

Report to: Cabinet



Date of Meeting 4 May 2022

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Axe Valley Project and Levelling Up Fund Round 2

Report summary:

The report provides information on the outcome of the Axe Valley Regeneration Project – Stage 1, now completed by the council's consultants, Avison Young.

The report sets out details of potential projects that could be considered as a package of projects for funding bids including the Levelling Up Fund. It sets out options for a potential bid.

It provides details of the Levelling Up Fund Round 2, the prospectus for which has recently been published. The funding deadline is 6 July 2022. East Devon District Council is now within the priority 2 category (up from 3 previously).

Further stakeholder engagement is required with the local MP and local stakeholders. An event will be arranged for mid-May.

It is recommended that the Option 2 funding package is pursued for the Round 2 Levelling Up Bid.

Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

Recommendation:

That Cabinet notes the Axe Valley study and its findings.

That Cabinet notes the opportunity presented to the council in respect of the Levelling Up Fund Round 2, in relation to the Axe Valley Project.

That Cabinet decides to pursue Option 2 of the Funding Package options as set out in paragraph 3.7 for a Round 2 Levelling Up Bid.

That Cabinet approves that a contribution of up to 10% match funding via use of the PWLB will be offered within the LUF Funding Bid which would be recovered through future investment income from the employment sites package.

That Cabinet agrees to accept a further report with a final recommendation on the proposals to be included in any bid for LUF.

Reason for recommendation:

To enable the Project Team to prepare a Levelling Up Round 2 funding bid in order to meet the funding application deadline of 6 July 2022.

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Portfolio(s) (check which apply):

- ☐ Climate Action and Emergency Response
- ☐ Coast, Country and Environment
- ☐ Council and Corporate Co-ordination
- ☐ Democracy, Transparency and Communications
- ☒ Economy and Assets
- ☐ Finance
- ☐ Strategic Planning
- ☐ Sustainable Homes and Communities
- ☐ Tourism, Sports, Leisure and Culture

Equalities impact Low Impact

Climate change Medium Impact

Risk: Medium Risk; There are risks associated with the delivery of capital projects such as those described in this report, relating to planning and changes in the market place, as well as other technical issues that are unforeseen at this stage. Whilst a decision to bid for funding does not directly result in exposure to these risks, where a funding bid is successful, there is then a requirement to deliver on the agreed project package. There can be reputational damage relating to the council's credibility where there is a failure to deliver on the spending requirements. Further details of project risks and mitigations are set out in the report at Appendix 1, section 7.

Links to background information

[Appendix 1 - Axe Valley Regeneration Project – Stage 1 Study, Avison Young report](#)

[Link to cabinet report on Axe Valley, 2 March 2022](#)

[Appendix 2 - Levelling Up Fund Briefing Paper](#)

Appendix 3 - Table of Funding Options (see end of report)

Link to [Council Plan](#)

Priorities (check which apply)

- ☐ Better homes and communities for all
- ☐ A greener East Devon
- ☒ A resilient economy

Report in full

1. Levelling Up Fund Round 2.

- 1.1 In March 2022, officers reported to Cabinet on the Axe Valley project which set out to consider the potential for placemaking and redevelopment projects for sites within the Axe Valley, from Axminster, south to Seaton. Consultants, Avison Young were appointed to undertake Stage 1 of a 2 stage project which would then inform bids for capital funding such as Levelling Up Fund Round 2.
- 1.2 The **Levelling Up Fund Round 2** has recently been announced with a prospectus issued setting out the objectives of the Fund. For Round 2, East Devon has moved up to category 2 (previously 3) in terms of priority status for intervention. A Briefing paper on Levelling Up Fund is attached at Appendix 2. It should be noted that it is understood that Devon County Council intend to submit an updated submission (transport) for Exmouth.
- 1.3 The Investment Themes for Round 2 are:

1.3.1 Transport investments (450 million pounds invested in Round 1) including (but not limited to) public transport, active travel, bridge repairs, bus priority, local road improvements and major structural maintenance, and accessibility improvements. Requesting proposals for high-impact small, medium and, by exception, large local transport schemes.

Local road projects to also deliver/improve cycling and walking infrastructure, bus priority measures.

