

Meeting Executive
Portfolio Area Regeneration
Date 4th March 2022



TOWNS FUND BUSINESS CASES – GARDEN SQUARE AND THE DIVERSIFICATION OF RETAIL

KEY DECISION

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1 PURPOSE

- 1.1 Stevenage was successfully awarded £37.5m of funding through the Government's Towns Fund programme. Full business cases must be developed and approved by 24th March 2022 for each of the projects that comprise the Stevenage Towns Fund programme. The Council, as Accountable Body, must provide final sign-off for each of the business cases, in accordance with the Towns Fund Stage 2 Guidance. Full Council has delegated approval of each of the business cases to the Council's Executive committee.
- 1.2 This report relates to the Diversification of Retail project, which includes two elements that both support the town centre's ability to respond to changing retail habits and create a vibrant Town Centre that can provide opportunity for retail, leisure, restaurants cafes and experiential amenities to thrive. The first element is to enable and enhance the development of Garden Square, the new high quality public space in the heart of the town centre, which will

be the foundation for the establishment of modern food and beverages space. This includes delivering elements in the shorter term once the existing bus station is vacant, to stimulate cultural and economic activity prior to the full public realm scheme being delivered as part of SG1.

- 1.3 The second element is to invigorate currently vacant spaces and poorer retail assets to become catalysts for innovative regeneration, as shown on a bigger scale by schemes such as Co-Space. Collectively, these interventions will help create a diverse town centre economy and be the key driver in providing the conditions and environment to make Stevenage a vibrant 21st Century town, which is resilient to the changing retail market.

2 RECOMMENDATIONS

That Executive:

- 2.1 Note the feedback from the Stevenage Development Board.
- 2.2 Approve the Garden Square and Diversification of Retail business case and delegate authority to Strategic Director (TP) to submit the project summary to the Department for Levelling Up, Communities and Housing Towns Fund team on behalf of the Council (acting as Accountable Body).
- 2.3 Endorse further community engagement relating to the existing bus station space and Garden Square, which are within the remit of this programme.

3 BACKGROUND

- 3.1 In September 2019 the Government invited 101 towns to develop proposals and bid for funding for a Town Deal, as part of the £3.6 billion Towns Fund. Stevenage was identified as one of the 101 eligible towns. Background relating to this process, the development of the Stevenage Town Investment Plan (STIP), and the approval process for the business cases is contained within Appendix A. The breakdown of funding is identified below:

Project	Total (£)
Stevenage Enterprise Centre	4,000,000
Gunnels Wood Road Infrastructure Improvements	1,000,000
Station Gateway Enabling Works	6,500,000
Marshgate Biotech	1,750,000
Stevenage Innovation & Technology Centre	5,000,000
National New Towns Heritage Centre	2,000,000
Stevenage Sports & Leisure Hub	10,000,000
Cycling Connectivity and Arts & Heritage Trail	3,500,000
Town Centre Diversification & Garden Square	3,750,000
Total	37,500,000

3.2 All business cases relating to the Stevenage Town Investment Plan are required to be approved by the Accountable body before 24th March 2022. To recap, business cases must include:

- The evidence for the intervention using rigorous analysis of quality data and the application of best practice.
- An assessment of value for money, including showing how different types of projects will be compared and assessed.
- A clear economic rationale, justifying 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.
- Appropriate consideration of deliverability and risk along with appropriate mitigating action.
- A robust value for money assessments, in order to follow best practice even though there is no minimum value for money threshold set for Towns Fund projects.
- Business cases should address, in a proportionate manner, the five cases set out in the HM Treasury Green Book.

Garden Square and Diversification of Retail (£3,750,000)

3.3 Stevenage Town Centre has a long history as a retail/social precinct, with the first pedestrianised town centre, and a number of innovative retailers, such as the supermarket in the Town Square. Leisure, culture and experience-based amenities have played a secondary role to the primary function of the town centre as a retail core. The subsequent change in retail patterns, with a significant shift towards online retail, and increased mobility for people to travel to supercentre locations, has made Stevenage particularly vulnerable to the diminishing attraction of traditional retail stores. This particular challenge is one that was evidenced through the Stevenage Central Framework and the Local plan, which has helped inform the approach to the regeneration programme and this project. This project aims to facilitate the diversification of the Town Centre, utilising principles set out in the Grimsey Review, and the Stevenage Central Framework, to use leisure, culture, experience, food and beverage, and an exciting events programme, to create a vibrant town centre. This will deliver immediate improvements to the current bus station apron when it is vacant later in the year. In the longer term development the scheme will deliver new amenity space, landscaping, seating, lighting and a playful water feature when the full public realm scheme is delivered, increasing dwell times in the area.

