

EXECUTIVE

Date: Tuesday 14 January 2020

Time: 5.30 pm

Venue: Rennes Room, Civic Centre, Paris Street, Exeter

Members are invited to attend the above meeting to consider the items of business.

If you have an enquiry regarding any items on this agenda, please contact John Street, Corporate Manager Democratic & Civic Support on 01392 265106.

Entry to the Civic Centre can be gained through the Customer Service Centre, Paris Street.

Membership -

Councillors Bialyk (Chair), Sutton (Deputy Chair), Foale, Ghusain, Harvey, Morse, Pearson, Williams, Wright and Wood

Agenda

Part I: Items suggested for discussion with the press and public present

1 Apologies

To receive apologies for absence from Committee members.

2 Minutes

To approve and sign the minutes of the meeting held on 10 December 2019.

(Pages 5 -
12)

3 Declarations of Interest

Councillors are reminded of the need to declare any disclosable pecuniary interests that relate to business on the agenda and which have not already been included in the register of interests, before any discussion takes place on the item. Unless the interest is sensitive, you must also disclose the nature of the interest. In accordance with the Council's Code of Conduct, you must then leave the room and must not participate in any further discussion of the item. Councillors requiring clarification should seek the advice of the Monitoring Officer prior to the day of the meeting.

4 Local Government (Access to Information) Act 1985 - Exclusion of Press and Public

RESOLVED that, under Section 100A(4) of the Local Government Act 1972, the

press and public be excluded from the meeting during consideration of items 16 and 17 on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 3 and 4 of Part I, Schedule 12A of the Act.

5 Questions from Members of the Public

To receive questions from the public in accordance with the Constitution, which relate to an item on the Agenda. Questions, of no longer than 50 words, should be notified to the Corporate Manager Democratic and Civic Support at least three working days prior to the meeting. Further information about speaking at a committee can be found here: [Speaking at a Committee](#)

6 Commercial Strategy

To consider the report of the Director (DB). (Pages 13 - 60)

7 Environmental Enforcement Pilot Scheme Results and Future Options

To consider the report of the Director (DB). (Pages 61 - 68)

8 Flood Protection Schemes 2019 - 2022

To consider the report of the Director (DB). (Pages 69 - 76)

9 Structural Inspection Programme of Exeter City Council Bridges

To consider the report of the Director (DB). (Pages 77 - 86)

10 Housing Rents and Service Charges 2020-21

To consider the report of the Chief Finance Officer. (Pages 87 - 98)

11 2020/21 Budget Strategy and Medium Term Financial Plan

To consider the report of the Chief Finance Officer. (Pages 99 - 112)

12 Council Taxbase and NNDR 1 2020/21

To consider the report of the Chief Finance Officer. (Pages 113 - 118)

13 New Performance Venue and Redevelopment of the Corn Exchange

To consider the report of the Director (J-PH). (Pages 119 - 190)

14 Minutes of the Leisure Complex and Bus Station Programme Board

To receive the minutes of the meeting held on 4 September 2019. (Pages

15 **Loan to Exeter City Living for Clifton Hill Development**

To consider the report of the Director (DB).

(Pages
195 - 206)

Part II: Items suggested for discussion with the press and public excluded

No representations have been received in respect of the following items in accordance with the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

16 **Loan to Exeter City Living for Clifton Hill Development**

To consider the report of the Director (DB).

(Pages
207 - 214)

17 **Clifton Hill Site**

To consider the report of the City Surveyor.

(Pages
215 - 222)

Date of Next Meeting

The next scheduled meeting of the Executive will be held on **Tuesday 11 February 2020** at 5.30 pm in the Civic Centre.

A statement of the executive decisions taken at this meeting will be produced and published on the Council website as soon as reasonably practicable.

Find out more about Exeter City Council services by looking at our web site <http://www.exeter.gov.uk>. This will give you the dates of all future Committee meetings and tell you how you can ask a question at a Scrutiny Committee meeting. Alternatively, contact the Democratic Services Officer (Committees) on (01392) 265115 for further information.

Follow us:

www.twitter.com/ExeterCouncil

www.facebook.com/ExeterCityCouncil

Individual reports on this agenda can be produced in large print on request to Democratic Services (Committees) on 01392 265275.

This page is intentionally left blank

EXECUTIVE

Tuesday 10 December 2019

Present:

Councillor Bialyk (Chair)

Councillors Sutton, Foale, Ghusain, Harvey, Morse, Pearson, Williams, Wright and Wood

Councillors in attendance under Standing Order 44

Councillor M Mitchell speaking on items 6 and 10 (minutes 108 and 112 below)

Also present:

Chief Executive & Growth Director, Director (BA), Director (J-PH), Chief Finance Officer, City Solicitor & Head of HR, Active & Healthy People Programme Lead, Service Lead for Commercial and Procurement and Democratic Services Officer (MD)

105

MINUTES

The minutes of the meeting held on 8 October 2019, were taken as read, approved and signed by the Chairs as a correct record.

106

DECLARATIONS OF INTEREST

No declarations of disclosable pecuniary interests were made.

107

QUESTIONS FROM MEMBERS OF THE PUBLIC

There was one question received from Mr Cleasby, which related to Minute No. 117:-

Question

Why is the Statement of Community Involvement for the GESP still a draft, more than 2½ years after consultation on it ended, and when is it to be finalised?

Response

The Portfolio Holder for City Development & Planning explained that the draft Statement of Community Involvement, set out how the Greater Exeter Strategic Plan (GESP) authorities intended to involve local residents, businesses and other key organisations and stakeholders in the development of the Greater Exeter Strategic Plan. The consultation period had been between 27 February 2017 and 10 April 2017 and also included the consultation on the Statement of Community Involvement (SCI).

The comments received during the consultation were available to view on the GESP website and would contribute toward the final version of the Statement of Community. The statement would be published at the same time as the GESP Site Options and the Draft Policies consultation document in June 2020.

Supplementary Question

Mr Cleasby, on putting a supplementary question, thanked the Portfolio Holder for City Development & Planning for his response and requested clarification that the next opportunity for public to comment would be in June 2020 and, given the delays, was the current process suitable?

Supplementary Response

The Portfolio Holder for City Development & Planning responded that there were four separate Local Authorities involved in the Greater Exeter Strategic Plan and the process would take time. Although there could also be potential delays following leadership changes at three of the authorities, there would be an opportunity for consultation in June 2020.

108

MOVE MORE PHYSICAL ACTIVITY STRATEGY: BUILT FACILITIES OUTLINE BUSINESS CASE WONFORD HEALTH AND WELLBEING CENTRE

The Executive received the report which outlined the progress for the potential flagship Health & Wellbeing Centre in Wonford, which was a key priority of the revised Exeter Live Better and Move More Built Facilities, Playing Fields, Pitches, Play Areas, Parks and Green Spaces Strategy. The facility would be a focal community point for community based health and wellbeing activities and services. The report also provided the results from stakeholder engagement projects, which were funded from the Sport England Local Delivery Pilot.

Councillor M Mitchell, having given notice under Standing Order No. 44, spoke on this item. He spoke on the transfer from community management to a private operator for the Wonford community centre and whether it was compatible with the Council's commitment to asset based community development and whether the community had been asked about the future ownership. He commented on car parking at the community centre, its impact on the Council's commitment to a carbon neutral future and what actions were being proposed to mitigate the issues arising from the community interaction.

During discussion, reference was made to the process being in an early development stage and was continuing to engage with the community to understand their needs and develop trust between them and the Council. More than 600 members of the community had previously attended various events to contribute into the process, and a local Sounding Board will continue to work with the Council.

RESOLVED that:

- (1) The Director be authorised to progress the outline business case for a new Health and Wellbeing Centre in Wonford to the Design Brief Stage to include:
 - (a) On-going co-design with residents, the community and key stakeholders developing the ideas set out in this report into indicative sketches, layouts, designs and building and running costs;
 - (b) Development of a Wonford area recreational cycle investment plan;
 - (c) Further work with Wonford Green Surgery Partners to establish options for generating a suitable capital receipt for the current Wonford Green Surgery site and principles around a long-term affordable rent commitment and reimbursement from the National Health Service England (NHSE); and
 - (d) Improvements to the Wonford playing pitches utilising the Section 106 money set aside for this purpose ensuring that these developments are

aligned with the emerging priorities within the Playing Pitch Strategy and Football Association Local Plan.

- (2) The inclusion of the Wonford Village in the Liveable Exeter Garden City Programme be endorsed; and
- (3) The continued financial and professional support from Sport England through the Local Delivery Pilot for the engagement and co-design process be noted.

109

EXETER GRANTS PROGRAMME CHANGES TO THE SCHEME OF DELEGATION

The Executive received the report on the Exeter Grants Programme, which had been approved by Council in July 2019 and required the scheme of delegation to be amended to reflect the new policy and operate under the proposed terms of reference, for potential amendments during the pilot year, where changes may be required.

Particular reference was made to the receipt of a number of applications from local communities for the grants fund and that more than one £1million had been invested into community grants and strategic services by the Council.

RECOMMENDED that Council approve:-

- (1) The amended Scheme of Delegation to delegate approval of grants to the Director for Communities in consultation with the Portfolio Holder for Communities;
- (2) The Terms of Reference for the operation of the Grants Panel with delegated authority to the proper officer to review and amend the Terms of Reference as necessary; and
- (3) The decision to open an ad-hoc Strategic Grant Fund be delegated to the Director for Communities in consultation with the Council Leader and the Portfolio Holder for Equalities, Diversity & Communities.

110

COUNCIL TAX LONG TERM EMPTY PREMIUM FOR THE 2020/21 AND 2021/22 FINANCIAL YEARS

The Executive Committee received the report which sought to increase the current 100% Council Tax Long-Term Empty Premium, on properties which had been empty for two or more years. The premium increase would help encourage owners of empty homes to bring their properties back into use and support the Council's commitment to reducing the number of empty homes in the city.

Particular reference was made to there being 78 empty homes in Exeter, despite the hard work made by officers to fill them. There were too many people who were homeless, on waiting lists or had no access to appropriate housing in Exeter, and the report recommendations were an incentive to bring the properties back into use. Members were assured that the premium would be applied, provided that the properties were not up for rent or for sale. Officers would also take home owner's circumstances into consideration for each case.

The Leader of the Council noted that the empty homes premium was a good step forward to bring homes back into use to support the 1.6 million people who were on the social housing waiting lists.

RECOMMENDED that Council approve the increase in the Council Tax Long-Term Empty Premium from:-

- 100% to 200% from 1 April 2020 for properties empty for 5 years or more; and
- 200% to 300% from 1 April 2021 for properties empty for 10 years or more.

111

COUNCIL TAX SUPPORT SCHEME 2020-21

The Executive Committee received the report for the local Council Tax Support (CTS) scheme for working age residents for 2020/21 and beyond, which required agreement from Members on an annual basis. There were no recommend changes to the scheme for 2020-21, however officers would be preparing proposals for a simpler discount -style scheme for Members' consideration for the 2021/22 Scheme. The implementation of a simple banded scheme would require major changes to the rules and processes of the scheme and Member input would be sought through a Working Group.

Members were presented with an overview of the local Council Tax Support scheme, which was designed to support households who could not meet their Council tax liability.

RECOMMENDED that Council approve:-

- (1) The Scheme for 2020-21 to continue as per the current Scheme without substantive changes; and
- (2) The work being commenced by Officers to develop options for Members' consideration for a simple banded scheme to be introduced from April 2021 at the earliest.

112

APPROVAL OF PROCUREMENT STRATEGY

The Executive Committee received the report which sought approval for the adoption of the proposed Procurement Strategy, which would provide a further corporate approach to procurement and enhance the collaboration opportunities within the Council. The Devon District Procurement Authorities (DDPA) who had been collaboratively working to the third version of a joint Devon District Procurement Strategy (DDPS), had identified four key themes for the DDPS, which were outlined in the report. A priority setting for actions and outcomes was established in the action plan, but each Council was responsible for implementing their own outcomes.

Councillor M Mitchell, having given notice under Standing Order No.44, spoke on this item. He noted that reference should be made within Procurement policy for Exeter City Council's and other Council's in the partnership, to their commitment to be carbon neutral by 2030 and contain a definite commitment to ending the use of single use plastic. The policy needed to show definite commitments to environmental issues.

Members were informed, that each contract was picked up on a case by case basis through the commercial endorsement process and were defined by their nature and scope. The commitment to being carbon neutral would be a part the overall policy and procedures in terms of carrying out procurement.

The Council Leader stated that the Council had declared a climate emergency and was committed to being carbon neutral by 2030. The Council's Corporate Strategy 2018-2021 would be amended following the 2019 General Election.

RECOMMENDED that Council:-

- (1) Adopt the Devon District Procurement Strategy (DDPS) 2019-2022; and
- (2) Agree to Executive establishing any Council specific priorities or objectives which need to be incorporated into the strategy (jointly or individually).

113 **GENERAL FUND CAPITAL MONITORING STATEMENT 2019/20 - QUARTER 2**

The Executive Committee received the report on the 2019/20 General Fund Capital Monitoring Statement which reported the current position in respect of the Council's revised annual capital programme and advised Members of the anticipated level of deferred expenditure into future years. The report also sought Member approval to amend the annual capital programme in order to reflect the reported variations.

Particular reference was made to the £19.138 million spent from the revised capital programme during the first six months of the year from the £61.767 million budget. This equated to 31% of the revised programme, which was a good improvement over the previous year's expenditure. Members were referred to the newly refurbished play area at Pinhoe Station Road and the purchase of the long leasehold office building in Senate Court, which had been completed during the second quarter of 2019/20. The purchase of the office building would provide an expected net income of £591,000 per annum before costs were taken into account.

RECOMMENDED that Council approve the revision to the annual capital programme to reflect the reported variations detailed in 8.5 and Appendix 1 of the report presented to the meeting.

114 **OVERVIEW OF THE GENERAL FUND REVENUE BUDGET 2019/20 - QUARTER 2**

The Executive Committee received the report of the Chief Finance Officer which advised Members of the overall projected financial position of the General Fund Revenue Budgets for the 2019/20 financial year after six months.

Particular reference was made to the supplementary budget of £52,360, which would be taken from the S106 funds and earmarked reserves. Members noted that there would be a projected reduction in the transfer from the working balance for the remainder of the financial year. The projected working balance would stand at £3.75 million, which was above minimum level of reserves.

RECOMMENDED that Council approve:-

- (1) The General Fund forecast financial position for the 2019/20 financial year;
- (2) The supplementary budgets of £52,360 and budget transfers as detailed in paragraph 8.9 of the report presented to the meeting;
- (3) The outstanding Sundry Debt position as at September 2019; and
- (4) The creditors' payments performance.

115 **HRA BUDGET MONITORING 2019/20 - QUARTER 2**

The Executive Committee received the report which advised Members of the overall financial position of the Housing Revenue Account (HRA) Revenue and Capital Budgets for the 2019/20 financial year after the first six months. The report also highlighted budgetary areas of risk for factors beyond the Council's control that may result in potential deviations from budget.

Specific mention was given to the projected reduction in the need to take funds from the Housing Revenue Account working balance for the financial year. The projected working balance would stand at £9.6m, which is above minimum level of reserves.

RECOMMENDED that Council approve:

- (1) The HRA forecast financial position for 2019/20 financial year; and
- (2) The revision of the HRA Capital Programme to reflect the reported variations detailed in Appendix 4 of the report presented to the meeting.

116

TREASURY MANAGEMENT 2019/20 HALF YEAR UPDATE

The Executive Committee received the statutory report, which advised on the current Treasury Management performance for the 2019/20 financial year and the position regarding investments and borrowings at 30 September 2019.

Particular reference was made to the £49.5 million of long term borrowing, taken by the Council to cover its future finances. The estimated projected interest of the year was £77,000 against a budget of £216,000, which highlighted the positive impact from the lower interest rates received by the Council.

RECOMMENDED that Council note the Treasury Management report in respect of the first six months of the 2019/20 financial year.

117

REVISED LOCAL DEVELOPMENT SCHEME

The Executive Committee received the report on the revised Local Development Scheme, which provided Members with an update on the discussions that had taken place between the leaders of the partner authorities involved in the Greater Exeter Strategic Plan (GESP) regarding the future scope and timetable for production of the GESP. The report also sought agreement for a draft scope and timetable to progress the work on the GESP and provided a revised timetable for preparing the Development Delivery Plan and Code for Sustainable Homes SPD by the City Council for Exeter.

During the discussion, Members welcomed the work that had been undertaken, and noted the importance of the Greater Exeter Strategic Plan (GESP) and how it would support housing and infrastructure development in Devon.

RESOLVED that the proposed scope and timetable for the Greater Exeter Strategic Plan (GESP), Development Delivery Plan, Code for Sustainable Homes SPD and Planning Obligations SPD, as detailed in Appendix A of the report presented to the meeting be agreed.

118

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 - EXCLUSION OF PRESS AND PUBLIC

RESOLVED that under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following items on the grounds that they involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1, Schedule 12A of the Act.

119

BUSINESS CASE FOR THE REVIEW OF STAFF STRUCTURE IN HOUSING ASSETS

The Executive Committee received the report which set out the final business case for the re-structuring of the Housing Assets service area. Following the completion of consultation with employees and Trade Unions, the final business case would re-align existing staff resources and add a number of key posts to resource all business critical areas. Reference was made to the improved position in the Housing Service around Health & Safety and Compliance and Procurement, including contract management.

During the discussion, the following points were raised:-

- The HRA had a ring-fenced budget for within the Council and could only be used for services for council tenants.
- The proposed structure would align the team to meet Member expectations around Social Housing Development.

RECOMMENDED that Council approve:-

- (1) The Final Business Case proposal for the restructuring of the HRA Development and Assets Team;
- (2) The conclusion of a period of meaningful engagement with the HRA Development and Assets staff Team and Trade Union and note the feedback provided to staff as part of the process; and
- (3) An additional budget of £165,856 in respect of the proposed permanent establishment and an additional budget of £124,614 for temporary staffing, both to be funded from the Housing Revenue Account Working Balance.

120

EXETER SCIENCE PARK GUARANTEE

The Director (J-PH) declared an interest and left the meeting room for the duration of this item.

The Executive Committee received the report which sought Council approval to provide a guarantee for lease payments payable by Exeter Science Park Ltd to the University of Exeter. This would be in line with the percentage of shareholdings by Exeter City Council for the total value of the lease payments due.

Particular reference was made to the amendments of the report recommendations to remove the second recommendation listed in the report and to increase the guarantee value to £950,054.76. Members were presented with a summary on the ownership and overview for the reasons to provide a guarantee to Exeter Science Park, with it being confirmed that the risk for any call in, on the guarantee was low.

During the discussion, it was confirmed that the owners of Exeter Science Park were public sector organisations, who held control of the business plan. The other owners had agreed that with the low risk chances of the guarantee being called in, they had agreed to provide a guarantee.

RECOMMENDED that Council approve the provision of a guarantee to Exeter Science Park Ltd for a total value of up to £950,054.76.

121

COMMUNICATIONS, TOURISM AND CULTURE - MINOR RESTRUCTURE

The Executive Committee received the report, which requested final approval to proceed with a minor restructure within the Communications, Tourism and Culture function, as part of the Councils Organisational Change Policy. The restructure sought to amend the existing Communications, Tourism and Culture budget to

increase the establishment by 1.8FTE, rather than contract work. The report also sought to re-evaluate the existing Project Officer Job description and person specification.

Particular reference was made to the two long term roles currently delivered by external contractors, which amounted to full time employment and would generate income on behalf of Exeter City Services.

RECOMMENDED that Council approve the virement of funds as set out in Section 4 of the report presented to the meeting.

(The meeting commenced at 5.30 pm and closed at 6.41 pm)

Chair

The decisions indicated will normally come into force 5 working days after publication of the Statement of Decisions unless called in by a Scrutiny Committee. Where the matter in question is urgent, the decision will come into force immediately. Decisions regarding the policy framework or corporate objectives or otherwise outside the remit of the Executive will be considered by Council on

REPORT TO EXECUTIVE

Date of Meeting: 14 January 2020

REPORT TO COUNCIL

Date of Meeting: 21 January 2020

Report of: David Bartram - Director
Title: Commercial Strategy

Is this a Key Decision?

No

Is this an Executive or Council Function?

It is a council function to agree the strategy. The Executive is then responsible for implementing that strategy.

1. What is the report about?

1.1 To present a new Commercial Strategy to Council which details the process to determine the viability of commercial projects to progress with and our aims and aspirations around commercialisation.

2. Recommendations:

2.1 Executive to recommend to Council to:

- (i) adopt the Commercial Strategy
- (ii) that business cases are presented to the Strategic Management Board (SMB) to determine if a commercial project to continues

3. Reasons for the recommendation:

3.1 To ensure there is a process in developing commercial ideas and to bring these ideas to reality, and that there is an open and transparent process to continue with commercial ideas.

4. What are the resource implications including non financial resources.

4.1 A new Commercial Manager was appointed Spring 2019, this post is full time and funded for 2 years through the transformation budget. They have the responsibility of researching and developing commercial ideas. The Commercial Manager is there to assist service leads to develop commercial activity, some help and assistance will still be required from each service area to progress business cases and business plans.

4.2 When developing commercial ideas, advice must be sought from a number of service areas to ensure ideas viable and sit alongside the City Council's Corporate Plan and Exeter Vision:

- Legal
- Finance & Procurement
- Executive Support
- Audit
- Corporate Property

Some service areas will be more engaged than others.

- 4.3 The Growth & Commercialisation Manager oversees this area of work, so a percentage of their time works on commercial activity.
- 4.4 If a commercial project has authorisation from the Strategic Management Board to continue, some financial resources may be required. A business case and business plan would detail costs associated with that particular project to bring it to reality, both income and expenditure required to progress. Appendix D of the Commercial Strategy details what information must be included in each business case and plan.
- 4.5 If a commercial idea requires additional finance, and it cannot be sought from within the service area, a request will be made to Executive and Council for external funding.

5. Section 151 Officer comments:

- 5.1 Developing commercialisation will support the ongoing need to deliver savings across the Council's revenue budget. The Council will need to take a prudent approach to each project and therefore it is a positive move to introduce a Board to oversee the implementation of each potential project.
- 5.2 Whilst the Council is right to consider each opportunity on its merits, they must be strong enough to stop projects that will not deliver the expected returns quickly.

6. What are the legal aspects?

- 6.1 Please see monitoring officer comments below

7. Monitoring Officer's comments:

- 7.1 Any issues of concern will be raised at the meeting.

8. Background:

- 8.1 In the face of ongoing austerity there is less money and more demand on our services than ever before. The current medium term financial plan demonstrates a continuing gap between the resources available and the demand for those resources.
- 8.2 A small Commercial team of two has been established to identify potential new income streams and enhance existing ones. A new Commercial Manager (David Greensmith) was appointed Spring 2019, with a temporary contract for 2 years. The Growth & Enterprise Manager's (Victoria Hatfield) role was changed last financial year. The area of commercialisation was added to this post, subsequently the job title was amended to Growth & Commercialisation Manager.
- 8.3 It is the role and responsibility of the Commercial Team to:
- Provide assistance, support and advice to service areas to develop commercial activity
 - Research commercial opportunities
 - Develop Business Cases and Plans for the Strategic Management Board to review and authorise
 - Work with service areas to implement Business Cases and Plans
 - Retain, monitor and review the corporate commercial risk register
 - Monitor commercial success and report to the Strategic Management Board

- Liaise with the Procurement Team/Lead to review corporate spend to identify commercial opportunities and ensure adherence with procurement legislation
- Assist in achieving cultural change
- Learn from other authorities and utilise this for continuous improvement
- Ensure that City Council staff involved in commercial activity have the appropriate level of skills to proceed with commercial activity

9. Strategic Management Board

- 9.1 To ensure consistency and transparency, it is recommended commercial business cases and plans are reviewed and authorised by the Strategic Management Board. The business case and plan will be presented by the Director responsible for commercial activity to the Strategic Management Board.
- 9.2 Implementation of commercial activity will not start until the business case and plan has been reviewed and approved by the Strategic Management Board.
- 9.3 If additional budget is required to deliver commercial activity, there will be the requirement to report to Executive and Council for a request for additional budget.

10. Commercial Strategy

- 10.1 A new commercial strategy has been developed over the summer of 2019, a full copy of the strategy and supporting material is included within Appendix 1. The strategy has been researched and written by an external consultant, with some amendments due to some commercial opportunities presenting themselves earlier than anticipated. The Commercial Strategy provides direction and a purpose of commercial activity for the City Council.
- 10.2 The Commercial Team has the responsibility to bring forward a wide range of ideas, to increase the amount of new and external income to the City Council. Income between service areas will not be pursued. A number of business cases have already been developed on some service areas, to understand the potential for the City Council. These were produced by the external consultant prior to the commercial team being established and will be progressed if they are deemed to be commercially viable, these can be viewed in Appendix B of the Commercial Strategy.
- 10.3 The scope of the City Council's commercial activity is shown within Appendix 2. There are a wide variety of City Council services which have varying degrees of potential for commercialisation. Some services have already embarked on commercial activity such as Trade Waste, the Corporate Property Team has operated commercially for many years. It will not include the development of student accommodation on land or property owned by the City Council.
- 10.4 Income generation and cost recovery is defined as achieving income that either partially or fully recovers the costs of providing a service but does not generate a surplus. Income generation and cost recovery will be a key part of the City Council's aim to be financially sustainable alongside this strategy and will be the focus of phase 1 activity.
- 10.5 Once Phase 1 has been delivered (in achieving enough income for full cost recovery), Phase 2 will be activated. Phase 2 will focus on delivering a surplus from commercial activity, a suitable delivery model will then be investigated with Legal Services to ensure the City Council's activities remain legal and compliant.

10.6 One the Commercial Strategy has been approved by Council, it will be professionally designed by the Marketing & Communications team within the City Council.

11. How does the decision contribute to the Council's Corporate Plan?

11.1 The Commercial Strategy fits neatly with the City Council's Corporate Plan 2018 - 2020. The Commercial Strategy focuses on the main theme of:

Provide value-for-money services despite continuing central government budget reductions

- We will continue to improve the way we deliver services to meet residents' day-to-day needs recognising that financial constraints are placing a premium on efficient and customer-focused services.

11.2 To meet ongoing reductions in central government funding, the Corporate Plan details areas of work the City Council will focus on during 2018 – 2020:

- a. Expand our commercial activity and generate more income
- b. Improve the management of our built assets, improving value for money, income potential and maximising longevity
- c. Procure goods and services as efficiently and effectively as possible
- d. Modernise our policy and processes for allocating grants
- e. Make it as easy as possible for more people to help themselves by providing high quality information and advice through digital and self-help services
- f. Provide accessible, high quality, customer-focused, efficient and effective one-stop shop services for people who need our help and advice
- g. Support our staff to shift to agile, mobile and remote working, ensuring we make the best use of the skills and experience of all our staff

11.3 The Commercial Team will primarily focus on activity a (above), with some support given in activity b.

11.4 Appendix A of the Commercial Strategy list how commercial activity fits fully with the Corporate Plan, Exeter Vision and Liveable Exeter.

12. What risks are there and how can they be reduced?

12.1 Commercial activity will be reviewed and monitored on a monthly basis by the Commercial Team, in association with services leads. A full review will be provided to the Strategic Management Board every 6 months.

12.2 As part of the process in researching and developing commercial ideas, the Commercial Team will consult with services leads as listed with 4.2.

12.3 To determine if a commercial idea should be progressed, in consultation with internal Audit, an Evaluation Criteria has been developed.

12.4 The first stage (prior to business case) when developing commercial ideas will be completing the Evaluation Criteria below. Each area of activity will be assessed via the following:

Evaluation Criteria		
Number	Area of Activity	Score
1	Meets ECC Corporate Plan	Y / N
2	Meets Exeter Vision	Y / N
3	Meets our residents needs	Y / N
4	Meets our business needs	Y / N
5	Project meets carbon neutral targets	Y / N
6	Borrowing costs are covered each month	Y / N
7	Provides a surplus each month	Y / N
8	Overall Risk	H / M / L
9	Resources available (spare capacity)	H / M / L
10	Demand established	H / M / L

12.5 To determine if a project proceeds to business case and plan, and subsequently presented to the Strategic Management Board, the project should show positive results in the above areas of activity. If a commercial idea cannot meet all of the above, it is either withdrawn or significant adjustments are made.

12.7 Once a commercial idea passes the evaluation matrix, a business case and plan with full costings is developed and presented to the Strategic Management Board to review and authorise to continue.

13. Equality Act 2010 (The Act)

13.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

13.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

13.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

13.4 In recommending this proposal no immediate potential impact has been identified on people with protected characteristics as determined by the Act because: because

11.4.1 The report is for information only.

13.5 A copy of the EQIA for the Commercial Strategy is within Appendix 3.

14. Are there any other options?

14.1 There is the option of not developing commercial ideas into deliverable projects. This could result in lost income to the City Council and some services having to be scaled back or even being cut from the ones we deliver to our residents and business community.

14.2 It is recommended to continue with commercial activity. This will be reviewed in the run up to the funding coming to an end for the Commercial Manager post.

Dave Bartram
Director

Author: Victoria Hatfield, Growth & Commercialisation Manager

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

Contact for enquires:
Democratic Services (Committees)
Room 2.3
01392 265275

Appendix 1

Exeter City Council

Commercial Strategy

November 2019

Contents	Page Number
1. Executive Summary	3
2. Definitions and Scope	4
3. Strategic Context	5
4. Vision	7
5. Measuring & Monitoring Success	8 - 9
6. A Phased Approach	10
7. Planning	11
8. Implementation	12 - 13
9. Commercial Property Assets	14 - 15
10. Action Plan	16 - 18
11. Appendix	19 - 35

1. Executive Summary

The impact of budget cuts arising from reductions in central government funding has put increased pressure on revenue budgets and our ability to deliver services. In line with many other local authorities, Exeter City Council must either cut services or seek additional income from alternative sources to balance revenue accounts.

The City Council remains committed to delivering the best quality services to meet residents needs and where possible, their aspirations. Considerable time has been spent ensuring that services are delivered efficiently and effectively to provide best value, cutting services is a last resort.

Exeter City Council is committed to maximising the potential for commercialisation and income generation. Across the organisation there are a wide variety of services which have varying degrees of potential for commercialisation. Some services have already embarked on commercial activity such as Trade Waste, the Corporate Property Team has operated commercially for many years.

This strategy sets out our corporate approach to ensure that commercial operations return a level of income to cover the majority of running costs and to fill surplus capacity, but future commercial operations return a surplus. It also shows how commercial projects will be appropriately researched and planned, affording them the best opportunity to succeed and provide additional financial resources to the City Council.

Some commercial activity will address the recent declaration of a Climate Emergency, as well as focusing on the three strategic programmes that address the current, major challenges facing the city:

- Tackling congestion and accessibility
- Promoting active and healthy lifestyles
- Building great neighbourhoods

The name 'Exeter City Services' will be launched early 2020 to promote the wide range of services residents and businesses can purchase from the City Council. A range of marketing materials will be produced to promote these services, to generate cost recovery.

Key to the success of this strategy will be ensuring that those involved in its implementation have the appropriate skills and resources. To this end, the City Council has already undertaken a training programme for key officers and has set up a Commercial Team, led by an experienced commercial expert. Income achieved from commercial activity will be channelled back into delivering essential services, as this remains our key focus, commercialisation will be a mechanism to provide the best services we can.

2. Definitions and Scope

Commercial activity is defined as the provision of services or the supply of products that generate a surplus from a source that is external to the City Council, after all costs have been accounted for. All costs include:

- All operational costs, fixed and variable
- Any appropriate contributions to overheads
- Opportunity costs
- Investment recovery
- Depreciation and capital costs
- Any other costs expended as a result of undertaking that particular commercial activity

Commercial activity will be a phased approach, with the recovery of full costs to deliver a particular service area a priority in phase 1 and phase 2 to deliver a surplus from commercial activity.

The scope of the City Council's commercial activity will be within the immediate area and will not include the development of student accommodation on land or property owned by the City Council.

3. Strategic context

3.1 National Context

Following on from a period of significant recession, central government commenced a period of austerity in terms of public sector spending.

Local government has suffered a disproportionate level of spending reductions. Research by the Local Government Association demonstrates that core funding for local authorities has reduced by more than 40% over a period of 8 years, with some local authorities facing reductions of more than 50%.

Despite central government assurances, this period of austerity has not concluded and most sources predict that by 2021/22 local government will need to be self-sufficient of regular central government funding (revenue support grant).

Caps have also been imposed meaning that in real terms the income derived from council tax has also reduced. At the same time, resources have shrunk significantly and local authorities' statutory obligations have increased, as have community expectations.

The 'General Power of Competence', introduced through the Localism Act 2011, has however provided a catalyst for councils to become more entrepreneurial and commercial in their activities. This provides a mechanism to develop future sustainable funding, albeit that this may require significant changes to council's approaches, mind-set and staff skills and competences.

3.2 Local Context

The City Council Formula Grant (central government funding) has reduced by some 60% over the past 10 years. In real terms, this represents a reduction of £7.7million, as a result, the City Council have made significant savings over this period, with some services being stopped. If we continue delivering services in the same way as we do today, there will be a significant funding gap over the next five years, with additional services being reduced significantly or stopped.

There continues to be an on-going requirement to 'balance the books' each year, and this means we have to continue to reduce our costs, generate additional income and prioritise spending. We anticipate cost reductions of some £3.7m between 2020/21 and 2023/24, unless we are able to generate additional income from commercial activity. At the same time, we remain ambitious and continue to seek to deliver the needs of the community that we serve.

This commercial strategy has a key role for the City Council in delivering the council's vision, corporate plan and priorities, notwithstanding the ongoing external challenges that we face.

Exeter City Council provides in excess of 100 services to the local residential and business community, as well as visitors to the city. We will expand our commercial activity to ensure, that despite the financial challenges, we will remain able to deliver high quality services and deliver our corporate plan and the recently adopted Exeter Vision to ensure the city continues to grow.

A summary of links to local strategies is shown in Appendix A.

3.3 Legal Context

The legal context is complex both in terms of actual legislation and case law. We will operate within this legal framework, including considerations relating to State Aid Compliance, and the Public Sector Duty within the Equality Act 2010 and the Localism Act.

Legal guidance will be sought on each commercial project to ensure the City Council remains within the law, especially when we enter phase 2 of the Commercial Strategy when we start to make a surplus.

There are a number of delivery models available to the City Council when commercial activity delivers a surplus. These include:

- Direct delivery through existing services. This is the existing model of delivery for Commercial Waste and Corporate Property.
- The setting up of a commercial company (Local Authority Trading Company - LATCO). This would involve it becoming a separate legal entity with a board of directors and appropriate structure. This type of company would be liable for corporation tax.
- The setting up of a Teckal company, where this company is a joint venture with other public bodies, however its trading is limited to the partners involved.

As the City Council develops and expands its commercial activity, we will determine the best delivery model for each activity through the development of a business case for each commercial activity.

3.4 Income Generation and Cost Recovery

The City Council already has a comprehensive programme of fees and charges that recovers costs to deliver a range of services, from charges for events and admission fees to application fees and charges for services such as pest control, waste and car parking.

Income generation and cost recovery is defined as achieving income that either partially or fully recovers the costs of providing for a service but does not generate a surplus. Income generation and cost recovery will be a key part of the council's aim to be financially sustainable alongside this strategy and will be the focus of phase 1 activity.

4. Vision

The Vision of the Exeter City Council's Commercial Strategy is that:

Over the next five years we will develop sufficient commercial activity to generate a surplus that makes a significant positive contribution to the financial stability of the City Council

This vision, that service managers will be required to sign up to, will help the City Council deliver high quality services that meet residents and business needs, and where possible their aspirations.

In order to achieve commercial activity we will need to re-invest some of the surplus from commercial activities for items such as the promotion of commercial services (Exeter City Services), the purchase of any new plant and equipment or other resources as identified in business cases and plans to win new contracts.

For commercial activity and each business case, we aim to:

- Research and develop a business case for each new commercial activity
- Minimise the risk through a phased approach
- Continue to provide quality employment and pay the Living Wage
- Recover full costs to enable services to continue
- Increase commercial skills and engender an entrepreneurial approach across the City Council

5. Measuring and monitoring success

Essential to the continued success of commercial activities, will be the effective monitoring and review of each commercial activity. Activity will be reported to and monitored by the Senior Management Board on a 6 monthly basis to ensure the success of the City Council's commercial activity.

The following mechanisms will be put in place for each new commercial activity to monitor progress and to ensure success:

- Trading accounts for each commercial activity established that clearly show all costs associated with the delivery of the service or product - all operating costs, contribution to overheads, opportunity costs, gross and net surplus/loss and margins, all income, loan provision, depreciation and capital costs.
- Income and expenditure profiles for a minimum 3 year period that show projected surplus/loss and margins.
- As a minimum, all trading accounts will be updated and monitored on a monthly basis.
- Financial and operational performance will be monitored within the service and independently in accordance with Exeter City Council policies.
- Effective performance monitoring through the City Council's employee Growth & Development Reviews and day to day mechanisms to ensure optimum operational efficiency.
- To determine viability, a business case will be developed for each new commercial activity. As part of this process, there will be an internal audit process to decide whether or not to continue with a particular commercial activity. The following evaluation criteria has been developed:

Evaluation Criteria		
Number	Area of Activity	Score
1	Meets ECC Corporate Plan	Y / N
2	Meets Exeter Vision	Y / N
3	Meets our residents needs	Y / N
4	Meets our business needs	Y / N
5	Project meets carbon neutral targets	Y / N
6	Borrowing costs are covered each month	Y / N
7	Provides a surplus each month	Y / N
8	Overall Risk	H / M / L
9	Resources available (spare capacity)	H / M / L
10	Demand established	H / M / L

- Business cases will be reviewed as a minimum every year and earlier if the following circumstances occur:
 - There is a significant drop in income and/or the level of surplus
 - There is a significant (negative) change to the customer base
 - There is a significant change to the operational efficiency

- Through each business case, we will measure the success or otherwise of our commercial activity through the setting of specific targets in relation to:
 - The generation of income to recover costs
 - The generation of a surplus
 - % of local market growth
 - Reputation and customer satisfaction
 - Management of risk
 - Development of our staff in commercial activity
 - The value and number of new contracts won

- Any significant variances in performance to that projected will be referred to the Commercial Board who were appropriate may conclude any commercial activity.

6. A Phased Approach

The change required by a service driven organisation when entering the commercial field is significant and will be challenging. Whilst there are clearly some examples of successful commercial activity within the City Council, to undertake more extensive commercialisation successfully, will require a step change and a change in mind-set for some areas.

The building blocks for successful commercialisation are listed in Appendix C which need to be embedded into the City Council to ensure success. A phased approach will be undertaken.

The following stages summaries our approach to commercial activity:



7. Planning

To prepare ourselves for commercialisation the City Council have already:

- Recruited a Commercial Manager who will be responsible for the development of commercial activity and implementation of this strategy and in monitoring and managing commercial activity across the City Council. They will have a key role in developing the Commercialisation Working Group.
- We have prioritised commercialisation in our corporate plan and have created a corporate lead at Director and Manager Level.
- Appointed a consultant to assist in the development of this strategy and some initial audits, business cases and plans.
- Delivered commercial training to our Senior Management Team and a wide range of managers across the authority.
- Set up an arm's length company to deliver residential and commercial developments under the name, Exeter City Living. The company is 100% City Council owned with shareholder dividends returned to help balance council budgets and support front line service delivery.

In order to maximise the ability to recover costs and eventually a surplus, and to minimise risk, it will be essential to firstly test the business case for any commercial activity and secondly, to write a comprehensive business case and plan.

