

**Teignbridge District Council
Full Council
17 November 2022
Part i**

Future High Street Fund project – Revised business case

Purpose of Report

To set out the revised scope and business case for the Future High Street Fund project, and to gain approval for measures to progress the project.

Recommendation(s)

The Committee RESOLVES to:

- (1) Approve the revised project scope and business case as set out in Appendices 1, 2, 3, 4 and 5 of this report for submission as a Proposal Adjustment Request to the Department For Levelling Up, Homes and Communities;
- (2) Note the options and timeline for considering the future use of the Alexandra Cinema building set out in paragraph 3.9 of this report;
- (3) Revoke the requirement to report back to Executive on a monthly basis and return to reporting by exception;

Financial Implications

Financial implications are set out in section 5.1 and Appendix 2 of this report.

Chief Finance Officer
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Legal Implications

There are no legal implications arising from this report.

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Risk Assessment

Risks to the project and arising from the report are covered in section 5.3 of this report.

Head of Place and Commercial Services
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Environmental/ Climate Change Implications

Environmental and Climate Change issues of note are contained in sections 2.4, 2.5 and 5.3.5 of the report.

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Executive Member

Cllr Nina Jeffries, Executive Members for Economy & Jobs

Appendices/Background Papers

Appendices

- 1 Proposed elevations and floorplans
- 2 Summary of changes to Queen Street and National Cycle Network 2
- 3 Financial overview
- 4 Economic Case (Green Book appraisal of project benefits)
- 5 Project plan timeline
- 6 Single Departmental Plan

Background papers

1. [Agenda for Executive on Wednesday, 21st November, 2018, 10.00 am - Teignbridge District Council](#) – Executive approval of the principle of the Council constructing a new cinema, November 2018
2. [Agenda for Executive on Tuesday, 17th July, 2018, 10.00 am - Teignbridge District Council](#) – Executive approval of exhibition of [Newton Abbot Town Centre Masterplan](#), July 2018
3. [Agenda for Executive on Tuesday, 21st July, 2020, 10.00 am - Teignbridge District Council](#) – Executive approval of bid submission, July 2020
4. [Agenda item - Future High Street Fund - Teignbridge District Council](#) – Executive endorsement of project, April 2021
5. [Agenda for Full Council on Thursday, 22nd April, 2021, 10.00 am - Teignbridge District Council](#) - Council approval of the Future High Street Fund Project, April 2021
6. [Agenda item - Future High Street Fund - Newton Abbot Market - Teignbridge District Council](#) - Council approval of the Market Hall business case, February 2022
7. [Agenda for Full Council on Tuesday, 26th July, 2022, 10.00 am - Teignbridge District Council](#) – Notice of Motion, July 2022

8. [Agenda for Full Council on Tuesday, 6th September, 2022, 10.00 am - Teignbridge District Council](#) – Additional funding request for cinema, September 2022
9. [Agenda for Executive on Monday, 12th September, 2022, 10.00 am - Teignbridge District Council](#) – Project update, September 2022
10. [Decision - Urgent Decision - Future High Street Fund - Teignbridge District Council](#) - Urgent decision to progress actions in Executive report following cancellation of Executive meeting, September 2022
11. [Agenda for Executive on Tuesday, 4th October, 2022, 10.00 am - Teignbridge District Council](#) – Project update, October 2022
12. [Agenda for Audit Scrutiny Committee on Thursday, 3rd November, 2022, 10.00 am - Teignbridge District Council](#) – Devon Audit Partnership review of the project, November 2022
13. [Queen Street, Newton Abbot, Pedestrian Enhancements - Have Your Say \(devon.gov.uk\)](#) – Queen Street Designs, Devon County Council
14. Community Right to Bid policy and guidance: [Community Right to Bid - Teignbridge District Council](#)

1. Introduction

- 1.1. The Council was successful in securing £9.2 million funding through the Government's Future High Street Fund programme to 'renew and reshape town centres and high streets in a way that improves experiences, drives growth and ensures future sustainability.'
- 1.2. The overall cost of the Council's projects is around £13 million, with the additional funding in the form of prudential borrowing, Community Infrastructure Levy and Devon County Council contributions.
- 1.3. The revised business case for the project identifies that the £13 million investment would realise a wider economic benefit to the town of £42.3 million.
- 1.4. The vision of the project is for Newton Abbot to be 'the premier market town in Devon', focused on a revitalised Market Hall and with improved social and leisure opportunities.
- 1.5. At the meetings of the Full Council on 26 July 2022 and 6 September 2022 Council sought additional information about, and changes to, the projects that formed the successful Future High Street Fund bid.
- 1.6. This report sets out the revised plans and business case for the project. If approved by Council, this information will be used to submit a Proposal Adjustment Request for the project.

