

Shadow Dorset Council

Date of Meeting	12 th November 2018
Officer	Martin Hamilton Strategic Director – Weymouth & Portland Borough Council
Subject of Report	Peninsula Regeneration Scheme, Weymouth
Executive Summary	<p>Phase 1 Peninsula Regeneration Scheme delivers:-</p> <ul style="list-style-type: none"> • Economic growth for Weymouth and the Harbour • Revitalisation of prominent site redundant since 2015 • Improved Statutory Harbour Authority (SHA) income & facilities • Reduced liability for Dorset Council to provide capital funds for harbour walls, by giving the SHA the ability to generate surplus income for a works reserve fund <p>The development proposal reflects the approved town centre masterplan and draws on LEP funded redevelopment options appraisals and study of tourism potential.</p> <p>The business case for Phase 1 Regeneration has been considered by the Dorset Section 151 officers and approved by:-</p> <ul style="list-style-type: none"> • Harbour Management Board – 13th September 2018 • Management Committee - 18th September 2018 • WPBC’s Full Council – 11th October 2018 <p>The Phase 1 Regeneration Scheme entails expenditure of £14.445m to construct a hotel, pub/diner with accommodation, café, and public realm and harbour improvements including essential repairs to Harbour Wall D. Of this sum £11.441m will be borrowed from Public Works Loan Board and the balance coming from Weymouth & Portland Borough Council budgets. The business case for Phase 1 shows the scheme generating a surplus annual income whilst repaying both capital and interest of the loan.</p> <p>The report sets out safeguards for Dorset Council including a requirement for pre-lets and agreed construction costs prior to committing resources to build.</p>
Impact Assessment:	<p>Budget:</p> <p>If approved the whole scheme would be built into the 2019/20 capital programme. WPBC has already approved funding for improvements to the harbour walls totalling £1,955,000.</p> <p>The business case shows that the scheme generates annual income of £213,000 after repaying the PWLB loan. This would be built into the ring fenced harbour account and available to contribute to future harbour wall repairs.</p> <p>Risk Assessment:</p> <p>Having considered the risks associated with this decision using the LGR approved risk management methodology, the level of risk has been identified as:</p>

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	<p>Current Risk: MEDIUM (but mitigated to LOW due to safeguards built into the project delivery mechanism) Residual Risk: LOW</p> <p>Other Implications:</p> <p>The Dorset Council will be the successor organisation from Weymouth & Portland Borough Council for the Weymouth Statutory Harbour Authority.</p> <p>The Phase 1 delivery of this regeneration project enables a resolution of a redundant site, produces a surplus annual income, and removes the need for Dorset Council to repeat the lengthy and costly process undertaken to date by Weymouth & Portland Borough Council. In addition Phase 1 addresses a critical risk of infrastructure failure at Harbour Wall D.</p>
<p>Recommendation</p>	<p>Shadow Executive is recommended to endorse the decision taken by Weymouth & Portland Borough Full Council, acting as the Statutory Harbour Authority (SHA) which recommended to:</p> <ul style="list-style-type: none"> a) Note progress with the regeneration scheme for the peninsula. b) Approve the business case as attached in confidential Appendix 3. c) Approve borrowing of £11,441,000 for Phase 1 of the regeneration scheme, with arrangements for draw down of funds delegated to the Section 151 Officer. d) Delegate to the Strategic Director in consultation with the Section 151 Officer and Regeneration Asset Management Group, to undertake the necessary actions to progress this scheme including but not limited to securing planning consents, procuring contracts and agreeing pre-lets. With consultation to the Harbour Management Board and full Council as the SHA as appropriate on layout and any changes which affect the business case and matters which might impact the core statutory functions associated with the running of the harbour (safety of navigation, open port duty, conservancy etc.) e) Agree that Phase 1 of the scheme will be delivered under the auspices of the SHA to include key elements of operational harbour improvements and public walkway/cycleway around the Peninsula, to be undertaken within Phase 1. f) Support the submission of a separate planning application to demolish the former Ferry Terminal Building and regrade this area into the car park, with this funded from Harbour reserve (budget £250,000). To agree that uplifts in car parking income as a result of this work would pass to the SHA to give a return on their investment. g) Agree, (excluding costs from item f) above), that in the event the regeneration scheme is not progressed any abortive costs would be met from capital receipts from land sales currently progressing within the Borough outside the harbour.

