

# Agenda for Overview Committee

## Thursday, 27 September 2018; 6.00pm



### [Members of the Committee](#)

**Venue:** Council Chamber, Knowle, Sidmouth, EX10 8HL

[View directions](#)

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- 1 [Public speaking](#)
- 2 To confirm the minutes of the meeting held on 30 August 2018 (pages 3 - 6)
- 3 Apologies
- 4 Declarations of interest  
Guidance is available online to Councillors and co-opted members on making [declarations of interest](#)
- 5 [Matters of urgency](#) – none identified
- 6 To agree any items to be dealt with after the public (including press) have been excluded. There are **no** items that officers recommend should be dealt with in this way.

### **Matters for Debate**

- 7 **Commercial Property Investment Framework update** (pages 7 – 14)  
Tim Child will present his report on the work undertaken to develop the framework since the committee discussion of 13 March 2018, and outline the next steps for the framework to be adopted.
- 8 **The House of Lords Select Committee on Regenerating Seaside Towns and Communities – call for evidence** (pages 15 – 23)  
The committee to consider and debate the draft submission to the call for evidence. This will then go forward to Cabinet for consideration before the deadline for submissions.
- 9 **Overview Forward Plan** (page 24)

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## **EAST DEVON DISTRICT COUNCIL**

### **Minutes of a Meeting of the Overview Committee held at Knowle, Sidmouth on 30 January 2018**

#### **Attendance list at end of document**

The meeting started at 6.00pm and ended at 8.26pm.

#### **\*21 Public speaking**

There were no public speakers at the meeting.

#### **\*22 Minute confirmation**

The minutes of the Overview Committee held on the 7 November 2017, were confirmed as a true record.

#### **\*23 Transformation Strategy update**

The Chief Executive reminded the committee of the challenges faced in the coming years, and the plan for dealing with those – the Transformation Strategy.

The strategy covers five themes, with some of the examples of that listed below:

- Deliver our Worksmart Strategy and transforming our culture through new ways of working underpinned by the right technology at the right time – as evidenced at the newly refurbished offices in Exmouth;
- Deliver improved online services through our Open for Business project – with 200 services available online and more to add;
- Implement systems thinking reviews across all services – evidenced with improvements in council tax collection and delivery of benefits;
- Maximise the value of our assets through commercial thinking with a focus on income generation, sustainability and developing local economies – most recently the pending introduction of a green waste service;
- Actively pursue alternative service delivery methods and models – evidenced by the corporate fraud and compliance team, the only in-house team in the County, through whom money was being identified by intelligent data.

The Chairman welcomed the reminder of the transformation concept and felt that the Council had now realised and accepted the need to be part of this process in order to deliver services in future years. He commended the work of officers for their hard work in improving services in the face of reducing budgets over his years as an elected Member.

Debate and questions on the transformation strategy included:

- Tours of Blackdown House construction would be available once the scaffolding was removed, to help enable Members and others to visualise how the building would be used;
- Concern about stability of the newly formed Housing Company in light of recent liquidation of Carillion – Members were reassured that the purpose of the newly formed company, with its modest first year target of acquiring and renting out ten properties, was not comparable to Carillion;
- It was possible that in future years the Housing Company would build their own properties. There was a risk that, if using HRA funding to build housing for letting to Council tenants, the property would fall under the Right to Buy legislation and the Council could end losing that asset;
- If limits in investment existed for local authorities that may prevent ambitious schemes – a pending announcement from the Secretary of State may dictate a limit;

- The Council did not show any appetite at present for investment outside of the district, which may yield better return on commercial property than on property inside the district;
- The Chairman of the Council voiced his wish to see the Council broaden their aspect and be ambitious in projects, taking advice from other Councils who had already done so, in order to protect the services of the authority for future years;
- Take a pragmatic view of what local businesses want in the form of the size and scale of business units;
- Consider a much longer term view in investment in projects, as undertaken by Clinton Devon Estates for periods of 50 to 60 years;
- Have clear picture of what income needs to be realised in future years to either maintain the current level of services, or move to further improve and increase them.

The Chairman thanked the Chief Executive for his informative presentation.

**RESOLVED** that the update on the Transformation Strategy be noted.

#### **\*24 Link Asset Services presentation**

The Chairman welcomed Adam Burleton of Link Asset Services to the meeting to present to the committee the financial limitations that Councils had to operate within, when undertaking projects such as setting up a trading company, or purchasing assets for income gain.

His presentation covered:

- Summary of commercial activity
- Overview of legal issues including State Aid implications;
- Due diligence requirements;
- Costs and benefits of financial implications;
- Examples of local authority commercial activity;
- Treasury management and prudential code, including the need for a Capital Strategy and Member approved schedule of non-treasury management investment;
- CLG overview of investment guidance consultation and proposed changes.

The [presentation from Link Asset Services](#) can be viewed online.

Questions and debate included:

- A council can take advantage of borrowing at a low fixed rate for up to a 50 year period. Whilst this is useful, it also has to be balanced against the ability of the project to cover that borrowing for the term of the agreement. Due diligence has to be undertaken to ensure that the money can be paid back;
- The need to set up a trading company for a service was dependent on a number of legal factors and the scale of the service, but was not necessarily needed to extending an existing service on a small scale;
- Commercial income was not limited, but it was more sensible and prudent to have income from across a number of sources rather than one large source – the risk being higher if that large source did not deliver the expected income and the consequences being more damaging to the authority as a result;
- Some authorities did operate a small level of peer to peer funding, or loan pools lending at a commercial rate;
- Would there be accepted measures of proportionality in the future, if highly geared authorities (where size of loan is bigger than value of asset) start to become

prevalent? The current Government agenda is to bring about innovation in funding by local authorities, and the investment framework will be developed to have rigour in place for an investment profile. Each local authority was required to undertake due diligence. The proposed changes by the CLG to the capital framework are in direct response to the increase in local authorities investment in commercial property in recent years, and to ensure that there are more checks and members involvement in the process;

- Worst case scenario to enable statutory services to continue was to consider not funding discretionary services and the risk appetite for closing such services;
- Need to keep a synergy between the income opportunities explored and the delivery of the agreed council plan;
- Not afraid to borrow in order to realise future savings or income – the key was for the project to be affordable, sustainable and prudent.