The purpose of these business cases will be to:

- Establish the viability, risks, management thereof and likelihood of success of generating a surplus
- Set out a clear implementation plan with SMART actions, monitoring and measurement mechanisms
- To enable the Senior Management Board to make informed decisions on proposed commercial activity and any financial commitment needed

Appendix D shows what each business case and plan will need to include.

7.1 Learning from others

There are a significant number of local authorities that have developed commercialisation to different degrees. We will seek to learn from others as we develop our own commercial activity.

Appendix E shows a list and a summary of some of these authorities.

8. Implementation

A Commercial Team has been set up to lead the commercialisation process on a day to day basis, they are seen as dedicated capacity within the City Council to research, develop and implement commercial business cases.

A small commercial working group of officers will be established to gather ideas from staff of all levels. This will be an open invitation to attend and held twice a year, the purpose is to discuss ideas and to bring these to reality.

In order to ensure that commercial decisions are made transparently, effectively and in a timely manner, business cases and plan will be reviewed and authorised by the Senior Management Board.

Once operating costs have been attributed, new income generated through commercial activity will be shared equally by both the service area and centrally, to incentivise officers and managers to be involved with developing ideas and bringing them to reality.

8.1 Managing Barriers and Risk

Commercial activity has inherent risks and we understand that not all commercial ventures will succeed. We will further develop a culture whereby risk is understood, taken where appropriate, monitored and managed effectively. We will encourage a learning culture where the lessons from any unsuccessful venture are transparent and empower development and future success.

A list of barriers and risks shall be maintained at service level and developed as part of the business case. This list will be reviewed regularly and appropriate action taken to mitigate risk factors and overcome barriers taken. Barriers and risks will be assessed both at the business case and planning stage and through annual reviews or more regularly where this is required.

Terms of Reference of what commercial activity is for the City Council sits alongside this strategy, to ensure consistency in decision making and what should be pursued.

To assist and speed up the delivery of commercial activity, the Commercial Team will project manage new ideas. This provides extra capacity to support service areas and bring ideas to reality. Service leads will be engaged throughout the whole process and once completed, projects will be handed back to service areas to continue to deliver the service, additional income or efficiency savings.

Risks and barriers will inevitably be specific to each activity; however general risks and barriers are identified in Appendix G.

8.2 Entering the commercial market

There are a number of ways in which the City Council can enter into the commercial market. As part of phase 1, business activity will be cost recovery rather than truly generating surplus. With the exception of Exeter City Living, we do not intend to set up a separate trading company to deliver commercial activity in Phase 1.

As commercial activity expands we will regularly review the delivery mechanism of each venture in line with financial predictions, to ensure we stay legally compliant. An options appraisal will be completed with advice from legal and finance to determine the correct delivery mechanism for commercial activity, if income provides a surplus (phase 2).

Individual business cases and plans could identify that the purchase of an existing business may be the best way to enter a specific or new market. The Commercial Team will ensure that the purchase of an existing business does not conflict with the City Council's vision, three strategic programmes and our climate emergency declaration.

Like all commercial activity, a business case will be developed when there is a proposal in buying an existing business. The business case will determine the benefit to the City Council, service delivery and future efficiencies in the decision making process.

8.3 Marketing

The City Council are developing our corporate Marketing Strategy, and commercial marketing will be a key priority of this. As we embark on commercial activity we will need to determine:

- Branding - commercial activity will be called 'Exeter City Services', promoting the wide range of City Council services that charge an income.
- Who are target customers are and how best to communicate with them.
- What our unique selling points and market advantages are and how best to market them in winning new contracts.

9. Commercial Property Assets

The City Council have a varied portfolio of property assets within the boundary of the city; we have different aims and objectives in relation to each of these assets that can be broadly categorised as:

Commercial	
Industrial	Income generation, capital growth, economic stimulus
Retail	Income generation, capital growth, economic stimulus
Leisure	Income generation, capital growth, supporting healthy lifestyles
Other commercial	Income generation, capital growth, economic stimulus
Other Property	
Operational property, including car parks	Supporting the provision of services, where appropriate capital growth
Community Assets	Supporting community activities
Surplus property	Awaiting disposal at the most economically advantageous point
Housing	Provision of social housing, income generation
Land	Income generation, capital growth, economic stimulus

The overall vision of the Commercial Property service is:

To maintain a portfolio of assets that enables the Council to perform excellently in the delivery of services and corporate plan objectives.

Property assets owned by the City Council are managed directly by the City Council.

A SWOT analysis is currently being developed as a part of completing an Asset Challenge on each property and a Strategy to develop a way forward. The development and implementation of the City Council's Asset Strategy will make a significant contribution to this commercialisation strategy, in cost recovery.

The City Council has committed to not building purpose built student accommodation on land we own, or to convert property we own. This type of development may be commercially viable, but we have committed to focus on residential accommodation and commercial build.

Key risks within this area are the potential decrease in asset value and revenue if there are economic shocks within Exeter, together with a current backlog of maintenance and in particular with operational assets to deliver services.

Current priorities managed by the Corporate Property team include:

- The regeneration of the Bus & Coach Station Site - CityPoint (underway)
- The release of city centre surface car parking sites for redevelopment
- The on-going Asset Challenge programme across the portfolio (underway, to be completed by autumn 2019 with actions to be picked up on thereafter)

- The revision of our Asset Management Strategy and implementation of emerging action plans (underway)

10. Action Plan

Exeter City Council Commercial Strategy

First Year Implementation Plan

The Short, Medium and Long term aims are set out in the table below.

Short Term Goals	Medium Term Goals	Long Term Goals
Organisational		
Draft Strategy to be adopted by Exeter City Council	Continue to look for income generating opportunities	Make a significant contribution to becoming become financially self sufficient
Develop an annual action plan that sets out specific targets for commercialisation	Continue to incrementally improve profits and increase commercial activity through implementation of annual business development plans	Continue to incrementally improve profits and increase commercial activity through implementation of annual business development plans
Review procurement rules and financial regulations to ensure that they are fit for purpose to enable lean and nimble decision making in the business ventures.	Draft a set of support contracts/frameworks which enable quick use of specialist contractors to help with commercial operations when required	Continue to fully comply with procurement regulations
Review procurement to identify potential commercial opportunities	Consider the provision of procurement support for external organisations and develop a USP of reducing external spend for clients	Reduce the amount of City Council budget spent externally
Set up Commercial Working Group to develop ideas	Research ideas put forward by officers and if viable, develop business case and business plan	Review Commercial Working Group
Develop the Commercial Manger role	Implement the role of the Commercial Manager as shown in the Commercial Strategy Commercial Manager to manage customers, increase sales and develop new business opportunities in line with the approved annual business plan	Review the role of the Commercial Manager 6 months prior funding coming to an end
Review the allocation of overheads to commercial activities	Reduce/stretch corporate support costs	Consider the provision of corporate support services on a commercial basis to other organisations
Review HR policies with consideration to further enable commercial activity	Update as appropriate job descriptions and person	Ensure HR policies and practices fully support commercialisation

	specifications to reflect commercial requirements	
Develop plans to gain quality and environmental standards where required	Gain ISO 9000/14000 or appropriate standards	Maintain quality and environmental standards
Further develop general commercial skills, initially prioritising the Commercial Board and Team	Further develop general commercial skills across the organisation	Embed commercial skills throughout the organisation
Commercial finance skills are developed and trading accounts set up	Business cases and plans contain appropriate detail and trading accounts are managed to facilitate profit	Commercial finance skills are embedded and support further commercial growth
Produce a plan to develop a commercially focussed workplace culture which recognises innovation and commercial achievement.	Implement the plan and align the required resources to enable successful delivery.	Embed a commercial culture across the organisation
Allocate funding and resources to empower commercialisation	Continue to make available funding for commercial opportunities where business cases are made	Continue to make available funding for commercial opportunities where business cases are made
Develop a mechanism in which commercial business cases and plan have been authorised	Review if the Senior Management Board is the most appropriate method	Review and adjust as required
Fully integrate IT systems to enable commercialisation	Develop further IT capacity to improve commercial success	Ensure IT systems enable on-going commercial success
Focussed Commercial Activity		
Complete the programme of service audits/reviews of those areas considered as the first tranche of commercial services. Use the review to identify strengths and weaknesses when measured against what we know about our competition and identify areas for commercial focus.	Review alternative services and develop a business case and business plan if commercially viable	Continue with service reviews and audits as required
Develop Business cases and plans for areas where the audits have identified sufficient potential for generating a surplus through commercialisation	Reinvest income to grow services and increase financial returns as business grows. Expand range of commercial services offered.	Continue with sustainable growth in line with business plans
Implement the business plan for commercial and trade waste	Develop commercial and trade waste subject to the operational and financial tipping points	Continue to develop commercial and trade waste as appropriate
Undertake efficiency reviews to ensure services are	Continue to monitor and manage efficiency to retain a competitive edge	Continue to monitor and manage efficiency to retain a competitive edge

sufficiently competitive for commercialisation to succeed		
Implement other business plans where a business case has been made (first tranche)	Expand business cases and plans and where appropriate implement them	Expand business cases and plans and where appropriate implement them
Risk		
Develop risk registers and management systems to understand and manage commercial risks	Continue to effectively manage risks and learn from results	Embed a culture of appropriately managed risk to maximise commercial opportunities
Commercial Board to monitor and review commercial activity	Annual review of KPI's	Annual review of KPI's
Commercial property		
Develop the commercial asset challenge programme	Implement the asset challenge programme	Achieve optimum returns from all of our assets
Develop City Council Asset Strategy	Implement the Asset Strategy	Achieve optimum returns from all of our assets
Increase income from our property portfolio	Continue to increase income from our property portfolio	Achieve optimum returns from all of our assets
Implement an effective disposal programme	Re-invest capital from disposal programme to achieve optimum returns	Continue to diversify our assets and achieve optimum returns
Marketing and customer care		
Develop branding and Corporate Identity with the Services and Communications and Marketing Team	Enhance and develop the brand to encompass new commercial opportunities	Continued brand development
Communications and Marketing to develop and agree a commercial marketing strategy with the Commercial Team and associated services	Implement the commercial marketing strategy. Targeted marketing campaigns as and when required	Commercialisation is embedded within marketing
Market research capacity and skills are developed	Market research supports the development of business cases	On-going market research supports commercialisation
Develop systems to record, monitor, manage and utilise customer satisfaction	Continue to monitor and manage customer satisfaction and develop customer relations	Utilise customer relations to expand commercialisation

These high level actions will be delivered through a comprehensive annual implementation plan.

Appendix A: Links to local strategies:

Our corporate plan focuses on five strategic priorities that address current major challenges facing the city:

- Tackling congestion and accessibility
 - o We will work with our partners to make Exeter a city where active travel is promoted and where transport is not a barrier to accessing education, jobs, services or social activities and where sustainable means of travel are safer, cheaper, quicker and more convenient than private car ownership
- Promoting active and healthy lifestyles
 - o We will strive to make Exeter the most active city in England with a high-quality and accessible built environment and green spaces that encourage active and healthy lifestyles in communities that support wellbeing and reduce social isolation
- Building great neighbourhoods
 - o We will strive to ensure that every resident has a home that is secure, affordable and healthy in a neighbourhood where local services support wellbeing and promote community cohesion
- Provide value-for-money services
 - o We will continue to improve the way we deliver services to meet residents' day-to-day needs recognising that financial constraints are placing a premium on efficient and customer-focused services.
- Leading a well-run council
 - o To run the council well and deliver our strategy we will ensure effective governance, accountable decision making and good management of our business, assets and people. We will continue to seek opportunities to add value by working in partnership with others

The 2040 Vision for Exeter states:

“By the time they are an adult, a child born in Exeter today will live in a city that is inclusive, healthy and sustainable – a city where the opportunities and benefits of prosperity are shared and all citizens are able to participate fully in the city’s economic, social, cultural and civic life.”

The vision has a number of themes of work, with priorities for each yet to be determined:

- o Innovative and analytical city
- o Healthy & inclusive
- o The most active city in the UK
- o Accessible world class education
- o Liveable and connected
- o A leading sustainable city

To deliver the vision and the Corporate Plan 2018 – 21 we will require sustainable financial resources. As we expand commercial activity, we will deliver appropriate programmes that will achieve an income to fund priorities and actions from the two documents above. Successful commercial activity may enable us to match fund external funding bids and increase the level of funding available to deliver the priorities of our community strategy.

To enable Exeter to meet its housing needs, “**Liveable Exeter - a transformational housing delivery programme**” was launched Spring 2019. This delivery programme has gained interest from central government, with support and guidance provided.

This programme highlights 8 transformational projects will be delivered across the city:

	Homes	Shops / Leisure / Sport (sqm)	Workspace (sqm)	Other / Educational (sqm)
Red Cow Village	664	1,638	3,966	-
Water Lane	1,567	4,115	6,397	-
Marsh Barton	5,544	-	-	-
East Gate	962	2,875	18,557	-
West Gate	617	2,341	33,110	-
South Gate	300	565	3,310	-
North Gate	308	11,993	-	-
Sandy Gate	1,050	17,000	59,000	54,000

This delivery plan is about ensuring that, as Exeter grows, its success is sustained. It highlights how a transformational housing delivery programme can be the means to bring major investment into the city and renew its infrastructure for the 21st century with the aim of improving people’s lives and wellbeing. It demonstrates the capacity for urban renewal and densification to also relieve pressures on the infrastructure and communities of the surrounding more rural districts and protect the setting of Exeter.

This context is important in that commercial opportunities to service new businesses and provide services to new residents will arise.

This commercial strategy will be delivered within the context of an exciting and ambitious **Greater Exeter Industrial Strategy – the engine for regional growth**. This strategy has been adopted by Exeter City Council, East Devon District Council, Mid Devon District Council and Teignbridge District Council.

Appendix B: A summary of service commercial audits

In order to set out the council's strategic approach for the next five years, it is important to understand where we currently are in relation to commercial activity.

Independent audits have been completed for the following areas:

- Trade Waste and recycling (including green waste)
- The MRF facility (Recycling facility)
- Cemeteries
- In sourcing potential for housing repairs and maintenance and the assisted gardens scheme
- Maintenance of hard surfaces (car parks etc.)
- Grounds maintenance and integrated estate management
- Pest control

These high level audits looked at:

- Whether current operations generate a true surplus
- Customer needs and the stability of the customer base
- Customer satisfaction, market advantages and the council's Unique selling points (USP)
- Efficiency of the operation and potential capacity
- The potential to extend commercial activity

The following audits are in progress:

- Electronic advertising
- Memorialisation
- Energy

General observations from all audits

- With most operations it was not possible to determine the surplus as trading accounts were not set up. In one case however (Commercial Waste, the trading account demonstrated that the operation generated a surplus).
- Comprehensive allocation of costs was not available in all service areas audited.
- Some areas of operation could not compete on price with the private sector and there was no evidence that there were sufficient market advantages and/or USP's that would make it likely potential customers would pay higher charges.

- Significant sums of money are being spent externally by the council, subject to efficiencies there is potential to retain this expenditure within the council, as such Procurement may play a key role.
- There is limited current capacity in most cases for commercial activity and as such business cases will need to identify the cost of additional resources.
- The council needs to concentrate on areas that are likely to generate the best level of surplus. In general terms blue collar services generate a lower surplus and often have higher risks associated with them.
- Some areas in order to commercialise need significant capital investment.
- Often customer satisfaction data was unavailable and there is no one point of call for commercial customers.
- The council has a number of market advantages/USP's in some areas.
- There is an absence of pricing strategies and marketing.

Trade Waste		
Potential areas for commercial activity	SWOT analysis summary	Business case development recommendation
Commercial waste and recycling collections	Existing service with good levels of satisfaction Costs are understood and identified within the service Current surplus/margin that is sustainable Capacity to expand exists in the service Market is expanding and current market share is relatively low No current marketing strategy Very limited capacity to market service and gain new customers Income target achievable if marketing is resourced	Yes
The MRF facility		

Potential areas for commercial activity	SWOT analysis summary	Business case development recommendation
Recycling services to other local authorities and commercial customers	Aging plant and equipment Increased levels of contamination Fluctuating recyclate market (generally reducing values) Significant cost of fire protection measures required Excellent reputation Capacity exists to increase recycling activity Market exists for expansion	Not at this stage Potential after refurbishment of the plant is completed
Cemeteries		
Potential areas for commercial activity	SWOT analysis summary	Business case development recommendation
Memorialisation Woodland scattering of ashes Provision of associated services, i.e. Funeral Director, Florist, Stone Mason, Wake facilities	Buildings in very poor condition Space is limited Recent memorialisation activity has increased income Unable to establish profit element Limited staff capacity exists Innovative memorialisation options in the industry exist, some requiring little space Significant USP with location Reputation is solid within the sector Burials market is likely to contract Opportunities may exist to purchase a Funeral Director	Yes - however only for Memorialisation and potential purchase of an associated business
In sourcing potential for housing repairs and maintenance and the assisted gardens scheme		
Potential areas for commercial activity	SWOT analysis summary	Business case development recommendation

<p>Housing repairs and maintenance including voids Delivery of an assisted gardens scheme Maintenance of housing estates</p>	<p>Service currently provided externally, contract due to conclude Unable to identify all unit costs Significant spend in excess of £15m over a 5 year period TUPE would apply to any in sourcing Potential to compile an in house bid when the contract terminates, or to have a soft market test to identify the level of efficiencies the council would require in order to compete The council current costs would not be competitive and as such efficiencies would need to be found Satisfaction and performance of the current contractor is variable</p>	<p>Yes however after a service review to identify efficiencies and a soft market test when the current contract concludes</p> <p>Need to consider contract management costs</p>
--	--	---

Maintenance of hard surfaces (car parks etc.)

Potential areas for commercial activity	SWOT analysis summary	Business case development recommendation
<p>Cleaning and weed control of car parks and commercial premises</p>	<p>Significant and expanding market Current very low market share Competitive market- relatively low wages in the sector Council costs are not currently competitive enough to compete within this market No customer satisfaction data was available No current capacity exists- new resources would be required</p>	<p>No</p>

Grounds maintenance and integrated estate management		
Potential areas for commercial activity	SWOT analysis summary	Business case development recommendation
<p>Assisted gardens Grounds maintenance Landscaping hard and soft Arboriculture Noxious and other weed control Development of site maintenance specifications and management plans</p>	<p>Competitive market Low rates of pay in the sector-relatively low value work, except landscaping and arboriculture and noxious weed control Anticipated capacity unavailable Potential to up-sell and expand the service in particular to commercial sites Initial projections demonstrate that efficiencies would be required for this proposal to be competitive and return a surplus</p>	<p>Yes - however a holistic approach would be required in terms of attracting the higher profit margin elements of the service to generate a profit and efficiencies would be required</p>
Pest Control		
Potential areas for commercial activity	SWOT analysis summary	Business case development recommendation
<p>Expansion of the service to Housing Expansion of commercial offering, offices, shops, food establishments etc. Provision of commercially priced services to private individuals</p>	<p>Strong reputation Staff ability and commitment Stable customer base Affordable, reliable Ecological practices Concessions affect margins Marketing capacity Staff vacancies, No customer feedback No single point of call Increasing commercial activity Implementation of new IT Expanding Housing Services Fluctuating income Changes to legislation</p>	<p>That a business case is developed and further market research undertaken</p>

Appendix C: The building blocks for successful commercialisation

- **Effectiveness and efficiency**

The first building block of successful commercialisation is ensuring that we operate effectively and efficiently. Without this in place we will be unable to compete within commercial markets. As such where required we will review services prior to embarking on commercial activity.

- **Flexibility**

Successful commercial organisations demonstrate a high level of flexibility in the way they operate and in particular their ability to maximise opportunities and minimise risk by expanding and contracting as the market dictates. Flexibility in terms of how they manage and what they expect from their staff is also key to success. We will review our HR policies and procedures and look at how we may be able to expand and contract whilst at the same time providing quality employment and stability to our workforce.

- **Skills**

Successful commercial organisations range from those that specialise in specific areas to those that provide a wide range of supplies and services. The skill levels required are diverse; however the following skills are particularly important to enable success in the commercial environment:

- Financial skills and in particular in relation to understanding fully costs, forecasting, tipping points and the management of trading accounts, an understanding of fixed and variable costs, marginal costs and cash flow. These skills are in some cases different than those required currently by the council and as such we will develop a further programme of developing commercially focussed financial skills.
 - Marketing skills and in particular those required to undertake commercial research and fully understand how the market within which the council intends to operate works, how best to enter that market and what would differentiate them from other competitors within the market. Also key will be to fully understand how potential customers behave and make their purchasing decisions and how best to communicate with them. We will implement a further programme of developing commercially focussed marketing skills.
- **Capacity**

We will assess the capacity that we have to develop comprehensive business cases and plans and then to implement them effectively.

Support services will need to be able to provide bespoke support, from the setting up and managing of trading accounts to the provision of legal and HR support, the capacity to enable expansion where there is a business case to do so will need to be in place. Stretching our current resources will be key to ensuring that commercial ventures are not held back by support costs.

Operationally we will need to also stretch our capacity and understand our tipping points whereby we will need to engage further resources.

- **Entrepreneurial culture**

We will embed a culture that encourages an entrepreneurial approach.

- **Risk management**

Commercial activity is by its nature intermittently risky, the appetite and mechanisms to manage risk within a commercial environment will be reviewed. Comprehensive business cases and plans will be key to identifying and managing risk.

- **Decision making, focus and control**

Successful commercial organisations are able to make decisions quickly in order to respond to market conditions. We will consider how we can make decisions that remain effective but that are timely enough to maximise opportunities, respond to our customers and manage operations and risks. In order for commercialisation to succeed we will need to have staff that are able to focus on this with the appropriate level of capacity and skills. Whilst as a public body transparency will remain a key objective, commercial sensitivity and where appropriate confidentiality will be required. The establishment of a Commercial Board will be key to our success.

- **Funding/Resources**

We will need to ensure that commercialisation is appropriately funded and resourced. This will require staff with the appropriate expertise and capacity and/or the use of external advice and consultancy.

An investment fund to enable commercialisation will also be established so that we are able to take commercial opportunities (subject to a convincing business case).

- **Financial processes and overheads**

We will set up trading accounts to separate commercial activity so that a surplus and/or losses may be clearly apparent and forecasts are specific to trading activities.

We will also consider carefully how we allocate and account for our overheads

- **Departments/Multi tasking**

A characteristic of a successful commercial organisation is that their staff are empowered to work across a number of disciplines. Commercial managers are generally more self sufficient in areas such as Human Resources and Finance. Appropriate levels of training and policies that define when support is required will be developed in order that decisions are timelier and overheads are reduced

- **Service driven/surplus driven culture**

The balance between delivering community services that will remain our primary focus and the delivery of commercial activity will need to be achieved.

Transparency through trading accounts and where appropriate the separation of commercial and service operations will be considered.

We will set up a process to consider and resolve any potential conflicts of interest from commercial activity.

Appendix D: What business cases and plans will need to include:

All business cases shall include:

- Evidence that the proposed activity is legal in terms of the restraints of local authority activities
- Evidence that the proposal fits in with the strategic aims and objectives and appropriate restraints of the council. Any potential conflicts with these aims and objectives will be identified and the case made for how conflicts will be mitigated and on balance the proposed activity should proceed
- Evidence that there is a commercial case for the proposed activity and in particular the following:
 - A) What the product and/or service is that you intend to sell
 - B) That there is a market for the services and/or product
 - C) That the potential customers are likely to be willing to pay the charges required to generate a surplus
 - D) The financial tipping points are identified and it is realistic that a surplus will be generated
 - E) A general understanding of the competition and the market is shown and this will not prevent a surplus from being generated
 - F) Market advantages and/or USP's are identified or other rationale provided as to why customers may chose the council to trade with
- There is a proven financial argument that demonstrates
 - A) All costs are accounted for
 - a. All operational costs, fixed and variable
 - b. Any appropriate contributions to overheads
 - c. Opportunity costs
 - d. Investment recovery
 - e. Depreciation and capital costs
 - f. Any other costs expended as a result of undertaking that particular commercial activity
 - B) Income projections are robust, realistic and based upon appropriate research
 - C) Cash flow projections demonstrate the feasibility of the proposal without significant call upon reserves
 - D) The financial tipping points are identified
 - E) A surplus is likely to be generated when all costs have been considered
- The operational requirements are identified in full and accounted for in the financial argument (case)

- The operational case will include
 - A) The manner in which you will enter the market
 - B) Both resources and skills are clearly identified together with the mechanisms for ensuring they are in place
 - C) The operational tipping point where additional resources will be required is clearly identified
- Risks will be identified and assessed and appropriate action to mitigate risk will minimise it

Business plans shall include:

- An options appraisal that determines the delivery mode and how the market will be entered
- What resources you already have, what you need and what are the gaps.
- How the resource requirements will be obtained
- The approach to marketing
- How the activity will be managed
- Any gaps in information and how these gaps will be filled
- Targets and projections
- A SMART action plan that includes all of the above and any other pertinent details

Appendix E: Learning from others

Other local authority examples of commercialisation

Sevenoaks Council- highly developed commercialisation in particular in relation to property assets and energy. The council states it is now self sufficient from core government funding with commercial activity playing a major role in this achievement.

Basingstoke Council – Have a commercial property portfolio which delivers an income. A proportion of its portfolio is on long leases. They are not expanding the portfolio and have owned it for many years. Identifying commercial partners to re-develop a major business park and leisure park. Have earmarked further money to invest and looking for competitive return. Early look at PRS but must be balanced with affordable housing.

Oxford City Council – Employ a large manual workforce and are actively in the markets of transport, grounds maintenance, construction and highways providing services to other local organisations, institutions and residents. Achieving an income stream that makes a significant contribution to overheads.

Cherwell Council – Set up a confederated model across 3 councils to separate who delivers what and to identify what to put under separate vehicles, following a series of service reviews. Have created an I-Lab incubation unit to identify what new services they could sell and to help them prepare business plans and launch.

Luton Borough Council – Single trading company selling a range of Council services including safeguarding training, road planning etc. Directors comprised of Council officers. Trading Building Technical Services as a trading account within Council. Luton Trading Services also operates as a trading account and provides debt collection to other LAs.

Aylesbury Vale – Have developed new business models for how their services will be delivered using a ‘business canvas’ planning tool. Aim is for services to come as close as possible to cost neutral by focusing on both cost (service design) and income.

Runnymede – A loan from the Public Works Loan Board secured for the regeneration of Addlestone Town Centre (previously been debt-free). The scheme includes a multi storey car park, hotel, cinema complex, 24 hour gym, small supermarket and numerous food and beverage outlets. The development also provides homes, some of which will be rented at affordable rents or shared ownership (part rent, part buy). Contributes to the regeneration of the town centre and also a significant source of income for the Council.

LB Camden – Let a contract with a number of other Councils for the letting of a Wireless Concession Contract. Users get 30 mins fee access every day for each device the use. Helps provide businesses with free access and also encourages visitor numbers and local trade. Approach has been replicated in Harrow.

Peterborough City Council – Have launched a series of energy schemes to generate renewable energy and reduce energy consumption. Energy performance contract set up with Honeywell Solutions delivering guaranteed energy efficiency for non domestic properties. A separate partnership with British Gas will also invest in reducing energy consumption across many homes.

Eastleigh Borough Council – They have actively been pursuing the acquisition of a range of property assets which generate a high investment yield. By 2015, expenditure will have increased and includes a range of assets. Council owned assets have risen considerably.

Cheshire East – Has established a set of companies to trade with the local Council and to identify potential new clients. A charitable trust has been set up to deliver leisure services and 900 staff has been transferred including staff in a range of back office / support functions. Also examining a range of energy projects in partnership with registered housing providers.

Wychavon - Also investing recently in commercial property. Recent investment in development of a new supermarket which delivers a competitive rate of return. Investment can only be in the District.

Portsmouth – Launched a new Income Generation work stream to develop ideas from across the council. Most lucrative opportunities have been from advertising and sponsorship.

Braintree – Three work streams to improve commercialisation: ‘Better at Business’, ‘Investment Strategy’, and ‘Economic Development’. Investment in commercial property, in equity and property funds, housing and solar schemes. Commercial premises reserve. Winning back market share in e.g. trade waste.

Nottingham city Council-have a well developed commercial portfolio within parks that includes operational activity and the construction of a garden centre

A number of other authorities have developed commercialisation strategies or are in the process of doing so, these include

Copeland Council

West Lindsey Council

Harrow Council

The Association of Public Service Excellence has a national commercialisation network that hold networking events and seminars

Appendix G: Commercialisation Risk Register

Risk/Barrier	Impact	Likelihood	Mitigation measures
Staff resistance	High	Low	Engagement and communication Union consultation
Lack of Skills and capacity	High	Medium	Training and development Commercialisation Team Engagement of external support where appropriate Learning from other authorities
Lack of resource requirements	High	Medium	Capital and revenue funding allocation Resource allocation via Commercial Board Business cases and plans
Competition	High	High	Market research and marketing Business cases and plans
Operational failure/Financial loss	High	Medium	Business plans Monitoring and management mechanisms Staff development
Conflicts of interest	Medium	Low	Strategic approach Business cases
Reputation	High	Medium	Communication Business plans Monitoring and management mechanisms Staff development
Inability to change culture	High	Medium	Strategic approach Communication Staff and Member development
Speed and effectiveness of decision making	High	Medium	Commercial team and Board

Appendix 2

DRAFT

Exeter City Council Commercial Activity TERMS OF REFERENCE November 2019

1. Background and purpose

The impact of budget cuts arising from reductions in central government funding has put increased pressure on budgets and our ability to deliver services. In line with many other local authorities, Exeter City Council must either cut services or seek additional income from alternative sources to balance revenue accounts.

The City Council remains committed to delivering the best quality services to meet residents needs and where possible, their aspirations. Considerable time has been spent ensuring that services are delivered efficiently and effectively to provide best value, cutting services is a last resort.

Exeter City Council is committed to maximising the potential for commercialisation and income generation. Across the organisation there are a wide variety of services which have varying degrees of potential for commercialisation.

Commercial activity will focus on increasing new expenditure from external sources, to assist with future budget savings to enable vital services to continue being delivered.

2. Structure

The Commercial Team is designed to support the City Council's drive to deliver the vision and the Corporate Plan 2018 – 21. To achieve this the City Council will require sustainable financial resources. As the City Council expands its commercial activity, the Commercial Team will deliver appropriate activity. This activity will achieve an income to fund priorities and actions as set out in the Commercialisation Strategy.

The Commercial Team will identify areas within the City Council which have the potential to be commercialised. The Team will then undertake a viability audit and if it passes, prepare a business case and business plan for this area which will then be reviewed by the Senior Management Board.

Commercial Team

As of November 2019, the Commercial Team is made up of two members of staff, the Commercial Manager and the Growth & Commercialisation Manager.

It is the role and responsibility of the Commercial Team to:

- Provide additional capacity, support and advice to service areas to develop commercial activity
- Research commercial opportunities
- Develop Business Cases and Plans for the Senior Management Board to review and authorise
- Work with service areas to implement Business Cases and Plans
- Retain, monitor and review the corporate commercial risk register
- Monitor commercial success and report to the Senior Management Board
- Liaise with the Procurement Team/Lead to review corporate spend to identify commercial opportunities and ensure adherence with procurement legislation
- Assist in achieving cultural change
- Learn from other authorities and utilise this for continuous improvement
- Ensure that City Council staff involved in commercial activity have the appropriate level of skills to proceed with commercial activity

Commercial Working Group

An informal Commercial Working Group will be established to discuss and develop commercial ideas and activity. They will meet approx. once every 4 months and will consist of service leads and officers with an interest in developing commercial activity. The working group will also share best practice and knowledge.

Senior Management Board

Commercial business cases and plans will be presented to the Senior Management Board, by the Director responsible for commercial activity. Implementation of commercial activity will not start until the business case and plan has been reviewed and approved by the Senior Management Board. The Senior Management Board will receive an update on commercial activity every 6 months.

If additional budget is required to deliver commercial activity, the Senior Management Board will approve the allocation of funds from the Transformational budget and if new external expenditure is required, make a recommendation to Council to approve new expenditure on commercial activity.

Implementation of all commercial activities will not occur until the business case and plan have been reviewed and approved by the Commercial Board.

Any decision made by the Senior Management Board shall be by way of a majority vote. Whilst not binding on the Council this vote shall be considered as the final decision on a matter.

If aggrieved by the decision of the Senior Management Board, the Commercial Team and/or the officer from the proposed commercialised area may seek a review of their decision.

3. Commercial Activity

The scope of the City Council's commercial activity will be within the immediate area and will not include the development of student accommodation on land or property owned by the City Council.

Income generation and cost recovery will be a key part of the City Council's commercial activity and will be the focus of phase 1 activity.

Once Phase 1 has been delivered (in achieving enough income for full cost recovery), Phase 2 will be activated. Phase 2 will focus on delivering a surplus from commercial activity. A suitable delivery model will be investigated with Legal to ensure the City Council's activities remain legal and compliant.

As part of the process in researching and developing commercial ideas, the Commercial Team will consult with services leads in Legal, Finance & Procurement, Executive Support, Audit and Corporate Property.

Stage One

The first stage (prior to business case) when developing commercial ideas will be completing the Evaluation Criteria below. Each area of activity will be assessed via the following:

Evaluation Criteria		
Number	Area of Activity	Score
1	Meets ECC Corporate Plan	Y / N

2	Meets Exeter Vision	Y / N
3	Meets our residents needs	Y / N
4	Meets our business needs	Y / N
5	Project meets carbon neutral targets	Y / N
6	Borrowing costs are covered each month	Y / N
7	Provides a surplus each month	Y / N
8	Overall Risk	H / M / L
9	Resources available (spare capacity)	H / M / L
10	Demand established	H / M / L

To determine if a project proceeds to business case and plan, and subsequently presented to the Senior Management Board, the project should show positive results in the above areas of activity. If a commercial idea cannot meet all of the above, it is either withdrawn or significant adjustments are made.

Stage Two

Once a commercial idea passes the evaluation criteria, a business case and plan with full costings is developed and presented to the Senior Management Board to review and authorise to continue.

Appendix 3

Equality Impact Assessment: *Title of report*

The Equality Act 2010 includes a general duty which requires public authorities, in the exercise of their functions, to have due regard to the need to:

- **Eliminate discrimination**, harassment and victimisation and any other conduct that is prohibited by or under the Act.
- **Advance equality of opportunity** between people who share a relevant protected characteristic and people who do not share it.
- **Foster good relations** between people who share a relevant protected characteristic and those who do not

In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

Authorities which fail to carry out equality impact assessments risk making poor and unfair decisions which may discriminate against particular groups and worsen inequality.

Committee name and date:	Report Title	Decisions being recommended:	People with protected characteristics potentially impacted by the decisions to be made:
Executive	Commercial Strategy	<p>To recommend adopting the Exeter City Council Commercial Strategy</p> <p>To recommend that business cases are presented to the Strategic Management Board (SMB) to determine if a</p>	In relation to the strategy, none.

		commercial project to continues	
--	--	---------------------------------	--

Factors to consider in the assessment: For each of the groups below, an assessment has been made on whether the proposed decision will have a **positive, negative or neutral impact**. This is must be noted in the table below alongside brief details of why this conclusion has been reached and notes of any mitigation proposed. Where the impact is negative, a **high, medium or low assessment** is given. The assessment rates the impact of the policy based on the current situation (i.e. disregarding any actions planned to be carried out in future).

High impact – a significant potential impact, risk of exposure, history of complaints, no mitigating measures in place etc.

Medium impact –some potential impact exists, some mitigating measures are in place, poor evidence

Low impact – almost no relevancy to the process, e.g. an area that is very much legislation led and where the Council has very little discretion

Protected characteristic/ area of interest	Positive or Negative Impact	High, Medium or Low Impact	Reason
Race and ethnicity (including Gypsies and Travellers; migrant workers; asylum seekers).	Neutral	Low	The Commercial team will ensure the strategy and each commercial proposal does not discriminate against this characteristic.
Disability: as defined by the Equality Act – a person has a disability if they have a physical or mental impairment that has a substantial and long-term adverse impact on their ability to carry out normal day-to-day activities.	Neutral	Low	The Commercial team will ensure the strategy and each commercial proposal does not discriminate against this characteristic.
Sex/Gender	Neutral	Low	The Commercial team will ensure the strategy and each commercial proposal does not discriminate against this characteristic.
Gender reassignment	Neutral	Low	The Commercial team will ensure the strategy and each commercial proposal does not discriminate against this characteristic.
Religion and belief (includes no belief, some philosophical beliefs such	Neutral	Low	The Commercial team will ensure the strategy and each commercial proposal does not discriminate against this characteristic.

as Buddhism and sects within religions).			
Sexual orientation (including heterosexual, lesbian, gay, bisexual).	Neutral	Low	The Commercial team will ensure the strategy and each commercial proposal does not discriminate against this characteristic.
Age (children and young people aged 0-24; adults aged 25-50; younger older people aged 51-75/80; older people 81+; frail older people; people living with age related conditions. The age categories are for illustration only as overriding consideration should be given to needs).	Neutral	Low	The Commercial team will ensure the strategy and each commercial proposal does not discriminate against this characteristic.
Pregnancy and maternity including new and breast feeding mothers	Neutral	Low	The Commercial team will ensure the strategy and each commercial proposal does not discriminate against this characteristic.
Marriage and civil partnership status	Neutral	Low	The Commercial team will ensure the strategy and each commercial proposal does not discriminate against this characteristic.
<p><u>Actions identified that will mitigate any negative impacts and/or promote inclusion</u></p> <ul style="list-style-type: none"> • For each commercial project that is presented to the Commercial Board, an EQIA will be undertaken to ensure no project discriminates against any characteristic. • The Commercial Team will consult with the Policy team on each commercial project presented to the Commercial Board. 			

Officer: Victoria Hatfield

Date: 21 October 2019

REPORT TO EXECUTIVE

Date of Meeting: 14 January 2020

REPORT TO COUNCIL

Date of Meeting: 21 January 2020

Report of: Waterways, Parking and Enforcement Service Manager
Title: Environmental Enforcement Pilot Scheme Results and Future Options

Is this a Key Decision? *

No

**One that affects finances over £1m or significantly affects two or more wards. If this is a key decision then the item must be on the appropriate forward plan of key decisions.*

Is this an Executive or Council Function?

Council

1. What is the report about?

To provide a summary of the results from the recent year-long environmental enforcement pilot project.

To explore options available for a more permanent enforcement solution.

2. Recommendations:

Executive recommend to Council approval of the following:-

- 2.1 To recruit to an additional Civil Enforcement Officer (Response) post (1 x FTE) at Grade F).
- 2.2 To involve the existing Civil Enforcement Officer (Response) team (3 x FTEs) in environmental enforcement work alongside their existing duties.

3. Reasons for the recommendations:

- 3.1 To provide a flexible enforcement resource that is able to undertake not just environmental enforcement but also take action on parking, illegal camping and dog issues.

4. What are the resource implications including non financial resources.

- 4.1 The salary for this post is expected to be funded by Fixed Penalty Notice income based on the findings of the pilot scheme.
- 4.2 Although there is likely to be an additional income associated with undertaking enforcement work the ultimate aim is to ensure compliance rather than deliver income.

5. Section 151 Officer comments:

5.1 The expectation is that the cost of the additional post will be covered by income generated from fines. The budget will reflect this, if approved. This will be monitored throughout the year and any variation reported to management for corrective action to be taken.