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	<p>h) Note that the Dorset Council Shadow Executive Committee's support for this scheme will be sought prior to implementing the recommendations above.</p>
Reason for Recommendation	<ol style="list-style-type: none"> 1. The decisions set out in this report provide for a much needed regeneration scheme to enhance Weymouth and give financial stimulus and income to the Statutory Harbour Authority for future harbour related needs. 2. The business case that underpins these decisions has been tested to ensure prudent provision to safeguard the successor Dorset Council and that Phase 1 of the scheme can be delivered. 3. The decisions also allow the Statutory Harbour Authority (SHA) to retain the land and site, and to receive the rental income from the scheme. Land ownership will not change from the SHA, and the SHA will remain as the landlord of any occupational leases and receive the income generated. 4. Phase 1 of the regeneration is self-sufficient, requiring no subsidy, and in fact generating a surplus income. This will allow reserves to be built up for future works to harbour walls, reducing demands for general capital funding and insulating the successor Dorset Council to future harbour needs.
Appendices	<p>Weymouth & Portland Full Council Report – 11th October 2018 Appendix 1 – Full Scheme Details Appendix 2 – Initial Phase Details Appendix 3 – Confidential Appendix – Financial</p>
Background Papers	<p>Harbour Management Board WPBC 13th September 2018 Management Committee WPBC 18th September 2018 Economic Impact Assessment of full Peninsula Regeneration Scheme</p>
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1. Introduction

Appended to this report is the report that has been approved by W&PBC Full Council on 11th October 2018 which gives authority to progress with Phase 1 of a leisure led regeneration scheme on the Weymouth Peninsula site. The report was also considered by Management Committee and Harbour Management Board who both approved the report. The report sought authority to secure borrowing of £11.441m to progress the scheme, which will both support economic growth in the town and generate an annual surplus of £213k, increasing to c£300k if grant is secured for non-income generating infrastructure and public realm elements. The Dorset S.151 officers have considered the business case and Shadow Executive is now invited to endorse this report.

2. Background

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Since the adoption of the Weymouth Town Centre Masterplan in 2015, W&PBC have been progressing a number of schemes to facilitate regeneration in the town, which is the most deprived area of the new Dorset Council, and has the 3rd lowest social mobility nationally. In recent months the Council has engaged government ministers and secured support to accelerate this work.

The first of the major regeneration sites to come forward for funding is the Weymouth Peninsula – a redundant ferry terminal in a prominent location in the town, which is made up ground and subject to some contamination from its previous use. The proposed scheme, for which Outline Planning Consent has been sought, is a leisure led development which will introduce a new leisure & tourism offer to the town, together with new restaurants, cafes, and hotels. These will attract new visitor segments to the town, encourage more overnight stays, and lengthen the tourist season for the town. Once completed the scheme will support 140 jobs. The scheme will also improve the harbour offer.

The area of the Peninsula is within the Statutory Harbour Authority (SHA) and therefore Weymouth & Portland Borough Council determined that the scheme should progress under the auspices of the SHA. The role of Statutory Harbour Authority will transfer to the new Dorset Council.

This report is separate to the planning permission process for which an outline planning application is due to go to committee for decision on 28th November 2018.

3. Phasing of the scheme

Following extensive advice and market testing by Cushman & Wakefield, it is proposed to progress the scheme in two phases. The first phase is what is being recommended to progress at this time.

This phase will entail:

- Replacement of Harbour Wall “D”
- 100 bed hotel
- Pub/Diner with accommodation
- Café
- Public realm and infrastructure works to include:
 - Realign roadway onto Peninsula
 - Shared space in front of Pavilion
 - Service yard
 - Upgrade services to facilitate both Phase 1&2
- Harbourside improvements
- Public walkway around Peninsula

This phase will build market confidence in the site and facilitate the delivery of the full scheme.

4. Investment

This phase of the scheme will entail investment of £14.445m, with c£3m of this already committed by W&PBC. Borrowing of £11.441m will be required to progress the scheme, together with a further £250k from W&PBC.

Financial appraisal shows that this first phase of the scheme can cover the cost of borrowing and return a surplus of £213k pa. This surplus will increase if grant funding can be secured for some of the non-income generating infrastructure and public realm elements. The financial analysis for Phase

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1 has been considered by the Dorset S.151 officers who recognised the merit of borrowing to progress this scheme rather than progress through use of capital receipts.

