

## **Regeneration Programme and Financial Strategy**

Report of the Strategic Regeneration and Partnerships (North) Portfolio Holder and the Finance and Resources Portfolio Holder

### **Recommendations:**

- 1. To approve the regeneration priority projects as identified in section 3 of the report.**
- 2. To approve the funding strategy for the regeneration programme, as outlined in section 4 of the report.**
- 3. That £2M be added to the Capital Programme for architectural services for the Romsey Bus Station redevelopment, as set out in paragraph 7.5 of the report, to be funded from the Capital Receipts Reserve and that officers be authorised to procure the works set out in paragraph 3.13 of the report to deliver this.**
- 4. That £3M be added to the budget for the creation of the linear riverside park at Western Avenue, as set out in paragraph 7.3 of the report, to be funded from the Capital Receipts Reserve.**
- 5. That the funding sources identified in paragraph 4.30 be approved for delivery of the regeneration projects identified in the report, in respect of:**
  - Levelling Up Funding**
  - Capital receipts from the disposal of assets**
  - Use of Capital Receipts Reserve balances**
  - Use of Regeneration Reserve balances**
  - Use of Community Infrastructure Levy contributions**

#### **SUMMARY:**

- The purpose of this report is to set out the priorities and funding strategy for the delivery of the regeneration programme for Romsey and Andover town centres.**
- The report sets out the background of the masterplans approved for both town centres and explains why the four priority projects have been identified.**
- The report considers the financial resources available to the Council to meet the forecast cost of these projects and sets out a range of potential funding delivery mechanisms.**

## **1 Introduction**

- 1.1 In making the regeneration of Romsey and Andover town centres one of its highest priorities, the Council has embarked on an ambitious programme that will demand significant resources and will take more than a decade to deliver.
- 1.2 In 2020, two separate masterplans were adopted by the Council for both Andover and Romsey town centres. The masterplans were developed through intensive and innovative community engagement. This work set out the social, economic, and environmental objectives for the community of delivering this regeneration programme. It is vital that these objectives remain the focus of delivery.
- 1.3 In a commercial environment where the investment and development sector are being ultra-cautious and has little appetite for schemes that do not show a significant guaranteed return, the Council will need to intervene to deliver some elements directly and to de-risk elements where commercial investment is required, in order to make them attractive to the market. The delivery of the Council's regeneration ambitions has required careful planning to ensure that the social, economic, and environmental objectives articulated by the community are realised without placing unnecessary strain on the Council's financial resources.
- 1.4 The masterplans and the individual development projects contained within them have subsequently been subject to exhaustive professional and commercial advice to determine their affordability and deliverability. This report sets out to collate that advice and recommend a way forward, focussing resources on the next tranche of projects.

## **2 Background**

- 2.1 The regeneration programme was initiated in 2018 to identify and bring forward development opportunities in Romsey and Andover town centres. Masterplans for each centre were developed according to the individual towns' needs and aspirations following extensive consultation with the community and stakeholders.

### South of Romsey Town Centre Masterplan

- 2.2 The [South of Romsey Town Centre Masterplan](#) (SoRTC) (adopted by Council on 2 September 2020) was developed following aspirations set out in the Test Valley Borough Revised Local Plan (2016) and created a strategic vision for the south of Romsey town centre.
- 2.3 Work on the masterplan commenced in 2018 and was led by the Romsey Future Partnership. For a period of two years there was extensive public consultation with residents, businesses, interest groups and other stakeholders with regard to each element of the future regeneration for the area as the plans were prepared by planning consultants, Nexus Planning and Perkins + Will Architects.

