

## **NOT FOR PUBLICATION**

Appendix A to this report contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972

Report to: **Executive**

Date: **18 July 2019**

Title: **Ivybridge regeneration**

Portfolio Area: **Strategic Assets – Cllr Hilary Bastone**

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken: **After Call In 29 July 2019**

Author: **Chris Brook** Role: **Head Of Assets Practice**

Contact: **Email: [Chris.Brook@swdevon.gov.uk](mailto:Chris.Brook@swdevon.gov.uk)**

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### **Recommendation: that the Executive RESOLVES to:**

1. Approve the revised business case contained within Appendix A.
2. Instructs officers to seek to finalise the land assembly and stakeholder engagement
3. Approve a maximum spend of £50k
4. Bring back a further report to the Executive upon the conclusion of recommendation 2.

### **1. Executive summary**

1.1. Following a decision by the Executive in March 2019 (minute ref E.82.18) to approve the principle of a regeneration project in Ivybridge this report provides further information, business case and justification as requested by the Executive.

1.2. The development would offer new employment opportunities for around 60 people and the mix of uses would generate approximately 1,800 to 2,200 customers a day into the centre of Ivybridge.

1.3. The project cost is approximately £11m representing a significant investment in the community of Ivybridge.

## **2. Background**

2.1. In March 2019, the Executive resolved the following:

- 1) That the findings of the Ivybridge 'Vox Pops' consultation be noted;
- 2) That the submission of an Expression of Interest to the Government's Future High Street Fund in respect of Ivybridge be supported; and
- 3) That the principle of a supermarket development within the Council owned Leonards Road and Glanvilles Mill car parks be approved, subject to an acceptable detailed business case and agreement with third parties. (NB. These will need to be in place before a final decision on progressing a development).

2.2. Since then, the project, which includes; construction of a supermarket on part of Leonard's Road car park, relocating a police station, a net increase in parking provision and the relocation of other facilities, has now been worked up in more detail and a business case prepared as set out in Appendix A, which due to commercial sensitivity is exempt.

2.3. The scheme design has been developed based on feedback on the initial proposals and consultations with the Town Council, businesses and local residents. The proposed Scheme now includes a more comprehensive approach and includes proposals for integration and improved car parking and access to the historic town centre and the newly refurbished leisure centre.

2.4. The police station, scout hut and skate park would need to be relocated within the immediate vicinity of the development site. Discussions have been undertaken with the Police Authority and Fusion Leisure, although more dialogue is needed..

2.5. Heads of Terms have been agreed with Aldi Stores Ltd a national supermarket operator. The supermarket's business model of only stocking ~1,800 product lines (instead of a more typical 20,000 to 40,000) requires shoppers to visit other stores to complete their typical weekly shopping. It is for this reason that this style of store would assist with the sustainability of shops and high streets in close proximity. The strategy is to increase regular footfall within the town centre, stimulate linked trips and reduce the need to shop in out of town locations.

2.6. The car parks areas (Leonard's Road and Glanville's Mill) are to be re-planned, and together with riverside works will open-up sightlines and improve pedestrian routes into the Glanville Centre and the High Street. The existing car park charging structure will be reviewed with an aspiration to provide 90 minutes free parking for all town centre users. The new car park will provide 272 spaces

- an increase of 57 spaces. The reconfiguration includes improved access to the leisure centre with a drop-off point and coach bays.

2.7. The development would offer new employment opportunities for around 60 people and the mix of uses would generate approximately 1,800 to 2,200 customers a day into the centre of Ivybridge.

2.8. There are no other sites in the centre of Ivybridge which would be suitable for such development. If an out of town location (such as a proposed site south of A38 development) came forward, it is considered likely to have a further detrimental effect on central Ivybridge footfall and commerce, when added to Tesco's location on the A38. As stated in Peter Brett Associates Retail & Leisure Study dated May 2013 already 92.4% of convenience consumer spend is leaving the town centre with 55.9% going to the Tesco Extra at Lee Mill.

2.9. Initial positive conversations have been had with the land owner south of the A38 regarding the Council leasing some land to provide a long stay park and walk car park, utilising the existing footpath under the A38 by the river. This could provide a further 50 parking spaces.

2.10. The masterplan for the project is shown below.



### 3. Outcome / Outputs

3.1 Having run a competitive process with a number of supermarket operators, we have now secured the key part of the business case which is the rental returns over 25 years (please see Appendix A). There are however a number of other outputs that will need to be secured before the project can proceed as follows:

3.2 **Devon and Cornwall Police.** The project still requires agreement to be reached with this key stakeholder.

3.3 **Fusion Lifestyle.** The project team have an ongoing dialogue with Fusion Lifestyle. Given the investment in the Ivybridge Leisure Centre, they are rightfully cautious of any project that could impact upon the investment.

Officers are working with them to improve and consider: Site lines, coach drop off, parking capacity, construction phasing and impact. It is too early in the project to have closed out these concerns fully but these issues will be addressed as part of the ongoing business case.