In addition to the local economic impact, and the financial return, this scheme will be an important statement of intent by the Council, signalling its commitment to the regeneration of Weymouth through this high profile site. This is particularly important in light of efforts being made by the Council to lobby nationally for funding for harbour wall repair and flood defence enhancements. This lobbying is beginning to bear fruit, but it is essential that it is backed up by action on the ground to strengthen the local economy.

5. Conclusion

Shadow Executive is invited to support this report to enable the Council to progress the scheme and borrow the necessary funds to enable this regeneration scheme.

Full Council (Statutory Harbour Authority)

11th October 2018

Weymouth Peninsula Regeneration Scheme

Appendix 3-Not for publication by virtue of paragraph 3 of Schedule 12A, Part 1 of The Local Government Act 1972, as amended.

For Decision

Briefholder

Cllr Jeff Cant, Finance and Assets
Cllr Richard Kosior, Tourism, Culture and Harbour.
Cllr Richard Nickinson, Economic Development

Senior Leadership Team Contact:

M Hamilton, Strategic Director

Report Author:

M Hamilton, Strategic Director

Purpose of Report

- 1 This report updates members on progress with the regeneration of the Weymouth Peninsula site and seeks approval for Phase 1 of the works, including agreement for the necessary borrowing to facilitate delivery of this phase of this project. The report sets out the business case for the peninsula regeneration, noting that the scheme generates sufficient income to both repay the borrowing and generate a surplus.
- 2 Reports on this project have been considered by Harbour Management Board on the 13th September 2018, and Management Committee on the 18th September 2018. Harbour Management Board and Management Committee are both advisory bodies in respect of this report and can only make recommendations to Full Council, acting here as Statutory Harbour Authority (SHA) which is the decision making body.
- 3 In the event that Full Council approve this report, the support of the Dorset Council Shadow Executive Committee will be sought, in line with the protocols in place for projects involving financial commitments in excess of £100,000 .

Recommendations

- 4 Full Council, acting as the Statutory Harbour Authority (SHA) is recommended to:
- i) Note progress with the regeneration scheme for the peninsula.
 - j) Approve the business case as attached in confidential Appendix 3.
 - k) Approve borrowing of £11,441,000 for Phase 1 of the regeneration scheme, with arrangements for draw down of funds delegated to the Section 151 Officer.
 - l) Delegate to the Strategic Director in consultation with the Section 151 Officer and Regeneration Asset Management Group, to undertake the necessary actions to progress this scheme including but not limited to securing planning consents, procuring contracts and agreeing pre-lets. With consultation to the Harbour Management Board and full Council as the SHA as appropriate on layout and any changes which affect the business case and matters which might impact the core statutory functions associated with the running of the harbour (safety of navigation, open port duty, conservancy etc.)
 - m) Agree that Phase 1 of the scheme will be delivered under the auspices of the SHA to include key elements of operational harbour improvements and public walkway/cycleway around the Peninsula, to be undertaken within Phase 1.
 - n) Support the submission of a separate planning application to demolish the former Ferry Terminal Building and regrade this area into the car park, with this funded from Harbour reserve (budget £250,000). To agree that uplifts in car parking income as a result of this work would pass to the SHA to give a return on their investment.
 - o) Agree, (excluding costs from item f) above), that in the event the regeneration scheme is not progressed any abortive costs would be met from capital receipts from land sales currently progressing within the Borough outside the harbour.
 - p) Note that the Dorset Council Shadow Executive Committee's support for this scheme will be sought prior to implementing the recommendations above.