6. What are the legal aspects?

6.1 Councils have the power to issue Fixed Penalties under the Environmental Protection Act 1990.

7. Monitoring Officer's comments:

7.1 Any issues of concern will be raised at the meeting.

8. Report Details:

8.1 During 2018/19 an external provider has undertaken environmental enforcement on behalf of the Council.

8.2 This was done on a twelve month pilot scheme basis (ending in September 2019) with the Council paying nothing for the service but the provider keeping income from Fixed Penalty Notices (FPNs) issued.

8.3 The provider deployed two full time staff across five days per week.

8.4 Their patrols were focused around the city centre and the officers provided additional value 'on the ground' by liaising closely with both CCTV and Exeter Business Against Crime (EBAC) staff.

8.5 Any complaints about the service were dealt with by the provider and none were subsequently escalated to the Council to review.

8.6 A total of 1,557 FPNs were issued, resulting in the collection of £82,700 to date.

8.7 The overwhelming majority of FPNs were issued to people throwing down cigarette butts:-

Cigarette butts	1,525
Litter	15
Spitting	14
Chewing Gum	3

8.8 The vast majority of FPNs were issued in the High Street:-

High Street	1,125
Sidwell Street	135
Queen Street	85

8.9 Street Cleansing Management were able to identify an improvement in the city centre environment. However, this improvement was not to a level which enabled a reduction in city centre resource to then allow redeployment of cleansing staff to other areas.

8.10 Only thirteen people received an FPN on more than one occasion, indicating that receiving an FPN did alter future behaviour for the vast majority.

9. How does the decision contribute to the Council's Corporate Plan?

9.1 Environmental enforcement contributes towards providing value for money services by helping reduce unnecessary demand on front-line cleansing staff.

10. What risks are there and how can they be reduced?

10.1 Potential risk to reputation if enforcement is perceived to be disproportionate or heavy-handed.

10.2 Staff involved will be fully trained and complaints dealt with in a fair and consistent manner via existing procedures.

10.3 Improvement in compliance, or additional duties being expected of the role, could lead to the post not being self-funded through FPN income.

11. Equality Act 2010 (The Act)

11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

11.4 In recommending this proposal potential impact has been identified on people with protected characteristics as determined by the Act and an Equalities Impact Assessment has been included in the background papers for Member's attention.

12. Are there any other options?

12.1 Appoint an external provider on a fixed term basis via the Council's tender and procurement process.

12.2 Decide not to provide any on-going environmental enforcement or deterrent, as has been the case since 2012.

David Bartram
Director

Author: Steve Carnell

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

Contact for enquires:

Democratic Services (Committees)
Room 2.3
01392 265275

Equality Impact Assessment: *Environmental Enforcement Results & Options*

The Equality Act 2010 includes a general duty which requires public authorities, in the exercise of their functions, to have due regard to the need to:

- **Eliminate discrimination**, harassment and victimisation and any other conduct that is prohibited by or under the Act.
- **Advance equality of opportunity** between people who share a relevant protected characteristic and people who do not share it.
- **Foster good relations** between people who share a relevant protected characteristic and those who do not

In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

Authorities which fail to carry out equality impact assessments risk making poor and unfair decisions which may discriminate against particular groups and worsen inequality.

Committee name and date:	Report Title	Decisions being recommended:	People with protected characteristics potentially impacted by the decisions to be made:
Executive 14/01/2020	Environmental Enforcement Results and Option	Providing in-house enforcement	Race & ethnicity (in instances where language could be a barrier to understanding an individual's responsibility not to litter etc)

Factors to consider in the assessment: For each of the groups below, an assessment has been made on whether the proposed decision will have a **positive, negative or neutral impact**. This is must be noted in the table below alongside brief details of why this

conclusion has been reached and notes of any mitigation proposed. Where the impact is negative, a **high, medium or low assessment** is given. The assessment rates the impact of the policy based on the current situation (i.e. disregarding any actions planned to be carried out in future).

High impact – a significant potential impact, risk of exposure, history of complaints, no mitigating measures in place etc.

Medium impact – some potential impact exists, some mitigating measures are in place, poor evidence

Low impact – almost no relevancy to the process, e.g. an area that is very much legislation led and where the Council has very little discretion

Protected characteristic/ area of interest	Positive or Negative Impact	High, Medium or Low Impact	Reason
Race and ethnicity (including Gypsies and Travellers; migrant workers; asylum seekers).	Negative	Medium	Potential for people with poor/no English not understanding regulations around littering and therefore receiving a fixed penalty notice
Disability: as defined by the Equality Act – a person has a disability if they have a physical or mental impairment that has a substantial and long-term adverse impact on their ability to carry out normal day-to-day activities.			
Sex/Gender			
Gender reassignment			
Religion and belief (includes no belief, some philosophical beliefs such as Buddhism and sects within religions).			
Sexual orientation (including heterosexual, lesbian, gay, bisexual).			
Age (children and young people aged 0-24; adults aged 25-50; younger older people aged 51-75/80; older people 81+; frail older people; people living with age related conditions. The			

age categories are for illustration only as overriding consideration should be given to needs).			
Pregnancy and maternity including new and breast feeding mothers			
Marriage and civil partnership status			
<p><u>Actions identified that will mitigate any negative impacts and/or promote inclusion</u></p> <ul style="list-style-type: none"> • Use of visuals/graphics on any signage/educational literature • Enforcement Officers taking language barrier into consideration when considering whether someone has deliberately littered 			

Officer: Steve Carnell
Date: 09/12/2019

This page is intentionally left blank

REPORT TO: EXECUTIVE COMMITTEE
Date of Meeting: January 14th 2020

REPORT TO: FULL COUNCIL
Date of Meeting: January 21st 2020

Report of: Director, Environment and City Management
Title: Flood Protection Schemes 2019 - 2022

Is this a Key Decision?

Yes

* One that affects finances over £1m or significantly affects two or more wards. If this is a key decision then the item must be on the appropriate forward plan of key decisions

Is this an Executive or Council Function?

Council

1. What is the report about?

1.1 Seeking approval for funding contributions to deliver flood protection schemes at the following locations:

1. Northbrook Flood Protection Scheme (Delivery by Devon County Council).
2. Topsham Ferry Road & The Strand Flood Protection Scheme.
3. Topsham Bowling Green Marsh Embankment Repairs

2. Recommendations:

That Executive:

- 2.1 Recommends to Council the contribution of £100,000 towards the £970,000 Northbrook Flood Scheme currently being delivered by Devon County Council.
- 2.2 Recommends to Council the estimated £800,000 budget for the delivery of the Topsham Ferry Road & Strand Flood protection scheme, of which £80,000 would be made up of ECC capital spend and the remainder would comprise contributions from other parties (primarily Environment Agency and Devon County Council).
- 2.3 Recommends to Council the estimated £500,000 budget towards the Bowling Green Marsh Embankment Repairs. These costs will be recoverable from the Environment Agency throughout the project.

3. Reasons for the recommendation:

The proposed flood schemes will protect ECC council housing stock and ECC land.

- 3.1 The proposed flood schemes will improve the resilience of communities and legally protected habitats to future climate change.
- 3.2 The Partnership Funding approach used means that ECC's contribution will unlock substantial extra funding in the form of grants from Devon CC and the Environment Agency.

4. What are the resource implications including non financial resources.

Financial Resources

- 4.1 As a Risk Management Authority ECC can access grants from the Environment Agency and Devon CC to support the delivery of flood schemes, subject to making contributions towards the scheme, as part of a partnership funding approach.
- 4.2 ECC had previously approved a budget of £500k for the Northbrook flood scheme in February 2013. Following transfer of project delivery to Devon CC, the requested contribution is £100k, some 20% of the previously approved budget.
- 4.3 For the Topsham Flood Scheme, a financial contribution of £80k is requested from ECC. ECC's contributions have been set at around £1k per property, similar to the level of contribution made to the River Exe flood alleviation scheme delivered by the Environment Agency.
- 4.4 Bowling Green Marsh is a special case, whereby there is a legal driver for carrying out the works meaning that the Environment Agency's grant scheme should pay for all of the works. The only financial contributions being made to this project are early-stage costs to engage a contractor to support the design and planning of the project due to the specialist nature of the work. This cost can be recovered from the Environment Agency at a later stage of the project.
- 4.5 The table below provides a summary of the project budgets and capital contributions requested from the Council.

Project	Total Project Value	Spend Profile			
		FY	ECC capital contribution	Contribution from others	Total
Northbrook Flood Scheme (DCC led)	£970k	19 - 20	£100k	£870k	£970k
		20 - 21	-		
Topsham Flood Protection Scheme	£800k	19-20	£ -	£100k	£ 100k
		20-21	£80k	£620k	£700k
Bowling Green Marsh	£500k	19-20	£ 20k	£ -	£20k
		20-21	£ -20k *	£180k	£160k
		21-22	£ -	£160k	£160k
		22-23	£ -	£160k	£160k

* ECC has existing budget committed for works in 19-20. It is expected that the EA will refund this spend in FY 20-21 once they have approved the project to proceed.

Non-Financial Resources

- 4.6 As the Topsham and Bowling Green Marsh projects would be managed by ECC, we will be the project budget-holders and so require approval to spend the total budget values shown above. The grants process means that we are able to request external funding in advance of spending on a quarterly basis, so we do not anticipate a need to borrow additional capital funds in excess of the contributions set out above.
- 4.7 Both ECC-led projects will be managed by a member of the engineering team, and time spent on the projects will be recharged to the capital projects.

- 4.8 The Topsham Flood Protection Scheme is likely to take up 1 – 2 days per week of a City Council engineer's time through the construction phases (currently scheduled for Spring and Autumn 2020), with design and construction works delivered by Environment Agency framework contractors. Following completion, an ECC officer from the engineering department will attend an annual flood exercise, with a total time demand of around 4 hours per year.
- 4.9 The Bowling Green Marsh Scheme is likely to take up 1 – 2 days per week of City Council engineer's time through the construction phases (currently scheduled for April – September in consecutive years 2020,2021 and 2022), with design and construction works delivered by Environment Agency framework contractors.
- 4.10 It is anticipated that the two projects can be delivered within existing staffing arrangements.

5. Section 151 Officer comments:

- 5.1 If approved the budgets will be added to the capital programme. The £180,000 cost to the Council will be funded from borrowing and will add approximately £9,500 per annum to the General Fund budget.

6. What are the legal aspects?

See Monitoring Officers comments.

7. Monitoring Officer's comments:

Any issues of concern will be raised at the meeting.

8. Report details:

Northbrook Flood Protection Scheme

- 8.1 The flood scheme is being delivered by Devon County Council, and will reduce flood risk to 55 homes at risk of flooding around Guinevere Way and George's Close. A number of these properties are ECC council houses.
- 8.2 At Executive and Full Council in February 2013, a contribution of £500,000 over two years (£200,000 in FY 13/14 and £300,000 in FY 14/15) from borrowing was agreed to support ECC in the delivery of the flood scheme. However, this was removed from the budgets as a saving in 2016 due to project commencement delays. The project is now being led by Devon CC, and has commenced on site with Phase 1 nearing completion and Phase 2 entering planning, and a contribution of £100,000 is now requested from Exeter City Council.
- 8.3 If the contributions is not granted, we would be renegeing on a previously agreed commitment and as such would run the risk of severely damaging our reputation with key funding partners (Devon CC and Environment Agency) which may limit our ability to access grant funds for flood risk and environmental management projects in the future. It is also likely that this would result in the whole scheme not being fully delivered, which would leave council housing at risk of increased flooding as a result of climate change.

Topsham Ferry Road & The Strand Flood Protections Scheme

- 8.4 This scheme will reduce flood risk to Ferry Road and The Strand, and provide property-level flood protection to 64 homes and 15 businesses at risk of flooding from high tides and waves, of the likes seen in February 2014.
- 8.5 Whilst ECC has no statutory duty to protect properties against flooding, we currently deliver sandbags to Topsham in anticipation of high tides or strong winds to help reduce flood risk to property. This is not a sustainable or effective means of managing flood risk in the long term, and is paid for from existing revenue budgets. We would prefer for the community to be able to deploy its own defences, and the proposal will facilitate the operation by residents and by the Topsham Emergency Group.
- 8.6 The proposed project is considered to be best delivered by ECC rather than the Environment Agency, due to the property-specific nature of the proposed works and the need to engage with individual property owners. ECC has run similar projects on behalf of Devon CC in the past, which has demonstrated the effectiveness of the approach.
- 8.7 If the flood scheme is not progressed the affected properties will remain at flood risk, and this risk will increase over time as a result of climate change.

Topsham Bowling Green Marsh Embankment Repairs

- 8.8 These works would repair the flood bank which forms the boundary of the Bowling Green Marsh, protecting the site from Wave and tide flooding. Works would be carried out over three consecutive years, prioritising high risk areas.
- 8.9 Bowling Green Marsh is owned by Exeter City Council but rented to the RSPB for use as a reserve, and is one of the RSPB's most popular sites in the southwest given its proximity to the large urban areas of Exeter and surrounding settlements. The site is considered to be the most important freshwater, high tide roost on the Exe Estuary and is a designated habitat of national and international importance supporting significant populations of waterbirds.
- 8.10 If the flood banks were to fail, the value of the site would be lost and this would likely have a substantial impact on the birds and the habitat. As the site is a protected habitat, allowing it to deteriorate as a result of the embankment failing would leave the council open to legal action and substantial fines from Natural England.
- 8.11 The works will be managed by ECC, as they will be carried out on ECC land and for the benefit of this land, probably making use of the Environment Agency's framework contractors due to the specialist nature of the works.

9. How does the decision contribute to the Council's Corporate Plan?

- 9.1 The flood protection schemes will increase the climate resilience of our communities, making these communities more sustainable. The Exeter Vision 2040 states that the city will be recognised as a leading sustainable city and a global leader in addressing the environmental challenges of climate change.
- 9.2 Delivery of these schemes will contribute to the City Council's objective of building great neighbourhoods. This objective seeks to protect and nurture communities, and ensure that residents have a home that is secure, affordable and healthy. Flooding has a detrimental impact on communities, contributing to poor physical and mental health and reduced security. Flooding can lead to people being displaced from their

homes, and the stress of damage or loss of valuables and sentimental items can often lead to job losses, both of which are contributors to increasing deprivation in communities. Being flooded or at risk of flooding decreases property values and can make properties harder to sell. The flood protection schemes will reduce flood risk to communities, therefore reducing the above impacts.

- 9.3 Delivery of these schemes will contribute to the City Council's objective of leading a well-run council. Flooding is a disruptive event, and can often be considered as an emergency event due to the risk to the public and the need for a quick recovery to limit the time that flood victims spend out of their home and business following the event. Whilst not a statutory responder to flooding events, Exeter City Council staff would be expected to support our partners at the Environment Agency and Devon County Council in the management and clean-up of a flood. By delivering these flood schemes, we reduce the potential burden on the Council and become more resilient to deal with emergencies and disruptive incidents as a result.

10. What risks are there and how can they be reduced?

- 10.1 The Topsham Flood Protection Scheme is reliant on grant funding from strategic partners, and there remains a risk that ECC will not be successful in their application for grant funding. If this were to occur, we would expect the works not to proceed to detailed design or construction. There would therefore be a minimal financial risk to the council, however homes and businesses in Topsham will remain at flood risk in this event. This risk has been minimised through regular liaison with the Environment Agency throughout the project development phase, who have continued to indicate that we are likely to be successful in our grant bid.
- 10.2 As with all construction projects, there is a risk that the cost of the projects will increase. For the Northbrook Flood Scheme, this risk remains with Devon County Council. For the schemes at Topsham, cost estimates have been calculated using the Environment Agency's cost estimation guidance, with appropriate contingencies applied to allow for reasonable cost increases. Early contractor involvement will be used to add additional certainty to costs and programme prior to submission of the grant application to the Environment Agency, and EA framework contractors will be used for any specialist works to further reduce risks to the project.

11. Equality Act 2010 (The Act)

- 11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:
- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
 - advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
 - foster good relations between people by tackling prejudice and promoting understanding.
- 11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from

reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

- 11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.
- 11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because:
 - 11.4.1 There is no impact of this decision in relation to race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status.
 - 11.4.2 Construction of flood defences has the potential to disproportionately impact on older people and those with a disability where they interact with existing access routes and make movement through the public realm more difficult. The three schemes recommended will be constructed in such a way as not to impede on the movement of the public across defined access routes. Where raised access is proposed across a bund at Hamlin Gardens, slopes will be sufficiently shallow, short and low as to not impede movement any more than the existing local topography.

12. Are there any other options?

Northbrook Flood Protection Scheme

- 12.1 There is no realistic alternative option available other than not contributing to the scheme.
- 12.2 Not contributing could prevent the second phase of the scheme from being completed, leaving a number of homes at risk of flooding. It would also significantly impact our relationship with the DCC flood risk management team, and may affect our ability to access future grants from DCC. There may be additional knock-on impacts to our relationship with other DCC teams, who currently offer us invaluable support and engineering services at a substantially reduced cost when compared with consultants.

Topsham Ferry Road & The Strand Flood Protections Scheme

- 12.3 A full appraisal of potential options has been carried out to determine the most cost-beneficial scheme both to the city council and the taxpayer. The selected scheme maximises the benefit: cost ratio offered by the works, and also looks to deliver the most technically feasible and publically agreeable option. The other options available involved hard engineered solutions to create new flood defences right along the river frontage, either in masonry, stone or sheet-piling, however these would have substantially impacted on heritage, visual character and amenity, and the estimated cost would have been in the region of £5 million of which ECC would have had to contribute a significant portion.

Bowling Green Marsh

- 12.3 A full appraisal of potential options has been carried out to determine the most cost-beneficial scheme both to the city council and the taxpayer, and to determine which options are technically feasible given the environmental constraints at the site. These

were broadly grouped into Maintenance (proposed option), reactive replacement works or proactive replacements. The two replacement options were rejected on the grounds of cost, environmental impact, non-alignment with policy and technical feasibility.

**David Bartram, Director
Environment and City Management**

Author: Daryl Taylor, Project Officer

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

Contact for enquires:
Democratic Services (Committees)
Room 2.3
01392 265275

This page is intentionally left blank

REPORT TO: EXECUTIVE COMMITTEE
Date of Meeting: January 14th 2020

REPORT TO: FULL COUNCIL
Date of Meeting: January 21st 2020

Report of: Director, Environment and City Management
Title: Structural Inspection Programme of Exeter City Council Bridges

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1 What is the report about?

- 1.1 Seeking funding to carry out an accelerated programme of Principal Inspections of all City Council owned bridges, and to subsequently maintain a continuous programme of General and Principal Inspections for all City Council owned bridges in the future.

2 Recommendations:

- 2.1 That Executive recommends and Council approve an additional budget of £150,000 to span the financial years 20-21 and 21-22 to complete the programme of Principal Inspections on all City Council owned bridges.
- 2.2 That Executive recommends and Council approve an additional ongoing annual budget of £40,000 commencing in FY 22-23, to fund a rolling programme of regular bridge inspections and maintain this in perpetuity. In line with Design Manual for Roads and Bridges, this will involve Principal (6-yearly intervals) and General (2-yearly intervals) Inspections.

3 Reasons for the recommendation:

- 3.1 Exeter City Council owns 27 bridges, managed by the Public Realm and Corporate Property teams. As an asset owner, the City Council has a duty to ensure that all of its bridges are safe both for the users and for any traffic passing beneath them.
- 3.2 Historically, these bridges were subject to periodic visual structural inspections by a suitable qualified and experienced engineer, however following cuts to local authority budgets a decision was made to reduce these inspections whilst seeking to protect front-line services. The inspections have now effectively ceased, with only simple visual inspections being carried out by the engineering team. These visual inspections are not sufficient to allow a judgement to be made on the structural condition of the bridge, to allow a safety assessment nor to recommend remedial works.
- 3.3 Regular inspections of the bridges' conditions allows unsafe structures to be repaired or closed before they pose a significant risk to the public. Additionally, these inspections allow early, preventative repair and maintenance work to be carried out. These works are typically far less disruptive and far cheaper in the long run than reactive repair works, and help to prolong the life of the structure delaying the ultimate removal or replacement of the structure.
- 3.4 Recent findings from inspections on several of our bridges (Mallison Bridge, Kings Arms Bridge, Salmonpool Bridge and North Street Bridge) have identified significant structural

issues that have resulted in closure or major works being required. Had routine inspections been carried out, these issues would have been identified earlier and could potentially have been addressed sooner, and the necessary works better planned to minimise disruption and reputational damage to the council.

- 3.5 Regular inspections allow the degradation rate of the structure to be assessed, allowing identification of potential future issues and forward planning of major works and replacements. Again, this allows disruption to be minimised and for more cost-effective decisions to be made, and allows time for funding applications to be made to partnering authorities which can reduce cost to the City Council.
- 3.6 Whilst our insurers do not recommend a set frequency for inspections, our insurance policy expects us to take reasonable precautions to prevent a loss. A routine programme of inspections provides proof that the council is taking reasonable precautions to prevent loss. Furthermore, if these inspections are carried out in line with current guidance on inspection frequency and nature they could provide an important defence for the council in the event of a claim being made by a member of the public.

4 What are the resource implications including non-financial resources:

- 4.1 It is important to note that the recommendation is for a programme of inspections, and the resource implications discussed below do not include an allowance for any necessary remediation works to the bridges as a result of the inspections. It is not possible to estimate the resource need for works to the bridges without these inspections. Following the inspections, findings and recommendations will be reported to Senior Management Board and capital funding requests will be made to address all necessary works to keep the bridges safe. These will be covered in future committee reports.
- 4.2 Exeter City Council currently has no defined budgets allocated to the inspection and maintenance of bridges, other than for simple visual inspections which are carried out by the engineering team as part of their wider public realm inspection regime. We therefore currently have no resources to carry out routine Principal and General Inspections other than as additional tasks within identified capital works on or near the bridge structure.
- 4.3 Exeter City Council has no internal resource to carry out structural inspections on bridges, nor to interrogate the inspection findings. A suitably qualified bridge engineer will therefore need to be contracted to carry out the inspections and provide recommendations on further investigations and / or remedial works required to keep the bridge operational and safe. A number of engineering contractors with offices in Exeter have the capability to carry out these inspections.

Principal Inspection Catch-up programme (2 years)

- 4.4 The initial catch-up project will be tendered as a single contract to carry out 23 Principal Inspections over 2 years, with high risk bridges inspected in year 1 and lower risk bridges in year 2. Cricklepit Bridge is currently being tendered separately, as this is the responsibility of Exeter Canal and Quay Trust (ECQT) who are paying for the inspection but this will be managed by ECC.
- 4.5 An ECC engineer will oversee the specification of works and management of the inspection programme, with tender support from the procurement team.
 - 4.5.1 Production of the specification and tender will take approximately 10 person days of an engineer's time, plus around 3 person days for a member of the procurement team.
 - 4.5.2 Tender evaluation and award will take approximately 5 person days for the engineering team and 2 days of procurement team.
 - 4.5.3 Management of the project will take approximately 3 days per month for a member of the engineering team, for the duration of the project.

- 4.6 Budgets costs for Principal inspections have been provided by engineering consultant Jacobs, who manage and carry out Principal Inspections for the Environment Agency across the South West. A number of assumptions have been made to enable these estimates to be made, and some costs such as Network Rail permissions were not included. A risk allowance has therefore been added to the estimated costs, to account for uncertainties in the budget costs.
- 4.7 The cost of the initial catch-up programme is estimated to be £120,000 - £150,000 and it is recommended that the upper estimate of £150,000 be made available for the project to provide a risk allowance. The estimated spend is £110,000 in year 1 and £40,000 in year 2

Rolling Inspection Programme (6-year cycle)

- 4.8 An indicative programme has been drawn up for the inspections based on the 2-year and 6-year intervals recommended. It is estimated that an average annual budget of around £40,000, increasing in line with inflation, will be required to keep bridge inspections up-to date.
- 4.9 At this time we do not foresee that the necessary expertise will be brought in-house to enable ECC to carry out these inspections, and so inspections will need to be carried out by external contractors. It is anticipated that inspections will be managed as part of a 3-year contract, awarded to a single contractor, with the contract re-tendered every 3-year to ensure value-for-money.
- 4.10 An ECC engineer will oversee the specification of works and management of the inspection programme, with tender support from the procurement team.
- 4.10.1 Production of the specification and tender will take approximately 10 person days of an engineer's time, plus around 3 person days for a member of the procurement team.
- 4.10.2 Tender evaluation and award will take approximately 5 person days for the engineering team and 2 days of procurement team.
- 4.10.3 Management of the inspection programme will take approximately 3 days per month for a member of the engineering team, for the duration of the project.

5 Section 151 Officer comments:

- 5.1 It is essential that the Council provides an adequate inspection process to protect against potential insurance claims. If approved, the one off £150,000 can be funded from General Fund reserves. The ongoing £40,000 will be require reductions elsewhere to fund and therefore will be added to the reductions required to be identified in the medium term financial plan.

6 What are the legal aspects?

- 6.1 As an owner of public infrastructure, the City Council has a duty to ensure that this infrastructure is adequately maintained and is safe for use by the public. In the event of a bridge failing, the City Council would need to demonstrate that it had taken reasonable steps to ensure the safety of the bridge, or else it could be considered to have been negligent and could be liable to substantial damage claims from third parties.
- 6.2 Furthermore, in the event of a serious injury or fatality associated with a bridge failure where an inspection had not been carried out, the Council's Directors and some elected members could be found criminally liable if it was felt that insufficient funding had been provided to maintain the safety of the bridge.

7 Monitoring Officer Comments:

Any issues of concern will be raised at the meeting.

8 Report details:

- 8.1 Exeter City Council currently owns 27 bridges, comprising a mix of pedestrian and vehicle bridges and crossing railways, highways and watercourses.
- 8.2 As a bridge owner, the City Council has a duty to ensure the safety of these structures throughout their lifetime. Regular structural Inspections by a competent engineer are one way of ensuring this safety, as they identify structural safety defects which could be critical to the bridge structure.
- 8.3 Historically these inspections have been carried out, however in the face of budgetary pressures since 2010, decisions were made to reduce these inspections to protect front-line services. Subsequently, these routine inspections have effectively ceased and now only visual safety inspections are carried out by ECC staff.
- 8.4 A full inspection regime for ECCs bridges is recommended. This should be based on the Department for Transport's Design Manual for Roads and Bridges (DMRB), which whilst written for highways structures is considered to be the most relevant guidance available and is considered to be the current best practice in the industry.
- 8.5 The DMRB sets out five types of maintenance inspections, however the three routine inspections are:
 - a. Safety Inspection - to identify obvious deficiencies which represent, or might lead to, a danger to the public and, therefore, require immediate or urgent attention. Risk-based approach to setting inspection frequency.
 - b. General Inspection - to provide information on the physical condition of all visible elements on a structure. These are carried out on a 2-yearly schedule.
 - c. Principal Inspection - to provide information on the physical condition of all inspectable parts of a structure, with close examination at touching distance. A Principal Inspection is more comprehensive and provides more detailed information than a General Inspection. These are carried out on a 6-yearly schedule.

Each of these inspections involves an assessment of the bridge's condition, plus recommendations for further studies or maintenance works as required to maintain the safety of the bridge.

- 8.6 The current programme of visual inspections carried out by the ECC engineering team meets the requirements of the Safety Inspections. The frequency of inspections varies between bridges, dependent on the level of use and the level of risk with the structure, but all structures currently have a safety inspection at least once per year.
- 8.7 There are currently 23 outstanding Principal Inspections which need to be completed on city council bridges. The remaining three bridges do not require inspections because:
 - 8.7.1 North Street Footbridge had a Principal Inspection in 2019, carried out in advance of planned repair works to the bridge deck.
 - 8.7.2 Kings Arms Bridge has been recently replaced, so does not currently require an inspection.
 - 8.7.3 Mallison Bridge has been closed and is soon to be dismantled and removed.
 - 8.7.4 Cricklepit Bridge is owned by Exeter Canal & Quay Trust, but ECC provides support and manage the inspections of this bridge. Inspection of this bridge is currently out to tender and expected to be carried out in Spring 2020.
- 8.8 It is recommended that the Principal Inspections be brought up-to-date as quickly as reasonably practicable. It is suggested that this be done over a 2 year period, with higher footfall and higher risk structures completed in the first year and lower risk structures in the second year. A suggested programme for the catch-up period is shown below:

Bridge	FY 19-20	FY 20-21	FY 21-22
Canal Basin Swing Bridge		PI	
Burnet Patch (Cathedral Close) Bridge			PI
Cricklepit Suspension Bridge	PI		GI
Cathedral & Quay Carpark cycle bridge		PI	
Ducke's Marsh (over Mill Race)			PI
Exhibition Way Road Bridge (over rail)		PI	
Exminster Marsh Footbridge			PI
Footbridge at Countess Wear Mill			PI
Harlequins Footbridge		PI	
King William Street footbridge		PI	
King's Arms Swing Bridge	Rebuild		GI
Leypark Road Footbridge (over rail)		PI	
Ludwell Valley Park Footbridge			PI
Mallison Bridge	CLOSED	CLOSED	Rebuild
Medieval Exe Bridge			PI
Mill House Arch Countess Wear			PI
Mill House Slab Countess Wear			PI
North Street (Mary Arches car park footbridge)	PI		
Northbrook Park footbridge			PI
Northbrook Park Bridge			PI
Paul Street Car Park Ramp		PI	
Salmon Pool Swing Bridge (over canal)		PI	
St James Leat footbridge over weir (FP24)			PI
Topsham Lock Footbridge		PI	
Topsham Lock Swing Bridge		PI	
Yaroslavl Bridge (Western Way)		PI	
Double Locks Overflow Footbridge		PI	

PI: Principal Inspection GI: General Inspection

- 8.9 Following the receipt of each inspection, the City Council engineer overseeing the inspections will review the findings and recommendations of the report. Each report will include a list of recommended immediate, short term, medium term and long term actions and these should be addressed within the recommended timeframes in the reports. Where critical works are required, these will be immediately escalated to Senior Management with a view to selecting a course of actions (i.e. carry out recommended works, closure, removal or replacement) and securing funding to carry out these actions as quickly as reasonably practicable.
- 8.10 For remaining non-critical recommendations, where there would be substantial efficiency in carrying out non-urgent works alongside critical works it will be recommended that these be done simultaneously. However, if there is no significant efficiency offered or there are no critical works recommended, the recommended works will be entered into a programme of works across all of the City Council's bridges to seek efficiencies through grouping similar works or works in similar locations. As with the critical works, the potential for closure, removal or replacement of the bridge will be considered as these options may offer better value for the Council.
- 8.11 As there is currently no specific budget for bridge maintenance, funding applications will need to be made to cover the cost of any required bridge works arising from the inspections.

- 8.12 Once the Principal Inspections are brought up-to-date, a continuous programme of inspections should be maintained in perpetuity. In line with the guidance set out in the Design Manual for Roads and Bridges, Principal Inspections are recommended at 6-year intervals and General Inspections at 2-year intervals. Where General and Principal Inspections would be scheduled in the same year, only the Principal Inspection will be required in that year.
- 8.13 An outline 6-yearly inspection programme has been produced, which looks to achieve a fairly even annual spend on inspections and also groups bridges by locations / type. This is expected to offer efficiency savings in terms of procuring the works, and in the event that significant issues are identified will allow capital bid so be submitted for a programme of works rather than individual structures which could be more efficiently delivered.

Bridge	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Canal Basin Swing Bridge		GI		GI		PI
Burnet Patch (Cathedral Close) Bridge	PI		GI		GI	
Cricklepit Suspension Bridge		GI		PI		GI
Cathedral & Quay Carpark cycle bridge	GI		PI		GI	
Ducke's Marsh (over Mill Race)	PI		GI		GI	
Exhibition Way Road Bridge (over rail)		GI		PI		GI
Exminster Marsh Footbridge		GI		GI		PI
Footbridge at Countess Wear Mill	PI		GI		GI	
Harlequins Footbridge	GI		PI		GI	
King William Street footbridge	GI		PI		GI	
King's Arms Swing Bridge		GI		GI		PI
Leypark Road Footbridge (over rail)	GI		GI		PI	
Ludwell Valley Park Footbridge	PI		GI		GI	
Mallison Bridge		GI		GI		PI
Medieval Exe Bridge		PI		GI		GI
Mill House Arch Countess Wear	PI		GI		GI	
Mill House Slab Countess Wear	PI		GI		GI	
North Street (Mary Arches car park footbridge)	GI		PI		GI	
Northbrook Park footbridge	PI		GI		GI	
Northbrook Park Bridge	PI		GI		GI	
Paul Street Car Park Ramp	GI		PI		GI	
Salmon Pool Swing Bridge (over canal)		GI		GI		PI
St James Leat footbridge over weir (FP24)	PI		GI		GI	
Topsham Lock Footbridge		GI		GI		PI
Topsham Lock Swing Bridge		GI		GI		PI
Yaroslavl Bridge (Western Way)		PI		GI		GI
Double Locks Overflow Footbridge		GI		GI		PI

PI: Principal Inspection

GI: General Inspection

- 8.14 It should be noted that there will need to be a transitional period from the 2 year accelerated programme to the 6 year routine programme in order to generate the more even annual spend, with some Principal Inspections carried out before the 6 year deadline and some lower risk structures being delayed to a 7 year interval for the first routine inspection. General inspections

will still be carried out on a 2 year interval during this transition period to provide a constant level of oversight.

- 8.15 As with the accelerated programme of inspections, the City Council engineer overseeing the inspections will review the findings and recommendations of each report upon receipt. Any critical works required will be escalated to SMB, whilst non-critical works will be entered into a programme of works subject to future capital bids.

9 How does the decision contribute to the Council's Corporate Plan?

- 9.1 The Corporate Plan sets out a priority of promoting active & healthy lifestyles and tackling congestion & accessibility. Many of the council's bridges are on popular pedestrian and cycle routes, and continued inspections of our bridges means that these can be kept open and safe for users, reducing the likelihood of them using private cars to get around the city. A closure or loss of one of these bridges could have a significant impact on accessibility around the city, and the result could be a reduction in people walking or cycling around the city.
- 9.2 The plan also sets out a priority of providing value for money services, through improving the management of our built assets. Whilst there is a cost implication associated with the inspections, they will enable the improved management of our bridges. This will mean that we catch issues early and therefore carry out smaller repairs, reducing the overall cost of operating the structure, and can improve the longevity of the structures meaning that significant renewals and replacements are required less frequently. Over the lifetime of the structure, total costs should be reduced by implementing a regular inspection programme.
- 9.3 Procuring the contracts as a larger programme of works, and grouping together similar bridge types into each year's inspections, is expected to result in better value for money as it offers consultants a certainty of workload so can plan this work around their other demands to offer best value.
- 9.4 The proposed programme of inspections will support the council's priority of leading a well-run council through managing risks and using data to inform decisions and priorities. The inspections will help the council to manage risks, by identifying issues in our built assets and allowing these to be addressed before they generate significant risk to the council. The findings from the inspections will be used to direct investment in our built assets and make decisions regarding their future (i.e. repair / remove / replace), decisions that cannot reasonably be made without the results of these inspections.

10 What risks are there and how can they be reduced?

- 10.1 We have sought indicative budget costs from a local consultant, who carry out these types of surveys for the Environment Agency, to enable a cost estimate to be derived. A number of assumptions remain in these costs, and so a contingency has been applied to these budget costs for the purpose of this report.
- 10.2 It is important that all of the Principal inspections are carried out within the recommended 2 year period. There is however a risk that the selected consultant will not be able to resource all of the inspections within this period. To minimise this risk, during the tender process the successful consultant will be expected to confirm that they have sufficient capacity before they are awarded the contract and to provide a programme of inspections. As part of the tender, a second 'reserve' consultant will be selected to provide extra capacity if the preferred contractor is found to be unable to fully resource the required inspections.

11 Equality Act 2010 (The Act)

- 11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because:

11.4.1 Investment is aimed at structures rather than directly at people, and all structures will be included in the inspection so there is no preferential selection of structures.

11.4.2 Not acting to inspect the bridges could detrimentally impact on disabled or elderly persons, in the event that a bridge had to be closed due to

11.4.3 There is no impact of this decision in relation to race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status.

12 Are there any other options?

12.1 It is considered necessary to carry out the Principal and General Inspections for all bridges which are to remain open to the public in the future or which cross over roads and railways, to ensure that the safety of the bridges is sufficiently understood and maintained. The suggested timescale of two years is considered to be a reasonable timescale over which to do this, balancing the risk from continued missing inspections with the resourcing implications.

12.2 It is possible to extend the period over which the initial inspections are done, however with this comes an increased risk of significant issues arising on a bridge which may then need be closed leading to disruption and potential costs to the council. Also in the event of an insurance claim made regarding any ECC bridge, either by ECC or a member of the public, our insurers could decide that continued lack of inspection does not constitute the Council taking reasonable precautions to prevent a loss.

12.3 Similarly, the interval between routine inspections could be increased to decrease the annual cost of inspections, however we would strongly recommend against this as it contradicts the best available industry guidance. The age of many of the city's bridges means that they are likely to be in a state of deterioration, and reduced inspection frequency significantly increases the risk of significant safety defects being missed and subsequently increases the risk of a bridge failure. In the event of a claim relating to a bridge, the City Council's defence may be significantly compromised if inspections are not carried out at the recommended frequency.

12.4 An alternative option is available for some bridges, to close and / or remove bridges which have not received a Principal Inspection for a substantial length of time. This currently applies to nearly all of the City Council's bridges, which have not had a structural inspection for at least ten years and many of which have no record of ever having never had a Principal Inspection. To do this, an assessment would need to be made on the likely impact of closing the bridge on users, plus the residual risk in the event of a bridge failure based on what the bridge is crossing. There would be an ongoing cost associated with bridge closure, as the methods of closure would need to be regularly inspected, and a capital cost associated with removal of a bridge.

**David Bartram, Director
Environment and City Management**

Author: Daryl Taylor, Project Officer

Local Government (Access to Information) Act 1972 (as amended)

13 Background papers used in compiling this report:-

None

Contact for enquires:
Democratic Services (Committees)
Room 2.3
01392 265275

REPORT TO: EXECUTIVE
DATE OF MEETING: 14 January 2020

REPORT TO: COUNCIL
DATE OF MEETING: 21 January 2020

REPORT OF: Chief Finance Officer & Director
TITLE: Housing Rents and Service Charges 2020-21

Is this a key decision?

Yes

Is this an Executive or Council Function?

Council

1. What is the report about?

This report sets out the proposed changes to council dwelling rents, garage rents and service charges with effect from 1 April 2020.

2. Recommendations:

That Executive recommends to Council to approve:

2.1 Rents of Council dwellings are increased by 2.7% from 1 April 2020

2.2 Garage rents are increased by 2.7% from 1 April 2020

2.3 Service Charges are increased by 2.7%, with the exception of charges specified in paragraph 12.3, from 1 April 2020

3. Reasons for the recommendations:

In October 2017, the government announced its intention to set a long term rent policy in respect of annual rent increases on both social rent and affordable rent properties of up to CPI plus 1% from 2020, for a period of 5 years.

The new policy on rents for social housing comes into effect from 1 April 2020. It does not override landlords' statutory requirement to complete the four year social rent reductions as required by the Welfare Reform and Work Act 2016.

The Council implemented the required social rent reductions of 1% rent cuts in each of the last four years (2016/17, 2017/18, 2018/19 and 2019/20). It is therefore permitted to apply the new policy of increasing rents by CPI plus 1%, which equates to 2.7% for 2020/21.

Rents of garages and service charges fall outside the scope of the Government's rent policy. Authorities are expected to set reasonable and transparent charges which reflect the service being provided to tenants.

4. What are the resource implications including non financial resources

The proposed changes in housing rents, garage rents and service charges are reflected in the proposed 2020/21 estimates for the Housing Revenue

Account (HRA).

