

Report to: **Executive**

Date: **28th January 2021**

Title: **Ivybridge Regeneration Project - Update**

Portfolio Area: **Enterprise – Cllr Bastone**

Wards Affected: **All**

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

Date next steps can be taken:

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Recommendation

The Executive recommend to Council:

- 1) To approve the Ivybridge Regeneration project through to planning, tender, construction and lease (subject but not limited to the regulatory statutory planning process and the total scheme cost being within the £9 million financial envelope),**
- 2) To approve the financial case as set out within this report and the borrowing of £9 million from the Public Works Loans Board (PWLB) to finance the regeneration project,**
- 3) To approve the spend of up to £450,000, funded from the Business Rates Retention Earmarked Reserve, recognising these will be abortive costs if the project does not proceed at any given stage pre-construction,**
- 4) To approve the procurement strategy and any associated contract awards,**
- 5) To approve variation of parking tariffs in principle, subject to final tariff design by the Head of Assets in consultation with the Commercial Portfolio Holder and Leader of the Council**
- 6) To delegate authority to the Head of Assets in consultation with Director of Place & Enterprise and Monitoring Officer to enter the Agreement for Lease (and subsequent lease of 25 years + 15 years) with the proposed Foodstore tenant.**

1. Executive Summary

This report makes recommendations with respect to the Ivybridge Regeneration Project at Leonards Road.

Following previous reports to the Executive (June & September 2020) regarding the Ivybridge Regeneration Project at Leonards Road Car Park proposed to boost footfall to the town, the following recommendation was made:

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:

- *Planning*
- *Ecology*
- *Automated Number Plate Recognition (ANPR) & car park lease structure to facilitate a pay on exit solution*
- *Agreement to lease documents*
- *Treasury management advice*

Request that officers bring a subsequent report back to the Executive and Council in December 2020 (delayed to January 2021) 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.

N.B. Prior to this approval, £50,000 approved (Minute E.14/19 July 2019) plus £65,000 above = Total Approved Spend of £115,000

Since this time, work has been ongoing by the Ivybridge Regeneration Project team. This report will serve to provide an update and make recommendations to the Executive as to the progression of the project to the planning, tender, construction and lease stage of the Ivybridge Regeneration scheme.

The decision to delay the full recommendation until the December 2020 (now January 2021) date was made in order to allow the following actions:

- Commission an economic assessment of Ivybridge Town Centre
- Consult with Key Stakeholders.
- Provide the Executive with greater confidence as to the likely success of the project.

This report should be read in conjunction with the Executive Reports of **18 June 2020 and 17th September 2020**.

2. Background

Enhancing Ivybridge town centre as a retail and social destination is important for the growing community who live in the town and wider catchment area.

The Council in response to the challenges Ivybridge high street faces, wish to reinvigorate the town and create a vibrant, thriving centre widely used and enjoyed by the populous. The project aims not only to provide an anchor retail

unit but to improve the town centre parking provision, town centre access, wheeled sports facility and the public realm.

This multi benefit approach aligns with our adopted commercial investment strategy of inward investment in the district where the following tests are met:

- To support regeneration and the economic activity of the District
- To enhance economic benefit & business rates growth
- To assist with the financial sustainability of the Council as an ancillary benefit
- To help the Council continue to deliver and/or improve frontline services in line with the Council's adopted strategy & objectives

A proposed site layout plan can be found in Appendix 1 of this report.

3. Outcomes/Outputs

The previous Executive recommendation focussed on the completion of a number of key areas of work, prior to a return to the Executive for consideration of the viability and desirability of the Ivybridge Regeneration Scheme.

The outcome of this report will be the provision of a project update to Executive. It will give consideration to the technical and economic viability of the project and whether it will succeed in regenerating Ivybridge town centre. It will also provide detail of continued risk areas and associated mitigation to be considered when deciding whether to continue further with the project.

Ultimately, having considered the benefits and challenges set out, it will be a political decision as to whether or not this Council wishes to commit to the regeneration project with an investment up to £9m for one of the district's key towns.

4. Technical Viability

4.1 Planning Position

A pre-planning application was submitted by our independent planning consultant Bell Cornwall. Advice was received on 23rd December 2020 and is included within Appendix 2.

In summary, the pre planning advice concluded as follows:

'The proposal is to take place on a sustainable brownfield site, allocated for regeneration in the Ivybridge Neighbourhood Plan. Whilst there is some policy conflict as noted above, the proposal is considered broadly policy compliant.'

Specific areas of consideration and associated comments are summarised below.

4.1.2 Layout , Design and Landscape

The current layout balances the design requirements for store size and parking allocations. It is a tightly constrained site but a number of points were raised as part of the pre-application advice which will need to be addressed:

- Concern in relation to the design of the proposed Foodstore. It was noted a standard 'box' design does not respond to the local character nor nearby buildings and does not enhance the wider site. The store would have to

have a high quality bespoke design. In particular the blank Gable end with refrigeration facing the public realm next to the B3213 should be reviewed.