3.4 Full information on the Garden Square and Diversification of Retail project can be found in Appendices B & C. The project will enabling stage works which could include activities such as demolitions and acquisitions to create the conditions for the development of the scheme to proceed, whilst the enhancing element will be focussed exploring further opportunities in design

to enhance the square's features. The second element, supporting the diversification of the town centre, will seek to take underutilised spaces and assets and transform them into core drivers for transformation change. This is divided into two parts - activating vacant spaces and the creation of a new gateway to retail core.

- 3.5 The Stevenage Local Plan provides a strong evidence base to support the town centre as it adapts to the challenges outlined above and in the business case, finding new and exciting uses and activities, which in turn increase footfall to support and promote retail. This evidence was underpinned by a robust retail study, which demonstrated the exposure of Stevenage Town Centre to changing retail patterns/markets, due to the prominence of traditional clothing retailers, and the under-representation of food and beverage, leisure and cultural attractions. This business case will enable additional funding to be used to support the town centre as it adapts to these challenges.
- 3.6 Whilst performing in line with the national average, vacant spaces remain a challenge for the town as retail continues to compete with retail parks and online shopping. As part of the Stevenage Regeneration Framework and Stevenage Re-Imagined Cultural strategy, the Council aspires to utilise these spaces as opportunities for leisure and cultural activity, stimulating more food and drink outlets and experience-based retail, to encourage longer dwell-time and promote footfall. Part of this project will include the activation of the (soon to be) vacant bus apron by utilising unique designs to create an attraction in the heart of the town, proving a key focal point for visitors, which could include a multi-purpose performance space. This also presents a key opportunity for community and Member engagement to shape these proposals and engagement activities have been prepared.
- 3.7 Another option under consideration within diversification of retail will be the creation of a new gateway to the retail core, which will create a new entrance to Queensway (retail core), by transforming the service entrance of the Westgate shopping to a new thoroughfare. This will connect the Arrival Square of the SG1 scheme, to Queensway producing a more cohesive experience. Overall, this has the ability to significantly increase the quality of experience and range of amenities on offer, which will support existing businesses as part of the Covid-19 recovery plan, as well as provide opportunities for new ones. This is subject to appropriate legal advice in relation to the existing lease and subsidy control.
- 3.8 This challenge is significant and one that has been "played-out" across the country as nationally traditional retail is struggling and this has only been exacerbated by the Covid 19 pandemic. There have been a number of interventions from central government in the last two years to support retailers, however increasing inflation and the increase in the cost of living, as well as the continuing strength of online retailing, will only create additional pressure in the traditional retail sector. Some flexibility has been retained within the business case to support interventions that come forward, align with the Stevenage Town Investment Plan, and provide value for money. It

must be acknowledged that the future of all town centres, including Stevenage, will be influenced by the policy decisions made at national level over the next 12-24 months. Should support measures be removed without alternatives the success of any interventions will be undermined.

- 3.9 Since the Stevenage Town Investment Plan was submitted to Government, Stevenage has been shortlisted as one of 68 towns to receive support from the High Streets Task Force. The town has been shortlisted following analysis into the regional indicators of deprivation, inequality and exposure to retail change following the effect of COVID -19 on town centres and high streets. This reinforces the need for these types of interventions as part of both short and long term solutions to mitigate town centre decline.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

- 4.1 This report recommends approval of this Stevenage Towns Fund business case, which sets out a case for:

- Garden Square and the Diversification of Retail (£3,750,000)

- 4.2 Both the summary version and full version of the business case have been included as appendices to this paper. The business case provides detailed assessment of the strategic, economic, financial, commercial and management elements of the business case, with detailed consideration of the benefits, risks, outputs and outcomes of the project.

