

NOT FOR PUBLICATION

This report contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (financial affairs relating to the business affairs of the Council or a third party) (applies to Appendices A, B, D and F)

Report to: **Audit Committee**

Date: **23 July 2020**

Title: **Ivybridge Regeneration Project**

Portfolio Area: **Enterprise – Cllr Bastone**

Wards Affected: **All**

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

Date next steps can be taken:

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Recommendations

That the Executive notes:

- 1) the results of the public consultation on the proposals outlined in this report (69% were in favour and supported the development as detailed in Appendix C)
- 2) the business case contained in Appendix A

Recommends to Council:

- 3) to spend a further £65,000 from the Economic Regeneration Earmarked Reserve, on commissioning further work to provide advice in order to move the project forward in the following areas:
 - a. Planning
 - b. Ecology

- c. Automated Number Plate Recognition (ANPR) & car park lease structure to facilitate a pay on exit solution
 - d. Agreement to lease documents
 - e. Treasury management advice
- 4) Request that officers bring a subsequent report back to the Executive and Council in September with a recommendation for the project to move to the planning and tender stage, on the satisfactory conclusion of the work commissioned in Recommendation 3.

1. Executive summary

- 1.1. This report sets out the current position and makes recommendations with respect to the Ivybridge Regeneration Project at Leonards Road.
- 1.2. Following a report to the Executive, (March 14 2019 E.82/18) regarding the Ivybridge regeneration project at Leonards Road Car Park to boost footfall to the town, the following recommendation was made:
- 1.3. *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).*
- 1.4. This report sets out a new layout for a food store entirely within land owned by the Council, the business case for its development based on project cost of £8.5m and the results of the public consultation on the proposals (69% in favour as set out in Appendix C).
- 1.5. The report gives consideration to the need to change the car parking operation to become 90 minutes free for Aldi customers, with a maximum stay of 4 hours across the entire car park. It also recommends the use of ANPR technology to operate the car park (pay on exit).
- 1.6. In light of the current Covid-19 pandemic, and the challenging financial picture that the Council faces, it is proposed to move the project forward in some key areas only, but delay the key decision to September 2020 when the financial outlook should be more certain.
- 1.7. It is also recognised that the challenges faced by businesses, highstreets and towns has become even more acute as a result of the pandemic and there will be a need for infrastructure spend to help support an economic recovery. This project is an economic regeneration and infrastructure development project so aligns well with that requirement.
- 1.8. It is recommended that the £65,000 for the commissioning of further work is funded from the Economic Regeneration Earmarked Reserve. This reserve has an uncommitted balance of £280,000

and is the remainder of the business rates pilot gain funding that the Council received in 2018/19, when the Devon business rates pool had pilot status. This money was specifically set aside for regeneration projects. Minute E.14/19 (July 2019) agreed expenditure of £50,000 for this project previously and all of this previous budget has been utilised.

- 1.9. A version of this report was considered by the Executive at its meeting on 18 June 2020 and is being presented to this Audit Committee meeting as a result of the following recommendation:

'That the Audit Committee Work Plan be updated to ensure that the Risk Management elements of the Ivybridge Regeneration project be considered at a future meeting.'

Committee Members will also be aware that parts 1 and 2 of the report recommendation were approved at the Executive meeting and parts 3 and 4 were subsequently approved by the Council at its meeting held on 16 July 2020.

2. Background

2.1. Why protect Ivybridge Town Centre?

- 2.2. Maintaining Ivybridge town centre as a retail and social destination is so important for the ever-growing community that live in the town.

- 2.3. To protect the town centre; South Hams District Council believes that it needs to be reinvigorated and strengthened and something needs to be done to ensure any decline is halted and reversed.

2.4. How does the Ivybridge retail offer rank against other towns?

- 2.5. In 2013 when the Town Council commissioned the Peter Brett town centre study, Ivybridge was ranked 2,420th, out of ~3000 under the Venuescore rankings (published by Accenture consultants). The town had dropped 232 places in three years since 2010.

- 2.6. The cause in part was due to the significant leakage of consumer spend outside the town – 83.5% of resident's Specialty shopping and 92.4% of their Commodity shopping was bought outside Ivybridge.