The new rent policy is intended to apply for the next five years, in order to allow landlords to plan ahead. The medium term financial plans for the Council's HRA therefore reflect assumptions for the annual uplift of property rents by CPI + 1%.

5. Section 151 Officer comments:

The report contains details of the new Government rent policy. This will offer an uplift in the resources available to the HRA and it is a legal requirement to follow Government policy. Council will note the changes in other charges, which have been set following the same principle.

6. What are the legal aspects?

Section 23 of the Welfare Reform and Work Act 2016 requires registered providers of social housing in England to reduce social housing rents by 1% a year for 4 years from a frozen 2015-16 baseline. Providing these reductions have been completed, the Council is permitted to increase rents by CPI + 1% in accordance with the government's new rent policy.

7. Monitoring Officers comments:

This report raises no issues to concern the Monitoring Officer.

8. Report Details:

RENT SETTING BACKGROUND

- 8.1 Despite applying a 1% reduction to rents for the last 4 years, the underlying rent for each council property is based upon a national rent formula.
- 8.2 The rent formula was established to ensure that social rents take account of:
- The condition and location of a property – reflected in its value
 - Local earnings
 - Property size (specifically, the number of bedrooms in a property)
- 8.3 The rent formula for each council dwelling is set, based upon January 1999 levels, and up until 2015/16 was uplifted for inflation each year.
- 8.4 During the 4 year rent reduction period, the baseline 2015/16 'formula rent' has been incrementally reduced by 1% in 2016/17, 2017/18, 2018/19 and 2019/20.
- 8.5 On 4 October 2017, DCLG announced that increases to social housing rents, after the 4 year rent reduction period, will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020.

Social Rent Increases for 2020/21

- 8.6 In accordance with the social rent policy which comes into effect from 1 April 2020, rents will be increased by CPI + 1% (CPI is the official method of calculating inflation in the UK). For 2020/21 this will result in an average increase of £2.01 per week, over 52 weeks, per property.
- 8.7 Rents are collected over 48 weeks, resulting in an average increase of £2.18 per collection week for 2020/21.

8.8 On a typical 2 bedroom flat the weekly rent for 2020/21 will be £76.36 (over 52 weeks). For comparative purposes, the average weekly rents for a 2 bedroom flat in Exeter are:

- £92.23 per week with a housing association
- £178.85 per week rented in the private sector

9. Universal Credit

9.1 Universal Credit has been introduced in Exeter. It replaces Housing Benefit and a range of other welfare benefits for most working age people. Universal Credit is paid monthly and is designed to match the way that most salaries are paid. Universal Credit may include an amount towards rent and the claimant will be responsible for using this money to pay their landlord themselves. It is recognised that adapting to this new way of receiving benefits may be difficult for claimants.

9.2 As previously reported to committee, areas in which Universal Credit has been rolled out have reported a rise in the level of rent arrears. In order to help mitigate this risk the Council was working with DWP, under a funded partnership arrangement, to offer advice and assistance in the use of on-line services, budgeting and managing finances to claimants. This working arrangement and funding was withdrawn nationally in April 2019, with Citizens Advice being awarded a national contract to deliver support services to Universal Credit claimants.

9.3 The level of rent arrears is kept under review by the Payments and Collection Team and analysis during 2019/20 shows that all Council tenants in receipt of Universal Credit have rent arrears. However, some tenants had rent arrears prior to receiving this benefit, so cannot easily be attributed to the move to Universal Credit. On the whole, rent arrears have increased, with average arrears during 2018/19 at 2.5%, compared to average arrears during 2019/20 (to date) at 2.8%.

9.4 In light of the pressure on arrears, the proposed budget for rental income in 2020/21 has made an estimated £100k provision for an increase in arrears, specifically related to tenants owing more than £500. As a guide, rent arrears were £319,018 as at 31 March 2019 in respect of current tenants.

10. Affordable Rents for Newly Built Council Housing

10.1 Affordable rent allows local authorities to set rents at levels that are typically higher than social rents, at up to 80% of local market rent inclusive of service charges. The intention behind this is to maximise returns and generate capacity for further investment in new affordable housing, allowing more people in housing need to have access to a good quality home at sub-market rent.

10.2 The requirement to reduce rents by 1% for four years also applied to properties let at affordable rents. For Exeter, this includes properties the Council has built at Knights Place, Rowan House, Silverberry Close, Barberry Close, Reed Walk and Chester Long Court. Upon completion of the four year rent cuts, affordable rents may also be increased by CPI + 1% in line with annual social rent rises.

11. Garage Rent Increase

11.1 Rentals of non-dwellings, such as garages, are outside the scope of the

Government's social rent policy. However, prior to the 4 year period of rent cuts, annual increases to garage rents were generally kept in-line with rises in social rents.

11.2 Under self-financing local authorities are encouraged to review the rents of non-dwellings in order to ensure associated costs are fully recovered. With inflationary rises varying between 2.5% for employee costs and 3.5% for general repair costs, a rise in line with rent charges is considered appropriate.

11.3 A 2.7% increase in garage rents and parking spaces is therefore proposed, in line with the permitted rises in social and affordable rents at CPI + 1%.

12. Service Charge Increase

12.1 These charges cover services and facilities provided by the authority to tenants which are not covered by their rent. Service charges reflect additional services which may not be provided to every tenant, or which may be connected with communal facilities. Different tenants receive different types of service reflecting their housing circumstances.

12.2 Service charges are limited to covering the cost of providing the services. Government guidelines advised that authorities should endeavour to keep increases in-line with rent changes, at CPI + 1%, to help keep charges affordable. Increases above this may be made on rare occasions when an authority has increases in costs outside its control, such as increases in fuel costs.

12.3 It is proposed that service charges are increase by 2.7%, in line with rent rises, with the following exceptions:

- 5.9% increase in emergency light testing in line with routine testing costs and additional installations
- 2% decrease in respect of the Older Persons' property service charge due to vacant posts
- 0% no increase in water charges in respect of Magdalen Gardens in line with contract prices
- 5% decrease in respect of door entry systems in line with system maintenance costs
- 5% increase in fire alarm charges to reflect the contract for weekly fire alarm testing

13. How does the decision contribute to the Council's Corporate Plan?

13.1 The Housing Revenue Account contributes to three key priorities, as set out in the Corporate Plan; providing value-for-money services, leading a well-run council and building great neighbourhoods.

14. What risks are there and how can they be reduced?

14.1 The main risk to council dwelling rents relates to the impact of welfare reforms, in particular the move to Universal Credit.

14.2 Citizens Advice have been awarded a national contract to deliver support services to Universal Credit claimants. This follows the work already undertaken by the Council in partnership with the DWP to help prepare claimants in budgeting and managing their finances.

15. Equality Act 2010 (The Act)

- 15.1 Under the Act's Public Sector Equality Duty, decision makers are required to consider the need to:
- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
 - advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
 - foster good relations between people by tackling prejudice and promoting understanding.
- 15.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.
- 15.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.
- 15.4 An equality impact assessment accompanies this report in respect of the impact of the recommendations on people with protected characteristics as determined by the Act.

16. Are there any other options?

From 1 April 2020, social landlords may not increase rents by more than CPI + 1% in any year. This limit is a ceiling and landlords are able to apply a lower increase. However, any rent increases at less than CPI + 1% would have a significant impact on the HRA's financial position and resources available to invest in its stock.

**Chief Finance Officer
Director**

Author:
Michelle White

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:

This page is intentionally left blank

Equality Impact Assessment: *Housing Rents and Service Charges 2020-21*

The Equality Act 2010 includes a general duty which requires public authorities, in the exercise of their functions, to have due regard to the need to:

- **Eliminate discrimination**, harassment and victimisation and any other conduct that is prohibited by or under the Act.
- **Advance equality of opportunity** between people who share a relevant protected characteristic and people who do not share it.
- **Foster good relations** between people who share a relevant protected characteristic and those who do not

In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

Authorities which fail to carry out equality impact assessments risk making poor and unfair decisions which may discriminate against particular groups and worsen inequality.

Committee name and date:	Report Title	Decisions being recommended:	People with protected characteristics potentially impacted by the decisions to be made:
Executive Committee 14 th January 2020	Housing Rents and Service Charges 2020-21	That Executive approves: <ul style="list-style-type: none"> • Rents of Council dwellings are increased by 2.7% from 1 April 2020 	See below

		<ul style="list-style-type: none"> • Garage rents are increased by 2.7% from 1 April 2020 • Service Charges will remain at their existing levels, with the exception of charges specified in paragraph 12.3, from 1 April 2020 	
--	--	--	--

Factors to consider in the assessment: For each of the groups below, an assessment has been made on whether the proposed decision will have a **positive, negative or neutral impact**. This must be noted in the table below alongside brief details of why this conclusion has been reached and notes of any mitigation proposed. Where the impact is negative, a **high, medium or low assessment** is given. The assessment rates the impact of the policy based on the current situation (i.e. disregarding any actions planned to be carried out in future).

High impact – a significant potential impact, risk of exposure, history of complaints, no mitigating measures in place etc.

Medium impact – some potential impact exists, some mitigating measures are in place, poor evidence

Low impact – almost no relevancy to the process, e.g. an area that is very much legislation led and where the Council has very little discretion

Protected characteristic/ area of interest	Positive or Negative Impact	High, Medium or Low Impact	Reason
Race and ethnicity (including Gypsies and Travellers; migrant workers; asylum seekers).	Neutral		<p>Every year the Council reviews the rents and service charges that apply to its housing and garage stock. This is to take account of inflation and any other financial factors in order to ensure we have the income to deliver a high quality housing service to all tenants and garage renters.</p> <p>As a local authority we must observe government legislation and guidance when it comes to levying rents. As the report states, in October 2017, the government announced its intention to set a long term rent policy in respect of annual rent increases on both social rent and affordable rent properties of up to CPI plus 1% from 2020, for a period of 5 years.</p>

		<p>Prior to this we had been obliged to reduce rents by 1% per year for the last four years.</p> <p>Following government policy we intend to increase rents by CPI plus 1%, which equates to 2.7% for 2020/21.</p> <p>Service charges fall outside the policy but we intend to increase them in line with rent rises except where specified in the report (paragraph 12.3).</p> <p>Increasing rent and service charges by the amounts specified will have a neutral effect on protected groups. The cost rise to residents itself is a relatively modest one and follows four years of rent reductions for tenants.</p> <p>The rise will enable the Council to continue to provide an excellent range of services, such as:</p> <ul style="list-style-type: none"> • Repairing and improving our housing stock of almost 5,000 properties • Building a significant number of new affordable homes (500 over the next ten years) • Letting the properties • Managing the tenancies, including dealing with anti-social behaviour complaints • Managing the estates in which the properties are located <p>all of which would be compromised if we did not levy the proposed rent and service charge rises.</p> <p>The rise will also help the Housing Service contribute towards the Council's corporate plan, in particular to the objectives of providing value-for-money services, leading a well-run council and building great neighbourhoods.</p>
--	--	--

			<p>No group is discriminated against in the allocation of council housing (or in renting garages from the Council). All groups benefit equally. It could be argued that a group such as those with a disability will tend to have a lower average income than non-disabled people and therefore will be disproportionately adversely affected by any rent rise. However people on low incomes and/or with high rents will (if they fulfil the conditions) qualify for housing benefit (now Universal Credit) and will therefore be insulated from negative financial effects.</p> <p>As the report states it is acknowledged that there may be an increase in the level of rent arrears as a result of the shift to Universal Credit, however that risk is being mitigated by the Council working closely with Citizens Advice to provide advice and support services to Universal Credit claimants. While the proposed budget for rental income in 2020/21 has made an estimated £100k provision for an increase in arrears,</p> <p>Even with the proposed rent and service charge increases Exeter City Council rents are among the lowest in the city. For example last year the average rent for a two bedroom property in the private sector was £179. For Exeter City Council social rent it was £77.</p>
<p>Disability: as defined by the Equality Act – a person has a disability if they have a physical or mental impairment that has a substantial and long-term adverse impact on their ability to carry out normal day-to-day activities.</p>	<p>Negative</p>	<p>Low</p>	<p>See above</p> <p>As has been stated, disabled adults are more likely to be living in low-income households than non-disabled adults. Additionally, disabled people are more likely to not be working, and where they are working, are more likely to be earning less than non-disabled people. It is evident therefore the increase in rents is likely to specifically impact this protected characteristic.</p> <p>However we believe that as the rises proposed are modest; the welfare benefit system should be able to protect people; and we can provide advice, help and support both from ourselves and through working with Citizens Advice, any impact will be low.</p>

Sex/Gender	Neutral		See box 1 above
Gender reassignment	Neutral		See box 1 above
Religion and belief (includes no belief, some philosophical beliefs such as Buddhism and sects within religions).	Neutral		See box 1 above
Sexual orientation (including heterosexual, lesbian, gay, bisexual).	Neutral		See box 1 above
Age (children and young people aged 0-24; adults aged 25-50; younger older people aged 51-75/80; older people 81+; frail older people; people living with age related conditions. The age categories are for illustration only as overriding consideration should be given to needs).	Neutral/positive		There will be a small positive effect on those older tenants living in our older persons' accommodation as their service charge for the Older Persons' Property Services Officers will be reduced.
Pregnancy and maternity including new and breast feeding mothers	Neutral		See first box above
Marriage and civil partnership status	Neutral		See first box above
<u>Actions identified that will mitigate any negative impacts and/or promote inclusion</u>			

Officer:
Date:

REPORT TO EXECUTIVE

Date of Meeting: 14 January 2020

REPORT TO COUNCIL

Date of Meeting: 21 January 2020

Report of: Chief Finance Officer

Title: 2020/21 BUDGET STRATEGY AND MEDIUM TERM FINANCIAL PLAN

Is this a Key Decision?

No

* One that affects finances over £1m or significantly affects two or more wards. If this is a key decision then the item must be on the appropriate forward plan of key decisions.

Is this an Executive or Council Function?

Council

1. What is the report about?

- 1.1 To provide a strategic overview of the budgetary position for the 2020/21 financial year and beyond including an indication of the likely level of available resources and the known demand for resources and the proposals to ensure that a balanced budget is achieved.

2. Recommendations:

- 2.1 It is recommended that the contents of the report are noted and that the proposals to establish a balanced revenue budget and capital programme are approved.

3. Reasons for the recommendation:

- 3.1 The Council is required to set a balanced budget and Council Tax prior to the start of the financial year.

4. What are the resource implications including non-financial resources.

- 4.1 The Council has a Medium Term Financial Plan that contains proposals to ensure it is balanced next year. However the impact of the proposed Business Rates reset and the ending of the New Homes Bonus could have a significant and damaging effect on the Council's finances. The report notes the potential resources available to the Council over the medium term and the demand for those resources based on the worst case scenario of a full reset of business Rates in 2021/22 and the withdrawal of New Homes Bonus beginning the same year.

5. Section 151 Officer comments:

- 5.1 Subject to the outcome of the settlement from Government, the Council is in a position to propose a balanced and funded budget for 2020/21. The assumptions are set out below and include an assumed £5 increase in Council Tax. Very significant and difficult decisions will be required in order to reduce the gap between likely resources and current expenditure in the following three years where reductions of around £3.7 million seem likely based on the latest consultations and the Spending review 2019. Councillors will have to make some very difficult decisions over the next year to identify areas which they are willing to consider for reduction.

6. What are the legal aspects?

6.1 As part of the budget and the Council Tax fixing process, the Council is required by the Local Government Finance Act 1992 to make various specific calculations and decisions:-

- (a) it must calculate its budget requirement in accordance with Section 32 of the Act;
- (b) it must calculate the City Council element of the Council Tax - first for Band D and then for all bands - in accordance with Sections 33 to 36;
- (c) it must set the overall Council Tax for each band in accordance with Section 30.

7. Monitoring Officer's comments:

7.1 Any issues of concern will be raised at the meeting.

8. Report details:

8.1 Local Government Provisional Finance Settlement 2020-21

8.1.1 1 year Settlement

The Government confirmed in the Spending Review that the changes proposed to the Business Rates Retention scheme were being delayed for a year and that a 1 year settlement would follow.

The provisional settlement for 2020/21 was announced in December and the figures in the Medium Term Financial Plan have been updated.

8.1.2 New Homes Bonus

The Government have indicated that whilst New Homes Bonus will be payable again this year, the 2020-21 element of the allocation will be for one year only. This indicates that New Homes Bonus is coming to an end. Whilst this is expected to lead to an award of approximately £2.417 million for 2020/21, this will roughly halve in 2021/22 and then reduce by a further 50% in 2022/23 before ending the following year. As the Council requires £1.9 million to meet its current obligations, this will require significant reductions over the next three years.

8.2 Business Rates

8.2.1 The Government have delayed the implementation of the Business Rates retention reform and the review of the formula that underpins it. This has meant that the reset, expected in 2020/21 has been put back a year. This is positive news for Exeter as we benefit from being significantly above our baseline needs. The review is expected to be implemented in 2021/22, which will have a significant, negative impact on our resources, as set out in section 8.5

8.3 Council Tax

8.3.1 The medium term financial plan is based upon an assumption that under the council tax referendum threshold, Shire District councils will be allowed increases of less than 2% or up to and including £5, whichever is higher. The Government have consulted on maintaining the £5 option. Exeter's budget strategy for next year assumes that council tax will increase by £5, which, along with the estimated surplus on the collection fund of £109,657 and increase in the taxbase will raise an extra £255,863.

8.4 Other Budgetary Assumptions

8.4.1 An overall allowance of £470,490 has been set aside for inflation. The inflationary increases allowed in the budget are:

Pay Award	2.0%
Pay – Increments	0.5%
Electricity	0%
Gas	0%
Oil	2.5%
Water	0.0%
Insurance	0%
Rates	2.5%
Fuel	3.0%
General Inflation	0.0%
Income (excluding Car Parks)	3.0%

8.4.2 General inflation has again been held at zero; however where there are contracts in place, inflation at around RPI has been added. The pay award for 2020/21 has not yet been agreed. An estimate of 2% has been included within budgets.

8.4.3 The medium term financial plan includes the impact on interest earned from the Council borrowing, long term, £49.5 million. This has had a positive impact on the Council and should provide sufficient cash to deliver projects currently in the capital programme.

8.5 Likely Revenue Resources 2019/20 To 2023/24

8.5.1 Resources remain broadly similar to the medium term financial plan as the Government has agreed the four year settlement, however at the end of the four year settlement a significant reduction is anticipated when the Government implement the business rates reset.

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
RSG	365	387	642	0	0
Council Tax	5,831	6,087	6,226	6,479	6,736
Business Rates	6,239	6,411	4,221	4,304	4,387
Resources	12,435	12,885	11,089	11,456	11,829
Increase/(decrease)		450	(1,796)	367	373
Annual % change		3.6%	(13.9%)	3.3%	3.3%

8.6 Additional Spending Pressures

8.6.1 Additional Spending Pressures over the period are set out in Appendix 1 and total:

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Additional Pressures	1,083	1,481	70	271	174

8.7 Revenue Savings And Other Budgetary Reductions

8.7.1 The updated Medium Term Financial Plan (MTFP) is set out in Appendix 2. The MTFP has identified a gap in resources from 2021/22. The reduction required by 2023-24 totals £3.7 million or 29% of the net budget of the Council. This reduction is in addition to the savings already identified and set out below:-

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Savings identified	(1,963)	(2,270)	(424)	0	0

8.8 General Fund Capital Programme

8.8.1 Attached at Appendix 3 is the proposed general fund capital programme for the next three years.

	2020/21 £'000	2021/22 £'000	2022/23 £'000
New Bids	0	0	0
Pre-approved	27,025	5,227	1,374
Total	27,025	5,227	1,374

8.9 Risk Assessment

8.9.1 It has already been mentioned above in this report that our financial forecasts are based on a number of assumptions including the level of inflation, interest rates, income levels, support from the government and general prevailing economic conditions. The main risk to the Council's financial position is as follows:

- The Governments review of the future funding formula for Local Government, including a business rates rest, coupled with the potential loss of New Homes Bonus, leaves a significant gap in funding over the Medium Term Financial Plan. The overall impact of both streams of funding stopping in the next four years would require reductions of around £3.7 million.

Although the Council faces risks from the assumptions and uncertainties outlined above these have been mitigated by the following:

- Adopting a prudent approach to financial forecasting which involves obtaining information from external professional sources
- Continuous monitoring and review of the key factors together with regular reports to Members on any key issues
- Regular budget monitoring meetings with budget managers to ensure that budget pressures are identified at the earliest opportunity
- The adoption of robust financial management arrangements including option appraisal, risk assessment and financial monitoring
- Retaining a prudent level of reserves and balances

9. How does the decision contribute to the Council's Corporate Plan?

9.1 This is the strategic overview of the financial position of the Council

10. What risks are there and how can they be reduced?

10.1 The risks relate to failing to set a balanced Council budget and are mitigated by regular reporting to the Strategic Management Board and Members.

11. Equality Act 2010 (The Act)

11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because: because

11.4.1 The report determines the taxbase for the whole City.

12. Are there any other options?

12.1 Not applicable

Dave Hodgson
Chief Finance Officer

Author: Dave Hodgson

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

Contact for enquires:
Democratic Services (Committees)
Room 2.3
01392 265275

	2020/21 £000's	2021/22 £000's	2022/23 £000's	2023/24 £000's
<u>Unavoidable or Already Committed from Previous Years</u>				
Living Wage	25	25	25	25
Housing Benefit Admin grant reduction	60	60	60	60
Pension revaluation	293			
Pension Backfunding	37	51	53	
Members expenses	34			
Loss of income from TDC - shared service	38			
Apprenticeship Levy	7			
	494	136	138	85
<u>New Revenue Bids - Recurring</u>				
Leisure Project - revenue costs		(178)		
New fleet contract	550	142	83	39
Tourism additional Staff budget (budget error)	54			
Harbour patrol team	53			
JE results - public realm	25			
Procurement budget rebalance	120			
Additional costs of new grading Structure	55			
	857	(36)	83	39
<u>New Revenue Bids - Non Recurring</u>				
Tour of Britain	30	(30)		
Climate budget	50	(50)		
	80	(80)	0	0
<u>Revenue Costs Arising from New Capital Bids</u>				
Unsupported Borrowing Costs of Capital - Repayment of Loan	50	50	50	50
	50	50	50	50
TOTAL	1,481	70	271	174

This page is intentionally left blank

MEDIUM TERM REVENUE PLAN (2015/16 - 2020/21)

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	
Resources							
Revenue Support Grant	62	365	387	642	673	706	
Business Rates Income (assumed by Government)	4,842	4,064	4,124	4,221	4,304	4,387	
Business Rates growth	2,619	2,025	2,137	0	0	0	
Business Rates pooling / pilot benefit	954	150	150	0	0	0	
NNDR Deficit to Cover	(1,090)	(560)	0	0	0	0	
CIL income	474	325	95	95	95	95	
New Homes Bonus	2,591	2,518	2,417	1,127	678	0	
Council Tax	5,623	5,831	6,087	6,226	6,479	6,736	
Likely resources	16,075	14,718	15,397	12,311	12,229	11,924	
Expenditure							
Service expenditure							
Committee expenditure base budget	12,852	12,975	12,697	12,408	11,254	10,825	
Inflation	500	602	500	500	500	500	
Potential increase in service costs	568	1,083	1,481	70	271	174	
Budgeted reductions	(945)	(1,963)					
	12,975	12,697	14,678	12,978	12,025	11,499	
Supplementary Budgets	2,313	2,476					
Net Interest	(215)	77	527	484	468	461	
Forecast Committee movements	(2,150)	33					
RCCO	701	1,665	0	0	0	0	
Repayment of debt	608	582	635	1,205	1,227	1,249	
Additional repayment of debt	423	0	291	0	0	0	
	14,655	17,530	16,131	14,667	13,720	13,209	
Other funding							
Contribution to/ (from) earmarked reserves	1,717	(2,485)	37	(243)	(170)	(101)	
Contribution to/ (from) balances - Other	(297)	(327)	1,499	(389)	(121)	16	
	1,420	(2,812)	1,536	(632)	(291)	(85)	
Further reductions required				(1,300)	(1,200)	(1,200)	(3,700)
Potential reductions identified			(2,270)	(424)	0	0	
Total Net Budget	16,075	14,718	15,397	12,311	12,229	11,924	

(3,700)

Opening General Fund Balance	4,692	4,395	4,068	5,567	5,178	5,057
Closing General Fund Balance	4,395	4,068	5,567	5,178	5,057	5,073
Balance as a percentage of budget	27.3%	27.6%	36.2%	42.1%	41.4%	42.5%

This page is intentionally left blank

GENERAL FUND - CAPITAL PROGRAMME 2020/21 AND FUTURE YEARS						
SCHEMES	NEW BID	2020/21 £	2021/22 £	2022/23 £	Future Years £	What the scheme is trying to achieve
Chief Executive & Growth Director						
Annual Contribution to Strata		53,900	53,900	53,900	53,900	Contribution to Strata led projects
Idox System for Planning		90,010				
Land Charges		5,390				
Cemeteries		6,150				
TOTAL		155,450	53,900	53,900	53,900	
Communities, Health, Well Being, Sport & Leisure						
Leisure Centre Essential Enhancements		1,041,600	-			To provide essential enhancements to existing leisure facilities.
Leisure Complex - Build Project		18,366,210	14,000			To develop a new leisure complex and swimming pool on part of the bus station site to replace Pyramids.
Bus Station Construction		3,119,030	25,000			To redevelop Exeter's Bus and Coach Station.
Disabled Facility Grants		720,000	720,000	720,000	720,000	To meet the legal duty to pay grants to enable disabled people to remain in their homes.
TOTAL		23,246,840	759,000	720,000	720,000	
Environment and City Management						
Vehicle Replacement Programme		550,000	550,000	550,000	550,000	To ensure that the Council's vehicles are replaced so that a safe and reliable fleet is maintained.
Parks Infrastructure		100,000				To ensure public safety in parks and open spaces. Works include resurfacing parking areas and repairs to steps, railings and gates.
Cemeteries & Churchyards Infrastructure Improvements		20,000	20,000			To provide adequate and safe access to graves. Works include improvements to path and road layout and surfacing improvements and provision of suitable parking.
Energy Saving Projects		1,945,380				The core aim for all projects is to reduce risk to the Council from the rapidly changing energy markets. The projects will address security of supply, mitigate the impact of inevitable increased energy costs, and bring income to the council.
Outdoor Leisure Facilities		115,350				To provide facilities at Omaha Drive.

GENERAL FUND - CAPITAL PROGRAMME 2020/21 AND FUTURE YEARS

SCHEMES	NEW BID	2020/21	2021/22	2022/23	Future Years	What the scheme is trying to achieve
		£	£	£	£	
Repair Canal Bank at M5		26,890				To re-strengthen and raise canal banks at this known vulnerable location.
Replacement of Mallison Bridge (Exeter Quay)		317,600				The current bridge has been identified as requiring replacement by DCC engineers. Opportunity to replace with a flatter, wider, 'fit for use' bridge to cater for heavy use.
Purchase of Harbour Patrol Vessel for Exe Estuary		20,000				Purchase of RHIB type vessel for Harbour Patrol purposes in order to comply with Port Marine Safety Code requirements to deter speeding and monitor the use of the Estuary as part of ECC's Safety Management System.
Repairs to Turf Lock Pier Head		73,500				Stabilisation work to Turf Lock Pier Head by providing rock protection on the seaward side and making good displaced masonry slabs in other areas.
Repairs to Salmonpool Bridge		25,000				To refurbish and re-deck Salmonpool Bridge to prevent the bridge deteriorating to a dangerous standard and to maintain access over the canal and ensure the cycle network is not compromised.
Repair to Walls at Farm Hill		60,000				To ensure stability and integrity of structures.
Bank Repairs & Stabilisation to Watercourses		20,000				To ensure stability and integrity of watercourses at Pinhoe, Monkerton and Northbrook to prevent bank slips/blockages that could result in localised flooding in populated areas.
Waste Infrastructure		259,200	144,000			To reduce on-street presentation of domestic and commercial rubbish. Infrastructure to consist of communal domestic waste collection points in selected streets, 'Recycle on the Go' bins in the city centre and communal trade waste facilities.
Improved recycling containers			2,150,000			To provide recycling containers to implement kerbside-sort recycling collection, incorporating glass and food waste collection.
Enhance the Materials Reclamations Facility			1,500,000			To provide necessary improvements to the Materials Reclamation Facility and ensure adapted for the planned improvements to rubbish collection.

GENERAL FUND - CAPITAL PROGRAMME 2020/21 AND FUTURE YEARS

SCHEMES	NEW BID	2020/21	2021/22	2022/23	Future Years	What the scheme is trying to achieve
		£	£	£	£	
Capitalised Staff Costs		50,000	50,000	50,000	50,000	To provide for the cost of certain Council employees, which will be directly involved in the construction or acquisition of assets and qualify as capital expenditure, including engineers and surveyors.
TOTAL		3,582,920	4,414,000	600,000	600,000	

Communications, Tourism & Culture						
Council Signage Improvement		40,000				A phased replacement of council signage across the city.
TOTAL		40,000	0	0	0	

TOTAL CAPITAL PROGRAMME		27,025,210	5,226,900	1,373,900	1,373,900	
--------------------------------	--	-------------------	------------------	------------------	------------------	--

This page is intentionally left blank

REPORT TO EXECUTIVE

Date of Meeting: 14 January 2020

Report of: Chief Finance Officer
Title: Council Tax base and NNDR 1 2020/21

Is this a Key Decision?

No

* One that affects finances over £1m or significantly affects two or more wards. If this is a key decision then the item must be on the appropriate forward plan of key decisions.

Is this an Executive or Council Function?

Executive

1. What is the report about?

- 1.1 To set the 2020/21 Council Tax base in accordance with the Local Authorities (Calculation of Tax Base) (England) Regulations 2012.
- 1.2 To seek approval that the Council's estimate of Business Rate Income (NNDR1) for the next financial year is delegated to the Chief Finance Officer.

2. Recommendations:

- 2.1 In accordance with the Local Authorities (Calculation of Tax Base) (England) Regulations 2012, the amount calculated by Exeter City Council as its tax base for the year 2020/21 shall be 37,348.
- 2.2 That the section 151 Officer is delegated responsibility to approve the Council's NNDR1 return by 31 January 2020.

3. Reasons for the recommendation:

- 3.1 To ensure that the Council meets its statutory deadline for notifying Precepting Authorities and the Government by 31 January 2020.

4. What are the resource implications including non-financial resources.

- 4.1 Both the Council Taxbase and the NNDR1 provide key information used to calculate the overall resources available to the Council, Government and Preceptors in the following financial year.

5. Section 151 Officer comments:

- 5.1 Approval of the report is a statutory requirement in respect of the Taxbase. There is an increase of 360 Band D equivalent properties compared to the 2019/20 Taxbase.

6. What are the legal aspects?

The requirement to set the Council Tax base is set out in the Local Authorities (Calculation of Tax Base) (England) Regulations 2012.

In coming to decisions in relation to the revenue budget and the Council Tax the City Council and Councillors have the following legal duties, namely:-

- (a) The Council must act in accordance with its statutory duties and responsibilities.
- (b) The Council must act reasonably.
- (c) The Council must not act in breach of its fiduciary duty to its ratepayers and Council Tax payers.

7. Monitoring Officer's comments:

- 7.1 Members should be aware of the provisions of Section 106 of the Local Government Finance Act 1992 applies to this report where members are present at a meeting of the Council, the Executive or a Committee and at the time of the meeting an amount of council tax is payable by them and has remained unpaid for at least two months.

In these circumstances, any such members shall at the meeting and as soon practicable after its commencement disclose the fact that Section 106 applies to them and shall not vote on any question concerning the matter.

It should be noted that such members are not debarred from speaking on these matters.

Failure to comply with these requirements constitutes a criminal offence, unless any such members can prove they did not know that Section 106 applied to them at the time of the meeting or that the matter in question was the subject of consideration at the meeting.

8. Report details:

8.1 BACKGROUND

- 8.1.1 In accordance with the requirements of the Local Government Finance Act, 1992, Exeter City Council as a billing authority will be issuing Council Tax bills to occupiers of property in March 2020, effective from 1 April.
- 8.1.2 As a first step to calculating the Council Tax itself, the City Council is required by legislation to determine a tax base by the 31 January for the following financial year.

- 8.1.3 Based on a valuation list received from the Valuation Officer, the calculation, in simple terms, involves three steps, namely :
- i. the determination of the number of chargeable dwellings;
 - ii. an assessment of disregards, premiums and discounts, and
 - iii. the equivalent number of band D properties and a collection rate.
- 8.1.4 The calculation of the Taxbase includes the impact of the Council Tax Support Scheme, which significantly reduces the Council's income from Council Tax. In order to reflect the increased risk of non-recovery, which may result from the move to Local Council Tax Support, the Collection Rate has been reduced to 97% from 98% since introduction.

8.2 COUNCIL TAX BASE FOR 2020/21

- 8.2.1 The Council Tax Base for Exeter is set out in table 8.1 and in Appendix A. It is estimated that the equivalent number of Band D properties (Gross taxbase) for 2020/21 (including the reduction in dwellings owing to the Council Tax Support Scheme) will be 38,503 an increase of 371 over 2019/20.
- 8.2.2 To this figure the estimated collection rate of 97% for the year is applied, which results in a net Council Tax base of 37,348, an increase of 360 over the 2019/20 figure of 36,988.

Table 8.1 – Taxbase 2020/21

Taxbase	2020/21 Gross Taxbase	2020/21 Net Taxbase (97%)
Taxbase to be used in calculating the council tax for 2020/21	38,503	37,348

8.3 BUSINESS RATES RETENTION

- 8.3.1 Under the new Business Rates Retention funding, the Council has to provide MHCLG with an estimate of its Business Rate Income for the forthcoming year. However due to the changes in the funding and the local/central share, MHCLG require the estimate (completed on a NNDR1 form) to be compiled and formally submitted by January 31st. The Council must also share this information with Devon County Council and Devon and Somerset Fire and Rescue Service who are also affected.
- 8.3.2 MHCLG have stated that, in their view, the decision to approve the NNDR1 can be delegated to the section 151 Officer and this report seeks approval for such delegation as the figures have not yet been calculated (The Council requires an annual software update in order to calculate the NNDR1 form).

9. How does the decision contribute to the Council's Corporate Plan?

9.1 The approval of the Taxbase enables the Council to calculate the budget available for the following financial year.

10. What risks are there and how can they be reduced?

10.1 Not applicable.

11. Equality Act 2010 (The Act)

11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because: because

11.4.1 The report determines the taxbase for the whole City.

12. Are there any other options?

12.1 Not applicable.

**Dave Hodgson
Chief Finance Officer**

Author: Dave Hodgson, Chief Finance Officer

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

Contact for enquires:
Democratic Services (Committees)
Room 2.3
01392 265275

EXETER CITY COUNCIL
2020/21 TAX BASE

	BAND	TOTAL	A relief	A	B	C	D	E	F	G	H
LINE 1	No. OF CHARGEABLE DWELLINGS	51,569	25	9,567	14,208	12,990	8,027	3,897	1,917	906	32
LINE 2	No. OF DISCOUNTS	-9,570	-13	-3,558	-3,034	-1,786	-752	-262	-115	-47	-3
LINE 3	No OF ADDITIONS (TECHNICAL CHANGES)	31	0	2	9	16	1	-1	0	1	3
LINE 4	WHOLE No. EQUIVALENT CHARGEABLE DWELLINGS	42,030	12	6,011	11,183	11,220	7,276	3,634	1,802	860	32
LINE 5	FRACTION TO APPLY TO ARRIVE AT BAND D EQUIVALENTS		5/9 ths	6/9 ths	7/9 ths	8/9 ths	1	11/9 ths	13/9 ths	15/9 ths	18/9 ths
LINE 6	BAND D EQUIVALENTS (PER CTB1)	38,503	7	4,007	8,698	9,973	7,276	4,442	2,603	1,433	64
	TOTAL BAND D EQUIVALENTS	38,503									
LINE 7	COLLECTION RATE	97.00%									
LINE 8	EXETER CITY COUNCIL TAX BASE	37,348									

This page is intentionally left blank

REPORT TO: EXECUTIVE COMMITTEE
Date of Meeting: January 14th 2020

Report of: Jon-Paul Hedge, Director
Title: Venue update

Is this a Key Decision?

No

* One that affects finances over £1m or significantly affects two or more wards. If this is a key decision then the item must be on the appropriate forward plan of key decisions.

Is this an Executive or Council Function? Executive

1. What is the report about?

- 1.1. Reports have been commissioned into the feasibility of a new multipurpose venue for Exeter City Centre and the refurbishment of The Corn Exchange.
- 1.2. The first report examines the cost, programming and possible funding sources for a new 1,200 seated and 2,400 standing multipurpose venue as part of the CityPoint development.
- 1.3. It includes a notional event programme; the definition of a spatial brief and its translation into a concept plan; a high-level assessment of the site and location options; a preliminary capital cost estimate and a 25 year operational financial projection.
- 1.4. It outlines the projected capital cost for such a significant build is circa £61.97million with no obvious funding routes.
- 1.5. The report into the major refurbishment of The Corn Exchange as an alternative outlines potential options and associated costs.
- 1.6. In addition, soft market testing around a private operator funding, building and running a new commercial theatre in Exeter has taken place. This report outlines the market appetite, options and impact.

2. Recommendations:

- 2.1. That Members note the report finds a 'low likelihood' of externally funding a £61.91million multipurpose venue.
- 2.2. That Members note the opportunity around the development of the Corn Exchange.
- 2.3. That Members note the progress regarding a privately funded commercial theatre for the city, and that any future positive developments, be brought back to Council.

3. Reasons for the recommendation:

- 3.1. The report is a significant year-long and city-wide body of work and engagement that, for the first time, thoroughly examines the possibility around a new multi-purpose performance venue for Exeter. Whilst the long standing ambition and investment in Arts & Culture in Exeter remains steadfast, the report concludes the capital cost for this project is simply too high for the either the council or traditional

grant giving bodies to fund. Even if that capital were to be raised, along with ongoing revenue support, it would also fall short of many public perceptions of delivering a venue to rival the likes of The Theatre Royal in Plymouth. There are new options for Members to consider around the future development of Corn Exchange, but they will not progress without investment. It is therefore currently open to the private sector to deliver any venue, if it concludes there is a business opportunity. Adopting the recommendations will also allow the wider CityPoint development to proceed without delay.

4. What are the resource implications including non-financial resources.

None

5. Section 151 Officer comments:

There are no financial implications for Council to consider. If any option is to be considered in the future, it is vital that the business case is reviewed in detail to test the robustness of the assumptions and a further report to Council will be required setting out the financial implications and risks. Clearly, with the current financial position, significant capital expenditure carries extreme challenges. Equally there may be unexpected financial implications arising from any alternative proposals that may arise from any future options.

6. What are the legal aspects?

None identified.

7. Monitoring Officer's comments:

This reports raises no issues for the Monitoring officer

8. Report Details

- 8.1. In February 2019 'Project Explore' was commissioned by Exeter City Council following a formal tendering process.
- 8.2. Fourth Street, supported by Hopkins Architects and Equals Consulting embarked on a project to examine the potential of a 1,200 seated capacity and 2,400 standing multipurpose venue as part of the CityPoint development.
- 8.3. The first stage of the report, which is attached, examined a notional event programme for such a venue; the definition of a spatial brief and its translation into a concept plan; a high-level assessment of the site and location options; a preliminary capital cost estimate and a 25 year operational financial projection.
- 8.4. All the proposals and assessments set out in the report were derived through an iterative process involving Exeter City Council and a wide programme of research and consultation across the city.
- 8.5. There were differing views on whether Exeter can compete successfully with the regional theatres already in existence. However there was broad consensus that a wider range of event types would help sustain any new multipurpose venue.
- 8.6. A key initial issue for this study was whether the new venue should include the capability of flying and storing scenery above the stage, a large orchestra pit and

related ancillary facilities. If the venue was to host touring commercial theatre of scale and national profile, a fly-tower would be required. However, it would be redundant for 75% of the rest of the programme.

