

Public Document Pack



EXECUTIVE

Date: Wednesday, 17 November 2021
Time: 2.00pm [PLEASE NOTE START TIME]
Location: Council Chamber, Daneshill House, Danestrete, Stevenage
Contact: Ian Gourlay (01438) 242703
committees@stevenage.gov.uk

Members: Councillors: S Taylor OBE CC (Chair), Mrs J Lloyd (Vice-Chair), L Briscoe, R Broom, J Gardner, R Henry, J Hollywell and J Thomas.

AGENDA

PART I

1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

2. MINUTES - 20 OCTOBER 2021

To approve as a correct record the Minutes of the meeting of the Executive held on 20 October 2021 for signature by the Chair.
Pages 3 – 12

3. MINUTES OF THE OVERVIEW & SCRUTINY COMMITTEE AND SELECT COMMITTEES

To note the following Minutes of meetings of the Overview & Scrutiny Committee and Select Committees –

Environment & Economy Select Committee – 21 October 2021
Overview & Scrutiny Committee – 26 October 2021
Pages 13 – 20

4. COVID-19 UPDATE

To consider an update on the Covid-19 pandemic.

5. TOWNS FUND BUSINESS CASES - TRANCHE 1

To consider and approve the Tranche 1 Towns Fund Business Cases for the Marshgate Biotech Centre and Gunnels Wood Infrastructure projects.
Pages 21 – 188

6. 2021/22 MID YEAR TREASURY MANAGEMENT REVIEW

To update Members on the Treasury Management activities in 2021/22 and review effectiveness of the 2021/22 Treasury Management and Investment Strategy, including the 2021/22 prudential and treasury indicators.
189 - 216

7. 2ND QUARTER GENERAL FUND AND HRA REVENUE BUDGET MONITORING REPORT 2021/22

To update Members of the projected General Fund and Housing Revenue Account (HRA) 2021/22 net expenditure and to seek approval to amend the General Fund and HRA budgets as part of the Second Quarter Revenue Budget review.

Pages 217 – 230

8. URGENT PART I BUSINESS

To consider any Part I business accepted by the Chair as urgent.

9. EXCLUSION OF PRESS AND PUBLIC

To consider the following motions –

1. That under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as described in Paragraphs 1 – 7 of Part 1 of Schedule 12A of the Act as amended by Local Government (Access to Information) (Variation) Order 2006.
2. That Members consider the reasons for the following reports being in Part II and determine whether or not maintaining the exemption from disclosure of the information contained therein outweighs the public interest in disclosure.

10. LEISURE MANAGEMENT OPTIONS APPRAISAL

To consider a comprehensive options appraisal on management options for the Council's leisure, cultural and health and wellbeing service delivery; together with a number of recommendations on proposed management arrangements from April 2023.

Pages 231 - 328

11. URGENT PART II BUSINESS

To consider any Part II business accepted by the Chair as urgent.

NOTE: Links to Part 1 Background Documents are shown on the last page of the individual report, where this is not the case they may be viewed by using the following link to agendas for Executive meetings and then opening the agenda for Wednesday, 17 November 2021 – <http://www.stevenage.gov.uk/have-your-say/council-meetings/161153/>

STEVENAGE BOROUGH COUNCIL

EXECUTIVE MINUTES

Date: Wednesday, 20 October 2021

Time: 1.00pm

Place: Council Chamber, Daneshill House, Danestrete, Stevenage

Present: Councillors: Sharon Taylor OBE CC (Chair), Mrs Joan Lloyd (Vice-Chair), Lloyd Briscoe, Rob Broom, John Gardner, Richard Henry and Jeannette Thomas.

Start / End Start Time: 1.00pm
Time: End Time: 3.07pm

1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillors Jackie Hollywell, Phil Bibby CC (observer) and Robin Parker CC (observer).

There were no declarations of interest.

The Leader referred to the dreadful and tragic events of last Friday (15 October 2021) when Sir David Amess MP was murdered whilst carrying out one of his constituents' surgeries. This appalling incident had sent shockwaves throughout the UK, as did the murder of Jo Cox MP in 2016. She added that these incidents were an assault on democracy and the peaceful lives wanted for all people.

The Leader knew that everyone in Stevenage would wish to join her, the Mayor, Executive Members and all other Members of the Council in sending their deepest condolences to Sir David's family, staff, friends and constituents. Listening to the tributes to Sir David in recent days it was clear that he died as he lived, serving the public and representing the constituents he cared so much for. She hoped that Sir David would rest in peace, and further hoped that there would be no more such incidents in the future.

2 MINUTES - 15 SEPTEMBER 2021

It was **RESOLVED** that the Minutes of the meeting of the Executive held on 15 September 2021 be approved as a correct record for signature by the Chair.

3 MINUTES OF THE OVERVIEW & SCRUTINY COMMITTEE AND SELECT COMMITTEES

In relation to the Minutes of the meeting of the Environment & Economy Select Committee held on 13 September 2021, the Leader commented that she and the Portfolio Holder for Economy, Enterprise & Transport had been interviewed by the Committee in connection with their review of SBC's response to the Covid-19

pandemic. It was gratifying to learn that the Stevenage business community had felt supported by the Council throughout the pandemic, and the sterling efforts of the Council's Shared Revenues & Benefits Team in administering the Government Support Grants had also been recognised and applauded.

In relation to the Minutes of the meeting of the Community Select Committee held on 21 September 2021, the Portfolio Holder for Children, Young People, Leisure & Culture expressed this thanks to the Committee for their work in investigating the feasibility of a New Town Heritage Centre, including their visits to other towns to seek best practice. In response to a question from the Portfolio Holder for Economy, Enterprise & Transport, the Strategic Director (RP) undertook to provide a written response to him regarding the plans for storage of surplus Museum exhibits and artefacts once the Heritage Centre was in operation.

With regard to the Minutes of the meeting of the Overview & Scrutiny Committee held on 22 September 2021, the Leader explained that the first two Town Deal Business Cases (relating to the Marshgate Biotech Centre and the Gunnels Wood Road Infrastructure project) had both been endorsed by the Stevenage Development Board, and would be presented to the Executive in November 2021 for approval.

In respect of the Minutes of the meeting of the Environment & Economy Select Committee held on 4 October 2021, it was acknowledged that local authorities would require a much greater level of Government funding in order to realise both national and local Climate Change aspirations.

It was **RESOLVED** that the following Minutes of meetings of the Overview & Scrutiny Committee and Select Committees be noted:

Environment & Economy Select Committee – 13 September 2021

Community Select Committee – 21 September 2021

Overview & Scrutiny Committee – 22 September 2021

Environment & Economy Select Committee – 4 October 2021

4 COVID-19 UPDATE

The Executive considered an overarching verbal progress report from the Strategic Director (RP), assisted by the Senior Environmental Health & Licensing Manager, together with a short presentation from the Corporate Policy & Research Officer, providing an update on the latest epidemiology statistics relating to the Covid-19 pandemic.

The Strategic Director (RP) advised that, nationally, the daily figure for new Covid-19 cases had been beyond 40,000 for seven days in a row. The number of patients in hospitals had risen by 10% in a week to 7,749. The Government had indicated that it was still committed to its Plan A, based around booster vaccinations and vaccinations for children aged 12 and above. However, the NHS Confederation had called upon the Government to re-introduce some Covid measures due to the rise in cases and increasing pressure on NHS services.

The Strategic Director (RP) stated that, in response, the Health Secretary had announced that he would be holding an emergency press call at 5.00pm today (21/10/21) to confirm the Government's position. The Council would be monitoring this closely, and would continue to work with partners in the Hertfordshire Local Resilience Forum to take any necessary action.

The Senior Environmental Health & Licensing Manager reported on the outcome of the Hertfordshire Health Protection Board meeting held earlier in the day. He commented that the Hertfordshire Director of Public Health (HDPH) had stressed that the level of Covid infections was such that it was still in the pandemic phase. Even though national numbers were rising, the increase in cases in Hertfordshire was below average (case rates in the 12-16 year old age group were beginning to plateau, but were increasing in the 60+ age group). The testing rate was also increasing.

In relation to the Delta sub-variant of the Covid virus, the Senior Environmental Health & Licensing Manager advised that the HDPH had stated that the impact and prevalence of this sub-variant was still under investigation, but it was believed that it could be 10% more transmissible than the original Delta variant. There was a potential for increased hospitalisations amongst those who had already been vaccinated. There was also an important role for vaccine boosters in preventing that potential increase. There was a move towards improving communications with the public regarding the vaccine booster roll out.

The following matters were raised during the verbal progress report/presentation:

In reply to a number of Members' queries on the verbal progress update, the Senior Environmental Health & Licensing Manager undertook to:

- clarify the position with regard to how and where in Stevenage Covid booster vaccinations were being administered; and
- attempt to ascertain statistics relating to the correlation between flu and Covid booster vaccinations in terms of any increased risk of not being vaccinated for one or the other or both.

During the meeting, information was received stating that Robertson House was to start operating as walk-in facility for Covid booster vaccinations for the clinically vulnerable and Over 50s. The Leader asked for details to be posted on the SBC website, together with information regarding the introduction of walk-in surgeries for 11 to 16 year olds offering them the opportunity to be vaccinated.

In relation to the epidemiology presentation, the following points were made:

- Officers were requested to continue pressing for the visit of a mobile Covid vaccination unit to Bedwell Ward, in an attempt to improve the level of vaccine take up in that ward;
- The Corporate Policy & Research Officer undertook to provide Members with some preliminary results in respect of national Antibody studies;
- Professor Jim McManus and his Public Health Team had been recognised at the Pride of Stevenage Awards event by receiving the Judges' Special Award for

their excellent work throughout the Covid pandemic. The Executive wished to record its own vote of thanks to Professor McManus and his Team, and also to the Hertfordshire Local resilience Forum for its commendable support role.

It was **RESOLVED** that the Covid-19 update be noted.

5 CLIMATE CHANGE - ANNUAL UPDATE 2020/21

The Executive considered a report providing an overview of the action taken to tackle Climate Change by Stevenage Borough Council and with partners, through the Council's joint working on the Hertfordshire Climate Change and Sustainability Partnership (HCCSP).

The Portfolio Holder for Environment & Regeneration reminded Members that SBC had declared a Climate Change emergency in 2019 and had set a Borough-wide target of achieving net zero carbon by 2030. In 2020, following extensive public and stakeholder consultation, the Council adopted a Climate Change Strategy with 8 key themes to guide everyone towards a net zero future.

The Portfolio Holder for Environment & Regeneration stated that the report highlighted the work the Council had done to reduce its carbon emissions over the last year. Furthermore, it detailed the work the Council had undertaken as an active partner within the Hertfordshire Sustainability and Climate Change Partnership (HSCCP) and what the Council was doing to seek to support and educate residents and businesses in recognition of their respective roles. The report provided a snapshot of the work carried out and continuing initiatives, and highlighted the challenges faced as a society in changing behaviours to reduce emissions in good time.

The Portfolio Holder for Environment & Regeneration stressed the enormity of the collective challenge in tackling Climate Change. Many issues needed to be addressed to achieve the Council's Climate change ambitions, including a sufficient level of Government funding to local authorities to expedite change. This issue was included as one of the suggestions to be included in the Council's proposed letter to the Government outlined in Recommendation 2.3 in the report. The report also contained at Recommendation 2.2 some additional measures that required Executive approval in order to support the Council's Climate Change journey.

The following issues were raised by Members:

- it would be helpful if there was an SBC communications campaign about recycling/re-use of materials in order to inform and educate residents, in order to emphasise the fact that the collective effort in recycling/re-use would make an overall difference;
- in reply to a question, it was confirmed that the intention was for the SBC fleet of waste collection vehicles to be low or zero carbon by 2030;
- the Portfolio Holder for Neighbourhoods & Co-operative Council informed Member that he had asked the Co-operative Neighbourhood Teams to look for local initiatives/projects that could contribute towards the Council's net zero carbon ambitions; and

- the issue of pressure being brought to bear on the Government to provide increased and sufficient funding to Local Government to drive Climate Change initiatives was an important part of the Local Government Association’s lobbying of Government.

In order to reinforce the Council’s expectation that all new construction schemes were designed with low or zero carbon measures, Members supported an addition to Recommendation 2.2, with the following:

“(vi) To work with the Council’s development and regeneration partners to ensure the Council’s construction work is making the maximum contribution to its net zero carbon ambitions.”

It was **RESOLVED**:

1. That the content of the Climate Change Annual Update (2020- 2021) be noted.
2. That the following additional measures be agreed to support the Council’s Climate Change journey:
 - (i) To develop the business case to migrate the Council’s corporate and waste fleet to low or zero carbon from 2028, in the interim commit to switching fuel supplies to low or zero carbon alternatives, subject to a detailed business case;
 - (ii) Following the Executive’s commitment to accelerate the SG1 Phase 2 programme, including a move to the low carbon Public Sector Hub by 2026; the Council will also develop proposals and a business case to reduce energy use, and reduce the physical and carbon foot print of other Council buildings;
 - (iii) Embed the low carbon ways of working the Council has embraced during the pandemic into current and future ways of working, to continue that carbon saving;
 - (iv) Support residents and business to reduce their carbon footprint by illustrating a comprehensive range of measures they can take, including education and publicity campaign, through a Communication and Collaboration Plan;
 - (v) Provide a total of £8,000 to offer grants to local Stevenage businesses to help transition their business to lower carbon and to supplement bids for low carbon investments. The amount is subject to budgeting for 2022/2023; and
 - (vi) To work with the Council’s development and regeneration partners to ensure the Council’s construction work is making the maximum contribution to its net zero carbon ambitions.
3. That Officers prepare a submission on behalf of the Council’s Executive to the Minister of State (Minister for Energy, Clean Growth and Climate Change),

making the urgent case for Government to:

- Develop a comprehensive funding plan for the retro-fitting social housing with energy saving measures, including electric heating, insulation, local energy generation and carbon reduction measures;
- Support Stevenage Borough Council's multi-million pound bid to the Social Housing Decarbonisation Fund;
- Develop a carbon emissions pricing scheme that protects and supports local business, discouraging the displacement of carbon creation to more vulnerable places while incentivising business to invest in low carbon technologies; and
- Developing and funding a plan for a comprehensive, integrated and funded public transport system to offer people a genuine alternative to car ownership and driving, and a fully funded EV strategy and network. In Stevenage the Council is building a new bus interchange and bidding for funds to electrify the existing bus fleet, but the services need to be significantly expanded, reliable and affordable to people.

