

Teignbridge District Council
Full Council
16 January 2024
Part i

Future High Streets Fund – Project Adjustment

Purpose of Report

To advise Council of the current situation with regard the Future High Streets Fund (FHSF) project and obtain appropriate authority to progress the projects.

Recommendation(s)

The Council RESOLVES to:

- (1) Approve the submission of a Project Adjustment Request to Department for Levelling Up Housing and Communities (DLUHC) removing the cinema project, amending the Market Hall project and increasing the contingency for the Queen Street project;
- (2) Approve the immediate instruction of the orders set out in Appendix 1 of this report, necessary to bring the project off pause; and
- (3) Delegate authority to the Head of Place and Commercial Services (in consultation with the Executive Member for Estates, Assets & Parking and Chief Finance Officer regarding finalising the development details and prepare planning applications in line with the budget set out in Appendix 2 and timescales set out in Appendix 3 to this report) to take such other action as is necessary to implement the approved redevelopment of the Market Hall to which the approved funding scheme relates.

Financial Implications

The financial implications are included in section 3 and 4.1.1 - the main area of concern is the risk around timescales and handing back funding making the project unviable and costs which may have to be written off.

Martin Flitcroft
Head of Corporate Resources
Email: martin.flitcroft@teignbridge.gov.uk

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. Notwithstanding that caution is advised against acting in a way that is contrary to previous decisions of the Council, its Constitution and external

funding arrangements / agreements.

It is imperative that clarity is brought to this project to provide clear direction and timetabling to ensure project delivery and to mitigate challenge and the risk of the withdrawal of funding.

Paul Woodhead
Head of Legal Services and Monitoring Officer
Email: paul.woodhead@teignbridge.gov.uk

Risk Assessment

At present the risk status of the projects is principally of timescales, the lack of delivery and current pause caused by the removal of delegated authority means there is a very real possibility of failing to deliver any element of the FHSF suite of projects. The project risk is therefore within lack of decisive action or continued uncertainty preventing progress and running out of time. This would result in failure to deliver, a likely request to hand back the grant to DLUHC and abortive costs.

The project risk is therefore in doing nothing, rather than taking action.

Other specific risks are set out within the body of this report.

Thomas E Phillips MSc MRICS
Assets Manager
Email: tom.phillips@teignbridge.gov.uk

Environmental / Climate Change Implications

Previous reports have highlighted the environmental and climate change impacts of the project, links to which can be found in the Background Papers. The decisions associated with this report do not change the impacts previously assessed.

William Elliott, Climate Change Officer
Email: william.elliott@teignbridge.gov.uk

Report Author

Thomas E Phillips MSc MRICS
Asset Manager
Email: tom.phillips@teignbridge.gov.uk

Executive Member

Councillor Martin Wrigley

Appendices

1. Required actions to bring the Market Hall project off pause
2. FHSF updated project costs
3. Market Hall project timeline
4. BCR and Economic Case

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 Streets 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](#) – resolved to rescind all delegated authority for the Future High Streets Fund projects excluding Queen St and the Cycle route improvements, July 2023
11. [Agenda for Executive on Tuesday, 31st October, 2023, 10.00 am - Teignbridge District Council](#) – Item – Item 77 notice of motion for alternative recommendation (called-in)
12. A summary of the key issues arising from the decisions made at the meetings in the background papers

1. Introduction/Background

- 1.1 The Future High Streets Fund (FHSF) is a substantially grant funded project comprising three main elements:
 - a. A new four-screen Cinema
 - b. Transformation of the Market Hall

c. Transport (Queen Street and National Cycle Network)