2.7. What challenges does Ivybridge face as a Town Centre destination?

- 2.8. With the low town centre ranking and low level of multiple retail offering (i.e. chain stores) there are only limited reasons for customers to visit the town centre. The result is that Ivybridge is not often thought of by retailers or leisure operators looking for new sites as there is very little published occupational retail demand (i.e. a public declaration of interest in opening a store in the town) and no hotel demand.

2.9. Ivybridge also suffers from very strong competition. There is an increased concentration of retail brands towards the larger city centres of Plymouth and Exeter, while independent and high-end boutique fashion operators have South Hams outlets in Dartmouth, Salcombe and Totnes.

2.10. Food shopping is dominated by the large Tesco Extra store at Lee Mill and finally there has been a perception that car parking is difficult in the town centre car park as it is often nearly full. The recent expansion into other services of Endsleigh Garden Centre south of the A38 also presents a challenge.

2.11. What are the challenges of the retail environment / landscape that all towns face?

2.12. The retail industry is facing very challenging times. The reduction in consumer expenditure and economic uncertainty surrounding Brexit has led to many retailer closures. This change is now being accelerated by the economic impact of COVID 19 as retailers – large and small struggle with a lack of cash flow combined with the future uncertainty of how they can operate and sustain their businesses. The result will be a further decline in the number of operators across all markets.

2.13. Prior to COVID 19 a research paper released by PWC/Local Data Company stated that 2,870 high street stores had closed in the six months to 30th June 2019. This corresponds to 16 such stores are shutting per day, which is the highest rate of closures recorded since 2010.

2.14. The change in customer habits and shopping patterns nationally has driven the process. Internet shopping has become established. It is projected that by 2025, 35% of all goods purchases will be online.

2.15. Customer requirements have changed to the extent that discount and budget retailers are seen as the norm. If these options are not available, consumers will simply shop elsewhere.

2.16. Key objectives of the Ivybridge Neighbourhood Plan 2017

2.17. Included "An enhanced and commercially thriving town centre." To be achieved by:

2.18. Increased retail floor space and diversity

2.19. New shopping, anchor businesses and mixed-use development

2.20. Improved occupation of town centre premises

2.21. Enhanced public realm and access to the river.

2.22. Why Aldi?

2.23. The Council's strategic objectives sets out our priorities; town centre regeneration, increased footfall, job creation and safeguarding, business rate growth and climate change mitigation.

- 2.24. An Aldi store will encourage some of the 93% of shoppers that currently leave Ivybridge to food shop back into the town centre.
- 2.25. A new Aldi store not only represents a multi-million pound investment into an area, but also brings associated benefits such as employment opportunities, improved customer choice and increased local competition.
- 2.26. The nature of Aldi's stores means that, unlike larger retailers, Aldi does not provide a "one stop shop" for all food produce. This means that residents are encouraged to continue using existing local or independent businesses, thereby helping deliver wider economic benefits through increased footfall and associated linked trips.
- 2.27. Aldi describe themselves as a supermarket operator that sells quality products at low prices. They currently operate 875 stores in the UK and are now Britain's fifth largest supermarket. The expansion shows no signs of slowing with plans to increase the number of stores to 1,200 by 2025. The target is to open at least 50 stores per year where we believe they have around 200 stores identified in the investment pipeline at various stages of development.
- 2.28. Aldi employs over 30,000 people across the UK and supports an extra 150,000 indirect jobs through its relationship with British suppliers.
- 2.29. Aldi's graduate training programme is nationally regarded: *We've had lots of incredible success with our Area Manager Programme. In fact, we're No.3 in the Times Top 100 'Best Graduate Employers', and many of our Directors (even our CEO) started out as Area Managers. To top it off, it's not only for recent graduates. It's also an amazing opportunity to change your career. You can certainly expect hard work, but you'll also experience all of the support, development and training to succeed. Once you get the keys to your own area, it will feel like you're running your own £multi-million business. Amazing.*¹
- 2.30. Aldi turnovers £11.334 Billion with a Gross Profit of £3370.2 Million and a Net worth in the UK of £2.666 Billion.
- 2.31. In 2017 the Centre for Economics and Business Research (Cebr) published an independent review of Aldi and their economic impact on the UK, the key findings are below:
- 2.32. ***Aldi's GDP footprint of over £8.5bn represented 0.5% of UK GDP in 2016.*** Growth in GDP achieved through job creation, spending with British-based businesses, tax contributions and capital investment
- 2.33. ***In 2016 Aldi supported 146,000 direct and indirect jobs across the UK, which is equivalent to a 0.5% share of total UK employment in 2016.*** This catalysed the generation of an estimated ***£4.3bn*** in employee compensation
- 2.34. ***By 2022, Aldi will support at least 205,000 direct and indirect jobs, which would generate an estimated £5.9bn in***