- Care being taken with lighting to minimise the impact to protected species and to ensure the building does not cause a loss of light to the Town Hall.
- Seeking advice in relation to pedestrian access and with regards the lower floor of the car park.
- Provision of detailed elevations for the car park, noting it is important to create a good view from the Town Centre side back into the site.

It is considered these can be adequately addressed within any planning application.

4.1.3 Highways

Following discussions with the DCC Highways Officer the initial concerns regarding the safe access of delivery lorries have been overcome. Remaining concerns are the impact of the development on the existing cycle path network and ensuring new safe routes linking the new developments to the town centre are provided. However, it is considered these can be adequately addressed with an S106 agreement following a successful planning application.

DCC have quoted **a figure of £60,000 to be secured in the s106 legal agreement.**

4.1.4 Amenity

There are no nearby residential properties affected, although care must be taken to not unduly impact upon Town Hall users. A noise report for the refrigeration units has been requested and will be provided within any planning application.

4.1.5 Drainage/Flood Risk

Detailed feedback has been provided direct from the EA who have raised an objection with regard to flood risk. The two main concerns are the location of the new store within flood zone 2 and 3 and construction of the new car park in close proximity to the river Erme.

The NPPF requires all new developments in flood zone 2 or 3 will need to pass the Sequential and Exception tests to demonstrate there are no preferable sites which could deliver this scheme in an area of lower flood risk.

The pre-planning advice stated due to the regeneration aims of the development and its inclusion in the INP as a site allocation, the LPA are happy to adopt a more flexible approach and the sequential test can conclude the development, as it is site specific regeneration, cannot take place anywhere else; this will be covered in more detail in the application Planning Statement. Supermarkets are classed as less vulnerable so the Exceptions Testing is not necessary (clarification should be sought from the EA), however, the EA's concerns must be addressed and demonstrate the development will be safe for its lifetime and not increase the risk of flooding elsewhere.

Due to the high water table the surface water drainage will have to be an attenuated discharge to the river. An uncontrolled discharge to river Erme was requested but DDC have confirmed this is only permitted for tidal waters. The site is also within a Critical Drainage Area (CDA) so the discharge will have to be limited

to the Green Field Runoff Rate. This means the drainage costs will be higher than normal but as expected for a site within a CDA.

It is considered these issues can be adequately addressed within any planning application.

4.1.6 Ecology

Stage 1 and 2 ecology surveys have been undertaken, to date no problems have been identified but final surveys will be carried out in 2021. Pre-application advice from the LPA:

'In line with JLP Policy DEV26, development is expected to protect and enhance biodiversity. The SPD requires major developments to provide a 10% Biodiversity Net Gain; the DEFRA matrix will be needed to accompany any application submission. Consideration should be given as part of this to seeking the improvements suggested by the EA (fish migration, improvements to the riparian corridor)

The area indicated on the plans for such enhancements should be included in the application site red line, and it is anticipated its maintenance would need to be secured in an s106 legal agreement.'

A full mitigation plan will be worked up with the design and submitted with the planning application.

4.1.7 Trees

To construct the new car park there are number of trees to be felled. To ensure support from the Council's Tree Specialist these will need to be adequately replaced as part of the site wide landscaping scheme.

The project team have also been working with the town council and local groups to provide a landscaping scheme which improves the public realm. A number of options have been identified and talks are ongoing, the final options will be worked up as part of detailed design prior to planning submission.

4.1.8 Contaminated Land/Ground Investigations

Phase 1 and 2 Geotechnical investigations have found no evidence of contamination on the site and no adverse comments have been received from the Environmental Health Team.

4.1.9 Retail Impact Assessment

Discussions are ongoing regarding sequential testing and the necessary RIA. It is considered these can be adequately addressed within any planning application.

4.1.10 Other matters

- **Skate Park** - The development involves the loss of the skate park. Adequate replacement provision or a contribution towards its replacement will be needed.
- **Signage** - Details for signage is requested to be submitted alongside the application.
- **Car Parking** - Concern has been raised in relation to the car parking regime in particular, whilst providing more total parking than currently on

site it resulting in significantly less public parking to serve the Town Centre. It is considered this can be adequately addressed within any planning application.

4.2 Site Assessment

4.2.1 Utility Service Enquiries

The necessary utility service checks have been undertaken with the following result:

- Wales & West – No gas within the site
- WPD – No main electric within the site
- BT – No telecoms within the site
- SWW – No Sewers or mains supplies within the site. However there is a large Surface water sewer on the northern boundary with a 3.8m No Build easement.

Due to the diameter of the large surface water drainage pipe identified running between the town hall and proposed Upper Tier Car Park, the pipe has a wide easement which restricts development. To address this, rather than a diversion, the Upper Tier Car Park has been realigned to accommodate the pipe in its existing locality. Whilst this has reduced the number of available spaces slightly, the cost and programme implications of a diversion were significant and a revised design mitigates this.