Reason for Decision: As contained in report; and 2(vi). To ensure the Council's net carbon zero ambitions are reflected in the construction work of its development and regeneration partners.

Other Options considered: As contained in report.

6 REVIEW OF THE CO-OPERATIVE PROCUREMENT STRATEGY 2021-2024

The Executive considered a report in respect of the proposed updated Co-operative Procurement Strategy 2021-2024.

The Portfolio Holder for Resources advised that the Strategy had last been updated in 2016/17. The proposed 2021-2024 Strategy had been drafted to align with the Council's Future Town, Future Council ambitions.

The Portfolio Holder for Resources stated that the Strategy was based on the following five foundation principles:

1. Community Wealth Building – focusing on money being re-invested in Stevenage which would support the aim of locally re-circulating wealth in the area;
2. Sustainability – tackling Climate Change and improving sustainability must be a key foundation for all procurement activity;
3. Social and Ethical Procurement – Social Value involved looking beyond the prices of each individual contract and looking at what the collective benefit would be to the community when a public body chose to award a contract;
4. Commercial and Insourcing – the Council's commitment to deliver as many services as possible in-house, which was the Council's default position; and

5. Proactive Procurement – the support from the Council’s Corporate Procurement Team to deliver better procurement and also for developing a knowledge and intelligence base to deliver the Council’s ambitions.

The Portfolio Holder for Resources explained that the Council had spent approximately £60M on the procurement of goods, works and services in 2020/21, an increase of £10M from 2019/20, mainly due to major construction projects taking place in the town as part of the Transforming Our Town programme and major repairs and works to the SBC housing stock.

The Portfolio Holder for Resources advised that consultation on the updated Strategy was carried out during the summer and a Portfolio Holder Advisory Group was held in September 2021. Feedback from both was set out in Paragraphs 4.5 and 4.6 of the report.

The Leader stated that the five foundation principles contained in the Strategy were key to the Council’s ethos as a Co-operative Council. Members were pleased to see the emphasis on community wealth building and, where possible, the local sourcing of goods and services.

It was **RESOLVED** that the updated Co-operative Procurement Strategy for 2021-2024, as attached at Appendix A to the report, be approved.

Reason for Decision: As contained in report.

Other Options considered: As contained in report.

7 COUNCIL TAX SUPPORT SCHEME 2022/23

The Executive considered a report in respect of the proposed Council Tax Support Scheme for 2022/23.

The Portfolio Holder for Resources advised that the report recommended that the Council retained the current 8.5% liability for those on maximum benefit (working age claimants). She stated that the number of Council Tax Support claimants had reduced, citing the example that case numbers had reduced by 154 between 1 April 2021 and 1 October 2021. However, it was not yet clear what the impact would be of the ending of the Government’s furlough scheme.

The Portfolio Holder for Resources reported that a Portfolio Holder Advisory Group was held in September 2021 and Members of that Group had supported the continuation of the existing scheme. A letter to that effect had been sent to Hertfordshire County Council and the Hertfordshire Police & Crime Commissioner.

The Leader commented that it was vital that the maximum Council Tax liability for those residents eligible was unchanged from 8.5%, especially in the light of the Government’s recent decision to remove the £20 per week uplift for those in receipt of Universal Credit, and its replacement with in her view an underfunded £500M Hardship Fund, which would be subject to an application process.

It was **RESOLVED** that the existing Council Tax Support Scheme of 8.5% council tax liability for those working age claimants on maximum benefits (subject to any benefit uplifts) be approved for the financial year 2022/23.

Reason for Decision: As contained in report.

Other Options considered: As contained in report.

8 1ST AND 2ND QUARTER CAPITAL PROGRAMME MONITORING REPORT 2021/22

The Executive considered a report in respect of 1st and 2nd Quarter Capital Programme Monitoring 2021/22 (General Fund and Housing Revenue Account).

The Portfolio Holder for Resources advised that, in respect of the General Fund, the net decrease in 2021/22 capital expenditure was currently £59,000, as described in the report. A number of other budgets had been brought forward into 2021/22 or re-profiled into 2022/23. The next increase in 2022/23 capital expenditure was currently £271,000.

The Portfolio Holder for Resources stated that there was an increase in the forecasted capital receipts of £1.41Million in 2021/22 and £929,000 in 2022/23. This was due to increases arising from updated projections on sales relating to Housing Development schemes, with some offset by re-profiling of other site disposals into 2022/23.

The Portfolio Holder for Resources referred to an update in the report regarding the Towns Fund. The Department for Levelling Up, Housing and Communities had released project funding to the Council as Accountable Body of £1.875Million (or 5%) as a forward payment towards the up to £37.5Million that Stevenage may be able to draw down. There were 9 projects for which business cases needed to be developed and approved, and the 5% received was to cover early-stage activity in project development.

In relation to the Housing Revenue Account, the Portfolio Holder for Resources advised that there was currently a 2021/22 decrease in capital expenditure of £4.4Million (£4.3Million of this related to a review of Housing Development sites). This £4.4Million would be re-profiled into 2022/23.

The Portfolio Holder for Resources commented that there had been 18 Right to Buy sales in the first half of 2021/22. 15 of these were in Quarter 1 and 3 in Quarter 2, with the marked reduction in sales possibly reflecting the changes to Stamp Duty, which was abolished on purchases up to £250,000 from 1 April 2021, but reverted to £125,000 in October 2021.

It was **RESOLVED**:

1. That the 2021/22 General Fund Capital Programme net decrease in expenditure of £59,000, as summarised in table one, Paragraph 4.1.1 of the report, be approved.

2. That the General Fund net increase of capital expenditure of £271,000 in 2022/23, also as summarised in table one, Paragraph 4.1.1 of the report, be approved.
3. That Council be recommended to approve the additional General Fund budget requirements of £291,000, as set out in table two, Paragraph 4.2.1 of the report.
4. That the net decrease of £4.4 Million in the capital expenditure for the 2021/22 Housing Revenue Account, as summarised in table nine, Paragraph 4.4.1 of the report, be approved.
5. That the corresponding net increase of £4.4 Million in the capital expenditure for the 2022/23 Housing Revenue Account, also as summarised in table nine, Paragraph 4.4.1 of the report, be approved.

Reason for Decision: As contained in report.

Other Options considered: As contained in report.

9 URGENT PART I BUSINESS

None.

10 EXCLUSION OF PRESS AND PUBLIC

It was **RESOLVED**:

1. That under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as described in Paragraphs 1 – 7 of Part 1 of Schedule 12A of the Act as amended by Local Government (Access to Information) (Variation) Order 2006.
2. That the reasons for the following report being in Part II were accepted, and that the exemption from disclosure of the information contained therein outweighs the public interest in disclosure.

11 URGENT PART II BUSINESS

None.

CHAIR

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STEVENAGE BOROUGH COUNCIL

ENVIRONMENT & ECONOMY SELECT COMMITTEE MINUTES

Date: Thursday, 21 October 2021

Time: 6.00pm

Place: Council Chamber

Present: Councillors: Michael Downing (Chair), Adam Mitchell CC (Vice-Chair), Doug Bainbridge, Stephen Booth, Adrian Brown, Wendy Kerby, Maureen McKay, Claire Parris and Simon Speller.

Start / End Time: Start Time: 6.00pm
End Time: 7.30pm

1 **APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

Apologies for Absence were submitted on behalf of Councillors Julie Ashley-Wren and Sarah Mead.

There were no declarations of interest.

2 **MINUTES - 4 OCTOBER 2021**

It was **RESOLVED** that the minutes of the meeting of the Committee held on 4 October 2021 be approved as a correct record and signed by the Chair.

An update was given by the Assistant Director Planning and Regulation in relation to waste from schools that there were no requirements from the County Council for schools to recycle it was a local choice.

3 **INTERVIEW WITH EXECUTIVE PORTFOLIO HOLDER FOR ENVIRONMENT & REGENERATION - CLIMATE EMERGENCY REVIEW**

The Chair welcomed Councillor John Gardner, Environment Portfolio Holder to the meeting. Councillor Gardner had been invited to the meeting to be interviewed by Members of the Committee about the Council's Climate Emergency Action Plan in relation to the relevant business units in his Portfolio area.

Councillor Gardner reiterated the Council's aim to be carbon neutral by 2030 and that it was the responsibility of the whole Council not just the Executive and the Portfolio Holders to achieve this aim. The build up to COP26, in 2 weeks time had shown that the public interest both nationally and internationally in this issue had never been higher.

The Committee was advised that the progress of the Action Plan would be reported through Executive to the Overview and Scrutiny Committee and would focus on the following areas:

- Biodiversity;

- Trees;
- Waste vehicles;
- Recycling;
- Planning Policy; and
- Regeneration.

The Assistant Director Planning and Regulation gave an update on the above areas:

- **Biodiversity** – The total area of all green habitats within the Borough was 612.6 ha and there were 37 local wildlife sites; Stevenage was the only district in Hertfordshire with its own Biodiversity Action Plan; four new community orchards had been delivered since 2020 with more planned and there was positive community engagement and delivery through the Green Space Volunteers. It was noted that there were challenges with regard to Biodiversity, including no direct resource to deliver the ambitions and also around explaining to the public why actions were being taken such as the non-grass cutting of some areas to encourage biodiversity and wilding needed to be explained.
- **Trees** – Tree canopy cover in Stevenage including woodlands in 2016 was 17%; however, even when planting a new tree to compensate for the felling of an older one, a significant loss would be incurred for new trees to be established and gain vibrancy and strength would take time. Members noted the environmental, health, social and economic benefits of trees. Stevenage needs to gain a further 2% to meet the national target of 19% tree canopy.
- **Waste vehicles and recycling** - It was noted that the cost of replacing waste vehicles with electric was more than double the original cost. It was agreed that this was not economically viable currently but that it would be considered at the next large scale replacement of vehicles in 2025/26. It was noted that the Government Resources and Waste Strategy was expected in January 2022 and would change the collection methods and the way materials were recycled in the Town to increase the recycling rate. Currently, each household in Stevenage is sending 1/3 of its food shopping straight into the bin as waste, so food waste is an area that can be improved upon.
- **Planning** – climate change to be a planning consideration for all major applications. It was agreed that in acting in its full remit, the Planning and Development Committee could exert real influence in this area;
- **Regeneration** - Members were pleased to note that the SG1 Development although not carbon neutral, was significantly carbon reduced.

The Committee was advised that a new Communications Officer had been appointed at the Council to deal primarily with climate change. This would help to resolve public perception of how green the Town was.

It was agreed that the key to achieving the 2030 aim was through behavioural change and not necessarily additional measures.

In response to a question about how the Council would know if carbon neutral status had been achieved, Officers advised that high level measurement is a challenge and this was still being worked on, although key aspects for the Council to focus on had been identified through the Action Plan to help estimate the impacts.

In relation to recycling, a Member suggested that penalties for those failing to recycle should be considered although it was agreed that recycling had become less important than production in the first instance, the long term focus should therefore be on 'use less' although recycling the waste that is produced remains important. In terms of a deterrent and as a measure for behavioural change it was suggested that focusing on a 'carrot' of rewards for non-contaminated recycling may be more effective than the 'stick' of fines for non-recycling which could in turn lead to more fly-tipping. It was also noted that more products could be recycled than people were aware of.

In response to a Member's suggestion about the collection of polythene plastic waste, which could be held for a number of weeks and then collected in bulk from households by recycling vehicles the Assistant Director, Planning and Regulation agreed to take this away and discuss it with the Assistant Director for Stevenage Direct Services (SDS).

Members suggested that as a minimum a possible recommendation could be that when considering the budget the Executive considers in its discussions when making their annual budget savings that they do not cut any service area that directly links to climate change measures or mitigations.

The Executive Portfolio Holder for Environment & Regeneration stated that for local authorities to make a real impact in this area it would require large funding commitments from central government to make it happen. He remained optimistic that the public mood may significantly change and push central government to become more ambitious in its delivery to meet net zero by 2050.

The Chair thanked the Portfolio Holder for the Environment for his contribution to the meeting.

4 **UPDATED SCOPING DOCUMENT - CLIMATE EMERGENCY SCRUTINY REVIEW**

The Scrutiny Officer presented an updated scoping document detailing the additions and amendments that were suggested at and following the meeting on of this committee on 4 October 2021.

It was agreed that the Chair, Vice-Chair and Scrutiny Officer meet to prioritise the work for the review including inviting expert witnesses. It was also noted that a number of Councillors on the Committee were also Members on the Planning and Development Committee and as both Committees were looking at the subject their work could potentially be combined.

It was **RESOLVED** that the updated scoping document be agreed.

5 **DRAFT REPORT & RECOMMENDATION OF THE REVIEW INTO THE ECONOMIC IMPACT OF COVID-19 ON THE LOCAL ECONOMY AND THE COUNCIL'S RESPONSE**

The Scrutiny officer submitted a report outlining the recommendations of the Committee which looked at the economic impact of the Covid-19 pandemic on the

local economy of Stevenage and on the Council's response.

