

**Meeting: Cabinet**

**Date: 08 November 2021**

**Wards Affected: All Torquay wards**

**Report Title: Torquay Town Deal – Business Case Assurance**

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## **1. Purpose of Report**

- 1.1 In July 2020 the Council submitted a Town Investment Plan seeking funding to support the economic regeneration of Torquay from the Government's Town Deal programme administered by the then Ministry of Housing, Communities and Local Government (MHCLG).
- 1.2 The Council was advised in the autumn of last year that the Investment Plan would be supported by £21.9M of Town Deal grant subject to business cases. The first three business cases were submitted in July for Edginswell Rail Station, Harbour Public Realm and Stronger Futures projects.
- 1.3 The remaining five business cases for projects which include;
  - Strand (Debenhams)
  - Pavilion
  - Coastal Corridor Pinch Point
  - Core area public realm
  - Torquay Town Centre regeneration
- 1.4 Submitting these business cases to the renamed Department for Levelling Up, Housing and Communities (DLUHC) and their anticipated approval will allow for these projects to proceed through the next stage of their development which is expected to result in planning applications being submitted in the first quarter of 2022 for one of the schemes and delivery over the period to the second quarter of 2024.
- 1.5 The projects will all contribute towards the objectives of Torquay's investment plan namely;
  - A high quality, vibrant town centre

- A better connected and more accessible place
  - A high-quality economy
- 1.6 The projects will deliver a range of benefits which are expected to include increased footfall and visitors in the town centre, improved journey times and access into and around Torbay, an improved cultural and tourism offer, higher skill levels and more jobs.
- 1.7 Delivery of the Investment Plan will, alongside the Future High Street Programme in Paignton, signify another step towards improving the economic outlook for Torbay's communities with recent investment confirmed for Brixham also allowing a town centre scheme to be taken forward in the town.
- 1.8 Torquay's Town Board is meeting on 12th November, assurance process requires that the Town Board confirms that these projects fall in line with the anticipated benefits set out in the Investment Plan. The Town Board will be recommended to support the submission of these business cases and confirmation of their decision will be made by the portfolio holder.

## **2. Reason for Proposal and its benefits**

We want Torbay and its residents to thrive.

We want Torbay to be a place where we have turned the tide on poverty and tackled inequalities; where our children and older people will have high aspirations and where there are quality jobs, good pay, and affordable housing for our residents.

We want Torbay to be the premier resort in the UK, with a vibrant arts and cultural offer for our residents and visitors to enjoy; where our built and natural environment is celebrated and where we play our part in addressing the climate change emergency.

- 2.1 The proposals in this report help deliver this ambition by supporting town centre renewal and delivery of the thriving economy theme of the community plan. In doing so the projects will also help address the challenges of poverty and deprivation in Torquay by using the Council's commitment to local procurement to increase the social value benefits from delivery. This will see contractors required to sign up to Employment and Skills plans to increase employment and training opportunities from these projects alongside work to widen access for Torbay businesses to provide services to these projects.
- 2.2 The projects provide a once in a generation opportunity to help the town make a step change. Building on the momentum that has been created in part by the announcement of this funding submission of the business cases will result in additional investment into Torquay. This investment, principally into the town centre, will help address the changing nature of town centres which continue to see high levels of challenge for traditional retail led town centres. The projects will help improve the way in which the town centre works for the benefit of residents, businesses and visitors.

- 2.3 The projects which will be enabled by these business case will support a consolidation of retail activity and introduce new uses to increase vitality and footfall. Specifically, the projects will
- regenerate the Strand site formerly occupied by Debenhams introducing new appropriate commercial uses and residential into the Harbour area,
  - restore Torquay's Pavilion which will in turn enable the future return of the site to a productive economic use. This project, also in the Harbour area, will improve the quality of the area and increase footfall.
  - Improve the public realm at the physical heart of the town at the "GPO roundabout" helping connect the retail heart of the town with the Harbour area
  - deliver a town centre regeneration scheme that will introduce other uses back into the town centre. Negotiations are underway with prospective occupiers that will introduce new non retail uses to the town centre that will increase footfall and diversify uses in the town centre.
  - improve infrastructure from the harbour area to enable and encourage safe walking and cycling along this route.
- 2.4 The reasons for the decision are to allow delivery of Town Investment Plan projects from autumn of this year which will demonstrate to the local community, investors and government the progress of the Town Deal. Submission of the business cases and the subsequent funding through the Town Deal provides investment which will create employment, attract additional investment and support residents in accessing support to help them gain work and deepen their skills in key sectors thereby in time contributing to a more resilient local economy.
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### **3. Recommendation(s) / Proposed Decision**