4.2.2 Ground investigation

John Grimes Associates carried out borehole investigations during October/November 2020. The presence of granite boulders required additional testing to find bedrock level. These boulders and the high water table pose a risk to the project and are likely to add additional cost,

- Large granite boulders may need to be removed or structural supports move to avoid them
- High water table mainly poses a problem during construction. Dewatering will be required to keep the excavations dry and stable.

Provision has been made within the project cost residual risks to account for additional costs which may be incurred through construction.

5 Economic Regeneration

5.1 Discount Foodstore

Negotiations are ongoing with the potential occupier of the foodstore element of the project. The proposed occupier, discount retailer Aldi, was selected after a competitive tender process and draft Heads of Terms for an Agreement to Lease are provisionally agreed.

The further development of the project and some continued negotiation over key items have resulted in revisions to the original Heads of Terms (HoTs). They have also been subject to legal review and scrutiny by both our internal and external legal teams. Positive negotiations are continuing. The latest draft of the HoT's are included in Appendix 3.

In order to understand the impact of a discount retailer on Ivybridge and following discussions with Ivybridge Town Council (ITC), an economic impact study was commissioned.

The final report has now been provided and can be found in Appendix 4. This report has been shared and discussed with ITC.

Some of the key conclusions are as follows:

- There is capacity for Ivybridge to grow the proportion of value brands, of which Aldi would satisfy.
- Placing an Aldi in Ivybridge would encourage a greater proportion of shoppers to visit the town. This in turn would encourage cross shopping with the existing offer and independents.
- 92% of all households in the catchment index above average on visiting Aldi at least once a month, indicating brand affinity in the area will be very strong.
- Households across the catchment will continue to use butchers and bakers in the town as they index above average for choosing quality over price. They will then use Aldi for their everyday supplies.
- Ivybridge sits in the top half of all retail centres in the South West and has risen up the ranking since 2017 (and since the ITC commissioned report of 2013). It is important to introduce new brands to the area to ensure Ivybridge does not drop in future rankings.

In summary, the draft report provides positive outcomes and supports the proposal to let the Foodstore element of the regeneration scheme to a discount foodstore operator.

Key benefits expected from a discount food retailer are as follows:

- Acts as a catalyst for regeneration in an underperforming area
- Provide choice and accessibility for shoppers which form part of a wider weekly food shop. Shoppers continue to support other convenience store provisions including niche and larger stores
- Stores encourage linked trips to other stores, services and businesses.
- Stores are modest in scale so town centres thrive and function side by side
- Creates economic regeneration with jobs in stores, logistics and construction
- Local contractors benefit from new stores
- Many customers live within walking distance of new stores
- Locally sourced produce benefits local suppliers
- Serve local communities thus complying with national planning policy by encouraging local sustainable developments

5.2 Regeneration Benefits

There are a number of key regeneration benefits to the scheme which support the likelihood of successful economic regeneration.

5.2.1 Significant Council Investment

This aligns with Central Government's message to "get the economy moving". There may be opportunities to attract funding from Central Government for this scheme although no opportunities have been identified to date.

Local Employment

Each Aldi store employs between 30- 40 people. Aldi voluntarily enters into local labour agreements, as they are committed to recruiting people locally and do not use zero hour's contracts.

5.2.2 Increased trips

An Aldi store of this size in this location will regularly have 100 shoppers at any one time, who in turn can take advantage of the leisure centre and high street. This is further supported by the 90 minute parking regime. An average store visit lasts 30 minutes with remaining time available to visit the town centre.

5.2.3 Sustainable Travel

In similar stores, over 20% of customers travel by sustainable modes of transport to the store demonstrating accessibility to the immediate community. The scheme aims to improve pedestrian and cycle access.

5.2.4 Inward Corporate investment

Opening/long term commitment from Aldi, projected over a term of 25 years (without any increase/inflation) is estimated to be **£21 million**. This spend is in addition to the initial construction costs invested by the Council.

5.2.5 Construction Multiplier Effect

Using the "GLEK Consulting Multiplier" of £2.84 of economic activity investment for every £1 of construction cost represents £18.5m of economic activity in the local area.

5.2.6 Business Rates

This development will increase the business rates received in the area for the Council and Devon County Council. This is set out within the Financial Case in Appendix 5. It is recommended the additional business rates income generated is put into the Risk Mitigation Earmarked Reserve for the project. This forms part of the financial business case.

5.3 Proposed Car Park Regime

As previously reported, a car park regime utilising ANPR (Automatic Number Plate Recognition) technology allowing "Pay on Exit" for customers is not possible due to legislation relating to the issue of enforcement notices by local authorities.

An alternative car park regime has been identified, as follows. This has been subsequently discussed with Aldi who are in support.

