

**Meeting:** Council

**Date:** 19 October 2017

**Wards Affected:** All wards

**Report Title:** Town Centre Regeneration Programme Fund

**Is the decision a key decision?** Yes

**When does the decision need to be implemented?** Immediately

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## 1. Proposal and Introduction

- 1.1 This report presents the case for the establishment of a £25m Town Centre Regeneration Programme Fund, as set out in Section 5.4 of the Council's Transformation Strategy for Torbay's Town Centres, to deliver at least five of the projects within Phase 1 of that Strategy. Outline business cases for four of the projects are set out in Appendices 1 to 4 attached, with the fifth project – a Public Realm Improvement Scheme in Torquay - being delegated to the Town Centre Regeneration Programme Board to decide which scheme should be delivered first.
- 1.2 The four projects covered in Appendices 1 to 4 are:
- A new hotel at Harbour View, Torquay (part of the Harbour/Terrace Car Park)
  - A mixed use development at South Quay, Paignton Harbour
  - Refurbishment of the Lower Union Lane Multi-Storey Car Park, Torquay
  - Public Realm improvements between Paignton Station, Victoria Street and Torbay Road, Paignton
- 1.3 Town Centre Regeneration is one of the Council's most important transformation projects. It has two key objectives:
- To deliver and enable significant and successful regeneration of Torbay's town centres, as a key part of Torbay's overall growth and place making agenda
  - To generate income to support the Council's budget in order to deliver local services.

- 1.4 On April 6 2017 the Council agreed a Transformation Strategy for Torbay's Town Centres, as an appendix to the 2013 ~ 2018 Economic Strategy, which included the principles for delivery of that strategy. The Strategy sets out an overarching approach to transformation of Torquay and Paignton town centres over the next 10 years. The Strategy includes eight Phase 1 projects, including Brixham Town Centre car park. The Council agreed to direct deliver development on its own sites, whenever possible, to add pace and certainty to delivery of the town centres regeneration programme as a whole. This approach, to delivery of Phase 1 projects, was agreed in order to add clarity and confidence for investors and developers – vital ingredients for the successful delivery of even more transformational activity in Phase 2 of the programme.
- 1.5 In May 2017 the Council further underlined its intentions, for the delivery of town centre regeneration, by supporting prudential borrowing (up to £14.2m) for the design and delivery of student accommodation on part of Upton Place, to the rear of Torquay Town Hall. The delivery of student accommodation at Upton Place is deliberately linked to the delivery of other Phase 1 projects, to ensure a package of improvements to town centres.
- 1.6 The Transformation Strategy focuses on place making and not just on project delivery. It proposes a package of measures, which includes a series of public realm and building improvements for example, which – as a whole – will transform the performance and appearance of Torbay's town centres and respond to market perceptions of a lack of investment and progress on the regeneration agenda. The Strategy makes it clear that town centre regeneration will not be delivered only by development on priority sites - a package of place making projects is required to deliver successful and significant regeneration which makes a difference to the community.
- 1.7 The appendices to this report constitute outline business cases for the projects listed in paragraph 1.2 above and show how much of the Town Centre Regeneration Fund will be utilised. The outline business cases include a level of detail that should give the Council comfort about the overall viability of the proposed projects, but also make it clear that a number of key elements of each business case, such as detailed construction costs and precise rental income, have not yet been finalised.
- 1.8 With Council support for the outline business cases further work can be done on those details and final business cases can be presented to the Town Centre Regeneration Programme Board. The full business cases will show how prudential borrowing, for the £25m Town Centre Regeneration Programme Fund, will be repaid. Senior officers, in consultation with the Town Centres Regeneration Programme Board, will need to agree each full business case before the project can be implemented. This approach will add pace, clarity and certainty to the delivery of town centre regeneration.
- 1.9 In addition to the above projects, a Building Improvement Grant is proposed. The grant will not be funded by prudential borrowing and does not need Council approval, but is a key element of the package of town centre regeneration projects – as highlighted in the Transformation Strategy for Town Centres. Further work is underway to identify how the Building Improvement Grant will be funded, including the use of revenue income from the Council's property investment outside Torbay