- 2.4 An important milestone during the development of the Masterplan was the opportunity for Test Valley Borough Council to hold a Citizens' Assembly which focused on the regeneration of the area. In May 2019, the Government launched a pilot programme called Innovation in Democracy. Test Valley Borough Council was one of three local authorities from across the country selected to arrange a Citizens' Assembly as part of the pilot. The south of Romsey Town Centre was its focus. Over a 4-day period a cohort of Romsey residents heard from experts and examined evidence. The outcome of the Citizens' Assembly was a set of recommendations for improving the area around Crosfield Hall and the Bus Station to deliver the maximum benefit to Romsey and these recommendations influenced how the final Masterplan emerged.
- 2.5 Romsey Masterplan focuses on two development opportunities within the town centre that are within Test Valley Borough Council ownership – the bus station site and Crosfield Hall, in addition to public realm improvements. Whilst both facilities are important to the wider community, the approved Masterplan sets out that it would be possible to re-provide these existing facilities whilst providing additional uses and improving the town centre through the redevelopment of these sites.
- 2.6 The vision for Romsey, as outlined within the masterplan, states:
- “Romsey is a resilient and vibrant place and a destination that people are compelled to visit. The contribution that the South of Romsey Town Centre has made has been very significant. In itself it is a beautifully designed new part of the town but it also adds so much more.*
- 2.7 *The new mobility hub has paved the way for a greater number of people to access and use the centre in a sustainable way and created the possibility of reduced car parking if desirable in the future.*
- 2.8 *New uses have added another dimension to the town, creating greater footfall with people staying for longer. The residents that now live here and the new shops and restaurants have added to the town's vitality and evening economy. The new flexible community space forms part of a comprehensive town-wide plan that improves on previous facilities. This has boosted the strong sense of community within the town and the flexibility that was provided during the early planning has paid dividends, allowing new and surprising uses to take hold.*
- 2.9 *The new public spaces and introduction of much more greenery and water has underpinned the transformation and has had many benefits. It has made the town centre a more attractive place to visit, it has boosted people's health and wellbeing and it is having positive environmental benefits and has allowed nature back in. The area and new routes that run through it forms an integral part of a comprehensive walking route that links the town up and which has been energised through public art. All of this has been achieved in a way that has enhanced the best of Romsey's unique character.”*

## Andover Town Centre Regeneration Masterplan

- 2.10 The [Andover Masterplan](#) (adopted by Council on 28 September 2020) was developed following a number of strategic property acquisitions by the Council in Andover town centre. This included the remainder of the headlease of the Chantry Centre and Former Magistrates Court (FMC). The Andover Masterplan identifies several opportunities to enhance the town centre and surrounding areas.
- 2.11 Significant public and stakeholder consultation took place in conjunction with the Andover Vision. Starting in July 2019 Hemingway Design and NEW Masterplanning worked with the Council to prepare a Vision and Spatial framework for Andover town centre. Meetings and workshops were held with a range of businesses, residents' groups, students and other stakeholders. The first public survey received nearly 3,000 responses. Events were held at Andover Carnival and the Council-run Four Fun Fridays. An exhibition was held in December 2019 in a unit on Bridge Street.
- 2.12 The Vision for Andover, as outlined within the masterplan, focuses around four key areas and states:

*“Andover town centre will be:*

*Social and Inclusive. A town centre that is relevant to its local community. That is accessible to all, by foot, wheelchair, cycle, bus, rail or car. With a range of health services and community facilities to meet the needs of all its residents. With an affordable and diverse housing mix suitable for the elderly, young people and families.*

*Green and Ethical. A town centre that addresses the climate emergency, helping to increase its biodiversity and eliminate its carbon footprint. That recognises the importance of ethical and local trading. That prioritises walking and cycling and encourages electric vehicles.*

*Creative and Enterprising. Improved facilities and a modern campus for Andover College. A new and improved Lights Theatre in the centre of town, promoting local arts and creative organisations and supporting the evening economy. Sustainable workspace for small businesses and new office space for Simplyhealth.*

*Unique and Independent. A town centre that values its heritage assets, placing the Guildhall and St Mary's Church at the centre of civic and community life. That provides affordable space and support for start-up businesses. That 'curates' local markets and events and designs bespoke stalls, seating and public art.”*

- 2.13 Work has already commenced on the delivery of the Andover Masterplan through the high-quality public realm improvements at the pocket park and river park adjacent to Town Mills. A former service road and a neglected area of green space that was the focus of anti-social behaviour have been transformed into vibrant and bustling spaces for community activity.