Reason for Decision

- 4 The decisions set out in this report provide for a much needed regeneration scheme to enhance Weymouth and give financial stimulus and income to the Statutory Harbour Authority for future harbour related needs.
- 5 The business case that underpins these decisions has been tested to ensure prudent provision to safeguard the successor Dorset Council and that Phase 1 of the scheme can be delivered.
- 6 The decisions also allow the Statutory Harbour Authority (SHA) to retain the land and site, and to receive the rental income from the scheme. Land ownership will not change from the SHA, and the SHA will remain as the landlord of any occupational leases and receive the income generated.
- 7 Phase 1 of the regeneration is self-sufficient, requiring no subsidy, and in fact generating a surplus income. This will allow reserves to be built up for future works to harbour walls, reducing demands for general capital funding and insulating the successor Dorset Council to future harbour needs.
- 8 Harbour Management Board (HMB) approved the recommendations to full council as presented to them with the inclusion of the amendment as set out in recommendation (e) above. This is to ensure that the operational harbour improvement works, which are currently being considered and tested by a HMB member working group, can be included as appropriate in the detailed design considerations relevant for the Phase 1 issues.
- 9 Management Committee agreed the recommendations to full council as above, as amended by the HMB addition above, with members underlining the importance of this regeneration progressing. The draw-down arrangements being delegated to the S151 officer as financially prudent was also discussed.

Reason Regeneration Scheme Required

- 10 Weymouth and Portland is the most deprived area in the new Dorset Council area. Four neighbourhoods are amongst the 10% most deprived nationally. 65% of employees in low pay sectors and 11% of the working population claim out of work benefits compared to 7% in Dorset. Weymouth & Portland is the 3rd lowest for social mobility in England. 25% of the population have no qualifications.
- 11 Weymouth's economy has a significant dependence on tourism but this economic sector is under pressure. A report commissioned in 2016 into tourism in the Western Dorset area, produced by Blue Sail, found:
 - a) Employment in the hospitality and leisure sectors has grown in many seaside resorts in the five years to 2014; it has declined in Weymouth.
 - b) Weymouth is one of many seaside resorts in the south west but lacks a major driver or single distinctive reason to choose it over other seaside towns.
 - c) The provision of additional all year round and wet weather facilities will give that required addition, and will also assist in extending the season.

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- d) Many of the facilities that add value and encourage additional visitor spend are either missing, are of average quality or there is an insufficient number of them to create a critical mass.
 - e) Current accommodation is a barrier to tourism growth – issue is about the quality of some of the existing stock and lack of capacity in the peak season.
- 12 Weymouth Harbour comprises of nearly 4km of harbour walls with 1.2km of these being sheet piled. The majority of the sheet piled walls were installed in the 1960's and 1970's. Studies have shown the serviceable period of the steel sheet pile walls to less than 15 years. Therefore a number require repair or replacement imminently. The most urgent of these repairs being Wall D which is due to be repaired in 2019 and is included in the financial appraisal of the Peninsula Regeneration Scheme, together with the funding already committed by the council for this purpose.
- 13 The current harbour walls do not provide a 1 in 200 year protection from flooding and significant investment is required to maintain and improve the flood protection for Weymouth Town Centre. In July this year WPBC secured £4M in Government funding for flood risk management measures. In addition, Weymouth Harbour needs the income to continue to maintain the walls which are vital both for the harbour to operate and to protect the town centre from flooding.
- 14 The SHA is in the process of considering the modernisation of its offer informed by the Fisher Report which mapped opportunities for the harbour. No decisions have yet been made with regards to these opportunities. The regeneration makes use of space on the Peninsula previously used to facilitate the Condor Ferry operation, which is now redundant for this purpose.

Background

- 15 Weymouth Town Centre Masterplan was adopted as a supplementary planning document in 2015. It is a strategic plan for growth, aiming to develop up to 1,000 new homes and in excess of 2,700 jobs across five sites, amounting to 58 hectares of land in the town centre. It is a key part of the Borough Council's ambitions, responding to the challenges of achieving economic investment, delivering community aspirations and producing alternative sources of council revenue. The Weymouth Town Centre Masterplan's vision for the Peninsula Site is the creation of a new destination on the Peninsula, including upgraded tourism and leisure facilities, new public spaces, family-orientated commercial uses and residential. This vision sits alongside a vibrant working harbour.
- 16 Management Committee, has previously agreed to progress a leisure led regeneration on the redundant Ferry Terminal at Weymouth Peninsula, now that it has been confirmed that there is no prospect of a ferry service returning. The outline planning application submitted scheme comprises a diverse offer determined by the market, but including a hotel, a Pub/Diner with accommodation, cafes and restaurants, and a variety of active leisure facilities. It was recognised that Weymouth lacked some key leisure brands which would be expected in a town of this size and developing the Peninsula as a leisure destination would be an attractive route to diversifying and improving the towns offer. This form of development was settled upon as it responded positively to the findings of the tourism assessment prepared by Blue Sail as part of the Western Dorset Growth Strategy development. The Blue Sail report found that Weymouth and Portland needed to increase

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all weather facilities, extend the season offering, deliver improvements that work for residents and visitors and attract different target markets to enable year round usage.