and the use of third party grant funding opportunities. The grant will, if implemented, provide funding for up to 50% of the cost of improvements to the appearance of buildings fronting High Streets (including the Harbours in Torquay and Brixham). Building owners or tenants would need to cover at least 50% of costs. The fund could target key buildings and those having most negative impact on the street scene. The opportunity for the grant scheme to be led by community organisations is also being explored. The combination of public realm improvements and building improvements will have a significant impact on the nature, appearance and perceptions of Torbay's town centres, helping to bring confidence and investment to the town centres.

## **2. Reasons for Proposal**

- 2.1 The proposal is in accordance with the Council's Policy Framework including the Corporate Plan, Economic Strategy and the Transformation Strategy for Torbay's Town Centres. The proposal will help transform Torbay's town centres, as part of a wider place making agenda, which includes change and growth in Torbay.
- 2.2 The proposal will help deliver the Local Plan, Town Centre Masterplans (as adopted Supplementary Planning Documents), the emerging Destination Management Plan, the Tor Bay Harbour Port Master Plan and the Great Places project.
- 2.3 Successful delivery of Phase 1 projects will generate additional footfall and spend in the town centres, with the knock on benefit of attracting further investment. Those projects, and successful town centre regeneration as a whole, will also generate significant business rate income, car park income, Council tax income and wider economic benefits to Torbay.
- 2.4 The proposal will improve the attractiveness of the town centres, helping to draw in and retain additional visitors. It will ensure greater pride in place.
- 2.5 A lack of pace and scale, or a lack of action, will result in continued under-performance of Torbay's town centres, making future regeneration considerably more difficult and this will have a negative impact on the Council's budget.

## **3. Recommendation(s) / Proposed Decision**

The Council is asked to agree the following:

- 3.1 That, prudential borrowing of £25m is approved to create a Town Centre Regeneration Programme Fund that will support delivery of the projects identified within Phase 1 of the Town Centre Regeneration (TCR) Programme, as set out in the Council's Transformation Strategy for Town Centres;
- 3.2 That, any future capital income from the projects within Phase 1 of the TCR Programme, or revenue income, which is surplus to existing service budget requirements, will be used to service the prudential borrowing costs on the drawdown of the £25m;

- 3.3 That, any income from the projects within Phase 1 of the TCR Programme, in excess of the amount required to cover prudential borrowing costs for the £25m, will be re-invested into the delivery of the Town Centre Regeneration Programme;
- 3.4 That, the Town Centres Regeneration Programme Board must agree a Town Centres Regeneration Business Plan, including delivery timescales, covering the period to the end of March 2019 and that the Overview and Scrutiny Board will periodically review progress against that business plan;
- 3.5 That, the Town Centres Regeneration Business Plan will include the delivery of at least two public realm projects, one for Paignton and one for Torquay, at a combined cost of approximately £3m, and the delivery of a refurbished Lower Union Lane Multi Storey Car Park at a cost of approximately £3.5m, subject to the completion of Heads of Terms and a signed Agreement to Lease for the development of student accommodation at Upton Place (or another project that can cover the prudential borrowing costs of the car park refurbishment and public realm projects). Final approval of public realm schemes and car park refurbishment to be delegated to the Executive Head of Business Services in consultation with the Chief Finance Officer and the Chairman of the Town Centres Regeneration Board;
- 3.6 That, if necessary, the £25m Town Centre Regeneration Programme Fund can be used to make strategic acquisitions of property, with the revenue and / or capital income from such purchases being reinvested into the delivery of the TCR Programme. The authority to make such acquisitions is delegated to the Executive Head of Business Services, in consultation with the Chief Finance Officer and the Town Centres Regeneration Programme Board, following assessment of a clear business case. Any purchase of property in excess of £5m will need full Council approval.
- 3.7 That, the outline business cases included as part of this report (Appendices 1 to 4) are approved in principle and that authority to proceed with each project is delegated to the Executive Head of Business Services, in consultation with the Chief Finance Officer and the Town Centres Regeneration Programme Board, following an assessment of more detailed and complete business cases.