3.4 **Car parking tariff changes.** The supermarket provider requires 90 minutes free parking for their shoppers. This is to ensure that their shoppers have time to complete their shop in the supermarket (20mins on average) and then continue their shopping with other providers in the town. This is essential for the project to meet its regeneration aims.

3.5 To change car parking tariffs and the extent of the car parks, the Council will need to go through a public consultation process and ensure that the impact of it was thoroughly understood and agreed by the Council.

3.6 If the income currently derived from the car park is lost, the business case for taking forward these proposals is very marginal if the income cannot be replaced. A specialist car park consultant will be commissioned to model the numbers to consider the likely effect against the existing structure. Whilst this project is being recommended for its economic and employment benefits, not its business case, the income margin must be considered.

3.7 The project team shall be commissioning third party analysis of the car parking data and using comparables from similar regeneration projects to get a sensitivity analysis on projected parking income.

3.8 **Park and Walk south of the A38.** This option is being pursued as a result of previous concern from stakeholders that car parking tariff changes in Leonard's Road and Glanville's Mill car parks would displace long stay parking to the detriment of Ivybridge. This option is yet to be formalised with the land owner and may also require separate planning approval. The exact terms on which this aspect of the project may be delivered are therefore not clear at this stage.

#### **4. Specific Options available and consideration of risk**

4.1 Development and investment projects carry inherent risk and the following should be considered by the Executive as part of their deliberations:

- a.** Financial exposure during the construction phase prior to occupation by the tenant. This risk shall be eliminated via the use of an agreement to lease between Aldi and South Hams District Council. This would also apply for the Police, Foodstore and other aspects, but are subject to negotiation.
- b.** Borrowing is within the agreed limits agreed by Council in September 2018.
- c.** Construction cost over run. This risk needs to be managed. A reputable contractor will be selected from a regional construction framework and employed using a standard form of contract. Project management will be outsourced and client side contingency costs are built into the business case.
- d.** Planning. There is no certainty that the proposals will get planning approval.
- e.** Tenant covenant (strength / risk of going bust). The Foodstore operator is a national covenant with a very strong balance sheet. The Council would not consider entering into a 25 year lease were that not the case. It is possible however that any business can falter over that time frame and the Council would need to seek other operators of a similar nature to take over the operation of the facility were that to happen.
- f.** Maintenance and Insurance. The lease would include an obligation on the tenant to maintain and insure the building.
- g.** Commercial return. The borrowing structure proposed for the project is based on fixed interest and repayment of 50% of the loan over the term. The lease is would contain an inflation linked upwards only 5 year rent review. As such the commercial return of the project improved over the life of the investment.
- h.** Public land. The project does not sell off any land owned by the Council. At the end of the investment period, the Council will own the land and the asset upon it, with no debt against either.

#### **5. Proposed Way Forward**

5.1 That the Executive approve the recommendations included in this report.

## 6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		<p>The appendix to this report is exempt from publication because it contains information about the Council's financial and proposed commercial affairs as defined in Paragraph 3 of Schedule 12A to the Local Government Act 1972. The public interest test has been applied and it is considered that the public interest lies in not disclosing this report at this time because it contains financial and commercially sensitive information which could prejudice the Council if such information was disclosed at this time.</p> <p>These proposals are consistent with the Council's powers to borrow and invest under the Local Government Act 2003 and section 1 Localism Act 2011 (the general power of competence). Section 1 of the Local Government Act 2003 provides a power to the Council to borrow for the purposes of any enactment. There is an overriding duty toward prudent management of risk, and officers, including the Council's section 151 officer, owe a fiduciary duty in relation to given transactions.</p> <p>Any future development will be subject to the normal Council planning process and any decision by Executive does not infer that planning permission for the proposed developments would be granted.</p>
Financial implications to include reference to value for money		<p>The financial considerations are contained within Exempt Appendix A.</p> <p>Recommendation 2 is that a budget envelope of £50,000 is kept within and to bring a further report back to the Executive as per Recommendation 4.</p>
Risk		All development projects carry risk. Reference section 4 above for further details.
Supporting Corporate Strategy		Enterprise
<b>Comprehensive Impact Assessment Implications</b>		
Equality and Diversity		N/A.
Safeguarding		N/A

Community Safety, Crime and Disorder		N/A
Health, Safety and Wellbeing		N/A
Other implications		N/A

**Supporting Information**

**Appendices:**

Appendix A – Ivybridge Business case

**Background Papers:**

Council and Executive reports

**Approval and clearance of report**

<b>Process checklist</b>	<b>Completed</b>
Portfolio Holder briefed/sign off	<b>Yes</b>
SLT Rep briefed/sign off	<b>Yes</b>
Relevant Head of Practice sign off (draft)	<b>Yes</b>
Data protection issues considered	<b>Yes</b>
Accessibility checked	<b>Yes</b>