- (i) That Cabinet notes the endorsement of the Torquay Town Board in respect of the business cases for the projects set out at Paragraph 1.2 projects: and
- (ii) that the business cases as set out in Appendix 1 to the published report be submitted to the Department for Levelling Up, Housing and Communities with any required amendments delegated to the Chief Executive in consultation with the Portfolio holder for Regeneration, Tourism and Housing and the Chief Accountant.

## **Appendices**

Appendix 1: Towns Fund Business Cases

### **Background Documents**

*Torquay Town Investment Plan approved July 2020 and summarised here*

<https://www.torbay.gov.uk/leisure-sports-and-community/regeneration/torquay-towns-fund/>

### **Report Clearance**

# Supporting Information

## 1. Introduction

- 1.1 In July 2020 the Council submitted a Town Investment Plan in respect of Torquay seeking funding from the Government's Town Deal programme administered by the Department of Levelling Up, Housing and Communities (DLUHC). The Council was advised in the autumn of last year that the Investment Plan would be supported by £21.9M of Town Deal grant subject to business cases.
- 1.2 Submitting these business cases to DLUHC and their anticipated approval will conclude the first phase of works for the Town Deal and allow for the development of the detail of the projects leading to planning applications and delivery and builds on the submission earlier in the year of businesses cases for Edginswell Rail Station and for the Harbour Public Realm and Stronger Futures projects.
- 1.3 The projects will all contribute towards the objectives of Torquay's investment plan namely;
  - A high quality, vibrant town centre
  - A better connected and more accessible place
  - A high-quality economy
- 1.4 The projects will deliver a range of benefits which are expected to include increased footfall and visitors in the town centre, improved journey times and access into and around Torbay, an improved cultural and tourism offer, higher skill levels and more jobs.
- 1.5 The proposals in this report help us to deliver this ambition by supporting delivery of the thriving economy theme of the community plan and in doing so address the challenges of poverty and deprivation in Torquay.
- 1.6 The stage 2 guidance requires that Green Book compliant business cases be developed, in a proportionate manner, for each project to allocate government funds. DLUHC may only require sight of the Summary Document, although DLUHC also reserves the right to call in any business case to be assured centrally and expect business cases to include the evidence for the intervention and an assessment of value for money. Typically, this would include the following considerations at a level proportionate to the scale of funding required for the proposal:
  - a clear economic rationale that justifies the use of public funds in addition to how a proposed project is expected to contribute to strategic objectives
  - clearly defined inputs, activities, outputs and anticipated outcomes, ensuring that factors such as displacement and deadweight have been considered
  - benefits that exceed the costs of intervention using appropriate value for money metrics
  - appropriate consideration of deliverability and risk along with appropriate mitigating action (the costs of which must be clearly understood).

1.7 This paragraph notes the projects and provides a high level of summary of how the projects align to the 5 business case model typically used by DLUHC;

