

Meeting Executive
Portfolio Area Regeneration
Date 4th March 2022



TOWNS FUND BUSINESS CASES – STEVENAGE INNOVATION & TECHNOLOGY CENTRE (SITEC)

KEY DECISION

Author – Lucy King & Annie Piper
Lead Officer – Chris Barnes Ext.2292

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 Stevenage Innovation & Technology Centre (SITEC) project, which involves the delivery of a brand-new, purpose-built learning facility in the centre of Stevenage. The centre will predominantly provide Level 3, 4 and 5 courses in science, technology, engineering and health, and a range of apprenticeship opportunities in these sectors. Importantly, the centre will deliver an interface between Stevenage's

residents and the high-tech, high-value national and international businesses located in the town. The SITEC development will capitalise on the opportunities that the Town Deal presents and will directly address several of the key strategic challenges facing the town, identified in the Stevenage Town Investment Plan narrative.

2 RECOMMENDATIONS

That Executive:

- 2.1 Note the feedback from the Stevenage Development Board.
- 2.2 Approve the SITEC 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 Note the project is at an earlier stage compared to others in the programme and will require an updated business plan and full business case to be approved prior to drawdown of funding.

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.
- Addressing, in a proportionate manner, the five cases set out in the HM Treasury Green Book.

SITEC summary (Towns Fund contribution -£5,000,000)

- 3.3 Full information on the project can be found in Appendices B & C. The need to raise skills levels in Stevenage was a key element of the Stevenage Town Investment Plan, which identified that the town's population had higher than average level 1 and 2 qualifications, and significantly lower than average level 4 & 5 qualifications. This has meant people were leaving education at the earliest opportunity to access paid work, but not going on to develop qualifications and skills needed to progress to jobs with a higher salary. This is indicated by the significant disparity between the average salary of somebody working in Stevenage compared to somebody living in Stevenage. A number of residents are commuting out of the town to access lower paid employment when compared to roles available within the town - with skills & qualifications presenting one of the barriers to accessing such (higher paid) roles. There is also a perception amongst some residents that the "STEM" employers in the town are not accessible to them. The primary purpose of this project is to change this view, providing access to high-quality facilities which bridge the gap to higher education and remove some of the barriers to traditional higher educational attendance, resulting in a better skilled workforce that provides local employer's with the required local labour supply.
- 3.4 As the project is at an early stage, there are still multiple options in relation to where and how the facility will be delivered, and a Strategic Outline Case (high-level business case) has therefore been prepared. It is envisaged that The project will deliver a brand-new, purpose-built learning facility in the centre of Stevenage, to address the skills deficits that underpin the gap in employment and earnings between Stevenage's residents and the high-tech businesses developing in the town, key stakeholders, in partnership with key businesses and industries in Stevenage. Further work will be required at the next stage to select a preferred option and site.

- 3.5 There is a proven and growing demand for skilled technical workers for jobs within the engineering, technology science and health industries. The SITEC will bridge the skills gap, train the workforce of the future and stimulate job creation by providing specialisms in the following sectors – all of which are critical to the Stevenage area and the wider Hertfordshire and UK economy: Engineering, Life sciences, Biotechnology, Telehealth and Telecare, Digital and Computing Innovation and Advanced Construction Skills.
- 3.6 The establishment of a new state-of-the-art Science, Innovation and Technology Centre in the town will provide the space and facilities to develop a highly skilled workforce in direct collaboration with the businesses in the town, and offer opportunities to raise skill levels of Stevenage’s residents. A new purpose-built facility, located centrally within Stevenage, linking with other satellite facilities, is proposed in close proximity to both the rail station and re-located bus station. Each curriculum specialism will offer technical skills development via advanced and higher-level courses and higher apprenticeships from Level 3 to Level 5, delivered in state-of-the-art facilities and in partnership with leading industry specialists. Included in this portfolio will be the offer of 3 T Levels in the Health and Science Engineering, Manufacturing, Processing and Controls and Computing pathways from 2023 onwards.
- 3.7 The Stevenage Innovation and Technology Centre will become a highly visible point of interface between residents, skills providers and our business community. It will act as a bridge to ensure the future growth of the cluster and sustainable outcomes. This will include local employment, a supply chain of labour, and the opportunity to showcase the town’s industries to inspire our young people. By engaging businesses directly in the skills agenda, we will create a responsive environment that ensures the skills supplied are up-to-date and continuously aligned with present employer demand in a fast-moving environment.
- 3.8 The Stevenage Technology and Innovation Centre could incorporate a range of learning and training environments as well as opportunities for conferences and wider engagement. The building will be a clear statement of the interface between our businesses, education providers and resident population and may incorporate the following:
- Clean Lab space.
 - Flexible teaching facilities and spaces.
 - Virtual reality facilities and technology.
 - Engineering space including practical training space for key trades.
 - Café and Student refectory, including kitchens.
 - Conference space(s), events space and meeting rooms.
 - Practical training space for advanced construction skills.
 - Employer Spaces.

