Appendix 2:

Regeneration Capital Programme Extract (February 2018)

1. The previous expenditure requirements of the Regeneration Programme over the financial years 2017/18 to 2019/20 were estimated to be £325m, to be funded through a combination of land receipts and new borrowing, with the total cost of the Regeneration programme anticipated to be in the region of £349m over the life of the programme which extended to 2021/22. There were land receipts anticipated in the region of £108m being generated to help fund the cost of works which gave a net scheme cost of £241m.
2. In 2017, a Commercial & Financial Review of the Regeneration Programme was launched, which focused on the following areas:

- Phasing and profiling of the programme
- Further commercial review of designs
- Peer review of approaches taken in other Councils and organisations
- Further analysis of debt and cash flows
- Clarification of advice on the legal and tax implications
- Seeking advice on partnering structures.

3. This resulted in a revised indicative Programme budget being taken to December 2017 Cabinet. This showed gross expenditure of £293m reduced to £220m after the application of capital receipts. The December Cabinet report stated that this indicative position was subject to further review in preparation for it being included in the Final Capital Programme to be agreed by Cabinet/Council in February 2018.The revised Regeneration budget which extends to 2022/23 is set out in Table 5 below.

Table 5 – Regeneration Programme

	January 2017 Approved budget, (A) £'000s	December 2017 Update, (B) £'000s	February 2018 Budget (C) for Approval, £'000s	Variance (A)-(C) £'000
Gross Expenditure	349,096	292,252	295,171	(53,925)
Capital Receipts	(108,245)	(72,660)	(87,771)	20,474
Net Expenditure	240,851	219,592	207,400	(33,451)

4. The following areas are reflected in the revised programme budget (C) above:

- Re-phasing of Poets' Corner Phase 1 by elongation of construction and dividing the site into 3 sections. This has the effect of reducing peak debt and also reduces risk as further sections will only be committed to once the previous one is progressing well. This further de risks the programme as major projects are not starting on site at the same time.
- Sale of Haslam House and Waxwell lane - A review of these schemes suggests it would be better to sell for a cash receipt due to the desirable location and recycled back into the programme. Current assumptions within the modelling are that both these schemes will be sold upon completion and the capital receipt recycled back. However, this will continue to be reviewed to ensure maximum benefit to the programme.

- Inclusion of the GLA grant receipt , in 2017/18, of £3.75m against Poets' Corner Phase 1

- An estimation of Stamp Duty Land Tax liability of £8.2m where applicable.

- Review of the Management and Maintenance cost assumptions resulting in increases from £650/unit to £750/unit

- Start on Site and practical completion dates have been updated to reflect their current assumptions.

- To aid transparency, Value Engineering savings, yet to be made, have been removed from the costs. Further design work to ensure that schemes reach their viability target is on-going.

5. The comparable total cost of the programme is now anticipated to be £295m to 2022/23 whereas it was at £349m in January 2017. Capital receipts are now expected to be £88m down from £108m in January 2017 in line with the design changes. A detailed breakdown of budget allocations is set out over the life of the Programme in Appendix 3 but overall expenditure is to be re-profiled for the period of the existing Capital Programme as follows:

Table 6: Capital Programme 2018/19 to 2020/21

	2018/19	2019/20	2020/21	Total
	£'000	£'000	£'000	£'000
Total Expenditure	70,996	162,120	35,534	268,650
Previous budget	197,870	81,638	0	279,508
Variation	(126,874)	80,482	35,534	(10,858)

6. As a result of the reduction in the overall capital requirement, £33m will no longer need to be borrowed. Borrowing strategies are being developed which will enable interest rates to be controlled. These include structuring new borrowing with a mix of maturities, such as short-term borrowing (e.g. 3/5/7 year loans) over the development period to enable the Council to access the cheaper rates currently available for these maturities and long term borrowing once the private rented sector units become operational.

7. The January 2017 programme assumed previously created flexibilities being used to fund expenditure in the period until a positive cash flow after capital financing being used. The current model assumes the same principle however; the level of flexibilities is reduced.

8. The design and tenure mix of new housing will be adjusted and finalized as each project proceeds through the planning process, to ensure that schemes are financially viable. Table 7 shows the current tenure assumptions:

Table 7: Tenure Assumptions

TENURE	**Jan 17**	**Dec 17**	**Jan 18-Update**
UNITS FOR MARKET RENT	509	509	480
UNITS FOR INTERMEDIATE RENT	101	133	133
UINITS FOR AFFORDABLE RENT	72	92	92
SOLD DIRECT TO PURACHSERS	149	21	50
SOLD AS PRIVATE SALE TO RP/DEV	0	0	0
SOLD AS RENTED TO RP/DEV	7	0	0
SOLD AS SHARED OWNERSHIP TO RP/DEV	0	0	0
TOTAL RESIDENTIAL	**838**	**755**	**755**
PARKING SPACES	802	194	193
CIVIC CENTRE	1	2	1
RETAIL UNITS	2	4	3
COMMUNITY CENTRE	3	2	1
OTHER 1	3	5	3
OTHER 2	0	3	1
LAND SALE	0	0	0
TOTAL NON-RESIDENTIAL	**811**	**210**	**202**
TOTAL - RESI & NON RESIDENTIAL	**1649**	**965**	**957**