- 2.14 The creation of a new linear riverside park at Western Avenue was approved by Council on 23 February 2023 and a £5.5M budget was allocated from Council funds towards the delivery of the project. In addition, Hampshire County Council (HCC) are contributing £1m in section 106 transport contributions towards the project.

#### Test Valley Borough Council Corporate Plan

- 2.15 Growing the potential of Andover and Romsey town centres was identified as a priority within the previous iteration of the Council's Corporate Plan (2019-2023) and their regeneration remains a priority. The Council's new Corporate Plan, 'A Place for Everyone – Supporting our Communities to Thrive', is about taking the next important step forward. It is about making the wider opportunities for our communities a reality, progressing long-term strategic projects such as the regeneration of town centres and the Council's approach to climate change, and being able to influence our partners so that together we can deliver the best outcomes and quality of life across Test Valley.
- 2.16 The new Corporate Plan outlines five strategic priorities that will provide the focus of the Council's activities over the next four years. These are prosperity, sustainability, connection, inclusion and the environment. As part of the Council's ongoing commitment to work in a way that recognises the varying needs of our borough communities the Council's approach will be tailored where needed. The Corporate Plan sets out how the council will deliver these priorities through a community focus. For Andover and Romsey this means:
- Working proactively with key partners to enhance the economic, social and cultural prosperity of both Andover and Romsey. We will promote our towns as great places to visit that are welcoming, safe and attractive, in a way that draws upon their strengths and identities as communities.
  - Delivering projects that bring forward the regeneration of Andover town centre and south of Romsey town centre, as set out in the community-led masterplans for each of these towns. This will involve playing our part to support the changing nature of town centres and investing in new public realm, cultural initiatives and events, alongside major redevelopment schemes.
  - Focusing on meeting future needs that result from changing and growing populations within both Andover and Romsey. Through our strategic plans we will make sure that a range of homes, including affordable, and related infrastructure, is provided. Access to the services people need, both now and in the future, will be planned for, delivered, and tailored to the needs of each town.
  - Working creatively with Andover Vision and Romsey Future, as the community partnerships for these towns, to support the delivery of their local strategies and action plans. We will help strengthen connections across local communities and provide the catalyst for working together to deliver priorities that are shaped by local people. This will include finding

opportunities to support improved health and wellbeing, so that people can live well within their communities for longer, make the most of the assets and facilities within the towns, support local businesses to thrive and play their part in addressing climate change.

- Continuing to invest in the range of open and accessible green spaces that exist within both Andover and Romsey, recognising the important benefits to wellbeing they provide for local communities. We will enable people to take part in sport and recreation opportunities within their local community and create links to access the countryside, so that people can enjoy the benefits of the natural environment in a sensitive and sustainable way.

### Design and Feasibility Work

- 2.17 In both town centres, the masterplans were broken into discrete projects that could be delivered independently, where possible, and design and feasibility work for each of these projects has been undertaken.
- 2.18 In Romsey, the work undertaken is as follows:
- Concept design work and initial costings were undertaken for Holbrook Stream and Stirling walk.
  - Feasibility work has been undertaken on the Bus Station site.
- 2.19 In Andover, the work undertaken is as follows:
- Feasibility work has been undertaken for the redevelopment of the Chantry Centre.
  - Design and feasibility work is underway for the development of the new theatre.
  - Costed concept designs have been developed for a number of the public realm schemes specified in the Andover Masterplan.
  - Work was undertaken on a Public Realm Design Guide. This will be used to set quality standards for third-party developers in Andover Town Centre. The Public Realm Design Guide was adopted as a Supplementary Planning Document by Cabinet in February 2023.

## **3 Priority Projects**

### Riverside Park at Western Avenue and New Theatre, Andover

- 3.1 In the summer of 2022, TVBC submitted a bid to round 2 of the Department for Levelling Up, Housing and Communities (DLUHC)'s Levelling Up Fund (LUF). Members will be aware that, as part of this funding bid, the Council needed to identify projects which would realise the most benefit and represented best value for money to improve the chances of the bid being successful. Council approved the submission of a bid of up to £20M to contribute towards the delivery of the Andover Town Centre Masterplan in June 2022.