- 8.7. The exclusion of a fly tower would eliminate certain shows from coming to Exeter – notably, larger commercial touring theatre and subsidised national / international touring shows. Conversely, if a ‘fly tower’ was included in plans, the new venue would effectively be going head-to-head with established venues like the Theatre Royal to attract the larger and more commercial touring theatre shows. The report states: ‘While competition can be healthy, it is important to acknowledge that the Theatre Royal is heavily subsidised; has established relationships with national producers and promoters; has almost double the population of Exeter within their respective urban catchments, which affords greater ticket-sale capacity; and has the additional capability of the TR2 production and learning centre’.
- 8.8. Initial costings showed the capital cost of a multipurpose venue was likely to be prohibitive. As there would be additional significant costs associated with the fly-tower aspect, the focus moved on to pursuing other models.
- 8.9. The Apex in Bury St Edmunds was referenced within the Needs Assessment study as a relevant comparator for Exeter notably for its flexibility, integrated development, quality of build and construction date. Of all the other venues that were reviewed as part of the Needs Assessment the report, it has remained one of the most relevant case studies. Hopkins Architects worked ideas up into a series of concept plans showing different configurations of the auditorium to address the multi-purpose programming requirements. These can be found within the report itself but headline figures include a theatre layout for 1,000 seated capacity, concert layout for 1,750 capacity, and arena layout for 1,400 capacity.
- 8.10. The concept plans were translated into the indicative masterplan that arose out of the JLL and Clifton Emery work to assess the pros and cons of sighting the venue in different locations. Options were limited because of the significant size and scale of the venue’s footprint.
- 8.11. While the most practical location for the venue – from a construction and operational perspective – would be on the highest and flattest lands available, which are also closest to the city centre, they were considered to have the greatest development value and are also subject to existing leaseholds. As such, pursuing this option could jeopardise the wider CityPoint development. All models and configurations are outlined in the report, including options around the current Civic Centre site.
- 8.12. As well as indicative income and expenditure over 25 years, initial comprehensive capital cost model was prepared by Equals Consulting. The total scheme, including construction elements of £51.73m and project costs of £10.24m, is projected to be £61.97m. Key risks, assumptions and models are fully outlined in the report.
- 8.13. To turn designs into reality, funding would need to come from a plethora of sources. The report outlines the likelihood of garnering sufficient support to fund the project at the scale and ambition is ‘low’.
- 8.14. As a result of the negative conclusions, two other options were then looked into. These were soft marketing testing with regards to private industry funding a commercial theatre, and an extensive refurbishment of the Corn Exchange.
- 8.15. Market testing to date shows there is limited appetite in the commercial sector to directly fund, design and operate a theatre in Exeter. The council has received

interest. Where there has been interest, it is clear that it would still require a contribution from the Council, by way of land or alternatives.

- 8.16. Fourth Street then undertook preliminary feasibility exercise around a significant refurbishment of the Corn Exchange. Work included a review of a previous study into increasing capacity, a high level look at a major refurbishment, capital costs, operational projections and comparisons between this and what the Council was looking to achieve as part of CityPoint.
- 8.17. The report found that the 2012 plans around increasing capacity to 750 did not address other issues with the building, and compounded others.
- 8.18. It is anticipated that these plans would cost £3million to £5million to implement today – whilst still failing to address some fundamental issues with the Corn Exchange
- 8.19. New alternative proposals for a refurbishment have been produced to maximise the audience capacity whilst striking a balance with the operational needs. It includes the concept of lowering the auditorium from its current first floor position to the ground floor. This would see an uplift in audience capacity from 500 seated to circa 1,000 seated and 1,350 standing, enhanced audience access and experience and better production access. Plans would also increase food and beverage space and the new entrance onto Fore Street would have a significant regenerative effect.
- 8.20. The cost for this major refurbishment is projected to be £29.97million and costs are outlined in the attached report. It would take four years and 11 months from the start of the project to completion.
- 8.21. If Members wished to progress plans to an early stage, RIBA stage 1 preparation work would cost £200,000, with concept design to RIBA Stage 2 costing an additional £296,000. The report notes that Arts Council England's previous large capital grants programme applications were required to have completed RIBA stage 1. It is unlikely the scheme would receive serious interest without progressing to RIBA Stage 1.
- 8.22. Like the multipurpose venue, there is no obvious funding route from third party support. Progressing to RIBA Stage 1 would allow ECC to explore conversations within the benefit of more definitive plans. The report outlines a detailed 'favourable' revenue projection over 25 years and assumes a commercially successful venue as well as the wider regenerative impact.

9. How does the decision contribute to the Council's Corporate Plan?

- 9.1. The decision is in line with providing 'Great things to see and do' in the city and contributes to the objective to retain a strong city centre.

10. What risks are there and how can they be reduced?

- 10.1. Outline costs for the Corn Exchange redevelopment are likely to increase over time and become higher than outlined in the report. There is no mitigation to this as funding isn't available to proceed.
- 10.2. Not preparing the Corn Exchange to RIBA Stage 1 means the project is highly unlikely to progress and get Arts Council support.
- 10.3. Risks to the business case and capital costings are outlined in the report itself.

11. Equality Act 2010 (The Act)

- 11.1. Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:
- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
 - advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
 - foster good relations between people by tackling prejudice and promoting understanding.
- 11.2. In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.
- 11.3. In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.
- 11.4. In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because: because
- 11.5. At this stage there is no new service or existing changes to service
- 11.6. In recommending this proposal potential impact has been identified on people with protected characteristics as determined by the Act and an Equalities Impact Assessment has been included in the background papers for Member's attention.

12. Are there any other options?

- 12.1. Proceeding with the multipurpose venue without funding would threaten the viability of the wider CityPoint site.
- 12.2. Members could instruct officers with regards to further commercial discussions for a new theatre.
- 12.3. Members could proceed with RIBA Stage 1 at the Corn Exchange. However, if it were to be unsuccessful in gaining full funding there is reputational risk as monies could have been spent on repairs and maintenance backlogs.

Jon-Paul Hedge
Director

Local Government (Access to Information) Act 1972 (as amended)
Background papers used in compiling this report:-
None

Contact for enquires:
Democratic Services (Committees)
Room 2.3
01392 265275

This page is intentionally left blank

Project Explore: Feasibility Study

Exeter City Council

November 2019

In partnership with:

Hopkins Architects

Equals

Contents

1	Introduction	3
1.1	About this report	3
2	Background	4
2.1	Exeter Vision for 2040	4
2.2	Exeter's Arts and Cultural Strategy	4
2.3	ECC's Culture Budget	4
2.4	Background to the City-centre Development Site Opportunity	5
2.5	Future of the Northcott Theatre	6
2.6	The University's Great Hall	7
2.7	Future of the Corn Exchange	7
2.8	Sector-specific Consultation	8
3	Venue Brief	9
3.1	Audience Capacity	9
3.2	Programming Mix	9
3.3	Fly Tower or No Fly Tower?	12
3.4	Spatial Brief	13
4	Concept Plan & Site Location	14
4.1	Concept plans	14
4.2	Sites' Assessment	16
4.3	Site Option (1): Replacing the Existing Civic Centre	17
4.4	Site Option (2): Adjacent to St. Sidwell's Point	18
4.5	Stand-alone or integrated development?	19
5	Capital Cost & Funding	20
5.1	Capital Cost Estimate	20
5.2	Pre-operational Capitalised Budget	23
5.3	Capital Funding Strategy & Sources	23
6	Operational Projections	28
6.1	Basis of Projections & Key Assumptions	28
6.2	Mature State Baseline Projections	28

Fourth Street Place Consultants Ltd

212 The Print Rooms, 164-180 Union Street, London, SE1 0LH

www.fourth-street.com

1 Introduction

1.1 About this report

This report draws together the Project Explore feasibility work led by Fourth Street and supported by Hopkins Architects and Equals Consulting. This includes: the evolution of a notional event programme for a new venue in the city centre; the definition of a spatial brief and its translation into a concept plan; a high-level assessment of the site and location options; a preliminary capital cost estimate and a 25yr operational financial projection.

The proposals and assessments set out in this report have been derived through an iterative process, involving Exeter City Council (ECC) and supported by a targeted programme of research and sector-specific consultations.

2 Background

2.1 Exeter Vision for 2040

Exeter City Council (ECC), together with its partners and communities, is working towards a new city vision for 2040. The emerging vision, set out in the corporate plan 2018-2021, describes the aspirations for 2040 in six areas. These include: *Innovative and analytical city; Health and inclusivity; The most active city in the UK; Accessible world-class education; Liveable and connected; and, A leading sustainable city.*

A new city-centre multi-purpose venue, that showcases and promotes a broad and accessible range of events and performances – covering arts, cultural, sport and business sectors – has the potential to support the emerging vision across all the identified areas, notably: *by contributing to the health and wellbeing of the community through more active social lives, both physically and mentally; supporting and championing education and training in the arts, culture and event arenas; stimulating and supporting the night-time economy of the city centre; and being a beacon for sustainability.*

While this feasibility study is concerned with the development and operational viability of the venue itself, it is important to acknowledge the significant wider contribution it could have on the city's future and prosperity. To this end, its support for the wider vision of the city will be an important consideration for its business case i.e. making the city a more attractive as a place to live, increasing graduate retention, reinforcing the city's brand and perception.

2.2 Exeter's Arts and Cultural Strategy

Exeter Culture¹ recently commissioned TFCC² to work with arts and cultural stakeholders in the city to produce a new place-based Arts and Cultural Strategy. The strategy is anticipated to be published in mid-2019. Part-way through the study, a set of emerging themes were identified that resonate strongly with the proposed development of a new multi-purpose arts and cultural venue for the city centre. These themes included: *City of Culture for the Environment; City of Cultural Wellbeing; City of Heritage Innovation; City of Creative Making; City of Cultural Literacy and Learning; Creative making; and, Cultural partnerships and exchange.*

2.3 ECC's Culture Budget

In 2018, the ECC identified a need to modernise the community and arts grants programmes and began a review. Following the review, ECC set a budget that included a reduction in the General Fund budget for community grants of £290,000 for 2019/2020 and a further £210,000 for 2020/2021. As part of the changes, a new Exeter Grant Programme is being introduced in order to protect cultural activities from the long-term effects of austerity. ECC's financial support for the city's NPO's remains unchanged. The new fund is being drawn from the Neighbourhood Proportion of the Community Infrastructure Levy (CIL)

¹ Partnership supported by Arts Council England, University of Exeter, Exeter City Council, Exeter College and InExeter

² <http://tfconsultancy.co.uk/>

and consists of an annual amount of £1,065,000. This figure will be reviewed on an annual basis and the allocated budget could increase or decrease depending on available funds. As a result, whilst steps have been taken to try and protect investment in Exeter's cultural activities, it cannot be assumed that ECC would be in a position to subsidise a new venue.

2.4 Background to the City-centre Development Site Opportunity

In 2017, when the New Entertainment Venue Needs Assessment was produced, Crown Estate, in partnership with ECC, were proposing a retail-led redevelopment of the city-centre land bordered by Paris Street, Sidwell Street and Cheeke Street. The scope for the Needs Assessment's high-level consideration of possible sites across the city, on which a new entertainment venue might be located, therefore excluded this city-centre location.

Between May and July 2018, the Needs Assessment report was published, and a public consultation exercise run to seek views on the findings. The results, which combined online and on-street surveys³, expressed overwhelming support for a new venue to be located within the city centre and be multi-purpose, and for it to aid the regeneration, night-time economy and reputation of the city. The need for better transport links was cited most regularly when participants were invited to comment on any issues relating to a new venue.

In September 2017, Crown Estate withdrew their support for the retail-led scheme, based on the declining strength of that market.

A subsequent report prepared by JLL and Clifton Emery Design⁴, commissioned by ECC, set out a new vision for this city centre site. This supported ECC's announcement in November 2018 to back the development of the Sidwell Point Leisure Centre, which is now under construction.

To inform the next phase of development planning for this large city-centre area, ECC has commissioned this feasibility study to explore the concept and viability of integrating the multi-purpose venue. The indicative masterplan arising out of the JLL / Clifton Emery Design work, included in Figure 1 below, formed the basis for our feasibility study brief and indicative an initial preference for the location for the multi-purpose venue. However, this location was not fixed and this study has looked at the pros and cons of different locations across the site (although the location of Bus station and St Sidwell's Point leisure centre are fixed).

³ The survey attracted 551 on-street interviews and 1,633 on-line responses.

⁴ Exeter Bus and Coach Station Site – Creating a new mixed-use quarter for Exeter, Development Strategy – November 2018, JLL & Clifton Emery Design

Figure 1. Indicative Masterplan



2.5 Future of the Northcott Theatre

The Northcott has signalled its intention to remain in its current location on the University's Streatham campus, with a plan to expand its current capacity of 464 to 600 within its existing envelope and improve its F&B offer. This aligns with the University's ambition to develop a cluster of cultural infrastructure on the campus, which will see the expanded theatre joined by the re-presented Bill Douglas collection⁵. The University has been exploring these and other possible initiatives through its Cultural Infrastructure working group that has involved the ECC officers and has run alongside this feasibility study.

The Northcott's decision to remain where it is has an important bearing on the programming of a new city-centre venue. While the Northcott's programme has evolved recently to include a greater range of genres (its current advertised programme contains approximately 26% theatre, excluding pantomime, with the remainder being largely comedy and a mix of music, opera and talks), its principal purpose remains a theatre, both as a receiving house and a co-producer. Given the scale of the Exeter market, care has therefore been taken to avoid developing a new venue that is overly reliant on or designed specifically for theatre and in doing so, compete directly with the Northcott.

The Northcott has expressed an interest in staging theatrical performances at a larger city-centre venue to take advantage of greater capacity and ticket sales. The volume of these however – as a proportion of the overall programme at either the Northcott or a new venue – will be relatively low.

⁵ <http://bufvc.ac.uk/archives/index.php/collection/515>

2.6 The University's Great Hall

The Great Hall is the largest indoor seated capacity venue in Exeter capable of hosting music gigs and concerts. Notable acts have played the Great Hall in the past and it continues to host a range of public events – mostly classical music – including regular events by the Bournemouth Symphony Orchestra. However, the University has reiterated, through this study, that the Great Hall is a core university asset, used for lectures, examinations and graduation ceremonies. Although public events are programmed with the Great Hall, they inevitably compete with these core uses and the commercial return from hosting private conferences during holiday periods.

2.7 Future of the Corn Exchange

The Corn Exchange is owned and operated by ECC. Despite limited capital investment in the facility for many years, the Corn Exchange continues to perform well, delivering a broad range of popular content including *children's, comedy, dance, film, music* and *general entertainment* covering fairs, markets, festivals and other one-off events.

A design-led study was commissioned by ECC in 2012, which looked into a range of refurbishment options and the feasibility of increasing the Corn Exchange's capacity from 500 to 750. The results of this study supported a successful capital grant application to Arts Council England to implement the preferred option that was costed at £1,050,000⁶. However, the project was never executed and the grant award lapsed.

The assumption regarding the future of the Corn Exchange, should a new multi-purpose venue be developed, has not changed since the *Needs Assessment* was undertaken in 2017. That is, some of the Corn Exchange's programme – notably, the commercial elements and shows that have a larger audience demand – could be displaced into the new venue while the remained could either continue to be staged within the Corn Exchange or be displaced into other venues around the city.

ECC has held back on committing capital expenditure on the Corn Exchange until its longer-term function and use has been determined.

Even if a new development comes to fruition, it would be worth considering retaining the Corn Exchange in its present form until the Fore Street area is redeveloped. It would mean changing the emphasis of the venue to be more community orientated and it would mean that the venue's current profitable status would in all likelihood become a cost. The venue is situated above retail units and a car park which currently earn the Council in the region of £300k pa. An alternative use for the Corn Exchange itself is not immediately obvious so it might be worth committing a small amount of revenue funding to continue operating the venue if a study of the recent structural survey shows this to be practicable.

A revised programme for the venue would include much of its present programme – council events, dances, examinations, blood donor sessions, smaller conferences, fayres and stage events which do not

⁶ Estimated construction cost (with various exclusions including any works forward of the new balcony, VAT, professional fees, surveys and others) presented within Harris McMillan's feasibility study report dated 26/09/2012

target audiences above 500. If the new venue was run by the council this would also allow pooling of financial and other resources.

2.8 Sector-specific Consultation

To inform this feasibility study, the team has consulted with a range of organisations and individuals with an interest in Exeter⁷ as well as sector-specific experts including venue operators, event promoters and specialist contractors. These consultations were held in confidence, as was the case during the Needs Assessment study, to provide valuable insights and current market intelligence, to inform the feasibility work.

⁷ Daniel Buckroyd – Northcott Theatre; Patrick Cunningham – Exeter Phoenix; Seth Honnor – Kaleider Limited; Nikki Sved – Theatre Alibi; Rob Bosworth – Exeter College; Peter Goodwin – NEVAG; Ceri Johnson – Arts Council England; Dom Jinks – Exeter Culture; Tom Fleming – Consultant for Exeter’s Cultural Strategy; Dave Lewis & Sian Ewer – Exeter Corn Exchange; Hannah Rundle, Chris Evans, Sarah Snow, Steve Whyte – University of Exeter; Dougie Scarfe – Bournemouth Symphony Orchestra.

3 Venue Brief

3.1 Audience Capacity

The further consultations undertaken during this feasibility study have reaffirmed the view that a seated capacity in the order of 1,200 should be targeted. This reflects the combination of potential audience demand, existing venue provision, operational viability and the vision and ambition of the city's cultural partners. A maximum seated/standing capacity is then achieved by 'stretching' the auditorium's ancillary spaces i.e. means of escape, toilet provision, food and beverage provision etc.

Importantly, the 1,200 seated audience capacity is a *target* not a *requirement*. If the scheme at this capacity level is undeliverable, for whatever reason, then a lower capacity will need to be considered. Through the process of this feasibility study, and based on a combination of the market analysis, partner ambitions and economics of the scheme, it is advised that the minimum seated capacity should not fall below 1,000.

3.2 Programming Mix

The adaptability of the venue and its design brief has been informed by the potential programming mix. The programme that has been derived from this – set out in Section 6.2.1 – is based on year-3 trading assumptions, and therefore takes account of the need to build audience recognition and market-confidence in the venue and its programme. At this stage, the programme should not be viewed as definitive but as a tool to inform and test design assumptions, capital cost projections and business planning variables.

Set out below are the key considerations for the likely range of event genres and formats – informed by the stakeholder consultations undertaken during the 2017 Needs Assessment study, updated with recent dialogue and further input derived from informal conversations within the venue and event sector.

3.2.1 Theatrical Productions

- If Exeter aspires to host touring commercial theatre of scale and national profile, these are likely to require a fly tower for the foreseeable future. The main reason for this is that with most of the product being designed to play to conventional theatres in London, all with fly towers, producers will not be inclined to stage such productions in facilities where a fly tower does not exist, particularly when other venues in the region can accommodate the production without much adaptation. This is despite the technological advances that are influencing production design and the equipment housed in fly towers.
- There are different views on whether Exeter can successfully compete with the theatres already established in the region for such commercial touring productions. Regional competition can be healthy for the sector but is also politically sensitive.

- The Northcott Theatre, as part of the University's arts quarter development proposals, is considering plans to expand its capacity within its existing envelope from 464 to 600 seats. Creating a venue in the city centre which competes for both content and audiences is potentially harmful for both venues. Clarity of purpose and differentiation is required for each to successfully co-exist and an alignment of their respective programmes.
- Commercial touring theatre is usually booked with a c.6 months lead time. A market like Exeter, with a purpose-built facility might expect to host between 9 and 12 shows per year of one-week duration and with 8 or 9 performances over 6 days. With efficient purpose-built load in and out facilities, these week-long shows could get in and out within the 7-day window. The strongest seasons for theatre coincide with music and comedy gigs. Blocking out the venue for a week-long theatre booking will result in some other events being lost.
- If a fly tower cannot be accommodated either physically, technically or financially, any aspiration to include theatrical productions befitting of the venue's scale will require well-proportioned backstage areas capable of supporting ground based theatrical equipment.
- Pantomime is a dependable event that can attract a broad audience demographic and can also stimulate significant civic pride and cohesion. It does prevent other event types being hosted and so needs to be programmed with the wider venue needs and competing offers elsewhere in the city in mind. If the technical ability to intersperse some longer resident theatrical productions with other event types in between performances can be included in the venue design, it would be worth considering e.g. stage access and storage, audience sight lines for different event configurations etc.

3.2.2 Music Based Events

- To attract profile acts, Exeter requires a venue with the ability to accommodate a significantly higher capacity than the existing city-centre venues. Creating a space that can 'stretch' up and down from a 'natural feeling' c.1,200 seated capacity for high profile comedy up to c.2,000 standing/seated for music gigs, and down to c.900 for more intimate performances will be key to aggressively programming the venue.
- Despite what is stated in section 2.6, if the programme of University's Great Hall includes more music gigs and concerts, this will present competition and reduce the number of events for both venues and potentially, suppress rentals levels. A city centre venue will be preferred generally by the market. The Great Hall has quite poor load in facilities and has competing internal demands (i.e. core university use and conferencing notably). A purpose-built venue in the city centre must have better provision and specification to support an aggressive event programme.
- The Lemon Grove primarily serves the students on campus. The future programming of the potential city venue needs to appeal to the university students as well as city residents (note, approximately two thirds of students live off-campus). This may include regular themed music events such as '90's night'. With a clear demarcation in programming between the two, both

should succeed. The city centre site will need to consider acoustic protection to support a premises license application for extended hours beyond 11.00pm.

- There is a broad consensus that a wider range of event types helps sustain a venue directly and indirectly, insulating against peaks and troughs in each type, as well as helping audiences to transition from one to another. Whilst full orchestral events may still be best hosted within the Great Hall and Cathedral, the new venue should ideally have the acoustic qualities to provide a great sound environment for more than just amplified music i.e. smaller classical music / chamber ensembles. Consistent with the previous study, our assumption is that a new multi-purpose venue should not be seeking to host larger classical music formats, which would be prohibitively expensive to achieve and stretch the venue's flexibility too far.
- The appeal of the venue for different audiences will be influenced by both the programme and the aesthetics of the venue. Achieving the right ambience, fixtures and fittings which accommodates the variety of audiences will be a key task and challenge, along with the technical and support aspects of the venue.

3.2.3 Other Event Types

- To be sustainable and successful, the new venue will need to take some events from the Corn Exchange. Comedy acts with higher audience potential are the most obvious examples, but to provide a diverse programme of events, which is desirable to build audiences across event types, other events will need to migrate and grow. This raises the question of the future programming of the Corn Exchange and how each of the city venues fit into the new city-wide ecosystem.
- Working collaboratively with the Exeter Phoenix will also be important to support the growth of their events and promoters towards a net gain for both venues.
- The success of the venue will be strongly influenced by getting Exeter onto 'the circuit' for larger tours. To this end, the city's range of venues should work towards this goal collaboratively.
- Comedy is likely to be a key contributor to both the programme and venue revenue. Ancillary food and beverage (F&B) sales tend to be higher than other events (assuming enough time is provided around the performance – during, after and intervals) and, with faster get in and outs, they lend themselves to aggressive programming.
- The venue needs to be able to flex the F&B offer to capitalise on such events, whilst being able to downscale to make lower demand events cost effective. This flexibility includes the product offer for each event type. Generally, audiences are becoming more discerning, are drinking less but eating out more. The proximity of other offers in the vicinity of the venue will also heavily influence the optimum F&B provision.
- Accommodating sport event formats should also be included in the design. Whilst the volume of sports events may not be comparable to music and theatre, they can attract new audiences and provide a different media profile. Sports to consider include: wrestling, combat sports, darts,

snooker and pool – most of which lend themselves to a 360-degree audience seating configuration i.e. arena style with small staging format. Sport events requiring larger staging formats like tennis, basketball, gymnastics or dance might be conceived as ‘exhibition’ events rather than commercial, only if there is enough floorspace and capacity.

- The other event types to be accommodated in the design and programme should include: trade fairs, conferencing and awards dinners. These types of event illustrate the need for flexible design solutions that enable the spaces to easily and swiftly adapt to a diverse range of uses (some of which cannot be predicted at this stage).
- Cinematic events and ‘talk’ events supported by cinematic presentations should also feature. The ability to stream content and permit audience interaction requires a high level of IT connectivity. This functionality also supports corporate hires and media launch events.
- The interplay between the neighbouring Leisure Centre will be important logistically, as it could extend to hosting ‘city festival’ type events where multiple venues are used. Being able to programme the venue irrespective of activity in the leisure centre will be critical.

3.3 Fly Tower or No Fly Tower?

A key issue for this study is whether the new venue should include the capability of flying and storing scenery above the stage, a large orchestra pit and related ancillary facilities. For short-hand and simplicity, we refer to these variations as either having a ‘fly tower’ or not.

There is no right or wrong answer for this rather, a series of trade-offs that require measured consideration.

From a programming perspective and given that the venue is being developed to cater for multiple event genres and formats, the maximum volume of programme that would likely demand a ‘fly tower’ capability would be unlikely to exceed 25% per annum (and probably less). With little alternative uses for a ‘fly tower’, it would effectively be made redundant for the remaining 75% of the programme.

As noted earlier, the Northcott’s decision to remain at its existing location, albeit with plans to expand, means that smaller format theatrical productions – with ‘fly tower’ requirements – will still be provided for within the Exeter market-place.

There is no doubt that the exclusion of a ‘fly tower’ would eliminate certain shows from coming to Exeter – notably, larger commercial touring theatre and subsidised national / international touring shows. However, these types of shows currently tour to other venues within the region (such, as the Theatre Royal in Plymouth) which, despite not being on the doorstep, are still within a reasonable travel-time for Exeter residents.

Conversely, if one were to include a ‘fly tower’, the new venue would effectively be going head-to-head with established venues like the Theatre Royal to attract the larger and more commercial touring theatre shows. While competition can be healthy, it is important to acknowledge that the Theatre Royal is heavily subsidised; has established relationships with national producers and promoters; has almost double the

population of Exeter within their respective urban catchments, which affords greater ticket-sale capacity; and has the additional capability of the TR2 production and learning centre.

The inclusion of a 'fly tower' should not increase the overall capital cost of the scheme substantially in its own right. However, the additional adaptations to provide the necessary flexibility of the venue to cater for the broad range of all event genres and formats could be significant, as could the increased operational demands and costs involved in regularly adapting the space.

The combination of the above has led our team and the ECC officers to light on a preferred option that excludes a 'fly tower'. This decision and the implications that are described above, have not been taken lightly and acknowledge that once the venue has been delivered, the 'fly tower' decision cannot be reversed. As such, it should be viewed as a once-in-a-generation decision for Exeter.

3.4 Spatial Brief

The Apex in Bury St Edmunds was referenced within the Needs Assessment study as a relevant comparator for Exeter notably for its flexibility, integrated development, quality and (relatively) recent construction. Of all the other venues that have been reviewed as part of the Needs Assessment and this study, it has remained one of the most relevant case studies.

Hopkins, the design consultants within our team, were the architects of the Apex scheme and have adopted the Apex's spatial programme as the model for generating the preliminary spatial brief for the new venue in Exeter. The spatial brief, which is based on the minimum seated capacity threshold of 1,000, is summarised in Figure 2 below and has been through a review and challenge process internally by in our team and with sector-specific consultees.

This spatial brief has then been translated into an indicative layout plans (see Section 4.1) to provide an indication of the overall building footprint, and therefore inform the site assessment exercise as well as the capital cost estimates (see Section 5.1).

Figure 2. Spatial Brief

<i>Space</i>	<i>Area split for Apex, Bury St Edmunds</i>	<i>Exeter: 1,000 seated capacity (theatre layout)</i>
Foyer	9%	569
Circulation	15%	933
Auditorium	14%	845
Bar & Restaurant	20%	1,225
Sanitary Provision	5%	297
Performer Spaces	6%	353
Admin & Conference Spaces	7%	420
Technical Spaces	1%	60
Plant & Service Spaces	23%	1,389
	100%	6,090

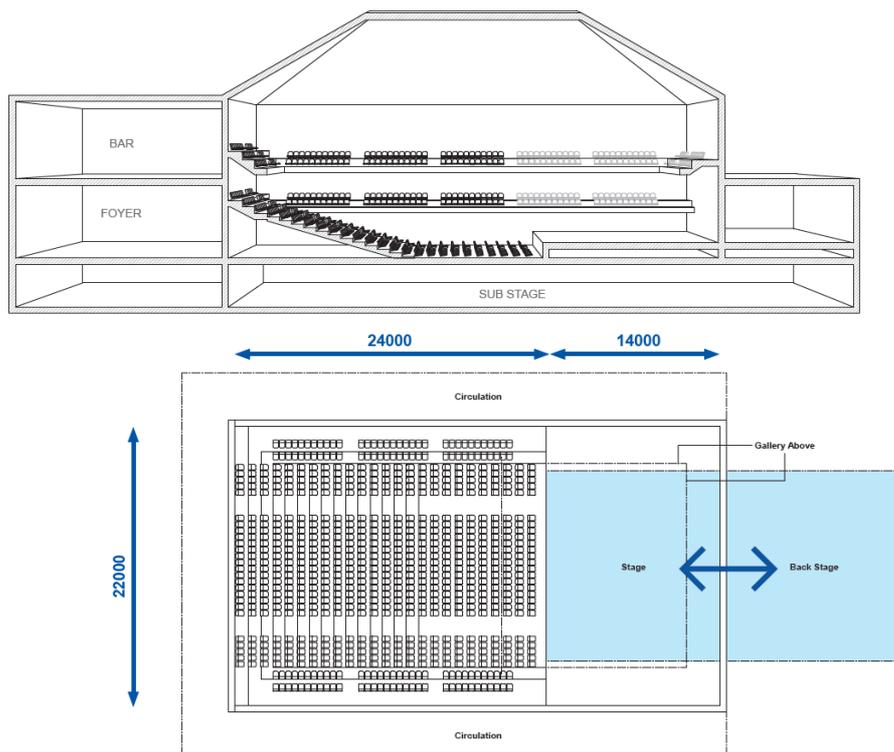
4 Concept Plan & Site Location

4.1 Concept plans

The spatial brief from Section 3.4 has been translated, by Hopkins Architects, into a series of concept plans showing different configurations of the auditorium to address the multi-purpose programming requirements. Further configurations will be possible depending on stage size and layout, opening-up or closing-down balcony seating, auditorium draping etc. Overall, these concept plans address the range of programming requirements for the venue, as described in Section 3 above. By way of summary, the minimum capacities that can be achieved for the three main configurations of the auditorium are:

- Theatre layout: 1,000 seated capacity. Note, the shaded seats (totally 220) illustrated in Figure 3 are excluded from this figure to permit the largest stage configuration and to avoid audience site lines being restricted. For shows requiring smaller stage configurations (e.g. comedy), some of these seats could be reinstated.
- Concert (pop/rock) layout: 1,750 total capacity made up of 1,350 standing and 400 seated. Again, the shaded seats (totalling 220) illustrated in Figure 4 are excluded from this figure.
- Arena Layout: 1,400 capacity with a stage configuration that is assumed to accommodate shows like boxing, combat sports, snooker, smaller theatrical performances etc.

Figure 3. Theatre layout: 1,000 capacity (with 220 seats not in use)



Project Explore: Feasibility Study

Figure 4. Concert layout: 1,750 seated (400) & standing (1,350) capacity (with 220 seats not in use)

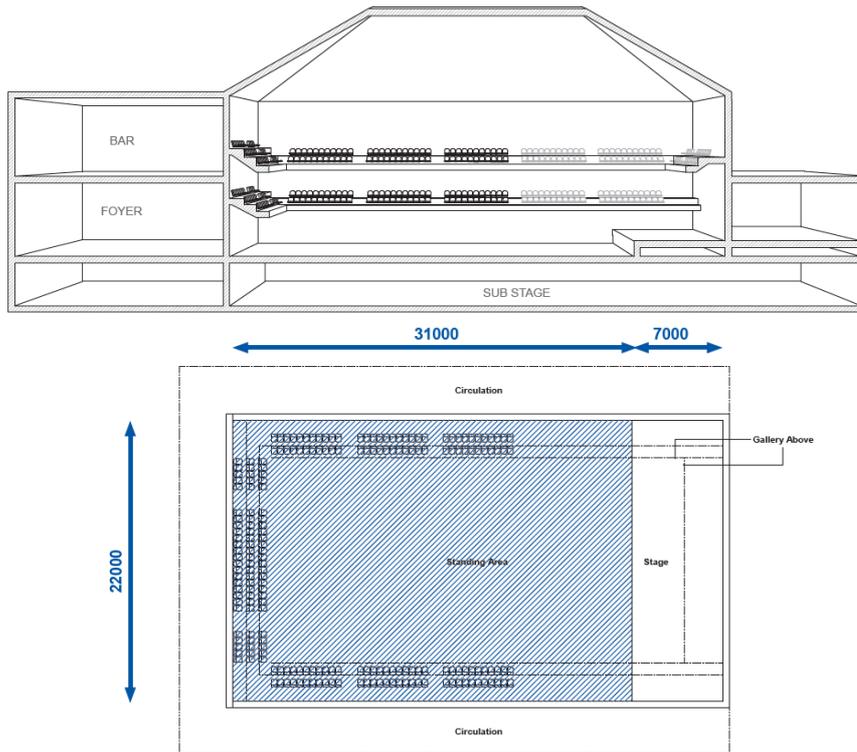
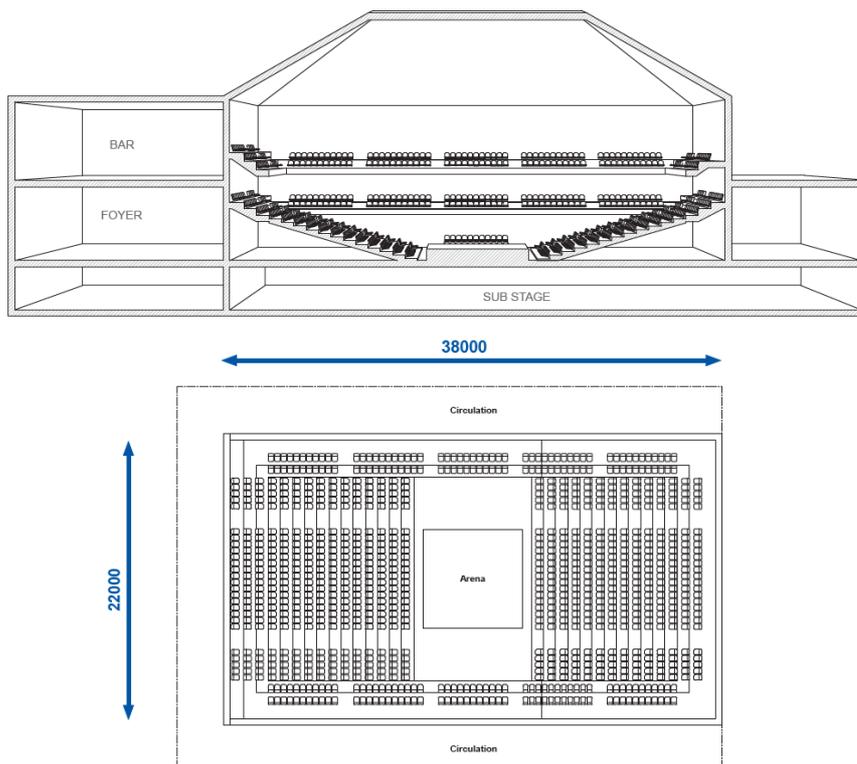


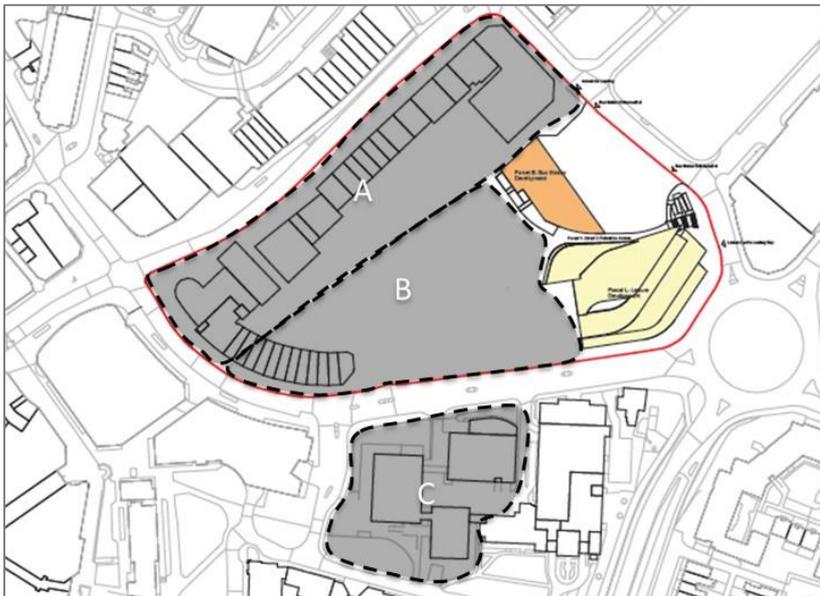
Figure 5. Arena layout: 1,400 capacity



4.2 Sites' Assessment

The concept plans have been translated onto the indicative masterplan that arose out of the JLL and Clifton Emery work to assess the pros and cons of sighting the venue in different locations. As noted earlier, the St. Sidwell's Point leisure centre and Bus station are fixes, with the former now under construction. ECC is the freehold owner for all lands under consideration. The perimeter buildings running along Sidwell Street and to the western end of Paris Street (marked in outline in Figure 6 below) are held on long leases, mostly granted between 1958 and 1964 for 99-years.

Figure 6. Development Sites



Appraising the location of the venue within the site boundaries independently from a detailed masterplanning exercise means that some key questions inevitably remain unanswered. Accepting this, the team considered the entire lands available.

While the most practical location for the venue – from a construction and operational perspective – would be on the highest and flattest lands available, which are also closest to the city centre (i.e. marked as “A” in Figure 6 below), these are considered to have the greatest development value and are also subject to existing leaseholds. In discussion with ECC, the team was encouraged to discount location “A” and focus on locations “B” and “C”. These are illustrated in Sections 4.3 and 4.4 below and the key issues and trade-offs listed.