- **Upper Tier Car Park** – 100 dedicated spaces let to Aldi to be used as 90 minute free car parking within the demise of their fully repairing and insuring lease. The remaining 20 or so spaces will be segregated from the Aldi spaces (coloured hatching and possible physical barrier i.e. bollard system) to be SHDC administered Reserved Parking Permit Bays.
- **Lower Tier Car Park** – SHDC long stay car park with circa 125 spaces with a range of tariff options (short & long stay and permit holders). It is proposed to mirror this regime in all SHDC car parks in Ivybridge.

The proposed solution will offer a more balanced car park tariff with a blend of long and short stay uses as well as some permit availability and reserved parking.

The availability of free parking will encourage visitors to Aldi to make shared trips. The 90 minute free parking available will allow visitors to visit the store (Aldi store visit time average is 30 minutes) and utilise and remaining time to visit Ivybridge high street and other retail offerings within the town.

Furthermore, the scheme will offer an enhanced user experience with a new car park facility, associated landscaping and better access provisions. Two electric charging points have already been installed within the car park at Ivybridge and are now operational.

5.4 Improved Public Realm

The project will provide improvements across the public realm.

5.4.1 Wheeled Sports Facility

Whilst the existing skate park within Leonards Road car park will be lost, work is ongoing to determine the best way to mitigate for this loss with improved wheeled sports facilities for Ivybridge.

The project makes an allowance of up to £100,000 to be spent either to mitigate the loss of the existing provision on a like for like basis or to make a contribution to another facility within the town. Discussions are ongoing with the town council and other key stakeholders with regard to a possible investment into a larger wheeled sports provision at Filham Park. It is recognised by the project, the best solution will be found by working with the TC and other key stakeholders. This may extend through to the actual delivery of the scheme.

5.4.2 Youth & Community Space

The project team are working with ITC to develop plans to create an outside meeting space for use by the young people and wider community of Ivybridge. A suitable space may already exist adjacent to Ivybridge leisure centre.

5.4.3 Town Centre Access Bridges

From our discussions, we are aware the owners of Glanvilles Mill are progressing plans in relation to the existing bridges which connect the town to Glanvilles Mill and Leonard's Road car park.

As a key outcome of this regeneration project we will be supporting their works as much as possible, to include access via our land for cramage, repairs etc.

5.4.4 River Corridor Enhancements

The project team are looking at opportunities to enhance the existing river corridor. There may be opportunities to create some enhanced planting, open up of views along the riparian corridor along a wider length of the River Erme than adjacent to just the development site itself. These proposals will be developed with other key stakeholders such as PL21 and the town council.

6. Economic Viability

6.1 Project Cost

A thorough assessment of the project costs has been undertaken and the full project cost summary can be found in Appendix 6.

A tender process for the detailed design and construction has not yet been undertaken which will provide greater certainty over the full cost of delivery. However, the project team are confident the project can be delivered within the £8.5 million previously identified as there remains is significant residual risk and contingency included which should reduce as certain project increases.

Whilst this is an £8.5m project which already includes significant contingency, factors such as Brexit, indications of significant (20%) increase in steel prices during 2021, early stage cost estimates and significant ground works (high water table identified), a further client contingency of 5% would provide comfort.

At £9.0m the Council is still able to repay the debt in full over 50 years (as set out within section 6.3 Financing Position), build up a Risk Mitigation Earmarked Reserve against future risks and generate £100k per annum of revenue income towards the cost of front line services.

It is therefore a recommendation of this report, £9 million be approved by Council as the maximum full project spend. If costs are projected to exceed this amount, a further report will be brought back to the Executive and Council.

The project has the previously approved budget of £115,000. £50,000 of which was agreed in July 2019 (Minute E.14/19) plus £65,000 as approved in June 2020.

6.2 Income Generation

The occupation of the proposed Foodstore will generate an annual income for the Council. As previously highlighted, draft HoT's are now largely agreed but some negotiations continue. With regard to the commercial rent position and the lease term and any associated breaks these elements are agreed (subject to contract and Council approval).

This allows for a comprehensive model to be produced with consideration of cost and income.

6.3 Financing Position

In order to complete the project, it is proposed up to the figure of £9 million is borrowed from the Public Works Loans Board. An illustration as to the costs, repayments, rental income and the Risk Mitigation Earmarked Reserve is provided under Appendix 5 of this report.

The Council's treasury management advisors, Link Services, have provided advice and modelling on the optimum loan structure for long term borrowing of £9million. This is a mixture of annuity and maturity loans.

The project would require 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.

The financial case illustrates the Council's ability to repay the borrowing of £9 million within 50 years in full (interest and capital repayments (MRP)). Furthermore, it allows for a 1% return on investment with circa £100,000 per

annum of revenue income generated as an ancillary benefit. Alongside this, the financial case allows for the creation of a Risk Mitigation Earmarked Reserve made up of 5-10% of rental income per annum plus the additional business rates income generated (see Appendix 5).