#### **Appendices:**

Appendix 1: Proposal for a new hotel at Harbour View, Torquay (part of the Harbour/Terrace Car Park)

Appendix 2: Proposal to seek a development partner for a mixed use development at South Quay, Paignton Harbour

Appendix 3: Refurbishment of Lower Union Lane Multi-Storey Car Park, Torquay

Appendix 4: Delivery of a targeted public realm improvement at Victoria Street / Torbay Road, Paignton

## Section 1: Background Information

1.

### What is the proposal / issue?

- 1.1 The proposal to establish a Town Centre Regeneration (TCR) Programme Fund, delegate decision making to senior officers and the Board, put a business plan in place and allow use of the TCR Programme Fund for strategic acquisitions is to overcome a number of issues and accelerate delivery.
- 1.2 A key issue for the Council is the need for town centre regeneration at pace. While there is private sector interest in Torbay the scale of investment and need for pace leads to the proposal and the significant upfront funding that requires, with the need for prudent use of borrowing and careful budget management. The proposals put forward in this report seek to balance those requirements, including safety mechanisms to de-risk borrowing and opportunities to generate income and attract additional funding to support further town centre regeneration activity. The TDA will continue to explore grant funding opportunities, using the TCR Programme Fund as a lever, to support the delivery of town centre regeneration.
- 1.3 The proposed fund of £25M is the estimated cumulative cost of the five projects that have progressed following the approval of the Strategy in April 2017. It includes some flexibility to cover variations in construction costs.
- 1.4 In order to produce robust business cases a significant amount of work is required to investigate site conditions, construction costs and the viability of development options. The TCR budget does not at present have the capacity to undertake such work. Consequently further resources are proposed to cover these sorts of costs, in order to ensure more complete and robust business cases.
- 1.5 At present, the Council considers each TCR project on a case by case business. The proposal allows the Council to consider a range of projects together, as part of a programme of town centre regeneration, and provides an outline business case for each project. If the Council supports the outline business case, this provides the clarity and certainty to develop a full business case – informed by further site investigation, cost and design work – for approval by the TCR Programme Board and senior officers.
- 1.6 The proposed approach, as set out in the paragraph above, will provide clarity about deliverability of development proposals, help speed up the delivery process and clarify the Council's financial position in respect of each project and the programme as a whole. A further benefit will be the overt message of confidence and certainty that can be presented to the market.

	<p>1.7 In addition, the creation of the TCR Programme Fund allows the TCR Programme Board and senior officers to be able to make a more rapid and informed response to acquisition opportunities, as they present themselves. There have been a number of opportunities over the last few months for strategic acquisitions, but without resources in place to fully explore or take advantage of such opportunities.</p> <p>1.8 The operation of the TCR Programme Fund also allows reinvestment of proceeds, net of prudential borrowing repayment costs, from projects or acquisitions into the delivery of town centre regeneration. This revolving funding is not currently available and is required for continuity of delivery over the whole town centre regeneration programme.</p> <p>1.9 Transparency, overview and scrutiny is important, to ensure robust, consistent and timely decision making in delivery of the TCR programme. Consequently, the proposed new approach requires the production of a business plan, collaborative working between the Board members and officers and the production of robust full business cases and an on-going role for the Overview &amp; Scrutiny Board.</p>
<p><b>2.</b></p>	<p><b>What is the current situation?</b></p> <p>2.1 The Council has approved (April 2017) a Transformation Strategy for Torbay's Town Centres. It is important to ensure pace, scale and momentum in delivery of the Strategy, coupled with the financial resources in place to support delivery.</p> <p>2.2 Market perceptions of Torbay are not wholly conducive to investment and development by 3<sup>rd</sup> parties. The Council and community have seen delay to a number of major development schemes, which has been frustrating, has reduced confidence in the Bay and has not encouraged further investment. It is important that the Council is clear, bold and confident in its support for town centre regeneration.</p> <p>2.3 It is also important that the timing and sequencing of project delivery is taken into account, alongside the need to encourage further investment in Torbay. Investors and developers, retailers and the community have made it clear that they want to see investment in better public spaces and improvements to the appearance of buildings in town centres. Indeed, investors and retailers not yet present in Torbay have said that their investment will only come forward when there is improvement to the appearance of Torbay's town centres. So these 'quick win' and necessary projects cannot wait until income is flowing from major, revenue generating projects in 2 – 5 years. The proposed operation of the TCR Programme Fund, whilst placing some additional budget pressures on the Council, seeks to balance those budget pressures against the very pressing need for town centre regeneration.</p> <p>2.4 A number of town centre regeneration projects have made significant progress. Further work is needed to ensure they are capable of</p>

