



Committee report

Committee	CABINET
Date	9 JULY 2020
Title	EAST COWES WATERFRONT SITE ACQUISITION
Report of	CABINET MEMBER FOR REGENERATION AND BUSINESS DEVELOPMENT

EXECUTIVE SUMMARY

1. At its meeting on the 11 July 2019 the Cabinet agreed to instruct officers to negotiate with Homes England (HE) to agree terms towards acquiring land and buildings on East Cowes waterfront formerly known as Venture Quays, primarily to protect marine manufacturing jobs based in one of the associated buildings. Delegation to officers to conclude the matter was agreed, provided the result of negotiations were within defined parameters.
2. Following completion of those negotiations in March 2020, the changed financial position of the council and the economic impact of the recession, due to the Covid-19 pandemic, now requires consideration by Cabinet in relation to whether to proceed with the purchase at this time. Discussions with Homes England have resulted in a short extension to complete the £1 million acquisition by 30 July 2020.
3. This report outlines the considerations that the council must have regard to in acquiring the sites at this time, the necessary timescales involved, and the risks associated with proceeding with the purchase. It confirms ongoing discussions with relevant government departments regarding the council's challenging financial position and the resulting ability to progress its continued commitment to secure the jobs on the site.
4. The report recommends the final decision to acquire or not is delegated to the leader and Cabinet member for business development and regeneration but subject to the director of finance (section 151 officer) being subject to consideration of the final advice of the director of finance (section 151 officer) regarding the overall level of financial risk to the council.

BACKGROUND

5. The regeneration of East Cowes continues to be informed by its location as a key point of entry to the Island and the need to consider appropriate uses for under-utilised industrial buildings and brownfield land. It is complicated by hosting one of the main car ferry terminals and still being home to a number of key manufacturing employers. In 2005 a masterplan for East Cowes prepared by the South East England Development Agency (SEEDA) was agreed and over subsequent years, new housing, a new food store and a health centre have been developed.
6. Following the withdrawal of the Venture Quays proposed development for a marina, a hotel and further residential development in 2018, progress of the original masterplan has relied on proposed improvements to the ferry terminal and proposed leisure developments being undertaken by Red Funnel ferries. Throughout the planning process for these proposals local stakeholders have raised concerns regarding the resulting loss of manufacturing buildings providing local employment and the displacement of marine based employment, reliant on water access to the Medina estuary and the wider Solent area.
7. During the period leading up to the abandoned marina proposals a new marine manufacturing company, Wight Shipyard, entered into a short term tenancy with Homes England in the Columbine building in East Cowes. Over the last three years its business has flourished creating over 100 jobs at the site and supporting a further 200 in the local supply chain.
8. Due to the significance of the sites involved and the high value marine manufacturing jobs now based in the Columbine building the council commenced negotiations with Homes England to acquire the employment and indicative housing sites. Cabinet agreed in July 2019 to delegate the decision to purchase to officers, subject to key financial parameters being met. These negotiations were concluded in March 2020 as the financial impacts on the council of the Covid-19 pandemic were beginning to become evident.
9. The council continues to work with all stakeholders to identify waterfront development sites in the Medina Valley to accommodate modern, purpose built premises to support the long term growth of the marine sector on the Island, supporting the vision for the Solent as a key UK and international hub for the sector.
10. By acquiring the relevant parcels of land (Appendix 1), in the short term, the council will be able to secure the position of the marine and associated industries within the Columbine building and develop and redevelop the neighbouring land parcels known as Albany and Maresfield for affordable housing. There is also an opportunity to support wider town centre regeneration through potential use of the Barracks building, part of the site for improved public realm and potential community leisure, training hotel and entertainment use.
11. The project's outline business case (OBC), developed prior to the uncertainty caused by the pandemic, identified marginal viability in terms of long term returns from investment in the acquisition of the land and buildings. This financial risk and the evident challenging market viability connected with the proposal is balanced by the other wider economic benefits set out in the OBC, assuming that they can continue to be realised in the new economic climate.

12. In summary, the subject properties comprise a series of sites hatched on the attached plan (Appendix 1) and are numbered and identified as follows:

(1) Columbine building including apron and dock, Promenade building and Victoria Marina.

- a) Freehold interest in a large industrial and office property currently in use for marine manufacturing.
- b) Freehold interest in the open 'apron' area, dock and associated mobile hoist.
- c) Flying freehold interest in raised building at first floor level only currently in use as office space (referred to as the 'Promenade building').
- d) Long leasehold interest in a series of pontoons fronting East Cowes Harbour on the western side of the apron and Columbine building known as Victoria Marina (including foreshore and bed of the River Medina).