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:

- SITEC (£5,000,000)

4.2 Both the summary version and full version of the business case have been included as appendices to this report. 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:

- Supportive of a Strategic Outline Case, which sets out the different options still under consideration, with a process for working through those options over the next 6-9 months
- On-going board support will be crucial for the success of the project – a number of stakeholders will need to be involved to make this a success
- Need to utilise the next period of time to continue to explore other funding options for the match funding
- Whilst it is accepted that there is still much to develop as the project is at outline stage, it has the potential to address one of our biggest challenges from the investment plan, and is one of the most effective projects for addressing our skills challenge.

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 When the Heads of Terms were agreed with Government in 2021, this project did not include any project-specific conditions.

4.7 The alternative options available to the Council are:

- Not to approve the business case, or
- Defer approval of the business case until any issues are resolved or further information is provided.

4.8 Based on the information presented, Officers are satisfied that the business case can be suitably controlled through conditions relating to the drawdown of funding, and no further amendments are required. It is acknowledged that the business case is a living document, which will be updated as developments progress. The other options available would have a significant

detrimental impact on the success of the Towns Fund and Transforming Your Town programme, with no tangible benefits.

- 4.9 One of the key recommendations from the Assurance Panel, is to establish how the governance of the project will be driven forward. The Development Board stakeholders will continue this discussion initially, with one option being to form a joint vehicle or Board to oversee the delivery of the Full Business Case. Whilst the approach of considering a Strategic Outline Case does carry some increased delivery risk, the project is a key element of the Stevenage Town Investment Plan and subsequent award of funding (and was at an earlier conceptual stage when the bid was developed); it is therefore considered appropriate to allow additional time for further work to be carried out with multiple delivery options still under consideration.
- 4.10 If the business case is approved, Officers will continue to work through options over the next 6-9 months and provide an updated business plan and business case. This will be reviewed by the Development Board and subject to its endorsement, progress Executive for approval as the Accountable Body.

5 IMPLICATIONS

Financial Implications

- 5.1 The original submission to government requested £5m of grant funding. Following the award of funding in principle (offer letter), £37.5m on funding was awarded to Stevenage and remained unchanged.

As discussed previously this project is at an earlier stage than other Towns Fund projects. As Accountable Body, the Council will require a detailed full business case and sustainable operating model to be submitted and approved, prior to funding being released. A small amount of funding may be utilised to develop the full business case. It is envisioned that up to £100,000 may be required for full business case development (2% of the funding allocation), but this will only be released if the risk of this reverting to revenue can be sufficiently mitigated.

- 5.2 The Council has not planned to contribute match funding to this project, and so no approval for this is requested. The residual financial risk is spending 2% of the funding allocation at risk to develop the full business case. This is partly mitigated by the fact that North Hertfordshire College plan to deliver a small-scale SITEC offer in their current campus utilising funding from Hertfordshire Local Enterprise Partnership, and the Council can demonstrate that the full business case is being developed as part of a smaller capital scheme, proportionate to the funding being spent. This means that the risk of clawback is low, although spend performance against the spend profiles will be reviewed annually. If cross-partner governance is established to deliver the project, the Council will be encouraging lead stakeholders/partners to develop, support and share the risk.
- 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 capital/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 SITEC 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 required.
- 5.5 Discussions with Government representatives have confirmed that for projects at an early stage, with a likely delivery timetable towards the end of the Towns Fund 5-year spend window, it may be appropriate to consider a Strategic Outline Business Case at this stage, with a Full Business Case to follow.

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:

Risks	Likelihood	Mitigation
Site identification acquisition	Medium	Site acquisition outstanding.
Funding	High	Towns Fund Confirmed subject to FBC approval. Confirmation of match funding is required.
Subsidy Control	Low	Subsidy control advice to be secured from Stevenage Legal Team or external specialist legal advisor. Public sector organisations only – No direct benefit to private sector organisations so subsidy

		control risk is considered low.
Partnership arrangements	Medium	Project level partnership arrangements defined but not as yet operational.
Detailed Design	Medium	Initial feasibility design work complete. Appointment of architects and detailed design to be undertaken. Procurement and project delivery approach to be confirmed.
Lack of resources to manage the project	Low	<ul style="list-style-type: none"> • Prepare project delivery plan, map resources required and cover through procured consultant teams • Robust governance structure
Failure to secure planning consent	Low	<ul style="list-style-type: none"> • Prepare comprehensive scheme proposals reflective of policy considerations • High quality design proposals and thorough stakeholder engagement • Pre app discussions
Inflationary risk due to delayed project start	Medium	The project is at an early strategic stage and will take some time to further develop. This delay will introduce additional inflationary costs that will impact the resources available.
Tender return prices higher than expected due to construction prices inflation.	Medium	See above
Consultation (internal and external) leads to changes to the scheme design.	Medium	Detailed design work still to be undertaken. Project budget is fixed at £10m and scheme design must stick to this.
Cost overruns	Medium	Arrangement for the management of cost overruns to be confirmed.

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 BEIS/DLUHC	Utilising business case template provided through the Town's Fund resource; representative from BEIS to attend Development Board meetings and have sight of business cases at an early stage.

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 adopted Local Plan. Whilst the Council is not directly responsible for the delivery of

education or skills, providing opportunities for local residents to access skills and qualifications is aligned with the Council's strategies.

Planning Implications

- 5.10 Identified need, planning permission will be required at a later stage.

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 SITEC business case summary
- C SITEC full business case