- 3.2 The Council's final bid was for £18.3M towards the delivery of four of the regeneration projects in Andover. The suite of projects included in the bid were:
- The creation of a new linear riverside park at Western Avenue.
  - The development of a new multi-purpose theatre.
  - Public realm improvements alongside the river south of Bridge Street.
  - Options appraisal for, and demolition of the former magistrates' court.
- 3.3 These schemes were selected based on three criteria following professional advice from Cadence Innova who were appointed to assemble the Council's bid:
- Ability to meet the objectives of the LUF criteria.
  - Affordability within the constraints of the LUF criteria.
  - Deliverability by 31<sup>st</sup> March 2025.
- 3.4 The Council was unsuccessful in its bid for Round 2 of LUF but in November 2023 it was announced that TVBC had been awarded £18.3M from Round 3 of LUF on the basis of the content of the original bid. Round 3 of LUF requires funding to be spent by March 2026 which extends the deadline by an additional year. The LUF award is subject to the completion of an 'onboarding' process which is currently underway.
- 3.5 This validation process is a standard approach used by Government for LUF funded projects where every successful council provides a detailed precis of the projects' status and whether there are any changes to the original bid. The ability to review how the grant is spent, both in terms of the principles of which projects to fund and to what proportion, is permitted by DLUHC as part of the onboarding process. Whilst the Council has been awarded the full bid originally sought, because of the price increase/ inflation between LUF2 and LUF3 to those projects and the work the Council has undertaken, there is a need to review how the LUF allocation is best used.
- 3.6 Since the bid submission, the Council, along with HCC have committed funds of £6.5m towards the delivery of the riverside park at Western Avenue. This was agreed by Council in February 2023. Since that time more detailed work has been undertaken with HCC. This has identified that total project costs are likely to increase, with the most recent estimate now being £9.5M.
- 3.7 When the Council agreed to fund Western Avenue, the report identified the risks attached to the budget at that time given the early stage in the design of the project. This included high construction inflation and the potential for unanticipated costs etc. The latest budget estimates indicate a significant budget increase for the highway elements of the project due to the difference in estimates of the scope of the highway works that would be required from initial concept design to optioneering. This includes additional costs for a more sophisticated junction where Western Avenue meets West Street, additional changes to West Street to allow bus manoeuvrability two-way and greater uplifts for contingencies, preliminaries, traffic management, professional fees and drainage and utilities changes.

- 3.8 The Council (January 2024) has also approved the commitment of up to £3.74M of expenditure on architectural and technical services relating to the delivery of a new theatre. To inform anticipated costings and to make progress, consultants were commissioned to provide the most recent projected capital construction cost estimate for the new theatre, which based on a concept design is £25M (excluding professional fees). As highlighted in the December 2023 Cabinet report, this figure is based on currently available information and is subject to change.
- 3.9 Whilst the Council has continued to make progress on the technical elements of both projects, what the projections identify is the significant change in estimated costs for both projects from that contained in the original bid.
- 3.10 Having reviewed the benefit-cost ratio analysis (BCR) of those schemes included in the original bid against the DLUHC methodology it confirms that there is minimal impact from excluding the demolition of the former Andover Magistrates' Court and the south of Bridge Street public realm improvements scheme. Whilst these two projects are important, their removal from the LUF funded scheme does not critically impact on the fundamental aspects of the masterplan. Due to this, coupled with the updated estimated cost of works, it is proposed (subject to DLUHC confirmation) to focus the LUF grant on the delivery of the riverside park at Western Avenue and the new theatre. Given the estimated costs of the two larger schemes and the economic, social and environmental benefits that would be secured, it is considered more appropriate to use the LUF fund to support their delivery in order to achieve a greater benefit to Andover.
- 3.11 As such, due to the award of £18.3M of funding from LUF Round 3 and the review of the benefit-cost ratio of the projects included in the original bid the riverside park and new theatre have emerged as the priority regeneration projects for Andover.