The Committee had met on a number of occasions during 2021 and had interviewed many external witnesses as well as the Leader of the Council and the Portfolio Holders for Economy, Enterprise and Transport and Children, Young People, Leisure and Culture.

The Review focussed on the impact on:

- Young People;
- Self-employed;
- Small to Medium Sized Enterprises (under 250 employees);
- Large Companies (over 250 employees);
- Various protected characteristic groups including women, BAME, Disability Groups and low income;
- Private investment (planning and development activity) and
- Town Investment Plan.

A number of recommendations had been made as part of the Review. After discussion, members agreed that there could be merit in separating the recommendations out into theme areas as well as by short/medium/long term actions.

It was **RESOLVED:**

1. That the Scrutiny Officer be requested to produce a revised set of recommendations based on the suggestion above and circulate to all Members of the Committee for their comments.
2. That a revised set of recommendations to be produced following consultation with the Chair and Vice-Chair of the Committee.

6 **URGENT PART 1 BUSINESS**

None.

7 **EXCLUSION OF PUBLIC AND PRESS**

Not required.

8 **URGENT PART II BUSINESS**

None.

CHAIR

STEVENAGE BOROUGH COUNCIL
OVERVIEW AND SCRUTINY COMMITTEE
MINUTES

Date: Tuesday, 26 October 2021

Time: 6.00pm

Place: Council Chamber, Daneshill House, Danestrete, Stevenage

Present: Councillors: Lin Martin-Haugh (Chair), Philip Bibby CC (Vice-Chair), Myla Arceno, Adrian Brown, Michael Downing, Chris Howells, Wendy Kerby, Robin Parker CC, Claire Parris, Loraine Rossati, Simon Speller and Graham Snell.

Start / End Time: Start Time: 6.00pm
End Time: 6.40pm

1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillors Alex Farquharson, Sarah Mead and Andy McGuinness. Councillor Graham Snell replaced Councillor McGuinness for this meeting.

There were no declarations of interest.

2 MINUTES OF THE PREVIOUS MEETING

It was **RESOLVED** that the Minutes of the Committee meeting held on Wednesday 22 September 2021 be approved as a correct record and signed by the Chair.

3 PART I DECISIONS OF THE EXECUTIVE

2. Minutes of the Executive – 22 September 2021

Noted.

3. Minutes of the Overview and Scrutiny and Select Committees

Noted.

4. Covid-19 Update

A Member sought to clarify the booking arrangements for the booster vaccine now being offered. It was confirmed that the National position was that bookings could only be made either by telephone or on-line once the 182 days since the second vaccine had elapsed. There was also a walk-in option for residents at Robertson House after this deadline had passed. No appointments could be made prior to this time.

5. Climate Change – Annual Update 2021/21

Officers recapped the decisions taken by Executive on 20 October. The following comments/questions were raised:

- Further detail was requested on the £8,000 grants which had been announced for local businesses to help transition to lower carbon, how this would be achieved and the rationale behind the figure of £8,000. Officers agreed to request that the Assistant Director Planning and Regulation send the detail of the grants to all Members following the meeting;
- The Chair of the Environment and Economy Scrutiny Committee advised that the Committee had embarked on a detailed scrutiny of the Council's response to the Climate Change Emergency. The Committee had already interviewed the Council's Portfolio Holder for the Environment and would be meeting with all other Portfolio Holders and climate change experts as part of their review. The Committee's next meeting was on 18 November 2021;
- A Member asked if the Council had any engagement with the Supply Change Sustainability School, a resource of climate change experts set up to help SME's. Officers agreed to look into this;
- Officers advised that they were still looking at representation for the Climate Change Residents Group and would update Members with this information as soon as possible along with information relating to the date of the next Climate Change Emergency Committee later this year;
- In relation to an electronic vehicle charging structure, a Member asked if any discussions had been held with businesses and private suppliers. Officers advised they would investigate and get back to Members;
- In relation to recycling, Officers agreed to ensure that communication published by the Council would be understandable in terms of the types of materials that could be recycled. Following a question by a Member, officers agreed to look into the percentage of waste recycled figures and send those out to Members after the meeting;
- In relation to Home Schemes, it was confirmed that this did not just cover social housing.

6. Review of the Co-operative Procurement Strategy 2021/24

The following comments/questions were raised:

- The Strategy was endorsed although it was suggested that reference to in-sourcing could be more prominent throughout the document;
- The Public Sector was an extensive employer in the surrounding area and the possibility of collaboration between the health sector/local authority should be explored;
- The link with the Community neighbourhood Strategy could make a difference in the support available for small businesses in the Neighbourhood areas;

- Members were advised that the Council's Procurement Team worked closely with local businesses to ensure information relating to potential contracts was made available;
- Officers advised that ethical safeguards were covered through the contract process. The Strategic Director (CF) agreed to send an example to Members.

7. Council Tax Support Scheme 2022/23

Noted.

8. 1st and 2nd Quarter Capital Programme Monitoring Report 2021/23

Noted.

4 URGENT PART I DECISIONS AUTHORISED BY THE CHAIR OF THE OVERVIEW AND SCRUTINY COMMITTEE

None.

5 URGENT PART I BUSINESS

None.

6 EXCLUSION OF PRESS AND PUBLIC

Not required.

7 URGENT PART II DECISIONS AUTHORISED BY THE CHAIR OF THE OVERVIEW AND SCRUTINY COMMITTEE

None.

8 URGENT PART II BUSINESS

None.

CHAIR

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Part I
Release to Press



Meeting Executive Committee
Portfolio Area Regeneration
Date 17 November 2021



TOWNS FUND BUSINESS CASES – TRANCHE 1

KEY DECISION

Author – Chris Barnes Ext. 2292
Lead Officer – Chris Barnes Ext.2292

1 PURPOSE

- 1.1 Stevenage was successfully awarded £37.5m of funding through the Government Towns Fund programme. In order to secure the money, full business cases must be developed and approved by 24th March 2022 for each of the nine 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 business cases in tranche 1, comprising of; Gunnels Wood Road Infrastructure – Capital Design & Enabling Works, and Marshgate Biotech/ Life Science Centre, which have been endorsed by the Stevenage Development Board.

2 RECOMMENDATIONS

That Executive:

- 2.1 Note the endorsement from the Stevenage Development Board.

- 2.2 Approve the business case for Project 1, Gunnels Wood Road Infrastructure Works Stage 1 (design & enabling works), 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 Approve the business case for Project 2, Marshgate Biotech/Life Science Centre, 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).

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.
- 3.2 As part of the Towns Fund, each eligible town was required to put in place cross-organisational leadership via a Towns Fund Board, to ensure broad representation from businesses, skills and education providers, investors, community representation and cross-public sector support.
- 3.3 In Stevenage, this saw the formation of a new, independent Stevenage Development Board. Following a recruitment process managed by Hertfordshire County Council and approved by the Ministry for Housing, Communities and Local Government, an independent Chair was appointed (Adrian Hawkins OBE), and the new Development Board (the Board) was formed in March 2020, working to shape a Town Investment Plan to help develop proposals to provide local opportunity and reinvigorate the town.
- 3.4 After extensive work and wide engagement by the Board, including working groups on Skills and Enterprise, Connectivity, Heritage and Culture, and Regeneration, the Stevenage Town Investment Plan (STIP) was submitted in October 2020. This built on extensive engagement with local stakeholders, residents and businesses to help shape a plan to reinvigorate Stevenage to meet the aspirations of its people.
- 3.5 This plan set out proposals to create an exemplar 21st century New Town, maximising the opportunities within local economy (including capitalising on the Life Sciences opportunity) to meet the needs of local people, attracting visitors and investment and revitalising the town. The Towns Fund programme had set out an expectation that bids would be for up to £25m, largely capital funding, but with the potential for towns to bid for up to £50m if they could demonstrate exceptional circumstances and subject to a deeper review process to be conducted by Government officials. Stevenage Development Board set out a bid with 'exceptional circumstances, articulating a proposal for £50m funding to help address challenges and opportunities facing the town.
- 3.6 As part of the national Budget announcements in March 2021, funding was allocated to 45 Towns. Stevenage achieved the joint highest allocation in this funding round, with an award of £37.5m. In making this award, the

Minister for Regional Growth and Local Government, indicated that this higher funding offer ‘is in recognition of the case that Stevenage made for the national significance of the proposals to develop its life sciences sector’ and that this presents ‘an exciting opportunity to come together to drive long-term economic and productivity growth in Stevenage, particularly as we meet the challenges presented by Covid-19’.

- 3.7 The Ministry of Housing, Communities and Local Government (MHCLG) (now the Department for Levelling Up, Housing and Communities (DLUHC)) set out proposed Heads of Terms for the £37.5m award for the Town Investment Plan). As set out by the Towns Fund programme, the Council and Chair of Stevenage Development Board proposed a funding profile. On 15 July 2021, DLUHC provided Grant Confirmation, allocating funding over a five year period – subject to approval of business cases by the Accountable Body and DLUHC conditions. This was allocated as follows:

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

- 3.8 This process also sets out a clear role for Stevenage Borough Council as the Accountable Body for the allocation of funding for Towns Fund projects, and requires the Council to undertake assurance assessments, review and approval of business cases to draw down funding for projects within the Town Investment Plan.
- 3.9 To secure the allocated Towns Fund package, all business cases must be complete and signed-off by the Accountable Body, with the accompanying project summary sheets submitted to DLUHC by 24 March 2022.
- 3.10 It is recognised that the funding and range of projects included within Stevenage’s Town’s Fund programme means that it is one of the largest programmes within the nationwide Towns Fund programme, the Council needs a clear and achievable plan for producing and signing-off the business cases. The Council does have significant experience in developing complex business cases for approval and government review, such as through the Local Enterprise Partnership Growth Deal Funding, in addition to the strategic outline case submitted to government in the form of the Stevenage Town Investment Plan. Preparation work has been undertaken for many of

the projects, to enable development of the business cases in a timely way. In October 2021, at a meeting of the full Council, powers were delegated to the Council's Executive Committee to consider each of the business cases for approval.

Business case requirements

- 3.11 The requirements for business case development and assurance are set out by DLUHC as part of their Stage 2 guidance of the Towns Fund. Stage 2 of the Town's Fund process focusses on the development of business cases for each of the projects, and is required to be complete before 24th March 2022.
- 3.12 This stage of activity is to ensure local partners work with government to demonstrate the feasibility, viability and value for money of their projects. This includes:
- developing and submitting the Town Deal Summary Document
 - Business Case development for all approved projects
 - A full list of projects
 - Detail of the processes used for business case assurance and approval followed for each project
 - Confirmation of actions taken in response to any conditions applied in the agreed Heads of Terms between DLUHC and local partners
 - A Delivery Plan (including details of the team, working arrangements and agreements with stakeholders)
 - A Monitoring and Evaluation Plan
 - Confirmation of funding arrangements and financial profiles for each project
 - Undertaking Public Sector Equalities Duty analysis
 - Approval from the Town Deal Board and Lead Council
- 3.13 Stevenage Borough Council and Stevenage Development Board are required to conduct project assurance for each individual project.
- 3.14 Each business case is expected to meet agreed criteria. DLUHC expect business cases to 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.

- Whilst there is no minimum value for money threshold set for Towns Fund projects, in order to follow best practice, all business cases must contain robust value for money assessments.
- Business cases should address, in a proportionate manner, the five cases set out in the HM Treasury Green Book.

3.15 Each business case should be assured by the Accountable Body (in this case, Stevenage Borough Council), prior to submitting summary documents to DLUHC.

Developing and reviewing business cases

3.16 Stevenage Development Board will continue to have a vital role through the development of business cases, with partners engaged in working groups to support the development and finalisation of business cases. The Board includes a wide range of key stakeholders, who will need to endorse the businesses cases and play a key role in engaging with the projects across a range of themes, including Culture, Skills, Sustainable Transport, and Town Centre Regeneration. This will ensure the experience and expertise across a range of sectors will be harnessed to support the development of robust and deliverable business cases, for projects that will have a significant positive impact for the town.

3.17 To support the assurance process, and ensure appropriate separation of interests when the Council is acting as Accountable Body, an Officer Panel ('Chair's Panel') consisting of senior Stevenage Borough Council and partner Officers (a Director, Section151 Officer, Monitoring Officer and potentially Hertfordshire LEP, Hertfordshire Growth Board, Hertfordshire County Council Officers) has been established to ensure business cases meet requirements before being recommended to the Development Board for approval. The following approval route will now be followed for the submission of business cases to DLUHC

- Business case developed by Officers and Stevenage Development Board partners
- Review of business cases by a 'Chair's Panel' including key Council Officers to ensure strategic alignment, deliverability, value for money and the ability to implement the Town Investment Plan, as part of the assurance process
- Approval of the business case by Stevenage Development Board
- Business case to be approved by Stevenage Borough Council Executive Committee as the 'Accountable Body'
- Summary of the business case to be submitted to DLUHC to access funding.

Gunnels Wood Road summary (£1,000,000)

3.18 Full information on the Gunnels Wood Road project can be found in appendix A & C. The purpose of the Gunnels Wood Road Infrastructure Improvements

Scheme Stage 1 Project is to unlock development land and lead to the creation of additional high-quality jobs in the Gunnels Wood Employment Area. It will do this by carrying out preparatory works only - leading, in due course, to undertaking a range of transport improvements in and around the Gunnels Wood Road Infrastructure Improvement Scheme. The construction of these transport improvements, known as Stage 2, will include pedestrian, cycling & public transport improvements, together with upgrading the Gunnels Wood Road roundabout itself into a gyratory-style junction and widening the A602 between the A1072 and the A1(M). A separate business case was been submitted to government under the Levelling Up initiative, seeking funding of £10.1 million for the phase 2 transport improvements, although this has not been successful in round 1 of the fund.