1.3.2 Regeneration and town centre investment - upgrade eyesore buildings and dated infrastructure; acquire and regenerate brownfield sites; invest in secure community infrastructure and crime reduction; and bring public services and safe, accessible community spaces into town and city centres.

1.3.3 Cultural investment - maintaining, regenerating, or creatively repurposing existing cultural, creative, heritage and sporting assets, or creating new assets that serve those purposes including theatres, museums, galleries, production facilities, libraries, visitor attractions (and associated green spaces), sports and athletics facilities, heritage buildings and sites, and assets that support the visitor economy. Driven by evidence place sensitive need or opportunity. Focus on supporting high priority and high impact projects - a visible, positive difference to local areas.

1.4 A bid can be a combination of up to 3 projects across the 3 investment themes, the Fund will focus investment in smaller scale, local projects that require less than £20 million of funding. (except for large transport bids of up to £50m). Delivering on net zero and wider environmental themes is a high expectation.

1.5 Bid Requirements.

- Match funding of at least 10% is encouraged.
- Bids must be submitted by **6 July**.
- Some spend (c. 10%) must occur within 22/23. All spend must be completed by March 2025.
- Guidance from Avison Young, suggests that there is a general expectation that bids of around £15m are more likely to be supported, than a request for the full amount.

2. The Axe Valley Project

2.1 The Stage 1 work is now completed. This has identified a number of capital projects within Seaton and Axminster that could form part of a future bid to the Levelling Up Fund or other funding. A copy of the report is attached.

2.2 Initial feasibility studies have been undertaken for each site, advising on potential uses and layouts for the sites along with cost plans and development appraisals identifying the financial viability of the sites. Illustrations of each proposal are included in the attached report for reference.

2.3 **Project Proposals.**

Section 5 of the report identifies the following potential projects:

		Use	Project costs	Viability gap
1	Axminster and Seaton Employment Sites	<p>Colyford Road site, Seaton 10 no. units (66 – 93 sq m each) 1.5 to 2 storey units.</p> <p>Harepath Road site, Seaton 8 no. units (85 – 135 sq m) 1 to 1.5 storey units.</p> <p>Cloakham Lawns site, Axminster 20 no. office style units (18 – 25 sq m each) 2 storey building.</p> <p>TOTAL = 38 units, 12,650 sq m</p>	£7.69m	£4.69m
2	Websters Garage Site	<p>1300 sq m commercial 22 no. 2bed apartments (25% affordable) Public realm, market uses, pedestrian, cycle routes Key links through to Trinity Square, South St, West St - drive footfall between. Option for a temporary scheme of commercial space and public realm only.</p> <p>(Note, this does not include land value)</p>	£8.93m	£3.3m
3	Seaton seafront Enhancement scheme	<p>Phase 1. Similar to part of the original planning permission (public realm in front of commercial premises, existing roundabout and Fisherman's Gap).</p> <p>Phase 2 – addition to phase 1 to complete a scheme similar to original planning permission (reduce roundabout and up to Beach Road).</p>	<p>£6.1m</p> <p>£4.1m</p>	

2.4 The report identifies the following issues/constraints for the above sites:

2.5 Employment sites -

2.5.1 The proposal includes the creation of 38no. workspace units across the 3 sites offering over 12,000 sq m of employment space. All 3 sites are within council ownership (or agreement to acquire is in place, in the case of Cloakham Lawns at nil cost), so there are no land acquisition costs. None of the proposals are commercially viable (unless a part residential element (6/7 houses) is included in Colyford Road) and funding would therefore be required for delivery.

2.6.1 Deliverability and achieving spending timescales is easier given ownership of these sites, although spend in 22/23 is subject to planning being secured.