#### Romsey Bus Station and Community Facility Provision

- 3.12 The Council's thoughts have turned towards the delivery phase of these regeneration projects outlined in the SoRTC Masterplan and, in particular, the resources that will be required to assist in that process. The medium-term plan (3-5 years) of the masterplan includes the redevelopment of the bus station site. The bus station site is proposed to be redeveloped to provide a new and improved mobility hub and a mixed-use development comprising community, commercial and residential uses. The mobility hub would become the new central public transport focus of the area and provide uses that would complement the town centre offering.
- 3.13 It is recommended that a budget is committed to progress the redevelopment of the bus station site. The work to be tendered is for the detailed architectural design from concept stage through to the completion of the development. This will be based on the principles contained within the masterplan and feasibility work that has been undertaken and reviewed along with other guidance.

- 3.14 As work is progressed, it will need to be undertaken in tandem with a review of public car parking provision and how best to meet future demand taking account of the impact from the loss at Broadwater Road and Bus Station car parks.
- 3.15 The Masterplan also envisages that the current Crosfield Hall site will be developed for retail or residential use. It indicates that a review of community hall type provision should be undertaken to understand the scale and size of community facilities that are required to meet the needs of Romsey now and in the future.
- 3.16 Whilst the facilities that the hall provides are important to the local community, the building itself represents a challenge because of its design and configuration and this has implications for how best to meet the future needs for a growing town. To progress the next steps in the masterplan, further work needs to be undertaken to understand what the requirements are for community facility provision and how this can be accommodated.
- 3.17 The regeneration of the Romsey bus station and the opportunity to realise the maximum potential of the Crosfield Hall site to provide improved community facility provision are identified as the two redevelopment projects in the SoRTC Masterplan. Therefore, they naturally emerge as priority projects in the regeneration programme for Romsey town.
- 3.18 There is no specific request at this stage for the allocation of funds for the reprovision of community facilities in the south of Romsey. This will come to Council as a separate report once a detailed options appraisal is ready for consideration.

### Summary

- 3.19 In summary, the four priority regeneration projects can be summarised as follows:

#### **Andover**

- The creation of a riverside park at Western Avenue.
- The creation of a new theatre.

#### **Romsey**

- Regeneration of Romsey bus station to create a new mobility hub and mixed-use development.
- Improved community facility provision in Romsey town.

## **4 Financing Strategy**

### Introduction to Financial Strategy

- 4.1 This report has identified four principal regeneration projects which are recommended to form the Council's focus for the initial delivery phase.

- 4.2 This section focuses specifically on those options. There will be further phases needed to achieve the full masterplan objectives in Andover and Romsey; however, those elements are not specifically costed as part of this strategy and will be considered when they move closer to implementation.
- 4.3 Initial funding for the riverside park was approved by Council on 23<sup>rd</sup> February 2023. Reasons for the increase in the total cost of this project to £9.5M are set out in paragraphs 3.6 and 3.7. That additional funding requirement is considered in this section as part of the overall regeneration financing strategy.
- 4.4 It is necessary to make a number of assumptions in assessing the requirements of the four recommended projects as there is still considerable work to be done to establish full costs and matters, such as detailed design work and planning requirements, for each project to be resolved.
- 4.5 The costs shown are indicative, based on the work of technical consultants as part of the feasibility work in developing the documents that support the delivery of the masterplans.
- 4.6 This strategy, therefore, considers a forecast based on current estimates and specific scenarios for overall costs. The recommendations for specific budget approval relate to:
- Preliminary costs for the Romsey Bus Station project.
  - An update to the forecast total cost of the riverside park project at Western Avenue.
- 4.7 More detail about the specific nature of these approvals is shown in section 7 of the report.

