

**Teignbridge District Council  
Executive  
31 October 2023  
Part i**

**Future High Streets Fund update**

**Purpose of Report**

To inform the Executive on the progress of the Future High Streets Fund Newton Abbot and to approve of the proposals to vary the Council's planning application.

**Recommendation(s)**

The Committee RESOLVES to:

- (1) Approve an amendment to the current cinema planning applications (22/01129/MAJ and 22/01130/LBC) reducing the size of the building and widening the gap with the listed Market Hall building.

**Financial Implications**

The reduction in building size reduces the revenue generating potential of both the cinema and restaurant due to the rental values being assessed on a rate per square foot.

The total loss is in the order of £11,000 per annum as detailed in the Financial Implications section of this report.

A revised appraisal has been undertaken, encompassing the changes to rental income and the affect of inflation on costs. A return of 1.55% is achieved, remaining in excess of the 1.00% target minimum.

Other financial implications remain as previously reported, that the delays are considerable and not only places the entire Project at risk but also jeopardises the £9 Million grant. Furthermore, delays continue to have an adverse impact on costs as we remain in a relatively high inflationary environment.

A detailed breakdown of the overall budget was set out in the Part II report to the 4 October 2022 Executive. Changes to cost estimates and rental income are incorporated in the 1.55% return now quoted. It should be noted that costs remain

estimates until tenders are accepted.

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## **Legal Implications**

There are no specific legal implications arising out of this report. However, implications and risks associated with the project previously identified and reported remain unaltered.

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## Risk Assessment

There are a variety of risks associated with various options which are discussed in the body of the report. The risks surrounding the recommendation comprise:

- Planning. There are no assurances that the amended scheme will either be supported by planners or approved at planning committee.
- Occupational. The current interested tenant is not interested in the reduced size building which would necessitate going back out to market to secure a new tenant before progressing.
- Timescale. Running an amendment on the planning is likely to delay the decision by a further three or four months.
- Budget. The amendment will require additional consultancy fees which we would seek to fund through the FHSF project budget but it does not help the viability.

Other general risks to the project were set out in the Executive reports of 12 September 2022, 4 October 2022, and 17 November 2022, including the risks caused by additional delays to the project and the impact of additional work on available resources to undertake tasks.

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## Environmental / Climate Change Implications

There are no environmental or climate change implications arising from this report as it is 'to note' only.

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## Executive Member

Councillor Martin Wrigley

## Background Papers

1. [Agenda for Executive on Tuesday, 21st July, 2020, 10.00 am - Teignbridge District Council](#) - Executive approval of the submission of the Future High Street Fund bid, July 2020

2. [Agenda item - Future High Street Fund - Teignbridge District Council](#) - Executive endorsement of the Future High Street Fund Project, April 2021
3. [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
4. [Agenda item - Future High Street Fund - Newton Abbot Market - Teignbridge District Council](#) - Council approval of the Market Hall business case, February 2022
5. [Agenda for Executive on Monday, 12th September, 2022, 10.00 am - Teignbridge District Council](#) - Executive report considering update on the Future High Street Fund, September 2022
6. [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
7. [Part 1 Executive report - FHSF Oct 2022.pdf \(teignbridge.gov.uk\)](#) – Executive report providing update, October 2022
8. [Agenda for Full Council on Thursday, 17th November, 2022, 10.00 am - Teignbridge District Council](#) – Extraordinary Council Meeting to agree additional funding and revised business case, November 2022
9. [Agenda for Teignbridge Highways and Traffic Orders Committee on Thursday, 1st June, 2023, 2.15 pm - Democracy in Devon](#) – HATOC meeting regarding the Queen Street proposals, June 2023
10. [Agenda item - Notices of Motion - Teignbridge District Council](#) -

## 1. Background

- 1.1 At the Extraordinary meeting of the Council on 06 September 2022, it was agreed that:
- 1.2 ‘With effect from October 2022, officers present a comprehensive written report for each executive meeting (whether held or not) on delivery of the Future High Streets Fund (FHSF) and its various projects. The report will set out key objectives and timelines, progress towards them, identify when decisions will need to be made by council / the executive and all other necessary and relevant information about the FHSF to keep councillors fully informed. If necessary, the report may be a part ii ‘exempt item’.

