

7 FINANCIAL ASSESSMENT

7.1 Proposed Scheme and Uses

7.1.1 In our view **The Site** will sell in larger plots, probably of 4 ha (10 acres) or so, for principally distribution/storage uses resulting in relatively low employment generation but with a correspondingly low demand on infrastructure service requirements. More intensive uses may follow to support the earlier occupiers. There appears to be a strong demand at present resulting in an opportunity to secure some significant sales if **The Site** can be made available.

7.2 Viability

7.2.1 Gerald Eve in their report of December 2006 attached a cash flow showing a negative Net Present Value (NPV) of £18,257,437. This assumed that the annual rate of land sales would only be 0.8 ha (2 acres), thus taking 38 years to complete the development on the assumption of net sales totaling 30.7 ha (76 acres), with expenditure of over £10m within the first three years of the development.

7.2.2 We have used Glead's infrastructure costs, as there is insufficient information provided to challenge them, but we do not accept that it is necessary to incur the full cost immediately for the distribution/storage uses being considered. We consider that a prudent developer will seek to spread his costs as far as possible to reduce the initial capital outlay until some receipts have been achieved. We have also accepted that for the proposed employment uses a land value of £741,000 per ha (£300,000 per acre) is appropriate but believe that the potential to realise sales of 16-20 ha (40/50 acres) in the first few years is an achievable objective but have used 12 ha (30 acres) as a realistic objective in the first phase. This has a fundamental affect on the cash flow

7.2.3 Attached, in Appendix 1, is a cash flow assuming that the infrastructure can be phased with an initial sale of 12 ha (30 acres) and the remainder sold in 4-8 ha (10-20 acre) phases over a period to 2022 at the latest. This results in a take up of an average of 2.5 ha (6.3 acres) per annum, considerably less than achieved at Ransomes Europark.

7.2.4 The infrastructure costs are significant in relation to the overall sales receipts but on these assumptions there is a positive land value. The figures show a positive NPV of £3.6m compared to the negative figure of negative £18m. The cash flow shows that a developer can make a return on the substantial infrastructure investment required but it also implies that if the substantial infrastructure costs are correct, the value of **The Site** in its existing condition is small in relation to the total investment required.

7.2.5 It is noted that the proposed development which provides the basis for the Glead's cost plan provides for less than 10% of the site for commercial uses. No justification for this proportion is provided.

7.3 Grants

- 7.3.1 Grants which would be applicable to this site subject to employment use on site and support to the growth of the international ports include Sensitive Lorry Miles, Freight Facilities Grant (FFG), Rail Environmental Benefit Procurement Scheme (REBPS), and Strategic Freight Investment Grants. Importantly and reflecting the Growth Point Status of the area, Growth Area Funding would require justification that capital would support the growth of Ipswich or the international ports of Felixstowe and Harwich.
- 7.3.2 Sensitive Lorry Mile grants comprise a quantified value for the impact of heavy vehicles on our roads and are based on specific routes and their values per km from point (a) to point (b). In this respect calculations for journeys to Harwich and Felixstowe may result in a subsidy of £11.15 and £7.48 respectively for each trip
- 7.3.3 FFG's provide a contribution towards the capital cost of providing rail and water freight handling facilities. In effect, this grant seeks to offset the initial capital cost and in so doing increase the uptake of rail and water freight activities. FFG funding will only contribute up to 50% of the total capital cost and is the contribution sum directed by the environmental benefits of achieving greater rail and water freight handling and an overall financial appraisal of the capital cost. Funding may also require that certain facilities are provided as open access facilities to ensure maximum benefit.
- 7.3.4 REBPS is an important funding scheme for **The Site** as the objective is to assist companies using rail freight instead of road networks where the cost of rail is more expensive than road. The scheme is only active from 2007 to 2010 as per European Commission approval and this schedule may complement existing phasing opportunities for **The Site**, however further detailed investigations are required. If successful, REBPS payments will be based on rates for each tonne, container or vehicle moved through **The Site**.
- 7.3.5 Growth Area Funding bids through the Haven Gateway Partnership (HGP) for **The Site** could comprise contributions towards the infrastructure components which are directly related to supporting the growth of the ports and/or release of this strategically important employment site. However, it is recognised that critical milestones which need to be reached include: completion of the outstanding appeal on **The Site**; confirmation of application requirements for next funding round of 2008-2010; demonstration of detailed costs and benefits; and, an overall ability to claw back invested funds pending the gradual release of **The Site**.
- 7.3.6 It is important to recognise that the grant schemes identified above do not seek to prop-up the scheme, but rather to increase the attractiveness and seek to ensure implementation by interested stakeholders including the current site owners. Furthermore, it is likely that any substantial public sector involvement will in turn require a claw back mechanism such that the funds are inherently loaned to the scheme before being paid back and then allocated to future funding projects.

7.4 Planning Contributions and Conditions

7.4.1 Planning Contributions which are likely to be required to address impacts or ensure that the development addresses planning policy will largely increase with any residential component due to the greater quantum of development impacts such as the additional number of places at local schools or generation of private commuter traffic. It is recognised that Circular 05/2005 identifies that, where possible, planning conditions rather than contributions are seen as a first preference. However, it is likely that the key planning contributions or conditions required from employment use on **The Site** will include:

- Highways improvements which are likely to include contributions towards the cycle path around **The Site**, riparian restoration measures and upgrading of Sproughton road connections based on the phased assembly of the entire site;
- Environmental improvements to the Chantry Vale Island and on site SUDS; and,
- Phased implementation plan and potential Grampian style conditions to stage contributions subject to phasing