

EXTRACT FROM REGEN CO MICROSITE –

<http://www.regenerationcompany.co.uk/delivery/financial-viability>

Delivering Viable Regeneration

In order to make sure Wokingham's regeneration is a success, the Council has taken the step in coming forward as both developer and main investor in the scheme.

It's an innovative approach which has seen the Council win the 2016 Planning and Placemaking Award for Making Development Viable. The award recognised the investment being made by the Council into the local community and delivering the facilities they need.

Acting as developer means the Council will own the completed assets and can either sell them off to raise funds or retain them to secure an ongoing rental income. It can also take a combined approach with some of the assets, such as residential properties, sold off to raise money and others retained to secure income for the longer term.

Benefits of Approach

The Council acting as regeneration developer brings several benefits -

- Control over development, such as density of build, design and materials used
- Control over delivery and the phasing of construction within the town
- Control over the types of businesses attracted to the town centre to ensure the right mix between national, independent and niche
- Higher levels of investment in non-profit and community elements, such as the park and play area, than would be seen from a private developer
- Low public sector interest rates on borrowings, allowing more to be delivered for every pound invested

Objectives and Risk Management

The Council has also been careful in setting financial objectives for the regeneration to minimise risks and maximise benefits including:

- It must be financially viable and deliverable with a minimum of 5% return on cost
- It must be financially self-supporting as a commercial investment and can be delivered without relying on subsidies from local tax-payers
- It must generate a return for the Council - either through an ongoing rental income, a one off capital sale approach or a combination of the two approaches
- Pre-let agreements will be signed to ensure sufficient income is 'guaranteed' in advance to allow the Council to proceed with confidence

Development Appraisals

Although made up of individual phases (Carnival Pool, Peach Place and Elms Field) viability is assessed across the combined Regeneration projects. This allows the Council to deliver the above benefits, such as creation of non-profit and community elements like the improved leisure facilities at Carnival, in the right locations when, if delivered as stand-alone they simply would not be financially viable.

The following figures (rounded) are taken from the project Development Appraisals which are based upon new present costs / vales at Spring 2016 and assume all assets will be sold. We continue to review these appraisals and take into account cost changes such as inflation, detailed design and materials, and the procurement process. Values will also be subject to change to reflect letting agreements with actual tenants and values achieved when the residential is sold on the open market.

Phase	Total Value	Total Cost	Surplus
Peach Place Portfolio (Refurb)	£11m	£11m	£0m
Peach Place Redevelopment	£24m	£23m	£1m
Carnival Pool (Phase 1 & 2)	£40m	£40m	£0m
Elms Field	£79m	£64m	£15m
Summary across schemes	£154m	£138m	£16m