This Risk Mitigation Earmarked Reserve provides a contingency at year 5 of £385,000 and year 20 of £721,000. Thereby, providing a fallback should the foodstore operator cease to trade or exit the lease as provided within the lease terms. Specifically, a tenant only break in Year 20, lease end date in Year 25 if option to extend is not exercised, or if exercised, lease end date in Year 40.

The reserve will be sufficient by year 5 to cover a 6 month rent void, 12 months of interest & principle repayments on the borrowing whilst new tenants are found.

It is recommended to capitalise the 'interest only' costs of the borrowing through the construction phase (up to two years) and fund this from within the £9million project cost, as shown in Appendix 6.

The Council has set an overall borrowing limit of £75million and to date has current borrowing of £14.5million. The Council has also approved Community Housing projects of a further £5.9 million for St Ann's Chapel and South Brent. There is sufficient headroom within the Council's overall limit of £75 million to fund this £9 million scheme.

There is no certainty the proposals will proceed to construction. The predicted expenditure, prior to a decision on the planning application is estimated to be up to £450,000. This funding is at risk if the project does not proceed to construction, as identified in the risk register found in Appendix 7.

These initial costs cannot be capitalised if the project does not proceed. In this event, they will become abortive revenue costs which the Council would need to finance from its revenue reserves. It is recommended are financed from the Business Rates Retention Earmarked Reserve which has a projected balance of £5.6 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) but there are sufficient funds to meet these costs.

6.4 Car Park Revenue

With regard to the revenue position, the proposals are considered to have a cost neutral impact upon the existing revenue stream.

Based on independent advice, it is anticipated circa 65% of the existing ticket sales currently achieved within the short stay element of sales will be lost to the 90 minute free parking available from Aldi.

However, this loss of revenue is offset by the following:

- The introduction of a 30 minute tariff for those not using the Aldi store who wish to visit the high street solely,
- An increase in the all day tariff, currently set at £2.10 to £5 per day. There is an anticipated loss of 20% of ticket sales to the mid dwell tariff (between 90 mins and 240 mins) and a complete loss of 30% of users who may

currently use the car park as a park and ride facility (commuting to other places) and will not be prepared to pay a £5/day tariff,

- A decrease in business rates liability of 100 spaces.

In addition, there is a likely impact upon car park revenue as a result of project construction works. This would be a revenue cost and as such it is accounted for within the financial business case in Appendix 5 and funded from the future business rates income generated by the scheme.

7.0 Procurement

7.1 Procurement Review

The project team along with our procurement officer have been reviewing the procurement of the project to identify the best route for the detailed design and construction of a new foodstore and car park comparing both traditional routes and frameworks.

7.2 Procurement Options

After some research, the most appropriate route is to use a framework to deliver all design, planning and construction elements in one package. We have identified the best framework is the Southern Construction Framework (SCF). Other options were considered as follows:

- Use an Alternative Framework - potentially viable but no other framework found which uses design and build to deliver the complexity of this project. SHDC have met with alternative framework providers and have concluded we may not achieve our objectives or potential savings through these.
- Run a tender via our Procurement Portal - viable but introduces a longer programme, increased procurement costs and greater uncertainty of outcome than using a Framework with a robust set of pre-qualified, competent, financially robust contractors.
- Continue with current procurement route - not considered a compliant route to market as the project develops and moves forward.

7.3 Chosen Procurement Strategy

The SCF allows the appointment of one contractor for both the design and build elements of the project. The framework offers support to the client and usually delivers projects within 1% of the Contract Price so gives increased cost certainty.

The SCF Levy is 2.5%. This cost is built in to the contract price so it will not be seen as an extra cost in addition to the final contract price. The Framework has a commitment from suppliers to subcontract to local SME's, crucial to providing a local economic boost to the District during the construction phase. The next stage of procurement is expected to take 15 weeks.

7.4 Sustainable Procurement

All procurement will be in line with our Sustainable Procurement Strategy. We will work with our procurement officer and SCF Framework representatives to ensure necessary weighting is included within the scoring of tenders. This will result in adequately prioritised, exemplar sustainable design and construction processes within our evaluation and ultimate award of any chosen contractor.

7.5 Delivery Programme

If the Executive and Council make the recommendation to approve this procurement strategy, a mini-bid procurement process will commence shortly thereafter. As a design and build contract award, the submission of any planning application will be delayed. However, this method does not require further procurement subsequent to the planning decision and prior to awarding a construction contract, so does not impact the project programme overall. A project programme can be found in Appendix 8.

The project team have worked with SCF representatives to run an early engagement exercise to gauge availability and interest from the market. All 6 contractors involved in the exercise have confirmed they have the experience to deliver the project and intend to bid for the project design and build.

8.0 Project Support

As set out within the previous reports to Executive the views of the public, stakeholders and business community are crucial to this project's success.