<b>Strand (Debenhams)</b>	
<b>Case</b>	
Strategic	<ul style="list-style-type: none"> <li>• Torquay has an over-supply of retail space which is very spread-out, diluting the retail core.</li> <li>• It has a high vacancy rate, and this is detracting from the quality of its town centre offer.</li> <li>• At the same time, there is a need to improve the quality of the environment in the harbour area to enhance its attractiveness to visitors, and increase the delivery of residential accommodation in the town.</li> <li>• The acquisition &amp; redevelopment of the former Debenhams store on the Strand will enable its development for smaller commercial units on the ground-floor with apartments above.</li> <li>• This complements the adjacent investment in the Harbour Public Realm project.</li> </ul>
Economic	<ul style="list-style-type: none"> <li>• The direct benefit will be the land value uplift on the site.</li> <li>• The present value of the land value uplift is £4.2 million.</li> <li>• Indirect benefits will be a better quality and more vibrant built environment and more footfall in the harbour area.</li> <li>• The Net Present Value of this project is £2.2 million and the Benefit to Cost Ratio is 2</li> </ul>
Financial	<ul style="list-style-type: none"> <li>• The cost of the project is £2 million. This project will be wholly funded by a £2 million Town Fund allocation. There is no match funding from other sources.</li> <li>• The next phase of the development will be financed with prudential borrowing</li> </ul>
Commercial	<ul style="list-style-type: none"> <li>• The purchase of the property has been completed by Torbay Council, through direct negotiation with the landowner.</li> <li>• Demolition and construction work will be procured through the South West Construction Framework</li> </ul>
Management	<ul style="list-style-type: none"> <li>• Torbay Council &amp; TDA</li> </ul>

<b>Pavilion</b>	
<b>Case</b>	
Strategic	<ul style="list-style-type: none"> <li>• The Pavilion is a Grade II listed building of historic and cultural significance to Torquay.</li> </ul>

	<ul style="list-style-type: none"> <li>• Its restoration and return to productive use is a long-standing objective for Torquay.</li> <li>• The Pavilion is in the Harbour area of the town, which is a focus for improvement, to attract more visitors and tourists to Torquay.</li> <li>• The restoration and use of the Pavilion as a venue is one of several projects in the Harbour area which will collectively improve the quality of the area and increase footfall</li> </ul>
Economic	<ul style="list-style-type: none"> <li>• The high cost of restoration means that the renovation of the Pavilion is not commercially viable.</li> <li>• Its subsequent role as a visitor destination which increases footfall in the Harbour area and town centre means there are significant external benefits from public investment in this project.</li> <li>• The cost of restoring the Pavilion is £7.2 million excluding optimism bias, and £10.3 million including optimism bias. A total of £1.75 million is sought from the Towns Fund towards this cost. The present value of the public sector cost is £1.69 million.</li> <li>• The economic benefits of the project at a UK-level will be seen in land value uplift. The present value of these benefits is £1.4 million. The place-based benefits will include the construction impact, and employment in the food &amp; drink and leisure activities that will take place in the Pavilion once the restoration is completed. The present value of these benefits is £11.1 million.</li> <li>• The place-based net present value is £9.4 million with a Benefit to Cost Ratio of 6.6. Sensitivity analysis shows that the Benefit to Cost ratio of the UK-level impacts declines to a minimum of 0.2</li> </ul>
Financial	<ul style="list-style-type: none"> <li>• Restoration project cost is £7.5M</li> <li>• These costs shared 50% each by Torbay Council and MDL</li> <li>• £1.75 million is allocated from the Towns Fund.</li> <li>• Match funding will be provided by Torbay Council and current leaseholder MDL.</li> <li>• The funding from MDL is likely dependent on the delivery of a mixed-use leisure and residential development on an adjacent site</li> </ul>
Commercial	<ul style="list-style-type: none"> <li>• Torbay Council will lead and manage the restoration of the Pavilion. An intrusive building survey is needed, and listed building consent is required before the regeneration of the building can start. A specialist restoration contractor will then be procured through open competition, following the Council's procurement procedures. Following restoration, the Council will find suitable tenants for the building</li> </ul>
Management	<ul style="list-style-type: none"> <li>• Torbay Council &amp; TDA</li> </ul>