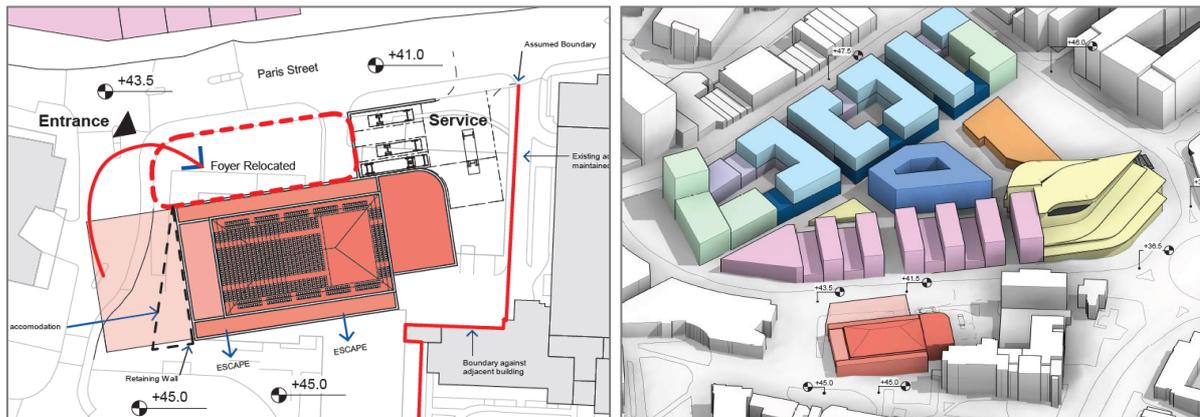
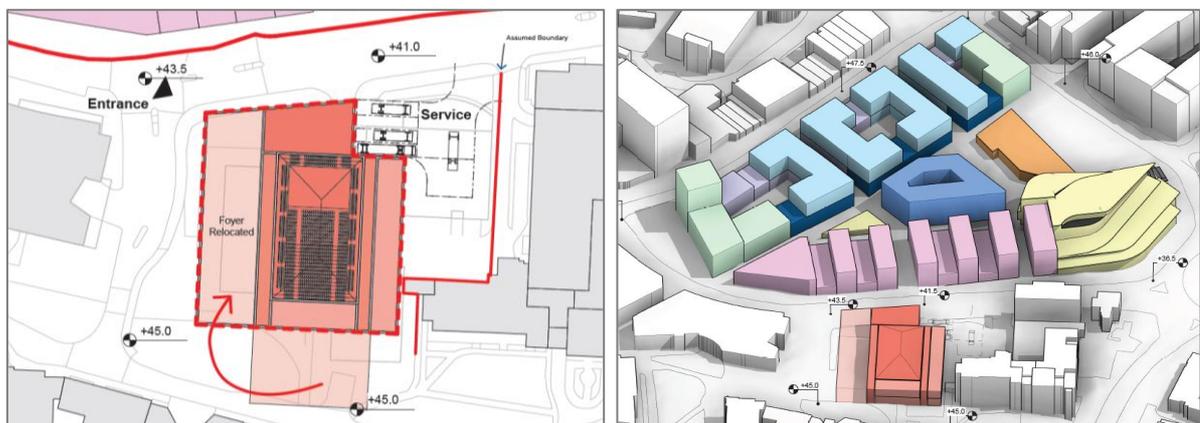
The scale of the venue’s footprint means that its actual location and orientation within either of the locations is actually quite limited. In generally, where one is dealing with a sloping site, the preference is to have load-in/out facilities at stage level and accept that audiences will be moved up and down through the building. While this is not ideal for audiences, it means that the venue can be programmed more aggressively, and the operational risks and resource demands be reduced.

For all options, it is assumed that loading facilities will be internalised so that noise can be minimised during the load-in/out of shows during the night, to permit a more aggressive turnover of the venue.

4.3 Site Option (1): Replacing the Existing Civic Centre

In locating the venue on the site of the existing Civic Centre buildings, illustrated in Figure 7 below, the following notes are made:

- For this site option, there are two ways that the building could be orientated – either with the length of the building running north to south or, east to west. While there are pros and cons for both orientations, lying north to south sits more naturally.
- The site is constrained from the east by the existing car park entrance off Paris Street and from the west by Southernhay E road.
- The site constraints impose greater limits on the extent of supporting accommodation (i.e. the retail / food and beverage spaces.) than Site Option 2 described in Section 4.4 and illustrated in Figure 9 below. However, the venue’s orientation lying north to south appears to provide greater opportunity to address the requirements of the venue’s brief than an east to west orientation.
- The foyer has to be relocated to the side of venue due to the constrained nature of the site, but this does provide an active frontage onto Paris street (and Southernhay E for the north to south orientation). Both orientations create a lop-sided building which from an operational perspective would not be ideal and could affect audience movement and negatively impact on spend per head.
- Loading off Paris Street is assumed from the eastern side, where levels are lower. This allows for stage-level access i.e. stage and backstage are at the same level.
- Change in levels across the site necessitates considerable excavation and retaining structures.
- Its location on the south side of Paris street maximises the available land on the north side of Paris street for commercial development. However, with the Civic Centre being razed, the option to convert these buildings to residential would be lost.
- The volume of commercial development that might wrap the venue – and potentially aid its development and/or revenue funding – is considered more limited on this location, given its more isolated context.

Figure 7. Site Option (1) layout and massing – orientation east to west

Figure 8. Site Option (1) layout and massing – orientation north to south


4.4 Site Option (2): Adjacent to St. Sidwell's Point

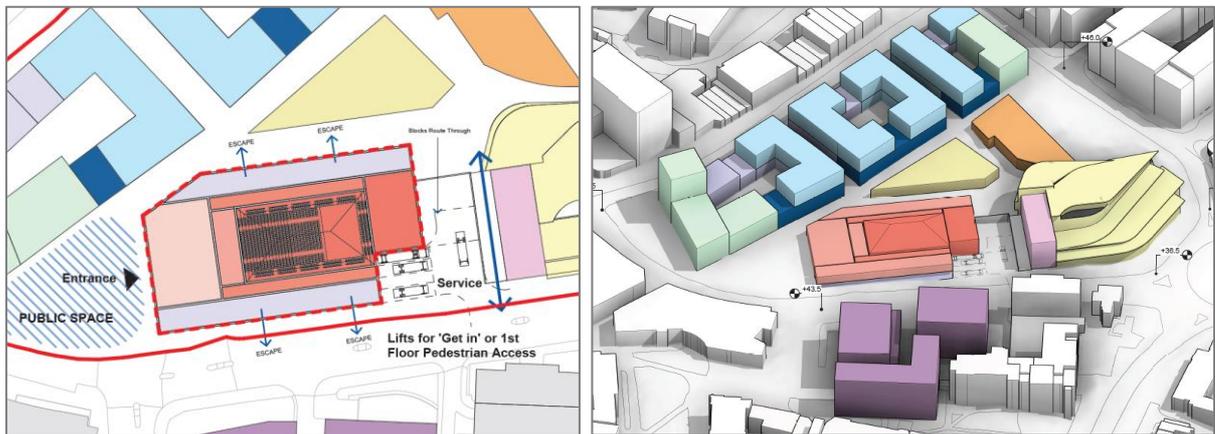
In locating the venue on the site adjacent to St. Sidwell's Point on Paris street, as illustrated in Figure 9 below, the following notes are made:

- Given the scale of the building's footprint, its orientation running from east to west in length is considered to provide the optimum solution within this area.
- A pedestrian route has been introduced linking Paris street with the St. Sidwell's Point leisure centre entrance, which is at an elevated level towards the centre of the overall site.
- The audience will enter the venue from the upper level (i.e. gallery level) from the west of the building. This affords the opportunity of good connections towards the city centre and visibility. A public square has been suggested for this area.
- Load in/out is achieved off Paris Street from the east end of the building, where levels are lower. This allows for stage-level access i.e. stage and backstage are at the same level.
- Change in levels across the site necessitates considerable excavation and retaining structures.

Project Explore: Feasibility Study

- Its location on the north side of Paris street reduces the available land in this area for commercial development, although the proposal to convert the existing Civic Centre to residential could be retained.
- However, there is likely to be greater scope to integrate the venue into a denser mixed-use scheme, potentially aiding its development and/or revenue funding position.

Figure 9. Site Option (2) layout and massing



4.5 Stand-alone or integrated development?

The initial assessment of different location and orientation options for the venue suggests two discrete design and development choices. Either, a building that stands more alone in its setting with a more statement design or a building that is more integrated into neighbouring development that seeks to maximise development value. The existing Civic Centre site centre, being smaller and more isolated seems to offer less potential for an integrated development approach. For the site to the north of Paris street, either options are possible. Figure 10 illustrates significant additional massing above the venue (not over the auditorium as the spans and loading of the building is assumed to prohibit this).

ECC's preference is to pursue a more integrated development. While this may suggest a preference for the site north of Paris street, there are other many other factors that need to be taken into consideration, which would likely affect construction costs, apportionment of external works and operational yields.

Figure 10. Site Option (2) illustrating additional development



5 Capital Cost & Funding

5.1 Capital Cost Estimate

A comprehensive cost model has been prepared by Equals Consulting. The costs have been built up on an elemental basis and quantities have been rated accordingly. Where it has not been possible to establish quantities, lump sum items have been included based on professional judgement and experience of similar projects. The rates used within the build-ups are based upon our team's current market data for construction works. A gross building area of 6,090m² has been assumed which achieves a minimum seated capacity of 1,000, corresponding to the venue brief and concept plans described in Sections 3 and 4. The £/m² rates that have been produced from an elemental build-up have also been benchmarked against projects of a similar nature. Detailed notes covering the key assumptions, risks and exclusions are noted below.

Figure 11. Capital cost estimate

CONSTRUCTION ELEMENT	
Building construction	£31.98m
External Works	£1.00m
Utilities connections	£.50m
Drainage works	£.35m
	£33.83m
Preliminaries	£5.41m
Main contractors overheads and profit	£1.96m
Design development contingency	£3.09m
Construction contingency	£2.06m
	£12.53m
	£46.36m
Site clearance and demolition	£.50m
	£46.86m
Inflation	£4.87m
CONSTRUCTION ELEMENTS - SUB TOTAL	£51.73m
PROJECT COSTS	
Project team fees	£7.76m
Client staffing	-
Project team office	£.38m
FFE	£1.00m
Artwork	£.10m
Sundries	£1.00m
Client contingency	-
VAT	-
PROJECT COSTS - SUB-TOTAL	£10.24m
GRAND TOTAL	£61.97m

Figure 12. Summary list of key assumptions, risks and exclusions

<p>Key assumptions</p> <ul style="list-style-type: none"> ➤ Costs are based on a single stage competitive tender. ➤ The project is a stand-alone building, not part of a larger development scheme. Should the development be part of an integrated, mixed-used development with additional accommodation stacked and wrapped around the venue, the cost rates could move up or down e.g. additional structural/loading requirements, greater building efficiencies etc. ➤ Existing topography of site is level (note, an allowance for site strip, clearance and excavation for foundations are included but no major excavation or retaining structures. These may end up being required or partially mitigated through the design solutions adopted.) ➤ Site is free from contaminates and asbestos. ➤ Access to site will be unhindered during construction. ➤ Traditional methods of construction will be utilised.
<p>Key risks</p> <ul style="list-style-type: none"> ➤ Determination of scope and cost certainty. ➤ Procurement and availability of capable contractors. ➤ Limited design information at this early stage. ➤ Access to site and logistics. ➤ Planning implications. ➤ Noise and environmental restrictions. ➤ Local authority approvals.
<p>Key exclusions</p> <ul style="list-style-type: none"> ➤ Asbestos identification, removal and disposal. ➤ Abnormal ground conditions requiring ground improvements. ➤ Land drainage improvement works. ➤ Contamination identification, removal and remediation. ➤ Identification and removal of underground structures, tanks and the like. ➤ Upgrading of existing mains services (refer to allowance in mains services). ➤ Overhead cable diversions. ➤ Diversion of existing above and below ground mains services, including drainage. ➤ Building works in connection with abnormal Planning Conditions. ➤ Section 106 commuted sums and Community Infrastructure Levy contributions. ➤ Legal fees and costs. ➤ Land assemble and associated costs. ➤ Lease surrendering costs of existing tenants. ➤ Section 278 Works, plus off-site works. ➤ Off-site storage or consolidation.

Elemental cost assumptions: Construction

- Substructure – Piled foundations, ground bearing slabs, lift pit construction and sumps.
- Contamination removal – In the knowledge that the site had experienced contamination (full extent unknown) an allowance of £500,000 has been included. This would be adjusted once investigations have been undertaken and the extent of contamination and remediation works confirmed.
- Frame and upper floors – Steel frame construction with composite upper floors over large span trusses.
- Roof – Composite roof, with allowance included for rooflights and acoustic louvres.
- Stairs – Typically, precast concrete stairs with one feature stair in the foyer.
- External walls, windows and external doors – Blockwork infill to steel frame, including cladding to 65% of external walls, 35% glazing.
- Internal wall and partitions – Blockwork and studwork walls as applicable.
- Internal doors – Good quality solid doors, allowance for glazed screens.
- Floor, wall and ceiling finishes – good quality finishes throughout, enhanced finishes to foyer.
- Fixed furniture and equipment – Auditorium seating, box office, dressing room, washrooms, bars, food counters.
- Specialist installations – Stage engineering, choir wagon, acoustic reflectors, lighting bridge, equipment bars, specialist lighting and general AV.
- Mechanical services – Good quality sanitaryware, soil and rainwater drainage, HVAC, fire alarms and sprinklers to main auditorium, BMS.
- Electrical services – Typical electrical provisions, including lighting controls to stage area, access control, CCTV and lightning protection.
- Lift installations – Passenger lifts, goods/scenery lift and escalators.
- Builders work in connection with services – Typical builder's works allowance.
- External works – Typical works to building perimeter, for instance hard and soft landscaping, seating, signage, steps, external lighting etc. Allowance of £1m assumed towards a package of external works shared with neighbouring developments.
- Utilities connections – Mains utilities connections.
- Drainage works – New below ground drainage and connections into existing sewers.
- Preliminaries – Main Contractor's staffing and site organisation costs.
- Main Contractor's overheads and profit – 5%.
- Design Development Contingency – 7.5%.
- Construction Contingency – 5%.
- Site Clearance and Demolitions – Building location dependant.
- Inflation provision – 10.4%.

Elemental cost assumptions: Project Costs

- Project team fees – 15% Allowance to cover all design fees, QS, PM and Clerk of Works.
- Client Staffing – Excluded.
- Project Team Offices – Assumed to be an off-site office – 1,000ft², fully furnished for 5 years.
- Furniture, fittings and equipment – Loose furniture and equipment.
- Artwork – Allowance.
- Sundries – Site investigations, samples, mock-ups, community initiatives, marketing etc.
- Client contingency – Excluded and assumed to be managed separately by ECC.
- Value Added Tax – Excluded as this is assumed to be recoverable by ECC.

5.2 Pre-operational Capitalised Budget

For projects like these, pre-operational costs will be incurred in the lead-up to opening and launching the facility. These costs will be one-off expenditure items covering pre-opening operational staff appointments, staff recruitment and training, facility and systems testing, pre-launch marketing and launch event, event contract preparation, supplier procurement, and so on. It is advised that an allowance of £500k be set aside for pre-operational activities and that this should be capitalised and therefore included as part of the project's capital fundraising campaign.

5.3 Capital Funding Strategy & Sources

The funding strategy will need to draw from a plethora of sources and on a range of partnerships in order to be successful. Sources of funding could include a mixture of grant funding, institutional investment, fundraising, sponsorship, development contributions and more. An initial review and appraisal of these is set out below.

At this stage, the likelihood of garnering sufficient support to fund the project at the scale and ambition set out in Sections 3, 4 and 5.1 above is considered low. To succeed would require significant grant or subsidised investment given the relatively low return on investment projected for the venue, neither of which are considered likely or forthcoming at the current time.

In parallel to this feasibility study, ECC have undertaken some soft market testing to explore the potential for commercial interest in a new multi-purpose entertainment venue. This has been considered separately as it would likely drive a different set of assumptions regarding the venue's programming and design brief.

5.3.1 Arts Council England

The Arts Council England (ACE) champions, develops and invests in artistic and cultural experiences that enrich people's lives and are a likely avenue of funding for the proposed music venue.

ACE's large capital grants programme is currently closed, and it is not yet known if / when it will re-open. The previous fund total was £88 million, and grants could be upwards of £5 million. The programme tends to run once every four years.

ACE are mostly interested in projects where their funding will have a transformational effect. As this project would certainly have a transformational effect on the arts scene in Exeter, there would likely be great interest in the project from ACE should the large capital grants programme re-open in the future.

It has been noted from consultations with both the Arts Council and Exeter City Council that a strong relationship currently exists between the two.

5.3.2 Heart of the South West LEP

Exeter sits within the Heart of the South West LEP, which is a business-led partnership of 4 county and unitary authorities, 14 district authorities, 4 universities and 10 FE colleges across Devon, Plymouth,

Somerset and Torbay. The LEP aims to reposition the areas profile and reputation, nationally and globally, connecting people, places, businesses and ideas in order to transform the economy, secure investment in infrastructure and skills and create more jobs.

The LEP has no direct discretionary funding to allocate to businesses or organisations. However, LEP's are a platform for funding applications, with some funding streams being entirely dependent on LEP's administering them, such as the Growth Deals, and others, such as European funding, having potential advantage should they be supported by the LEP.

Local Growth Funding for the Heart of the South West LEP will amount to £239.07 million by 2021.

In terms of European funding, the LEP has been allocated £108.8 million from the European Structural and Investment Fund (ESIF) programme which runs from 2014-2020. The 5 priority areas of investment are:

- Maximising innovation through transformational opportunities and smart specialisation (e.g. aerospace, big data, healthy aging, marine, nuclear etc.)
- Enterprise and SME competitiveness
- Reaching new markets
- Digital
- Addressing social and economic inclusion

Although the UK's exit from the EU will eliminate such funding in the future, these priority areas remain a sound guide for future funds that may replace it.

5.3.3 Growing Places Fund

In 2012, LEP's in England received £730 million from the Growing Places Fund to support key infrastructure projects designed to unlock wider economic growth, create jobs and build houses in England. The Fund provides an opportunity for LEP's and Local Authorities to identify, prioritise and deliver the infrastructure needed for growth.

To date 94% (£634 million) has been earmarked or allocated to 348 projects. However, 84% of the Growing Places Fund has been awarded on a loan only basis. This means that funds can be recycled for other projects when development is completed, and the loan repaid.

5.3.4 Creative Industries Sector Deal

More than £150 million will be jointly invested by the government and industry to help the country's world leading cultural and creative businesses thrive. In addition, a Cultural Development Fund will also be launched for cities and towns to bid for a share of £20 million to invest in creative and cultural initiatives. The deal will focus investment in:

- Places of the future - by funding leading creative clusters to compete globally
- Technologies and content of the future - via research into augmented reality and virtual reality

- Creative skills of the future - via a careers programme that will open up creative jobs to people of every background

5.3.5 Trusts & Foundations

Trusts & foundations will provide another avenue of opportunity for securing funding. There are many organisations which are focused upon the arts and creative industries and could be interested in supporting a venue promoting this. Some examples of these include:

- The Paul Hamlyn Foundation: The foundation has a particular interest in the arts and in supporting young people, aiming to distribute around £25 million per annum, usually in the form of grant-funding or, in some cases, loans to organisations.
- Wolfson Foundation: An independent charity that awards grants to support and promote excellence in the fields of science, health, education and arts & humanities. The Trustees aim to distribute at least 4% of the fund on an annual basis, which has broadly equated to approximately £30 million in recent years.
- Esmée Fairbairn Foundation: An organisation which aims to improve the quality of life for people and communities in the UK presently and also in the future. In 2018 the Foundation made grants totalling £40.5 million.
- Garfield Weston Foundation: A family founded, charitable grant making foundation which supports a wide range of causes across the UK and donates over £70 million each year. The Foundation has a focus on arts, education, community, health & wellbeing and youth.

5.3.6 Strategic Partners

Strategic partnerships could be formed with organisations such as the University of Exeter and Exeter College in order to generate capital contributions.

The University of Exeter is currently strengthening its creative capacity and has formed an Exeter Culture Group which involves partners from the city. Although most of the University's activity is based upon strengthening the campus offer, it is willing to explore more city centre based opportunities. The city centre venue could provide such an opportunity.

In addition, Exeter College is also exploring opportunities to expand and are particularly interested in growing their musical and theatrical offer. The new venue could fulfil some of the College's spatial needs in return for a capital contribution.

5.3.7 Local benefactors & legacies

Local benefactors and legacies are a source of potential income. Local high-net worth individuals or entrepreneurs with an interest in music or the arts may be interested in supporting a new venue. The University and College will also have alumnae networks which could be utilised to reach out to people willing to donate or support such a scheme.

Many buildings have been constructed with the help of wealthy individuals, for example, Saffron Hall, a concert hall in Saffron Walden, was the result of such a donation. However, this form of funding is difficult to predict and should not be relied upon.

5.3.8 Sponsorship & Naming Rights

Sponsorship agreements or purchase of naming rights is an additional funding option for the venue. For properties like a multi-purpose arena or performing arts venue naming rights contracts can range from between 3 to 20 years. There are several forms of corporate sponsored names. These can include a presenting sponsor where the name of the sponsor is attached at the end of a generic, traditional name or a title sponsor, where the original name is replaced completely with a sponsored one.

Offering naming rights to sponsors has become increasingly popular in recent years. Examples include the multi-purpose Birmingham International Arena, now known as the Resorts World Arena, the Marks & Spencer Arena in Liverpool's waterfront and O2's sponsorship of AMG's portfolio of live music and club venues.

5.3.9 Property

There are various property related opportunities to consider.

ECC have advised that Community Infrastructure Levy (CIL) contributions is unlikely for the new venue.

Associated development around the venue (either stacked or wrapping around the building and on neighbouring sites) could be used as a mechanism for securing funding either in capital or revenue terms.

There is also the possibility of securing capital receipts on sites such as the Corn Exchange, should the new venue absorb the activities currently taking place there, or at other sites.

5.3.10 Debt

There is the possibility of securing funding via prudential borrowing / Public Works Loan Board. The Council may be familiar with this as it understood to have been used as part of the St Sidwell's Point leisure centre development.

The Public Works Loan Board (PWLB) is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. Its function is to lend money from the National Loans Fund to local authorities, and to collect the repayments. Since 2004, major local authorities have been able to borrow without government consent, provided they are satisfied that they can afford the borrowing costs. In order to comply with is, they are required by law to 'have regard' to the Prudential Code, published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and Ministry of Housing, Communities and Local Government (MHCLG). The PWLB requires assurance from the authority that it is borrowing within relevant legislation and its borrowing powers.

ECC have confirmed that the current rate available to them would be 2.29%. On this basis, an estimate of annual repayments is set out in the table below against different levels of borrowing.

Figure 13. Indicative loan repayments

Principal	£30m	£20m	£10m	£5m
Annual repayment, capital & interest	£1,008k	£672k	£336k	£168k
Total repayable	£50m	£34m	£17m	£8m

ECC has no identifiable capacity within its current budget to service an additional loan so would require the new venue to provide a surplus from which repayments could be made. The level of profit being forecast (Section 6.2.2), could only service a small proportion of the overall cost of the venue.

Devon County Council holds a significantly larger budget than ECC and could be approached to provide financial support for project and help to service a loan, given its regional relevance and impact. However, this could only be achieved with the political support of the County.

5.3.11 Tenant / Operator Investment

Tenant investment could be another source of funding. This would consist of commercial F&B and retail tenants paying for the right to occupy space within the venue (although at this stage we have assumed the allocation of such space being built will operated by ECC and therefore revenue is accounted for in Section 6). These tenants could either develop their own spaces or move into spaces which have already been fitted out.

Venue operators would be another potential funding source, as well as a means of off-setting risk and linking the venue with a programming/content supply chain. Groups such as Live Nation⁸, Ambassador Theatre Group⁹ and AEG¹⁰ could be approached to develop, manage and/or operate the venue in return for capital contributions towards the build. Again, the current working assumption is that the venue will be operated by ECC and therefore these sorts of opportunities are currently excluded.

5.3.12 Institutional Investment

Institutional investment is another form of funding which could involve pension fund investment with council guarantees or sale and leaseback agreements. Sale and leasebacks are generally used for fixed assets, such as real estate, and would offer the opportunity to raise money by selling the ownership of an asset in return for a leasing agreement which allowed for continued use of the site for a fixed period of time.

5.3.13 Crowd Funding / Crowd Investments

Crowd funding initiatives and crowd investments are a possible source of funding. Sites such as Crowdfunder, Crowdrise and GoFundMe enable organisations and individuals to set up fundraising campaigns to attract donations from people who may be supportive or passionate about a project or an idea.

⁸ <https://www.livenation.co.uk/>

⁹ <http://www.atg.co.uk/>

¹⁰ <https://www.aegworldwide.com/>

6 Operational Projections

6.1 Basis of Projections & Key Assumptions

The operational projections set out in this section assume that ECC operates the new venue. Other options include various forms of partnering arrangement, leases or management contracts to third-parties for either some or all the venue's building or business activities. Each option will present a different risk profile for ECC and include a range of trade-offs covering financial and non-financial factors.

The projections set out in Section 6.2 represent a maturing state of the business that is assumed to arise in year three after launch, by which point the initial hype surrounding launch will have passed, operational teething problems are ironed out and the venue will have established itself within the south-west market-place. As noted in Section 5.2, the venue's launch into and penetration of the regional market will require a significant pre-operational campaign and continuing marketing effort.

The baseline projections represent 'reasonable' and 'balanced' assumptions across the various income and expenditure items, taking into consideration the vision and aspiration for the venue, local market factors and benchmarked data gathered from a range of comparator venues across the UK.

The operational projections, unless otherwise stated, exclude VAT and inflation.

In Section 6.2.5 we have illustrated the 25yr operational income and expenditure profile for the venue. This assumes a gradual ramp-up of each income and expenditure line items to the mature state in year-3 and from year-4 onwards, the figures are flexed up and down to reflect a typical longer-term revenue pattern.

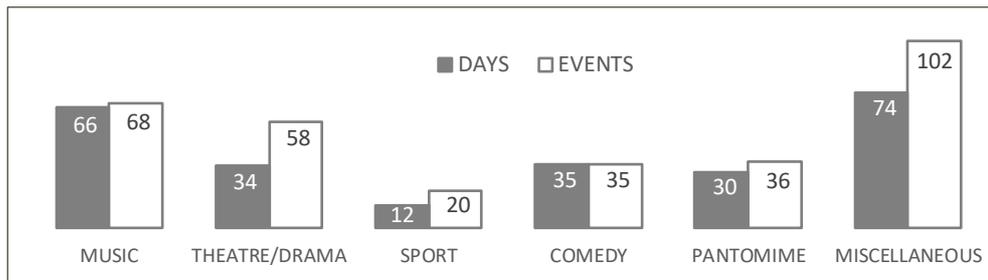
Finally, in Section 6.2.6 we have illustrated the effects of taking more optimistic or pessimistic views in both the income and expenditure projections to cast a range of annual operational deficit/surplus.

6.2 Mature State Baseline Projections

6.2.1 Events' Programme

An indicative annual programme of events has been cast for the venue reflecting the research and analysis described in Section 3.2 and aiming to fill the cultural and commercial gaps within the Exeter arts and cultural ecology. The number of days and events by genre (derived from the average number of performances per day) are illustrated in the Figure 14 below. The majority of the 'miscellaneous' category relates to *unique arena shows and experiences, talks and special interest events, cinematic shows and conferences*. This translates to a total of 251 event days and 319 events, which is more than the typical similarly sized UK venue but reflects the findings of the Needs Assessment and specific market context in Exeter and its surrounding catchment.

Figure 14. Event days & events by genre



6.2.2 Income & Expenditure Summary

Figure 15 below summarises the annual income and expenditure for the mature state and the supporting assumptions are described in Sections 6.2.3 and 6.2.4 respectively.

At this stage, the baseline projection assumes that the venue can return a positive operational contribution in its mature state. Importantly, this is before any additional income is derived from either sponsorship, partnering deals (e.g. education and training), grants or voluntary contributions. Given the commercial nature of the facility, the opportunity for attracting *grants* and *voluntary contributions* is assumed to be low. However, *sponsorship* and *partnering deals* could be significant but at this stage cannot be predicted with confidence so have been omitted.

Figure 15. Summary income & expenditure

INCOME	
Box office/Venue hire	£1,102k
Food & beverage	£1,301k
Merchandise	£50k
Other income	£84k
Sponsorship	-
	£2,537k
EXPENDITURE	
Core staff (permanent)	(£535k)
Event staff (variable)	(£233k)
F&B staff (variable)	(£155k)
Overheads	(£1,250k)
	(£2,173k)
OPERATING SURPLUS/(DEFICIT)	£364k

6.2.3 Income Assumptions

The net income derived from Box office / Venue hire, F&B sales and merchandise sales is summarised in Figure 1 below. To arrive at these projections, the six event genres represent 24 discrete event types, each with a different market and income profile. For each event type, discrete assumptions have been

made for: the venue's configuration and capacity (i.e. theatre, concert or arena); the average occupancy of an event (i.e. ticket sales); average ticket price; deals agreed with promoters; average secondary spends for F&B and merchandise and the cost of sales and margins achieved respectively.

Figure 16. Events income

	Box office	F&B	Merch'
Music	£258k	£446k	£12k
Theatre/Drama	£217k	£132k	£14k
Sport	£109k	£127k	£5k
Comedy	£76k	£155k	£4k
Pantomime	£121k	£82k	£6k
Miscellaneous	£321k	£358k	£9k
	£1,102k	£1,301k	£50k

A relatively small projection of 'other income' is also assumed, derived from the sale of local advertising and promotional materials (to promoters and event organisers); a public membership scheme for the venue (offering exclusive offers, promotions and discounts on purchases and special events); negotiated deals for third-party ticket agency booking charges; and, non-event F&B (this assumes that one of the F&B units within the venue opens daily as a day-time café for the general public, taking advantage of passing footfall).

At this stage, we have made no assumptions for sponsorship income. However, for a venue of the status and significance being proposed, this could represent a valuable additional income stream.

6.2.4 Expenditure Assumptions

The staff expenditure is split into three categories namely: Core staff (representing the permanent employed staff for the venue); Events staff (a variable staff complement covering front of house stewarding, ticket checking, event cleaning and door supervision); and, F&B staff (a variable staff complement covering the venue's bars during the operational hours of events).

Figure 17. Core staff (permanent)

<i>Department</i>	<i>Grade/Role</i>	<i>FTE</i>	<i>Salary</i>	<i>On-costs (25%)</i>	<i>Sub-total</i>
Executive	Director/GM	1.0	£60.0k	£15k	£75k
Executive	Administrator	1.0	£18.0k	£5k	£23k
Executive	Commercial Manager	1.0	£40.0k	£10k	£50k
Event Technical	Manager	1.0	£30.0k	£8k	£38k
Event Technical	Deputy	1.0	£27.5k	£7k	£34k
Event Technical	Assistant	1.0	£22.5k	£6k	£28k
Event Management/Ops	Manager	1.0	£30.0k	£8k	£38k
Event Management/Ops	Assistant	1.0	£22.5k	£6k	£28k
Event Management/Ops	Duty manager	2.0	£30.0k	£15k	£75k
F&B	Manager	1.0	£32.5k	£8k	£41k
F&B	Assistant	1.0	£27.5k	£7k	£34k
Sales and Marketing	Manager	1.0	£35.0k	£9k	£44k
Sales and Marketing	Assistant	1.0	£22.5k	£6k	£28k
14.0					£535k

Figure 18. Event staff (variable)

	<i>Ave staff/event</i>	<i>Hrs/Event</i>	<i>Staff Hrs</i>	<i>Staff rate</i>	<i>On-costs</i>	
Event staff - total	15.0	5.0	23,925	£9.00	8.00%	£233k

Figure 19. F&B staff (variable)

	<i>Ave staff/event</i>	<i>Hrs/Event</i>	<i>Staff Hrs</i>	<i>Staff rate</i>	<i>On-costs</i>	
F&B staff - total	10.0	5.0	15,950	£9.00	8.00%	£155k

The total overheads of the venue are projected at £1.25m for the mature state. These are summarised in Figure 20 and described below. Importantly, the costs reflect the ambition for the venue to become a centre for civic pride, as well as being commercially successful. At this stage, we are more concerned with the headline figures rather than their detailed make-up and breakdown and have been benchmarked accordingly. As the project develops, the assumptions lying behind the headlines will evolve and cascade into greater detail.

- Council department recharges – with ECC managing the venue, a small proportion of resource is drawn from central council departments (largely from finance, HR and estates), which complements the permanent core staff team.
- Box office – the cost of operating a small box office located within the foyer of the venue. At this stage a cautious view has been taken for the baseline projection which assumes that the box office is servicing the needs of the venue only and not selling for other venues in region.

- Marketing – a sizeable marketing budget has been assumed, which is equivalent to 6% of box office sales – reflecting the commercial intent of the venue and the need to aggressively build audience and promoter awareness of the venue.
- Event technical – the scale of event technical budget aligns with the capital budget assumptions for technical fixtures and equipment. This budget also provides for periodic inspections of lighting, health and safety requirements etc.
- Building maintenance – an average annual allowance has been included for planned and preventative maintenance. In the early operational years, the cost of maintenance will be low as a result of building and equipment warranties. The expenditure profile in later years will likely include less frequent but higher levels of expenditure i.e. acting like a sinking fund for more significant repairs and upgrades.
- Facilities management – assumed to cover 24hr CCTV building security, lift servicing (on emergency call out basis), general cleaning and waste collection.
- Utilities – the current budget equates to an allowance of £12/m² across the gross building area. The scale of utilities' expenditure will have a direct correlation to the environmental qualities and energy performance of the building.
- Insurances – assumed to cover buildings, contents, public and employer liabilities. The scale of expenditure assumes some group cover benefit from ECC.
- Business rates – it is assumed the full business rates will be payable. The rateable value of the property has been estimated at £300k, based on a range of comparable UK venues, and business rates are assumed to be charged at 50%. There may be opportunities to achieve some rate relief, but no such assumptions have been made at this stage.
- Rent – assumed to be nil given ECC is both the tenant and landlord.
- IT – assumed to cover a reasonable specification of internet connectivity and servicing to address the venue's requirements, event technical and public WiFi.
- Legal and professional – to cover legal advice typically relating to new or unusual promoter and supplier contracts and HR matters. This will complement related allowances made within the 'Council department recharges'.
- Admin – to cover the venue's general office related expenditure such as: phones, stationary, printing, travel and sundry expenses.
- Contingency – to provide a contingency buffer across these overhead items.

Figure 20. Overheads

<i>Overhead item</i>	<i>Sub-total</i>
Council departmental recharges	£50k
Box office	£100k
Marketing	£200k
Event technical	£25k
Building maintenance	£150k
Facilities management	£250k
Utilities	£75k
Insurances	£25k
Business rates	£150k
Rent	-
IT	£100k
Legal & professional services	£25k
Admin	£50k
Contingency	£50k
	£1,250k

6.2.5 25yr Income & Expenditure

The 25yr income and expenditure profile is presented in Figure 21. For this, assumptions are included for the gradual build-up of individual income streams as the venue takes time to establish itself in the market place; a reduced core staff complement in years 1 and 2, reflecting the venue operating at below its mature state capacity; Event and F&B staff fluctuating in line with the venue's event programme; individual assumptions for each line item within the overheads.

Figure 21. 25yr income & expenditure summary

	Yr1	Yr2	Yr3	Yr4	Yr5	Yr6	Yr7	Yr8	Yr9	Yr10	Yr11	Yr12	Yr13
INCOME													
Box office/Venue hire	£.66m	£882k	£1,102k	£1,157k	£1,102k	£1,047k	£1,102k	£1,157k	£1,102k	£1,047k	£1,102k	£1,157k	£1,102k
Food & beverage	£780k	£1,041k	£1,301k	£1,366k	£1,301k	£1,236k	£1,301k	£1,366k	£1,301k	£1,236k	£1,301k	£1,366k	£1,301k
Merchandise	£30k	£40k	£50k	£52k	£50k	£47k	£50k	£52k	£50k	£47k	£50k	£52k	£50k
Other income	£50k	£67k	£84k	£88k	£84k	£80k	£84k	£88k	£84k	£80k	£84k	£88k	£84k
Sponsorship	-	-	-	-	-	-	-	-	-	-	-	-	-
	£1,522k	£2,030k	£2,537k	£2,664k	£2,537k	£2,410k	£2,537k	£2,664k	£2,537k	£2,410k	£2,537k	£2,664k	£2,537k
EXPENDITURE													
Core staff (permanent)	(£321k)	(£428k)	(£535k)										
Event staff (variable)	(£140k)	(£186k)	(£233k)	(£244k)	(£233k)	(£221k)	(£233k)	(£244k)	(£233k)	(£221k)	(£233k)	(£244k)	(£233k)
F&B staff (variable)	(£93k)	(£124k)	(£155k)	(£163k)	(£155k)	(£147k)	(£155k)	(£163k)	(£155k)	(£147k)	(£155k)	(£163k)	(£155k)
Overheads	(£1,115k)	(£1,090k)	(£1,250k)	(£1,118k)	(£1,130k)	(£1,338k)	(£1,163k)	(£1,175k)	(£1,338k)	(£1,163k)	(£1,175k)	(£1,338k)	(£1,163k)
	(£1,669k)	(£1,828k)	(£2,173k)	(£2,059k)	(£2,053k)	(£2,241k)	(£2,085k)	(£2,117k)	(£2,260k)	(£2,066k)	(£2,098k)	(£2,279k)	(£2,085k)
OPERATING SURPLUS/(DEFICIT)	(£146k)	£202k	£364k	£604k	£484k	£169k	£452k	£547k	£277k	£344k	£439k	£384k	£452k
CUMMULATIVE SURPLUS/(DEFICIT)	(£146k)	£55k	£420k	£1,024k	£1,508k	£1,678k	£2,130k	£2,676k	£2,953k	£3,298k	£3,737k	£4,122k	£4,573k

Project Explore: Feasibility Study

	Yr14	Yr15	Yr16	Yr17	Yr18	Yr19	Yr20	Yr21	Yr22	Yr23	Yr24	Yr25
INCOME												
Box office/Venue hire	£1,047k	£1,102k	£1,157k	£1,102k	£1,047k	£1,102k	£1,157k	£1,102k	£1,047k	£1,102k	£1,157k	£1,102k
Food & beverage	£1,236k	£1,301k	£1,366k	£1,301k	£1,236k	£1,301k	£1,366k	£1,301k	£1,236k	£1,301k	£1,366k	£1,301k
Merchandise	£47k	£50k	£52k	£50k	£47k	£50k	£52k	£50k	£47k	£50k	£52k	£50k
Other income	£80k	£84k	£88k	£84k	£80k	£84k	£88k	£84k	£80k	£84k	£88k	£84k
Sponsorship	-	-	-	-	-	-	-	-	-	-	-	-
	£2,410k	£2,537k	£2,664k	£2,537k	£2,410k	£2,537k	£2,664k	£2,537k	£2,410k	£2,537k	£2,664k	£2,537k
EXPENDITURE												
Core staff (permanent)	(£535k)											
Event staff (variable)	(£221k)	(£233k)	(£244k)	(£233k)	(£221k)	(£233k)	(£244k)	(£233k)	(£221k)	(£233k)	(£244k)	(£233k)
F&B staff (variable)	(£147k)	(£155k)	(£163k)	(£155k)	(£147k)	(£155k)	(£163k)	(£155k)	(£147k)	(£155k)	(£163k)	(£155k)
Overheads	(£1,175k)	(£1,338k)	(£1,163k)									
	(£2,078k)	(£2,260k)	(£2,104k)	(£2,098k)	(£2,241k)	(£2,085k)	(£2,117k)	(£2,260k)	(£2,066k)	(£2,098k)	(£2,279k)	(£2,085k)
OPERATING SURPLUS/(DEFICIT)	£332k	£277k	£559k	£439k	£169k	£452k	£547k	£277k	£344k	£439k	£384k	£452k
CUMMULATIVE SURPLUS/(DEFICIT)	£4,905k	£5,182k	£5,742k	£6,181k	£6,350k	£6,802k	£7,349k	£7,626k	£7,971k	£8,410k	£8,794k	£9,246k

6.2.6 Sensitivity Analysis

The operational model is particularly sensitive to a small number of income and expenditure variables – notably, the volume and nature of events within the programme, the deals achieved with promoters, conversions and secondary spend for F&B and related direct costs. Small adjustments can cause a significant swing in the operational surplus and deficit. For example, adjusting the average ‘split’ deal with promoters from 25% to 27.5% improves the operational surplus by £100k or 27%. Conversely, a fall in this ‘split’ to 22.5% reduces the operational surplus by £100k.