- 17 A previous report to Management Committee 19th September 2017 agreed to fund the progression of the regeneration scheme by allocating £500,000 from capital receipts to;
- a) Secure outline planning consent;
 - b) Seek specialist legal advice and professional services to support the further development of the scheme;
 - c) Financial appraisal of the harbour investment proposals from the Fisher report;
 - d) Undertake further financial modelling and development of funding options for the “Borrow & Retain” option set out in this report.
 - e) Market the of initial elements to gauge market demand
- 18 Over the past year WBPC has been engaging directly with government ministers in order to raise the profile of the boroughs needs and opportunities. Our work in this regard has focused on the distinctive challenges faced by seaside towns, and in particular the extent to which the delivery of Weymouth’s agreed masterplan is challenged by flood risk in the town. Senior delegations have met with ministers responsible for flood prevention and for economic growth. In addition to securing £4m to advance flood defence works in the town this engagement has also resulted in a visit to Weymouth by Mr Jake Berry MP, the minister responsible for economic growth. Mr Berry has committed the support of a pan-government team to work with Weymouth to accelerate growth. Making progress with the peninsula development will be an important statement of intent by WPBC, demonstrating its commitment to address the town’s challenges through redeveloping a key and challenging site.

Update

- 19 Over the past 12 months a diverse range of work has been undertaken to progress this regeneration in addition to preparation of the business case which is set out later in this report. Key works to date include:
- a) Outline planning application – The scheme was taken to the South West Design Review Panel in January 2018. Public engagement events were held in March 2018. An outline planning application for the Peninsula Regeneration Scheme was prepared and submitted May 2018. The application is currently being considered by the Local Planning Authority (LPA) and is expected to go to committee before the end of the year. The outline Scheme Layout can be found in Appendix 1. In progressing to detailed planning the Scheme Layout will be subject to consultation with Harbour Management Board and public consultation.
 - b) Specialist legal advice has been obtained and the benefits of a consolidated Harbour Revision Order (HRO) were identified. Following consultation a draft HRO was prepared and submitted to the Marine Management Organisation (MMO) to give the necessary 42 days public consultation period. Responses to that have been received and are being taken in to consideration and clarified at this time.
 - c) The Fisher Report Harbour Investment Proposals are being systematically tested and evaluated these are being reported back to the Harbour Management Board for discussion, prior to public consultation and final decision.

- d) Market testing by our consultants Cushman and Wakefield have refined the scheme as we have developed it to ensure optimal viability.
- 18 The market testing has shown that the current demand for restaurants and leisure users has changed. Previously pre-lets by such occupiers were normal and operators were willing to undertake a forward commitment ahead of building works. It is more normal now for occupiers to gauge their demand at the time they are able to occupy the building. Demand for a hotel on the site is very strong, as is demand for a Pub/Diner with accommodation. Given the forgoing Cushman & Wakefield advised WPBC to take the scheme forward in two phases. The initial phase would include the hotel, Pub/Diner with accommodation, café, public realm, infrastructure and harbour improvements. Details of what is to be included in the initial phase can be found in Appendix 2.
- 19 Detailed financial modelling has been undertaken for the initial phase only given the above recommendation. This shows that the initial phase of Peninsula Regeneration Scheme is financially viable and gives a small surplus annual income if developed directly by the council. The details of this potential income and expenditure are considered in confidential Appendix 3.

Economic Impact Assessment

- 20 When completed the full scheme is expected to attract 2,400 visitors a week to the site through the improved leisure offer.
- 21 Economic Impact Assessment of the whole Peninsula Regeneration Scheme has been carried out by Regeneris (independent economics consultant). This report shows that despite recent growth in employment across Dorset, Weymouth and Portland is performing comparably weakly, with a decline in jobs over recent years. It estimates that the benefits of the scheme would be as follows;

Construction benefits

- Approx. 150 FTE construction jobs supported for the duration of the assumed two year construction period.