- 3.19 The preparatory works include further traffic modelling work, project management, communications and engagement, high level delivery programme, surveys and investigations (including land ownership, topographical, geotechnical, environmental, ecological, Statutory Undertakers' enquiries, highway drainage, structures, street lighting and any other possible construction constraints), detailed design (including technical approvals and road safety audits), construction costings (including inflation, optimism bias etc.), preparation of invitation to tender pack, preparation and signing of a legal agreement, relocation of boundary walls and fences and the advance diversion of Statutory Undertakers' apparatus.

Marshgate summary (£1,750,000)

- 3.20 Full information on the Marshgate project can be found in appendix B & D. The project involves the development of a new life science facility within the town centre that will provide high-quality laboratory and office space for international biopharmaceutical company Autolus, pioneers in new cancer treatments. The original proposal submitted as part of the Stevenage Town Investment Plan was a mixed-use scheme that promoted the delivery of office space and residential development.
- 3.21 Autolus, an international cell and gene research company already operating within the Stevenage Cell & Gene Catapult, have worked with developer Reef to create a European headquarters on the Marshgate site. The proposals include the land sale of the car park from land owner Stevenage Borough Council to an institutional investor, who will provide the remaining funding for the scheme. Reef will deliver over 7000 sqm of high tech office and lab space and new public realm, which will create better pedestrian routes and improve the quality public spaces for residents. The scale of the commercial opportunity has resulted in the residential element being explored on alternative sites. The sale of the land was completed w/c 25th October 2021.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 This report recommends approval of tranche 1 of the Stevenage Towns Fund business cases, which includes:

- Gunnels Wood Road Infrastructure (£1,000,000)
- Marshgate biotech/life science centre (£1,750,000)

4.2 Both the summary version and full version of the respective business cases have been included as appendices to this paper. The business cases provided 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 each of the projects.

4.3 Both business cases under consideration have been reviewed by the officer group, assurance panel and development board; minutes of the Stevenage Development Board meeting are available in appendix E. The outcome of this process is that the Stevenage Development Board has strongly endorsed each of the business cases. This endorsement is supported by Stevenage Borough Council Officers, who recommend approval of the business case based on thorough consideration of their respective contents. Key comments from the assurance panel and Development Board are summarised below:

Gunnels Wood Road

- Overall strong support for the scheme, which has the potential to support the delivery of thousands of new skilled jobs in the Town in a growing sector.
- A Requirement to be clear that the design and enabling works are considered to be a capital package of works in their own right; the stage 2 (construction) works will be a secondary capital package.
- Some concerns around the risk of not being able to secure the stage 2 funding, but agreement and understanding that the stage 1 design & enabling works will significantly increase the chances of stage 2 funding being secured.
- A condition recommended to ensure that the additional land within 3rd party ownership is committed to the project prior to the drawdown of funds.
- Positive recognition for the ability of the project to further enhance the life science cluster in Stevenage.
- Support provided to ensure the business case sets out both the transport and economic case for the project, as the justification for the project relies on elements of both.

Marshgate

- Overall strong support for the scheme, which provides a great opportunity to deliver an economic boost for the town and the town centre, with increased footfall.
- Builds on previous public sector investment in life science at the Stevenage Bioscience Catalyst and the Catapult.
- Positive support for the environmental characteristics of the scheme.
- Recognition that this project is at a more advanced stage, with planning permission granted and the land sale (at the time) close to completion.
- Challenge around car parking to ensure there is an on-going adequate provision of parking within the town centre.
- Support provided to ensure the strategic case captures the nationally important benefits in the life science sector, of which Stevenage is an important strategic asset for the UK.
- Recognition of the work of teams involved to bring the project forward from inception to being ready to deliver, resulting in lower risk levels at the business case stage due to the commitment of funding and an end-user.

4.4 The alternative options available to the Council are;

- Not to approve one or both of the business cases, or
- Defer approval of the business cases until any issues are resolved.

4.5 Based on the information presented, Officers are satisfied that both business cases can be suitably controlled through conditions relating to the drawdown of funding, and no further amendments are required. It is acknowledged that the business cases are living documents, 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.

4.6 The following bullet points set out the next steps in relation to each project:

Gunnels Wood Road

- The scheme is at an early stage, but a detailed programme and milestones have been set out in the business case.
- One of the early focuses will be to ensure governance and delegations are in place, in advance of consultation.
- As it is a Highways scheme this will be led by Hertfordshire County Council, with regular updates to Stevenage Executive Members as the Accountable Body. No further formal approvals are envisaged for Stevenage Borough Council, although any redevelopment of the land itself will likely require a planning application.
- Hertfordshire County Council, Stevenage Borough Council and Hertfordshire Local Enterprise Partnership will work together with GSK and their development partner (if/when appointed) to plan for

delivery of the works (stage 2), including exploring all potential funding options.

Marshgate

- The scheme is at an advanced stage, with all necessary approvals in place; the planning application has been considered by the planning committee, and the land sale has been presented to Executive and Overview & Scrutiny.
- The land sale was completed w/c 25th October 2021, and works commenced on site the following week
- Elements of the scheme include a public art strategy and public realm improvements; it is envisaged that these items will be consulted with Members in due course
- The Accountable Body Agreement which governs the mechanism for the drawdown of Towns Fund monies for the scheme was signed contemporaneously with the land sale. The administration of this will be overseen by the regeneration team with key updates to Members.

5 IMPLICATIONS

Financial Implications

- 5.1 In relation to Tranche 1, no match funding is required from Stevenage Borough Council. The key financial challenge in relation to Gunnels Wood Road is to mitigate the risk that defrayed capital could revert to revenue should the stage 2 construction not proceed. As Accountable Body, the Council considers the design of the road to be capital expenditure and will report it as such to the Towns Fund monitoring team. Further mitigation has been agreed through a tripartite Memorandum of Understanding (MoU) between Hertfordshire County Council, Hertfordshire Local Enterprise Partnership, and Stevenage Borough Council, but there does remain a level of risk should stage 2 not proceed and the capital/revenue split be challenged. The risk has been mitigated by detailing within the business plan that the initial funding for the scheme relates to the design for Gunnels Wood and not the whole scheme. The Council is working with partners to ensure the further funding is accessed. We will need to continually monitor this risk as part of a strategic Towns Fund risk register in relation to our role as Accountable Body. The worst-case scenario is that the government require the design funding to be dependent on delivery of the scheme. In this case there would be a future one-off revenue pressure of circa. £200k-£600k for each of three parties, but a number of mitigation measures will be taken to reduce the likelihood of this being realised.
- 5.2 The sale of part of Marshgate car park will release a £4.85m capital sum, which has been ringfenced for regeneration contractual activity and commitments as previously agreed by the Executive. Revenue will also be received as part of the licence fee, as the remainder of the site (in Council ownership) will be used as a construction compound during the initial stages

of the works, prior to being remodelled as part of the development scheme, after which it will operate as a smaller public car park with 44 rather than the current 156 spaces. No match funding is required from the Council.

- 5.3 Full financial details for each project can be found in the Towns Fund business cases in appendix A & B.

Legal Implications

- 5.4 Legal advice relating to Towns Fund, including the use of public funds for Marshgate, has been provided by Trowers & Hamblins, who also acted for the Council in relation to the disposal of Marshgate car park. A separate written advice note will be provided to follow.
- 5.5 In relation to the business cases in tranche 1, 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. No further formal decision-making gateways will be required for Marshgate, as planning permission has been granted and the land sale has been completed. The approval processes for Gunnels Wood Road will be carried out by Hertfordshire County Council as the Highways Authority.

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 In relation to Gunnels Wood Road, a detailed analysis of risk, including the use of a risk workshop will be undertaken in future project phases. This will be used to create a more detailed risk register that will be used within the risk-cost adjustment process (via Quantified Risk Assessment). However, a number of strategic risks have already been identified for this Stage 1 project. The key risks include:

Risk	Mitigation
Land acquisition/dedication (from GSK) (the current cost estimate does not include any allowance for land)	Engage HCC Estates Team Appoint a land agent Request a formal land valuation Work collaboratively with GSK to secure the land needed
Ability to secure funding for the construction phase	Develop a robust business case that can be tailored to a range of funding sources In the first instance apply for funding under the Levelling Up Fund (LUF) via SBC

The risk of returning funding if scheme does not progress beyond preparatory work	<p>Engage Legal Services</p> <p>Negotiate a robust agreement with funding partners</p> <p>Clear in the business case that the design and enabling works are considered as a capital package</p>
Construction cannot be completed by March 2025	<p>Continued liaison with Highways England about proposed project to upgrade the A1(M) to a smart motorway between junctions 6 and 8</p> <p>Continued liaison with HCC Network Manager</p> <p>Submit Provisional Advance Authorisation to secure road space</p> <p>Design & Build contract to minimise programme duration</p>

5.8 In relation to Marshgate, further information is also provided in the full business case, but the key risks are identified below:

Risk	Mitigation
Objections to public realm by neighbouring uses and general public	Timely commencement of consultation activity in order to identify and address major issues should they arise. benefits of design proposals to be clearly communicated.
End-tenant unable to take on lease	Agreement for lease in place prior to construction works starting
Labour shortages create delays	In development agreement with Reef and contract with public realm contractors incorporate commitment to bring in additional temporary labour to ensure projects are completed on time.

5.9 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
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

- 5.10 The developments 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.

Planning Implications

- 5.11 Planning permission has been granted for the Marshgate project; future planning approvals for the Gunnels Wood Road Infrastructure will be built-in to the programme, which will feature early engagement.

Environmental Implications

- 5.12 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.
- 5.13 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.
- 5.14 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

- 5.15 Climate Change remains a core focus within the Stevenage Town Investment Plan document. As one for the four key values to be embedded in to every project as they move from concept to more detail, it is anticipated that climate change benefits will need to be highlighted within this Business Case at this stage and then during the lifecycle of business case and project as it is updated a differing stages.
- 5.16 A number of the projects are directly linked to the reducing the impact on climate change i.e cycling and pedestrian trail. Others will seek to implement positive climate change benefits through their delivery.

Equalities and Diversity Implications

- 5.17 No specific equalities and diversity implications for this tranche of business cases; further information is contained within each Towns Fund business case.

APPENDICES

- A Gunnels Wood Road full business case
- B Marshgate full business case
- C Gunnels Wood Road business case summary
- D Marshgate business case summary
- E Minutes from Stevenage Development Board

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Stage 2 – Business Case Template

Gunnels Wood Road Infrastructure Improvement

Business Case template (optional) to be used by Towns as guidance for structuring their business cases

EXECUTIVE SUMMARY

On 6 September 2019 the government invited 100 places to develop proposals for a Town Deal, as part of the £3.6 billion Towns Fund. In response to the prospectus, Stevenage Development Board submitted the Stevenage Town Investment Plan, seeking £50m of Town Deal Funding. The plan includes a number of projects, which relate to connectivity, arts and culture, regeneration and land use and skills and enterprise. The plan is not just about investment in buildings and infrastructure, but investment in people, to improve their lives and to boost their skills to enable them to engage with local employers and local employment.

In March 2021, Stevenage Development Board was awarded £37.5m of Town Deal funding, including £1.0m for the Gunnels Wood Road Infrastructure Improvements Scheme.

Town Deal funding for the project was agreed in principle, subject to securing LEP funding. On 9 September 2021, the LEP Board approved an allocation of £1.013m for the project. This business case seeks to unlock £1.0m of Town Deal funding for phase 1 of the Gunnels Wood Road Infrastructure Improvements Scheme (preparatory works). If approved, this will complete the funding package for the preparatory works.

The purpose of the Gunnels Wood Road Infrastructure Improvements Scheme Stage 1 Project is to unlock development and lead to the creation of additional high-quality jobs in the Gunnels Wood Employment Area. It will do this by carrying out preparatory works only leading, in due course, to undertaking a range of transport improvements in and around the Gunnels Wood Road Infrastructure Improvement Scheme. The construction of these transport improvements, known as Stage 2, will include pedestrian, cycling & public transport improvements, together with upgrading the Gunnels Wood Road roundabout itself into a hamburger style junction and widening the A602 between the A1072 and the A1(M).

A separate business case has been submitted to government under the Levelling Up initiative, seeking funding of £10.1 million for the phase 2 transport improvements.

1. INTRODUCTION

1.1 Introduction

[background to Towns Fund and Stage 2 process]

[who is the scheme promoter and accountable body for the project]

Purpose of the Business Case and Summary of the Scheme

The purpose of the Gunnels Wood Road Sustainable Transport Infrastructure Scheme Stage 1 Project is to unlock development and lead to the creation of additional high-quality jobs in the Gunnels Wood Employment Area. It will do this by carrying out preparatory works only leading, in due course, to undertaking a range of transport improvements in and around the GWR Sustainable Transport Improvement Scheme. The construction of these transport improvements, known as Stage 2, will include pedestrian, cycling & public transport improvements, together with upgrading the GWR roundabout itself into a hamburger style junction and widening the A602 between the A1072 and the A1(M).

The preparatory works include further traffic modelling work, project management, communications and engagement, high level delivery programme, surveys and investigations (including land ownership, topographical, geotechnical, environmental, ecological, Statutory Undertakers' enquiries, highway drainage, structures, street lighting and any other possible construction constraints), detailed design (including technical approvals and road safety audits), construction costings (including inflation, optimism bias etc.), preparation of invitation to tender pack, preparation and signing of a legal agreement, relocation of boundary walls and fences and the advance diversion of Statutory Undertakers' apparatus.

