeneration introduced the item which was due to be considered by Cabinet at its meeting on 3<sup>rd</sup> February 2009. He reminded those present that the regeneration of King's Lynn was one of the main corporate priorities as set out in the Council's Corporate Strategy. He explained that over the past year detailed technical works had been carried out to develop proposals for the Waterfront Regeneration Area and Cabinet would be invited to recommend to Council the way forward for the project.

He explained to Members that although the country was currently in a recession, the key was to move forward so that the Authority was in a good position after the recession to attract investment.

(i) Site Investigations & Flood Risk Assessments

The Regeneration Programme Manager explained that detailed site investigations had been carried out to assess the ground conditions of the site and determine the geotechnical conditions and levels of contamination. Conclusions of the investigations were outlined in the report and it was hoped that the cost of remediation would be significantly less than incurred on the main NORA site.

With regard to flood risk assessments, the Regeneration Programme Manager explained that officers from Development Services had been working with the Environment Agency to produce a Strategic Flood Risk Assessment for the Borough, which met the requirements of Planning Policy Statement 25. He explained that it would be necessary to strengthen the defences surrounding the Waterfront Regeneration Site to satisfy flood level predictions and mitigate the flood risk.

(ii) Surface Water Management Strategy

A Surface Water Management Strategy was being designed to allow surface water from the Millennium Community and the

Waterfront Regeneration Site to be discharged, initially to the River Nar, and ultimately to the River Ouse in a sustainable manner. Options and arrangements had been considered with the Internal Drainage Board and Environment Agency and the preferred solution was to divert the River Nar into a new channel, flowing towards the River Ouse through the southern part of the site, and then discharging into the Great Ouse via a new sluice immediately adjacent to the River Ouse. The new channel would increase the overall length of the River Nar, which would then be able to receive the surface water flows from the Millennium Community site and the southern part of the Waterfront Regeneration Site.

Once the Sluice had been relocated, the former Nar loop would be closed off from the River Ouse so that the Marina basin could be created. The basin would also serve as the surface water receptor by acting as an attenuation pond. In order to ensure satisfactory water levels the basin could also be topped up by a pipeline allowing extraction from the River Nar and by inlet and exhaust valves in the lock barrel pump.

An integrated landscape strategy would ensure development of open spaces within the NORA site to provide enhanced public amenity areas. To accommodate the proposals changes would be required to the current arrangements and layout of Harding's Pit Doorstep Green. It was reported that this would be subject to discussions with Natural England and the Harding's Pits Community Association in the near future. The Regeneration Programme Manager clarified that it had not been possible to develop a deliverable alternative that met the combined requirements of the Agencies involved to create a viable development without affecting Harding's Pits. The project proposals to reconfigure open spaces would be achievable by acquiring land to the north of Wisbech Road adjoining the River Nar. It was proposed that this area would provide a linked area of open space along the Nar corridor linking in with the NORA landscaping.

### (iii) Utilities

The Regeneration Programme Manager explained that an initial review of utility services had been carried out and had identified that, subject to some reinforcement and new distribution networks, all utility services could be connected, and distributed throughout the Waterfront Regeneration Site.

### (iv) Community Infrastructure Fund

The Regeneration Programme Manager reminded Members that last year Norfolk County Council had submitted a bid to the Department of Transport for assistance from the Community Infrastructure Fund (CIF) for improvements to the transport

infrastructure in King's Lynn to facilitate Growth Point aspirations of the town. The County Council was subsequently invited to submit a business case for proposals. A decision on the proposals was expected in March 2009.

If successful, the awarded CIF funding would generate up to £5.3m of grant funding towards transport schemes. The specific schemes that impacted on the Waterfront Regeneration Site included:

- Improvements to Southgates Roundabout.
- Construction of a new junction off Wisbech Road to provide access to the northern part of the NORA Millennium Site and access to the southern part of the Waterfront Regeneration Site.
- A route from Wisbech Road to Boal Street through the project site to serve as an access road for public transport and emergency vehicles.
- Footpath and cycle routes throughout the site.

He explained that officers from the County Council and Borough Council were working together to maximise the benefits that CIF funding would bring by providing the necessary local transport infrastructure to allow the development of both the Millennium Community and the Waterfront Regeneration Site.

#### (v) Archaeology

The Regeneration Programme Manager explained that Norfolk Landscape Archaeology had been working with officers in Development Services to produce a brief to guide archaeological investigations within the Waterfront Regeneration Site. Site investigations were due to start in Spring 2009 and it was thought that costs of the investigations would be in the region of £200,000.