- 1.2 The FHSF is a Government initiative aimed at revitalising town centres. Funding was secured following a competitive process, with a spend deadline for the Government grant of March 2024. Match funding could be spent after this deadline.
- 1.3 Set out in the background papers is the chronology of all decisions made by the Council to progress the Future High Street Fund projects, with a summary of the key issues set out in background paper 12. In November 2022 the Council agreed to apply for a Project Adjustment Request (PAR) following changes to the projects. This included an extension of time to spend the Government funding. The PAR was approved in June 2023.
- 1.4 However, following receipt of the extension the Council's Executive sought to make further changes, including removal of the cinema and revisiting the internal layout of the Market Hall, guided by an Informal Advisory Group.
- 1.5 The Department for Levelling Up, Homes and Communities (DLUHC) contacted officers following receipt of the Council's December 2023 Monitoring and Evaluation report to state that they are not minded to grant a deadline extension for the spend to 31 March 2025, due to the risk profile and lack of progress on the cinema project.
- 1.6 Alongside this issue, the removal of all delegated authority to progress the scheme has significantly slowed down progress to the extent that the Market Hall project is now at significant risk of failure if we cannot spend the Government grant funding in time.

2. Key issues to approve

2.1 Officers are unable to progress the approved project timeline, which is supposed to be in the delivery stage under the November 2022 Council mandate, due to the removal of all delegated authority relating to the cinema and Market Hall projects following agreement to a Notice of Motion at the Council meeting of 25 July 2023.

2.2 Whatever the intention of that Notice, the approved wording removed all delegated authority. It is therefore for Council to make decisions on the cinema and Market Hall projects. This is an unsustainable position. The projects require quicker decisions to be made than can ever realistically be expected from relying solely on Executive or Full Council committee meetings.

2.3 In line with that Council resolution, approval is sought to agree the decisions set out Appendix 1 to this report relating to the Market Hall project.

2.4 For future expediency, it is requested that delegated authority be reinstated in line with recommendation 3.

3. Project Adjustment Request details

3.1 Given the timescale implications and the looming deadline officers, having engaged with DLUHC and the leader of the Council, consider the best option is to safeguard delivery of the Market Hall and Transport elements by submitting another Project Adjustment Request (PAR) to DLUHC removing the cinema project and requesting a deadline extension from 31 March 2024 to 30 September 2024 (which is a committed deadline therefore an effective spend deadline of 31 March 2025).

3.2 As the cinema had a grant allocation of £6.850M against it officers recommend reallocating that to enhance the Market Hall project and to cover other costs that have occurred such as the roof repair.

3.3 Other costs are also now required to be borne by the Market Hall appraisal which were previously being paid for by the Cinema. This reduces the return on TDC capital below the target 1% and therefore necessitates additional grant to improve the return.

3.4 Proposed Market Hall Project enhancements include the following:

Item	Cost
Market Hall refurb(Original scheme)	£3,891,643 before risk
Fixing the Market Hall roof	Included in above
Upgrading New Look/Shauls roofs	£156,860
New Look north face/wall	£16,000 plus costs in Cost Plan 4
Market Square paving	£347,700
Café relocation/refurb of Shauls	£100,000
Former Oggy Oggy unit refurb for tenant relocation	£20,000
Former Edinburgh Woollen Mill refurb for tenant relocation	£100,000
Post Office Building refurb	£145,966 (increased risk to 20%)
Stairs to upper walkway	-
Vertical Passenger Lifts	£200,000
Total	£4,778,169

3.5 This reflects an increase in cost of £886,526 before fees.

3.6 Some of the enhancements are necessary improvements to the cinema development block units that would now not be demolished.

3.7 An additional cost of £56,745 for project management staff time will also be requested.

3.8 Once all other costs are taken into account, including risk and inflation allowances, contractors' preliminaries, overheads and profit, multi-disciplinary

consultancy support, staff project management time and legal fees in relation to tenant relocations, the full forecast cost for the Market Hall elements is as follows:

Element	Cost £
Staff Costs	236,745
Construction	5,873,726
Contingency	692,553
Financial contributions	150,000
Legal fees	50,000
Professional Fees	640,421
Surveys	13,118
Contractors	1,560
Planning/Building Regs	4,963
Total	7,663,084

3.9 To achieve a 3% return on equity (actual 3.02%), and allow for a prudent margin above our minimum target return of 1%, an increase to grant allocation for this project would be required from £1,375,678 to £5,200,000.