The Chairman thanked Mr Burleton for his informative presentation and for answering the questions of the Members.

**RESOLVED** that presentation be noted.

#### **\*25 Exploring transformation savings and income generation**

The Democratic Services Officer presented her report, outlining some examples of other local authorities that had realised savings or generated income by developing an in house service to extend delivery to others, or through investment in commercial property.

From the authorities listed, the committee selected some to request further information from, with a view to making arrangements for a visit from that authority or to travel to that authority for further dialogue.

**RESOLVED** that the Democratic Services Officer pursue further information with the selected local authorities in order to further develop the Committee's knowledge of good and successful practice elsewhere.

#### **\*26 Overview committee forward plan**

The forward plan was noted, with addition of an update from the Countryside Team on 13 March with findings from the Naturally Healthy Devon Schools project.

##### **Attendance list**

##### **Councillors Present:**

Graham Godbeer (Chairman)  
Peter Faithfull  
Rob Longhurst  
Mike Allen  
John Humphreys  
Mark Evans-Martin

##### **Councillors Also Present:**

Paul Diviani  
Ian Thomas  
Phil Twiss  
Andrew Moulding

Brian Bailey  
David Barratt  
John Dyson  
John O’Leary  
Geoff Jung

**Officers**

Mark Williams, Chief Executive  
Richard Cohen, Deputy Chief Executive  
Simon Davey, Strategic Lead Finance  
Tim Child, Property Services Manager  
Adam Burleton, Link Asset Services  
Debbie Meakin, Democratic Services Officer

**Councillor Apologies:**

Ian Hall  
Jim Knight  
Jill Elson  
Tom Wright  
Pauline Stott

Chairman ..... Date.....

**Report to:** **Overview Committee**

**Date of Meeting:** 27<sup>th</sup> September 2018

**Public Document:** Yes

**Exemption:** None

**Review date for release** None

**Agenda item:** 7

**Subject:** **Commercial Property Investment Framework**

**Purpose of report:**

- a) To update Overview Committee on work undertaken to develop a new Commercial Property Investment Framework (CPIF) since Overview Committee of 13<sup>th</sup> March 2018 and to share the fundamental principles contained within the draft CPIF.
- b) To outline next steps for adoption of the CPIF.

**Recommendation:** **It is recommended that Members;**

- a) **Note the work undertaken to date and the direction of travel**
- b) **Support the fundamental principles of the Commercial Property Investment Framework (CPIF) as set out within this report**
- c) **Note that the Commercial Property Investment Framework (CPIF) will be debated at a Special AMF then Cabinet**

**Reason for recommendation:** To obtain support of Overview Committee on the fundamental principles outlined within this report.

**Officer:** Tim Child, Senior Manager – Property & Estates, email [tchild@eastdevon.gov.uk](mailto:tchild@eastdevon.gov.uk), tel 01395 571692

**Financial implications:** Financial details are contained within the report and the completion of the framework has been developed with the involvement of Finance. Further due diligence is currently being undertaken to ensure we are compliant with legislation and best practice.

**Legal implications:** Legal have had input into the development of the investment framework. The general principles of it appear sound but further due diligence work is ongoing with the outcomes being reported to Cabinet when the Investment Framework is presented for adoption.

**Equalities impact:** Low Impact

**Risk:** Low impact  
The CPIF will be debated at Cabinet.

**Links to background information:**

- [Overview committee 30 January 2018 agenda](#) and [minutes](#)
- [Overview committee 13 March 2018 agenda](#) and [minutes](#)



**Link to Council Plan:** Continuously improving to be an outstanding Council

## Report in full

### 1.0 Background

1.1 Overview Committee of 30<sup>th</sup> January 2018 received an update of the Council's Transformation Strategy of which one of the five themes relates to:

Maximise the value of our assets through commercial thinking with a focus on income generation, sustainability and developing local economies

1.2 Overview then welcomed Adam Burleton of Link Asset Services who presented to the Committee on the financial limitations that Councils had to operate within and outlined examples of local authority commercial activity including opportunities around investing in commercial property to generate an income to help support wider functions and aspirations of a local authority.

1.3 Overview Committee of 13<sup>th</sup> March 2018 then heard from Jones Lang LaSalle property consultants about opportunities and live examples of commercial property investments by local authorities. The Committee were of the view that taking an approach to investing in commercial property was the right step for the Council to take, and specific opportunities to do so should be explored. Officers agreed to progress this.

1.4 Since March 2018 a draft Commercial Property Investment Framework has been developed and this will be presented to a Special Asset Management Forum in October before Cabinet on 28<sup>th</sup> November. The availability of funding to invest will be the subject of a Council decision on 12<sup>th</sup> December.

1.5 Some specific investment opportunities are currently being considered and if progressed, will need to be before adoption of this Framework. These opportunities, if progressed, will come to Cabinet on 3<sup>rd</sup> October and Council on 24<sup>th</sup> October.

### 2.0 Fundamental Principles of the CPIF

#### 2.1 Background

2.1.1 This Framework addresses the opportunity that by investing circa £20,000,000 in commercial property between 2019/2020 and 2020/2021, £10,000,000 within the income only fund and £10,000,000 within the income plus fund, the Council could expect to receive a net return of circa £450,000 per annum, broken down broadly as follows:

- £10,000,000 for investment in commercial property (**income only fund - IOF**). The objective of this investment is solely to derive a direct commercial return (income) and therefore the objectives and selection criteria will be firmly based on balancing income versus risk. There may be other District benefits as an outcome but these are not a key driver. A minimum of a 3% net return should be achievable therefore generating at least £300,000 net income per annum.