- 4.3 The business case under consideration has been reviewed by the officer group and Assurance Panel, which includes the Chair of the Stevenage Development Board.

- 4.4 To date, the Assurance Panel, which is made up of representatives from the Board and supported by Stevenage Borough Council Officers, have provided support for the business case. Key comments from the assurance panel are summarised below:

- Ensure all legal protections are in place before funds committed
- Highlight opportunities within existing bus apron to bring vibrancy to the town square, and integrate with events programme
- Positive examples in the town of this already to learn from
- Identify opportunities to engage the public regarding existing bus apron

- 4.5 The business case will be presented to the Stevenage Development Board on 24th February 2022, incorporating feedback from the Assurance Panel. As this occurs after the publication date of this report, verbal feedback will be provided at the Executive meeting.

- 4.6 This project is considered to be a significant benefit for the town, and will provide an opportunity to deliver many of the aims and ambitions of the

cultural strategy, Stevenage Re-imagined. This strategy and action plan places an emphasis on linking the opportunities of regeneration to develop the environment for creative industries, leisure and cultural assets, and active community groups to thrive, resulting in a place of creation and activity.

- 4.7 There is an exciting opportunity to capitalise on the growing national and international recognition of the importance of the New Towns movement, and the influence that New Towns and Garden Cities still have over 'good practice' in the field of Town Planning today, from community cohesion and creating a successful social fabric within sustainable neighbourhoods, to the role of design, architecture and art in creating vibrant and engaging places. Officers will work with key stakeholders to explore these opportunities and maximise the wider appeal of the facility. The Council is ambitious in this area, and many stakeholders have commented on this opportunity, but support of external bodies will be required to match the ambition.

5 IMPLICATIONS

Financial Implications

- 5.1 In relation to the Garden Square and the Diversification of Retail business case, the original submission to government sought £4m of grant funding. Following the award of funding in principle (offer letter) of £37.5m total funding was awarded to Stevenage. However within this project's allocation was reduced from £4m to £3.75m.
- 5.2 The project contains a number of elements, and some flexibility is retained to ensure that the outputs and outcomes can be delivered within the relevant spend window. No direct match funding is required from the Council, as private investment into the surrounding developments will be utilised. Any revenue implications for enhanced or improved assets will need to be captured before the relevant part of the Towns Fund monies is defrayed and approval for any resulting increase in revenue spend for the General Fund approved.
- 5.3 In considering the overall financial risks of match-funding cumulatively to those already approved. Across tranche 1, 2, and 3, the Council is exposed to circa. £1.25m of capital that could revert to revenue if a capital scheme is not delivered across the Gunnels Wood Road and Station Gateway projects, and circa. £3m of direct match-funding to deliver the Station Gateway project. In relation to the capita/revenue risk, Officers are developing a strategy to mitigate this risk as far as possible. Across Tranche 3, approximately £35m has been identified for investment in the leisure and heritage centre projects. This is being addressed through the capital strategy, with work underway to develop a detailed funding strategy.

Legal Implications

- 5.4 In relation to the Garden Square and Diversification of Retail business case, the approval process previously set out at Executive and Council ("Transforming our Town Centre progress update and Towns Fund decision making") has been followed, and the documents have been prepared in

accordance with the Towns Fund Stage 2 Guidance referenced in the decision-making report. There will be further decision-making gateways required, including separate consideration of the planning application, and consideration of the funding plan for the match funding, as this is a project that will be delivered by Stevenage Borough Council.

- 5.5 In relation to funding improvements to any asset which is not within the full ownership control of the Council, confirmation that the detailed proposals comply with subsidy controls must be in place prior to funding being spent.