The A602 is a busy, strategic road on the primary route network that runs from Hitchin in the North West to Ware in the South East. At Stevenage, the A602 connects with the A1(M) London to Edinburgh road at junction 7 (Stevenage) and junction 8 (North Stevenage/Hitchin).

The A602 Broadhall Way generally runs east-west through the area of the proposed scheme and the A1072 Gunnels Wood Road forms the northern arm of the existing roundabout, acting as the main distributor to the extensive employment area on the western side of Stevenage. The southern arm of the roundabout is the main vehicular access to the Glaxo SmithKline (GSK), campus.

Situated a short distance east of A1(M) junction 7, the Gunnels Wood Road/ A602 roundabout is a key gateway to Stevenage and to the Gunnels Wood Road employment area. Please see the location plan at Figure 1 below.



Figure 1: Location plan

The Gunned Wood Employment Area is by far the largest employment area in Stevenage, and one of the largest in Hertfordshire. It accommodates a range of businesses, from small and medium organisations, through to some world-renowned employers including GSK, Airbus, MBDA, and Fujitsu. The GSK Campus is also home to Stevenage Bioscience Catalyst and the Cell & Gene Therapy Catapult (a centre of excellence building a world-leading cell and gene therapy sector in the UK as a key part of a global industry). Around 19,000 employees work within the Gunned Wood Employment Area for approximately 300 different businesses and it is set to intensify as part of the Local Plan proposals. In particular we anticipate that the number of people employed in the area is set to grow by some 1,750 jobs in the next 5-10 years (source Stevenage Town Investment Plan Oct 2020) with potential growth of up to 5,000 jobs if investment in Cell & Gene Therapy continues to grow in line with international trends.

A manual traffic count undertaken in October 2014 recorded that approximately 14,000 vehicles pass through the junction in both the a.m. and p.m. peak periods. In the a.m. peak, the dominant manoeuvre is the right turn from Gunned Wood Road towards the A1(M) and in the p.m. peak, the dominant manoeuvre is straight across from the A602 East towards the A1(M).

The traffic modelling undertaken by WSP in 2020 suggests the proposed hamburger style junction would have a benefit to traffic flow in both the a.m. and p.m. peaks.

Pre-Covid-19 the roundabout experienced queuing traffic (congestion) and delay at peak times. Traffic modelling indicates that, if nothing is done, the road network will lock up by 2031 affecting private car and goods vehicle movements along with bus journey time and reliability. Although traffic levels in Stevenage reduced significantly in the short term as a result of Covid-19, this reduction was time limited since the underlying traffic pressure remains. Further traffic modelling is being carried out post-Covid as part of preparatory work but this is not expected to change the need for transport infrastructure improvements, especially since Gunned Wood Road is home to a proportionately larger number of manufacturing and trade type uses, together with uses that require a physical presence such as R&D.

After the completion of preparatory works (the subject of this funding application), the resulting scheme is likely to involve upgrading the existing roundabout into a hamburger style junction and widening the A602 between the A1072 and the A1(M). Please see the general arrangement drawing in Figure 2 below.

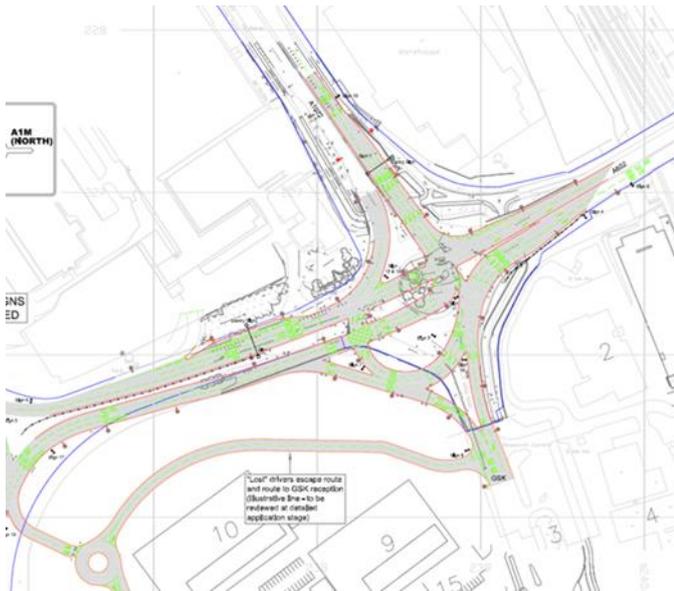


Figure 2: General Arrangement Drawing

In addition to the hamburger style junction, in Stage 2 of the project we will also be looking to improve pedestrian and cycling facilities together with public transport improvements such as a possible dedicated bus lane. The feasibility of these improvements will be assessed as part of the preparatory stage.

Most of the land required is already highway maintainable at public expense. However, it will be necessary to acquire some land outside of the highway boundary (denoted by a solid blue line) in order to construct the hamburger style junction and widened road and provide the necessary visibility splays and environmental mitigation. This additional land is owned by GSK and is expected to be gifted to HCC to enable the scheme to go ahead at optimum cost. The road scheme as a whole, including the area currently owned by GSK, will not require planning permission for use for highways purposes.

This Business Case

In accordance with the latest MHCLG guidance, this business case comprises of five parts as follows:

- **Strategic case** – shows the rationale, background, policy context and strategic fit of the public expenditure or public intervention, including clear objectives with a robust logic of change from inputs to outcomes.
- **Economic case** – provides evidence of why a privately provided solution would fall short of what is optimal (market failure) and a list of options to achieve a better outcome. “Do nothing” should always be an option. The case must build on robust verifiable evidence, consider additionality, and displacement of activity, and include a sensitivity analysis and a correction for optimism bias if risk is a factor for success. Value for money is ideally demonstrated in a credible Benefit-Cost Ratio, but where some of the costs and/or benefits cannot be monetised at the present time, the economic case should proportionally capture these impacts and specify a partial value for money measure. Wider benefits and costs should be considered and specified where these are sizeable, compared with the direct impacts. Towns should decide how to treat Covid-19 impacts.
- **Financial case** – appraises the financial implications of the project, including budgets, cash flow, and contingencies.
- **Commercial case** – demonstrates commercial viability or contractual structure for the project, including procurement where applicable.
- **Management case** – demonstrates how the project is going to be delivered, monitored and evaluated.

STRATEGIC CASE

2. STRATEGIC CASE

What problem(s) will the proposed project address?

According to the Stevenage Town Investment Plan (Oct 2020) the capacity of the road network, especially the Gunnels Wood Road/A602 Roundabout, is currently a critical constraint to short term future employment growth in the Gunnels Wood Road employment area. For instance, there is significant queuing on Gunnels Wood Road southbound on the A602 westbound in the morning peak; and significant queuing within employment sites within the evening peak. Increasing its capacity, either through physical roadwork intervention and/or investment and delivery of more sustainable forms of transport to promote modal shift, has the potential to unlock a significant increase in investment which will in turn lead to growth in high value jobs, particularly in science and technology. In addition, the project will open up opportunities for the town and enable the regeneration of wider areas while locking in sustainable transport modes.

The GWR Employment Area is home to a number of businesses that are of national/international importance. GWR in Stevenage is one of six Life Science Opportunities Zones identified by the Government for promoting the UK's Life Science capabilities on the global stage. Its recent designation by the DIT as a High Opportunity Area promotes the town for the UK centre stage. More than 70 companies in the life sciences field have clustered around Stevenage over the past 8-10 years, more than 60% of them focussed on R&D in the Cell and Gene therapy. These companies have already raised more than £1.5bn of venture capital investment. Market analysis (Aritzon 2019) projects the global Cell & Gene therapy revenues at \$14bn (c. £11bn) by 2025 (CAGR 30%). Stevenage companies currently account for 7% of the global market, 27% of Europe.

The opportunity for Stevenage is not only to retain but to grow its share of the global market. Assuming it simply retains its 7% share, this will equate to annual revenues by 2025 of around £750m, capable of supporting up to 5,000 jobs, and with multiplier impacts locally, the revenues to support another 1,000 jobs. This is Stevenage's offer for UK plc and the strategic opportunity for the Town's Fund to support.

Moreover, world class advanced manufacturing and high growth and internationally significant businesses are based in the GWR area. Stevenage competes in a global market such as Philadelphia, Boston and Europe. For instance, a quarter of all satellites – and other inter-global assets such as the Mars Rover currently manoeuvring round Mars looking for signs of life – are made in Airbus facility in GWR Stevenage. Key businesses are clear: urgent investment is needed to create a high-quality gateway for businesses, facilities to meet and host clients, maximising a sustainable supply of local skilled labour, and maximising the assets and offer of the town.

These traffic problems were observed and evidenced during traffic surveys undertaken in 2014, 2015 and 2019 and are forecast to worsen with time due to background growth. If required, further work to look at traffic modelling will be carried out as part of the preparatory work being proposed under this funding application. Pre-Covid-19 the roundabout experienced queuing traffic (congestion) and delay at peak times. Traffic modelling indicates that, if nothing is done, the road network will lock up by 2031 affecting private car and goods vehicle movements along with bus journey time and reliability. Although traffic levels in Stevenage reduced significantly in the short term as a result of Covid-19, this reduction was time limited since the underlying traffic pressure remains. Further traffic modelling is being carried out post-Covid as part of preparatory work but this is not expected to change the need for transport infrastructure improvements, especially since Gunnels Wood Road is home to a proportionately larger number of manufacturing and trade type uses, together with uses that require a physical presence such as R&D.

While, according to the Stevenage Town Investment Plan, businesses in the GWR employment area recognise, and are pressing for, improvements to the GWR Roundabout and its associated infrastructure, no single or even group of companies is able or willing to address the issue. There are a number of reasons for this market failure:

- Apart from access roads into new developments, the private sector very rarely invests in major infrastructure in the UK. When it does, for instance the M6 Toll Road, it is through a Government sponsored competitive programme
- Most of the land on which the existing road, pedestrian and cycling infrastructure sits is already in public ownership and the onus is on public bodies to upgrade infrastructure – albeit with private sector contributions through s106, CIL and, in the case of GSK, land contributions
- Although new development, and therefore employment growth, relies to some extent on improving the GWR infrastructure, no one developer, investor or business can cover the cost while still maintaining the viability of their development or business
- Expecting one business, or even a group of businesses, to pick up the cost of improving a key piece of infrastructure that benefits a much wider range of businesses, residents and visitors is unrealistic and inequitable.

The most recent example in Hertfordshire that illustrates this market failure, and the need for public agencies to intervene in the market, is the New River Bridge scheme in Hoddesdon which provides a new bridge serving the Hoddesdon Business Park and beyond. This very successful scheme has been sponsored and managed by HCC and funded by Herts LEP and HCC with a modest contribution from the private sector through s106 payments.

What other sources of funding have been considered?

Funding for the initial preparatory work will come from the following sources:

LEP funding	£1,013,000
Stevenage Town Deal	£1,000,000
HCC	£110,000 (estimate of in kind in 20/21, 21/22 and 22/23)

This cost to carry out the following preparatory works is £2,123,000 and comprises the following costs / activities:

Activity	Estimated cost
Project management	£110,000
Communications and engagement	£30,000
Further traffic modelling work	£30,000
High level delivery programme	£3,000
Surveys and investigations, including land ownership, topographical, geotechnical, environmental, ecological, Statutory Undertakers' enquiries, highway drainage, structures, street lighting and any other possible construction constraints)	£200,000
Design, technical approvals and road safety audits	£350,000
Construction costings (including inflation, optimism bias etc.)	£10,000
Procurement including prequalification, preparing and issuing invitation to tender pack, responding to tender queries and tender evaluation	£45,000
HCC's professional fees e.g. land agent, legal	£30,000
GSK's professional fees e.g. land agent, legal	£30,000
Advance works, including site clearance and the relocation of boundary walls and fences	£325,000
Advance diversion of Statutory Undertakers' apparatus.	£960,000
Total	£2,123,000

The cost of carrying out improvement works, including the Stage 2 construction of the hamburger roundabout, is estimated to be in the region of a further £9.0m in addition to the preparatory works, land value, and HCC in-kind contribution mentioned above. The detailed costings will be carried out as part of the preparatory works

(although final estimated costs will not be known until construction works are procured). This gives the overall cost of the scheme, including implementation of works, risk and inflation, at an estimated £14,596,000. The timeframe for carrying out the stage 2 works is for works to start in Summer 2023 and be completed by Winter 2024. Like all road schemes there is the risk that delivery may be delayed due to adverse weather conditions and other factors outside the contractors' control. The £9.0 m Stage 2 construction works is the subject of a separate application by Stevenage Borough Council and partners under the Government's Levelling Up Fund.

The above costs are high level and may change as more information becomes available through surveys, investigations, land negotiations and design development and construction. A risk workshop will be held early on to identify and quantify the key risks and propose suitable mitigations. This proposal has formed part of the stakeholder consultation throughout the Town Deal bid development process, including setting up a theme group to look at transport infrastructure improvements. In addition to this, and in line with the normal HCC consultation processes, HCC will carry out consultation regarding the scheme to ensure that local stakeholders are engaged in the schemes development and understand its aims and objectives. The form of the engagement will be defined through a communications strategy, however, it likely to be via the HCC Website, SBC Town Centre regeneration shop (which is also on-line), through discussions with key stakeholders such as businesses, , through letter drops and through published & exhibition material (Covid restrictions permitting).