<b>Core area public realm</b>	
<b>Case</b>	
Strategic	<ul style="list-style-type: none"> <li>• Complements other Investment Plan projects and improves the quality of the public realm</li> <li>• The Core Area is currently a roundabout and taxi waiting area between Union Street and Fleet Street.</li> <li>• Investing in the public realm would make this a more attractive town square area and increase footfall in the town centre.</li> <li>• This will improve pedestrian flows throughout the town centre, promote activity and health benefits, and encourage investment in the properties around the Core Area.</li> </ul>
Economic	<ul style="list-style-type: none"> <li>• Public realm improvements are public goods and will not be provided by the market.</li> <li>• The present value public sector cost of delivering this scheme is £245,000. The main UK-level benefits of the scheme are active travel and health benefits, and land value uplift in adjacent properties. The place-based benefits will also include the impact of construction spend and employment.</li> <li>• The present value of benefits at a UK-level over 20 years is £5.79 million. The Net Present Value of the scheme is £5.54 million and the Benefit to Cost Ratio is 23.6. Place-based analysis over the same period has a Net Present Value £5.57 million and a Benefit to Cost Ratio of 23.8.</li> <li>• Sensitivity testing on the UK-level analysis shows the BCR dropping to a minimum of 9.</li> </ul>
Financial	<ul style="list-style-type: none"> <li>• The financial cost of the project is £258,600. Funding of £250,000 is sought from the Towns Fund.</li> <li>• Match funding opportunities to allow the scope and impact of the work are being developed for the project.</li> </ul>
Commercial	<ul style="list-style-type: none"> <li>• A main contractor will be appointed using Torbay Council's highways contractors' framework. Given the size of the project this could be made by a direct award</li> </ul>
Management	<ul style="list-style-type: none"> <li>• Torbay Council &amp; TDA</li> </ul>

<b>Town Centre regeneration</b>	
<b>Case</b>	
Strategic	<ul style="list-style-type: none"> <li>• Torquay has a declining retail offer and a high level of vacancies. Consolidating retail activity into a core area would increase vitality and footfall.</li> </ul>

	<ul style="list-style-type: none"> <li>• This project is intended to diversify the uses of the town centre with potential occupiers bringing non retail uses into the town centre.</li> </ul>
Economic	<ul style="list-style-type: none"> <li>• Provides benefits with a present value of £107 million at a UK-level.</li> <li>• The place-based benefits in present value terms are £121 million if the project is delivered without accommodation, or £123 million if the project includes accommodation.</li> <li>• Benefit to Cost Ratio is 10.3. Sensitivity analysis shows this declines to a minimum of 4.3</li> </ul>
Financial	<ul style="list-style-type: none"> <li>• Indicative costs of £40M.</li> <li>• £11M of the Town Deal investment is identified in support of this scheme</li> <li>• Co investment required from private and public sector</li> </ul>
Commercial	<ul style="list-style-type: none"> <li>• To be delivered through a joint venture LLP</li> </ul>
Management	<ul style="list-style-type: none"> <li>• Torbay Council &amp; TDA</li> </ul>

<b>Coastal Corridor Active Travel</b>	
<b>Case</b>	
Strategic	<ul style="list-style-type: none"> <li>• Aligns to local and national active travel policies</li> <li>• Benefits expected to include reduced congestion, improved air and environment quality and activity levels</li> <li>• Increase active travel infrastructure</li> </ul>
Economic	<ul style="list-style-type: none"> <li>• Delivers a public good otherwise not likely to be provided</li> <li>• BCR minimum of 7.7:1</li> </ul>
Financial	<ul style="list-style-type: none"> <li>• Costs £1.05M with optimism bias</li> </ul>
Commercial	<ul style="list-style-type: none"> <li>• Main contractor will be appointed via Torbay Council's existing highways contractor framework</li> </ul>
Management	<ul style="list-style-type: none"> <li>• Torbay Council, TDA</li> </ul>

1.8 The reasons for the decision are to allow delivery of Town Investment Plan projects from autumn of this year which will demonstrate to the local community, investors and government the progress of the Town Deal. Submission of the business cases and the subsequent funding through the Town Deal provides investment which will create employment, attract additional investment and support residents in

accessing support to help them gain work and deepen their skills in key sectors thereby, in time, contributing to a more resilient local economy.

- 1.9 The Town Board has now considered, reviewed and endorsed the business cases for submission, the Cabinet is now required to sign off the business cases so that they can be presented to DLUHC for their consideration.

## **2. Options under consideration**

- 2.1 Do nothing – Where the Cabinet not to agree to submit the business cases then the Towns Fund grant will not be released and the anticipated benefits from the schemes will not accrue. There would be significant disadvantages with this option which could include the loss of grant, lack of achievement of economic benefits and reputational harm with Government and local partners.
- 2.2 To agree the recommendation – delivery of the projects. There are no anticipated disadvantages from this option.