As noted above, the baseline projections are considered to be ‘reasonable’ and ‘balanced’ on both the income and expenditure sides of the model. However, for this early stage of planning, it would be prudent to assume a potential swing in the projected bottom line (comparable to that described in the above sections) of between £250k (deficit) and £500k (surplus).

All information, analysis and recommendations made for clients by Fourth Street are made in good faith and represent Fourth Street's professional judgement on the basis of information obtained from the client and elsewhere during the course of the assignment. However, since the achievement of recommendations, forecasts and valuations depends on factors outside Fourth Street's control, no statement made by Fourth Street may be deemed in any circumstances to be a representation, undertaking or warranty, and Fourth Street cannot accept any liability should such statements prove to be inaccurate or based on incorrect premises. In particular, and without limiting the generality of the foregoing, any projections, financial and otherwise, in this report are intended only to illustrate particular points of argument and do not constitute forecasts of actual performance.

This page is intentionally left blank

Project Explore (Corn Exchange): Feasibility Study

Exeter City Council

November 2019

In partnership with:

Hopkins Architects

Equals

Contents

1	Introduction	3
2	Review of Corn Exchange Refurbishment Proposals (2012)	4
3	An Alternative Proposal for Refurbishing the Corn Exchange	7
3.1	Background Work & Assumptions	7
3.2	Design Concept	7
3.3	Spatial Brief	9
3.4	Limitations of this Design Concept	10
4	Capital Cost & Programme	11
4.1	Cost base	11
4.2	Key Assumptions, Risks & Exclusions	11
4.3	Delivery Programme	14
4.4	Expenditure Profile	16
4.5	Additional Building Development	16
5	Operational Projections	18
5.1	Basis of Projections & Key Assumptions	18
5.2	Mature State Baseline Projections	18
6	Comparison with New 'City Centre' Venue Proposal	25
Appendices		
1	Detailed Programme	28

1 Introduction

Fourth Street, in partnership with Hopkins Architects and Equals Consulting, was commissioned by Exeter City Council (ECC) in March 2019 to undertake a feasibility study (Project Explore) of developing a new multi-purpose entertainment venue in Exeter city centre, focusing on the City Point development site. This work was concluded in August 2019 with the findings being considered at the ECC Executive meeting in January 2020.

Following to the conclusion of that work and the conclusions arising, Fourth Street undertook a further related study to consider the refurbishment of the Corn Exchange as an alternative to building a new city centre venue. This report summarises this work and covers:

- A review of the design-led study (undertaken by Harris McMillan) that was commissioned by ECC in 2012 to review options for refurbishing the Corn Exchange to increase its audience capacity from 500 to 750 (see Section 2);
- An alternative proposal for refurbishing the Corn Exchange, with the principal intervention being the lowering of the auditorium from first floor to ground floor (see Section 3);
- A capital cost model and programme delivery programme for implementing the alternative refurbishment proposal (see Section 4);
- Operational projections (see Section 5); and
- A comparison between the Corn Exchange refurbishment and new city centre venue options (see Section 6).

Project Explore: Feasibility Study

2 Review of Corn Exchange Refurbishment Proposals (2012)

A design-led study was commissioned by ECC in 2012 to review options for refurbishing the Corn Exchange to increase its audience capacity from 500 to 750.

Figure 1 and Figure 2 below present the revised floor plans and an artist impression of the external façade of the Corn Exchange for the preferred option that resulted from the Harris McMillan study.

Figure 1. Extract from Harris McMillan study titled 'Option 4'

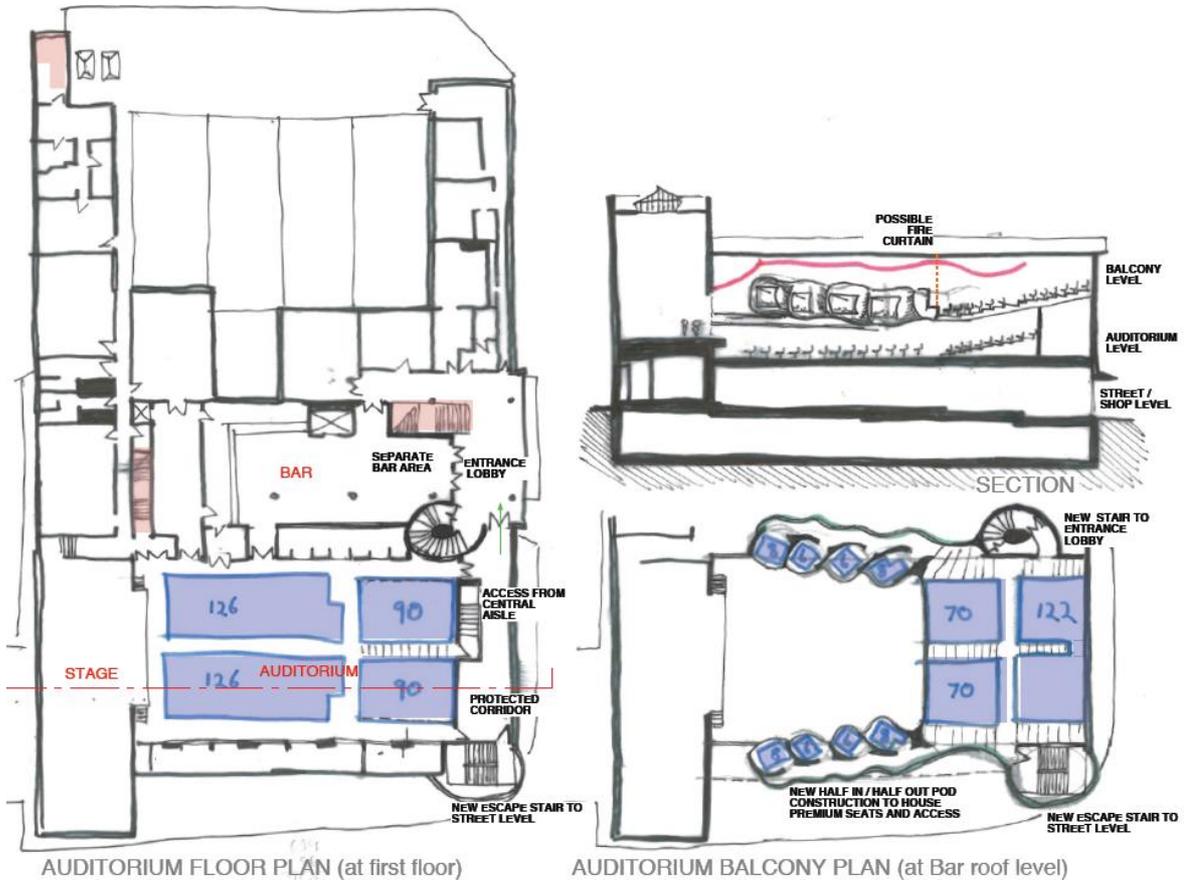


Figure 2. Extract from Harris McMillan, Artist Impression



Fourth Street and Hopkins Architects have reviewed these 2012 proposals from both design and operational perspectives and have identified a significant number of issues.

Overall, the proposals seem to respond to the single objective of increasing capacity to 750, while neglecting many existing problems of the Corn Exchange and in some cases, compounding them. The main issues include:

- A failure to improve production load in;
- Separated 'means of escapes' reduces the free-flowing nature of the space, which will impede the operation of the building;
- A reduction rather than increase in guest circulation and guest experience, which will likely result in a lower yield per head;
- A significant proportion of the new gallery seats are rather remote/distant from the stage;
- Visibility from the back rows of the lower tiered level of seating will end up being 'letterbox like';
- The proposed boxes appear more 'exclusive' than 'inclusive' and not so aligned with the current ambition and programme;
- The uplift in capacity alone may not significantly change the programme and therefore diversify events;
- Conferencing provision is lacking;
- The changes fail to improve the venue's frontage or connectivity to its environs;
- The venue's entrance remains hidden at the side of the venue on Market Street;
- At the estimated level of capital cost there can be little treatment to improve the internal acoustic or reduction of sound leakage between the venue and its surrounds nor could it provide for significant improvements to the building's environmental performance/energy efficiency;
- The fire escape from first floor is not ideal for a venue like this;
- The maximum capacity of the venue is limited by the vertical means of escape;
- It fails to improve accessibility and may even worsen it;
- DDA access remains difficult – reliant upon lifts; and
- The new architectural style is considered unsympathetic to the existing retained building.

Equals Consulting have also completed a high-level review of the construction cost estimate of £1,050,000¹. Considering the current market rates for construction and on costs, inflation and the like,

¹ Estimated construction cost (with various exclusions including any works forward of the new balcony, VAT, professional fees, surveys and others) presented within Harris McMillan's feasibility study report dated 26/09/2012

Project Explore: Feasibility Study

Equals would envisage the actual cost being in the order of £3m to £5m subject to the range of finishes, construction methodology, procurement method and any unknowns identified during the refurbishment. However, it is important to note that for this cost, there remains little treatment or upgrade to the rest of the Corn Exchange (internal and externally) that falls beyond the interventions being proposed. Furthermore, the expenditure and interventions proposed would still fail to address the fundamental issues and concerns noted above.

3 An Alternative Proposal for Refurbishing the Corn Exchange

3.1 Background Work & Assumptions

In considering alternative refurbishment options for the Corn Exchange, The Fourth Street-led team has:

- Assumed that any change be contained within the existing envelope of the building. Extending beyond this envelope will undoubtedly present a plethora of further options and opportunities but these, given the limited scope of this study, would need to be explored as part of a more detailed design development exercise. Containing the refurbishment within the existing building also aims to minimise the total capital expenditure.
- Sought to maximise the venue's audience capacity while striking an optimal balance with the operational needs and demands of the building. In doing this, the revised concept aims to address the issues and concerns relating to the Harris McMillan proposals, as noted in Section 2 above.
- Reviewed the site context surrounding the Corn Exchange and the site's historical development from the Lower Market building of the mid 1830's through its partial destruction, restoration and evolution to the present day.
- Relied upon building plans provided by ECC which do not exactly correspond and align when moving between floors. As such, we recommend any further work should be based on more accurate and comprehensive surveying of the building.
- Undertaken a brief visual inspection only of internal areas of the venue.
- Drawn comparisons with a selection of other venues to appraise the internal proportions of the auditoria and performance areas including Colston Hall in Bristol and the Apex in Bury St Edmunds.

3.2 Design Concept

The combination of this work has led Hopkins Architects to propose a solution of lowering the auditorium from its current first floor position to the ground floor. Figure 3, Figure 4 and Figure 5 illustrate this change (note, the building's basement is excluded from the drawings and is assumed to remain unchanged).

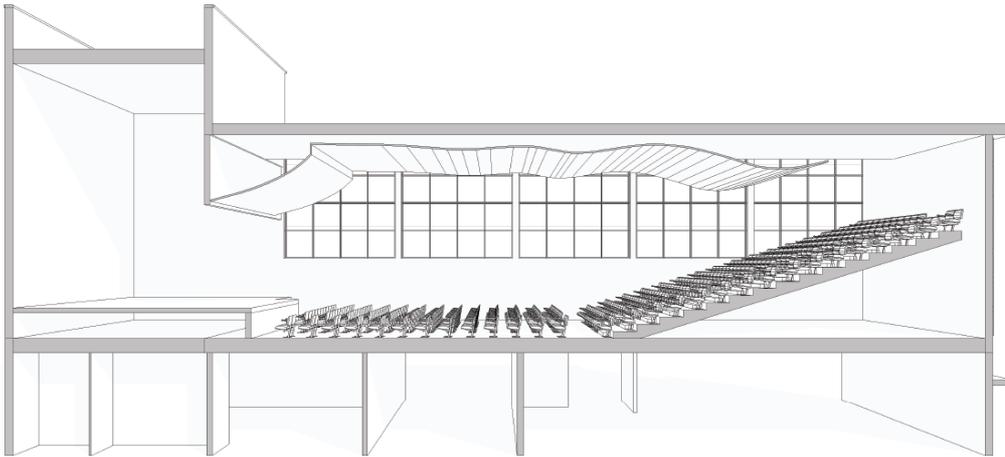
The lowering of the auditorium alone unlocks several valuable improvements to the venue, notably:

- Uplift in audience capacity from 500 to c.1,000 seated and c.1,350 seated/standing (spatially, this capacity is considered reasonable but operationally, there will be challenges to overcome).
- Production access to backstage, stage and auditorium, now being at ground floor level.
- Audience access, with the auditorium now being at ground floor level.
- The physical proportions of the auditorium, which should lend themselves to enhanced audience experiences.

Project Explore: Feasibility Study

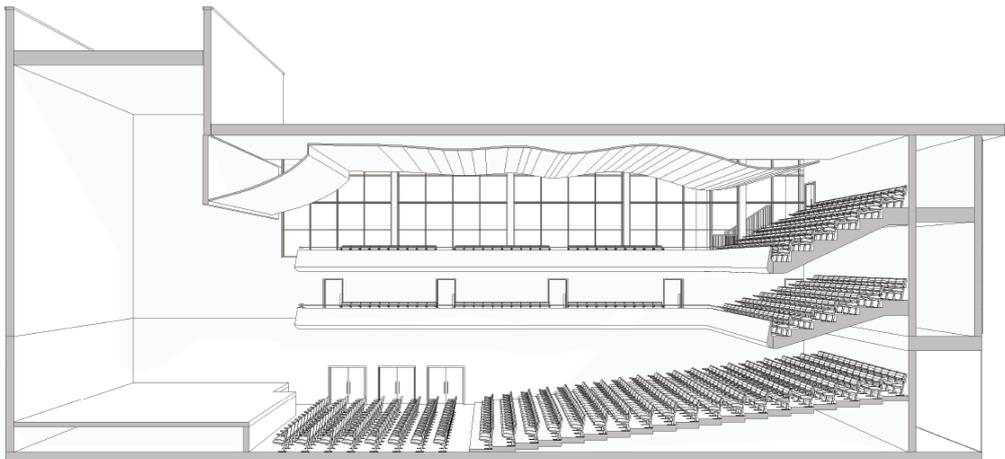
- Increased total F&B space and on a per capita basis.
- New audience entrance onto Fore Street and the regenerative effects this and other improvements to the façade could have.

Figure 3. Cross section of existing corn exchange (500 capacity seated)



©Hopkins Architects Limited. Registered in England number: 11779559 Registered address: 27 Broadley Terrace, London, NW1 6LG Do No Scale.

Figure 4. Cross section of alternative refurbishment proposal (c.1,000 seated capacity)



©Hopkins Architects Limited. Registered in England number: 11779559 Registered address: 27 Broadley Terrace, London, NW1 6LG Do No Scale.

Project Explore: Feasibility Study

Figure 5. Existing and Proposed ground, first and second floor layouts



©Hopkins Architects Limited. Registered in England number: 11779559 Registered address: 27 Broadley Terrace, London, NW1 6LG Do No Scale.

3.3 Spatial Brief

The above proposals translate into a gross area of 2,400sq.m for the refurbished Corn Exchange venue. The breakdown of this between functions is summarised in Figure 6 below.

Figure 6. Spatial brief

<i>Space</i>	<i>Area split for Corn Exchange: 1,000 seated capacity</i>	<i>Corn Exchange: c.1,000 seated capacity</i>
Foyer	12%	287
Circulation	6%	143
Auditorium	31%	742
Bar & Restaurant	33%	780
Sanitary Provision	7%	159
Performer Spaces	7%	176
Admin & Conference Spaces	3%	70
Technical Spaces	0%	-
Plant & Service Spaces	2%	43
	100%	2,400

3.4 Limitations of this Design Concept

It is important to note that, even with the significant improvements listed in Section 3.2, a number of constraints and limitations will remain since design concept is being re-cast within the existing envelope and audience capacity is being significantly increased beyond the building's original intent.

In the absence of any recent structural surveys or measured plans of the building, it would be premature to develop the design concept any further.

However, for the purposes of this preliminary feasibility exercise, several further assumptions regarding the spatial brief for redeveloping the Corn Exchange have been included within the subsequent cost plan (Section 3.4), programme (Section 4.3) and operational revenue projections (Section 5).

4 Capital Cost & Programme

Equals Consulting have developed a cost model to estimate the capital cost for implementing the alternative proposal for the Corn Exchange, set out in Section 3, together with the conversion of the large restaurant space on the first floor (currently operating as Buffet City and estimated to be 1,086m²) to provide enhanced backstage areas and flexible space for events and related arts and cultural uses.

4.1 Cost base

The capital costs have been built up on an elemental basis and quantities have been rated accordingly. Where it has not been possible to establish quantities, lump sum items have been included. The rates used within the build-ups are based upon Equals' current market data for construction works. The Gross Internal Areas (GIA) and Net Internal Areas (NIA) have been measured off the feasibility study report. The £/ft² rates that have been produced from our elemental build-up have also been benchmarked against projects of a similar nature.

4.2 Key Assumptions, Risks & Exclusions

The following key **assumptions** should be noted:

- Costs are based on a single stage competitive tender.
- The project is a stand-alone building, not part of a larger development scheme.
- Existing topography of the site is level.
- The site is free from contaminants and asbestos (allowance included for refurbishment and development survey of existing building).
- Access to the site will be unhindered during construction.
- Traditional methods of construction will be utilised.

The following key **risks** should be noted:

- Determination of scope and cost certainty.
- Procurement and availability of capable contractors.
- Limited design information at this early stage.
- Access to the site and logistics.
- Planning implications.
- Noise and environmental restrictions.
- Local authority approvals.

The following key **exclusions** should be noted:

- Asbestos identification, removal and disposal.
- Abnormal ground conditions requiring ground improvements.

Project Explore: Feasibility Study

- Land drainage improvement works.
- Contamination identification, removal and remediation.
- Identification and removal of underground structures, tanks and the like.
- Upgrading of existing mains services (refer to allowance in mains services).
- Overhead cable diversions.
- Diversion of existing above and below ground mains services, including drainage.
- Building works in connection with abnormal Planning Conditions.
- Section 106 commuted sums and Community Infrastructure Levy contributions.
- Legal fees and costs.
- Land assemble and associated costs.
- Lease surrendering costs of existing tenants.
- Section 278 Works, plus off-site works.
- Off-site storage or consolidation.
- Pre-opening operating costs such as marketing, launch, recruitment, business development, venue and systems testing.
- Capital fundraising.

Figure 7. Capital cost estimate

CONSTRUCTION ELEMENT	
Building construction	£14.45m
External Works	£.50m
Utilities connections	£.25m
Drainage works	£.15m
	£15.35m
Preliminaries	£2.92m
Main contractors overheads and profit	£1.19m
Design development contingency	£.97m
Construction contingency	£.97m
	£6.05m
	£21.40m
Site clearance and demolition	£.35m
	£21.75m
Inflation	£2.26m
CONSTRUCTION ELEMENTS - SUB TOTAL	£24.02m
PROJECT COSTS	
Project team fees	£3.60m
Client staffing	-
Project team office	£.23m
FFE	£.25m
Artwork	£.05m
Sundries	£.40m
Client contingency	£1.43m
VAT	-
PROJECT COSTS - SUB-TOTAL	£5.95m
GRAND TOTAL	£29.97m

Figure 8. Elemental cost explanation

- Sub-structure: No requirement for extensive sub-structure works, allowance to strengthen or add small sections to the existing corn exchange.
- Contamination removal: Allowance according to size of site.
- Frame and upper floors: No requirement for extensive building frame, allowance enhancements to existing frame and structure.
- Roof: Allowance for roof repairs and finish enhancements.
- Stairs: Allowance to enhance existing stair design.
- External walls, windows and external doors – Allowance for new windows, solar shading, and external doors, with remedial works to existing walls.
- Internal wall and partitions: Allowance to enhance existing internal walls and partitions or form new partitions.
- Internal doors: Allowance to replace internal doors.
- Floor, wall and ceiling finishes: Allowance to replace floor, wall and ceiling finishes, specification of finishes commensurate with build.
- Fixed furniture and equipment: Allowance commensurate with build.

- Specialist installations: £500/m2 of allowance for acoustic enhancements to scheme.
- Mechanical services: Allowance for new mechanical installations.
- Electrical services: Allowance for new electrical installations.
- Lift installations: Allowance for new lift car installation.
- Builders work in connection with services – Allowance commensurate with new installations.
- External works: Allowance for external works to piazza area only.
- Enhancements to existing utilities: Allowance, assuming some of existing utility connections may be utilised.
- Enhancements to existing drainage: Allowance, assuming some of existing drainage connections may be utilised.
- Existing restaurant space (Buffet City): Shell & Core & Basic Fit Out
- Preliminaries (19.00%): Allowance commensurate with scheme.
- Main Contractor's overheads and profit: Allowance commensurate with scheme.
- Design Development Contingency: Allowance commensurate with scheme.
- Construction Contingency: Allowance commensurate with scheme.
- Site Clearance and Demolitions: Allowance commensurate with scheme.
- Inflation provision
- Project team fees: Allowance.
- Client Staffing: Excluded
- Project Team Offices: Allowance.
- Furniture, fittings and equipment: Allowance.
- Artwork: Allowance.
- Sundries, Surveys & Project Insurance: Allowance for sundries (marketing, promotional materials) & site investigation surveys (asbestos, ground investigation, topographical, structural and the like), Project insurances.
- Client contingency: Allowance.
- Value Added Tax: Excluded

4.3 Delivery Programme

The programming assumptions are summarised in Figure 10 and illustrated in Figure 9.

The programme assumes a Project Kick-off on 16-Dec-19, which follows the ECC Executive meeting on 10-Dec-19 and results in Practical Completion on 9-Oct-24. This equates to a total duration of 4-yrs and 11-months.

A detailed delivery programme is included at Appendix 1.

Figure 9. Project Delivery Programme (summary)



Figure 10. Programme assumptions

Consultant Appointments:

- It is assumed that all key consultants will be procured vi OJEU Restricted Procedure. A Contract Notice will be published asking for expression of interest to be submitted. Following that, a shortlist will be agreed, and preferred bidders will be invited to tender.
- It is assumed that the client would manage appointments of all key consultants including the Project Manager and these would be undertaken concurrently. However, we assumed that the Project Manager could be appointed one week before the rest of the consultants to have a chance to review the other consultants’ appointments.
- Further specialist consultants would be appointed during RIBA Stage 2 and 3.
- There is an opportunity for the client to instruct the consultants to undertake their services up to RIBA Stage 2 and then, subject to funding, re-engage the consultants to proceed with RIBA Stages 3-6.

Surveys:

- It is assumed that the surveys would be defined and procured during RIBA Stage 0-2, but there is an opportunity to proceed with this activity during the consultants’ appointments period.
- Planning
- It is assumed that there is no requirement for Listed Building Consent.
- The planning application would be submitted based on completed RIBA Stage 3 design.
- It is assumed that RIBA Stage 4 design development would only commence once planning consent has been secured, immediately after the planning determination.

Main Contractor Procurement:

- It is assumed that a Design & Build procurement route would be used.
- The main contractor would be procured via a single stage tender, based on RIBA Stage 4 design. This will allow the best cost certainty to the client.
- It is assumed a single contract for the soft strip/enabling works and the main construction works.

Construction:

- It is assumed that the existing tenant(s) would vacate the space latest during the main contractor’s lead-in/mobilisation period of two months. This would allow the client to notify the tenant only after the main contract has been awarded.
- It is assumed a period of 2 months for contractor’s mobilisation/lead in, 21 months for Shell & Core works and 4 months for fit-out works, testing & commissioning and handover.
- We would recommend assuming a 10% contingency in the programme, which equates approximately to a six-month float, therefore latest completion of the project in Spring 2025.

4.4 Expenditure Profile

Equals have estimated the expenditure profile, over the course of the project, for the 'professional fees' and 'sundries, surveys and insurances' items, extracted from the capital cost model. Respectively, these items total £3.6m and £400k. Figure 11 summarises the expenditure against the major programme milestones.

Figure 11. Projected Expenditure Profile

	Start	Finish	Professional fees	Sundries, surveys & insurance allowances	Total
RIBA Stage 1 - Preparation & Brief	07/05/2020	26/08/2020	£115k	£44k	£159k
RIBA Stage 2 - Concept Design	27/08/2020	21/01/2020	£221k	£75k	£296k
RIBA Stage 3 - Developed Design	22/02/2021	09/07/2021	£489k	£18k	£507k
RIBA Stage 4 - Technical Design	13/09/2021	22/04/2022	£1,141k	£43k	£1,184k
RIBA Stages 5, 6 & 7	13/10/2022	09/10/2024	£1,637k	£220k	£1,857k
			£3,603k	£400k	£4,003k

The first milestone (RIBA Stage 1) is particularly important for ECC to gain greater confidence in the building's structure and foundations (i.e. sufficient to validate the concept of dropping the auditorium and adding load to the building) through some structural and foundation surveys / investigations (ordinarily, most surveys would be undertaken at the start of RIBA Stage 2, concept design) and be in a position to garner support from potential capital funding partners.

It is worth noting that for Arts Council England's (ACE) previous large capital grants programme (2016), applications were required to have completed RIBA stage 1. It is assumed that a new programme would likely demand similar requirements. It is further assumed that ACE's funding requirements would also satisfy other potential 'catalyst' funders interested in the scheme.

Equals have estimated that an expenditure of £159k will be demanded for professional fees and surveys to complete RIBA Stage 1. Added to this, it is recommended that a further allowance of £30k be set aside for developing the project business case in line with HM Treasury's Green Book (including updates to the business plan) and the preparation of first round capital funding applications to possible catalyst funders. Together with a small contingency of £11k, it is recommended that ECC seek budget approval for £200k to progress the project through to the completion of RIBA Stage 1.

4.5 Additional Building Development

At this stage, in the absence of any building surveys and focusing principally on the venue itself, the conceptual proposals for refurbishing the Corn Exchange have been contained within the existing building envelope.

Project Explore: Feasibility Study

As part of the next phase of feasibility work (i.e. concluding RIBA Stage 1), the possibility of adding additional volume to the Corn Exchange building should be considered. From visual inspection only, the option of building over the existing Buffet City restaurant (either to create a second floor or a double height space that may lend itself to being a second venue) is noted, as well as the possibility of adding further height across the building, which could provide additional art/workspace, value and aid the building's sound insulation.

These considerations are assumed at this stage to form part of a separate business base.

5 Operational Projections

5.1 Basis of Projections & Key Assumptions

The operational projections set out in this section assume that ECC operates the upgraded Corn Exchange venue. Other options include various forms of partnering arrangement, leases or management contracts to third parties for either some or all of the venue's building or business activities. Each option will present a different risk profile for ECC and include a range of trade-offs covering financial and non-financial factors.

The projections set out in Section 5.2 represent a maturing state of the business that is assumed to arise in year three after re-launch, by which point the initial hype surrounding the re-launch will have passed, operational teething problems are ironed out and the venue will have re-established itself within the south-west market-place.

For a new venue of this scale, it would normally be prudent to set aside around £500k for pre-operational costs incurred in the lead-up to opening and launching the facility (to cover one-off expenditure items such as pre-opening operational staff appointments, staff recruitment and training, facility and systems testing, pre-launch marketing and launch event, event contract preparation, supplier procurement, and so on). Ordinarily, this would be capitalised and therefore included as part of the project's capital fundraising campaign. However, a critical issue is whether the existing Corn Exchange operation and event programme is transferred to a temporary venue while the building is redeveloped and in doing so, minimise disruption to the trading business and maintain direct links to its audiences and promoters.

The baseline projections set out below represent 'reasonable' and 'balanced' assumptions across the various income and expenditure items, taking into consideration the vision and aspiration for the venue, local market factors and benchmarked data gathered from a range of comparator venues across the UK.

The operational projections, unless otherwise stated, exclude VAT and inflation.

In Section 5.2.5 we have illustrated the 25yr operational income and expenditure profile for the venue. This assumes a gradual ramp-up of each income and expenditure line items to the mature state in year-3 and from year-4 onwards, the figures are flexed up and down to reflect a typical longer-term revenue pattern.

Finally, in Section 5.2.6 we have illustrated the effects of taking more optimistic or pessimistic views in both the income and expenditure projections to cast a range of annual operational deficit/surplus.

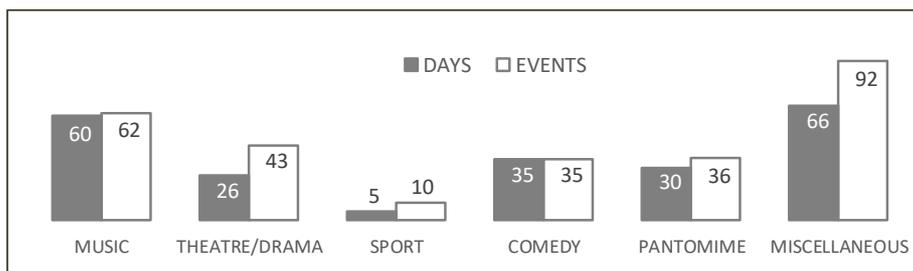
5.2 Mature State Baseline Projections

5.2.1 Events' Programme

An indicative annual programme of events has been cast for the venue reflecting the detailed research and analysis undertaken since 2017 and aiming to fill the cultural and commercial gaps within the Exeter arts and cultural ecology. The number of days and events by genre (derived from the average number of

performances per day) are illustrated in the Figure 12 below. The majority of the 'miscellaneous' category relates to *unique shows and experiences, talks and special interest events, cinematic shows and conferences*. This translates to a total of 222 event days and 278 events. This reflects the findings of the 2017 Needs Assessment and more recent Project Explore feasibility study, and the specific market context in Exeter and its surrounding catchment.

Figure 12. Event days & events by genre



5.2.2 Income & Expenditure Summary

Figure 13 below summarises the annual income and expenditure for the mature state and the supporting assumptions are described in Sections 5.2.3 and 5.2.4 respectively.

At this stage, the baseline projection assumes that the venue can return a positive operational contribution in its mature state. Importantly, this is before any additional income is derived from either sponsorship, partnering deals (e.g. education and training), grants or voluntary contributions. Given the commercial nature of the facility, the opportunity for attracting *grants* and *voluntary contributions* is assumed to be low. However, *sponsorship* and *partnering deals* could be significant but at this stage cannot be predicted with confidence so have been omitted.

For comparative purposes, the existing Corn Exchange venue (albeit, operating on a substantially different business model) generated an operating profit of £40k in 2018/19, although this included no expenditure or allowance for building maintenance or business rates. The seven commercial units located within the Corn Exchange (including the basement car park) collectively generate a further £283k of rental income. On a like for like basis therefore, the refurbished Corn Exchange is projected to offer ECC a more favourable revenue position in addition the positive placemaking and regenerative impacts.

Figure 13. Summary income & expenditure

INCOME	
Box office/Venue hire	£826k
Food & beverage	£995k
Merchandise	£37k
Other income	£248k
Sponsorship	-
	£2,106k
EXPENDITURE	
Core staff (permanent)	(£535k)
Event staff (variable)	(£203k)
F&B staff (variable)	(£135k)
Overheads	(£930k)
	(£1,803k)
OPERATING SURPLUS/(DEFICIT)	£304k

5.2.3 Income Assumptions

The net income derived from Box office / Venue hire, F&B sales and merchandise sales is summarised in Figure 14 below. To arrive at these projections, the six event genres represent 24 discrete event types, each with a different market and income profile. For each event type, discrete assumptions have been made for: the venue's configuration and capacity (i.e. theatre, concert, banquet); the average occupancy of an event (i.e. ticket sales); average ticket price; deals agreed with promoters; average secondary spends for F&B and merchandise and the cost of sales and margins achieved respectively.

Figure 14. Events income

	Box office	F&B	Merch'
Music	£204k	£339k	£10k
Theatre/Drama		£98k	£10k
Sport	£30k	£36k	£1k
Comedy	£72k	£147k	£4k
Pantomime	£121k	£82k	£6k
Miscellaneous	£251k	£293k	£7k
	£679k	£995k	£37k

'Other income' is also assumed, derived from:

- the sale of local advertising and promotional materials (to promoters and event organisers);
- a public membership scheme for the venue (offering exclusive offers, promotions and discounts on purchases and special events);
- negotiated deals for third-party ticket agency booking charges;

- non-event F&B (this assumes that part of the F&B offer within the refurbished Corn Exchange opens daily as a day-time café for the general public, taking advantage of passing footfall);
- rent from the basement car park (assumed to increase by 50% from its current level, as a result of increased parking demand driven by the refurbished venue); and
- rent from an assumed 500m² of commercial art/work-space (resulting from half of the converted former Buffet City restaurant).

At this stage, we have made no assumptions for sponsorship income. However, for a venue of the status and significance being proposed, this could represent a valuable additional income stream.

5.2.4 Expenditure Assumptions

The staff expenditure is split into three categories namely: Core staff (representing the permanent employed staff for the venue); Events staff (a variable staff complement covering front of house stewarding, ticket checking, event cleaning and door supervision); and, F&B staff (a variable staff complement covering the venue's bars during the operational hours of events).

Figure 15. Core staff (permanent)

Department	Grade/Role	FTE	Salary	On-costs (25%)	Sub-total
Executive	Director/GM	1.0	£60.0k	£15k	£75k
Executive	Administrator	1.0	£18.0k	£5k	£23k
Executive	Commercial Manager	1.0	£40.0k	£10k	£50k
Event Technical	Manager	1.0	£30.0k	£8k	£38k
Event Technical	Deputy	1.0	£27.5k	£7k	£34k
Event Technical	Assistant	1.0	£22.5k	£6k	£28k
Event Management/Ops	Manager	1.0	£30.0k	£8k	£38k
Event Management/Ops	Assistant	1.0	£22.5k	£6k	£28k
Event Management/Ops	Duty manager	2.0	£30.0k	£15k	£75k
F&B	Manager	1.0	£32.5k	£8k	£41k
F&B	Assistant	1.0	£27.5k	£7k	£34k
Sales and Marketing	Manager	1.0	£35.0k	£9k	£44k
Sales and Marketing	Assistant	1.0	£22.5k	£6k	£28k
		14.0			£535k

Figure 16. Event staff (variable)

	Ave staff/event	Hrs/Event	Staff Hrs	Staff rate	On-costs	
Event staff - total	15.0	5.0	20,850	£9.00	8.00%	£203k

Figure 17. F&B staff (variable)

	Ave staff/event	Hrs/Event	Staff Hrs	Staff rate	On-costs	
F&B staff - total	10.0	5.0	13,900	£9.00	8.00%	£135k

The total overheads of the venue are projected at £960k for the mature state. These are summarised in Figure 18 and described below. Importantly, the costs reflect the ambition for the venue to become a centre for civic pride, as well as being commercially successful. At this stage, we are more concerned with the headline figures rather than their detailed make-up. As the project develops, the assumptions lying behind the headlines will evolve and cascade into greater detail.

- Council department recharges – with ECC managing the venue, a small proportion of resource is drawn from central council departments (largely from finance, HR and estates), which complements the permanent core staff team.
- Box office – the cost of operating a small box office located within the foyer of the venue. At this stage a cautious view has been taken for the baseline projection which assumes that the box office is servicing the needs of the venue only and not selling for other venues in region.
- Marketing – a sizeable marketing budget has been assumed, which is equivalent to 6% of box office sales – reflecting the commercial intent of the venue and the need to aggressively build audience and promoter awareness of the venue.
- Event technical – the scale of event technical budget aligns with the capital budget assumptions for technical fixtures and equipment. This budget also provides for periodic inspections of lighting, health and safety requirements etc.
- Building maintenance – an average annual allowance has been included for planned and preventative maintenance. In the early operational years, the cost of maintenance will be low as a result of building and equipment warranties. The expenditure profile in later years will likely include less frequent but higher levels of expenditure i.e. acting like a sinking fund for more significant repairs and upgrades.
- Facilities management – assumed to cover 24hr CCTV building security, lift servicing (on emergency call out basis), general cleaning and waste collection.
- Utilities – the current budget equates to an allowance of £12/m² across the gross building area. The scale of utilities' expenditure will have a direct correlation to the environmental qualities and energy performance of the building.
- Insurances – assumed to cover buildings, contents, public and employer liabilities. The scale of expenditure assumes some group cover benefit from ECC.
- Business rates – it is assumed the full business rates will be payable. The rateable value of the property has been estimated at £200k and business rates are assumed to be charged at 50%. The rateable value has been informed by comparable UK venues and the existing rateable value of the Corn Exchange being £60k. There may be opportunities to achieve some rate relief, but no such assumptions have been made at this stage.
- Rent – assumed to be nil given ECC is both the tenant and landlord.

Project Explore: Feasibility Study

- IT – assumed to cover a reasonable specification of internet connectivity and servicing to address the venue’s requirements, event technical and public WiFi.
- Legal and professional – to cover legal advice typically relating to new or unusual promoter and supplier contracts and HR matters. This will complement related allowances made within the ‘Council department recharges’.
- Admin – to cover the venue’s general office related expenditure such as: phones, stationary, printing, travel and sundry expenses.
- Contingency – to provide a contingency buffer across these overhead items.

Figure 18. Overheads

<i>Overhead item</i>	<i>Sub-total</i>
Council departmental recharges	£50k
Box office	£100k
Marketing	£150k
Event technical	£25k
Building maintenance	£75k
Facilities management	£175k
Utilities	£45k
Insurances	£25k
Business rates	£100k
Rent	-
IT	£100k
Legal & professional services	£25k
Admin	£50k
Contingency	£40k
	£960k

5.2.5 25yr Income & Expenditure

The 25yr income and expenditure profile is presented in Figure 19. For this, assumptions are included for the gradual build-up of individual income streams as the venue takes time to re-establish itself in the market place; a reduced core staff complement in years 1 and 2, reflecting the venue operating at below its mature state capacity; Event and F&B staff fluctuating in line with the venue’s event programme; and individual assumptions for each line item within the overheads.