- A separate fund of £10,000,000 (**income plus fund IPF**) for investment in a different portfolio of assets with the objective of providing a net income but also providing other District benefits e.g. micro and small business growth with local and rural economy benefit, regeneration, New Homes Bonus and Business Rates. In this instance there are different objectives and therefore assessment criteria comprising factors wider than just income versus risk. A net return of 1.5% as a minimum should be achievable generating at least £150,000 income per annum.

Note: Ultimately these return forecasts depend on the level of risk and ambition the Council is prepared to consider.

- 2.1.2 Local Authorities are on a pathway to financial self-sufficiency. A quarter of the Council's funding comes from Council Tax and that sum is, to all intents and purposes largely spent on our waste and recycling services. All our other services in the main will be funded from fees and charges or other income sources and as Rate Support Grant diminishes there will be an increasing reliance on realising the dividend from growth by securing revenue streams such as New Homes Bonus, Business Rates, increased rental returns and fees and charges. Increased rental returns will be generated through proactive and commercial management of the existing portfolio but predominately through direct commercial property investment in new assets to provide a net return over and above the holding costs. There are different types of commercial property investment which will be explored within the Framework to ensure a more balanced risk profile.
- 2.1.3 Whilst the Framework focusses on property investment, this same Framework can be utilised for investing in other types of income generating asset e.g. energy provision or Peer To Peer loans.
- 2.1.4 The benefits of commercial property investment by the Council are as follows:
- Positive net rental return / loan return
  - Regeneration benefits to District (if in District)
  - Additional Business Rates income (if in District)
  - New Homes Business (if in District)
  - Employment and prosperity (if in District)
  - Unlocking of sites and opportunities that others might not invest in\*
  - Accelerating delivery of sites\*
- 2.1.5 East Devon has numerous sites approved within the Local Plan that can deliver significant revenues to the council from New Homes Bonus and Business Rate but are complex, slow to come forward or stalled. The Commercial Property Investment Framework can over time contribute towards unlocking of those opportunities but in short / medium term the focus needs to be on investment to achieve a financial return in-year. These 2 benefits (with \* above) are unlikely to materialise from early investment.
- 2.1.6 The Framework contributes to the Council's Transformation Strategy.

Key Theme 4 - Maximise the value of our assets through commercial thinking with a focus on income generation, sustainability and developing local economies

2.1.7 The Council has an anticipated budget shortfall as per the table below:

General Fund	2018 /19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Annual Budget Shortfall	735	529	1,705	229	346	282	281	530	780	(19)

2.1.8 This budget shortfall is to be addressed through a number of different means through the Council's transformation strategy themes 1-5.

2.1.9 There is a clear preference, irrespective of whether using the IOF or IPF to invest at this stage within District unless:

- a) The level of return required necessitates investment in a wider geographical area – possibly to include the wider Greater Exeter area.
- b) The availability of investment opportunities within East Devon limit the availability to invest.
- c) A wider geographical spread is needed to ensure acceptable balance of property investment portfolio risk.

Note: A recent survey by The Local Government Chronicle found that of those authorities investing in commercial property, 37% invested outside of area.

**What is fundamental to this approach is that a net return of £450,000 is recognised as a key element of the Transformation Strategy by 2020/2021 and decisions will need to be made with this in mind.**

2.1.10 It is anticipated that direct investment intervention by the Council can also unlock and / or accelerate development by third parties at the same time as:

- Generating a good level of rental return
- Enabling the Council to benefit from marriage value where perhaps the Council already has an interest in land.
- Enable increases in NHB and Business Rates income to the Council.

This is a key benefit of direct commercial investment but is a medium term objective due to longer lead-in time but demonstrates how targeted investment can not only deliver an annual return but also an uplift in capital values on other assets.

2.1.11 This aligns with the Council's objectives in Regeneration, Enterprise Zone delivery and the employment and productivity priorities of HOSW LEP, GESP and Local Plans. IOF and IPF are a practical means by which the Council will have a direct role in delivery wider strategic and policy ambitions.

2.1.12 The shorter term objective of £450,000 by 2020/21 needs to be realised by investment in assets which can generate a return in-year whilst at the same time developing an ambitious pipeline of future investment which supports not only income generation but other Council

objectives around growth in productivity, place making, sustainable communities, economic development and regeneration. This future pipeline is envisaged would require further financial commitment.

2.1.13 Investments can be financed through Public Works Loan Board (PWLb), capital receipts or internal borrowing. The Council's current favoured route is generally through PWLB.

2.1.14 Commercial property investment opportunities often arise unexpectedly and it is important to be agile in terms of allocation of resource (internal and external) but also decision making to take advantage of opportunities when they arise. The Council therefore needs to be in a position to assess investment opportunities in a systematic manner but should also be able to move quickly when a compelling opportunity arises and to do this through a dedicated Investment Assessment Team of Officers and Councillors with the necessary delegated authority in place to progress disposals which meet the objectives agreed by Council.

2.1.15 This property investment is focussed on commercial property rather than housing but it does not preclude housing if that were to prove a strong investment and / or possibly as part of a mixed use investment.

## **2.2 Key Objectives of CPIF**

2.2.1 In summary, the key objectives of the CPIF are:

- Income generation to contribute to reducing future funding shortfall
- Investing in and optimising the effectiveness of the existing council asset and new acquisitions
- Promoting new opportunities for local economic growth, wealth creation and productivity improvement
- Applying a clear, costed, risk managed and structured programme of investment using rigorous criteria and with appropriate decision making capabilities to respond to market opportunities in an agile but safe manner.