Risk Implications

- 5.6 Full details of risks relating to each of the business cases can be found within the full business case.
- 5.7 The Towns Fund programme provides a significant opportunity to draw in substantial levels of funding to support the regeneration of the town. Across a range of projects, there are elements of risk, as some projects will require match funding (as set out in the business case), or require capital investment and to proceed into delivery to avoid project costs generating revenue impacts. A number of strategic risks have already been identified for this project. The key risks include:

Retail Diversification and Garden Square: Project Risk Register

Risk Register L: Likelihood; I: Impact; T: Total

Ref.	Risk	Triggers	Consequences	Controls	Risk Score			Contingency	Responsible Person	Date: Added/ Updated
					L	I	T			
001	Covid-19 Outbreak and possible introduction of lockdown measures	Negative changes to working practices through social distancing. Uneconomical for construction supply train to operate. Added delays due to drop in output levels through covid	Shortfalls in manufacturing capacity causing price inflation. Project delay by significant social distancing measures. Negative Change in payment practices.	The need to implement practices to ensure safety. Client, consultants, and contractors work together to agree common solutions. Innovative approaches to procurement are in place. Allow for time extension in contracts. Monitor financial resilience of supply chains.	3	4	12	Scenario planning to assess the impact of the closedown and reduced output levels and advise clients accordingly to ensure timely completion. Bring in additional temporary labour. Review planning conditions and seek changes where possible to enable sites to operate in shifts over longer working hours. Manage cashflow.		

002	Construction labour shortages create delays	Conclusion of contracts with building contractors for public realm and site redevelopment EU restrictions (Brexit) on contractors and independent consultants	Delays to completion of both due to recruitment difficulties for contractors and consultants, Cost overruns	Appropriate and timely contractual arrangements	4	5	20 R	In development agreement ensure there is commitment to bring in additional temporary labour to ensure projects are completed on time		
003	Labour shortages in freight transport and supply industries delay construction progress	Construction progress reports noting failure to progress on schedule. National shortfall in haulage capacity	Delays to completion of project due to shortages of materials and components . Cost overruns	Contractual arrangements	5	5	25 R	In development agreement incorporates commitment to build up advanced stocks of materials. Build in sufficient contingency time in delivery programme to address possible delays.		
004	Climate changes and weather conditions	Unusually harsh weather conditions. Impact of unusually harsh weather conditions on aspects of project	Bad weather retards progress of the construction programme or parts of the construction programme	Regular progress reviews. Timely communication	3	4	12 O	Build in sufficient slack in the programme to cover for unforeseen eventualities such as weather		

005	The construction cost exceeds the limit for the project or other issues arising during the design & development phase	Capital & revenue overspends. Inadequate project management. Failure to resolve conflicting priorities. Robust financial systems are not established.	Impact on capital programme. Revenue overspends. Requirements to make compensatory savings to balance budget. Increased legal fees. Reputational damage.	Client management relationship. Rigorous and well-informed project monitoring reports. Effective communication. Appointment of key personnel.	3	4	12 O	Appointment of a B&D contractor in a two-stage process with a caveat to end the contract after the first stage should the Council wish to make that decision (PCSA - Pre-Construction Service Agreement). A cost consultant will be involved from an early stage of the project to ensure contractor's proposals are realistic and within budget.		
006	Decline in levels of footfall	Government legislation to minimise the impact of covid-19. Failure of collaborative working of service providers – leisure, shopping, eating, drinking. Local businesses and public bodies slow in adapting to change.	The significance of the high street or main shopping areas will continue to dwindle. Vacant properties will impact the managing of the location as F&B and other operators may not buy into the vision and strategy. Closure of business will impact the local economy and put pressure of public service budgets.	Ensure trading hours meet customer needs. Provision of the right mix of retail and other services providing the right offer to consumers. Market and share the vision and strategy. Maintain a clean environment – roads and pavements.	2	5	10 O	A cohesive vision and strategy for the location, developed by the Council, businesses and public services, shared by as many people as possible is communicated. Use of social media to identify problem areas and a sense of collective responsibility to encourage improvements Encourage the adoption of the Business Improvement District Model.		