(2) Victoria Barracks. Freehold interest in the property comprising a vacant barracks building which was most recently in office use, open yard and former 'guard house' outbuilding.

(3) Albany site. Freehold interest in a single storey industrial warehouse currently used for boat storage;

(4) Maresfield Road site. Freehold interest in the cleared development property currently used for car parking.

STRATEGIC CONTEXT

13. The council's Corporate Plan 2019 - 2022 and the 'Inspiration Island' Regeneration strategy (2019) support the development of economic growth and prosperity and the delivery of affordable homes.
14. The strategic objectives for the acquisition are to:
- 1. safeguard local marine sector jobs;
 - 2. create an enabling project for the wider regeneration of East Cowes town centre;
 - 3. provide and bring forward a viable local affordable housing scheme.
15. The development opportunities in East Cowes have a strategic significance in terms of economic development and regeneration. The marine employment, currently located in the Columbine, represents a significant element of what is an important sector of the Island's manufacturing economy. The creation of waterfront employment sites to encourage further growth in the marine sector is also a key part of the council's medium term economic development and regeneration plans.
16. East Cowes's role as a key gateway to the Island has been reinforced further by the implementation of Red Funnel's terminal improvements and plans to redevelop its former marshalling yards. The adjacent town centre still requires public realm and access improvements, and this acquisition presents an opportunity to revisit and refresh the previous masterplan for the town and its waterfront.

17. The housing sites available as part of the purchase also potentially support the council's housing delivery objectives, which seek to bring forward viable housing development sites to assist in increasing the provision of attractive, affordable housing options for Island communities.
18. However, the response to the Covid-19 pandemic is having a significant financial impact on the council and may also have an economic impact on the benefits originally envisaged from the acquisition. Thus far during the crisis the council has received from government a sum of £9 million towards its costs of responding to the pandemic and the government has signaled that councils should prioritise the following service areas:
- ❖ Adult social care.
 - ❖ Children's services.
 - ❖ Public health services.
 - ❖ Fire and rescue services.
 - ❖ Waste collection services.
 - ❖ Shielding the clinically extremely vulnerable.
 - ❖ Homelessness and rough sleeping.
 - ❖ Domestic abuse.
 - ❖ Supporting the NHS.
 - ❖ Managing excess deaths.
19. The government has also confirmed a delay in the implementation of the outcomes of the fair funding review. The council's medium term financial strategy assumed a sum of £2.5 million coming to the council in 2021/22 as a result of this review, which is now in jeopardy.
20. The current reasonable estimations of the financial risk to the council as a result of the coronavirus crisis is set out below:

Description	£m
Additional costs	8
Budgeted savings - unable to be achieved	1
Income losses (eg rents, fees and charges)	8
Funding losses (ie council tax and business rates)	2
Total financial impact	19
Less: emergency Covid-19 funding	(9.0)
Total shortfall	10

21. It would be responsible to continue with a working assumption that the council will receive little or no further funding from government towards its costs of responding to the coronavirus with the best case being that some, not all, of the council's costs will be met by government and this is borne out by recent ministerial correspondence.

However, recent announcements would indicate further consideration being given to the financial challenges faced by all councils by government before the end of July, but nothing is guaranteed.

22. The council has an obligation to plan its financial management responsibly. It is not allowed to either set a deficit budget or to draw upon its general reserves to the extent that they fall below the minimum level of £7 million. Over the period of the council's Medium Term Financial Strategy, the level of headroom above the minimum level of reserves that would be available is £3.2 million and this is predicated on the council making ongoing savings of £10.5 million over that period. In the context of both the future savings that the council will be required to make, any further potential negative impact of the pandemic and the need to be resilient to any other financial risks that could arise, it would not be prudent to draw on the council's limited headroom of £3.2 million. Furthermore, adequate financial resilience of the council underpins the continued delivery of its critical and essential services throughout this pandemic.
23. Given the forecast shortfall of £10 million the Cabinet is in the process of developing a deficit recovery strategy which will enable the council to continue to operate without the need to consider emergency spending controls and service reductions. There is confidence that the emerging strategy, to be developed into a detailed plan, will be sufficient to identify savings of £10 million which will involve the following:
 - Some use of the council's corporate contingency.
 - Some use of earmarked reserves - previously set aside for risks that have subsided and to fund transformation activities.
 - Placing some previously approved spending plans "on hold".
24. Given the overall financial position of the council and the need to maintain an adequate degree of financial resilience to continue to deliver critical and essential services through the pandemic, it is important that there is reasonable surety that the acquisition of Venture Quays does not place an ongoing financial burden on the council and that the council is adequately protected against financial risk.
25. The greatest financial risk to the council associated with the acquisition is the economic recession. The East Cowes project's business case's financial assumptions therefore need to be considered in relation to the shape and duration of any likely economic recession caused by the pandemic. The generally accepted likely recession type is characterised below:
26. U-shape recession