¹ <https://www.aldirecruitment.co.uk/area-manager-programme/>

employee compensation. Employment at Aldi grew by an average of 21% annually from 2005-2016, a period that coincides with the recession, during which unemployment hit 8% in 2011/2012

- 2.35. **Shoppers saved an estimated £2.2bn last year by going to Aldi instead of the Big 4 supermarkets.** Aldi's focus on local sourcing and efficient business model result in exceptional value
- 2.36. **In 2016 Aldi worked with more than 1,000 UK businesses,** representing over 77% of the cost of all goods it sold in the UK
- 2.37. **For every £100 of GVA generated by Aldi, an additional £720 of GVA contribution** was generated in the wider economy in 2016
- 2.38. From a climate change perspective, Aldi are a carbon-neutral² company as well as their shopping model encouraging more local shopping and therefore reduced vehicle use.
- 2.39. Better cycling and walking links around the car park area and public realm, provided as part of the development, will reduce road miles for those people using a town centre shop instead of travelling further afield.

3. Regeneration Benefits

- 3.1. Significant investment from the Council would align with Central Government's message to "get the economy moving" again. There may be opportunities to attract funding from Central Government for this scheme, although no opportunities have been identified to date.
- 3.2. Local Employment: Each Aldi store employs between 30- 40 people, in secure, well paid jobs. Aldi voluntarily enters into local labour Agreements, as they are committed to recruiting people locally. They do not use zero hours contracts.
- 3.3. Increased trips – an Aldi store of this size in this location will regularly have 100 shoppers at any one time, who in turn can then take advantage of the leisure centre and high street.
- 3.4. In a recently opened store (2016) in a town centre location, Aldi conducted a survey of their shoppers habits to demonstrate that Aldi drives "linked trips" into the Town Centre, and consider travel modes, the key findings were:
 - 3.4.1. 12% of customers walk to the store and 9% travel by bus
 - 3.4.2. Over 20% of customers travel by sustainable modes demonstrating the store's accessibility to the immediate community
 - 3.4.3. Most customers (63%) visit Aldi for main shopping, 16% for top-up shopping and 21% for both purposes

² <https://www.edie.net/news/6/Aldi-achieves-carbon-neutrality-for-UK-and-Ireland-operations/>

- 3.4.4. 92% of respondents also use other supermarkets including the Asda store in Billingham District Centre (30%) and the Tesco Store at Leeholme Road (54%)
- 3.4.5. 46% of customers also use other convenience stores in the District Centre, demonstrating continued support for other shops in the centre following the arrival of Aldi
- 3.4.6. 49% of customers were going on to, or had already been to, other shops in the centre, demonstrating linked trips following the arrival of Aldi
- 3.5. The car park changes will improve turnover and hugely increase capacity for visitors compare to the current tariff. This will ensure the leisure centre, Aldi and high street trading potential is not fettered by car park capacity.
- 3.6. Construction Effect - Multiplier effect - Using the "*GLEK Consulting Multiplier*" of £2.84 of economic activity investment for every £1 of construction cost means that the project represents £18.5m of economic activity in the local area.
- 3.7. Inward Corporate investment – opening / long term commitment from Aldi. Projected over a term of 25 years (without any increase/inflation) - c **£21 million**. This spend is in addition to the initial construction costs invested by the Council.
- 3.8. This development will increase the business rates received in the area, boosting the income to be received by local government (DCC / SHDC) as well as central government.
- 3.9. Summary of benefits³
- It creates a development on a brownfield site
 - It acts as a catalyst for regeneration in an underperforming area
 - It provides choice and accessibility for shoppers in local communities
 - Aldi is not a one-stop-shop so it forms part of a wider weekly food shop, therefore shoppers continue to support other convenience store provisions including niche and larger stores
 - Stores encourage linked trips to other convenience stores, services and other businesses
 - Stores are modest in scale therefore town centres continue to thrive and function side by side
 - It creates economic regeneration with jobs in stores, logistics and construction
 - Local contractors benefit from new stores
 - Customers can make shorter trips
 - Many customers live within walking distance of new stores
 - It is loyal to and committed to the development of its staff
 - Its efficient business format keeps costs down, prices down and contributes to improving the environment
 - Locally sourced produce benefits local suppliers
 - At design stage consideration is given to the local environment, residents and the highway network