	<p>delivery in the near future. Such work includes investigation of site conditions, production of development options and viability assessment, refinement of construction costs, further definition of financial costs and benefits to the Council etc. This work needs to be resourced.</p> <p>2.5 Pace and momentum is important to successful town centre regeneration. The recommendations in this report, if agreed by Council, will allow pace and momentum to be increased in delivery of town centre regeneration projects – using processes already well established within the Council and TDA. In addition, greater flexibility is introduced, allowing strategic investment opportunities to be taken up if appropriate and reinvestment of project proceeds into continued town centre regeneration.</p>
<p><b>3.</b></p>	<p><b>What options have been considered?</b></p> <p>3.1 The ‘do nothing’ option has been considered, but this would not change the perceptions of the town centres, would not encourage investment and would not resolve the issues outlined in section 1 of this report. Other negative impacts of doing nothing are set out in section 2 of this report.</p> <p>3.2 The Council has, to date, considered projects on a case by case basis. This has not supported the pace, scale and momentum required for successful delivery of Phase 1 of the TCR Programme.</p> <p>3.3 The TDA, working with and acting on behalf of the Council, will continue to explore opportunities for innovative delivery solutions and to reduce the Council’s borrowing commitment in delivery of Town Centre Regeneration.</p>
<p><b>4.</b></p>	<p><b>How does this proposal support the ambitions, principles and delivery of the Corporate Plan 2015-19?</b></p> <p>4.1 Town Centre Regeneration supports the ambition of creating a Prosperous and Healthy Torbay with the creation of vibrant and attractive town centres identified as a specific action in the Delivery Plan for “Working towards a more prosperous Torbay”. This includes, for example, providing employment skills opportunities, using local labour and supplies, and actively seeking opportunities to fulfil the Council’s ‘corporate parenting’ responsibilities.</p> <p>4.2 The proposal will help deliver the Local Plan, the Economic Strategy, the Culture Strategy (including Great Place work), the Local Transport Plan, the adopted town centre masterplans and Healthy Torbay SPD, emerging Neighbourhood Plans and the emerging Destination Management Plan.</p>

<p><b>5.</b></p>	<p><b>Who will be affected by this proposal and who do you need to consult with?</b></p> <p>5.1 The proposal will affect a range of different users of the town centres.</p> <p>5.2 The Town Centre Regeneration Programme is defined by the Transformation Strategy for Torbay's Town Centres, which itself is based on the adopted town centre masterplans. There was significant community and business engagement in, and support for, the two town centre masterplans. In addition, the Transformation Strategy reflects the work undertaken by the community on its redevelopment proposal for Brixham Town Centre Car Park.</p> <p>5.3 The Town Centre Regeneration Programme Board includes elected members and business representatives, which helps link delivery of the programme with the community and with businesses.</p>
<p><b>6.</b></p>	<p><b>How will you propose to consult?</b></p> <p>6.1 Consultation and engagement continues with a range of partners and organisations - Council tenants, community partnership representatives, business groups for example - in order to engage them in the design and delivery process for town centre regeneration projects.</p> <p>6.2 Any building improvements that need planning permission and / or listed building consent / conservation area consent, will be advertised / publicised in the usual way. Local business, local residents and community groups will be actively engaged in the design and planning process for each development project.</p>
<p><b>Section 2: Implications and Impact Assessment</b></p>	
<p><b>7.</b></p>	<p><b>What are the financial and legal implications?</b></p> <p>7.1 <u>Financial implications</u></p> <p>The cost of servicing the prudential borrowing will put additional pressure on the Council's revenue budget. However, the detailed business cases will ensure that sufficient new income is identified to cover the cost of borrowing before any loans are drawn down.</p> <p>7.2 <u>Legal Implications</u></p> <p>The TDA, acting on the Council's behalf, will ensure all proper procurement and legal requirements are followed in developing and delivering the TCR Programme.</p>
<p><b>8.</b></p>	<p><b>What are the risks?</b></p> <p>8.1 There are significant risks to the Council, businesses and residents through non delivery or slow delivery of the Town Centre Regeneration Programme.</p>



	<p>8.2 There are financial risks and budget pressures to the Council in providing financial support to the delivery of Phase 1 of the TCR Programme. Mechanisms and resources are in place to manage those risks. The managed risks of delivery of the TCR Programme need to be balanced against the far less manageable consequences of non-delivery of town centre regeneration.</p> <p>8.3 The TCR Programme Board will continue to consider and review a risk register for the TCR Programme and for each project. Furthermore, the Board will continue to review the TCR Programme budget position and continue to give full consideration to development options and viability. The Board are also required to produce a Business Plan.</p> <p>8.4 The Overview &amp; Scrutiny Board will periodically review progress on delivery of town centre regeneration and the associated over-arching Business Plan,</p> <p>8.5 The Council will continue to receive reports relating to large scale acquisitions (over £5M) or any proposals that are not supported by the Council's policy framework documents.</p>
<p><b>9.</b></p>	<p><b>Public Services Value (Social Value) Act 2012</b></p> <p>Not applicable.</p>

## Equality Impacts

10	Identify the potential positive and negative impacts on specific groups		
	Positive Impact	Negative Impact & Mitigating Actions	Neutral Impact
Older or younger people	The economic and social benefits of town centre regeneration are significant and well evidenced such that it is envisaged that there will be a positive benefit for all residents and all those with protected characteristics. This proposal is likely to support investment that will have particular benefits for younger people and apprentices.		
People with caring Responsibilities	As above		
People with a disability	As above		
Women or men	As above		
People who are black or from a minority ethnic background (BME) <i>(Please note Gypsies / Roma are within this community)</i>	As above		
Religion or belief (including lack of belief)	As above		
People who are lesbian, gay or bisexual	As above		

	People who are transgendered	As above		
	People who are in a marriage or civil partnership	As above		
	Women who are pregnant / on maternity leave	As above		
	Socio-economic impacts (Including impact on child poverty issues and deprivation)	As above		
	Public Health impacts (How will your proposal impact on the general health of the population of Torbay)	Town centre regeneration will improve the economy of Torbay. Economic prosperity helps create healthier communities and by supporting regeneration projects we will be able to improve health inequalities which currently exist across Torbay.		
<b>14</b>	<b>Cumulative Impacts – Council wide</b> (proposed changes elsewhere which might worsen the impacts identified above)	Town centre regeneration will take account of proposals which are being put forward in relation to integrated transport and other regeneration projects and capital investments to ensure that a coherent approach is taken to creating a prosperous and healthy Torbay. This project will encourage and support investment in Torbay.		
<b>15</b>	<b>Cumulative Impacts – Other public services</b> (proposed changes elsewhere which might worsen the impacts identified above)	Town centre regeneration will take account of issues which positively impact of reducing the amount of crime and disorder therefore making our town centres safer and more attractive places for residents, workers and businesses.		