

Asset Transfer Proposal; summary and explanation

The Asset Transfer Proposal is about the transfer of land assets from EDDC to Beer PC. The areas include, The Jubilee including the toilets and Memorial Playground, Charlie's Yard, Beach Court car park, part of Beer Head car park and Starre Bank. The proposal does not relate to future use of the areas or make proposals for any future uses.

The consultation undertaken in December 2020 asked two primary questions; the first to identify if there was support within Beer to take on the ownership of the assets, the result was 80% in favour of the proposal. The second aspect of the consultation was to identify deficiencies in available entertainment in Beer and what sort of entertainment and commercial activities were supported. The results of the consultation will inform further studies by an outside consultant with the aim of bringing more detailed proposals to the council and community for further consultation, before any decisions are made.

The negotiation process

The proposal, including various finance plans, has been debated in council since 2015. The plans and details have been amended as EDDC revised the assets they were prepared to transfer and more EDDC finance information became available.

The proposal put to the council in February 2019, based on a simple analysis of the tasks involved and cross referenced to EDDC cost data, showed an estimated net operating cost to BPC of £53000. This was the basis of negotiation with EDDC. The BPC starting point in the negotiation was "if we take on assets with a cost, we need a cash payment from EDDC to cover that cost". The EDDC starting point was "if assets are going to be handed over by EDDC then there must be no additional cost to EDDC and may deliver a saving". The negotiation was therefore to achieve a solution where BPC did not take on an impossible burden from day 1, but over time EDDC would achieve a financial saving.

The final financial proposal approved by BPC in September 2019 and shown as table 2 below, identified an overall cost in year 1 of £57500. EDDC would pay BPC £57500 in year 1. This amount would then be tapered down to a base line payment of £13500 by year 7. The base line payment represented the income from Beach Court car park and would be retained indefinitely. The proposal as shown in table 1, required BPC to both reduce its cost of maintaining the assets and to develop new income streams from the assets or other avenues.

Table 1 shows a predicted cost in year 10 of £44600, however this includes a notional £10000 value of community work and a set aside of £3000 for improvements and replacements giving a cash requirement of £31600 compared to an income in the year of £25400. While this represents a deficit for the year, over the 10-year period BPC will have received £380000 from EDDC with a 10-year net position of +£17700.

While all these numbers show the viability of the proposal, it must be appreciated that they are "best knowledge" cost estimates based on a realistic assessment of the work required, primarily; ground keeping and toilet maintenance. The estimates have been compared to EDDC costs as a "sense check". EDDC have seen the figures as they also have to assure themselves that any proposal is viable and that a receiving council is able to manage and maintain any transferred assets.

A further element of viability checking was for EDDC to examine their current activity in Beer on the transferring assets and to cost out these works. This had a two-fold benefit, it identified the works EDDC would undertake in years 1 to 5 and give an up-to-date assessment of costs to cross check against the BPC model and confirm viability of the proposal. EDDC supplied the costs and work schedules on 19/2/21 and these figures have now been incorporated into the models and are shown in Table 2.

EDDC required a staged withdrawal of work input into Beer as it needs time to reallocate staff. It was agreed that EDDC will continue to provide services to BPC. The service will be as current for year 1, tapering to zero in year 6. EDDC will make a charge of £30000 in year 1 tapering to zero in year 6. The amount will be deducted from the annual payment due to BPC from EDDC.

Income predictions are modest and staged over the 10 years and relate to potential rental incomes from developed facilities, events and car and camper van parking.

Any capital works required will be funded through development grants and any works will have undergone consultation, viability assessment and planning before final agreement.

Background and current position

The proposal was submitted to EDDC February 19. Over the summer 2019 there were various negotiation meetings between Cllr Pook and EDDC officers. The final negotiated proposal incorporating the revised tapered payment scheme and work input by EDDC was debated in BPC on 9/7/19.

The report incorporating the final proposal was considered by EDDC Asset Management Forum on 2/9/19. Cllr Pook as Chair of AMF abstained from the debate and vote on the item.

The report incorporating the final proposal was put to and approved by EDDC cabinet on the 2/10/19 and approved by EDDC full council on the 23/10/19. On both occasions Cllr Pook abstained from the debate and vote as he had been representing Beer PC in preparing the proposal.