8.1 Public Consultation

A public consultation was carried out in January & February 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 Public Consultation results showed over two thirds (69%) of respondents support the new supermarket proposals with 66% of respondents telling the Council they felt a new supermarket would improve footfall into the town centre.

8.2 Business Community

There is support from the Ivybridge business community as exemplified below:

"All retail small businesses face huge uncertainties at the moment and the regeneration project at Ivybridge when it gets delivered should help re-balance lost footfall from Tesco at Lee Mill and rejuvenate Ivybridge town for the benefit of businesses and the local economy."

Pat White – Ivybridge Chamber of Commerce Chairman

"We're pleased to see the high street boosted with a new Aldi store, which will also help to bring additional footfall to Fore Street in Ivybridge and Glanvilles Mill. At a time when regional shopping centres are struggling, it is good news for both shoppers and the local community to have a variety of offers on their doorstep."

Howard Roddis – LCP Properties (Glanvilles Mill)

8.3 Local Councillors

There is support from the Ivybridge local members as exemplified below:

"I am pleased about the investment due to come into Ivybridge. The outcome of the questionnaire put to residents of Ivybridge and nearby homes was

overwhelmingly in support of the discount supermarket. Whilst time remains before final commitment, options for change and refinement may still be considered."

Cllr Victor Abbott

"I have long been an advocate of the Ivybridge Regeneration Plan and I believe it is a necessity for the town given the challenges that its businesses are facing. I am convinced that an Aldi would increase footfall in the town centre and that the majority of people in the town would definitely want the plan to go ahead."

Cllr Lance Austen

"The outcome of the questionnaire put to residents of Ivybridge and nearby homes was overwhelmingly in support of the discount supermarket and as a result of that I am happy to support this investment coming to Ivybridge."

Cllr Karen Pringle

8.4 Town Council

Following a meeting on 11th January 2021, the Town Council have affirmed their support for the principle of a supermarket development in order to promote regeneration of the town centre, subject to satisfactory outcomes and conclusions in relation to various matters. These include quality of design, landscaping detail, wheeled sports & youth facility provision and enhanced public open space and pedestrian & cycle access.

The project team will continue to work with the town council throughout detailed design to address these matters.

8.5 Other Stakeholders

- Leisure Centre Operator, Fusion – design proposals will be such visibility to the leisure centre is improved not reduced, by moving the store away from the site entrance. Car parking provision is also a key concern for Fusion, who welcome the 90min free parking, which as part of a linked trip to Aldi there customers would be able to benefit from.
- PL21 – Ongoing engagement with PL21 in relation to cycle routes, pedestrian access and river frontage. Initial feedback provided from the group and engagement will continue throughout detailed design.

9.0 Project Risk

9.1 Costs associated with Non Delivery

If the decision is made to progress the project, there will be additional costs incurred as we work through the tender, detailed design and planning process and the legal work to enter into the agreement for lease. Historically, this has been identified as a figure up to £450,000 if the project secures planning but is abandoned pre-construction. There may be some scope to reduce this figure however, it is likely to be in excess of £350,000 at the point a planning submission is made.

9.2 Construction Costs

As previously highlighted, we cannot be entirely certain of external factors or long-term trends, as we move forward with the project.

We are in uncertain times, with a global pandemic, Brexit and indications of significant (20% increase) in steel prices during 2021 which may have an impact upon assumptions made within the project pricing.

In the event there is an increase to the project costs which renders the project unviable, the lease with the proposed foodstore operator, is conditional upon a satisfactory viability test. Therefore, if the construction costs are such as to render the project unviable, we will not be required to proceed to construction.

9.3 Occupation of Foodstore & Associated Car Park

While the discount retail market has seen an upward trend, we cannot be sure of how these trends will develop over the whole project life cycle.

In turn, there cannot be certainty of the occupation of the foodstore and associated car park throughout the whole life cycle of the project. There are exit points within the lease at year 20 and year 25. There is also always the possibility an occupier ceases to trade, albeit the proposed foodstore operator is an extremely strong covenant.

However, in order to address the possibility of a void period, a risk reserve will be established. By year 5 this will be sufficient to cover a 6 month rent void and 12 months of interest & principle repayments.

9.4 Clean Title

We are working with our legal team to identify any title issues and address them before progressing the agreement for lease with the proposed foodstore operator.

Entry into the agreement for lease is conditional upon securing clean title of our land.

9.5 Entry into Agreement for Lease

As is usual in these circumstances, the Council is to construct the foodstore and car park before granting the Lease to Aldi. In order to protect both parties, the Council and Aldi will enter into an Agreement for Lease which commits the Council to grant and Aldi to take the lease once the construction of the foodstore and car is completed.

The Agreement for Lease will be conditional upon the following conditions:

- I. The submission of the Planning Application
If SHDC is not able to submit a satisfactory detailed and implementable planning application for the Scheme the Agreement for Lease will be terminated.
- II. Satisfactory Planning Consent
If a satisfactory planning consent cannot be obtained the Agreement for Lease will be terminated.
- III. Satisfactory Viability Test

If, having obtained Planning Consent, the project does not meet industry standard viability test the Agreement for Lease will be terminated.