2.2.2 The shorter term objective is to generate a net return of £450,000 per annum by 2020/21 to be realised by investment in assets which can generate a return in-year whilst at the same time developing an ambitious pipeline of future investment which supports not only income generation but other Council objectives around growth in productivity, place making, sustainable communities, economic development and regeneration.

## **2.3 Different Types of Commercial Property Investment**

2.3.1 There are potentially 5 different forms of investment the Council can consider under the Framework, as follows:

1. Management of Existing Assets
2. Acquisition for Commercial Income (IOF)
3. Acquisition for District wide benefits (IPF)
4. Direct Development – both Housing & Commercial (IPF)
5. Strategic Partnerships and Joint Ventures (IPF)

2.3.2 The Framework should not be viewed in isolation from the management of the existing portfolio. Whilst opportunities might be more limited, income can be increased either

through greater commercialism in respect of ensuring market rents are generated for a greater number of assets (and kept current), assets are void for shorter times, but also through managing costs more robustly, including through more proactive capital planning, and recovering costs from tenants via service charges. There is also potential through developing out opportunities within the existing portfolio e.g. Colyford Road and Fosseyway Park (both Seaton) although the driver for these will not be purely income generation.

2.3.3 The investment criteria and risk / reward profiles are different for each category; particularly where local social / economic benefits can be reflected alongside commercial considerations. As such, there will be a different scoring matrix prepared for each of the above, excluding the 1<sup>st</sup>.

## **2.4 Informing Investment Criteria**

2.4.1 Reflecting the different aims and objectives for each type of investment, a matrix approach will be adopted to determine what is / what is not generally acceptable in terms of anticipated risk/ reward. Also, in shaping the CPIF, consideration must also be given to achieving a balanced portfolio of different investments, reflecting the Treasury Management Code which prioritises, in order of importance:

- Security – protecting the capital sums invested from loss
- Liquidity – ensuring the funds invested are available when needed i.e. asset could be disposed
- Yield – an acceptable rate of return from investment

2.4.2 The portfolio will take time to grow and ensure the longer term ideal split of asset types is achieved.

2.4.3 The Council could potentially borrow funds from PWLB at a rate of around 2.5%, use internal borrowing or capital receipts.

2.4.4 The Council must take a prudent approach to the management of its financial affairs and therefore when assessing investments will need to consider such factors as the security against loss, the liquidity of the investment, the yield and risk of change of interest rates, property values and voids.

2.4.5 The Council will also need to consider the level of reserves that should be maintained, the effect of borrowing on its credit score and its overall borrowing limits. In short the Council must get the right balance between risk and reward in a prudent manner to ensure the costs from commercial investment does not fall on the tax payer.

2.4.6 Ongoing management of acquired assets. The scale of this task and importance depends on nature of assets and importance of service charge regimes for recovery of costs. Based on the nature of assets a decision needs to be made on whether this would be dealt with in-house or by consultants who would be experienced at maximising value and have the skillsets and systems to do so.

2.4.7 Exit strategy. Assets should have good and marketable title although along with this, success in disposing of the asset will depend on market conditions at the time. It should be acknowledged that disposal of assets can be a protracted and uncertain process.

## **2.5 Risks**

2.5.1 Property investment brings with it the potential for significant risk if things go wrong. Risks can be mitigated but ultimately some risks are externally driven.

Listed below are typical risks:

- Voids – these will reduce average yield. In addition to lost rental income, the Council could find itself liable for on-going costs which would otherwise be the tenant's responsibility.
- Disputes with tenants – particularly in respect of service charge type issues.
- External factors such as failure of tenants, micro and macro market downturns and increased borrowing costs.
- Where the Council is seeking to develop or change a use, it needs to be mindful of the planning process, inevitable delays and public perception. With planning, there is rarely absolute certainty.
- Government support for local authorities investing in commercial assets to derive an income to support essential services being withdrawn.
- The opportunity cost of investing these funds here rather than elsewhere on other income generating opportunities
- The impact on the Council's borrowing limit.

2.5.2 The Council must take a prudent approach to the management of its financial affairs and therefore when assessing investments will need to consider such factors as the security against loss, the liquidity of the investment, the yield and risk of change of interest rates, property values and voids.

2.5.3 The Council will also need to consider the level of reserves that should be maintained, the effect of borrowing on its credit score and its overall borrowing limits. In short the Council must get the right balance between risk and reward in a prudent manner to ensure the costs from commercial investment does not fall on the tax payer.

## **2.6 Required Skillsets**

2.6.1 Whilst an initial assessment of potential opportunities will be managed in-house, additional specialist investment agency, valuation and building surveying services might need to be procured through external consultants. As for specialist finance and legal advice, again external consultants might be needed.

2.6.2 Once the investment fund is established and investment criteria confirmed, external property investment agents can be appointed to assist in sourcing, evaluating and completing the acquisition process. Furthermore, the Council should consider retaining an external property management company to pro-actively manage future commercial assets going forward. In return for a fee of typically 5-10% of the rental income, the management company would deal with all landlord & tenant matters, lease events, rent collection and service charge arrangements in addition to dilapidation claims.

2.6.3 Notwithstanding the need to engage with specialist advisors, it will remain vitally important that EDDC retains commercial property expertise in-house and can operate as an effective "informed client" in all negotiations with appointed advisors and to understand the implications of the advice provided. This role will be undertaken by the Council's Senior

Manager – Property & Estates along with other colleagues as necessary but will impact on staff resourcing.

## **2.7 Management of Existing Assets**

2.7.1 Opportunities need to be identified to:

- Increase revenue income
- Reduce costs – smaller but better performing asset base in terms of both financial and non-financial return
- Invest wisely – component replacement or wider investment by being proactive and by identifying where both financial and non-financial returns can be improved. By being proactive there will be better management of future capital returns.
- Identify poor performing assets and dispose.