## 2. Project updates

### 2.1 Key objectives

- 2.1.1 The key objectives for the Future High Streets Fund (FHSF) and the Council’s successful bid were set out in detail in previous reports to the Executive and the Council. It is not proposed to repeat them in this or future update reports.

### 2.2 Timelines

- 2.2.1 A combined project timetable is attached at Appendix 1. This programme was set prior to the planning delays.
- 2.2.2 The cinema application (22/01129/MAJ) is still live. If the report's recommendation is approved it will take time to put together the amendment documents to submit to planning and then an allowance is required for a three week consultation process. It is unlikely this would all be achieved by the end of this calendar year and therefore expectations are for this to be taken to a February 2024 Planning Committee for determination. The resultant delay in planning stage would add at least seven months to the project and mean practical completion of the cinema would not occur until April 2026.
- 2.2.7 Plans for the Market Hall are currently being developed. A planning application will be ready to submit shortly, however, the decision on the cinema project is required in order to finalise the design of the New Look demolition block which would either become a new cinema or a re-exposed side elevation. The programme submitted to DLUHC as part of the Project Adjustment Request set out a 10 July 2023 target submission date, meaning the submission is now four months behind schedule. Efforts are being made to find other programme savings in order to maintain the target completion date of November 2025.

### **3 Cinema Updates**

3.1 We have been advised that the TDC planning officer's report will not recommend approval of the Cinema application (22/01129/MAJ) when it is taken to Planning Committee.

3.2 The planning committee may decide against the planning officer's recommendation.

3.3 One of the principal concerns for the planning officer is the size, design and proximity of the cinema to the adjacent Listed Market Hall and Alexandra Cinema. This is despite detailed viability and planning support statements justifying the reasons for this.

3.4 Therefore to give the planning application a better chance of being supported by the planning officer the submission of an amendment is recommended. This will reduce the size of the proposed cinema building and widen the gap with the existing listed Market Hall building.

3.5 However, in submitting such an amendment the occupier currently interested has stated they would then withdraw as it would be too small for their operations and they are of the view the cinema would then be too small to compete in the market against existing facilities at Paignton, Torquay and Exeter.

3.6 This would therefore necessitate going back out to market to find another cinema occupier that would take the amended scheme.

3.7 We are advised by sector specialists that the occupational cinema market at present is not offering to enter leases any longer than a 12 year term certain. It is therefore unlikely that we would be able to attract a longer term commitment than this and it will be less than the original terms agreed some time ago with Scott Cinemas who were prepared to enter a 25 year lease.

3.8 It is not proposed that the cinema would be built speculatively (without a tenant signed up) but that we translate the work done so far into a planning decision which would at least provide closure.

3.9 The cinema planning consent would not be implemented until a cinema tenant is secured. Any spend or commitments made ahead of securing a cinema tenant being secured would be approved by portfolio holder prior.

3.10 This presents a timescale risk and cost risk due to the potential for delay to the project whilst a new tenant is sought and agreements formalised. However, no TDC funds would be at risk.

3.11 Having spoken to specialist advisors they reiterate that the occupational cinema market continues to be thin, particularly given the struggles of the larger operators. However, there remains a chance of securing another tenant as the independent chains and boutique operators are still active, especially if the market continues to improve in to 2024.

3.11 DLUHC are likely to be more understanding of delays due to the occupational market and the cinema project being on hold until a tenant has committed, than for other reasons such as deliberations on what project to do during what is supposed to be the delivery stage.