Forecast budget requirements of the recommended projects

- 4.8 The estimated gross cost of the four projects identified for this phase of the regeneration programme are:

	<b>£M</b>
Riverside Park at Western Avenue	9.5
New theatre in Andover	28.7
Provision of an improved community facility in Romsey	8.0
Romsey Bus Station	15.0
<b>Total Estimated Cost of Development</b>	<b>61.2</b>
Contingency allowance (15%)	9.2
<b>Total Cost to be Financed</b>	<b>70.4</b>

- 4.9 Each individual project will be subject to separate reports as they come forward, at which time all the relevant factors affecting project cost; financing; revenue implications and the underlying business case will be explored in more detail.
- 4.10 The following section estimates potential funding linked directly to each project and the other options available to the Council to fund remaining deficit.

#### Forecast level of resources available to fund the projects

- 4.11 The options available to the Council to fund the projects are summarised below:
- i. External funding from the Levelling Up Fund
  - ii. Disposal of surplus assets to generate capital receipts
  - iii. Use of existing capital receipts or other earmarked reserves
  - iv. External funding / CIL top-slice
  - v. Internal borrowing
  - vi. External borrowing
- 4.12 Given the overall forecast cost, timescale and complexity of the projects, it is likely that a mix of most of the above funding options will be required.
- 4.13 The extent and purpose of the LUF grant has been discussed extensively throughout the report. This will add £18.3M to the available funding total.
- 4.14 The Head of Property and Asset Management has identified that land at Bailiff's Bottom is surplus to requirements and suitable for disposal. Cabinet has recently (31<sup>st</sup> January 2024) approved a budget for surveys and professional fees related to the disposal of this land which may contribute to the overall financing of the regeneration programme.

#### Capital Receipts

- 4.15 The balance on the Council's Capital Receipts Reserve as at 31<sup>st</sup> March 2023 was £7.93M (this includes the £1.25M approved as part of the initial £6.5M for the riverside park project at Western Avenue from extra interest income in 2022/23). The funds held in this reserve are required to deliver the Council's Capital Programme, however, some of the balance can be used to fund regeneration projects.
- 4.16 A further commitment of £3.74M from this reserve was approved by Council January 2024 for architectural and professional fees linked to the theatre project. This contribution has been offset by a £1M contribution from additional investment income achieved in 2023/24.
- 4.17 The latest forecast unallocated balance on the reserve at March 2026 is c£5.2M. It is recommended that no more than £3.7M is allocated from this source in order to ensure sufficient resources are maintained to continue delivering a full capital programme outside of regeneration priorities.

### Regeneration Reserve

- 4.18 In anticipation of needing to fund the ambitions of the masterplans, an earmarked reserve for funding of regeneration projects was created. The balance on this reserve at 31<sup>st</sup> March 2023 was £2.629M, of which £1M has already been committed to the riverside park project at Western Avenue.
- 4.19 The Medium Term Financial Forecast includes an assumption of ongoing further contributions into the reserve up to 2026/27. After taking into account the £1M already committed to the Western Avenue project, the forecast balance on the reserve at 31<sup>st</sup> March 2027 is £5.1M.
- 4.20 It is recommended that up to £4M of this balance be allocated to the funding of the initial phases of the regeneration programme. This will leave approximately £1M available for preparatory works related to further stages of the regeneration programme.

### Grants and Contributions

- 4.21 Wherever possible, funding from external sources, such as grants or third party contributions, and from ring-fenced s106 contributions will be used to provide funding.
- 4.22 The Council has a policy of collecting Community Infrastructure Levy contributions from new developments in the borough. A proportion of the amounts collected are ring-fenced for regeneration projects. After allowing for the amount committed to Western Avenue, approximately £750,000 is currently held. Forecasts suggest that a further £1.5M will be received over the next three years. It is therefore recommended that £2M be included in the financing of the projects identified in this report.

### Revenue Budget Contributions

- 4.23 It is inevitable that there will be some variances arising between the revenue budget that is set each year and the actual amount of expenditure incurred / income generated. Any surpluses could be transferred to the Regeneration Reserve to increase the amount of funding available. However, this cannot be guaranteed and is therefore not included as part of the anticipated funding of the regeneration projects.
- 4.24 The revenue budget strategy has identified two key income streams where a maximum base budget exposure limit has been set. This relates to investment income and business rates retained income.
- 4.25 The mitigation for this is to transfer to reserves any amount above the 2023/24 baseline level. All such transfers have already been included for 2024/25; however, it is likely that there will be surpluses in both areas in 2025/26 and beyond that could be used for this purpose.
- 4.26 Whilst not certain at this stage, an estimate of £3M has been included in this strategy in respect of these surpluses.