³ Appendix E – Aldi Investing in your community

- It sells quality products at low prices, which is attractive to all members of our Communities
- Aldi stores serve local communities thus complying with national planning policy by encouraging local sustainable developments

3.10. PLACE benefits:

- 3.11. The project will see the relocation and provision of a new Skate park to replace the existing facility. A £100,000 budget is included in the business case.
- 3.12. River bank environmental benefits and improvement to the public realm.
- 3.13. Further conversations with Glanvilles Mill (the owner of the two foot bridges) and the Town Council are proposed, with the explicit intention of finding a solution for long term maintenance and access across both bridges.
- 3.14. Additional Tree planting to offset the loss of trees in the car park. There will be a significant net gain in the number of trees as a result of this proposal. It is hoped that a "local tree planting" scheme can be implemented that would see free trees given to local residents who have space in their garden, as well as specific tree planting on the scheme and on adjacent Council land.
- 3.15. Independent Local Businesses – increased town centre footfall and income benefits due to diversion of trade away from Tesco at Lee Mills.
- 3.16. Renewable energy options – Solar Power proposed on the roof of the building to be owned and operated by the Council – investment return to assist carbon footprint targets.

4. Background – Scheme layout evolution

- 4.1. The initial proposal taken to the Executive in March 2019 showed a larger development proposal that encompassed third party land. The proposals that were included in the public consultation incorporated feedback from local stakeholders including the Town Council, Fusion Leisure, Police, local businesses, Glanvilles Mill, PL21 and South Dartmoor Community Energy.
- 4.2. This revealed little support for a drive through or the pub / bistro and that it was not in the strategic interests of the Police to relocate.
- 4.3. The priorities that emerged through this engagement process were:
- Protecting the high street – support for generating more footfall into town
 - Car parking
 - Re-opening the closed footbridge
 - Keeping the existing facilities (scout hut, youth centre etc.)

- 4.4. The design of the scheme as it now stands, uses a much smaller footprint, but still increases car parking capacity by ~19 spaces through the use of a partial decked car park.
- 4.5. The smaller footprint ensures that the area of the site closest to the leisure centre is unchanged, including the toilets and youth building, addressing those concerns.
- 4.6. Other design priorities include:
 - 4.6.1. Incorporation of green technology (solar).
 - 4.6.2. Engagement with the river setting and public realm, specifically cycling and walking access across the site adjacent to the river
 - 4.6.3. A "green halo", increasing the number of trees on the site, including extensive off site compensation for the loss of existing mature trees on the site (3 No.), subject to planning.
 - 4.6.4. Use of ANPR (Automatic number plate recognition) car parking technology allowing "Pay on Exit" for customers and a change to the parking tariff to provide 90 minutes free for Aldi customers and a maximum stay of 4 hours.



Figure 1 – Public consultation scheme layout - SE view



Figure 2 – Public consultation scheme layout – SW view



Figure 3 – Visualisation of proposed store

5. Background – Public consultation

- 5.1. A public consultation was carried out in Jan & Feb 2020 to ensure the views of the public both living in Ivybridge and the South Hams was captured. The public consultation had a good response rate, with 43% of the 2000 homes written to responding. A further ~1100 people also responded to the open online survey. The full results are contained in Appendix C.
- 5.2. The Public Consultation results showed that over two thirds (69%) of respondents support the new supermarket proposals and 66% of respondents telling the Council that they felt a new supermarket would improve footfall into the town centre.