3.12 Furthermore, DLUHC may be more understanding of a second request for a Project Adjustment if it can be demonstrated that the current cinema project is non-proceedable due to either failing to secure planning permission or failing to secure a tenant. As it stands the project has not had its planning determined and also has a tenant wishing to proceed based on the submitted proposals.

## 4 Financial Implications

4.1 The reduction in building size reduces the revenue generating potential of both the cinema and restaurant due to the rental values being assessed on a rate per square foot.

Element	Current Size (sq ft)	Current Headline Rent	Amended Size (sq ft)	Amended Headline Rent
Cinema	10,910	£120,000	10,441	£115,000
Restaurant	6,954	£111,260	6,579	£105,260
<b>Total</b>	<b>17,864</b>	<b>£231,260</b>	<b>17,864</b>	<b>£220,260</b>

4.2 The total reduction in forecast headline rent is therefore £11,000 per annum

4.3. Under the current application and cinema commercial terms the agreed headline rent was £120,000 per annum reflecting £11.00 per sq ft on the target build area of 10,910 sq ft. Widening the gap has the effect of reducing the target building size to 10,441 sq ft impacting screens 1 and 2. The resultant headline rent, if applying the same rate, equates to £114,851 per annum, say £115,000 per annum. A total loss of £5,000 per annum from the cinema element.

4.4 The reduced size impacts the proposed restaurant unit 2 reducing in size by 383 sq ft from 3,563 sq ft to 3,180 sq ft. The restaurant uses are rentalised at a rate of £16.00 per sq ft and therefore the potential rent from the ground floor restaurant element would reduce from £111,260 to £105,264, say £105,260 per annum (- £6,000).

## 5 Alternatives

5.1 There are a number of alternatives that have been considered.

5.2. Continue with the current planning application which is likely to be taken to Planning Committee with an officer recommendation to refuse. This would then be determined by Planning Committee. If planning is approved against the officer recommendation the terms with the currently interested party can be finalised and brought to Executive Committee for approval.

5.3 Pursue an alternative Project under the Future High Streets Fund. However, DLUHC has been very clear that no new projects should be submitted for consideration during this delivery stage. Furthermore, communication received 6 October 2023 reiterated the Grant funding requirement to spend the money by March 2024 and requesting any extension requests beyond this to be submitted but no later than 30 September 2024. TDC Officers are engaging with DLUHC to

ascertain how our Project is affected considering the Project Adjustment Request was approved with a timetable that had the works completing in September 2025.

5.4 The timescale requirements to start again and work up a deliverable scheme are such that there is significant risk DLUHC do not approve any new project and the significant delay in spending that would entail.

5.4.1 During a call with DLUHC on 12 October 2023 they reiterated the deadline of March 2024 remains and extensions to September 2024 may be approved under exceptional circumstances. This is despite TDC’s Project Adjustment Request containing revised spend and grant profiles, being approved by DLUHC. There may be an amendment to the definition to allow for committed spend by these dates rather than actual spend deadlines, however, authorities would have to demonstrate an ability to spend the money that financial year otherwise payments cannot be made due to breaching Treasury rules. This results in a best case spend deadline of March 2025.

5.4.1 To demonstrate the timescales involved, the current project has been worked up over a decade and in 2019 received FHSF grant funding of £150,000 to undertake extensive early feasibility work. This supported the development of detailed project proposals to be submitted for capital funding, which was vital lead-in work necessary to secure the current FHSF Grant Fund package. The project has then undergone various design stages to get it to the point of deliverability, cost plans, business cases, appraisals supporting the Councils investment, Benefit Cost Ratios (BCR) analysis, all to support delivery and DLUHC requirements.

5.4.2 A Monitoring and Evaluation process is undertaken twice a year to report back to DLUHC, Memorandum of Understandings have been entered in to between the Council and DLUHC setting out the grant conditionality and the grant spend deadline. Following this is a lengthy and costly Major Planning Application process.