### Borrowing

- 4.27 Internal borrowing is a mechanism for short-term funding capital need where a future capital receipt is expected. It is recommended only as a short-term measure, for example, to cover timing differences between project expenditure and a receipt from the sale of surplus assets.
- 4.28 External borrowing is a potential long-term method of financing capital expenditure. Undertaking any long-term borrowing will have a direct impact on the Council's revenue budget in terms of both annual interest charges and the requirement to set aside Minimum Revenue Provision for the repayment of the loan at its maturity. The decision to undertake any external borrowing will be taken in consideration of future expected interest rate trends. Where rates are expected to drop, as is currently the case, borrowing will be delayed to enable opportunities to obtain the most competitive rates possible.

### Availability of Funding

- 4.29 A £6.5M budget and financing of the riverside park project at Western Avenue has already been approved by Council, on 23 February 2023, plus a further £3.74M for initial costs related to the new theatre in January 2024.
- 4.30 The following analysis takes into account the above commitments that have already been made.

	<b>£M</b>
Levelling Up Funding	18.3
Asset disposals	23.0
Funding approved for the riverside park at Western Avenue	6.5
Capital Receipts Reserve	7.4
Regeneration Reserve	4.0
CIL regeneration top-slice	2.0
Other Revenue Contributions	3.0
<b>Total forecast funding available</b>	<b>64.2</b>
Total estimated cost of development (from above)	70.4
<b>Deficit in funding</b>	<b>6.2</b>

- 4.31 The funding deficit, based on forecast costs and expected resource levels, is £6.2M. Other reserves, such as the New Homes Bonus reserve, may be able to meet this deficit or it could be closed through additional transfers to reserves over the next three years. Alternatively, it could be met from external borrowing over a relatively short period of time.
- 4.32 Given the number of variables that remain to be confirmed, including final costings for projects and estimates for capital receipts, the deficit is considered to be small enough that it does not need to be fully addressed at this time. There is capacity to identify sources to fully fund this initial phase of regeneration projects.
- 4.33 It is recommended that the resources identified above are committed to the delivery of the regeneration programme. This is necessary to ensure that there is sufficient capacity in the Capital Programme financing available to meet the commitments of the four projects identified in this report.
- 4.34 DLUHC have sought assurance from the Council, as part of the LUF onboarding process, that there is a clear commitment to funding the difference between the LUF funding available and the total forecast cost of the riverside park and theatre projects. Approving the above resources will help provide the assurances that DLUHC require in concluding the on-boarding work.
- 4.35 With so many areas uncertain with regards to resource levels and projected costs, it is recommended that an updated regeneration finance strategy be reported to Council in 12 months' time.

#### Timing of Project Cashflows

- 4.36 There will be a revenue implication arising from utilising accumulated reserves. These reserves form part of the cash balances that are managed by the Council on a day-to-day basis and therefore spending them will reduce the balances available to invest.
- 4.37 The forecast long-term average return on cash investments is lower than currently being experienced. It is assumed that an average rate of return of 3.5% per annum will be earned.
- 4.38 The above sections have focused on the absolute values of the forecast capital expenditure and the resources available to finance them. A second, and equally important, factor is the timing within which the respective items of income and expenditure will be incurred.
- 4.39 Where initial expenditure exceeds the resources available, any required funding will be met from short-term internal borrowing. This is on the basis that the overall future capital receipts are expected to be of sufficient value to be at least equal to the total of costs incurred (or forecast to be incurred).

## **5 Options**

- 5.1 Approve the strategy as set out in this report.

- 5.2 To not approve the strategy.
- 5.3 To approve a strategy in some other form.