- 5.3. There was strong support for a short stay car park with 87% in favour of changing from the current long stay. Residents also felt that they would increase their visits to the town centre if they were able to get an hour and a half of free parking to allow them to access the town's shops and businesses more easily. While 57% responded to say they would support out of centre parking for the 6% of people who work in the town.
- 5.4. The results revealed that most shoppers drive to do their main, or top up, shop during the day, suggesting there would be a marked improvement to the economy of the town by those who would take advantage of the free parking opportunities.
- 5.5. Respondents also felt that by improving shopping choice, it would drive down the cost of food shopping and would encourage people to shop locally within the town, rather than outside of it.
- 5.6. These results demonstrate that residents, and those living outside of the town, recognise the benefits of supporting regeneration and economic activity within Ivybridge's town centre.
- 5.7. This public consultation was undertaken before the pandemic and it is important to stress that in current times shopping habits have changed. Aldi and Lidl have seen an increase in trade and shopping in "local" stores has also increased. The implication is therefore that a local Aldi store would see even stronger demand than before, but it should be recognised that shopping habits may migrate back to pre-pandemic behaviour in time.

6. Background – Car Parking

- 6.1. Car parking capacity and duration of stay are fundamental factors to get this regeneration project to work. If the number of car parking spaces is reduced then fewer people will be able to come and use the high street, the food store, the leisure centre and other facilities.
- 6.2. If each space remains occupied for long durations (as now) then the car park will become "full" and remain that way, to the detriment of visitor numbers.
- 6.3. It is imperative that the length of stay and car parking tariff is designed to work for the intended user of the car park, which in this case is customers of Aldi, the high street and the leisure centre.
- 6.4. Each of these have different time requirements:
 - 6.4.1. Aldi ~30mins
 - 6.4.2. High street ~ up to 2 hours, longer on occasion
 - 6.4.3. Leisure centre 1h15 for standard use, up to 4hours for destination pool.
- 6.5. One of Aldi's key attributes is the need for its customers to make linked trips, visiting other shops in town to complete their

shopping needs. A 90 minute free parking tariff for their customers is specific to ensure they can do that.

- 6.6. It is proposed that the indicative parking tariff for non Aldi customers is as follows:

Up to 90 mins	90 – 120 min	120 – 240 min
£1	£1.80	£2.80

- 6.7. In this way, a stay of 90 minutes will be cheaper than it currently is in either the short or long stay car park on the site, as a stay of up to 2 hours costs £1.60 at the moment or £2.10 all day. The final parking tariff will be proposed as part of the final report to the Executive in September.
- 6.8. To ensure that visitors do not “hurry back” to their cars mid way through visiting Ivybridge, a pay on exit system is proposed, using ANPR (Automated Number Plate Recognition) technology. The process would involve a ticketless system where you punch your number plate information into the car park machine prior to exit which will tell you what tariff you will need to pay.
- 6.9. As the car park would become a short stay facility, parking permits would no longer be valid. This is really important to ensure that adequate turnover of cars is achieved.
- 6.10. Long stay parking would be displaced from the centre of town and would relocate to the most convenient alternative. This includes the P&R car park to the east of the town, which is free all day. It is recognised that “the path of least resistance” will apply to long stay parking alternatives and that a free car park 15mins away may be some people last choice over on street parking more centrally.
- 6.11. The Council owns a smaller carpark at the top of the high street which is currently short stay. It is proposed to change the operation of this car park to long stay to mitigate in part the changes being implemented at Leonards Road.
- 6.12. This approach to long stay parking is consistent with the Councils declaration on climate change, which as part of much wider strategy seeks to push commuting traffic towards more sustainable modes of transport. It also includes reducing traffic in town centres so as to improve air quality – a particular issue in Ivybridge along Western Road.
- 6.13. A consideration for the Council is the potential for a loss of revenue from car parking charges if the proposed 90 minute free tariff is adopted, as the income supports the operation and maintenance of the facility.
- 6.14. To address this, a report has been commissioned from Town Centre Parking, a consultant in such matters, to assess the likely impact of the parking tariff on revenue, having first considered the likely trip demands from the proposed food store, leisure centre and high street.

6.15. It concluded that the model was very sensitive to assumptions and gave a wide spread of possible outcomes. However, the mid-point was close to the existing revenue position. The full assessment is contained in Appendix D.

7. ANPR (Automatic Number Plate recognition) and Servaco

7.1. So as to facilitate the advantages of ANPR to the users of the car park, the Council will need to use its existing wholly owned company, Servaco, to undertake the operation.

7.2. As Servaco is a wholly owned company by the Council, it is able to retain control over the company, which only contracts services from the Council and its staff, through the way that the company is set up.

7.3. Servaco was set up as a trading company for South Hams District Council and West Devon Borough Council and its articles of association will need updating to reflect this proposal.