3.10 With regard the Transport project enhancements were explored including having a paved rather than tarmac finish, however, the additional grant required for this +£900,000 was considered too much of an increase within the context of the project and current grant allocation.

3.11 It is recommended that an additional contingency is implemented of +5% to 10% for the Market Hall and +£100,000 for Transport project in order to protect against a volatile cost environment. This would be paid for by reallocating unused cinema grant.

3.12 A green book appraisal has been undertaken supporting a revised BCR of 3.31:1 in excess of the minimum 2:1 required by DLUHC. The BCR and Economic Case are attached to the rear of this report at Appendix 4.

3.13 Officers are putting together a full Project Adjustment Request on this basis which will be ready to submit to DLUHC if Full Council resolves this report's recommendations.

3.14 Pursuing this course of action would leave a residue of unspent Grant totalling circa £2.50M.

3.15 An Informal Advisory Group, set up by the Leader of the Council to discuss the Market Hall and Alexandra Cinema buildings, has met on several occasions. However, there is no mandate from the Council relating to the group, and no time or budget available to undertake a review of its output.

4. Implications, Risk Management and Climate Change Impact

4.1 Financial

4.1.1 Failure to agree the project will result in a £456,860 cost to the Council in remedial roof repairs to the Market Hall and New Look buildings. In addition, the Council will be left with decisions around the costs of bringing currently non-operational assets such as the old Post Office building and other vacant retail units back into use. The Market Hall operations are currently running at an operational loss and the Future High Streets Fund was identified as a way to fund the changes required to reverse that problem. Without the fund the Council will continue to make a loss and will need to consider alternative uses of the building, as the Markets are not a going concern.

4.2 Legal

4.2.1 There are no direct legal implications from this report.

4.3 Risks

4.3.1 Loss of Market Hall project if approval is not granted for the recommendations as set out.

4.4 Environmental/Climate Change Impact

4.4.1 Previous reports have highlighted the environmental and climate change impacts of the project, links to which can be found in the Background Papers. The decisions associated with this report do not change the impacts previously assessed.

5. Alternative Options

5.1 A number of alternatives were put forward within the Executive Report dated 31 October 2023. However, as set out in the report, any alternative that requires a new project is not considered feasible within the constraints of the grant conditions, even with a deadline extension.

5.2 It is no longer feasible to deliver the cinema project within the time constraints of the grant, as that project would necessitate a start on site in March 2024.

5.3 The realistic alternatives to the recommendations as set out with this report are therefore considered to be

- a. Abort the entire FHSF project.
- b. Abort the Market Hall project and proceed only with the Transport project.
- c. Explore an alternative project that does not require such a long lead-in time and has the principal spend upfront, either a standing investment or a site with existing planning consent. However, even the latter is running out of time for all but the most simple of construction projects.

6. Conclusion

- 6.1 After years of indecision and disagreement it is now necessary to agree that there is no longer support from the Council to deliver the cinema, which has now been stalled to the point that the risk profile is too great for DLUHC to grant a deadline extension and has rendered the cinema non-deliverable.
- 6.2 Rather than lose the hard fought for Grant funds entirely it is recommended that actions are taken to safeguard delivery of the Market Hall scheme and Transport projects which are now too threatened by the cinema risk and timescales implications.
- 6.3 Grant must be reallocated from the cinema to the Market Hall to make it viable as it now has to cover additional costs the cinema was bearing.
- 6.4 By enhancing the Market Hall project, more grant left over from the cinema can be spent reducing the amount of potentially unspent grant to be handed back to DLUHC.
- 6.5 Clear direction and support from Council is now required otherwise the Market Hall and Transport projects are also at severe risk of failing.
- 6.6 Following the PAR to remove the cinema as described above, if another project can be found that achieves the gateway criteria of the grant, is deliverable and spends the grant money by the deadline another subsequent PAR could be submitted for DLUHC approval. This will be the subject of a separate report to Council in the future if an alternative project can be identified and resourced.

Background Paper 12 – Chronology of decision making relating to the Future High Streets Fund Project

Executive committee approved the submission of the FHSF bid on 21 July 2020.

