



Capital Scheme Business Case

Oxen Cove – Fish and/or Shellfish Unit

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Business Unit/Service:	Assets and Business Services

1. Executive Summary

The Council is being asked to authorise funding to carry out the design works to RIBA Design Stage 4, for a potential capital scheme to construct a fish and/or shellfish unit to be located at Oxen Cove, on the harbour estate at Brixham.

The design stage will include obtaining all necessary planning/legislative consents, carrying out ground and utility investigation studies and subsequently designing a suitable building. Soft market testing of the potential tenant market will also be undertaken, as well as tendering the completed design. In tandem with this, a formal grant application will be lodged with the Marine Management Organisation (MMO).

Subject to a satisfactory outcome, the results of the design stage will then be reported back to Harbour Committee and/or the Council, seeking approval to proceed with a scheme.

A growing demand exists for new infrastructure in support of the shellfish sector of the fishing industry in Brixham. The Council, at its meeting on the 19th October 2017, approved a design stage and then, if appropriate, the construction a new shellfish landing jetty adjacent to Oxen Cove. This business case concerns the proposal, for a high quality industrial unit on Oxen Cove, which will provide the space that will allow the industry to increase the value added on the landed catch.

Recent discussions with the MMO have indicated that provided the scheme can be completed within the 2019 calendar year, European Maritime and Fisheries Fund (EMFF) grants of around £2million could be made available.

This scheme is not currently listed within the Council's agreed Capital Plan.

At its meeting held on the 26th June, 2017, the Harbour Committee agreed to support proposals for the development and future use of Oxen Cove to provide facilities connected with the shellfish industry. Furthermore, the Committee authorised the Executive Head of Business Services, to work up detailed proposals for a fish/shellfish facility in Oxen Cove.

The Minutes of the Harbour Committee also stated that, ***“subject to a viable business case, the Executive Head of Business Services is asked to submit detailed proposals in a further report to the Harbour Committee and Council, to enable development to commence.”***

2. Strategic Fit

2.1 Scheme objective

A growing demand exists for new infrastructure to support the shellfish sector of the fishing industry in Brixham. The Council, at its meeting on the 19th October 2017, approved a design stage and then, if appropriate, the construction a new

shellfish landing jetty adjacent to Oxen Cove. This proposal, for a high quality industrial unit on Oxen Cove, will provide the space that the fishing industry can use to add extra value to the landed catch.

Soft market testing of the possible demand for such a unit has been undertaken, with very positive results. Three organisations have expressed interest. When the opportunity is advertised on the open market, it is possible further interest will come forward.

The future use of Oxen Cove for employment purposes, is clearly identified in a number of the Councils strategic plans, In particular, the Torbay Local Plan, the Tor Bay Harbour Port Masterplan and the emerging Brixham Peninsula Neighbourhood Plan.

2.2 Statutory Framework

Under Clause 33 of the Harbour, Docks and Piers Clauses Act 1847, Tor Bay Harbour is subject to what is called the “Open Port Duty”. This means that the harbour must be open to anyone “for the shipping and unshipping of goods and the embarking and landing of passengers”, on payment of the rates and other conditions set by the Council. A harbour authority has a duty to conserve the harbour so that it is reasonably fit for use as a port, and a duty of reasonable care to see that the harbour is in a fit condition for a vessel to use it.

2.3 Policy Framework

This proposal supports the Council’s ambition to be a “Prosperous” Torbay. It also supports the principle “Use reducing resources to best effect” by addressing “new ways to generate income using our current resources”.

The creation of a fish or shellfish unit at Oxen Cove, will provide additional port infrastructure in support of the shellfish industry. It will also create new job opportunities, many of which will potentially be suitable for the under employed youth sector of the Brixham employment market.

This proposal therefore aligns with three specific actions from “Targeted Action 2” within the Corporate Plan Delivery Plans, namely;

- Continued delivery of the Port Masterplan
- Continued delivery of the Local Plan and associated growth
- Deliver the Corporate Capital Plan, maximising the use of Council assets for development with the aim of increasing revenue to the Council.

2.4 Equality, Diversity and Deprivation

No differential impact – this scheme will create a facility for the storage and handling of fish and/or shellfish products. It will create a number of new jobs within the Port.

2.5 Condition of the asset

This business case supports the construction of a new asset.

2.7 Interfaces and Critical Dependencies

Rental income from the new unit will be critical to support the prudential borrowing costs. The scheme is also dependent on external grant funding to help reduce the level of borrowing.

The soft market testing exercise identified that potential tenants would be prepared to pay a market rate for the accommodation provided. This will be confirmed as part of the open market testing carried out during the design stage.

Recent meetings and subsequent discussions with the MMO have indicated that provided the scheme can be completed within the 2019 calendar year, they would welcome applications from this project.

The proposed development would remove Car and Coach parking spaces as well as the winter boat storage facility which currently operate within Oxen Cove on the harbour estate. Whilst the design stage for this project is underway, the Council will need to assemble a team to work with Brixham Town Council and other local stakeholder groups to establish the likely impact on parking capacity in Brixham and identify appropriate and reasonable mitigating actions that could be implemented.

2.8 Critical Success Factors

Obtaining an external grant of between £1m and £2m from the European Maritime and Fisheries Fund (EMFF) and a market rental from a tenant are both critical to the delivery of this new infrastructure. The project will be considered a success if the new unit is used for the intended purpose and subsequently helps deliver a new income stream which will be used to support the cost of borrowing. If the maximum grant can be secured, the project could also produce a new revenue stream for the Council.