## **3. Financial Opportunities and Implications**

- 3.1 Accepting the recommendations here will allow the Council to continue the delivery of the £21.9M of Towns Fund investment offered by Government unlocking other investment. In time it is expected that the projects will support an improved economy in Torquay with a more vibrant town centre, increased footfall and spend which should have a positive impact on town centre voids, business rates, car parking and ultimately on the prosperity of the town.
- 3.2 It is clear from the experience of other projects both on site and in their planning stages that the construction sector is now beginning to experience some acute challenges relating to the supply chain and workforce. These challenges are contributing to building cost inflation and Cabinet should recognise that as the projects progress through their development that this cost inflation will have an impact on the Town Deal programme. This is likely to result in either a requirement for additional funding, value engineering of schemes once they are designed or scope reductions or a combination of the three.
- 3.3 This is not intended to water down any of the ambitions that the Town Investment Plan has for Torquay nor the Council's wider ambition for effective town centre and wider regeneration delivery but given that some of these schemes won't be put to the market until the final quarter of 2022 the costs are likely to increase further. The programme team will continue to explore how these cost pressures can be mitigated but they will remain a risk.
- 3.4 In respect of the workforce pressures the Build Torbay project is now underway and progress has been made with regional tier one contractors to make them aware of Torbay's commitment in this area. Scoping of the action plan for the project is nearing completion but there will be a focus on encouraging people, at all ages, to train/retrain for careers in the construction sector.

## **4. Legal Implications**

- 4.1 There are no implications of the decision.

## **5. Engagement and Consultation**

- 5.1 The Town Investment Plan draws heavily on the work of the Torquay Neighbourhood Plan and the community partners who led that work. There has also been project specific consultation over a period of more than three years in respect of the capital projects. Project specific communication and engagement plans will be developed in support of each scheme.

## **6. Purchasing or Hiring of Goods and/or Services**

- 6.1 The business cases will apply appropriate procurement strategies considering the Council and Town Board's objectives. Wherever possible opportunities for local supply and maximising local benefits will be sought including for instance using employment and skills plans in line with community wealth building and social value principles.

## **7. Tackling Climate Change**

- 7.1 The projects will contribute towards the Council's Carbon Neutral targets supporting modal shift through the rail scheme and the public realm scheme will improve air quality and support healthier lifestyles through more walking and cycling.

## **8. Associated Risks**

- 8.1 The key risk of not implementing the decision relates to the foregone economic and financial benefits of the projects. Torquay, and Torbay, requires investment to achieve the community's expectations and ensure that each town can deliver more of its potential.
- 8.2 There are project related delivery risks summarised in the business cases and which will be managed through the project board(s), Town Deal & Future High Street Fund Steering Group with progress reported to Cabinet and Overview & Scrutiny Committee.

**Equality Impacts**

9.	<b>Identify the potential positive and negative impacts on specific groups</b>			
	<b>Positive Impact</b>	<b>Negative Impact &amp; Mitigating Actions</b>	<b>Neutral Impact</b>	
Older or younger people				
People with caring Responsibilities				
People with a disability				
Women or men				
People who are black or from a minority ethnic background (BME) <i>(Please note Gypsies / Roma are within this community)</i>				
Religion or belief (including lack of belief)				
People who are lesbian, gay or bisexual				
People who are transgendered				
People who are in a marriage or civil partnership				

	Women who are pregnant / on maternity leave			
	Socio-economic impacts (Including impact on child poverty issues and deprivation)	Delivery of the Town Investment Plan is expected to increase the level of investment into Torquay, to reinvigorate the town centre and support the creation of new opportunities for employment, education and training. The Council's adoption of wealth building and social value principles will see the procurement of works contracts used to get the maximum local benefit.		
	Public Health impacts (How will your proposal impact on the general health of the population of Torbay)	Economic wellbeing is a key determinant of health and delivery of the Town Investment Plan is one of a suite of activities being delivered to support a higher performing economy in Torbay.		
<b>10..</b>	<b>Cumulative Council Impact</b> (proposed changes elsewhere which might worsen the impacts identified above)			
<b>11.</b>	<b>Cumulative Community Impacts</b> (proposed changes within the wider community (inc the public sector) which might worsen the impacts identified above)			