Figure 19. 25yr income & expenditure summary

	Yr1	Yr2	Yr3	Yr4	Yr5	Yr6	Yr7	Yr8	Yr9	Yr10	Yr11	Yr12	Yr13
INCOME													
Box office/Venue hire	£495k	£661k	£826k	£867k	£826k	£784k	£826k	£867k	£826k	£784k	£826k	£867k	£826k
Food & beverage	£597k	£796k	£995k	£1,045k	£995k	£945k	£995k	£1,045k	£995k	£945k	£995k	£1,045k	£995k
Merchandise	£22k	£30k	£37k	£39k	£37k	£36k	£37k	£39k	£37k	£36k	£37k	£39k	£37k
Other income	£149k	£198k	£248k	£260k	£248k	£236k	£248k	£260k	£248k	£236k	£248k	£260k	£248k
Sponsorship	-	-	-	-	-	-	-	-	-	-	-	-	-
	£1,264k	£1,685k	£2,106k	£2,212k	£2,106k	£2,001k	£2,106k	£2,212k	£2,106k	£2,001k	£2,106k	£2,212k	£2,106k
EXPENDITURE													
Core staff (permanent)	(£321k)	(£428k)	(£535k)										
Event staff (variable)	(£122k)	(£162k)	(£203k)	(£213k)	(£203k)	(£193k)	(£203k)	(£213k)	(£203k)	(£193k)	(£203k)	(£213k)	(£203k)
F&B staff (variable)	(£81k)	(£108k)	(£135k)	(£142k)	(£135k)	(£128k)	(£135k)	(£142k)	(£135k)	(£128k)	(£135k)	(£142k)	(£135k)
Overheads	(£863k)	(£843k)	(£930k)	(£860k)	(£870k)	(£978k)	(£883k)	(£893k)	(£978k)	(£883k)	(£893k)	(£978k)	(£883k)
	(£1,386k)	(£1,541k)	(£1,803k)	(£1,750k)	(£1,743k)	(£1,833k)	(£1,755k)	(£1,782k)	(£1,850k)	(£1,738k)	(£1,765k)	(£1,867k)	(£1,755k)
OPERATING SURPLUS/(DEFICIT)	(£122k)	£144k	£304k	£462k	£364k	£168k	£351k	£430k	£256k	£263k	£341k	£345k	£351k
CUMMULATIVE SURPLUS/(DEFICIT)	(£122k)	£22k	£326k	£788k	£1,151k	£1,319k	£1,670k	£2,100k	£2,356k	£2,619k	£2,960k	£3,304k	£3,655k
	Yr14	Yr15	Yr16	Yr17	Yr18	Yr19	Yr20	Yr21	Yr22	Yr23	Yr24	Yr25	
INCOME													
Box office/Venue hire	£784k	£826k	£867k	£826k	£784k	£826k	£867k	£826k	£784k	£826k	£867k	£826k	£826k
Food & beverage	£945k	£995k	£1,045k	£995k	£945k	£995k	£1,045k	£995k	£945k	£995k	£1,045k	£995k	£995k
Merchandise	£36k	£37k	£39k	£37k	£36k	£37k	£39k	£37k	£36k	£37k	£39k	£37k	£37k
Other income	£236k	£248k	£260k	£248k	£236k	£248k	£260k	£248k	£236k	£248k	£260k	£248k	£248k
Sponsorship	-	-	-	-	-	-	-	-	-	-	-	-	-
	£2,001k	£2,106k	£2,212k	£2,106k	£2,001k	£2,106k	£2,212k	£2,106k	£2,001k	£2,106k	£2,212k	£2,106k	£2,106k
EXPENDITURE													
Core staff (permanent)	(£535k)												
Event staff (variable)	(£193k)	(£203k)	(£213k)	(£203k)	(£193k)	(£203k)	(£213k)	(£203k)	(£193k)	(£203k)	(£213k)	(£203k)	(£203k)
F&B staff (variable)	(£128k)	(£135k)	(£142k)	(£135k)	(£128k)	(£135k)	(£142k)	(£135k)	(£128k)	(£135k)	(£142k)	(£135k)	(£135k)
Overheads	(£893k)	(£978k)	(£883k)	(£883k)									
	(£1,748k)	(£1,850k)	(£1,772k)	(£1,765k)	(£1,833k)	(£1,755k)	(£1,782k)	(£1,850k)	(£1,738k)	(£1,765k)	(£1,867k)	(£1,755k)	(£1,755k)
OPERATING SURPLUS/(DEFICIT)	£253k	£256k	£440k	£341k	£168k	£351k	£430k	£256k	£263k	£341k	£345k	£351k	£351k
CUMMULATIVE SURPLUS/(DEFICIT)	£3,908k	£4,164k	£4,604k	£4,945k	£5,113k	£5,464k	£5,893k	£6,149k	£6,412k	£6,753k	£7,098k	£7,449k	£7,449k

5.2.6 Sensitivity Analysis

The operational model is particularly sensitive to a small number of income and expenditure variables – notably, the volume and nature of events within the programme, the deals achieved with promoters, conversions and secondary spend for F&B and related direct costs. Small adjustments can cause a significant swing in the operational surplus and deficit. For example, adjusting the average ‘split’ deal with promoters from 25% to 27.5% improves the operational surplus by £74k or 69%. Conversely, a fall in this ‘split’ to 22.5% reduces the operational surplus by £74k.

As noted above, the baseline projections are considered to be ‘reasonable’ and ‘balanced’ on both the income and expenditure sides of the model. However, for this early stage of planning, it would be prudent to assume a potential swing in the projected bottom line (comparable to that described in the above sections) of between £150k (deficit) and £450k (surplus).

6 Comparison with New 'City Centre' Venue Proposal

Despite the proposals for refurbishing the Corn Exchange (as described in above) and new city centre venue achieving broadly equivalent audience capacities within their auditoria (c.1,000 seated capacity), a direct comparison must be made with caution, given one is a refurbishment and the other a new build, and their respective area schedules differ greatly in terms of their total spatial briefs and the distribution of area by function.

Differences between the two options that are worth noting include:

- The auditoria for the two venues are currently sized at 845sq.m (new city centre venue) and 742sq.m (refurbished Corn Exchange) and hence, broadly comparable, which is not surprising given their targeted seated capacities of c.1,000. The major differences in their respective area schedules arise in the following spaces: *foyer and circulation areas, bar and restaurant areas, sanitary provision, performer spaces, admin and conference spaces, technical and plant areas*. Collectively, these give rise to the total area for the new venue being two times greater than the refurbished Corn Exchange – mainly resulting from the constraints of the existing Corn Exchange building envelope and the assumptions used to conceive the alternative refurbishment option. These spatial differences will undoubtedly have a significant impact on the attractiveness of the Corn Exchange venue for promoters and audiences, and its operational financial performance.
- A new venue will be built to current codes (e.g. environmental, acoustic protection, storage for seating units, access etc.) and have greater longevity through designed/built-in future-proofing, which again will aid its operational performance and help quicken turnarounds.
- A purpose-built venue will be better proportioned, aiding the facilities operational performance and audience experiences. It is noted that the refurbished Corn Exchange remains physically lopsided with the F&B provision being accessed from only one side of the auditorium, and the back of house spaces, dressing rooms, break-out facilities, offices and kitchen areas all being on the same side. This issue may be partly addressed through the design development process and creative design solutions that emerge.
- The Corn Exchange has a fly tower whereas the proposed new city centre venue does not. This opens-up an opportunity for a broader range of theatre product to be staged at the Corn Exchange but will undoubtedly limit the venue's overall flexibility when compared to a purpose-built new venue (for example, in-the-round or arena formats where 360-degree seating is demanded or beneficial).
- A new city centre venue could provide seamless continuity to Exeter's cultural programme, because the Corn Exchange would not be disrupted in that case. Refurbishing the Corn Exchange would take the venue out of operation while construction works were taking place. As noted in the original 2017 Needs Assessment and subsequent feasibility reports, temporary venue options should be considered to avoid any discontinuity.

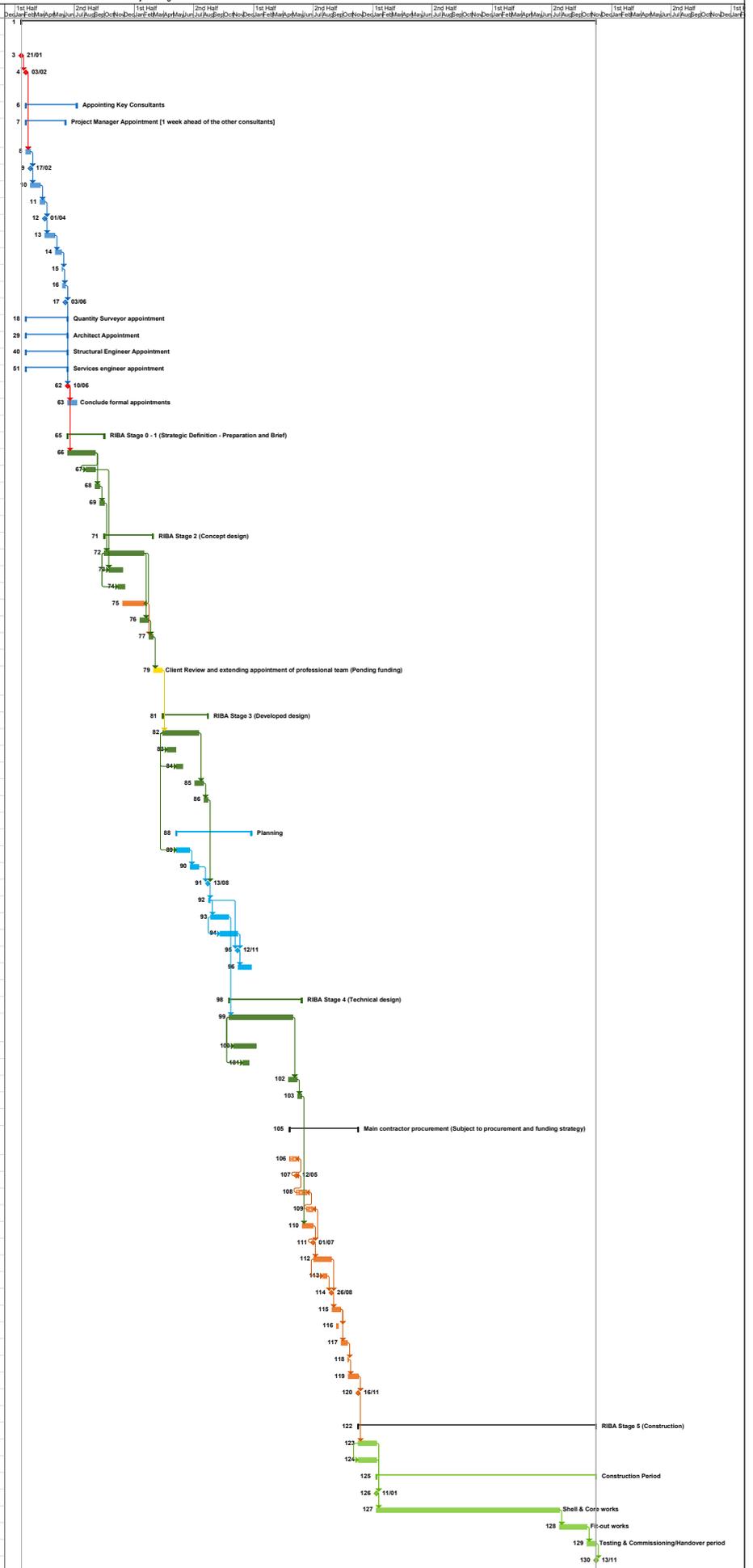
- Located at different sides of the city centre, the two schemes will have a markedly different impact on their surroundings and contribution to regenerating their specific environs.
- The refurbishment of the Corn Exchange resonates with the city's climate change and environmental priorities – in terms of its re-use and re-purposing – and could positively support the city's PR and communications in this regard.
- Similarly, the long and interesting history and heritage of the Corn Exchange site could add positively to the storytelling and messaging about the refurbished venue.
- Being a refurbishment, the Corn Exchange will could have a greater sense of 'rawness' and community connection from the outset than a new venue, which could influence the appeal and demand for certain types of events and genres being programmed.
- The number of events projected for the mature state Corn Exchange (see Section 5.2.1) is less than for a new City Centre venue (i.e. 251 events days and 319 events).
- The 'core staff' complement and cost is equal to a new City Centre venue on the basis that these represent largely fixed overheads and both venues are being programmed commercially and as aggressively as their facilities permit. However, the number and cost of 'Event staff' and 'F&B staff' vary in line with the event programming activity and are therefore lower for the refurbished Corn Exchange than for a new City Centre venue.

Appendices

Project Explore: Feasibility Study

1 Detailed Delivery Programme

ID	Task Name	Duration	Start	Finish	Predecessors
1	Exeter - Project Explore - Project Programme	250 wks	Tue 21/01/20	Wed 13/11/24	
2					
3	Exeter Council Meeting	0 wks	Tue 21/01/20	Tue 21/01/20	
4	Project kick-off	0 wks	Mon 03/02/20	Mon 03/02/20	3FS+2 wks
5					
6	Appointing Key Consultants	22.4 wks	Tue 04/02/20	Wed 08/07/20	
7	Project Manager Appointment [1 week ahead of the other consultants]	17.4 wks	Tue 04/02/20	Wed 03/06/20	
8	Prepare specification and scope of services	2 wks	Tue 04/02/20	Mon 17/02/20	4
9	Publish Contract Notice	0 wks	Mon 17/02/20	Mon 17/02/20	8
10	PQQ period (30 calendar days)	22 days	Tue 18/02/20	Wed 18/03/20	9
11	Agree shortlist of preferred bidders	2 wks	Thu 19/03/20	Wed 01/04/20	10
12	Issue Invitations To Tender (ITT)	0 wks	Wed 01/04/20	Wed 01/04/20	11
13	Tender period (30 calendar days)	22 days	Thu 02/04/20	Fri 01/05/20	12
14	Tender evaluation & clarifications	3 wks	Mon 04/05/20	Fri 22/05/20	13
15	Appoint successful bidder and inform unsuccessful bidders	1 day	Mon 25/05/20	Mon 25/05/20	14
16	Standstill period (10 calendar days)	7 days	Tue 26/05/20	Wed 03/06/20	15
17	Publish contract award	0 wks	Wed 03/06/20	Wed 03/06/20	16
18	Quantity Surveyor appointment	18.4 wks	Tue 04/02/20	Wed 10/06/20	
29	Architect Appointment	18.4 wks	Tue 04/02/20	Wed 10/06/20	
40	Structural Engineer Appointment	18.4 wks	Tue 04/02/20	Wed 10/06/20	
51	Services engineer appointment	18.4 wks	Tue 04/02/20	Wed 10/06/20	
62	Professional team appointed	0 wks	Wed 10/06/20	Wed 10/06/20	28,39,50,61,17
63	Conclude formal appointments	4 wks	Thu 11/06/20	Wed 08/07/20	62
64					
65	RIBA Stage 0 - 1 (Strategic Definition - Preparation and Brief)	16 wks	Thu 11/06/20	Wed 30/09/20	
66	Review of the feasibility study	12 wks	Thu 11/06/20	Wed 02/09/20	62
67	Define surveys needed & Collect fee proposals	4 wks	Thu 06/08/20	Wed 02/09/20	66FS-4 wks
68	Cost review	2 wks	Thu 03/09/20	Wed 16/09/20	66
69	Internal Client review and sign-off period	2 wks	Thu 17/09/20	Wed 30/09/20	68
70					
71	RIBA Stage 2 (Concept design)	20 wks	Thu 01/10/20	Fri 26/03/21	
72	Stage 2 design development	16 wks	Thu 01/10/20	Fri 29/01/21	69
73	Stage 2 surveys	6 wks	Thu 15/10/20	Wed 25/11/20	72SS+2 wks,67
74	Stage 2 stakeholder review and inputs	3 wks	Thu 12/11/20	Wed 02/12/20	72SS+6 wks
75	Production of procurement strategy	8 wks	Thu 26/11/20	Fri 29/01/21	72FF
76	Stage 2 Cost analysis	4 wks	Mon 18/01/21	Fri 12/02/21	72FS-2 wks
77	Internal client review and sign off period	2 wks	Mon 15/02/21	Fri 26/02/21	75,76
78					
79	Client Review and extending appointment of professional team (Pending funding)	4 wks	Mon 01/03/21	Fri 26/03/21	77
80					
81	RIBA Stage 3 (Developed design)	20 wks	Mon 29/03/21	Fri 13/08/21	
82	Stage 3 design development	16 wks	Mon 29/03/21	Fri 16/07/21	79
83	Stage 3 surveys (if required)	4 wks	Mon 12/04/21	Fri 07/05/21	82SS+2 wks
84	Stage 3 stakeholder review and inputs	3 wks	Mon 10/05/21	Fri 28/05/21	82SS+6 wks
85	Stage 3 Cost analysis	4 wks	Mon 05/07/21	Fri 30/07/21	82FS-2 wks
86	Internal client review and sign off period	2 wks	Mon 02/08/21	Fri 13/08/21	85
87					
88	Planning	33 wks	Mon 10/05/21	Fri 24/12/21	
89	Pre-application meetings and stakeholder consultation	6 wks	Mon 10/05/21	Fri 18/06/21	82SS+6 wks
90	Preparation of application documents	4 wks	Mon 21/06/21	Fri 18/07/21	89
91	Submission (Once Stage 3 formally signed off)	0 wks	Fri 13/08/21	Fri 13/08/21	90,86
92	Registration and validation	1 wk	Mon 16/08/21	Fri 20/08/21	91
93	Determination	8 wks	Mon 23/08/21	Fri 15/10/21	92
94	S106 negotiation	8 wks	Mon 20/09/21	Fri 12/11/21	93SS+4 wks
95	Permission received	0 wks	Fri 12/11/21	Fri 12/11/21	94,92
96	Judicial review period	6 wks	Mon 15/11/21	Fri 24/12/21	95
97					
98	RIBA Stage 4 (Technical design)	32 wks	Mon 18/10/21	Fri 27/06/22	
99	Stage 4 design development (following planning determination)	28 wks	Mon 18/10/21	Fri 29/04/22	93
100	Stage 4 surveys (if required)	10 wks	Mon 01/11/21	Fri 07/01/22	99SS+2 wks
101	Stage 4 stakeholder review and inputs	3 wks	Mon 29/11/21	Fri 17/12/21	99SS+6 wks
102	Stage 4 Cost analysis	4 wks	Mon 18/04/22	Fri 13/06/22	99FS-2 wks
103	Internal client review and sign off period	2 wks	Mon 16/05/22	Fri 27/05/22	102
104					
105	Main contractor procurement (Subject to procurement and funding strategy)	30 wks	Thu 21/04/22	Wed 16/11/22	
106	Prepare specification	3 wks	Thu 21/04/22	Thu 12/05/22	107SF
107	Publish Contract Notice	0 wks	Thu 12/05/22	Thu 12/05/22	108SF
108	PQQ period (30 calendar days)	22 days	Thu 12/05/22	Mon 13/06/22	109SF
109	Agree shortlist of preferred bidders	3 wks	Mon 13/06/22	Fri 01/07/22	111SF
110	Prepare tender documentation	5 wks	Mon 30/06/22	Fri 01/07/22	103
111	Invitation to Tender	0 wks	Fri 01/07/22	Fri 01/07/22	110
112	Tender period	8 wks	Mon 04/07/22	Fri 26/08/22	111
113	Mid bid interviews	2 wks	Mon 01/08/22	Fri 12/08/22	112SS+4 wks
114	Tender returns	0 wks	Fri 26/08/22	Fri 26/08/22	112,113
115	Tender evaluation & clarifications	4 wks	Mon 29/08/22	Fri 23/09/22	114
116	Post tender interviews	1 wk	Mon 12/09/22	Fri 16/09/22	115FS-2 wks
117	Final evaluation period & contract negotiations	3 wks	Mon 26/09/22	Fri 14/10/22	115
118	Appoint successful bidder and inform unsuccessful bidders	1 day	Mon 17/10/22	Mon 17/10/22	117
119	Standstill period (30 calendar days)	22 days	Tue 18/10/22	Wed 16/11/22	118
120	Contract award	0 wks	Wed 16/11/22	Wed 16/11/22	119
121					
122	RIBA Stage 5 (Construction)	104 wks	Thu 17/11/22	Wed 13/11/24	
123	Lead in / Mobilisation period	2 mons	Thu 17/11/22	Wed 11/01/23	120
124	The existing operator decant period	2 mons	Thu 17/11/22	Wed 11/01/23	123SS
125	Construction Period	96 wks	Wed 11/01/23	Wed 13/11/24	
126	Vacant Possession	0 wks	Wed 11/01/23	Wed 11/01/23	124,123
127	Shell & Core works	20 mons	Thu 12/01/23	Wed 24/07/24	126
128	Fit-out works	3 mons	Thu 25/07/24	Wed 16/10/24	127
129	Testing & Commissioning/Handover period	1 mon	Thu 17/10/24	Wed 13/11/24	128
130	Practical completion	0 wks	Wed 13/11/24	Wed 13/11/24	129



All information, analysis and recommendations made for clients by Fourth Street are made in good faith and represent Fourth Street's professional judgement on the basis of information obtained from the client and elsewhere during the course of the assignment. However, since the achievement of recommendations, forecasts and valuations depends on factors outside Fourth Street's control, no statement made by Fourth Street may be deemed in any circumstances to be a representation, undertaking or warranty, and Fourth Street cannot accept any liability should such statements prove to be inaccurate or based on incorrect premises. In particular, and without limiting the generality of the foregoing, any projections, financial and otherwise, in this report are intended only to illustrate particular points of argument and do not constitute forecasts of actual performance.

LEISURE COMPLEX AND BUS STATION PROGRAMME BOARD

Wednesday 4 September 2019

Present:-

Councillor Philip Bialyk (Chair)
Councillors Harvey, Mrs Henson, Pearson and Sutton

Also Present

Chief Executive & Growth Director, Director (JY) and Democratic Services Officer (SLS)
Justin Pickford, Programme Manager

24

APOLOGIES

Apologies for absence were received from Councillors Foale and M Mitchell.

25

MINUTES

The minutes of the meeting held on 25 April 2019 were taken as read and signed by the Chair as correct.

26

DECLARATIONS OF INTEREST

No declarations of disclosable pecuniary interest were made.

27

LONG DISTANCE COACHES WAITING ROOM

The Programme Manager referred to the request by Members of the Programme Board to explore the options for a potential enclosed long distance coach waiting room facility. The findings of the exploration including a summary of the approach, the legal obligations and technical solutions were presented.

Following the closure of the Bus Station last June, an interim arrangement was put in place for passengers using long distance coaches, with a drop-off and collection point from on-street stands sited in Sidwell Street. Once the new Bus Station facility is completed, the long distance coaches will use dedicated bus bays in Bampfylde Street as their drop-off and collection point. A lease for a space within The Barn student accommodation, on the ground floor close to Bampfylde Street had been secured. An indicative layout of the accommodation was presented which was comprised of a single unit with glazing on both sides facing into the street. The fit out would have to have adequate space for luggage, the provision of some refreshments through a vending machine and be mindful of the security of the passengers.

Members were also reminded of the outline planning permission for the redevelopment of the Bus Station site, which included the demolition of the existing bus station and creation of new bus and coach arrangements in the city centre. Although the consent identified the long distance coaches would be able to stop 'on street' at dedicated stands in Bampfylde Street, no dedicated waiting room facilities were identified as being required in the Planning Permission or the Section106 agreement. However, a planning condition attached to the consent for The Barn required a management plan, before any such facility was brought into use to cover maintenance, security, cleaning and provision of information to coach passengers.

The City Council undertook to consult with Devon & Cornwall Police in discharging the aforementioned planning condition. As a result, the exploration study included discussions with Devon and Cornwall Police who raised a number of concerns which related to the safety of passengers and public in an enclosed space, the potential for anti-social behaviour and the increased likelihood of such behaviour later in the evening and early hours of the morning encouraged by the attraction of a lit and warm area. A number of options had been explored to mitigate such behaviour and these included an access control for travelling passengers with tickets, tamper proof specification for fixtures and fittings and the inclusion of a panic alarm system and CCTV. Live monitoring would take place from the Council's Control Centre with the protocol for a first response from a private security firm. The Programme Manager responded to comments on access and he referred to the limitations of the access code and he set out a number of scenarios in respect of access control to the waiting room from discarded tickets and also both the security and life span of a single use code.

The operators of the long distance coaches (Megabus and National Express) had been contacted to discuss the technical viability of an access control system and operator funding for the waiting room facility. It was noted that there was no approved budget or allocation for the capital cost fit out works or for ongoing annual maintenance for the coach waiting room facility. National Express and Megabus had confirmed that whilst they were supportive of the facility, the provision of a waiting room was not part of their business model.

Indicative costs for the fit out work to the suggested specification of Devon and Cornwall Police would be in the region of £120,000. A detailed breakdown of the costs was provided. Ongoing annual and maintenance costs could not be entirely determined at this stage, but the full range of requirements which included cleaning general maintenance, electricity and wear & tear would range from £25,000 to £125,000 and was also dependent on the opening hours and level of security required.

The Programme Manager responded to Councillor Harvey's comment on the CCTV monitoring and confirmed that costs associated with the installation and annual cost, repairs and replacement also included allowance for staffing.

The Programme Manager also responded to Councillor Mrs Henson's enquiry about the duration of the lease and confirmed that he would check the duration with the City Surveyor.

The Programme Manager drew together the salient points around the exploration to establish an enclosed long distance coach waiting room facility:-

- The Council had secured a lease for a room in 'The Barn' which could be used as a waiting facility for long distance coaches.
- The waiting room facility (if secure, operationally sound and free from anti-social behaviour) would provide an enhanced waiting provision over and above any shelter(s) associated with the dedicated on-street stands.
- The requirements of Devon & Cornwall Police identified a need for access control to the facility. Both operators had confirmed that they can provide a ticket based access control system (QR Code), however significantly limited in its use and effectiveness.
- Should a waiting facility be provided, it is understood that under the 'Management Plan' Devon and Cornwall Police would have the ability to close the facility at any time should they consider such to be an appropriate course of action.

- There was no requirement for a long distance coach waiting room facility from a Planning or Section 106 perspective.
- There was no statutory duty to provide a coach waiting room facility.
- The initial costs for fit-out would be in the region of £120,000.
- The annual operational and maintenance costs could range from £25,000 to over circa £125,000 per annum.
- The operators had not confirmed that they would contribute to the costs of the facility or its ongoing maintenance/use.
- The current lease with the developer of the new building (The Barn) could be terminated, if required.

The Chair said that the team had spent a significant amount of time investigating the pros and cons of a coach waiting room. He was not aware of any complaints from coach passengers not currently having a facility, but he was aware that some complaints from tenants living near to the Sidwell Street coach pick up facility had been made over the summer. It had been considered that it was beneficial for waiting passengers to be close to the Bus Station, however given the success of the current arrangements in Sidwell Street, could the team 'sense check' if the permanent arrangements could remain in Sidwell Street. He confirmed that he had received an email from a member of the public on the proposed waiting room in The Barn accommodation block with a comment on viability and the current arrangement in Sidwell Street.

Members advised of the recommendation not to pursue the provision of a long distance facility as they were concerned for the potential to place waiting coach passengers at significant risk of anti-social behaviour. The Falcon coach service operated very successfully without any enclosed waiting room facility. It might be appropriate to have a discussion with Devon County Council's Exeter Highways and Traffic Committee to explore with National Express, the opportunity to consider a similar arrangement as the Falcon Service with pick up passengers on the outskirts of the city, thus avoiding unnecessary delays and also contribute towards reducing traffic congestion and carbon emissions in the city.

RESOLVED that following full consideration of the range of legal, financial and anti-social behaviour issues presented on this issue the Programme Board decided not to pursue the provision of a long distance coach waiting facility and to terminate the current lease on The Barn facility.

28

DATE OF NEXT MEETING

A further meeting of the Leisure Complex and Bus Station Programme Board would occur as and when required to suit the needs and demands of the projects within the programme.

(The meeting commenced at 5.30 pm and closed at 6.30 pm)

Chair

This page is intentionally left blank

REPORT TO EXECUTIVE

Date of Meeting: 14 January 2020

REPORT TO COUNCIL

Date of Meeting: 21 January 2020

Report of: David Bartram – Director, Environment & City Management
Title: Loan to Exeter City Living for Clifton Hill development

Is this a Key Decision?

No

* One that affects finances over £1m or significantly affects two or more wards. If this is a key decision then the item must be on the appropriate forward plan of key decisions.

Is this an Executive or Council Function?

Council

1. What is the report about?

1.1 The Council's development company, Exeter City Living, has submitted an 'Opportunity Paper' requesting the Council provide a loan so that Exeter City Living can progress a residential development at Clifton Hill. The report from Exeter City Living identifies the loan required, the Development Value (sales value), the Development Costs and the forecast Profit.

2. Recommendations:

2.1 That Executive recommend and that Council approve, a loan to Exeter City Living, the details of which is included in the Part 2 paper to this report to enable Exeter City Living to progress with the purchase of Clifton Hill and development of 44 new homes in the city.

3. Reasons for the recommendation:

3.1 The proposed development at Clifton Hill will be on the brownfield site of the rifle range and derelict Clifton Hill Sports Centre, helping to rejuvenate the area and remove the ongoing liability of the closed sports centre.

3.2 The development of 44 new homes is in accordance with Exeter City Council's vision of high density, high quality, and environmentally sustainable homes. Of these new homes, 11 will be affordable homes which means the development will be affordable housing policy compliant when you take account for the available Vacant Building Credit.

3.3 A profit of 20% is forecast for the development. This would be a good financial return for Exeter City Living and would aid the financial prosperity of the company, whilst also potentially boosting dividends to its sole Shareholder, Exeter City Council.

3.4 In addition to the improvement in the financial standing of Exeter City Living (& associated potential improvement in dividends to Exeter City Council), the Council will also benefit from the following:

- The 'on-borrowing' margin (the difference between the rate we are likely to secure the loan from PWLB and the commercial rate at which we will loan the monies to Exeter City Living),
- the land sale receipt income,
- the payment of CIL monies,
- the creation of Council tax income, and
- the use of existing Exeter City Council services on Service Level Agreements with Exeter City Living.

4. What are the resource implications including non financial resources.

- The sale of the brownfield site of the rifle range and derelict Clifton Hill Sports Centre to Exeter City Living.
- The provision of a loan facility and agreement for the required amount.
- The utilisation of Exeter City Council services by Exeter City Living via Service Level Agreements during the development process.

5. Section 151 Officer comments:

A loan over 25 years on an annuity basis will deliver a profit to the Council of around £339,000 a year. This is owing to the fact that the Council has to charge a state aid compliant interest rate on the loan. As at 1 January 2020. The figure to be charged is 4.94%, which will yield interest of £772,692.87 in the first year. The amount the Council pays will depend upon the PWLB rate in force on the day the loan is taken out, but as an indication the interest rate today (23 December 2019) is 2.77% for a 25 year annuity loan. This will cost the Council £433,271.10.

6. What are the legal aspects?

See Monitoring Officers comments/

7. Monitoring Officer's comments:

The Monitoring officers comments are intended to assist all members of the Council in consideration of the complex legal background to their budgetary decisions and in particular to set out the legal factors and requirements which Members of the City Council need to consider in reaching decisions on the budget.

In coming to a decision in relation to its finances, the City Council and Councillors have the following legal duties:

- a) To act in accordance with their statutory duties and responsibilities;
- b) To act reasonably; and
- c) To have careful regard to their fiduciary duty to its rate payers and Council tax payers.

When making a decision, councillors are reminded of the obligation to act reasonably and in accordance with the principals set down in the Wednesbury case. This means that councillors are required to take into account all relevant considerations and ignore any irrelevant considerations. Put simply, it would be unlawful for the Council to come to a view which is unreasonable in the sense that it is so irrational that no reasonable authority could have reached it.

The meaning of fiduciary duty is more difficult to define but can be summarised as a duty to conduct administration in a business-like manner with reasonable care, skill and caution and with due regards to the council's rate payers. When discharging their fiduciary duties councillors will need to consider the following:

- a) Prudent use of the council's resources, including the raising of income and the control of expenditure;
- b) Financial prudence both long and short term;
- c) Striking a fair balance between the interest of the council tax payers on the one hand and the community interest and adequate and efficient services on the other hand;
- d) Acting in good faith with a view to complying with statutory duties and exercising its statutory powers for the benefit of the community.

8. Report details:

8.1 The detailed 'Clifton Hill Opportunity Paper' (dated 9th December 2019) is attached to this paper.

9. How does the decision contribute to the Council's Corporate Plan?

9.1 Building 44 new homes contributes directly to our Building Great Neighbourhoods programme. We are striving to ensure that every resident has a home which is secure, healthy and affordable. The location of this development which is within walking distance of a wide range of local services means that it is sustainable and will promote an active and healthy lifestyle.

10. What risks are there and how can they be reduced?

The 'Clifton Hill Opportunity Paper' outlines the headline risks and how these can be mitigated. The principle risk is that ECL do not make the financial returns expected.

The Opportunity Paper from ECL identifies the risks to financial return and how they are being managed by the ECL team. Additionally, Exeter City Council reviews the financial performance of ECL on an annual basis.

11. Equality Act 2010 (The Act)

11.1 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because: because

11.1.1 The development proposed will be fully compliant with City Council design standards and planning requirements

11.1.2 The development provides both open market and affordable homes in accordance with the City Council's Affordable Housing requirements (taking account of the Vacant Building Credit)

11.1.3 Public and Community consultation will be undertaken in advance of any development

12. Are there any other options?

- 12.1 Exeter City Living Ltd could seek to secure funding from outside the Council. There is a risk that the return on investment to the Council could be less than indicated if this route is pursued.

**Director
Environment and City Management**

Local Government (Access to Information) Act 1972 (as amended)
Background papers used in compiling this report:-
None

Contact for enquires: David Bartram
Democratic Services
01392 265477



Clifton Hill

Opportunity Paper (Part One Report)

Version 1.4 (Part One)
2019

9th December

CONFIDENTIAL

1.0 Introduction

Following the closure of Clifton Hill Leisure Centre and subsequent Council resolutions regarding the sale of site, Exeter City Living (ECL) have considered development on the Leisure Centre site. A development appraisal has been undertaken, which demonstrates the site would be commercially viable for Exeter City Living. This paper seeks Council agreement to provide a loan facility for ECL to purchase and develop the site, in accordance with the proposals outlined below.

2.0 The Site

The site is the footprint of the existing leisure centre facility, associated car parking area and adjacent rifle range facility. This site and development is known as 'Clifton Hill'.



The site is bounded by residential properties along Clifton Hill, and a golf range sits in the land behind the site. Any development on the site would need to maintain access to the golf range and ski slope behind, plus access to the rear of properties on Clifton Hill where arrangements currently exist in the location of the rifle range.

Development Area - Identified within the redline on the below :



3.0 The Proposed Development

An initial development appraisal has been prepared. The purpose of this appraisal is to advise on the potential for development, known restrictions, development density and potentially achievable unit mix and floor area.

The appraisal was based on general planning guidance documents, access considerations and site restrictions. No site investigations and only limited utility information on below ground services was available and the local planning authority has not been consulted at this stage.

The site is within a conservation area and contains a locally listed building, 'the Brickwork Office'. The site is adjacent to a landfill site and further investigations will be required to close out the risk of contamination.

The initial appraisal illustrates how the site could be redeveloped for residential purposes providing 44 No residential units including 11 flats and 33 dwelling houses including car parking and new access.

To further develop these proposals, confirm the actual scale of the development as well as consider any technical and planning constraints, further input and discussions with the local planning authority and other specialist consultants will be required.

Indicative notional layout of proposed development (exact layout to be confirmed) :

4.0 Financials

Exeter City Living Limited has completed a development appraisal for the proposed scheme, the results of which will deliver 44 new homes. The Financials relating to the appraisal are detailed within a Part Two Report.

Item	Amount
Total number of new homes created	44
Of which :	
Open Market Sales homes	33
Affordable homes	11

With regards to the Land Purchase Price (Land Value), the site has been independently valued by a third party valuer, on behalf of Exeter City Council. This valuation has been determined based on the value of the land for the proposed development mix and constraints. Please note : other values would be derived for alternative uses of the site. As Exeter City Living are proposing this particular mix of new homes in the city, this is the valuation applied to the land.

The development is proposed to be low carbon (certified Passivhaus), climate ready to at least 2080 and provide healthy homes by adopting Building Biology principles.

Taking account of the available Vacant Building Credit, 11 new affordable homes will be provided on site (25%).

5.0 Loan Requirement

The development financial appraisal has identified the total forecast cost of the development and therefore the loan required to undertake the development. This has identified a loan requirement that is detailed in the Part Two Report

Please note, the loan requirement is specifically required for this project. It does not include any funding / loan requirements for Exeter City Living operational business costs during the circa 24 – 27 months required to develop this scheme. The ECL operational business costs are reconciled and addressed in the annual ECL Business Plan submitted to Council.

6.0 Programme

The high level project programme includes a six month initial design and planning stage phase, followed by a 3 month demolitions & enabling works stage and then a seventeen month construction phase, with the indicative projects dates as follows;

- Project Commencement – February 2020.
- Initial design & planning Phase – February 2020 to August 2020.
- Demolitions and enabling works Phase – August 2020 to October 2020
- Construction Phase – October 2020 to February 2021.
- Completion & Development Sale – March 2021.

7.0 Risks

The risks that are set out below are not exhaustive but represent the main risks that have been identified by the project team as those which could hinder delivery of the proposed development or represent future financial risks to Exeter City Living as developer.

The key risks identified that may impede delivery of the development are:

a) Market based construction costs increase above current contingencies allowed in viability modelling (particularly considering BREXIT)

This could make the project unviable to progress. This may prevent or delay bringing the project forward and mean that expenditure in advance of starting construction may be at risk (i.e. Feasibility and Pre-Construction stages). This is addressed in viability analysis by including suitable contingencies and by constantly monitoring the construction market – looking at cost sensitivities and also considering alternative construction methods to avoid materials with high cost increases. We also monitor the contractor procurement market and are continually exploring alternative construction management methods. Additionally, this risk can also be addressed through appropriate value engineering where possible without reducing the sales value.

b) Inability to generate sufficient sales/income in a timely manner causes the project to become unviable after funding has been provided – potentially caused by reductions in sales values post BREXIT

This has been addressed to some extent by including robust contingencies in viability analysis, and can be managed further by procuring appropriately skilled marketing and sales agents to generate sales and by managing construction cash flow / sales to limit the levels of peak debt on the project.

c) Public Sector regulatory processes lead to increased costs and programme delays.

The business operates within the public sector procurement rules. Amongst other factors, these requirements could increase the bureaucratic burden on the company and could increase operating costs whilst also creating the opportunity for development programme delays in order to accord with procurement regulations. The team are knowledgeable in the requirements of public sector procurement and include such requirements within their programming & project timelines. Additionally, we have also employed the expertise of ECC legal department to advise on detailed procurement matters if / when required.

d) Future financial and/or policy context differs significantly from forecasts in the Development Appraisal (particularly as a result of BREXIT)

The development plan would need to be revised to reflect the changed circumstances.

e) Lack of discipline in contract management process leads to delays and/or cost over-runs, causing the project to become unviable after funding has been provided

This can be proactively addressed by ensuring that ECL appoints appropriately qualified consultants to ensure robust contract management of construction activities. ECL will be a responsive client and a client which avoids changes to the contract / specification which can lead to delays or additional costs.

f) Potential for public mis-understanding the extent of the development and impact on green space

It is the intention that the project positively impacts on the current situation and amenity at Clifton Hill, however there is the risk that local residents mis-understand the plans and are concerned the development negatively impacts on the green space in Clifton Hill. A proactive community engagement approach will be followed on the project, to meaningfully engage and communicate with the public & local residents.

g) Contamination from the adjacent site negatively impacts on the delivery of our project

Early engagement with Geotechnical specialists to test existing subsoils and contamination, in order to fully understand the extent of the matter. Detailed review of existing monitoring equipment on-site, and early dialogue with the Environmental Health officers to determine the most appropriate solutions for the site.

8.0 Conclusion

This development would provide 44 new homes in the city.

With current plans suggesting the homes being:

4 bedroom homes : 23Nr

5 bedroom homes : 10Nr

1 bedroom flats : 5Nr

2 Bedroom flats : 6Nr

Of the above, 33 homes would be for open market sale and 11 new affordable homes would be created. (Affordable Housing Policy compliant when vacant Building Credit is taken into consideration).

The development site is an exciting opportunity to create homes in a residential area only 0.5 miles away from the city centre. The development can be delivered circa 24 – 27 months from approval to proceed and will generate an estimated profit of 20% to the Council.

In addition to the improvement in the financial standing of Exeter City Living (& associated potential improvement in dividends to Exeter City Council), the Council will benefit from the 'on-borrowing' margin (the difference between the rate we are likely to secure the loan from PWLB and the commercial rate at which we will loan the monies to Exeter City Living), whilst also benefitting from the land sale receipt income, the payment of CIL monies, the creation of Council tax income, and the use of existing Exeter City Council services on Service Level Agreements with Exeter City Living.

Funding for the development is being sought via a loan from Exeter City Council.

By virtue of paragraph(s) 3, 4 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3, 4 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank