

NOT FOR PUBLICATION

Appendix A to this report contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972

Report to: **Audit and Governance Committee**

Date: **20 October 2022**

Title: **Ivybridge Regeneration Scheme – Project Closure Report**

Portfolio Areas: **Cllr Hilary Bastone - Economy**

Wards Affected: **All**

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

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RECOMMENDATIONS

That the Audit Committee:

- 1) Note the project closure report; and**
- 2) RECOMMEND the adoption of a planning protocol for major projects.**

1. Executive summary

- 1.1 The Council had been working on an investment project in Ivybridge, as part of its capital programme up until July 2022.
- 1.2 The project ran from 2018 and was considered 13 times by formal committees of the Council until it was formally closed.
- 1.3 A review of the chronology of reporting, internal governance, stakeholder engagement and planning has been undertaken as part of project close out.

2. Committee History and Background

2.1 Executive December 2018

South Hams District Council considered a report to the Executive 13th December 2018 [Minute Ref. E.62/18] recommending the undertaking of an investment project in Ivybridge to boost footfall.

Following a lengthy debate, in which the relative merits of the proposals were weighed against the likely impact to carparking, it was resolved to defer the decision. This debate was prophetic in considering the issues that would prove significant to the project.

2.2 Executive March 2019

The follow up report to Executive, 14th March 2019 [Minute Ref E.82/8] provided the Executive with further information including:

An informal town centre 'vox pops' consultation; a car park usage analysis; work to develop a future high street fund bid, and; discussions and drawings to address concerns regarding the potential car park capacity loss (including a decked car park element) and the physical location of the supermarket.

The Executive approved the principle of a supermarket development within the Council owned Leonards Road and Glanvilles Mill car parks be approved, subject to an acceptable detailed business case and agreement with third parties.

Officers were tasked with working up the business case and further details of the scheme for further consideration. The scheme layout had been amended reflecting feedback from the Town Council, businesses and local residents.

2.3 Executive July 2019

On 18th July 2019 [Minute Ref 14/19], the Executive reviewed and approved the business case at £11m and considered the risks of the project, which included amongst others; the risk of planning permission not being secured, relocation of the skate park and impact of the layout on the existing site.

The Executive approved the business case, recommended further stakeholder engagement (a public consultation) to be brought back to a future committee and approved expenditure of £50k.

2.4 Full Council July 2019

This recommendation was subsequently approved by Council in July 2019, [Minute Ref. 29/19] and officers commenced work on the public consultation.

2.5 Executive June 2020

In June 2020, [Minute Ref E.89/19] the Executive were presented with an updated business case at £8.5m, the public consultation results and the workstreams that needed to be progressed at that time. It also set out some of the challenges the Highstreet faced that the project should help to address, as follows:

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

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

It went on to set out that, the public consultation had a good uptake rate amongst the community and received over 2000 responses showing 69% supported the proposal.

The Executive recommended to spend a further £65,000 from the Economic Regeneration Earmarked Reserve, to commissioning further work in planning, ecology, carparking, lease documents and treasury management advice.

It was also recommended to bring a further report to Executive and Council ahead of any planning and tender work and to take a report to the Audit Committee.

2.6 Full Council July 2020

The above was considered and approved at Full Council, 16th July 2020 [Minute Ref 7/20].

2.7 Audit Committee 2020

The Audit Committee considered the report 23rd July 2020 [Minute ref A5/19]. The committee reviewed the risks of the project and in particular debated the principle of only paying back 50% of the capital over the life of the borrowing.

It was debated at length and recommended specifically that the Business Case also takes into account the principle of paying back 100% of the Capital repayment (MRP) over a 50 year borrowing term.

2.8 Executive September 2020

On 17th September 2020, the Executive received an update report [Minute ref E18/20]. This set out detail on the work streams commissioned (2.12 above). Of note were the following matters:

- 2.8.1 Treasury Management advice and a proposal from the S151 officer to repay 100% of the capital repayment (MRP) over the 50 year borrowing term, having considered the recommendation of the Audit Committee and the treasury management advice.
- 2.8.2 A proposal to commission a further economic impact study to address specific concerns raised by the Town Council over the positive economic impact the regeneration project could anticipate.
- 2.8.3 Details of the spend to date against approved budgets.

The Executive resolved: That the Council continue to support the project as it moves forward to planning and tender stage, with a decision on progressing the project further then being made at a subsequent meeting of the Executive and Council.

2.9 Council September 2020

At the subsequent Council meeting, 24th September 2020 [Minute Ref 20/20], the Council considered the same information as had been presented to Executive.

The record of the discussion at that meeting demonstrates the range of views amongst members:

- (a) local community support for the project. Local Ward Members welcomed the proposed investment into Ivybridge and recognised the levels of local support that had been expressed for the project;
- (b) In their opposition to the project, some Members were of the view that the project would not offer any support for local businesses and they proceeded to question how the current proposals constituted regeneration.

It was then resolved that the Council continue to support the project as it moves forward to planning and tender stage, with a decision being made on progressing the project further at subsequent meetings of the Executive and Council.

2.10 Executive January 2021

Executive, 28 January 2021 [Minute E.62/20] considered the final business case for the project so as to decide whether to approve a £450k spend at risk, to work up a full planning application for submission.

The key recommendations to Council were:

- 1) 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),
- 3) approve the spend of up to £450,000, funded from the Business Rates Retention Earmarked Reserve, recognizing these will be abortive costs if the project does not proceed at any given stage pre-construction.

The report included updates on the following key matters:

The pre-app planning advice, the site layout, the economic impact assessment (2.17.2 above), the risk register, programme, business case and spend to date.

The pre-app advice was positive and suggested that approval, subject to a number of matters, was likely to be the officer recommendation to committee.

2.11 Council February 2021

The report went to Council 11th February 2021 [Minute Ref. 41/20] and the recommendations received Council approval.

Following the Council resolution significant project work was undertaken, culminating in a planning application being submitted. The officer recommendation to the Development Management Committee (6th July 2022 [Minute Ref 15/22]) was for approval.

2.12 Development Management Committee July 2022

The committee considered the application and did not approve it as below:

The Head of Planning in consultation with Cllrs Hodgson, Brazil, Chairman and Vice-chair be authorised to finalise the reasons for the refusal of planning permission based on the Committee's concerns about parking provision, the unacceptable impact on town centre businesses, the design and retail building not supporting the local vallecular and would cause harm to the visual appearance to site and aesthetics; and the loss of trees as a result of the development being likely to have a significant impact to biodiversity.

2.13 Executive July 2022

A report was taken to Executive 7th July 2022 [Minute Ref. E22/22] following the decision of the development management committee. Given the timing of the two committees a verbal update was given, including setting out a breakdown of spend undertaken on the project. It was resolved:

- That the Ivybridge Regeneration Project be now terminated; and
- That it be noted that £483,925 has been invested into this Project.

Informal Member Briefings

2.14 Member briefings were given on the following dates:

Date	Detail
9 th March 2022	All members
10 th Feb 2021	Executive briefing
22 nd Jan 2021	All members
10 th Dec 2021	Exec briefing
31 st July 2020	All members

3. Stakeholder Engagement and Outcomes

3.1 The Council engaged with the residents of Ivybridge (and surrounding area) through the public consultation. Specific stakeholders were also identified including.

- 3.1.1 SHDC Local Cllrs
- 3.1.2 Ivybridge Town Council
- 3.1.3 Ivybridge Chamber of Commerce
- 3.1.4 Glanvilles Mill
- 3.1.5 PL21
- 3.1.6 Fusion Leisure

3.2 The project team met the Town Council and stakeholders on countless occasions over the years the project was live.

3.3 At the time the Council took the decision to progress through to planning in February 2021 the following summary represents the stakeholder position.

Stakeholder	Support?	Comment
Chamber of commerce	Y	Then chair of the chamber provided a supportive quote for the committee report.
Local Councillors	Y	Supportive following the positive public consultation outcome
Town Council	Y	Principle of the development supported. Concerns raised over wheeled sports facility and landscaping.
Glanvilles Mill	Y	Supportive quote provided for the report
Fusion Leisure	Y	Accepting of the proposals following design tweaks to ensure access and visibility of the centre is accommodated.
PL21	Y	Supportive provided that cycling and landscaping improvements are included in the proposals.

3.4 It is harder to quantify, but as the scheme progressed through the planning process a group of objectors to the scheme also emerged. This was noticeable within the Ivybridge Chamber of Commerce, who galvanised around a new spokesperson against the proposals.

3.5 This group understandably engaged with the Town Council, Local Cllrs and other Cllrs to try to secure an outcome aligned to their views.

3.6 The stakeholder position had changed by the time the planning application was made as set out below.

Stakeholder	Support?	Comment
Chamber of commerce	N	Objected through planning portal
Local Councillors	Mixed	
Town Council	N	Concerned about parking, trees, impact of the build phase and impact on independent businesses.
Glanvilles Mill	Y	No further comments given
Fusion Leisure	Y	No further comments given
PL21	N	Concerned that the scheme did not deliver sufficient cycling infrastructure and improvements

4. Internal Governance

- 4.1 The project ran for approximately four years, but benefitted from a consistent approach to governance.
- 4.2 Initially, the then Head of Paid Service, S151 Officer and Business Development Group Manager met monthly or two monthly with CCD the project managers to review progress, risks, spend and programme.
- 4.3 Over time the officers changed, but the process remained similar. As the project crystallised following the Council decision in 2020 to approve the principle, the governance was strengthened to include reports to SLT as required.

5. Procurement

- 5.1 The procurement of the project team was undertaken through a public sector framework the Southern Construction Framework. This decision followed a range of options being explored in consultation with the procurement officer and was set out in the Executive report, January 2021.
- 5.2 The arrangement was used to secure the detailed design and planning work necessary for the planning application.
- 5.3 The use of a Framework ensured that the project met the Public Procurement Regulations requirements.

6. Business Case

- 6.1 The business case for the project was set out to Executive and Council multiple times as it evolved. The final version was included in the report to Council February 2021 showing a forecast capital cost of £9m and a net income to the Council starting at £100k / yr – a net return of just over 1% (net income as a percentage of overall cost).
- 6.2 That business case included contingencies and was based on the outputs from the project commercial team and contractor commissioned through the Framework. Factors such as inflation and the rapidly rising costs of construction were included based on the understanding of the market at that time.
- 6.3 Between February 2021 and the planning application, the scheme costs continued to be modelled and refined. The final internal review of the project conducted at SLT in June 2022 showed that the project cost envelope was at that time estimated to be £9m including a contingency of £605k (Appendix A).
- 6.4 The full supply chain was never engaged as the project did not secure planning permission, so the final outturn costs remain unknown.

- 6.5 The business case in February 2021 (where the scheme was presented to Council for approval) was based on PWLB borrowing with a range of short term and long term borrowing and an average interest rate of between 1.6% and 1.8%. There was a mixture of annuity and maturity loans.
- 6.6 At the beginning of June 2022, PWLB rates has increased to 2.6% for 10 year borrowing and 3% for 50 year borrowing. The increase was due to a variety of factors impacting the market such as the war in Ukraine, Brexit uncertainty and factors affecting gilt markets.
- 6.7 An interest rate of around 2.85% was giving a breakeven position on the business case.
- 6.8 The risk register attached to the February 2021 Council report recognised 'interest rate risk' and scored this as a risk score of 12. The mitigation was through on-going treasury management advice and to vary the borrowing mix between short term and long term debt depending on market conditions.
- 6.9 Given the PWLB interest rates around June 2022, the Council would have employed the mitigating actions and sought to undertake a debt management strategy set out by treasury management advisors. This was to keep borrowing short term until markets had settled and inflation was brought under control.
- 6.10 The most attractive borrowing rates were from a combination of Local Authority to Local Authority borrowing at fixed short term rates, shorter term PWLB borrowing rates and internal borrowing (borrowing from a Council's own cash reserves). This would have reduced the borrowing costs down to a rate within the affordability of the original business case, with the Council undertaking longer term borrowing when the rates allowed and as part of debt restructuring.
- 6.11 The other mitigating actions that the project would have utilised had the project proceeded are:
 - 6.11.1 Construction costs. A costed risk register formed part of the business case, and value engineering in partnership with Aldi may have reduced build costs.
 - 6.11.2 Financial Treatment. Further specific treasury management advice would have been sought at the point of where the Council was in a position to proceed with the construction of the project so that the borrowing strategy could be tailored to prevailing market conditions at the time .
 - 6.11.3 Rental income. If the final construction costs and borrowing costs were outside of the original financial envelope of the February 2021 business case, a negotiated increase in rent to reflect the increase in construction costs and borrowing costs would have been undertaken, against a background of profitability in the low cost supermarket sector.

7. Planning

- 7.1 The project was conceived to support the JLP and Neighbourhood Plan Policies for the site.
- 7.2 Formal pre-application advice was received for the project in October 2021 and made the following conclusion:
- 7.3 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.
- 7.4 The scheme planning application, 1059/22/FUL was submitted April 2022 and went to committee 07th July 2022.
- 7.5 The officer report recommended for approval subject to conditions – link here:
<https://portal.southhams.gov.uk/CivicaTownLive/civica/Resource/Civica/Handler.ashx/doc/pagestream?DocNo=8802812&pdf=true>
- 7.6 As noted above, the planning committee did not approve the scheme for the reasons given.

8. Project Conclusions

- 8.1 The Council undertook to deliver an investment project with regeneration benefits in Ivybridge, and to that end was unsuccessful. However, it reached that conclusion through a transparent, step by step process following member decisions.
- 8.2 The project outcomes evolved over time, from an Investment Project with regeneration benefits, to a pure regeneration project as the relative costs, financial return and place making outcomes of the scheme crystallised. This is reflected in the narrative of the reports that went to the Executive and Council over the life of the project.
- 8.3 As with any major project, significant resource is required to ensure that it is project managed appropriately and it is paramount that risks and budgets are reported appropriately.
- 8.4 The reporting to members on this project has been thorough, and it is good to note the role of the Audit Committee in shaping the business case.
- 8.5 The internal governance arrangements were robust, ensuring senior officers and SLT were informed. Future and current capital projects are managed through the Capital and Major Projects Programme Board, which takes the same approach.
- 8.6 The stakeholder engagement was successful in so far as each group had a forum for their views, which influenced the layout and proposals for the project. There clearly were a spectrum of views on the project, but that is healthy and to be encouraged.

- 8.7 The public consultation was robust and the targeted written consultation (sent 2000 homes), had a response rate of over 40%, which is very high. Outsourcing the process to a 3rd party to draft and administer the process was an effective way of introducing independence into the process. The Council should consider this approach again in the future should the need arise.
- 8.8 It is recommended that future projects look to adopt a formal planning protocol to give internal and external reassurance of the independence of the planning process (something that was clearly demonstrated in this project).
- 8.9 The protocol could form an appendix to a public report, such that councillors and the public would be clear on who would act in support of a project and who was a decision maker from a planning perspective and independent in that regard.
- 8.10 Such a protocol would also enable the Council's internal promoters to act in that capacity without accusation of bias within the Council. The risk is that without such a protocol, projects end up with less support than they would be afforded if they were non Council led, in mitigate the perception of bias.

9.0 Impact Assessment

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/ Governance	Y	Appendix A to this report is exempt from publication because it contains information about the Council's financial and proposed commercial affairs as defined in Paragraph 3 of Schedule 12A to the Local Government Act 1972. The public interest test has been applied and it is considered the public interest lies in not disclosing this Appendix because it contains financial and commercially sensitive information which could prejudice the Council if such information was disclosed.
Financial implications to include reference to value for money	Y	The financial implications are set out in Section 7 of the report.
Risk	Y	All development projects carry risk. These were as previously reported in the Risk Register appended in the Council report of February 2021.

Supporting Corporate Strategy		The project is included in the thematic delivery plan (reference TE1.5) for the Council's corporate strategy, 'Better Lives for All'.
Climate Change - Carbon / Biodiversity Impact		There are no climate change or biodiversity impacts arising from this report.
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

Appendix A: Ivybridge Business Case (as reviewed by SLT June 2022)
(EXEMPT document)