

Five Acres – Project update

Background

Work to accelerate the Five Acres project started last spring and the project brief was clarified to ensure options explored would deliver against the Council's ambitions for the site to provide sport, leisure and community focussed development supported by commercial development that was fitting for that location. The Council wishes to deliver against its priorities which include supporting community wellbeing; promoting active and healthy lifestyles and promoting a network of health and leisure facilities which deliver an asset based approach to community development. Where practical the Council wants to support plans for the Five Acres site set out in the Neighbourhood development plan.

Work that had been carried out previously on the project was reviewed and this identified certain actions, including closer engagement with West Dean Parish Council and the need to seek a site acquisition agreement with Homes England that did not include terms which placed the Council at an unacceptable financial risk.

In September soft market testing was commissioned to identify the commercial interest in the site. As expected the Covid-19 pandemic was affecting commercial interest and many businesses in the leisure, entertainment, hotel and food and beverage industries were pausing or scaling back expansion and some have closed some premises or ceased trading.

The original business case for the site which was prepared in 2018 was predicated on the destination leisure facility being financially underpinned by a hotel and catering (or some other form of enabling development) offer as the leisure facility would not cover its costs in its own right. At that time there were a number of enabling developments and projects available to us that were being investigated and would have provided the necessary financial return.

The Council previously agreed to acquire the site subject to an acceptable business case being developed. Once the Council acquires the site it will start incurring costs and therefore it requires a clear and viable plan to redevelop the site before it proceeds to purchase Five Acres.

Financial position

The Council sees the project as a regeneration project, one which will provide valuable facilities, create new jobs and attract visitor spend for local communities. This means the development needs to try and achieve a break even position, not necessarily generate a profit and provide a net income to the Council. The Council can also take into account the social and community value in any redevelopment or regeneration. However if the development will operate at a loss then a deficit in revenue income will need to be met either

by the Council or by some other means. Any extra spend by the Council may have a detrimental effect to other council services as the Council does not have a substantial pot of money it can use to plug this funding gap.

Any business case for site development needs to include:

Capital costs

- Demolition and site clearance,
- Project management, consultancy and costs in obtaining planning permission and other consents.
- Construction or renovation of new or existing buildings
- The cost of borrowing that capital, with loan repayments incorporated into annual costs over a loan period of 50 years

Revenue Costs

- Running costs - business rates, utility costs, maintenance, repairs, kit & equipment
- Management costs - staffing and other overheads

Income

- Any funding that may be attracted - S.106 contributions, external grant funding
- Customer payments for leisure services or memberships
- Renting space to groups or businesses

Development of options

The soft market testing demonstrated that there was little current commercial interest in the site that would provide the income needed to deliver a destination leisure facility. The Council therefore developed a number of options to consider a scaled back leisure facility with some community space which could be used flexibly to meet local needs.

Conversations with Homes England have ensured they understand the issues the Council is facing in delivering a community focussed development and trying to identify a business case that is viable in the current challenging economic climate. Discussions have been focussed on agreeing terms for site purchase which would be acceptable to both Homes England and the Council and it is likely that an acceptable agreement could now be reached.

In October the Council had identified a number of options, the best option which came closest to delivering the project objectives and delivering an affordable business case was the construction of a small leisure and community building and a 3G pitch however this model still resulted in an unsustainable annual financial deficit.

The Five Acres Board therefore agreed to commission some further work, within the budget previously agreed by Council, to explore the viability of reusing some of the existing buildings on the site with a view to phased development and more strategic and commercial development taking place once the economy recovers. This phasing would enable the Council to proceed with site purchase, demolition and clearance of derelict buildings and the development of some leisure and community facilities in the short term and then development of the remainder of the site as other opportunities arise or the financial position strengthens.

The Council has considered reusing Speedwell House which is a more modern red brick college building for a leisure facility offering exercise and dance studios, community rooms, office space and a cafe. It has also considered options to reuse the existing sports hall on the site or to build a new sports hall facility, and to demolish all redundant buildings or just secure and mothball them in the short term.

Whilst redeveloping Speedwell House provides for the first stage in a strong sustainable phased development, the capital cost to demolish buildings and redevelop leisure and community facilities, along with the cost of borrowing and the relatively low level of income that can be achieved from these facilities means there would still be a considerable cost deficit.

The Council's Five Acres Project Board is still committed to delivering leisure and community facilities and regenerating this site however finding an option which is financially sustainable is clearly a challenge. The Board is also acutely aware of the need for good quality adaptable community facilities in the area. Council has made it clear to the board that the costs of regeneration should not leave a significant funding gap. The Project board is now considering any further options it can to either attract in external funding, deliver through partnership, drive down capital cost or achieve capital receipts which could reduce the need for borrowing.

On Wednesday 3rd March, as part of the Government's Budget, a prospectus for a £4.8 billion UK infrastructure investment programme called the Levelling Up Fund was announced. The fund will support town centre and high street regeneration, local transport projects, and cultural and heritage assets. The Forest of Dean has been informed that it is in the Number 1 Group of prioritised local authorities to gain access to the fund and this fund also includes scope for investment in leisure and regeneration of derelict buildings. The Programme board and the Cabinet see this as an ideal grant opportunity and the Council will therefore be developing a bid to support the Five Acres project as part of a package of projects to benefit communities across the Forest of Dean.

The final review of options, incorporating assumptions on funding that can be obtained will be presented to Cabinet and Council within the next few of months, although timing may be dependent on outcomes from grant submissions. If the Council then supports acquisition of the site, it will seek to finalise and agree terms with Homes England and will proceed with preparing a planning application for the proposed development. The Programme board will engage with stakeholders and the community alongside potential partners and investors in an effort to secure the financial enablement required and to refine proposals for the site.

This review will be delivered quickly as there is a risk Homes England decide to dispose of the site if the Council cannot identify a viable business case within an acceptable time frame. This would potentially see HE selling the site on the open market and it being purchased by a developer for housing or employment uses.

Although our soft marketing suggests little or no commercial interest in the site in the current economic environment it is possible the site may be purchased and maintained in its current state by a developer with a view to longer term commercial development. Whilst this may comply with the Local Plan allocations, it would not meet the aspirations of the Neighbourhood Development Plan, the community or the Council.