Draft heads of terms were prepared by EDDC on the 3/3/20 and these were presented to Beer PC 3/3/20. While the terms were debated, as the document had been tabled and wasn't on the agenda for approval, the minutes did not record a formal acceptance. Council meetings were disrupted by COVID-19 restrictions during Spring and Summer and the heads of terms were re-presented to Beer PC together with an explanatory document "What the transfer of assets means to Beer" on the 6/10/20 when they were formally approved.

The Heads of Terms relate to two aspects of the transaction.

1. The legal title and description of the land and the responsibilities and conditions related to ownership of the land.
2. The business case supporting the transfer and BPC capability to undertake the work and responsibilities.

Regarding item 1. EDDC will prepare the necessary legal transfer documents that will then be passed to BPC solicitors to undertake the land conveyancing aspects of the work.

Regarding item 2. The finance plans and work plans have been a matter of debate and amendment over some years and the proposal has been shown to be viable. In addition, the specific matter of Transfer of Assets, with background finance and practical information formed part of the December 2020 consultation which resulted in 80% of residents being in favour of the transfer.

The Draft heads of terms identified two further actions and fulfilment of conditions.

1. Agreement of the "Service Level Agreement" covering the works to be undertaken by EDDC in years 1 to 5. This information has been provided (19/2/21) in basic format identifying the tasks currently undertaken. This needs to be reviewed and agreed.
2. Condition survey, all assets to be transferred need a final inspection and for them to be transferred in good working order. Assets may require some works and BPC need to agree to have work done or accept a cash payment.
3. Conditions as set out in the Heads of Terms page 3 "Key matters for Consideration"

Finance considerations

The detailed cost breakdown is within the main spreadsheets from which the tables below have been extracted. With the exception of the data provided on the 19/2/21, all information has been presented and made available to councillors. Over the years a number of finance models have been developed. To aid clarity earlier models that have been superseded are not attached.

The spreadsheet "Asset Transfer cash cost estimates" contains all relevant information related to the final proposal as agreed with EDDC and BPC.

The spread sheet contains 5 tabs.

1. EDDC current cost estimate (provided 19/2/21)
2. Year 10 yr 1 and EDDC combined.
3. Table 2 Operational cost estimates.
4. Year 1 costs as per Jan 19
5. Table 1 Ten-year cash position

Table 1. Ten-year cash position

	base	yr1	yr2	yr3	yr4	yr5	yr6	yr7	yr8	yr9	yr10	Notes	
Notional cost based on EDDC data (£55000 + £2500)		57500	58650	59823	61019	62240	63485	64754	66049	67370	68718		
Income													
Income from Beach Court CP (net of costs)		12000	12240	12485	12734	12989	13249	13514	13784	14060	14341	1	£ 131,397
Lease and commercial income				5000	5100	8202	8366	8533	10704	10918	11136	2	£ 67,960
EDDC cash dowery, base sum less beach court car park	57500	45500	39000	32500	26000	19500	13000	6500	0			3	£ 182,000
Total estimated income total		57500	51240	49985	43834	40691	34615	28547	24488	24978	25478	4	£ 381,357
Costs (estimated to relate to EDDC costs above)													
Beer PC Fixed costs reducing as elements passed to tenants		12000	10000	10200	8000	8160	8323	6000	6120	6242	6367		
Beer PC material consumable costs		7000	7140	7283	7428	7577	7729	7883	8041	8202	8366		
EDDC contract		30000	24000	18000	12000	6000							
Beer PC cost equiv for EDDC works	55%	0	3300	6600	9900	13200	16500	16500	16500	16500	16500		
Notional cost/value of community works and efficiencies	15%	4125	5198	6273	7353	8436	9523	9713	9907	10106	10308	5	£ 80,941
Capital / depreciation fund	10%	4900	4444	4208	3733	3494	3255	3038	3066	3094	3123	6	£ 36,356
Total estimated costs including community works		58025	54082	52565	48414	46867	45330	43135	43634	44144	44664	7	£ 480,858
Cash position													
cash requirement excluding community works		53900	48884	46291	41061	38431	35807	33421	33727	34038	34356	8	£ 399,917
Beer PC surplus (+) deficit (-) ex community work		3600	2356	3694	2773	2260	-1192	-4874	-9239	-9060	-8879	9	-£ 18,560
cash requirement excluding community work and capital fund		49000	44440	42083	37328	34937	32552	30383	30661	30944	31233	10	£ 363,561
Beer PC surplus (+) deficit (-) ex community work and capital fund		8500	6800	7902	6506	5754	2063	-1836	-6173	-5966	-5755	11	£ 17,796
Notes													
1	£ 131,397	Beach Court car park income over 10 years											
2	£ 67,960	Commercial rentals and events											
3	£ 182,000	cash received from EDDC over 7 year period											
4	£ 381,357	total dowery cash plus carparking and lettings											
5	£ 80,941	notional value of community work											
6	£ 36,356	contribution to capital fund at year 10											
7	£ 480,858	total notional cost including community work and capital fund											
8	£ 399,917	Cash required over 10 years with community input											
9	-£ 18,560	net cumulative cash position at year 10 if capital fund retained											
10	£ 363,561	Total cash required over 10 years if capital fund utilised for maintenance											
11	£ 17,796	net cumulative cash position at year 10 utilising community input and capital fund											