## **6 Options Appraisal**

- 6.1 This strategy comes forward as a result of the cost benefit analysis and aims to deliver the objectives identified in the Romsey and Andover Masterplans. It is based on the best information available at this time.
- 6.2 Proceeding with the strategy, as recommended, would be consistent with the Council's Corporate Plan and Corporate Action Plan as well as the two adopted masterplans.
- 6.3 Given the materiality and short time-frames related to the LUF funding for the progress of projects in the LUF application, agreeing to any other projects at this time is not recommended. Adding any further projects to the strategy would dilute capacity to deliver and lead to further financial pressure in identifying funding.
- 6.4 On the basis of the above it is recommended that the strategy be approved.

## **7 Resource Implications**

- 7.1 To take forward the projects identified in this report, recommendations are made in respect of budget approval for two projects.

### Western Avenue

- 7.2 As identified earlier in the report, the forecast cost estimate of the Western Avenue project has increased from £6.5M to £9.5M. The latest budget estimates indicate a significant budget increase for the highway elements of the project due to the difference in estimates of the scope of the highway works that would be required from initial concept design to optioneering. This includes additional costs for a more sophisticated junction where Western Avenue meets West Street, additional changes to West Street to allow bus manoeuvrability two-way and greater uplifts for contingencies, preliminaries, unknowns, traffic management, professional fees and drainage and utilities changes.
- 7.3 It is recommended that the additional budget requirement of £3M be added to the Capital Programme to enable this project to be fully funded in order that detailed design works and implementation can be progressed.

### Romsey Bus Station

- 7.4 Council has recently approved a budget of £3.74M for architectural and professional fees related to the new theatre project in Andover. This report recommends a similar budget approval for professional fees to prepare detailed designs, a planning application and to oversee the works that are eventually approved.

7.5 To enable this to happen, a budget of £2M is recommended to be approved. This is based on a calculation of 15% of the total build cost, in accordance with the RIBA fee calculator (i.e. £13M + 15% = £14.95M, which is rounded to a £15M total budget).

## **8 Risk Management**

8.1 There is potential for project costs to be greater than forecast in this report. This will be mitigated as far as possible by working with the architects to ensure that cost control is integrated in every stage of the design process and that regular costings based on up-to-date rates are carried out.

8.2 There is a small risk that the Council is not successful in the DLUHC onboarding process for the LUF funding. This is low risk as DLUHC have given early indications that they are happy with the evidence provided and progress made to date. If the Council is not successful however, the consequences would be significant, potentially resulting in the loss of some or all of the LUF funding.

8.3 There is a risk that the inclusion of sustainable development requirements and carbon net-zero requirements could add additional costs to developments. The costs and benefits of such factors will be considered by Councillors before construction begins.

8.4 There is potential for construction inflation to be higher than forecast. The Council will carry out regular reviews and forecasts and ensure that cost control is embedded into the design and construction process on all projects.

8.5 Whilst the Council has a good working relationship with external bodies and their commitment has been agreed, we do not have control over their timescales and resources. This is mitigated as far as possible by seeking a clear indication of the level of commitment from partners.

## **9 Conclusion and reasons for recommendation**

9.1 A significant amount of work has gone into the development of the masterplans and bringing projects forward for delivery in a prudent and sustainable way. The Council has been successful in securing Levelling Up funding. As a result, the recommendations are that the Council proceeds with the four projects set out in the report to meet the Council's aspirations.

[Background Papers \(Local Government Act 1972 Section 100D\)](#)

[Andover Town Centre Regeneration Masterplan](#)

[Andover Town Centre Vision and Masterplan](#)

[Full Council approval to submit bid for Levelling Up Round 2](#)

[Full Council approval of funding for architectural services relating to a new theatre in Andover](#)

Confidentiality

It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.

No of Annexes:	None	File Ref:	N/A
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(Portfolio: Strategic Regeneration and Partnerships (North)) Councillor P North  
(Portfolio: Finance and Resources) Councillor M Flood

Officer:	Paul Ramshaw and Carl Whatley	Ext:	8511 / 8540
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Report to:	Council	Date:	29 February 2024
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