- 1.7. A chronology of the Committee decisions related to the Future High Street Fund project, and earlier decisions on regeneration plans that informed the bid, is included as Background Papers 1 – 12 to this report.
- 1.8. An overview of how this project delivers on the Council's objectives, as set out in the Council Strategy, is included as a 'Single Departmental Plan' as Appendix 6 to this report

2. Changes to the approved project

- 2.1. The Notice of Motion at the 26 July 2022 Committee set out a requirement for the Market Hall and Alexandra Cinema elements of the project to be revisited.
- 2.2. Following a review of the project considering this request, a revised set of plans have been developed and included as Appendix 1 of this report.
- 2.3. The changes to the plan can be summarised as follows:
 - 2.3.1. The Alexandra Cinema building has been removed from the project;
 - 2.3.2. The wall between the Market Hall and Alexandra Cinema remains in place;
 - 2.3.3. The retention of more of the Food Hall to the front of the Market Hall than originally proposed; and
 - 2.3.4. Internal changes to the layout of the Market Hall and reduction of flexible space.
- 2.4. Alongside the revisions to the Market Hall and Alexandra Cinema buildings, the proposal to use gas in the new cinema has changed to a low-carbon and fully electric system.
- 2.5. The proposals for Queen Street, and National Cycle Network 2 (NCN2) have been refined alongside ongoing public and stakeholder consultation. See Appendix 2 for a summary of changes to NCN2 and to Queen Street. The advanced designs for Queen Street are available on the Devon County Council consultation website and included as Background Paper 13 of this report.
- 2.6. The financial overview in Appendix 3 sets out the overview of costs and return on investment for the Council's borrowing. The project still shows a return well above the minimum 1% required by the Council's Commercialisation Strategy.
- 2.7. Concern was expressed at previous Council meetings regarding the potential impacts of inflation on the project and costs spiralling to the extent that the

project and the Council's investment would be put at risk. This is covered in more detail in section 5.1 of this report.

- 2.8. The revised economic business case has been assessed against the HM Treasury Green Book and that assessment is included as Appendix 4 to this report. The Green Book appraisal includes demonstrating that a project represents value for money, has a strategic case, is viable, is affordable and is achievable within the timeframe of the grant funding.
- 2.9. The appraisal considers the wider impact of the project, including:
 - 2.9.1. Direct Land Value Uplift (LVU) associated with the delivery of the new cinema and the revitalized Market Hall;
 - 2.9.2. Direct Labour Supply Impacts associated with future additional Full Time Equivalent (FTE) jobs supporting in the Market Hall and the cinema, with associated welfare-related returns reflecting a mix of additional income tax and negated welfare payments;
 - 2.9.3. Direct Active Travel Impacts, reflecting physical health, absenteeism, journey quality and environmental impacts, alongside indirect tax and congestion impacts brought about through the delivery of the National Cycle Network and Queen Street works, as assessed through the Department for Transport's Active Modes Appraisal Toolkit;
 - 2.9.4. Wider residential LVU, associated with the schemes role in supporting a much improved town centre offer and experience, with associated impacts within the town housing market;
 - 2.9.5. Wider commercial LVU, associated with the role of the scheme to support new town centre footfall and spending, with associated uplifts in wider town centre commercial markets; and,
 - 2.9.6. Distributional Impacts, reflecting the value of investment in income deprived areas, such as Newton Abbot.
- 2.10. Based on the revised proposals the wider economic benefits of the projects include:
 - 2.10.1. An economic benefit to the wider economy of around £42.3 million.
 - 2.10.2. Creation of 41 additional gross FTE jobs.
 - 2.10.3. A land uplift value to the Council's assets of £3.3 million.