#### (vi) Branding

Attention was drawn to the brand for the Waterfront Regeneration Project and examples of art work were included as Appendix 1 to the Cabinet report. The overall adopted brand name would be 'The Quays, King's Lynn'.

#### (vii) Consents

The Regeneration Programme Manager informed Members that to take the project forward a significant number of consents would need to be obtained and officers had already commenced this process by carrying out necessary surveys and studies to inform the Planning Application which would be submitted later in the year.

(viii) Compulsory Purchase Order

He explained that implementation of the scheme would require acquisition of land and although the Council was the majority landowner in the area the Council intended to make use of Compulsory Purchase Orders to obtain the remaining parcels of land.

(ix) Property Specialist Contract

The Regeneration Programme Manager explained that to take the project forward, Cabinet would be recommended to approve a contract for a Property Specialist to provide advice in the development and implementation of the project. Subject to Cabinet's agreement it was anticipated that the contract would commence in February 2009 for three years.

(x) Marina Operator

Interest in the Marina had been expressed by several operators. In particular one operator of national reputation was keen to develop their interest further as the delivery timetable became clear. Recent discussions with the interested operator confirmed their continued interest, however in the current economic climate the operator had currently placed a moratorium on new investments.

(xi) Development Risks

The Regeneration Programme Manager explained that the current economic situation had created difficulties for developments. There were a number of risks relating to the site that developers would be concerned with, but it was hoped that site servicing works and the securing of outline planning permission and associated development consents would mitigate the risks.

He explained that if works were put on hold it was likely that costs would be greater in later years. He felt that this was a significant opportunity to benefit from the extremely competitive tender costs and savings in materials that were available in the current market in addition to the Landfill Tax exemption which had been granted.

(xii) Development Strategy and Timetable

The Regeneration Programme Manager reminded Members that the Waterfront Regeneration Project was a high priority within the Borough Council's Corporate Plan. The revised masterplan built upon the foundation created within the earlier 2007 masterplan and provided an enhanced and deliverable project. It was estimated

that site servicing works would take up to three years to complete and once completed would add significant value to the site.

#### (xiii) Financial Implications

The Finance and Resources Manager drew Members attention to the detailed breakdown of estimated costs, attached at appendix 3a to the Cabinet Report. The estimated costs detailed the best, worst and likely case scenarios. It was explained that approximately £1.2m worth of value would be allocated to provide the transport route through the Regeneration site from the CIF funding, however this had not been included in the worst case scenario costs.

He informed Members that for the scheme to proceed, certain works would need to be carried out in advance of the land receipts being realised and details of costs and receipts were included in the Cash Flow statement attached as Appendix 3b to the Cabinet Report.

The Finance and Resources Manager explained that the net cost of the scheme was estimated to be £8.88m, although the exposure to costs was expected to peak at £17.824m in 2011/2012 before reducing back to £1.324m by 2014/15. These figures assumed that £3.604m of VAT Shelter receipts, resulting from the Housing Stock Transfer, was allocated to the scheme. In order to fund the cash flow projections it would also be necessary to use prudential borrowing which would peak in 2011/2012 at £17.8m. This was on the assumption that the Council could sell 2 acres of land by that time, realising a £3m receipt.

The Finance and Resources Manager explained that although the marina was expected to run at a profit in the longer term, it was likely to need support for the first three years, this would be discussed with the property consultants to determine the best way forward.

#### (xiv) Risk Assessment

The Finance and Resources Manager acknowledged that the Waterfront Regeneration Project was by far the biggest capital scheme that this Council had ever considered. It would involve costs in the region of £30m and land sales of £18m, so obviously there would be risks involved, especially in the current economic climate.

He explained that at present the Council's capital programme for 2008/2012 fully committed all capital resources to the project up until 2014/2015. For any other capital schemes to be progressed in

that period it would be necessary to produce additional capital receipts or replace schemes within the programme.

Further risks included the assumption that the economy and housing market would recover from the current economic crisis by 2011/2012 as it was anticipated that capital receipts for the housing development on site would commence in 2011/2012, if this was delayed the cost of the scheme could increase each year by up to £370,000.

The Chair thanked the officers for the report and invited questions from Members present at the meeting. Responses to questions are summarised below:

Members noted that the original masterplan considered the connection of inland waterways to the River Nar. It was questioned why these proposals had not been pursued and the Regeneration Programme Manager explained that proposals to link the marina to the inland waterways had been considered but this would significantly increase the flood risk and risk of contamination. It would also require three bridges to be raised which would significantly increase the cost of the project. He informed Members that the Environment Agency were currently conducting a feasibility study to determine an achievable and deliverable link via the Flood Relief Channel and if pursued would be created once the marina was up and running probably in 2013/2014.