The virus lingered into June and social distancing rules have taken time to be loosened. While there is a release of pent-up demand driven in part by the stimulus of government and central banks, consumers do not race back to shops or restaurants because factories and other workplaces take time to return to full capacity and not every job lost in the crisis is won back.

This scenario impacts on the risk profile of acquiring these sites in terms of the stability of tenant income and viability of potential housing schemes in a challenging economic climate. This scenario plus other more serious recession types have been

modelled and are set out in more detail in the Financial / Budget Implications section of this report below.

CONSULTATION

27. East Cowes Town Council, East Cowes Community Association and the local ward member have been consulted regarding the council's intentions and are supportive of the desire to secure the marine employment on the site. They seek to be actively involved in informing the other proposed development of the other site parcels to help best meet the needs of the town.
28. Consultations continue with officials in the government's Ministry of Housing, Communities and Local Government and involved in the Business, Energy and Industrial Strategy to seek government financial support to assist the council in completing the acquisition to secure the employment on the site while minimising the council's financial exposure.

FINANCIAL / BUDGET IMPLICATIONS

Structure of the purchase

29. The overall capital cost of the acquisition plus associated capital works for the site is expected to amount to £1.3 million. The purchase price agreed is £1,050,000 for all land parcels. The level of the council's offer has been informed by an agreed position with Homes England on the buildings' condition and the cost to the council of making essential improvements.
30. Given the age and condition of the Columbine building further essential works have been costed at £230,000 including estimated reinstatement of windows on the southern elevation following the demolition of the adjacent building. Other works include checking damp and flooding issues including remedial work where above ground drainage failures have affected building fabric and staircase improvements to ensure areas accessibility and compliance with fire and safety regulations.
31. Heads of terms have been agreed with Homes England for the sale. Within these terms, HE requires the council to implement a delivery strategy for the housing elements of the proposed scheme within four years as a key strategic condition of the sale. The timeframes include having necessary planning permission in place by March 2022 and to have started residential development on either Albany or Maresfield by March 2024. Failure to meet these conditions result in a reversion of these sites to Homes England for £1.

Financial appraisal

32. Separate financial appraisals have been undertaken which estimates all cash flows (both capital and revenue) of both the Columbine proposition and the housing proposition. As described previously, there is considerable risk associated with the depth and length of any recession (often described as a particular shape eg V-shape, U-shape, L-shape etc) and therefore a sensitivity analysis has also been undertaken which seeks to evaluate the likely overall financial impact upon the council in each of

those scenarios. Modelling these different scenarios demonstrates the likely range of financial outcomes that could arise.

Financial appraisal - Columbine

33. A summary of the financial appraisal associated with the acquisition of the Columbine building and associated land under alternative recession scenarios is described below. For reference, the previous 'base case' scenario pre-Covid-19 is also provided. The appraisal has been modelled over 15 years, representing a timeframe over which it is reasonable to evaluate an investment of this nature. Modelling beyond 15 years would become speculative and susceptible to obsolescence risk of the building itself or a significant shift in market conditions. The generally accepted 'base case' among leading economists is for a U-shaped recession lasting one to three years. For illustrative purposes a V-shaped recession (usually lasting one year) and an L-shaped recession (lasting around five years) are also included as scenarios with the likely range of possible financial outcomes.
34. A summary of the key financial metrics of each scenario is provided below, with the U-shaped scenario being the expected 'base case'.

Key measure	Pre-Covid-19 £000	V-shape £000	U-shape base case £000	L-shape £000
Total capital cost	1,309	1,319	1,339	1,349
Total cash flow	2,342	2,330	1,935	1,738
Residual value (RV) after 15 years	1,741	1,741	1,741	1,741
Positive cash flow from	Year 1	Year 1	Year 1*	Year 1**
Net present value (incl. RV)	1,689	1,480	886	495
Net present value (excl. RV)	487	441	48	-136

* Cashflow would be negative for two years if the tenant's business failed.