Since this application is for the Stage 1 preparatory works, any cost increase on the £9.0m Stage 2 construction works does not fall on SBC as the applicant or on HCC or the LEP. Therefore the risk to SBC, HCC and the LEP relates to the scheme being abandoned should the £10.1m (and/or any cost increase) not be secured. The usual period that is used to determine when a scheme has been abandoned is 5-10 years. If this was the case then the £2.013m would revert from capital to revenue and would need to be borne by SBC, HCC and the LEP. The details of how this revenue would need to be handled at the time is beyond the scope of this application as it is so far ahead but it is a relatively small amount given the scale of major capital projects in both organisations and the scope for revenue-capital swaps. This risk is shown on the risk register.

This estimate assumes that:

1. MHCLG confirms Town Deal funding for Stevenage in March 2021 – now confirmed
2. Stevenage Development Board allocates £1.0m towards this project – the subject of this application
3. Hertfordshire LEP allocates £1.013m towards this project – now confirmed
4. A planning application is not required (as the land falls under highways powers)
5. There are no contentious land issues
6. The adjacent landowner (GSK) agrees to give up and dedicate the land to the public as a highway
7. The land will become a highway maintainable at public expense
8. Statutory Undertakers' diversions will be implemented only when the full funding package is in place
9. A design and build approach will be used
10. Road space for construction will be granted when needed
11. Construction is completed by March 2025 in advance of the A1 – junction 6 -8 smart motorway project that has been paused as part of the national review.

Please see below a table showing the estimated expenditure and funding by year and funding organisation.

Funding (£K)	Sunk	21/22	22/23	23/24	Total Remaining	Total
HCC (Revenue)	£50	£30	£30		£60	£110
Stevenage Town Deal			£600	£400	£1,000	£1,000
Herts LEP		£478	£535		£1,013	£1,013
Total	£50	£508	£1,165	£400	£2,073	£2,123
Costs (K)						
Spend to date	Sunk	21/22	22/23	23/24	Total Remaining	Total
Forecast Costs	£50	£69			69.000	119.000
Uncommitted costs		£439	£1,165	£400	£2,004	£2,004
Total						£0
	£50	£508	£1,165	£400	£2,073	£2,123
Variance (Proposed Funding v Costs)	£0	£0	£0	£0	£0	£0

Improving the GWR Roundabout its environs including the wider sustainable transport network (that could form phase 2), is critically important in providing a high-quality gateway to enable Stevenage and the GWR employment area, to maintain and grow its position as a global player in life sciences and advanced manufacturing. Town Deal funding is key for the phase 1 project.

In short Town Deal funding has the potential to kick-start the improvements needed to make Stevenage a major sub-regional centre, attracting more growth which will benefit local residents and strengthen Hertfordshire's economy.

What will happen if the project is not awarded Town Deal Funding?

If the Gunnels Wood Road Sustainable Transport Infrastructure Improvement Stage 1 project is not awarded LEP funding, there is a very real risk that it may not go ahead. At best without Town Deal funding the project could be delayed by a significant number of years due to the planned improvements to the A1(M) as outlined below. This project enables us to have a spade-ready scheme that is very well positioned to secure delivery funding from public funding agencies, notably Government.

There is a narrow window in which to deliver this scheme. If the preparatory phase starts late, this would have a knock-on effect on the delivery phase. For example, the construction programme would then clash with Highways England's proposal to upgrade the A1(M) to a smart motorway between junctions 6 and 8, and the Gunnels Wood Road/ A602 junction would be sterilised until 2027 at the earliest. By that time, priorities may have changed and there may no longer be an appetite for proceeding with this project or the investment it is identified to help support.

The following challenges would not be addressed and growth in the UK's fastest-growing science and technology centres would dissipate away from Stevenage, thereby damaging the local and regional economy:

- A resident population in danger of being left behind, distanced from the needs and innovation of the businesses located here;
- World-leading businesses in science and technology disadvantaged by the lack of local labour, facilities and amenities; and
- Ageing infrastructure and facilities projecting a poor external image, holding back the town's potential as a vibrant destination.

How do these objectives contribute to national/subnational and local priorities and strategies?

The Gunnels Wood Road/ A602 Sustainable Transport Infrastructure Improvement project contributes to a number of key strategies and plans as follows:

National/Regional Policies

Sitting at the heart of the UK Innovation Corridor (UKIC), part of a dynamic cluster connecting London to Cambridge, Stevenage represents advanced technology and bioscience at its finest and prominent within Catalyst South - the six LEP area coalition with a population of 11 million people, 5.8 million jobs, and home to half a million enterprises.

The UKIC supports an economy worth £189 billion (2018), 2.8 million jobs, and out-performs the Oxford to Cambridge Arc (£87 billion) and delivers half the economic output of the Northern Powerhouse's economy (£397 billion), but with only one-third of the number of jobs. It is now Britain's Fastest Growing Region with industries focussed on commercial innovation, advanced technology, and bioscience.

However, Stevenage will simply be unable to unlock this global opportunity without first resolving the GWR roundabout which currently acts as a constraint on almost all future employment growth in the GWR employment area. This project is the first step in unlocking that full potential.

The **National Infrastructure Strategy** (2020) outlines the Government's plans to transform the UK's infrastructure networks. Infrastructure underpins the economy, and the government wants to radically improve the quality of the UK's infrastructure to help 'level up' the country and put the UK on the path to net zero emissions by 2050.

The strategy is based around four overarching subject matters:

- **Levelling Up** – boosting growth and productivity by investing in rural areas, towns and cities through major national projects or local priorities
- **Carbon Net Zero Emissions by 2050** – to put the UK on the path to meeting its net zero emissions target by transforming infrastructure to decarbonise the UK's power, heat and transport networks
- **Supporting private investment** – to attract private investment into infrastructure so they can help deliver the upgrades and projects needed across the country
- **Accelerate and improve delivery of infrastructure projects** – reforming and speeding up the planning system, and improving the way projects are chosen, procured and delivered

Improved transport links will allow cities and towns to 'act as an anchor' for growth, enabling the rebalancing of the economy through infrastructure. It is acknowledged 50% of the UK population live in towns, many of which have suffered from economic and social decline over the decades. The government therefore plans to invest in infrastructure to revitalise towns, which will drive their economic regeneration.

The project is well-aligned to many of the aspects of the National Infrastructure Strategy: an improved road layout with faster journey times for commuters and business travellers will increase productivity; it will support private investment, with GSK providing the land required to deliver project, which will then enable further opportunities for growth in high tech jobs in this bio-tech cluster.

This scheme will also contribute towards the government goal of achieving Carbon Net Zero Emissions by 2050. This scheme tackles environmental issues by reducing emissions caused by slow moving traffic and congestion. This will have the positive impact of improving air quality and health.

Local LEP Policies

The LEP **Strategic Economic Plan** (2017) has two policies that are directly relevant to this project:

- Priority 3 – Re-invigorating our places for the 21st century. The SEP states that with New Towns *all of their infrastructure is decaying simultaneously. It needs re-investment: town centres are jaded, the retail offer is poor and the socio-economic make-up of the New Towns differs starkly from elsewhere in Hertfordshire. Re-investment in the New Towns needs an active development process.* This priority lies at the heart of the project since it is about ensuring that the GWR employment area has infrastructure that is fit for purpose and able to meet future growth requirements
- Priority 4 – Foundations for growth. This seeks to support Hertfordshire's economy by providing a strong under-pinning foundation: workforce skills, vibrant and robust SMEs, and wider support such as high-quality business accommodation. Again, this project supports that ambition by providing the infrastructure to enable new employment, skills and business growth opportunities to be delivered

The **Hertfordshire Local Industrial Strategy** (final draft 2019) was written to respond to and improve the county's productivity in the context of the Government's four Grand Challenges (artificial intelligence & data, ageing society clean growth and future of mobility). Of the 7 strategic themes under the LIS, two are directly relevant to this project:

- Unlocking science-based cluster in the Golden Triangle: Life sciences and advanced engineering – this project is key to unlocking the potential of life sciences and advanced manufacturing in Stevenage, the focus of these sectors in the county. Without improvements to the GWR roundabout and its environs, growth of these sectors and employment across the GWR employment area, will be severely constrained
- Space to grow: From enterprise to business in Hertfordshire – exploiting expansion and growth opportunities, either within the GSK campus or other key sites within the GWR employment area, will be impossible without increasing transport capacity. This constraint will be damaging locally and will hamper Hertfordshire's inward investment offer

The **Hertfordshire Recovery Plan** (October 2020) identifies three recovery programmes, of which two relate to this project:

- Recovery Package 1: Enterprise & Innovation – we will *accelerate the growth of the cell and gene therapy cluster, most immediately through the Getting Building Fund, but also by advancing a longer-term cluster development plan.* This project supports that cluster development plan by providing the infrastructure to enable the plan to be delivered
- Recovery Package 2: International Trade & Investment – we will *work with partners to ensure that major sites are used appropriately in seeking to attract international investment and we will promote the High Potential Opportunity area around Stevenage in relation to cell and gene therapy.* In each case this project provides the underpinning infrastructure to deliver these key priorities to the benefit of the Stevenage and Hertfordshire economy

Other Local Policies

In addition to LEP strategies, the project makes a significant contribution to a wide range of transport and planning-related local policies and strategies, briefly as follows:

HCC Corporate Plan 2019 to 2025

The project contributes to two of the ambitions that underpin the vision as follows:

- Opportunity to live in thriving places– the project will help enable Stevenage to become a thriving place by enabling growth in high quality employment opportunities
- Opportunity to share in Hertfordshire's prosperity – the project supports the levelling up agenda by improving access to new employment prospects

Hertfordshire County Council's Local Transport Plan 4

LTP4 places the focus for future transport initiatives on: discouraging unnecessary travel, prioritising walking & cycling, supporting public transport, and, where necessary supporting the resilience and reliability of the network through road improvement schemes. Since this project is predominantly a highway capacity led improvement scheme, part of the preparatory work will be to make the business case for why this scheme is needed. This means that the scheme will need to consider within its core programme improvements that can be made to the infrastructure to for people when they are walking or cycling. The case will be supported by traffic modelling to demonstrate the junction improvements will offer journey time benefits to vehicles on Gunnels Wood Road and the A602 in the base case, which could also help to improve bus journey times and reliability.

North Central Hertfordshire Growth and Transport Plan

The project contributes to the Connected objective: 'Improved transport connections between and within towns and rural areas; improved services to support economic activity, education, access to services; and the development of new jobs and homes' by potentially significantly improving access to new high value job opportunities to residents in Stevenage and across North Hertfordshire

The project contributes to the Reliable objective: 'Improved network resilience and journey time reliability for all users, so that transport networks and services provide consistent and dependable journeys throughout the day.'

Stevenage Local Plan

The project contributes to policy SP3 *Continue to remodel Gunnels Wood to meet modern requirements and provide a high quality and attractive business destination*. This will include the continued development of the Stevenage GSK and Bioscience Catalyst Campus at the south of the employment area.

In particular the Stevenage Local Plan lists three sites at Gunnels Wood that are allocated for employment development. These are EC1/1 Stevenage GSK and Bioscience Catalyst Campus, EC1/2 South of Bessemer Drive, Gunnels Wood and EC1/3 West of Gunnels Wood Road. It is very unlikely that any or all of these sites could be developed without implementing this project.

There are a number of other local strategies, plans and initiatives which this project supports, namely:

- Stevenage Town Investment Plan
- Stevenage Borough Council's Future Town, Future Transport Strategy 2019
- Stevenage Borough Council's Local Cycling and Walking Infrastructure Plan 2019

More information is available for these policy areas if required.

Which specific outputs/outcomes are proposed? For example, number and type of jobs created/safeguarded, sqm of business space provided, number of learners/qualifiers by qualification type, business supported, housing units delivered etc.

This project will by its nature deliver no LEP core outputs. The only output from this application will be a business case for the scheme.

However, the final Stage 2 project will deliver the following core outputs (by 2040):

- 44,700 m2 of new commercial floorspace – calculated as 40,700 m2 (483,000 sq. ft.) plus 10% uplift to reflect gross area
- 1,750 new jobs – calculated as 1,510 jobs from Monck report plus 14% uplift to reflect other opportunities on GSK campus beyond the SBC buildings boundary. We estimate that 50% of these will be high value jobs (using the LEP’s definition)
- 150 construction jobs – over a period of 18 months based on experience of recent road schemes in Herts
- £100m of private sector leverage – in the form of new investment in the GWR employment area
- GVA uplift of £88.55m – measured using the LEP/LIS methodology of £50,600 per job. Note that Charles Monck have used a net GVA of £96m but we have used the LEP methodology which gives a lower figure.
- 1.1 km of road, cycleway and footpath improvements.

Note that these outputs are for this scheme only and do not relate to any other Stevenage regeneration outputs. The source for these economic outputs is the Stevenage Town Investment Plan and the recent (March 2021) Economic Impact Assessment report prepared by Charles Monck & Associates for Stevenage Bioscience Catalyst. (note that this report is not published) Charles Monck has calculated the economic figures using projections of sector growth based on their knowledge of the market for the Stevenage Bioscience Catalyst area only on the GSK campus.

Date and development	Developed sq. ft.	Hertfordshire		UK Level	
		Net GVA p.a.	Net Employment	Net GVA p.a.	Net Employment
2020 current SBC portfolio	160,000	£20m	330	£34m	640
2030 with Sycamore House	253,000	£35m	570	£60m	1,100
2030 with gyratory	483,000	£61m	940	£105m	1,800
2040 with gyratory	732,000	£96m	1,510	£165m	2,900

However, the Charles Monck report does not account for other sites in GWR. As a consequence these outputs are deliberately very conservative.

Please outline the anticipated timeline for the overall project including project start date, project end date and when the outputs will be delivered

This project is programmed to start in spring 2021 and end in summer 2022 subject to funding.