Reference was made to the concerns of Harding's Pits Community Association. The site at Harding's Pits was protected as public open space by a covenant between the owner, the Council and Natural England for a period of 25 years, starting from 2005. The Regeneration Programme Manager explained that subject to discussions and agreement of those involved the covenant could be varied and any outstanding grants owed to the Harding's Pits Community Association would be repaid. The repayment of grants had been built into the cost estimates within the report. He reminded Members that amenity land would form part of the development area to encourage wildlife and biodiversity.

In response to a question, the Regeneration Programme Manager clarified that the course of the River Nar would be diverted and moved southwards. The length of the River Nar would be increased so it could accommodate and discharge larger quantities of water. The River Nar would continue to empty into the River Ouse.

The Regeneration Programme Manager reminded Members that the work to be undertaken by the Borough Council would be to prepare and reduce risks and uncertainties on the site ready to sell to developers. The Marina would be leased to a specialist operator for a term of 25 to 30 years, so the Council would receive a steady

flow of income throughout the period. Once a developer had been appointed for the remainder of the site, the Council would be able to control the development both through design principles through the planning process and also by its land ownership. This would ensure that land parcels would not be transferred until they had been built to the criteria of the Council at an agreed price. If the units were sold for a greater level of profit than assumed in the development agreement, then the Borough Council would receive a share of the excess income. The Executive Director of Regeneration informed those present that the property specialists being procured would provide further detailed advice on the development strategy.

Councillor Long hoped that the project would be taken forward as he felt it was a great opportunity for the area and the viability of The Wash due to its close proximity to outward marinas in Fosdyke, Wisbech and Boston. He reminded Members that the creation of the Marina formed part of the Administration's Manifesto.

In response to a question regarding the provision of housing units, the Regeneration Programme Manager confirmed that approximately 600 housing units had been proposed in the project, and advised Members that this was slightly less than anticipated in the original masterplan. The provision of 600 units did not include development at the Southgates site. The Service Accountant reminded Members that the additional housing units would assist with increasing income to the Council as they would all be paying Council Tax.

Councillor Tyler informed those present that he was impressed with the proposals being considered and urged officers to ensure that a high quality marketing campaign would be carried out to mirror the high quality development. The Executive Director, Regeneration, agreed that there was considerable tourism potential for the site and confirmed that the site would be marketed and promoted to attract high spending visitors.

The Regeneration Programme Manager informed Members that discussions had taken place with colleagues in Europe to link marketing of the Marina with European Marinas in Hanse Towns.

In response to questions regarding financing the project, The Finance and Resources Manager clarified that the VAT Shelter money was available due to the Housing Stock Transfer. Following transfer of the Housing Stock, modifications had to be made to properties to bring them up to the Decent Homes Standard. The VAT Shelter money would hopefully be more than what had been budgeted in the project. The Deputy Chief Executive clarified that through prudential borrowing the Council could borrow as much as they could afford to pay back, there was no upper limit.

The Deputy Chief Executive responded to questions regarding the risks involved in delivering the project. He explained that the project would be funded partly by the Capital programme and all Capital receipts from 2011/2012 would be used to fund the project. He reminded Members that this presented a risk as no other projects would be funded during this time, the Council may have to make decisions on priorities.

With regards to CIF funding, The Executive Director, Regeneration clarified that Norfolk County Council were leading on this project. Although the outcome of the success of the project would not be known until March, officers at Norfolk County Council were continuing to develop proposals in advance so that work could start immediately after funding had been awarded.

In response to a request, The Finance and Resources Manager undertook to provide a breakdown of the cost estimates for the works relating to the CIF proposals.

In response to a question regarding Marina operator interest, the Regeneration Programme Manager confirmed that several operators had expressed interest in the marina, but a formal tender process would have to be carried out.

The Regeneration Programme Manager confirmed that a masterplan for the development at Southgates roundabout had not yet been produced, but would form a later stage of the Growth Point process.

Councillor Payn commented that he felt the Marina was a priority for King's Lynn and it would be shortsighted of the Council to hold off on such a beneficial project. He accepted that there were risks but felt that the results outweighed the risks involved. He hoped that Members would support the recommendations as set out in the report.

The Chair thanked Members for their questions and responses. He hoped that the concerns of Harding's Pits Community Association would be taken into account and felt that it would be useful if a representative from this Panel could attend future meetings with the Association.

**RESOLVED:** (i) That Cabinet be advised that the Panel endorse the recommendations as set out in the report.

(ii) That Cabinet be asked to consider allowing a Member of the Regeneration and Environment Panel to attend meetings with the Harding's Pits Community Association.