## **2.8 Assessment of Investment Opportunities – Weighted Scoring Matrices**

2.8.1 To ensure investment opportunities can be considered in a structured and objective manner, all such opportunities will be considered using one of four weighted scoring matrices.

## **2.9 Assessment of Investment Opportunities – Process & Governance**

2.9.1 Commercial property investment opportunities often arise unexpectedly and it is important to be agile in terms of allocation of resource (internal and external) but also in decision making to take advantage of opportunities when they arise but doing so in a safe, accountable and democratic way. Other Local Authorities with investment portfolios have taken this approach.

## **2.10 Further work being undertaken**

2.10.1 The Weighted Scoring Matrices and arrangements around Process & Governance are still being finalised and these elements along with advice received through external consultants around the legal and finance implications will be incorporated into the CIF when presented at Special AMF and then Cabinet.

**Report to:** **Overview Committee**

**Date of Meeting:** 27 September 2018

**Public Document:** Yes

**Exemption:** None

**Review date for release** None

**Agenda item:** 8

**Subject:**

**SELECT COMMITTEE ON REGENERATING SEASIDE TOWNS AND COMMUNITIES**

**Purpose of report:**

The House of Lords Select Committee on Regenerating Seaside Towns and Communities was appointed by the House on 17 May 2018.

The remit of the Committee is “to consider the regeneration of seaside towns and communities”.

The Committee will explore a number of key issues in detail and has issued a public call for written evidence to a list of questions.

A number of seaside towns are located along the East Devon coastline, namely the principal seaside towns of Exmouth (East Devon’s largest town) and Sidmouth, together with the seaside towns of Seaton and Budleigh Salterton. East Devon District Council and partner organisations have for many years championed regeneration in its seaside towns and have considerable knowledge and experience to contribute to this call for evidence.

For the Overview Committee to consider and discuss the attached draft submission and recommend that the Deputy Chief Executive, in consultation with the Chair, takes forward a final draft of this submission as an urgent item to Cabinet on 5 October 2018

The final document will be submitted to both The House of Lords Select Committee on 9<sup>th</sup> October and to the Local Government Association Coastal Special Interest Group workshop on 31<sup>st</sup> October.

**Recommendation:**

Taking into account the discussions at this meeting; that the Deputy Chief Executive, in consultation with the Chair, finalises the attached draft response to be considered as an urgent item by Cabinet on 5 October 2018.

**Reason for recommendation:**

East Devon District Council has a wealth of information and experience to offer The House of Lords Select Committee on Regenerating Seaside Towns and Communities.

**Officer:** Richard Cohen, 01395 571552

**Financial implications:** Finance have reviewed the draft submission and have no further comments to add.



<b>Legal implications:</b>	We have no particular comment to make on the report at the moment, Legal Services will be able to assist and advise on any particular aspects of regeneration and/or development as they come to fruition.
<b>Equalities impact:</b>	Low  This is the submission of a response to a call for evidence by The House of Lords Select Committee on Regenerating Seaside Towns and Communities and will have no direct equalities impact.
<b>Risk:</b>	Low  This is the submission of a response to a call for evidence by The House of Lords Select Committee on Regenerating Seaside Towns and Communities.
<b>Links to background information:</b>	) Appendix 1 – Draft Response to the Select Committee:
<b>Link to Council Plan:</b>	Encouraging communities to be outstanding – highlighting the issues affecting our seaside town communities particularly the extent of demographic change  Developing an outstanding local economy – stressing the importance of robust and diverse economies for our coastal towns  Continuously improving to be an outstanding council- sharing our knowledge and experience of Regenerating Seaside Towns and Communities

APPENDIX 1

Date

**SELECT COMMITTEE ON REGENERATING SEASIDE TOWNS AND COMMUNITIES  
CALL FOR EVIDENCE**

**Response submitted by Richard Cohen, Deputy Chief Executive on behalf of East Devon District Council (approved by Cabinet xxxxx)**

**Knowle**

**SIDMOUTH**

**Devon**

**EX10 8HL**

***Background and understanding***

***1. What are the challenges facing seaside towns and communities? Which of those challenges are common to many seaside towns, and to what extent (and why) have such challenges persisted over a number of years?***

1.1 East Devon is the largest district in Devon by population (139,908), and the second largest by both employment and output. A number of seaside towns are located along the East Devon coastline, namely the principal seaside towns of Exmouth (East Devon's largest town) and Sidmouth, together with the seaside towns of Seaton and Budleigh Salterton. Exmouth and the village of Beer have Coastal Community Team status.

1.2 The relationship between city, coast and countryside in East Devon together with a powerful combination of great schools, leisure opportunities, food culture, environmental quality (most of the coast falls in the East Devon Area of Outstanding Natural Beauty and nearly all forms part of a World Heritage site) and diversity of businesses in the District make this a wonderful place not just to work and run a business but also to live and to visit. However, this should not be allowed to mask the fact that there are a number of significant economic challenges and opportunities, for East Devon, in relation to seaside town and community regeneration.

1.3 Seaside towns, in particular, face challenges by way of their geography (peripherality) i.e. poor connectivity (infrastructure) restricting catchment/ hinterland (due to coastal/ estuary boundaries) in addition to the seasonality of the visitor economy. Furthermore, the environmental and heritage designations within our area bring challenges in terms of balancing the need for economic growth and continued prosperity with the sensitivities of these special planning designations.

1.4 There are specific challenges and significant resource requirements in relation to the infrastructure needed to implement adaption strategies to deal with increasingly intense weather events e.g. storms and storm surges and climate change impacts e.g. sea level rise.

1.5 East Devon has the fourth lowest productivity level in Devon with real value added per employee equivalent to just 80% of the national average in 2012. If productivity levels met the national average, an additional £425m of value added would be generated per annum.