2.6 Axminster Websters Site -

- 2.6.1 The proposal includes a mix of commercial, residential and public realm space, with linkages through to the surrounding roads, thereby enabling more open and attractive access routes between the main retail areas of the town. A proposal for temporary commercial and outdoor space has been included for this site.
- 2.6.2 The council does not own the site. This impacts on deliverability and the certainty of any spend by March 2023. A greater concern is the current situation regarding phosphate levels in the River Axe (see para 2.6.3 below) which raises issues around the ability to gain a planning approval. This is a significant constraint given that no planning permission can be granted for new dwellings and commercial overnight accommodation until the mitigation measures have been resolved; the timescale for which is currently unknown.
- 2.6.3 **Phosphates on the River Axe**
As Stage 1 of the work concluded, a new and significant issue arose in relation to phosphate levels in the River Axe and the advice the council has received from Natural England. This means that developments in the Axe catchment area that would increase the discharge of phosphates into the river should not be permitted unless they can mitigate, in the long term, the phosphate discharge from the development. The implications of this are not yet fully understood but it does mean that for the project proposals being considered for the Websters site, any development proposals that includes new dwellings or other commercial overnight accommodation, face significant delays in obtaining planning consent.
- 2.6.4 The owner of the Websters site may be willing to enter into negotiations with the council regarding a disposal of the site to the council. Part of the proposal also includes land owned by a third party (Royal Mail), and further negotiation would therefore be required in relation to that land acquisition, although it would be possible to deliver a reduced scheme, as a first phase for example, without this land.

2.7 Seaton Seafront Site -

- 2.7.1 The proposals illustrate a scheme similar to the existing planning permission (expired) being delivered over 2 phases. **Phase 1** would deliver public realm improvements in front of the food outlets on the Esplanade and around the roundabout, delivering a reduction in the space for vehicles and a net gain in pedestrian areas, whilst still enabling use by buses and private vehicles.
- 2.7.2 **Phase 2** would add to this with the closing of Beach Road, and a reduction in the size of the roundabout. The creation of some raised steps up towards the roundabout would enable visibility over the top of the sea wall from the public realm space close to the roundabout. It should be noted that the proposals are merely indicative at this stage and further detail would be required once appropriate surveys and technical detail is obtained.
- 2.7.3 **Much of** this site is in public ownership, either within the council's ownership or adopted Highway land. Deliverability would be subject to planning permission along with funding. This is a public realm scheme with potential for some seasonal pop up kiosks and as such there is minimal income generation from the proposal. There will however be a revenue cost for managing and maintaining the new public realm which will need to be accounted for.

2.8 Recommended Projects for Funding.

- 2.8.1 Section 6 of the report provides a Business Case Checklists for each project. This covers how the projects meet the government funding business case and appraisal criteria. It identifies those issues to be addressed in stage 2 – bid preparation.
- 2.8.2 This section (p.26) sets out how the projects might be packaged together and how they could meet the investment theme objectives and the strategic links to other economic/cultural priorities. It comments on the deliverability issues as highlighted above.

2.9 Report Summary and Next Steps

- 2.9.1 **Section 7** of the report sets out the different options for a package of projects which could be considered by the council for a Levelling Up Funding bid. It raises issues for consideration by the council such as the willingness to develop directly; and the key risks associated with this and delivery of projects in general.
- 2.9.2 It identifies the next steps that the council and the consultant team need to take in undertaking Stage 2 of the Axe Valley report - preparing for a Levelling Up Fund bid. This includes further stakeholder engagement including with the local MP in order to secure support for a bid submission.
- 2.9.3 As a first stage of stakeholder engagement, officers have met with the ward members for the Axe Valley to discuss the report findings. A meeting with the local MP, Neil Parish is scheduled to take place by the end of April. The next stage of engagement thereafter is to set up a second meeting with the local stakeholders that the project team met with in January, in order to present and discuss the outcome of the Stage 1 work and, subject to instruction, options for Stage 2 – preparing a bid. These second meetings, in Seaton and in Axminster, will be in mid-May. It should be noted that there will need to be complete stakeholder support for the package of projects that is the subject of a funding submission across the project area.