7.4. Subject to the legal advice that the Council is seeking, the proposed model that would enable the Council to enjoy the benefits of ANPR is as follows:

7.4.1. The Council leases the car park to Aldi (along with the store)

7.4.2. Aldi commission Servaco to undertake enforcement for them and allows the income to flow to Servaco.

7.4.3. The Council control Servaco and utilise ANPR to do the enforcement.

7.5. Commissioning of the full legal advice required on this structure is a recommendation of this report and set out in Appendix F.

8. Business case

8.1. The full business case is set out in Appendix A, showing a scheme capital cost of just over £8.5m. This regeneration project projects a gross return at 5% in year one and a net return of 1.59%, when business rates are included.

8.2. In year 6, the tapering business rates income ends (due to business rates baselines being re-set), reducing the net yield to just under 1%. The project would entail the Council undertaking capital expenditure for economic regeneration purposes using the Localism Act. Such expenditure may deliver a positive contribution to the revenue budget, but it is not the primary purpose.

8.3. The scheme cost of £8.5m includes the following assumptions:

8.3.1. £100k budget for the skate park relocation

8.3.2. £20k for further offsite tree mitigation (above the onsite proposals)

8.3.3. Additional £20k towards riverbank nature renaissance

8.3.4. Professional services, planning, management and construction costs.

- 8.4. There is no certainty that the proposals will be granted planning approval. Appendix A sets out the predicted cash flow expended prior to a decision on the planning application (£450,000) and spend prior to that decision is therefore "at risk" if the project cannot proceed.
- 8.5. The risk register in Appendix B sets this out in more detail and if the project does not proceed to fruition, these costs cannot be capitalised and are abortive costs (revenue costs) which the Council would need to fund from the Business Rates Retention Earmarked Reserve which has a current balance of £5.1 million. An amount of £3.5 million of this Earmarked Reserve was ring fenced for Employment for the creation of local jobs (Council February 2018).
- 8.6. The current commitments against the £3.5m are for the acquisition of 10 acres of employment land at Sherford and to fund the cost of extending the lease of the starter units at Langage. There is sufficient funding for this cost to be met although the Council also has a great deal of uncertainty over the losses to its finances and income streams from Covid19 which will be clearer in a few months' time.
- 8.7. The recommendation in this report reflects this situation and it is proposed that the main decision relating to project and the significant costs associated with it is taken in September 2020 with the benefit of a better strategic view of the Council's financial envelope for capital projects and the impact that Covid19 has had on the Council's overall financial sustainability.
- 8.8. It is proposed however, to undertake some key work to move the project forward up to £65,000. The details of that spend is set out in the Appendix F - Proposed work streams for commissioning and associated cost.

9. Risk

- 9.1. A full project Risk Register is included in Exempt Appendix B. This will be reviewed on a monthly basis by the project team. Development and investment projects carry inherent risk. When the report to recommend proceeding with the project is brought back to Members in September 2020, the following should be considered by the Executive as part of its deliberations:
- Financial exposure during the construction phase prior to occupation by the tenant. This risk has been eliminated via the use of an agreement to lease. No construction contracts would be placed until this agreement was in place between the tenant (Aldi) and the Council.
 - 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 design and build form of contract. Project management would be outsourced and client side contingency is built into the business case.

- Planning. There is no certainty that the proposals will be granted planning approval, although the work recommended to be commissioned in this report will significantly de-risk this position. Appendix A sets out the predicted cash flow expended prior to a decision on the planning application (£450,000) and spend prior to that decision is therefore at risk of being lost if the project does not proceed. The risk register sets this out in more detail as if the project does not proceed to fruition, these costs cannot be capitalised and are abortive costs (revenue costs) which the Council would need to fund from the Business Rates Retention Earmarked Reserve.
- Tenant covenant (strength / risk of insolvency). The tenant is of good covenant. 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.
- Maintenance and Insurance. The lease would include an obligation on the tenant to maintain and insure the building.
- Return on Investment. The borrowing structure proposed for the project is based on fixed interest and repayment of 50% of the loan over the term of 50 years. The Council would need to refinance the other 50% at the end of the 50 years.
- PWLB (Public Works Loan Board) Consultation – There is a current consultation paper on borrowing from the PWLB which seeks to rule out any borrowing from the PWLB for commercial schemes primarily for yield. It is the view of the S151 Officer that the primary purpose of this scheme is regeneration, which would be one of the four categories permitted for PWLB borrowing (the others being service delivery, housing and refinancing). The consultation ends on 31 July 2020.