1.6 Several of the sectors which are highly represented in East Devon in employment terms typically generate lower levels of value added, including accommodation, health and social care and food and distribution. In contrast, sectors with higher levels of productivity, including information and communications continue to be under-represented in Devon in employment terms.

1.7 Analysis of commuting in East Devon illustrates the dominant and growing influence of the Exeter economy (seaside towns do not function in isolation).

**1.8 We believe that there has been insufficient national policy and intervention relating to coastal towns and communities. There is a need for a greater recognition of the challenges and opportunities that coastal locations offer, a form of 'coastal proofing' of government policy, strategy and intervention?**

**2. Has sufficient research been conducted to provide robust analysis of the economic and social health and vitality of seaside towns? What are the main conclusions to be drawn from such data and research – and where are the principal gaps in knowledge and understanding?**

2.1 The coastal economy is complex and individual to each place. We have found national studies extremely useful in understanding the broad issues and determining the focus of bespoke study. We have used studies by the Centre for Regional Economic and Social Research at Sheffield Hallam University (CRESR) e.g. England's Seaside Towns – A benchmarking study and The Seaside Tourist Industry in England and Wales. **There is a need for a more structured, longitudinal and consistent evidence base.** Our experience has been that commissioning our own research is the most effective way of truly understanding the issues at play in a particular location and as a means of capturing and reporting facts on which to base policy and intervention strategy. For example, the Exmouth Coastal Community Team commissioned its own research including a Socio-Economic Profile compiled by Strategic Economics Ltd (NJSE) and the Exmouth Visitor Survey (2016) undertaken by the South West Research Company. The latter research highlighted that whilst Exmouth attracted high numbers of visitors, expenditure was less than half the average for East Devon and Devon as a whole.

2.2 We have found the work by the National Coastal Tourism Academy both useful and practical however, the focus on tourism, is of course, a narrow view of a typical coastal economy; **more work is needed to look at coastal economies in their entirety.** In addition, the Coastal Community Alliance has highlighted and championed the specific issues affecting coastal communities. Inland East Devon is rural and we frequently refer to the body of research and good practice in relation to market towns, it would be useful to see that work expanded to consider seaside towns.

#### ***Housing and demographics***

**3. To what extent are seaside towns affected by issues arising from the nature of their housing stock, including Houses in Multiple Occupation (HMOs) and former tourist accommodation that has been converted for other uses? How might any such issues be addressed – and are any changes to Government policy required?**

3.1 In East Devon there is a continuing issue in respect of tourism accommodation, especially hotels, coming under pressure for what is often higher value (for the owner) in residential use. Whilst it is recognised that some jobs in tourism can be lower paid it is the case that tourism is, and remains, a crucial part of our economy and loss of visitor bed spaces does undermine this sector.

3.2 The coastal towns of East Devon (Exmouth, Budleigh Salterton, Sidmouth and Seaton) in common with many other coastal areas have a high elderly population, ours being some of the most elderly in the country, with incoming retirees adding to an already ageing resident population. Whilst the active retired can make major contributions to communities, as people age they do place increasing strains and demands on stretched health, social and welfare facilities. In an environment of more demands, from a projected increasing elderly population, but not necessarily increasing resources, there are major as yet unresolved challenges ahead.

3.3 In East Devon the incoming population also impact on the cost of housing with house prices along our coastal strip being much higher than in inland areas. East Devon as a whole already has a high affordability ratio, the average wage compared to average house prices ratio is 9.4<sup>1</sup>. In our coastal areas the house prices are typically much higher than just a few miles inland but there would be no expectation that wages would be higher; the affordability ratio could therefore be expected to be significantly greater. A clear consequence of the housing affordability gap is to make it less easy for people, especially younger and first time buyers, to buy or rent houses in

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<sup>1</sup> Sources: HM Land Registry, UK House Price Index June 2017 and Office for National Statistics, Annual Survey of Hours and Earnings (ASHE) – resident analysis, published 2016.

coastal areas of East Devon. **This lack of housing choice adversely impacts on their life choices and exacerbates a wider challenge of coastal towns becoming centres for the more affluent aged where younger less well-off people are excluded from the housing market. This underlines the need to support the younger generation, working age families and those not on high incomes. We should focus our interventions on affordable and appropriate new homes building, encouraging higher paid jobs, skills and the infrastructure that promotes increased productivity.**

**4. Do population transience, and demographic changes more widely, present any particular issues for seaside towns and communities? What is the nature and scale of such issues, and how can local organisations and communities be assisted in seeking to address them?**

4.1 Population transience does not present the challenges in East Devon that may be faced in other coastal towns but the significant change, already noted, is and has been in an increasing ageing population with younger people increasingly unable to afford coastal property prices in East Devon.

4.2 The average age of residents in East Devon is 50.3 years. The national average is 40 years. East Devon has a small working age population in comparison to the other Exeter and the Heart of Devon (East Devon, Mid Devon and Teignbridge) (EHOD) areas with just 54.5% of the population at working age.

4.3 The 65+ age range looks set to grow more than any other over the next decade, growing from 29.9% of the population in 2014, to 33.1% of the population in 2024 and up to 37.6% by 2034. The main household composition in East Devon is a one person household with a resident aged 65 and over, making up 18.3% of all households – nationally this figure is 12.4%.

4.4 **As recently stated by the Coastal Communities Alliance (policy strategy, Spring 2018) ‘Creative solutions will be required to deliver regeneration that reconciles the needs and desires of older and retired residents with attempts to build new markets and rebalance the demography.’ As well as identifying economic opportunities from the older population.**

#### ***Transport and connectivity***

**5. Do problems relating to transport and connectivity (including digital connectivity) present a barrier to economic growth for seaside towns and communities? What action has been taken to address such matters, and is any further Government action required? To what extent would addressing such issues create the opportunity for future inward investment and growth?**

5.1 Problems of transport and digital connectivity in coastal East Devon are not significantly different from many inland areas. The East Devon population is largely car dependent and the ongoing reduction in bus services means that this is an issue that is not going to go away.