These are the only conditions which would allow the Council to stop the project.

Once the conditions are met and construction is completed, the Lease will be entered into.

10.0 Key Questions & Answers

1) How will this project benefit residents of Ivybridge?

The project delivers a better shopping choice for residents and provides a local offer which can be accessed without a vehicle. It will provide linked trip opportunities, which in turn improve the sustainability and vitality of the businesses in the high street and improve the local shopping and leisure offer to the benefit of local residents.

2) How will this project benefit businesses in Ivybridge?

This project will boost footfall to the town through improved public realm, bridge access and linked trips from Aldi. Increased footfall leads to increased trade.

3) What would this project do for local employment and the economy?

Each Aldi store employs between 30-50 people directly. These jobs range from casual work to well paid, highly skilled jobs. Aldi offer an excellent career programme and are judged to offer a very good graduate programme (The Times Graduate Employer of Choice Award 2020, ranked 63 by the Guardian in UK Top 300 Employers of Choice). The independent CACI Economic Impact report stated:

- **ALDI WILL BRING IN MORE FREQUENT VISITORS**

In CACI's Shopper Dimensions, shoppers to a discount grocery in an In Town Centre or High Street had an annualised frequency of 76 visits per year, this is compared to an average frequency of 58 visits per year.

- **ALDI WILL BRING NEW SHOPPERS WHO WILL CROSS-SHOP WITH THE EXISTING OFFER**

*Aldi is unlikely to cannibalise the current offer at Ivybridge as it **doesn't feature in house bakeries or butchers etc.** Independent brands on the high street and in Glanvilles Mill Shopping Centre will appeal to more affluent and middle income households in the catchment who **prefer to buy locally produced and UK sourced***

4) Investing up to £9m in this project is significant, why not just sell the site to Aldi or another retailer?

The Council could sell the car park and there would no doubt be willing buyers. However whilst a shopping facility with sufficient parking for the stores needs may be provided, overall a hugely reduced car parking capacity and minimal place based public realm and connectivity benefits would be realised.

A foodstore on its own, without the infrastructure works to create the extra parking capacity (100+ spaces) lost through the footprint of the building would not be

supported by the key stakeholders, the Town Council, local businesses, Fusion and the elected Councillors of Ivybridge.

By using a long term borrowing and rental model, the Council is able to afford to deliver the car parking infrastructure works it could not otherwise fund. These additional car parking infrastructure and public realm improvements “unlock” this regeneration project.

In addition to this, Councils should take a (very) long term view on the control of its land and assets. Securing a long term income, whilst retaining control of its land provides a stronger legacy foundation for Councils of the future.

5) What happens if the foodstore operator goes into liquidation during the lease term or if notice is given by the operator at the end of their Lease?

The lease is a long one. While the Council collects rent, it will put away an amount into a risk reserve. This money can then be used to fund a gap between tenants as and when it may occur. To ensure the risk reserve builds up quickly, a proportion of the early year’s business rates income will be put into it.

6) What about the environment and the Council’s declaration of a Climate Emergency?

The Climate Change Emergency central in all aspects of this project. There will no doubt be an impact from the project but the Council will aim to be as transparent as we can on what those impacts are and reduce, design out and mitigate those impacts. This will be done in the following ways:

- End user – Aldi
Aldi UK are 100% carbon neutral as an operator¹
- Procurement & quality assessment
The procurement process set out in this report will include a qualitative assessment criteria on the sustainability approach of the contractor and project team.
- Building and infrastructure design
The brief set by the project team will be to reduce embodied energy in material choices where opportunities to do so exist. This may include recycled materials or aggregates and low carbon concrete.
- Carbon Assessment
We will work with our chosen contractor (design & build) to measure the embodied carbon of the construction phase of the project. We can then make accurate and informed design choices as well as implement appropriate mitigation within the project delivery constraints.
- Renewable Energy
It is the ambition of the project to incorporate solar PV on the roof of the building to provide renewable energy to the store and the grid. This may need

¹ <https://www.edie.net/news/6/Aldi-achieves-carbon-neutrality-for-UK-and-Ireland-operations/>

to be subject to a separate business case to the Executive if it falls outside of the affordability window proposed.

7) Isn't the geology of the area quite unusual and doesn't it feature large granite boulders? Will this be a problem?

The geology of the locality is unusual and include large granite boulders and a high water table, both of which could present challenges for the construction of the car park and foodstore foundations.

To mitigate this, John Grimes Partnership (based in Ivybridge) have been commissioned to do a full geotechnical investigation of the site. This was finished in December 2020. The design and construction of the project can therefore take account of the unique geological conditions and mitigate the risk accordingly.

8) What happens if the contractor goes bust during construction?