Executive endorsed the Future High Streets Fund Project on 6 April 2021 to take to Full Council for approval.

Council approved the scheme and delegated authority was given on 22 April 2021 to deliver the project as presented.

Officers took a report to Full Council requesting a capital budget increase required to secure a pre-let agreement for the cinema - necessary to move the project forward.

The then leader proposed an amendment and the Council resolved to:

- Commission an external audit to report on the governance of the Future High Streets Fund in relation to commissioning, construction costs, and contracting for the proposed new cinema and the information provided to Council to make informed decisions.
- From October 2022 present a comprehensive written report for each executive meeting

A second amendment was proposed and approved:

- To engage consultants who specialise in cinemas and the night time economy in the South West as a whole in order to establish how viable a new four screen cinema is.

Officers undertook these additional requests from 6 September Full Council and presented the findings back at Extraordinary Full Council.

During that meeting Councillors resolved to remove the Alexandra Cinema building from the FHSF regeneration plans. The risk to project timescales, costs and the ability to spend the grant in accordance with the Grant conditions were highlighted.

The implication was:

- The wall between the market hall and the cinema is being retained
- A smaller entertainment space will be created
- Greater retail diversity will be pursued, including a food court

Work was undertaken on the detail of these revised plans along with engagement with traders, local organisations and community groups as these evolve so that we can maximise the shopping and cultural experience. Officers planned to hold a public exhibition of these proposals when finalised.

A Project Adjustment Request was submitted to DLUHC on 19 May 2023 requesting approval for the amendment. The adjustment request was approved on 20 July 2023.

On 25 July 2023 the leader put forward a Notice of Motion to Full Council and the following was resolved:

The council rescind all delegation of authority for the Future High Street Fund projects excluding Queen St and the Cycle route improvements. This delegated authority is to be replaced with staged delegations based on the project plans. Milestones achieved or missed

and permission to proceed to a next milestone to be overseen by the Executive Committee and reported back to full council.

On 22 August 2023 the leader proposed an alternative recommendation

Delegated authority be given to the Head of Place and Commercial Services to make such decisions as are necessary to avoid delays to the programme on the proviso that the officer has first obtained the approval of the Executive Member and that all such decisions are reported to the Executive.

This amendment was resolved by executive, however, it is considered ineffective due to the Notice of Motion rescinding all delegation of authority which was resolved at Full Council in July.

31 October 2023 a report was taken to Executive stating that due to planning officers not being supportive of the proposed design it was recommended that the size of the cinema is reduced to give it a better chance of having planning approved albeit at the loss of its interested tenant.

At this juncture the delivery of a cinema was still feasible but the two options presented different risk profiles, one on planning the other occupational. On balance officer's view was that the best chance to deliver a cinema was to make an amendment to improve the view of the planning officer and take the risk on either the existing interested party walking away of being able to find an alternative in a timely manner.

Within the report a number of alternatives were presented, however, it was made clear that it was not considered feasible to deliver an alternative project at this stage due to the grant constraints, principally timescales, and the clear stance of DLUHC that during delivery stage no new projects would be considered.

The timescale and cost of working up an alternative project to the point of instructing a principal contractor was set out in the executive report with minimum of 36 months estimated, far beyond the deadline even with if an extension to 31 March 2025 is granted by DLUHC.

However, the leader proposed an alternative recommendation:

1. To progress submitting a planning application for the demolition part that was in the previous original cinema planning application for the area between the Alexander Theatre (sic) and the Market Hall excluding the Shauls Bakery and New Look buildings;
2. The Executive puts forward up to £70,000 of the Executive budget towards investigating the options as described 5.5.1 and 5.5.3 (of the circulated report) combined comprising a whole building solution with the restoration of the Alexander Theatre (sic) and the refurbishment of the Market Hall side of the building; and
3. Recommend to Full Council to look at the output of the above and to determine the future direction and to make the final decision on where this project goes.

DLUHC contacted officers to state that they are not minded to grant a deadline extension moving it out from 31 March 2024 to 31 March 2025, due to the risk profile and lack of progress on the cinema project.