#### ***5.2 Linking seaside towns to major employment sites***

Devon County Council and East Devon District Council have joined forces to fund enhancements to bus services. The new CONNexIONS service will reduce congestion and help more people get to work by bus between Exmouth, the Exeter and East Devon Enterprise Zone and the city of Exeter.

#### ***5.3 Digital Connectivity***

There is a huge variation in broadband widths across a Devon. Along our entire coastline broadband speeds are low with only our coastal towns at or exceeding 50 Mtps.

### *The role of the visitor economy*

#### **6. How successful have initiatives that seek to promote tourism and the visitor economy in seaside towns proven to be? How important are these sectors to the economies of seaside towns? Is sufficient attention being given to the potential contribution that could be made by other sectors, beyond tourism?**

6.1 Seaside towns are much more than their seafront, a narrow 'bucket and spade' focus and is not what is needed. East Devon has taken a development led approach to enabling growth in its coastal towns (rather than a marketing led approach to attract tourists to the district). In two of its towns it has enabled and led on physical development activities through the Local Plan process and bringing forward redevelopment opportunities. Our focus has been to provide de-risked development sites (selectively and carefully investing using our own land resources) and providing new infrastructure and facilities that will attract visitors.

6.2 Seaton has benefited from this approach with the delivery of a new supermarket, housing and a Premier Inn hotel on the site of a closed down holiday park. Further new housing is proposed on the site of a factory that closed in 2000. The Council used its own land and s.106 receipt from the supermarket development to kick-start the development of Seaton Jurassic, a community led initiative that resulted in a £4m new visitor centre attracting over 50,000 visitors in its first year.

6.3 Significant and ongoing investment in Seaton Wetlands has resulted in the development of extensive range of habitats offering leisure and educational opportunities for all ages.

6.4 Other new development delivered by the private sector includes a new Seaton tramway terminus and a mixed use scheme with gym, retail, restaurant and housing in the town centre. These new ventures have created in the region of 400 new jobs for the town. Other private commercial property owners are now responding with improvements to the retail and restaurant offers in the town and leisure concessions on the beach.

6.5 Devon's largest town, Exmouth is also benefitting from a regeneration led approach following a masterplan exercise in 2012. Through its landholdings, the council has enabled delivery of a new 60 bed Premier Inn, new slipway, indoor leisure facility, community facility and a new seafront leisure opportunities. A council owned 9 acre seafront site will come forward for redevelopment in phases providing a new not for profit Watersports centre, along with new mixed use leisure facilities.

**6.6 We feel that there is insufficient attention being given to the potential contribution that could be made by other sectors. Seaside towns are working towns with residents who wish to live and work in the area; there needs to be a balanced and robust economy. The seaside environment is an attractive place to live and work and more needs to be done to create wider economic opportunities. Seaside Towns need greater investment and reconfiguration to broaden and strengthen their economies. Far from trying to 'drag' seaside towns out of economic decline, they have the potential to be significant drivers of the new economy as they can offer a fantastic quality of life if they can be connected into employment.**

6.7 There has been a great deal of discussion and policy issued in relation to the future of town centres; Seaside town centres need to be included as they too need to be fit for the future i.e. this could include a greater focus on a broader town centre leisure offer, increased public realm/ social space/ residential offering to attract and retain younger residents.

### *Physical regeneration*

#### **7. Are sufficient tools and resources available to local authorities, property owners and other stakeholders to allow them to promote and deliver the restoration and regeneration of the physical environment in seaside towns? Could new approaches –or the removal of any existing barriers – support further regeneration?**

7.1 **There are insufficient tools and resources available.** We found the case studies illustrated in the report from Ebb to Flow (Centre for Entrepreneurs, 2015) particularly inspiring and useful. **There needs to be a more open minded approach to new ideas and development in seaside towns and greater financial resources available. Regeneration in seaside towns is expensive and the seasonality of the visitor economy means that physical**

resources need to be fit for purpose and work hard. Seaside towns are evolving and must continue to do so, to remain relevant and productive. There needs to be a focus on bespoke high quality design, this requires significant 'pump priming' resource and a supportive environment to progress development.

7.2 It is important that seaside towns are open to new ideas, good practice and outside influence; to this end, we are currently working with HemingwayDesign who are undertaking a visioning exercise for a key seafront location (Queen's Drive) in Exmouth.

### ***Social and economic regeneration***

***8. What work is being done in seaside towns to support social and economic regeneration, and to improve social mobility across the whole community? What more could or should be done by the Government, and relevant organisations, to deliver such initiatives?***

8.1 East Devon has pursued an ambitious regeneration strategy for its seaside towns. Low productivity levels across the district has meant that the key focus is economic regeneration. To this end, we have pursued a policy of creating the economic conditions for investment using our land assets to support new investment and development examples of this are the Seaton Jurassic project, the rebuilding of the Mamhead Slipway in Exmouth, continued enhancement and development of the Seaton Wetlands Visitor Centre and the continued investment in countryside, parks, beaches, play spaces and excellent public realm. This has been the result of the establishment of and support of Regeneration Boards providing clear vision, leadership and support to regeneration.