Ongoing Benefits

- Employment - approx. 140 FTE (GVA £24M over 10 years).
 - Accommodation expenditure -£9.1M net over 10 years
 - Visitor expenditure - nearly £30M net over 10 years
 - Resident expenditure - £11.4M net over 10 years
- 22 This regeneration scheme will create employment, strengthen the Weymouth Town Centre offer, improve the local accommodation and leisure offer and enhance the visitor economy. It will also assist in securing the long term viability of Weymouth Harbour and funding of the council's statutory functions as an SHA, without needing to fund any shortfall solely from increased harbour dues and charges.

- 23 New job creation is an important benefit given the recent decline in employment across the area. It is significant that the variety of jobs created have the potential to support routes into work for local unemployed residents
- 24 The mixed-uses proposed will help support the vision for Weymouth, strengthening what the town centre has to offer to local people. Creating an accessible, attractive and vibrant public space will appeal to a range of different people during the day and after dark, boosting both the day time and night time economies.

Business Case

- 25 Officers have worked with advisors at Cushman and Wakefield over the past year to test and refine the business case for the Peninsula regeneration. As reported to Management Committee in September 2017 the viability of this scheme is dependent on the scheme being delivered by the Council directly, rather than through a developer with the associated developer profit that would be required.

Phase one of the scheme includes:

- Replacement of Harbour Wall “D”
 - 100 bed hotel
 - Pub/Diner with accommodation/Boutique Hotel
 - Café
 - Public realm and infrastructure works to include:
 - Realign roadway onto Peninsula
 - Shared space in front of Pavilion
 - Service yard
 - Upgrade services to facilitate both Phase 1&2
 - Harbourside improvements
 - Public walkway around Peninsula
- 26 Delivery of this phase aims to deliver three key objectives. Firstly this will commence the development of a long derelict and high profile site in a way that delivers direct economic benefits to the town. In addition delivery of this phase will build market confidence in the site paving the way for the subsequent delivery of the leisure units and restaurants envisaged for phase two. Finally the scheme also includes key infrastructure and investment for the second phase.
- 27 The delivery model will not require any speculative build, rather build will be dependent on:
- Being in contract with an end user (e.g. Hotel operator).
 - Tender prices being within budget.
 - Planning and other consents in place.
- 28 This approach safeguards the Council by ensuring an agreed cost and income stream for each income generating element ahead of undertaking works.
- 29 In schemes such as this, the financial modelling requires accurate income and expenditure estimates to be used. The detailed work to date has taken on board the abnormal costs of regenerating this redundant former ferry terminal site. The costs set out in Appendix 3

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reflect the fact that this site is made up ground, with likely contaminants. The costs reflected the limited nature of current services on the site, with the cost of enhancing these having been included. Additionally, the costs reflect the need to deep pile all building foundations through the made up ground into the seabed. Costs have been tested by Cushman and Wakefield, and accurately reflect the conditions on the site.

- 30 Income estimates have been established through testing in the market demand for the site from prospective occupiers, and detailed knowledge of rental values from Cushman & Wakefield's teams.
- 31 Appendix two shows the extent of the Phase 1 development. The overall cost of this phase is c. £14,445,000, including the construction of Harbour Wall D and project management and officer costs. It is proposed to fund this investment from WPBC funds totalling £3,004,000 with the main elements as follows:
- £1,955,000 already approved by W&PBC for Wall D Rebuild.
 - £299,000, Officer costs funded from existing establishment budgets.
 - £500,000, W&PBC Capital Receipts – works to date.
 - £250,000 W&PBC Harbour Reserve.

From the Public Works Loan Board

- £11,441,000 – Borrowing
- 32 As can be seen in the detailed figures in Appendix 3, allowing for interest and loan repayment over a 40 year period, the initial phase generates an annual surplus income of c. £213,000 per annum. In terms of cash flow, the scheme becomes positive upon completion of the buildings, when rental income commences.
- 33 The initial phase of the Peninsula Regeneration Scheme includes a considerable amount of public realm improvements. These are enhanced infrastructure, a walkway around the Peninsula, a road realignment, a new shared open space area, all giving a much needed uplift and boost to the area and a gateway to the overall scheme. The cost of the public realm improvements above are in the region of £2,500,000 but produce no direct income to the scheme. These are elements of the scheme that might reasonably be fund this from capital receipts, but external grants would be the preferred route given other likely demands on Capital.
- 34 Grant funding for the public realm improvements will be sought and if these can be obtained then the loan sum above will be reduced by a commensurate amount. If grant funding is secured, the annual surplus generated by the scheme increases. In the absence of grant aid the surplus could be increased by scaling back the public realm works, deferring this cost until later.
- 35 The details in confidential Appendix 3 consider potential construction costs and income that might be obtained from occupiers and as such is commercially sensitive. They are relevant to providing the necessary details for members to be satisfied that a prudent assessment of the financial position has been completed.