- 2.10.4. A 1-1.5% uplift in Newton Abbot's housing market, and a further 0.25-0.75% uplift to towns in the wider hinterland.
- 2.11. The Future High Street Fund bidding process required the appraisal to demonstrate a Cost Benefit ratio over 2:1. The revised business case shows a score of 3.05:1, which gives confidence that the project still fulfils the objectives of the fund.
- 2.12. The timeline for the project is set out as Appendix 5 to this report. The deadline of March 2024 relates to the spending of grant money. The project can continue past this date, utilising other sources of funding such as borrowing. A proportion of the grant funding will not be spent before the deadline and the implications of this risk is set out in section 5.3.

3. Options for the Alexandra Cinema building

- 3.1. The consideration of options for the future use of the Alexandra Cinema relies on the building being available.
- 3.2. While all focus has been on securing the future arrangements in operating from the new four screen cinema, Scott Cinemas have a current lease and the right to renew. The lease would not be given up until there is certainty on the new facility.
- 3.3. In addition, the value of the building for sale, or the likely rental values that can be achieved, will depend on the market at the time of the offer. On this basis, any detailed consideration or decision now of potential future uses is considered to be premature.
- 3.4. Initial consideration has been undertaken to understand the potential options available to the Council, should it seek to dispose of the asset in the future.
- 3.5. In summary, those options are to offer the building to rent, long leasehold or sale of the freehold. The potential end users could include Arts and Culture, Food and Drink, Live Music and Events, Bar and/or Restaurant, and Experiential Leisure.
- 3.6. The Alexandra Cinema is listed as an Asset of Community Value so any sale would need to follow the Council's policy, included as Background Paper 13 to this report. This would include a 6-week interim moratorium for community or

voluntary sector groups to express their interest, followed by a 6-month full moratorium to enable a bid to be put together.

- 3.7. The Council is required to seek best consideration when disposing of public assets under Section 123 of the Local Government Act 1972, ensuring as far as reasonably possible that public assets are not disposed of at an undervalue.
- 3.8. The exception to this is where the authority considers that the purpose of the disposal at less than best consideration will achieve the promotion or improvement of the economic, social or environmental well-being for the area and/or local residents. Valuation advice will need to be reported to set out the unrestricted (best price obtainable) and restricted values. This will ensure that the monetary value to the authority can be taken into account.
- 3.9. It is recommended that marketing of the Alexandra Cinema building is undertaken once Scott Cinemas have surrendered their existing lease.

4. Other matters arising

- 4.1 The decision at Full Council on 6 September 2022 required a monthly progress report to be taken to Executive. Subject to Council approving the revised project plan it is requested to revoke that requirement and revert to reporting by exception, for example if timescales change or additional budget is required.
- 4.2 The Notice of Motion from Full Council on 26 July 2022 requested a season of street performances to be commissioned 'to help draw more people into town'.
- 4.3 There is no dedicated officer resource currently available to commission a season of street performances. If earlier action is required budget will need to be agreed to bring in additional staff resource.
- 4.4 The Council's UK Shared Prosperity Fund Investment Plan contains provision for contributions to the arts and towns centres. Once confirmation of the Council's bid is received later this year this would be the opportune time to consider this part of the Notice of Motion.
- 4.5 The Devon Audit Partnership recommended that a Single Departmental Plan be created, to demonstrate how the project delivers on the Council's 10-year strategy. That Plan is attached as Appendix 6 to this report.