8.2 **There needs to be a full and frank debate about the coastal economy and future community needs with a focus on delivering a strong and diverse economy for future generations.**

***9. What role should local businesses, SMEs and social enterprises play in seeking to deliver regeneration in seaside towns? How effective is any help currently provided to these groups by the Government, local authorities and others? Are there any barriers to growth that could be addressed by changes in policy?***

9.1 A diversity of business form is an important element of a robust economy. Our seaside towns have a mix of small and medium sized enterprises some of which have a seaside relevance whilst others do not. **The public sector can only do so much, it is important that there is a greater focus on proportionate regeneration interventions that put a robust economy and balanced community first.**

9.2 **The way to help businesses is to build a prosperous community/ provide excellent connectivity and an outstanding environment. The Government's Industrial Strategy should not exclude the economic challenges and opportunities for seaside towns.**

9.3 **A fairer taxation system is needed that is equitable between online and high street/ retail/ businesses.**

### ***Education, health and wellbeing***

***10. Is educational provision in coastal communities of a good enough standard? Do coastal communities experience any particular challenges around the provision of secondary, further and higher education and, if so, what action should be taken to promote positive change?***

10.1 The proportion of 15 years olds achieving 5 or more GCSE's at grades A\*-C including English and Maths in East Devon in 2013/14 was 71.30% with the area ranking in the top 20% of districts nationally.

10.2 There is limited opportunity for continuing education in the district as transport to and from seaside towns can be difficult for students.

**11. Is there evidence to suggest that certain health conditions are more prevalent in seaside towns? What factors might contribute to levels of poor health in coastal areas? Would any targeted interventions help to address any such issues in these areas?**

11.1 This is not an area of expertise for the council and others will have better quality information than ourselves.

***Delivery structures***

**12. What impact has the Coastal Communities Fund had upon seaside towns and communities? Are any further targeted interventions from Government required?**

12.1 East Devon has benefitted from investment by the Coastal Community Fund in terms of the building of Seaton Jurassic. The development of this project took in excess of ten years and has been hard won. It is an important tourism resource in Seaton that forms part of a much broader package of developments needed to create an integrated and modern tourism offer in a seaside town.

12.2 We would welcome a move towards the CCF becoming more transparent/ evidence driven and for more resource to be invested in the funding available and the management of the funding regime (this year's funding announcement is currently 3 months late). There needs to be a greater certainty of funding streams and/or a longer term investment approach for seaside towns and a move away from sporadic funding regimes. There is so much potential and opportunity to boost the economic performance of seaside towns, but often initial public investment is needed to create the optimum economic conditions and market confidence to kick start private sector investment.

**13. To what extent is it currently possible to develop a 'vision' for individual seaside towns? Is there a need for longer-term thinking and, if so, is that need currently being met? What role should Government departments, local authorities, local enterprise partnerships and other stakeholders play in delivering against such a vision, and is any action required to improve integrated working between these groups?**

13.1 The development of a vision for seaside towns is crucial and that vision should be endorsed and supported by all, at all levels (in terms of policy, strategy, financial support and practical interventions/ commitment). However, a vision has no purpose unless there's a sense that it can happen (it requires funding, deliverability and local will).

**14. Are there fiscal or financial measures available which could help to support the regeneration of seaside towns? Could the Government provide any financial freedoms or investments which would help to generate positive change?**

14.1 In an age of austerity, Local Authorities and their communities can benefit from good seaside regeneration i.e. an uplift in business rates income; allowing Local Authorities to retain a large proportion of Business Rates can help.

14.2 Is it time to introduce Coastal Enterprise Zones? low or zero Business Rates during periods of site investment? - Central Government paying Local Authorities the Business Rates and that monies being invested in seaside town infrastructure?

## **People and place**

**15. What role should local people and local communities play in the regeneration of seaside towns and communities? Do good processes of community engagement, and community resilience and capacity building, currently exist and, if so, could they be applied more widely?**

15.1 Interest from the community in development activities in our seaside towns is strong and the challenge for the council and developers is to ensure that a diverse range of the community (all ages) is able to engage with any consultation processes.

**15.2 It is absolutely essential that the local community is involved in decision making about the future objectives of seaside towns. This process must be evidence based to enable informed and objective decisions to be made about the challenges and opportunities available and weighed against the uncertainty of change.**

**16. Do any integrated models of regeneration, bringing together local communities, businesses, public sector bodies and others to pursue common goals, currently exist? If so, how do such models seek to promote physical, social and economic regeneration in seaside towns? How can any lessons learnt from such work be applied more widely – and is further innovation required?**

16.1 East Devon has a number of regeneration initiatives specifically focussed on seaside towns and villages e.g. Exmouth, Seaton and Beer. The council has established Regeneration Boards for Seaton and Exmouth which comprise local stakeholders, businesses and community representatives. Consultation has taken place on masterplans and planning permission by the council/developers and is continuing with the work of Hemingway Design in respect of our key seafront site in Exmouth.

## **References**

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*Coastal Communities Alliance policy strategy, Spring 2018*

*Exmouth Visitor Survey 2016, The South West Research Company, March 2017*

*From ebb to flow: How entrepreneurs can turn the tide for Britain's seaside towns. The Centre for Entrepreneurs, September 2015*

*The Seaside Tourist Industry in England and Wales, Employment, economic output, location and trends. Centre for Regional Economic and Social Research June 2010.*

**Agenda item 9****Overview Committee****Overview Committee Forward Plan 2018/19**

<b>Date of Committee</b>	<b>Report</b>
15 Nov 2018	Transformation Strategy and Financial Plan refresh
16 Jan 2019	Joint meeting with Scrutiny Committee on draft Service Plans and Budget 2019/2020
31 Jan 2019	Economic profile – Devon County Council presentation (tbc)
28 Feb 2019	
28 Mar 2019	

**Work for scoping and allocation to the Forward Plan:**

<b>Proposed date</b>	<b>Topic</b>
tbc	Review of service plans in alignment with the Scrutiny Committee for improving the oversight of the draft budget and service plans
tbc	Public Toilet review
tbc	Natural Capital in the Heart of the South West document
Spring 2019	“Knowing East Devon” updated document
tbc	Update on the funding application made by the Greater Exeter Group for the DELETTI project (includes charge point infrastructure for electronic cars)
tbc	One Public Estate involvement
tbc	LA examples for other areas of income generation – trying to secure visits from other LAs