** Cashflow would be negative for three years if the tenant's business failed.

Notes:

1. Assumed rent levels are to be at sub market rent but at a level sufficient to cover the council's annual maintenance and debt costs.
2. Should rents at the assumed levels not be agreed, an annual deficit will arise.

35. The 'base case' scenario illustrates an overall positive cash flow position after 15 years of £1.9 million which equates to £886,000 at today's values after taking account of inflation and other risk factors (ie the net present value). However, this assumes that at the end of 15 years, the value of the land and building will be £1.7 million (or £838,000 at today's value). Should the land and buildings have no value at the end of the 15 year period then the total cash flow will only just be cash flow positive at £48,000 in net present value terms. In the same circumstances, should an L-shaped recession arise, then after 15 years the council would make a cash flow loss of £136,000.
36. In summary, it remains possible for the council to cover its costs at a sub-market rent in the 'base case' and whether or not the land and buildings have any residual value. The rent level with the tenant however, will need to be at a reasonable level to cover both costs and risks. Should a deeper recession arise then it is likely that the council would make a financial loss.
37. In addition to the acquisition of the freehold land, there is also the assignment of a lease currently held between the Crown Estate and HE for part of the foreshore and bed of the River Medina. The annual rent is currently £25,566 per annum and is subject to an outstanding rent review from 2017. Once assigned to the council, it is intended the tenant, WSC, will take a sublease and will cover this rent (and any subsequent rental increase). This is included in the financial appraisal illustrated in the table above. If WSC was to vacate the Columbine, the rent would fall to the council to pay.

Financial appraisal - housing sites

38. A summary of the financial appraisal associated with the housing sites (Maresfield and Albany) under alternative recession scenarios is described below. For reference, the previous 'base case' scenario pre-Covid-19 is also provided. The appraisal assumed to the 'base case' has been modelled as a general housing scheme and in the circumstances of a U-shaped recession. Given the longer life on new housing, the appraisal has been modelled over a 40 year period and on a build for rent basis (as opposed to build for sale). While housing has a design life beyond 40 years, forecasting all circumstances beyond 40 years becomes extremely speculative. For investment purposes, a 40 year modelling period is common in the housing sector.
39. A summary of the key financial metrics of each scenario is provided below, with the U-shaped scenario being the expected 'base case'.

Key measure	Pre-Covid-19 £000	V-shape £000	U-shape base case £000	L-shape £000
Total capital cost	17,500	18,409	20,163	21,039
Total cash flow	8,928	4,590	-2,969	-9,414
Positive cash flow from	Year 6	Year 13	Year 25	Year 37
Net present value	3,600	-282	-3,339	-4,877

Notes:

1. At the end of 40 years, the land and buildings are assumed to have zero residual value on the basis that the current value of the land is zero and obsolescence has reduced the buildings to zero.
40. The pre-Covid-19 housing scenario indicated an overall cost of the housing schemes of £17.5 million and a positive cash flow by the end of the 40 year period of £8.9 million which equates to £3.6 million at today's values after taking account of inflation and other risk factors (ie the net present value). Furthermore, this scenario indicated that the council would be cash flow positive each year from year 6 to year 40.
41. The 'base case' scenario however illustrates an overall negative cash flow position after 40 years of £3 million which equates to a negative cashflow of £3.6 million at today's values after taking account of inflation and other risk factors (ie the net present value). Furthermore, this scenario indicated that the council would be cash flow negative for the first 24 years. Should an L-shaped recession arise, then after 40 years the council would make a cash flow loss of £4.9 million and make a cash flow loss for each year up to year 36.
42. As described, the housing proposition is extremely challenging. While in the pre-Covid-19 period a viable housing scheme looked likely, the impact of any recession could turn the proposed general housing scheme with a low to medium viability (pre-Covid-19) to one of significant loss.
43. There are however other opportunities to consider in relation to these sites. By way of example an alternative student accommodation and key worker scheme has been modelled. While the 'base case' for this scheme is also not viable on the current assumptions and configuration, the viability gap is relatively marginal. Such a scheme may become viable but it would, of course, be dependent on the demand for this type of accommodation being realised. While there is known interest at this stage, the scale or the certainty of that interest is not yet fully understood.
44. While the housing sites remain challenged and there is not, as yet, a viable scheme designed in outline, there remain opportunities to investigate. Given the national priority for housing, it may also be possible to lever in external funding in order to improve viability. Additionally, the risk associated with acquiring the housing sites and continuing to investigate possibilities to develop a viable scheme has relatively limited financial risk for the council. The continued development and a series of 'project gateway milestones' would be proposed to help manage the council's exposure in bringing forward the housing elements of the project as follows:
 - ❖ *Gateway 1* – following initial design and feasibility of appropriate housing schemes, including production of detailed construction cost estimates, surveys and site clearance a detailed financial appraisal will be produced taking account of market conditions.