5. Implications, Risk Management and Climate Change Impact

5.1. Financial

- 5.1.1. The project meets the minimum 1% return as required by the Council's Commercialisation Strategy relating to prudential borrowing for projects.
- 5.1.2. The investments will realise a direct land value uplift of £3.3 million for the Council's assets at the Market Hall and Cinema based on the economic appraisal as set out in Appendix 4.
- 5.1.3. The business case assumes that the Alexandra Cinema will be re-let over a short to medium term so no land value will be lost. There is no budget for the Council to subsidise future uses of that space.
- 5.1.4. The proposed business case includes contingency measures to deal with cost inflation and economic uncertainty as far as can be reasonably assessed. This includes allowances for BCIS (Building Cost Information Service Construction Data) forecast inflation up to Quarter 4 2023 for the cinema (totalling £420,440) and Quarter 3 2024 for the Market Hall (totalling £272,575). This is designed to take the estimates past the point of mid-construction. By this time, cost certainty in the form of tender results (which will include assumptions about inflation) will have been achieved. There is however no guarantee that the tender costs will be within the estimates provided.
- 5.1.5. The current professionally estimated costings also have risk allowances for design development and construction risks. Outside the main construction costings, the overarching Teignbridge appraisal includes additional contingency for specific and general project risk, totalling £253,498 across both the cinema and market hall schemes.
- 5.1.6. Assumptions about interest rates in relation to forecast borrowing have been updated following recent market turbulence. A rate of 4% is being assumed, which is in line with the medium to long term forecasts of the Council's treasury advisors and other economic commentators. The Council's treasury strategy is designed to mitigate against interest rate risk, including measures to spread any borrowing periods and loan maturities.

5.2. Legal

5.2.1. There are no legal implications arising from this report.

5.3. Risks

- 5.3.1. The revised project timeline now shows that part of the Government funding cannot be spent before the end of March 2024. This presents a significant risk that the Proposal Adjustment Request could be refused and that any unspent budget is returned and the final draw down of funding for 2023/24 will not be given. In this situation the project will cease.
- 5.3.2. If the funding is withdrawn consideration will need to be given very quickly to the current operations in the Market Hall. At present the Market Hall is loss making and costs the Council approximately £60,000 per year to run. This is an unsustainable position. The Future High Street Fund projects were centred around improving the offer and situation in the Market Hall.
- 5.3.3. Alongside the immediate impact of any project failure, the Council's reputation will be severely damaged with Government and would make future funding bids incredibly challenging when looking to demonstrate the ability to deliver.
- 5.3.4. Risks relating to the cinema project are set out in the report relating to this item on the same agenda. As a critical component of the transformation of the town centre, if the cinema scheme is not be able to proceed the positive impact of the changes will be greatly reduced and the wider benefit to the town will be lost. In addition, any alternative plans for the existing Alexandra Cinema building will be lost, as the existing tenant will remain in-situ.
- 5.3.5. The decision to dispose of the Alexandra Cinema may result in the Council retaining an asset that becomes a financial burden if alternative uses are found to be unsustainable or unviable, or if an appropriate end user cannot be found. In addition, removing the Alexandra Cinema from the project might reduce the scope for energy efficiency measures that were planned through dealing with the building as a single unit,

including combined mechanical and electrical equipment such as heating, lighting and cooling.

- 5.3.6. Any further unexpected delays or amendments to the project will impact on the ability to deliver the project to the revised timescale, adding further doubt and uncertainty for Government when considering the requested changes.

6. **Alternative Options**

- 6.1. The option to revert to the original Future High Street Fund submission is no longer available. The timeline for that project has slipped by at least ten months and would not be recoverable within the timescales for spending the grant funding.
- 6.2. A decision could be made to stop the project completely and return any unspent funds. This approach would come with its own risks, including reputational damage with the community, with businesses that will benefit directly and indirectly from the regeneration, and with funders when considering future bids from the Council for projects.
- 6.3. The Council could consider only taking forward individual elements of the project, for example excluding the changes to the Market Hall or not building a new cinema. These would reduce risk exposure to the Council, given the level of economic uncertainty and volatility of the construction market. However, the economic and regeneration benefits of such a reduction would be much less and there is no certainty that a reduced scheme would receive support from the Future High Street Fund.

7. **Conclusion**

- 7.1 The additional evidence, scrutiny and amendments to the project as requested by Council have been provided. The revised project as appended to this report still meets the very high requirements of the Future High Street Fund, clearly demonstrating a positive transformational impact to the town and wider economy, and still provides a positive return on investment for the Council.

- 7.2 The Future High Street Fund project is a massive opportunity for Newton Abbot, with £9.2 million grant funding that is unlikely to be available again in the foreseeable future.
- 7.3 The wider economic benefits to the residents and businesses of the town is estimated to be £50 million. As can be seen in Single Departmental Plan in Appendix 6, the project also delivers on multiple corporate priorities.