10. Recommendations

That the Executive:

- 1) Note the results of the public consultation on the proposals outlined in this report (69% were in favour and supported the development as detailed in Appendix C).
- 2) Note the business case contained in Appendix A

- 3) Approves an extension of the budget with a further £65,000 so as to further work to move the project forward in the following areas:
 - a. Planning
 - b. Ecology
 - c. Automated Number Plate Recognition (ANPR) & car park lease structure to facilitate a pay on exit solution
 - d. Agreement to lease documents
 - e. Treasury management advice
- 4) Request that officers bring a subsequent report back to the Executive in September 2020 with a recommendation for the project to move to the planning and contract tender stage, on the satisfactory conclusion of the work commissioned in Recommendation 3.

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>Appendices A,B, D, and F to this report are exempt from publication because they contain 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.</p> <p>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>Legal due diligence will be carried out as part of the development process.</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>
<p>Financial implications to include reference to value for money</p>	<p>Y</p>	<p>For the recommendations put forward as part of this report, the total spend at risk is £65,000.</p> <p>It is recommended that the £65,000 for the further work to be commissioned is funded from the Economic Regeneration Earmarked Reserve. This reserve has an uncommitted balance of £280,000 and is the remainder of the business rates pilot gain funding that the Council received in 2018/19, when the Devon business rates pool had pilot status. This money was specifically set aside for regeneration projects.</p> <p>For future decisions relating to the full project the following financial considerations will need consideration:</p> <p>The financial considerations are contained within Exempt Appendix A.</p> <p>The full business case is set out in Appendix A, showing a scheme capital cost of just over £8.5m. This regeneration project projects a gross return at 5% in yr one and a net return of 1.59%, when business rates are included.</p> <p>In yr 6, the tapering business rates income ends (due to business rates baselines being re-set), reducing the net yield to just under 1%. The project would entail the Council undertaking capital expenditure for economic regeneration purposes using the Localism Act. Such expenditure may deliver a positive contribution to the revenue budget, but it is not the primary purpose.</p> <p>There is no certainty that the proposals will be granted planning approval, although that risk will have been reduced through the commissioning of early work in June, July and August. Appendix A sets out the predicted cashflow expended prior to a decision on the planning application (£450,000) and spend prior to that decision is therefore "at risk".</p>

		<p>The risk register in Appendix B sets this out in more detail and if the project doesn't proceed to fruition, these costs cannot be capitalised and are abortive costs (revenue costs) which the Council would need to fund from the Business Rates Retention Earmarked Reserve. Further detail is in Section 6.5. If the project does not proceed, the £450,000 is a sunk cost borne by the Council.</p> <p>The intention of the £65,000 being requested to be spent is to de-risk certain elements of the project (outlined in Recommendation 3).</p> <p>Minute E.14/19 (July 2019) agreed expenditure of £50,000 for this project previously and all of this previous budget has been utilised.</p>
Risk	Y	All development projects carry risk. Exempt Appendix B sets out a risk register.
Supporting Corporate Strategy		Commercial Investment Policy and Treasury Management Policy
Climate Change - Carbon / Biodiversity Impact		Aldi's UK and Ireland operation is carbon neutral. The council will utilise its procurement policy that allows the tender process to consider the carbon footprint of the supply chain when awarding contracts. Furthermore, the Council will challenge the design team to utilise best practice in the design of the project (including material choices) to minimise embodied energy in the construction phase.
Comprehensive Impact Assessment Implications		
Equality and Diversity		There are no Equality and Diversity implications
Safeguarding		There are no Safeguarding implications
Community Safety, Crime and Disorder		There are implications crime and disorder reduction
Health, Safety and Wellbeing		There are no implications on Health, Safety and Wellbeing
Other implications		There are no other implications

Supporting Information

Appendices:

Exempt Appendix A – Business Case

Exempt Appendix B – Risk Register
Appendix C – Public consultation results
Exempt Appendix D – Car parking operation report
Appendix E – Aldi Investing in your community
Exempt Appendix F – Workstreams to be commissioned

Background Papers:

Ivybridge Regeneration - March 14 2019 E.82/18

Approval and clearance of report

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