Further critical success factors include completion of the works without major disruption, on time and within the forecast budget. Wider success factors will relate to the creation of new jobs, inward investment and delivery against a number of strategic objectives, not least the consolidation of Brixham's position as a leading fishing port.

3. Options Appraisal

Options considered	Brief explanation of options (including justifying options exclusion where applicable)
Do nothing	This option would represent a missed opportunity to diversify the fishing industry in Brixham. Shellfish landed from the new jetty would be loaded onto lorries and, likely, taken out of Torbay. Shellfish handling often needs access to seawater, which cannot be economically obtained, for example, on the Ring Road Industrial estates. With the lorries would go new local jobs and other clear economic benefits such as increased Torbay GDP. Furthermore, a rare opportunity to capitalise on a significant level of external grant funding (up to 75% of the project cost capped at £2m) would be missed.
For the Council to endorse the Harbour Committee's support of the proposal for a new fish or shellfish unit in Oxen Cove by approving this business case and including the scheme in the Capital Plan.	The Executive Head of Assets and Business Services should be asked to commission the TDA and/or other specialist professional support services to undertake additional ground investigation work, including design, cost estimates, statutory consents, tendering and project management for the construction of a fish or shellfish unit. Also, for the TDA and the Executive Head of Assets and Business Services to submit an application for external grant funding and to secure a tenant for the building. This is the preferred and recommended option.

4. Financial Aspects

4.1 Financial Investment

	Option 1	Option 2	Option 3	Years 1 ~ 3	Years 4 ~ 7
Total Capital Investment	£3,400,000	£3,400,000	£3,400,000		
Made up of:					
External Grant Funding	£2,000,000	£1,500,000	£1,000,000		
Capital Receipt					
Allocated Capital Grant					
Unringfenced Capital Grant					
Prudential Borrowing	£1,400,000	£1,900,000	£2,400,000		
Ongoing Revenue Costs:					
Repairs and Maintenance				Nil	£5,000 pa
Staffing				Nil	Nil
Other (cost of borrowing)	£73,320	£98,148	£123,977	£98,482 pa *	£98,482 pa *
Total Costs	£73,320	£98,148	£123,977	£98,482	£103,482

* Average cost of borrowing of Options 1 to 3

4.2 Financial Savings

	Option 1	Option 2	Option 3	Years 1 ~ 3	Years 4 ~ 7
Rent	£130,000	£130,000	£130,000	£130,000	£130,000
Total Costs	£73,320	£98,148	£123,977	£98,482	£103,482
Lost Winter Storage Income	£10,000	£10,000	£10,000	£10,000	£10,000
Net additional income	£46,680	£21,852	- £3,977	£21,518	£16,518

It has been assumed that all car/coach parking income will be displaced into other Council owned car parks

5. Outcomes, Benefits and Dis-benefits

The creation of a fish and/or shellfish unit will bring significant economic benefits to Torbay and specifically Brixham. This scheme also provides an opportunity to diversify the fishing industry in Brixham and create new jobs. Furthermore, it presents a rare opportunity to capitalise on a significant level of external grant funding (up to 75% of the project cost capped at £2m).

The soft market testing undertaken to date has indicated that the proposed unit is likely to create between 50 and 80 new jobs based in Brixham.

6. Risk Summary

6.1 Risk of not implementing the scheme

Risk Description	Risk Mitigation
A budget of £400,000 will be required to undertake the site investigation works, along with the scheme design, external grant funding application and various consent fees, including a planning application. There is a possibility that these proposals may not reach the construction phase and therefore the funding for this work is being undertaken at risk.	<p>Completion of the proposed scheme.</p> <p>It is being recommended that the harbour reserve fund, in combination with the capital contingency budget, be used to underwrite the at-risk costs on the understanding that all such costs will otherwise be recovered as part of the capital budget for the delivered scheme.</p> <p>This risk will be mitigated by reviewing the at-risk spend in line with the forecast harbour income and harbour reserve balance, at monthly milestone intervals.</p>
There is a risk that a significant opportunity will be missed for the local industry, as well as the local economy and local employment opportunities, if new shellfish landings are taken out of Torbay to an alternative handling facility.	Completion of the proposed scheme.

6.2 Risk of delivering the scheme

Risk Description	Risk Mitigation
The scheme costs exceed the available budget.	Total scheme costs include a contingency allowance of 15%. By undertaking the design works to RIBA Design Stage 4 it will be possible to identify any below ground anomalies which will be included in the Tender documentation. A decision to proceed will only be made after the results of the construction tender process are known. TDA's project management team are

	well known to the Council and have a track record of bringing in its schemes, on time and on budget.
There is a risk that the mussel landing income is not achieved.	<p>Soft market testing has shown that three groups are interested in taking space in the new fish or shellfish unit. One, whose interest was furthest developed in the time available, also indicated that the projected rentals were in the right area. Further, formal, marketing will take place during the design stage.</p> <p>In the unlikely event that shellfish companies decline to take the space, the new facility is itself, a standard design and will therefore be able to be used for a variety of different uses.</p>

6.3 Strategic Risk Register

To be reviewed if the scheme progresses.

7. Project Delivery

7.1 Project Roles

The **Project Sponsor** will be Kevin Mowat, Executive Head – Assets and Business Services.

The **Project Manager** will be allocated by the Torbay Development Agency.

7.2 Milestones

Milestone	Date	Dependency/Interface
Council decision whether to proceed	December 2017	
Planning Application Approved	Summer 2018	
EMFF grant aid approved	Summer 2018	

Construction Tender process complete	Summer 2018	
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This section will be completed if the scheme is agreed.