Statutory Harbour Authority

- 36 The Harbour Revision Order (HRO) confirms that the Peninsula site, excluding the Pavilion Theatre, is vested in the Statutory Harbour Authority (SHA). Weymouth & Portland Borough

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Full Council is the SHA, and it should be noted that the SHA is not a separate legal body but when sitting as SHA the council must act in the best interests of the harbour. The SHA's assets and budgets are in effect ring-fenced from the rest of the council and as a consequence there are two practical alternatives to progressing the scheme:

- The scheme is progressed by the council as SHA with the SHA being responsible for repaying the loan but with the surplus generated being retained within the ring-fenced SHA account to fund ongoing maintenance and operation of the harbour. This would mean that the surplus from this scheme could be used to offset liabilities for harbour walls, flood defences and future harbour related asset maintenance and renewal, OR.
- The scheme is progressed by the council having transferred the relevant part of the Peninsula, which is no longer required for harbour purposes, out of the SHA undertaking. In this scenario any surplus would be available for any legitimate council use, but the point at which land is removed from the SHA they would need to be fully compensated for the value of the asset, including hope value. This would represent an additional cost for the scheme.

37 In the light of this it is recommended to full council that the scheme progresses with the council acting as SHA.

38 It is further recommended that prior to work starting on the initial phase buildings that the SHA utilise £250,000 from Harbour Reserves to demolish the former Ferry Terminal Building. This will still leave a considerable reserve to deal with any issues arising to deal with maintaining safety of navigation.

39 The additional income generated from re-utilising that area as car parking returned to the SHA and will provide a return on the capital spent as did the Ferry Terminal buildings while they were operational. The demolition of this building will generate additional parking income for the scheme of around £110,000 pa. This would be an early priority in order to maintain the overall level of parking provision on the site during the construction phases.

Detailed Planning for First Phase

40 At present no decision has been made with regard to the Outline Planning Application that has been submitted for the Peninsula Regeneration Scheme.

41 If Outline Planning Permission is granted then progress needs to be made to work up detailed design drawings for the initial phase. These drawings need to be sufficient detail in order to apply for detailed planning consent and to procure the works.

42 Therefore we are seeking agreement to progress designs, marketing and submission of a detailed planning application if Outline Planning permission is granted. The Harbour Management Board and full council will be consulted with as required in respect of matters affecting layout, changes which affect the business case and matters which might impact the core statutory functions associated with the running of the harbour (safety of navigation, open port duty, conservancy etc.).

43 This detailed planning will also include improvements to the harbour excluding Wall D which is covered in a separate planning application currently under consideration. These improvements to the harbour were Presented in the Fisher Report, which was an independent study of opportunities for improvement to the harbour offer. These opportunities are currently being assessed to ensure viability, and would need to be subject to separate consultation with harbour users in many instances. The initiatives presented by Fisher aim to ensure that the whole harbour is utilised efficiently and will potentially include;

- Investment in new pontoons (as illustrated in Outline Planning Consent images) to improve the facilities for charter & trip boat boarding/disembarking & sales;
 - Investment in fish landing facilities;
 - Boat fueling facilities;
 - Equipment and Harbour Related storage
 - Harbour Facilities Building
- 44 Informed by the Fisher Report and the Outline Planning Consent layouts, initial work has been undertaken by the harbour Team to map the likely space requirements of these improvements. These remain to be finalised, but will be worked up as part of the Detailed Planning Consent.