The Council will work through the procurement phase to ensure only financially viable companies are able to bid. However, should this occur, the contract will incorporate necessary performance bond and step in rights, should the contractor cease trading. In this event, the Council could call in the bond (typically 10% of the contract value) and deliver remaining works with another contractor.

9) Is traffic flow along Western Road a problem?

The Council has worked with Devon County Council to resolve the air quality and congestion along Western Road. This issue is being resolved at the time of writing, with the implementation of a new road and parking scheme.

Whilst Aldi are likely to attract visitors from outside Ivybridge, many journeys out of and back to Ivybridge along Western Road are to Tesco Lee Mill or other retail centres. A number of those will not now occur. The net change in traffic is therefore far less than it might otherwise be. This traffic will be modelled in detail as part of the planning application and agreed with the Highway Authority.

11.0 Conclusion

This project provides an opportunity to regenerate Ivybridge town centre and offer significant benefits to the local economy and public realm. It also carries with it the requirement to make a significant investment with which comes some risk, not least through the construction of a major infrastructure project.

There is strong support for this project from residents, the business community, local members, town council and key stakeholders.

If the project proceeds there will be a period of disruption within the town centre, albeit the project will be phased as far as possible to minimise the impact.

Having set out the benefits and challenges, it is now a political decision as to whether or not this Council wishes to invest up to £9m in a regeneration project for one of the districts key towns.

12.0 Impact Assessment

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/ Governance	Y	<p>Appendices 2, 3, 5, 6, 7, 8 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.</p> <p>The public interest test has been applied and it is considered 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).</p> <p>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>The Council has the power under Section 123 of the Local Government Act 1972 to dispose of land in any manner they wish, including granting a lease for the best consideration. 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 planning permission for the proposed developments would be granted.</p>
Financial implications to include reference to value for money	Y	<p>Council have previously approved spend of £115,000 from the Economic Regeneration report to fund the project to date. Minute E.14/19 (July 2019) agreed expenditure of £50,000 plus £65,000 as approved by the June 2020 Executive.</p> <p>A recommendation of this report, is £9 million be approved by Council as the maximum full project spend.</p>

		<p>It is the view of the S151 Officer the primary purpose of the scheme is regeneration, which is one of the four categories permitted for PWLB borrowing (the others being service delivery, housing and refinancing).</p> <p>The project would require 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>The financial case in Appendix 5 illustrates the Council's ability to repay the borrowing of £9 million within 50 years in full. Furthermore, it allows for a 1% return on investment with circa £100,000 per annum of revenue income generated towards the cost of frontline services as an ancillary benefit. Alongside this, a Risk Mitigation Earmarked Reserve of 5-10% of rental income per annum plus the additional business rates income generated will be created.</p> <p>The 'interest only' costs of the borrowing through the construction phase (up to two years) will be financed from the whole project cost of £9 million.</p> <p>The Council has set an overall borrowing limit of £75million and to date the Council has current borrowing of £14.5million. The Council has also approved Community Housing projects of a further £5.9 million for St Ann's Chapel and South Brent. There is sufficient headroom within the Council's overall limit of £75 million to fund this £9 million scheme.</p> <p>There is no certainty the proposals will be granted planning approval. The predicted expenditure, prior to a decision on any planning application, is estimated at up to £450,000. The amount spent prior to the planning decision is at risk if the project cannot proceed.</p> <p>It is recommended any abortive costs up to £450,000 are financed from the Business Rates Retention Earmarked Reserve which has a current balance of £5.6 million (as set out in 6.3). An amount of £3.5 million of this Earmarked Reserve was ring fenced for Employment for the creation of local jobs (Council February 2018) and costs of up to £450,000 could be met from this reserve.</p> <p>There is a break clause within the lease at Yr 20 and a risk the tenant may not renew the lease at Yr 25 and Yr 40. This risk is noted within the risk register at Appendix 7. At this point (Year 20), £2.79m would have been repaid on the £9m borrowing and at Year 40, an amount of £6.6m would have been repaid on the borrowing of £9m.</p>
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Risk	Y	All development projects carry risk. These are as previously reported, as reported above and in the Risk Register appended in Appendix 7.
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 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:

- Appendix 1 - Site Layout Plan
- Appendix 2 - Pre-Planning Application Advice (EXEMPT)
- Appendix 3 - Draft HoT's with proposed foodstore operator (EXEMPT)
- Appendix 4 - Economic Impact Assessment CACI
- Appendix 5 - Financial Business Case (EXEMPT)
- Appendix 6 - Project Cost Summary (EXEMPT)
- Appendix 7 - Risk Register (EXEMPT)
- Appendix 8 - Project Programme Summary (EXEMPT)

Background Papers:

Ivybridge Regeneration Project – June & September 2020 Executive Report

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed/sign off	Yes/No
SLT Rep briefed/sign off	Yes
Relevant Head of Practice sign off (draft)	Yes
Data protection issues considered	Yes
Accessibility checked	Yes