Estimated cost of passing Gate 1 - £25,000

- ❖ *Gateway 2* – If a viable, deliverable scheme is identified at Gateway 1 then an assessment of options for delivery of the scheme, including securing planning

permission, and potential financing, will be considered through production of a full business case and implemented should the decision be to proceed.

Estimated cost of passing Gate 2 - £100,000 depending on delivery option - these costs might be shared in any joint venture approach.

- ❖ Gateway 3 - following granting of planning permission, actual implementation of the preferred option to deliver the scheme will be progressed subject to an up to date assessment of market conditions and available finance options.

Estimated cost of passing Gate 3 - £15 million to £20 million to deliver the scheme depending on the delivery option recommended by the full business case.

45. VAT implications - All of the land to be purchased has been opted to tax following receipt of specific tax advice related to this proposed purchase.

CARBON EMISSIONS

46. The Columbine is currently let on a 'tenancy at will' which is intended to progress to a lease and as such the emissions will remain a responsibility of the tenant. This will be the same with Maresfield (currently a car park). Albany and the Barracks will need to be managed initially and a review of their energy use will be undertaken on completion to ascertain if there are any areas where we can reduce emissions while plans are progressed for its future use.

LEGAL IMPLICATIONS

47. The council will purchase the property using its powers under section 120 of the Local Government Act 1972.
48. State aid – Legal advice has confirmed that the proposed support provided under the proposed lease terms to Wight Shipyard Co are compliant with state aid and require use of either a grant under the UK Umbrella Scheme or support for investment under article 17 of the GBER regulations for state aid “support for SMEs”.

EQUALITY AND DIVERSITY

49. The council, as a public body, is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
50. There are no implications for any of the protected characteristics as a result of this decision.

PROPERTY IMPLICATIONS

51. There will be immediate implications for the council's Property Team for the management of the Columbine building with respect to its current marine related tenancies and management of Red Funnel's works. The buildings contain existing tenants and new lease terms will need to be formulated and agreed. Heads of terms have been agreed with the tenants and draft leases are with solicitors for final review.
52. Detailed cost analyses have been prepared for the works required to the Columbine building to ensure that the building will be in a suitable condition for letting. Necessary works will need to be managed as well as ensuring that the property complies with any statutory compliance for health and safety matters.

OPTIONS

53. There are four options for how the council could proceed and these are outlined below:
 - (1) To proceed with the acquisition of the East Cowes Waterfront sites shown in Appendix 1 only once support from government for the acquisition costs is confirmed.
 - (2) To delegate to the leader and Cabinet member for business development and regeneration the decision to proceed with the purchase of the East Cowes Waterfront sites shown in Appendix 1; subject to consideration of the final advice of the director of finance (section 151 officer) regarding the overall level of financial risk to the council.
 - (3) Not to proceed with the acquisition of the East Cowes Waterfront sites shown in Appendix 1.
 - (4) To delay any decision to the acquire the East Cowes Waterfront sites shown in Appendix 1 until such time as the council's financial position in responding to the impacts of the coronavirus is much more certain.

RISK MANAGEMENT

54. There are a number of risks associated with purchasing the sites which have been considered in detail prior to the Covid-19 outbreak. These have been considered again taking into account the uncertainties associated with the pandemic and its effect on the local and wider economy. The council has evaluated the financial and economic impact considering different economic scenarios as the likely recession is the biggest risk associated with the purchase.
55. Given the Gateway arrangements set out previously relating to the housing element of this acquisition, the financial risk of non-housing delivery is limited. The key risk to be considered is the financial viability of the Columbine site given the current economic climate. Prior to the outbreak, the market conditions, tenant mix, refurbishment, management and marketing costs and projected income over a 20 year period were favourably assessed, in order to ascertain what the financial implications were for purchasing the site.