There is a narrow window in which to deliver this scheme. If the preparatory phase starts late, this would have a knock-on effect on the transport improvements. For example, the construction programme would then clash with Highways England’s proposal to upgrade the A1(M) to a smart motorway between junctions 6 and 8 and the Gunnels Wood Road/ A602 junction would be sterilised until 2030.

Please see below indicative timescales for the delivery of various project management tools and project outputs. For completeness, the table shows details for both the preparatory works and the subsequent transport improvements.

Project management tool/ Project Output	Start Date	End Date
Preparatory Works (this project)		
Governance arrangements	Summer 2021	Autumn 2021
Project management Plan	Summer 2021	Summer 2021
Procurement strategy	Summer 2021	Autumn 2021
Land Dedication agreement	Winter 2021	Spring 2022
Licences for access to adjacent land	Winter 2021	Spring 2022
Business cases to secure other contributions	Summer 2021	Winter 2021
Surveys and site investigations	Autumn 2021	Winter 2021
Design	Winter 2021	Summer 2022
Advance works, including site clearance and relocation of boundary fences and walls	Spring 2022	Spring 2022
Statutory Undertakers' diversions	Spring 2022	Autumn 2022
Invitation to tender pack	Summer 2022	Summer 2022
Transport Improvements (subsequent project)		
Traffic regulation orders	Autumn 2022	Autumn 2022
Construction mobilisation	Autumn 2022	Autumn 2022
Road improvements	Autumn 2022	Spring 2024
Environmental planting	Spring 2024	Spring 2024

Please outline the environmental impact of the proposed project: a) Is the project carbon neutral, and if not, are the projects carbon impacts being mitigated? b) Does the proposed project support the development or implementation any green technology?

An environmental impact appraisal will be undertaken at later stages of the project. We are unable to confirm the environmental impacts at this stage (or whether the project will be carbon neutral), though the improved junction layout will reduce congestion and likely improve air quality around the site. Together with future active mode interventions (in stage 2 of the project), these have the potential to bring about mode shift to more sustainable modes, which would likely reduce vehicle greenhouse gas emissions, contributing to the Government's carbon net zero commitment and the principles set out in the Ten Point Plan for A Green Revolution (i.e. decarbonising transport networks).

Which stakeholders have been engaged and how have they responded?

This project has been developed jointly by Stevenage Borough Council, HCC and Herts LEP. It is one of the 10 projects identified in the Stevenage Town Investment Plan and submitted to Government in September 2020 as a key component of the Stevenage Town Deal. There was a long engagement process for the Town Deal over some six months during which a long list of 20 or so projects were distilled down to 10. The members of the Stevenage Development Board were actively involved throughout this process through four thematic groups, of which infrastructure was one, providing a clear steer to the projects being put forward.

The project was formally adopted by the Stevenage Development Board at its meeting on 27th October 2020 as part of the wider Town Deal proposition. The members of Stevenage Development Board include: Stevenage Borough Council, Hertfordshire County Council, Hertfordshire LEP, Hertfordshire Chamber of Commerce, East & North Hertfordshire NHS Trust, University of Hertfordshire, Historic England, North Hertfordshire College, Citizens

Advice Bureau, Lytton Enterprises (Knebworth House), WENTA, Cell & Gene Therapy Catapult, MBDA Defence Systems, MACE, The Wine Society, Airbus UK, Stevenage Bioscience Catalyst, Groundwork East, Legal & General. The business members of the Board are either based in Gunnels Wood Road or have a strong connection with the area.

ECONOMIC CASE

3. ECONOMIC CASE

Please outline the long list of options which you have considered to address the problems that you have outlined

As the Gunnels Wood Road project application is for preparatory works, there are only a very limited number of options that are available to consider. These are:

1. **Do nothing** – i.e. leave the Gunnels Wood Road Roundabout and existing cycle and pedestrian networks as they are and keep employment levels broadly as they are
2. **Leave to private sector** – i.e. leave the improvements to the Gunnels Wood Road Roundabout and associated cycle and pedestrian networks to existing landowners, investors and prospective developers
3. **Public agencies proactive** – i.e. public agencies to take the lead in taking forward the Gunnels Wood Road Roundabout scheme preparatory work in anticipation of future requirements
4. **Public agencies reactive** – i.e. public agencies to take the lead in taking forward the Gunnels Wood Road Roundabout scheme once sufficient demand and funding has built up from developers, investors and businesses

Which criteria were used to arrive at your short list of options? (e.g. deliverability, economic impact, Benefit Cost Ratio)

The longlist of options has not been reduced down to a short list since all four options on the long list are perfectly relevant and each has their own merits and demerits.

However, for completeness the criteria for taking forward the four long list options to shortlist are based (apart from do nothing which is the baseline position) on:

- Deliverability – can the options demonstrate that they are capable of being delivered? All short-listed options have the capability of being delivered in theory although the private sector option raises considerable doubts about whether in reality this would happen. That issue is addressed below
- Economic impact – can the options demonstrate positive (or negative) impact? All short-listed options are able to demonstrate positive economic impact both in the locality and in Hertfordshire
- BCR – this is closely linked to economic impact but sets positive impact against cost. All shortlisted options are broadly similar in terms of cost although any delay to the project under option 4 would increase costs due to construction inflation
- Timeframe – can the options demonstrate that they can be delivered within a realistic timeframe? All short-listed projects, with the possible exception of Option 4 which is open-ended, can demonstrate delivery within a realistic timeframe

Please list the shortlist of options which you have considered to address the problems you have outlined. There should be a minimum of four options, including a Do-nothing Option

Option 1: Do Nothing

Under this option no action would be taken to the existing GWR Roundabout and the nearby existing cycling and pedestrian links, aside from normal day-to-day maintenance. As a consequence, the opportunity for employment growth would be capped at existing numbers with no scope for employment growth.

There would be no opportunity to raise the profile of the GWR employment area or to exploit the opportunities offered by the Cell & Gene Therapy Catapult or the wider life sciences opportunities offered by GSK, Stevenage Bioscience Catalyst (and their tenants) or other life science companies in the locality. Similarly, the opportunity to grow Stevenage and northern Hertfordshire's advanced manufacturing offer would be lost.

It is for these reasons that this option is REJECTED.

Option 2: Leave to Private Sector

Under this option it would be up to private developers, investors or businesses to promote, develop, fund and potentially implement the scheme. While this is not impossible, in our view it is extremely unlikely since ownership in the area is very fragmented – although GSK, MBDA and Airbus have quite large landholdings the remainder of GWR is in multiple ownership and leasing arrangements. To improve the GWR Roundabout would require bringing together these disparate organisations and endeavouring to secure a common view and apportioned contributions in a timely manner. We do not believe that this is a realistic option.

The only local example we are aware of where the private sector has led on transport preparatory works is J8 M1 where The Crown Estate is leading. However, TCE have large landholdings in the vicinity and, in any event, Herts LEP is covering half the cost as grant funding.

It is for these reasons that this option is REJECTED.

Option 3: Public Agencies Proactive

Under this option local public agencies (in this case HCC and SBC) would take forward the scheme development in anticipation of growth opportunities in the GWR employment area. This places the scheme in a strong position to secure capital funds to support its delivery. Subject to that funding being secured to support the delivery this enables the scheme to be well underway, possibly even completed, ready to accept employment growth opportunities either from existing businesses in the GWR area looking to expand, existing businesses from the wider northern Hertfordshire area looking to move to new premises, or existing businesses looking to cluster closer to other businesses in their sector (for instance life sciences) or companies needing to be closer for supply chain purposes.

It also enables Hertfordshire to respond more rapidly and much better to potential inward investment enquiries especially in terms of life sciences and advanced engineering/manufacturing.

It is for these reasons that this option is ACCEPTED.

Option 4: Public Agencies Reactive

Under this option local public agencies (again most likely HCC and SBC) would take forward this scheme but only after there was sufficient up-front demand from businesses, developers and investors. This would mean that there would have to be proven demand with a firm commitment from a business planning to move to the area or expand. Where Stevenage and Hertfordshire are competing in a global market this reactive approach is very unlikely to secure a business when other markets can offer ready-to-utilise sites with good communications and access. Particularly with inward investment opportunities, agencies need to be able to move quickly so that their proposal is best placed to meet the requirements of the investor. Few investors if any are willing to wait the 5 years or so to take a scheme from inception to delivery.

The other problem with this option is that it misses the window of opportunity presented by the A1(M) Smart motorway works and the Government's push for 'spade-ready' schemes which is becoming ever more critical for securing major capital funding.

It is for these reasons that this option is REJECTED. However, this would be a fall-back option if Option 3 does not go ahead at this time.

Please state the Preferred Option.

Our preferred option is **Option 3: Public Agencies Proactive**.

Please explain how and why you have chosen your preferred option

Option 3: Public Agencies Proactive offers a number of advantages over the other options as follows:

- **Maintaining momentum** – this scheme has been discussed for years but now appears to be the right time to promote the scheme, particularly with the successful Town Deal bid and unanimous support from Stevenage Development Board (representing a range of businesses in the locality), together with a robust political support for the project. Moreover GSK (as landowner) are in detailed dialogue with HCC and the LEP over land requirements and Stevenage Bioscience Catalyst are promoting the scheme with Government.
- **Spade-Ready Projects** – the Government is currently looking for ‘spade-ready’ (or ‘dig-ready’) schemes to fund in order to help re-start the UK economy post Covid-19. ‘Spade-ready’ is either a requirement of many new funding schemes or it is likely to lead to a scheme being prioritised higher. In order to help secure funding for the delivery of the final GWR Roundabout Stage 2 project, we need to have a scheme that can be delivered relatively easily with most obstacles resolved or at least identified and mitigated. This will significantly increase our chances of success in securing delivery funding.
- **A1(M) Smart Motorway Window** – Highways England are planning to start work in 2025 on upgrading the A1(M) between Welwyn Garden City and Stevenage North to 3-lane smart motorway standard in each direction. Following the Highways England stocktake of smart motorways the Government has made a commitment that no All Lane Running motorways will open without radar technology to spot stopped vehicles. It is unlikely that this will delay the revised start of works on the A1(M) but this presents a window to complete the GWR Roundabout before works start on the A1(M).
- **Cell & Gene Therapy** – the rapid growth of cell & gene therapy at the Catapult on the GSK campus offers Stevenage and Hertfordshire the chance to be ready for investment and growth in this specialist sector when it happens. As stated in S1 above market analysis (Aritzon 2019) projects the global Cell & Gene therapy revenues at \$14bn (c. £11bn) by 2025, with Stevenage companies currently accounting for 7% of the global market and 27% of the European market. The opportunity for Stevenage is not only to retain but to grow its share of the global market. Assuming it simply retains its 7% share, this will equate to annual revenues by 2025 of around £750m. This is similarly the case with Stevenage’s advanced engineering and manufacturing sector – for instance Airbus operates in a global market manufacturing 25% of the world’s satellites.
- **Inward Investment Offer** – Hertfordshire has a skilled and very well-educated workforce. However, the county’s lack of suitable sites and good quality infrastructure means that potentially important inward investment opportunities are lost to other areas, sometimes outside the UK. This scheme will help address this by opening a number of employment development opportunities in the GWR area, not just on the GSK campus, in specialist areas such as cell & gene therapy where there is currently very high global demand.

Please describe the wider benefits of the project (e.g. indirect economic, social or environmental consequences).

The driving principle behind the GWR Roundabout project is providing real benefit to local businesses and local people.

This is reflected in the fact that we anticipate the final scheme when completed will have wider benefits well beyond the LEP core outputs of jobs, construction jobs, skills and potentially business assists. Stevenage is located within a ‘core’ Functional Urban Region (FUR), meaning it is more likely to benefit from agglomeration effects, the clustering of specialised industries (such as bio-science), leading to efficiency savings and productivity gains, when transport costs are reduced. The transport improvements proposed here are likely to deliver such wider economic impacts.

Furthermore, additional wider welfare benefits are likely to arise including:

Social – the junction improvements will in effect reduce pedestrian severance, which is especially important for vulnerable groups (such as the elderly and mobility impaired). As the junction will be designed to modern safety standards (such as LTN1/20), and will be subject to a safety audit there will also likely be a reduction in number and or severity of accidents at the junction, plus alongside future proposals to improve the overall environmental for pedestrians and cyclists, this will likely encourage a greater share of trips to this locality by sustainable modes. This is known to generate health benefits from greater physical activity and also improved air quality impacts associated with reduced vehicle emissions (see below).

Climate Change – The phase 2 package of works can further contribute to the Government’s carbon net zero/ greenhouse gas reduction commitment in the following ways: by reducing congestions at the Gunnels Wood Roundabout as vehicle emissions associated with idling traffic sat in queues will reduce; the public realm and walking and cycling improvements will also encourage a greater proportion of trips to and from the Gunnels Wood Employment Area by active modes – this mode shift away from private motorised vehicles will further help to reduce vehicle emissions.

Please describe the quantitative and qualitative assessment approaches used to determine the impacts of the scheme

This application is for Stage 1 preparatory work only, not for the Stage 2 construction of the GWR Roundabout or any other related cycling and pedestrian works. As a consequence it is our assumption that this section does not apply since there are no core outputs and therefore any means of assessing the BCR of the project.

For transport schemes over £5m, please describe the economic appraisal assumptions used within the assessment

WebTAG version	TBC at next stage
Opening Year, Final Modelled Year and Appraisal Duration	TBC at next stage
Price Base/ GDP Deflator	TBC at next stage

Summarise the Value for Money implications of the scheme

Not applicable.

Please provide narrative and details of the sensitivity tests undertaken

Not applicable.

