

Cabinet

30 June 2020

Capital funding of embankment improvements to the River Brit at West Bay

For Decision

Portfolio Holder:	Cllr T Ferrari, Finance, Commercial and Assets
Portfolio Holder:	Cllr R Bryan, Highways, Travel and Environment
Local Councillor(s):	Cllr Bolwell, Cllr Clayton & Cllr Williams
Executive Director:	John Sellgren, Executive Director of Place

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Report Status: Public/Part Exempt (Appendix 1)

Appendix 1 is not for publication by virtue of paragraph 3 of Schedule 12A, Part 1 of The Local Government Act 1972, as amended. The public interest in maintaining the exemption outweighs the public interest in disclosing it.

Recommendation:

- 1 That Cabinet approves the implementation of riverbank improvements to the River Brit to commence in October 2020.
- 2 That Cabinet instructs officers to complete an extension of the lease to the site operator of the Campfield Holiday Park at West Bay until 31st January 2074 on terms described in the confidential appendix which will fund the cost of the project works.

Reason for Recommendation:

A decision is required to progress the riverbank reinforcement project to the River Brit in West Bay, to address the risk of river flooding to the Campfield Holiday Park and adjacent properties in Forty Foot Way.

The Council is the freehold owner of the Campfield Holiday Park which is leased to Parkdean Resorts who have been the Council's tenant for 53 years. Parkdean Resorts are prepared to fund the estimated project costs from a capital premium in return for granting a 50 year lease extension that will encourage the tenant to continue to invest in a sustainable business in West Bay.

1. Executive Summary

This report seeks authority to implement riverbank improvements to the River Brit with the work planned to commence in October 2020. This report presents a funding proposal for the project at no significant cost to the Council whilst also producing an enhanced annual rent payable by a tenant of good covenant thereby creating an improved investment asset for the Council and an improved and sustainable business opportunity for the tenant.

2. Financial Implications

The estimated cost of the riverbank improvement works are £1.5 million. The works will be specified, tendered and managed directly by the Council. The financial implications of the lease extension proposal are detailed in the confidential appendix.

The Council will receive a capital premium to fund the estimated project costs and an enhanced revenue stream from its existing tenant in return for granting a 50 year lease extension. The Council is incentivised to complete the riverbank improvement works as soon as possible as the enhanced revenue stream commences upon practical completion of those works.

Alternative funding options have been considered including disposal of the site and the Council investing in and undertaking the works in return for an increased annual rental premium both of which are not recommended.

Last year the Council Opted to Tax the Campfield Site for VAT purposes to enable it to recover VAT expended on the site.

3. Statutory Authority

Local Government Act 1972 – section 123. S.123 of the LGA 1972 is the statutory power for councils to dispose of property – such as a lease extension.

Land Drainage Act 1991 Part II – provides powers for local authorities for drainage and for flood risk management works

4. Climate implications

The Report addresses a significant river flooding risk at West Bay that is in part arising from climate change. The riverbank improvement project has been formulated by the Environment Agency (EA).

5. Other Implications

Sustainability: The EA have modelled the project to give protection over the next 50 years based on current data and its implementation will reduce the prospect of river flooding to a 1 in 200 year event.

Property and Assets: Considered in detail in the Report and Confidential Appendix.

Community Safety: The recommendations assist reducing the risks identified above.

Human Resources: Estates, Legal and Engineering Project Teams are required to deliver the recommendations.

6. Risk Assessment

Having considered the risks associated with this decision, the level of risk has been identified as:

Current Risk: HIGH/MEDIUM

Residual Risk: LOW

There is an increasing prospect of flooding affecting properties in the Campfield Holiday Park and in Forty Foot Way. These potential events are described in detail in The West Bay Coastal Improvements Business Case that assesses the risk of flooding at 1 in 50 in 2018 increasing to 1 in 20 by 2023 and 1 in 1 by 2038 with consequential financial, health and safety and reputational risks.

It is proposed that the project commences in October 2020 with completion by Easter 2021.

7. Equalities Impact Assessment

Not applicable

8. Appendices

Confidential Appendix 1 identifies the financial implications of the proposal together with the draft Heads of Terms and site plan.

9. Background Papers

None

10. Background and Reason Decision Needed

- 10.1 The coastal defence phases of the West Bay Coastal Improvements Project led by the Environment Agency have been completed. The Project, however, identified a requirement to undertake riverbank improvements to the River Brit. The former West Dorset District Council made a £3 million capital contribution to the cost of coastal defences but the riverbank improvements were excluded.
- 10.2 The riverbank improvement works extend along the river frontage of Council owned land known as the Campfield Holiday Park in West Bay which is leased to Parkdean Resorts the UK's largest holiday park operator who own and operate 67 holiday parks across England, Scotland and Wales.
- 10.3 The investment property and part of the surrounding area at West Bay is at risk of river flooding and in partnership with the Environment Agency a project to reinforce the riverbank has been identified that will cost about £1.5 million to implement but will then offer 1 in 200 year protection for the area from river flooding.
- 10.4 The West Bay Coastal Improvements Business Case states that 'The structural integrity of the Parkdean embankment along the River Brit is low, with damage to the toe causing localised slip failures in several locations. Breaching of this embankment would lead to widespread flooding of the caravan park and backdoor flooding of properties in the town.' Without the improvements a 1 in 200 year event is currently predicted to flood much of the Campfield site to a depth of 1 metre.
- 10.5 Councillors will be aware that a Report was brought to committee in July 2019 proposing to secure a capital funding contribution towards works forming part of the West Bay Coastal Improvements Project from the tenant of the Campfield Holiday Park in exchange for granting a lease extension. Councillors deferred the decision seeking consideration of alternative options.
- 10.6 Officers have since obtained independent valuation and marketing advice and have initiated a confidential and targeted marketing exercise to determine by sealed informal tender the best offers from a range of prospective purchasers. This approach has generated highly competitive

tender offers for the Council's freehold interest alongside a significantly improved offer from the current tenants for a lease extension.

- 10.7 The Confidential Appendix details the enhanced offer from the tenant and the offers received from the marketing exercise concluding that the lease extension secures the funding required alongside an increased revenue stream while enabling the Council to then retain its improved investment. While an investment disposal would generate a significant net capital receipt it is unlikely on reinvestment to create a comparable revenue stream. Officers believe that the lease extension terms are unlikely to be bettered by deferring the matter until the lease renewal in 2024. An option previously considered of funding the works as part of the capital programme is no longer required because the capital premium receivable with the lease extension will fund the project costs.

Footnote:

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