56. Since the outbreak, concerns have arisen about the levels of rent proposed and possible to be achieved from the building. The costs associated with the Columbine site have been reviewed once again and by only undertaking essential maintenance rather than improvement works, is a lower rental level financially viable. There is risk attached to this income and although the financial appraisal does account for an element of risk, the impact to the economy following the pandemic is still very much unknown.
57. Feedback from the potential tenant is that while the current position is causing extreme difficulty its medium to long term position is encouraging with orders for its passenger ferry design in the UK and internationally looking healthy prior to the onset of the pandemic. Its position as a key contributor to the Island's economic recovery also needs to be considered.
58. Another element of risk is the level of investment required in respect of essential maintenance within the Columbine site. Detailed estimates have been produced for the site during the Stage 2 due diligence and contingencies included but there is always a level of uncertainty with building works, especially with the changes in the current market.
59. In respect of the housing sites forming part of the East Cowes waterfront parcel, Albany and Maresfield, these are both brownfield and the Albany site specifically will require careful consideration as it sits within the flood zone. Again, development appraisals have been run for the sites taking these site anomalies into account but until these works are professionally costed, the true costs for these developments cannot be confirmed.
60. There has been interest from the market in forming a joint venture for the housing elements on the site, whereby the residential sites are held on a sale and leaseback arrangement with the development company funding the development. This opportunity may allow for the new council housing company to let the properties out on an affordable and market rent basis earning sufficient returns to cover maintenance and management costs and return a dividend to the council but with minimal risk and no capital cost. This model of delivering the housing elements needs further detailed investigation.
61. Should the main financial risks materialise in terms of a void period arising from the business failure of the tenant due to the recession or otherwise, this would put a financial strain on the council's revenue budget requiring significant savings to be made in other areas to compensate; this would be on top of anything the council might have to save in order to cover the coronavirus debt gap and its £3.5 million annual savings requirements for each of the next three years.
62. If the council delays the acquisition of the sites, then there is a risk of Homes England withdrawing from the agreement, but this must be considered unlikely as negotiations have been ongoing for 18 months and the chance of finding another buyer in the current financial climate is very limited. Of greater risk might be that the current tenant of the site refuses to wait any further for a long term landlord and chooses to relocate its business elsewhere. Relocating the business would however mean a good proportion of its workforce having to relocate off Island.

EVALUATION

63. The acquisition of the East Cowes Waterfront sites (including Venture Quays) shown in Appendix 1 may secure the marine tenant's occupation, subject to agreeing a satisfactory lease, that does not significantly increase the council's financial risk now or in the immediate future. However, it will also give the council control of a key landmark site which could benefit the community of East Cowes and the Island for the long term. The acquisition will also allow the council the opportunity to develop a viable, variant housing scheme to the current planning permission on Albany and Maresfield sites to include, policy compliant, 35 per cent affordable housing and bring forward the Barracks building and adjoining land as part of the further public realm regeneration of East Cowes.
64. While the strategic and economic case for acquiring the land parcels and buildings at Venture Quays is strong the financial case in the current financial climate is weak. Provision of high quality marine manufacturing employment will be a key part of the Island's economic recovery but the sector is vulnerable to the type of global economic shock brought about by the pandemic. The need for affordable housing on the Island for local residents is a corporate priority but the delivery of viable housing projects remains a challenge without external support.
65. The economic climate and the impact of the Covid-19 pandemic is the biggest current concern for the island and UK as a whole. The likely prospect of U-shaped recession impacting on prospects for economic recovery as well as the council's medium term financial plan is a key factor influencing how to proceed in this case in the best interests of the community of the Isle of Wight.
66. Acting now to secure the jobs at East Cowes, ideally with some level of additional UK Government support, demonstrates the council's long-term commitment to protecting local jobs to support future recovery and growth for this type of employment in the Medina Valley and wider Solent area. The delivery of affordable housing in current market conditions will also need the availability of a range of site and partnership models accompanied by government support in assisting scheme viability.
67. Acquisition of these sites can only proceed as part of a clear position for managing the council's overall budget for 2020/21 in light of the impact of the pandemic and the potential impacts on other services of financing this acquisition. The council cannot put at risk its ability to continue delivering its legal obligations by committing resources to this acquisition without some certainty that this position is unlikely.

RECOMMENDATION

68. Option (2) is recommended:

To delegate to the leader and Cabinet member for business development and regeneration the decision to proceed with the purchase of the East Cowes Waterfront sites shown in Appendix 1; subject to consideration of the final advice of the director of finance (section 151 officer) regarding the overall level of financial risk to the council.

APPENDICES ATTACHED

69. [Appendix 1](#): Site plan showing the proposed sites.

BACKGROUND PAPERS

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