3. Stage 1 – Site Analysis and Funding Options.

- 3.1 In considering the options for a package of sites, the project team has reviewed the deliverability risks for each.
- 3.2 The Employment Sites package would score highly on deliverability, subject to planning, given existing ownership by the council. The existing allocation of these sites is for employment use in the current Local Plan. The proposed designs are considered appropriate to their locations. These sites, packaged together, will bring economic benefits to the Axe Valley area.
- 3.3 The Seaton Seafront package is an ambitious scheme and will offer aesthetic and amenity improvements to the seafront, for locals and visitors to enjoy. It is the most costly to deliver and lacks any direct economic benefits, but combining this project with the employment sites could offer a viable option for a funding bid as it meets the strategic objective of delivering both town centre/seafront regeneration with economic and employment benefits for the town.
- 3.4 The site with the highest risk is the Websters site. The phosphate discharge issue (para 2.6.3 above) creates the greatest challenge as any element of residential development is considered to be not capable of securing a permission within in a

timeframe that would deliver 100% spend of the funding by March 2025. Furthermore, the site is not owned by the council and whilst an acquisition might be possible, there are risks relating to conditionality of purchase, and the spending of external funds within the timescales required. For these reasons the consultants are recommending that the Websters site proposal itself is not included in any current funding bid.

3.5 The design work on the Websters site had also identified opportunities for some public realm improvements outside the site in Trinity Square by the war memorial, South Street and Silver Street. The delivery of these could be considered for Axminster town centre in their own right, thereby offering the combination of employment and economic benefits with the town centre regeneration benefits.

3.6 The consultants recommend that there are 3 options of funding packages for the Axe Valley area which members may wish to consider. These are set out in the table below and with more detail in the table at Appendix 3.

3.7 Funding Package Options.

Project Cost and LUF requirement £m	Project Budget (£m)	Viability Gap (£m)	Option 1: Seaton Only package (£m)	Option 2 : Axe Valley Package (£m)	Option 2B : Axe Valley Package. 2 Phases of Seaton Seafront. EDDC contributing of £4.19m match funding ie 54 % of budget for employment package (£m)
Employment Sites Package	7.69	4.7			3.5
Colyford Road	1.41		1.41	1.41	
Harepath Rd	1.91		1.91	1.91	
Cloakham Lawns	4.37			4.37	
Axminster Town Centre public realm	1	n/a		1	1
Seaton Seafront Enhancement	10.9	n/a			
Phase 1	6.3		6.3	6.3	6.3
Phase 2	4.6		4.6		4.6
LUF Grant required			14.22	14.99	15.4

3.8 **Option 1:** A **Seaton only package**, which would include the 2 employment sites in Seaton and the Seafront Enhancement site. The benefit of this package is that it offers a combination of both Seaton a town centre/seafront regeneration element for the town with the economic and employment benefits of the 2 employment sites. However, it excludes an Axminster element from the bid and therefore dilutes the wider benefits for the Axe Valley.

3.9 **Option 2:** An **Axe Valley package**, which would include all 3 employment sites and only phase 1 of the Seafront Enhancement site and a public realm improvement project for Axminster town centre. The inclusion of the public realm project would enable Axminster to have both town centre and economic/employment benefits, making this a

potentially more rounded stronger package to sit alongside Seaton's seafront and economic/employment benefits package.

- 3.10 **Option 2b: An Axe Valley package**, which would include as option 2 above along with phase 2 of the Seafront Enhancement site, but would offer match funding towards the employment site for the sum of £4.19m. This would be through use of the Public Works Loan Board (PWLB), and recognises that as these sites would be retained by the council as an investment, the rental income would cover the repayment of the PWLB over a number of years (to be determined). This option recognises the benefit of offering some match funding towards the project costs within the funding bid. However, delivering phase 2 of the Seafront Enhancement scheme within the LUF timescales would be unlikely given the complexities of the scheme, involving a road closure.
- 3.11 **Option 3: Do Not Bid to Levelling Up Round 2.** There is of course the option for Members to determine not to submit a bid for the Levelling Up Fund. The risks and resourcing of project delivery and stakeholder commitment are relevant considerations. Further information will become available in respect of the latter in particular in the weeks ahead.

4. Conclusions

- 4.1 Of the options set out above, Option 2 is considered the most feasible for a future funding bid for the council to pursue, given the delivery timescales and broad offer of benefits within the Axe Valley. The report therefore recommends that the funding package Option 2 is pursued in respect of the Round 2 Levelling Up Funding bid.

Financial implications:

The financial details are covered in the report.

Legal implications:

There are no specific legal implications requiring comment at this stage.