Table 2. Operational cost estimates and EDDC current cost

		BPC cost estimate at year 1	BPC cost estimate year 10	EDDC current cost assessment
Charlies yard totals		£ 6,825	£ 5,000	£ 1,793
Jubilee and toilets totals		£ 44,469	£ 35,120	£ 52,988
General open space totals		£ 3,050	£ 1,950	£ -
Car parks totals		£ 3,950	£ 2,300	£ 3,949
BIN EMPTYING included in BPC cost estimates				£ 20,521
Totals		£ 58,294	£ 44,369	£ 79,251
EDDC costs include transport costs for their staff of	£ 19,103	if these are removed the estimate cost reduces to		£ 60,148
The EDDC cost estimates of labour are based on £22/hr (note EDDC charge rate based on salary and council on costs)	£ 18,612			
BPC estimates based on £12/hr labour costs would be	£ 10,152			
Saving using lower hourly rate	£ 8,460	Using £12/hr the EDDC cost assessment reduced to		£ 51,688
The EDDC current assess bin emptying charges appear excessive at £20521, if only 50% is agreed				£ 41,427

Explanation of Table 2

1. The BPC cost estimate year 1 of £58294 is what we estimate it will cost BPC to maintain the assets this year, this should be compared to current EDDC costs of £79251. However, the EDDC figure includes a transport cost of £19103 and a labour cost of £18612 based on an EDDC labour rate of £22/hr. (note this is an overall cost of staff averaging different individual pay rates including EDDC general overhead). The transport charge will not be required for BPC staff/contractors and the labour rate for BPC is based on £12 per hour. If the EDDC assessed cost is reduced by the transport and labour elements then the EDDC assessment is reduced to £51688, this is lower than the year 1 BPC estimate of £58294 which the model has allowed for.
2. If the bin emptying charge is reduced by 50% then the EDDC estimate is reduced to £41427, lower than the BPC year 10 estimate.
3. Considering the Jubilee and toilets, the combined EDDC assessed cost is £52988 being the sum of Jubilee costs £9955 and toilets costs of £43032. The toilets cost includes a £22419 premises charge and £10577 transport charge. If premises charge is reduced by 50% and the transport charge removed the EDDC assessed cost to operate the toilet would be £21245. Adding back the Jubilee costs of £9955 the combined EDDC assessed Jubilee and toilets cost would be £31200. BPC have assumed combined costs of £44469 in year 1 and £35120 in year 10, having implemented savings. The model therefore shows that adequate provision has been made to operate the toilets into the future.

Conclusions and summary

1. The BPC model allows for a higher cost than the present EDDC assessed costs, after removal of those costs that are not applicable to BPC operation. The overall operation is therefore considered viable.
2. The BPC model allows for a higher cost than the current EDDC assessed cost for operating the Toilets and Jubilee areas. This shows that BPC has allowed sufficient funding for operating the toilets.
3. The BPC model does require community input to undertake some tasks to balance costs to income in years 7 onwards however, the BPC estimate of costs is more than the current EDDC adjusted costs and it is considered entirely reasonable to achieve further savings by year 10, enabling the income and expenditure to balance. Over the 10-year period considering total estimated income and total estimated expenditure BPC should be in surplus.
4. The model assumes relatively modest income by year 10. The assets offer exciting and valuable commercial opportunities and if these are exploited by BPC, they can be controlled to retain the essential character of Beer. In all probability the commercial income should exceed the modest income estimates.

If Beer PC does not take on the assets it will have no control or say in their future development or use

To conclude the proposal is considered financially and practically viable and will enable BPC to enhance and improve the assets and services it provides for the benefit of the residents and visitors to Beer into the future.