007	Failure to achieve planning approval for adaptations	Notification of Council decision	Major delay to completion. and project interdependencies.	Planning approval has been expedited and is well advanced. Through consultation, scope of objections well understood.	1	5	5 Y	Close cooperation with Planning.		
008	Constrained nature of the site limits both the range of uses organised on site.	Funding restricted / stopped. Poor management decisions. Failures in contractor / partnership working. Poor project management. Poor planning	Project delays/over-runs. Reputational damage. Cost overruns. Public dissatisfaction. Discouragement of future partnerships. Delay, impact on service delivery.	Regular meetings with designers / contractors. Effective procurement strategy. Post contract reviews. Regular and timely meetings with planning. Robust project management.	3	3	9 Y	Close cooperation with Planning.		
009	Dissatisfaction of local residents with proposed content and/or design of Garden Square proposals	Publication of outline and detailed designs	Likely delays to construction if design changes are needed	Comprehensive consultation programme to be maintained particularly at early stage to capture preferences from local residents.	2	5	10 Y	Market Research and focus groups to provide ample evidence of what the public expect from the upgraded public realm, animation of the discussed bus station apron and new gateway to the retail core. Extend process to enable preliminary designs to be market tested with the public.		

5.8 The key risks and mitigation at a programme level can be summarised as follows:

Key Risks	Mitigation
Business cases and summary sheets are not signed-off / submitted in time and funding is lost	Programme and resources have been established with a dedicated programme manager and oversight from Assistant Director (Regeneration) and Strategic Director (TP) to ensure products are commissioned and programme is on track
Business cases are rejected by Accountable Body/Development Board	Early engagement with both organisations to ensure they are involved and have oversight of business case development, to ensure they are supportive of the direction of travel
Sign-off process and/or decision routes are challenged	Developed sign-off process and governance as set out in this paper in accordance with guidance and best practice
The cumulative risk of Towns Fund projects has a material impact on the Council's Medium-Term Financial Strategy	Each project will highlight the potential areas of risk (in this case, related to the approach to avoid any risks of capital claw back), and previous Towns Fund project. At this point in time the previous Towns Fund project (Gyratory) also highlighted risks of capital clawback, which also has mitigations in place
Money spent at risk not recovered and resulting in a General Fund pressure if projects don't proceed	Careful diligence of spending in early stages of the projects; not progressing to business case stage unless we are confident the project is deliverable; review of risk in entirety across the programme
Funding not sufficiently secured by accountable body, including match-funding	Towns Fund spend profile to be reflected in the Council's capital strategy, with individual projects returning to Council for future sign-off when at a suitably advanced stage to give Members the full information necessary for final budgetary sign-off
Third-parties do not deliver to timeframe or budget, and/or don't follow relevant procurement guidelines	All projects being delivered by a third-party to have a funding agreement in place with the Accountable Body
Business cases called-in and potentially challenged by	Utilising business case template provided through the Town's Fund resource;

BEIS/DLUHC	representative from BEIS to attend Development Board meetings and have sight of business cases at an early stage.
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Policy Implications

- 5.9 The development will contribute to the delivery of regeneration within the town centre and will help to deliver key objectives of the Council's Sustainable Transport strategy, Future "Town, Future Transport" (adopted 2019) and will also help to deliver on the Council's commitment to reducing carbon emissions as stated in the Climate Change Strategy (adopted 2020) through low-carbon developments. This project will also fulfil some of the Cultural Strategy ambitions.

Planning Implications

- 5.10 Outline planning permission has a resolution to grant as part of SG1 for Garden Square. Planning permission will be required for other elements.

Environmental Implications

- 5.11 A core value of embedded within the framework for appraising these projects is focussed on ensuring due consideration to Environment, and where possible support the reduction of impact of Regeneration on the Environment.
- 5.12 There is a significant focus on utilising brownfield sites and spaces to their maximum potential through the Stevenage Town Investment Plan, and a clear drive to focus on sustainable travel options, through both public and active transport initiatives.
- 5.13 Better land use planning is a key concept for mitigating emissions and allowing people to make the behavioural changes required to reduce their carbon footprints in the long run. New buildings will improve the environment, not detract from it.

Climate Change Implications

- 5.14 The project presents an opportunity to make a positive contribution to the Town's climate emergency and net zero ambitions, but utilising space in a multi-purpose building which is designed to limit the use of new resources through both the construction and operation phases. Stevenage has a recognised legacy as a green and diverse environment, and the new asset has an opportunity to promote this through its displays.

Equalities and Diversity Implications

- 5.15 No specific equalities and diversity implications for this tranche of business cases.

APPENDICES

- A Background to the Town Investment Plan development and business case requirements
- B Garden Square and Diversification of Retail business case summary
- C Garden Square and Diversification of Retail full business case