5.4.3 Officers are aware of alternatives proffered by unconnected third parties, however, we are not aware of any evidence of similar feasibility, viability, appraisal or other due diligence to support such projects. An estimated timescale to explore an alternative, depending on complexity, could be:

Item	Timescale	Cost
Prepare reports and obtain TDC Executive Committee approval to review alternative options	2 months	Officer Time
Instruct consultants and Undertake feasibility and financial viability work	6 to 9 months	£15,000 to £20,000



Take findings to Executive Committee for decision on which option to pursue	2 months	Officer Time
Undertake Benefit Cost Ratio Exercise with full inputs (eg costs, outturn revenue and job creation numbers)	2 to 3 months	£5,000 to £10,000
Submit Project Adjustment Request (PAR) to obtain permission from DLUHC for a material change of Project	3 months	Officer Time
Pre-planning application	3 to 6 months	£1,000
Instruct Design team to prepare planning application	9 - 11 months Depending on which design stage, and consultation process required as part of the design development	£300k to £400k depending on which RIBA stage we target
Intrusive survey works and associated additional design fees to establish building condition.	Included in above	£50,000
Planning Application	6 to 12 months	£18,000
Tender for works contract	3 months	Officer Time
	36 to 51 months	£389,000 to £499,000

£30,000 of the costs in the table are revenue costs, for which no budget is currently set aside. It is estimated the remaining capital costs will fall outside the Future High Streets grant expenditure deadline and would require appraisal on the basis of other available funding, most likely to be borrowing.

5.5 Alternative projects to put forward for approval from DLUHC could include:

5.5.1 Refurbishing the Alexandra Cinema building, however, officers have concern about the viability of such a proposal and would need to have a robust business case presented that demonstrates it works. If one does not exist officers would need to be instructed and the budget released to review the viability and deliverability of this alternative proposal. The scale of such an alternative and its transformational impact would also have to be independently assessed under a Green Book valuation to establish whether it achieves the minimum BCR score.

5.5.2 Explore options for the Wilko block. However, given the potential scale of the required solution and cost it is unlikely this could be achieved under the FHSF grant and TDC capital input alone. This is particularly the case given the sunk costs for the current project which would still have to remain on the appraisal. Furthermore,

we do not control the Wilko block yet as a lease is still active under the control of the administrators.

5.5.3 Abort the cinema project and seek DLUHC approval to pursue the Market Hall and Transport Projects on their own. This may require a Green Book assessment to establish if the minimum BCR would still be achieved. This change would also require an amendment to the Market Hall Planning Application and its treatment of the current New Look elevation post demolition and creation of the open walkway. There are implications to the supporting financials / business case too as the cinema project was holding the cost of some shared works such as:

- The demolition of the Market Hall section that was to make way for the cinema;
- Utilities diversion costs;
- External public realm works to the walkway, paving, bollards, raised tabletop pedestrian crossing; and
- CCTV and PV cable diversions.
- The repair works for the roof have been provisionally costs at between £200,000 to £300,000 depending upon scope of works and it is hoped that this would be carried in the FHSF project budget rather than TDC's R&M budget. However, with the additional costs above not sitting on the cinema appraisal there is a risk the Market Hall budget will not be able to incorporate this cost.

5.5.4 Abort the Cinema and Market Hall Projects and seek DLUHC approval to pursue the Transport project (Queen Street and NCN2) on its own.

5.5.5 Abort the entire FHSF Project including the Cinema, Market Hall and Transport elements. This option is likely to cause significant reputational damage to the Authority and may jeopardise our ability to secure future Central Government funding. This option would also deprive Newton Abbot of the investment and regeneration it thoroughly deserves to unlock its true potential. The direct and indirect financial benefits to the Council's landholdings would also not be realised and put further downward pressure on the rents and values at its Shopping Centre.

5.5.6 Receipt of remaining grant payments is subject to DLUHC's consideration of the Council's reporting on the project, including financial and risk reporting and demonstrating that spend and outcomes are in line with the approved business case.