Financial Risk Management

- 45 Due to the level of financial borrowing it is appropriate to ensure that this money is allocated to the final construction works once it can be demonstrated that there is income to repay this. This is a prudent approach for WPBC and the SHA to take, and for the successor Dorset Council, which will be taking over this scheme. Thus there must be safeguards in place to deal with all contingencies and to have a known and agreed fall-back position as delegated to the Section 151 Officer as is deemed prudent.
- 46 All the following would be in place before major expenditure on construction is incurred: -
- a) Occupational Pre-Letting of Phase 1 buildings to be constructed: confidential Appendix 3 identifies the income level from occupiers that would need to be agreed and legally bound on both parties before construction of the buildings commences.
 - b) Tendered Construction Works: building construction works would need to have been tendered and the tenders returned within budgets.
 - c) Detailed planning permission: Detailed planning permission will need to have been granted for the initial phase (as shown indicatively only in Appendix 1)
 - d) No other legal or cost impediments reducing the anticipated financial return of the scheme beyond the level set out in confidential Appendix 3.

Risk Mitigation

- 47 In progressing towards the initial phase delivery, costs will be incurred in preparing detailed design, layouts and building specifications etc. along with public realm. These costs are included in the overall borrowing figures and can be met from the financial management arrangements, as are best determined and delegated to the Section 151 Officer.
- 48 However in the event that the conditions cannot be met then the above costs would not have generated any additional income but the funding for these would still have to be met. It is prudent therefore to have agreement that in that unlikely event that no loan is taken that these costs are funded from sales of land outside of the SHA area currently agreed by WPBC.

Timeline

- 49 WPBC is working to deal with issues arising and to endeavour to obtain favourable outcomes for both the outline planning application and Harbour Revision Order Application. Ideally both will be in 2018.
- 50 Wall D works are anticipated to start on site early 2019. While this essential harbour wall repair work is on site additional details will be worked up including:
- Working up and submission of detailed planning permission
 - Procurement of a contractor to carry out the works
 - Complete pre-let agreements with hotel and other operators
 - Subject to agreement of the council as SHA to proceed, then the demolition of the former ferry terminal building would take place in the Spring 2019.
- 51 Assuming all necessary consents and agreement, with all pre-start conditions met, then works on site for the initial phase one are expected to start early 2020.

Implications

Economic Development

- 52 This report deals directly with the economic impact of the Peninsula development.

Financial Implications

- 53 Full analysis of the financial implications are set out in the confidential Appendix 3, basic details are contained within this report.

Legal Implications

- 54 The council has taken specialist legal advice with regards to the application for the Harbour Revision Order. In addition it is acknowledged that the council as SHA will need to take decisions with regards to the scheme, in the best interests of the harbour in its widest sense.
- 55 In 2018 the new *Ports Good Governance Guidance* and in particular parts A and C, replaced the Municipal Ports Review as a key piece of guidance applying to local authority run ports. It is made clear in the *Ports Good Governance Guidance*, that local authority owned ports should be governed and operated in the interests of stakeholders including the local community and can be an important local asset.
- 56 The current Weymouth Harbour Business Plan also makes it clear that the business plan has been produced on the basis that the harbour is both a community asset for the use of those who have moorings and a commercial operation for the benefit of all the residents of the Borough.
- 57 The *Ports Good Governance Guidance* also encourages local authorities to seek to establish and implement a strategy to put port operations on a commercial basis wherever this is possible (and to avoid future subsidising of the harbour / port operation). The guidance also acknowledges that the provision of leisure and tourist

Peninsula Redevelopment Scheme, Weymouth

facilities can be appropriate in local authority ports. The provision of such facilities also minimises the requirement to fund future shortfalls in income solely from harbour dues and charges.

- 58 The outline proposals for the Peninsula development to be progressed by the Council as the SHA accord with the guidance above enabling regeneration of an underused area and ensuring that surplus funds generated by the scheme will be placed in the harbour's ring-fenced funds, assisting in securing the long term viability of the harbour.
- 59 Specialist external legal advice will be required at the next stage of this scheme and allowance for this has been made in the funding sought.

Risk Analysis

- 60 As the delivery options for this scheme become clear it is timely to produce a full risk register for the project. A detailed risk analysis will be completed to address risks arising from the financial model, market forces, planning, legal risks etc.

Appendices

Appendix 1 – Full Scheme Details

Appendix 2 – Initial Phase Details

Appendix 3 – Confidential Appendix – Financial

Background Papers

Regeneris Economic Impact Assessment

17th September 2017 Management Committee report

Footnote

Issues relating to financial, environmental, economic and equalities implications have been considered and any information relevant to the decision is included within the report.

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Appendix 1 – Peninsula Regeneration Scheme



Peninsula Redevelopment Scheme, Weymouth