FINANCIAL CASE

4. FINANCIAL CASE

Please provide a full breakdown of your project's costs and funding

The breakdown of costs for the preparatory works (for which funding is sought) are provided below, the design of the road is considered to be capital expenditure. These costs are top-down estimates derived from the Stevenage Town Deal, which include suitable contingency to increase their robustness. The contingency allowance is included within each of the activities rather than as a separate line. The overall contingency in this initial design and development phase is 15%, which is reflective of this type of road scheme. This investment will further develop and refine the cost estimates and contingency estimates for future construction costs and risk.

Activity	Estimated cost
Project management	£110,000
Communications and engagement	£30,000
Further traffic modelling work	£30,000
High level delivery programme	£3,000
Surveys and investigations, including land ownership, topographical, geotechnical, environmental, ecological, Statutory Undertakers' enquiries, highway drainage, structures, street lighting and any other possible construction constraints)	£200,000
Design, technical approvals and road safety audits	£350,000
Construction costings (including inflation, optimism bias etc.)	£10,000
Procurement including prequalification, preparing and issuing invitation to tender pack, responding to tender queries and tender evaluation	£45,000
HCC's professional fees e.g. land agent, legal	£30,000
GSK's professional fees e.g. land agent, legal	£30,000
Advance works, including site clearance and the relocation of boundary walls and fences	£325,000
Advance diversion of Statutory Undertakers' apparatus.	£960,000
Total	£2,123,000

The spend profile for the preparatory works are estimated as follows:

Funding (£K)	Sunk	21/22	22/23	23/24	Total Remaining	Total
HCC (Revenue)	£50	£30	£30		£60	£110
Stevenage Town Deal			£600	£400	£1,000	£1,000
Herts LEP		£478	£535		£1,013	£1,013
Total	£50	£508	£1,165	£400	£2,073	£2,123

Costs (K)						
Spend to date	Sunk	21/22	22/23	23/24	Total Remaining	Total
Forecast Costs	£50	£69			69,000	119,000
Uncommitted costs		£439	£1,165	£400	£2,004	£2,004
Total	£50	£508	£1,165	£400	£2,073	£2,123

Variance (Proposed Funding v Costs)	£0	£0	£0	£0	£0	£0
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Please outline the status and timelines for securing any of the currently unsecured funding, including how the likelihood of this funding being secured

The funding schedule for the project is £2,013,000 plus HCC in kind plus value of GSK land being provided, giving a grand total of £4,489,000. This consists of:

LEP funding	£1,013,000 - secured
Stevenage Town Deal	£1,000,000 – secured in principle
HCC	£110,000 (estimate of in kind in 20/21, 21/22 and 22/23) - secured

HCC are in discussions with GSK over the acquisition of their land required for the road improvements. The GWR Roundabout improvement scheme is critical to GSK developing the undeveloped northern part of their site so they have a very strong incentive to reach agreement with HCC. Detailed discussions over the site acquisition will form a key component of this project and we anticipate transfer of the land to HCC by December 2021.

The remaining cash and in-kind funding have already been secured.

Please provide evidence that match funding has been secured

LEP funding of £1.013m was agreed by the LEP Board at the meeting on 9 September 2021.

Stevenage Town Deal – the funding of £1,000,000 was agreed in September 2020 by Government as part of the package of nine Town Deal projects totalling £37.5m This has been identified as a fast project whereby the business case for the scheme will be developed over the next three months to be signed off by SBC and the Stevenage Development Board at its meeting in September 2021. This approach and supporting the £1m project funding was agreed by the SDB at its meeting on 13th May 2021.

HCC In-kind Funding – the in-kind funding of £110,000 (officer time)

What provisions have been made to deal with any potential cost overruns?

It is not anticipated that there will be any cost overruns. In the unlikely event that there are any these will be covered by the applicant and other partners through careful budget management as per the processes described below.

HCC via its consultants WSP will establish processes to manage project risk and associated cost increases, including the use of a risk registers and Quantified Risk Assessment (for cost-risk adjustment), as well as Quality Management processes which involve the regular review of costs and delivery (with appropriate mitigation plans). These outputs will be reported to the LEP and SBC as project delivery partners.

The delivery partners have produced a draft memorandum of understanding setting out how the financial risks of the stage 1 project will be shared between SBC, HCC and the LEP. It is anticipated that the MoU will be in place by October 2021. Project progress and risk can be reported via the governance framework to ensure that partners are able to jointly share risk and make associated decisions around risk and necessary mitigations.

Should costs increase then HCC, LEP and SBC can consider curtailing the design process, value engineering of the design or using alternative funds.

How has Contingency been factored into the Financial Case? How has this level of Contingency been determined?

The costs contained within the Financial Case were estimated as part of the Town Deal bid and included contingency within the cost build up, which is calculated at 15% overall.

HCC then reviewed and disaggregated these costs and confirmed their appropriateness. Further work will be undertaken to increase the robustness of costs at the next stage of the project. This will be reported through the governance framework to be established between the project partners.

COMMERCIAL CASE

5.COMMERCIAL CASE

Please provide evidence that the proposed project complies with public sector procurement regulations, including details of your organisation’s procurement policy

Hertfordshire County Council adheres to public procurement procedures and its procurement guidelines can be found here:

<https://www.hertfordshire.gov.uk/media-library/documents/about-the-council/data-and-information/constitution-annex-13-contract-regulations-dec-2014.pdf>

What previous experience does your organisation have of similar procurement processes?

It is anticipated the scheme delivery will be procured through established and previously utilised Highways Framework arrangements. It is anticipated that HCC’s existing framework contract for the development of Major Transport projects with WSP will be utilised for this bid. Stage 2 will likely use the (Eastern Highways Alliance 3 Framework or similar) to speed delivery and to benefit from established and market tested competitive processes, utilising contractors who have experience of working on the HCC network. This procurement route has been used to deliver projects in Hertfordshire and wider local authorities.

Hertfordshire County Council has a very experienced team that has recently delivered the New River Bridge and is currently delivering the A120 and A602 projects through similar contracting arrangements and governance.

Please provide information about the allocation of risks between project partners

A detailed analysis of risk, including the use of a risk workshop will be undertaken in future project phases. This will be used to create a more detailed risk register that will be used within the risk-cost adjustment process (via Quantified Risk Assessment). However, the following strategic risks have already been identified for this Stage 1 project.

Risk	Mitigation
Traffic modelling results highlight that the benefits will be too low to warrant proceeding with the project	<ul style="list-style-type: none"> • Check traffic modelling assumptions • Value engineering
Land acquisition/dedication (from GSK) (the current cost estimate does not include any allowance for land)	<ul style="list-style-type: none"> • Engage Estates Team • Appoint a land agent • Request a formal land valuation • Work collaboratively with GSK to secure the land needed
Funding is not forthcoming	<ul style="list-style-type: none"> • Prepare a robust business case that can be tailored for different funding sources • Make adequate provision for risk and contingency

	<ul style="list-style-type: none"> • Continue to engage with funding partners • Seek out alternative sources of funding (e.g. LEP, DfT, Town Deal, Levelling Up Fund, etc.)
All funding being offered is capital and comes with the risk that HCC might have to fund this from its revenue budget if the scheme does not proceed	<ul style="list-style-type: none"> • Brief senior management and Members about the costs, risks and benefits and seek their approval to proceed
Ability to secure funding for the construction phase	<ul style="list-style-type: none"> • Develop a robust business case that can be tailored to a range of funding sources • In the first instance apply for funding under the Levelling Up Fund (LUF) via SBC
Sufficiency of contingency provision in the cost estimate inherited from the Stevenage Town Investment Plan	<ul style="list-style-type: none"> • Hold a workshop with SBC officers to discuss the sufficiency of the contingency allowance • Hold a risk workshop
Having to return funding if scheme does not progress beyond preparatory work	<ul style="list-style-type: none"> • Engage Legal Services • Negotiate a robust agreement with funding partners
Stakeholder acceptability	<ul style="list-style-type: none"> • Communicate project benefits and how they contribute to corporate priorities e.g. LTP4 • Engage with Members and stakeholders
Construction cannot be completed by March 2025	<ul style="list-style-type: none"> • Continued liaison with Highways England about proposed project to upgrade the A1(M) to a smart motorway between junctions 6 and 8 • Continued liaison with HCC Network Manager • Submit Provisional Advance Authorisation to secure road space • Design & Build contract to minimise programme duration
Buildability	<ul style="list-style-type: none"> • Investigating options for early contractor involvement • Consider technology (BIM and digital engineering)

Please outline the anticipated rate of return on investment

Like virtually all publicly funded major road schemes, the GWR Roundabout preparatory works project will not deliver an income stream or a return on investment.

Do State Aid rules apply to your project?

<p>Does the assistance give an advantage to one or more undertakings over others? An “undertaking” is any organisation engaged in economic activity. This is about activity rather than legal form, so non-profit organisations, charities and public bodies can all be undertakings, depending on the activities they are involved in. An undertaking can also include operators and ‘middlemen’ if they benefit from the funding. “Economic activity” means putting goods or services on a market. It is not necessary to make a profit to be engaged in economic activity: if others in the market offer the same good or service, it is an economic activity. Support to an organisation engaged in a non-economic activity isn’t State aid, e.g. support to individuals through the social security system is not state aid. An “advantage” can take many forms: not just a grant, loan or tax break, but also use of a state asset for free or at less than market price. Essentially, it is something an undertaking could not get in the normal course of business.</p>	<p>No, this scheme will benefit all users of the highway network in Stevenage and capacity will be used by development on a first come first served basis.</p>
<p>Does the assistance give an advantage to one or more undertakings over others?</p>	<p>No</p>
<p>Does the assistance affect trade between Member States? The interpretation of this is broad: it is enough that a product or service is tradable between Member States, even if the recipient does not itself export to other EU Markets.</p>	<p>No</p>

MANAGEMENT CASE

How developed is the project? – e.g. for physical projects, planning permission, ready to start, on site, underway and land ownerships secured

The extended project life cycle adopted by HCC comprises of seven stages as follows:

- Stage 1: Initiation
- Stage 2: Option Testing
- Stage 3: Preferred Option Business Case
- Stage 4: Design
- Stage 5: Procurement
- Stage 6: Delivery
- Stage 7: Maintain and Operate.

At the end of each stage, gate reviews are held to review progress, determine what is required for the next stage, determine whether any key decisions need to be made and determine whether the project should proceed to the next stage.

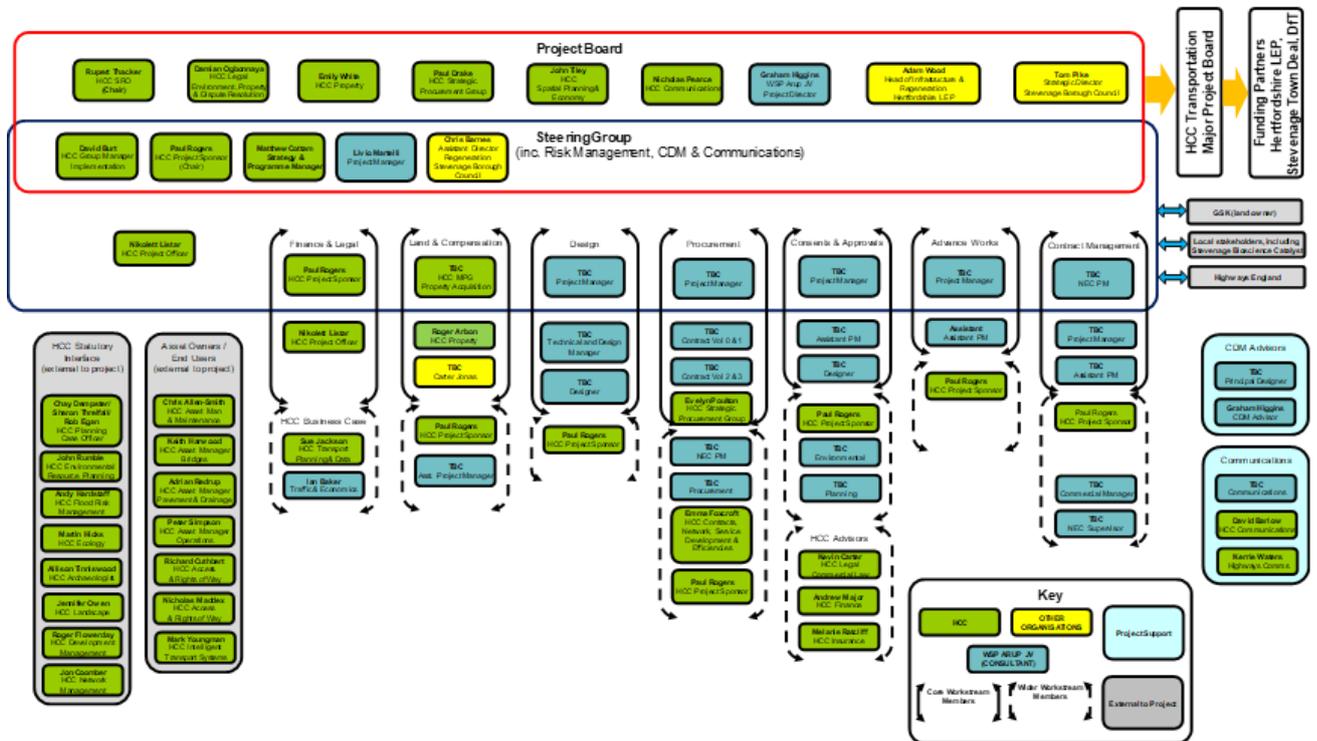
This project is currently approaching the end of Stage 3.

Below is a list of deliverables that have already been produced as part of this project:

- Outline design
- Stage 1 Road Safety Audit
- Technical review of proposed layout
- Specification for topographical survey
- Review of land ownership
- Review of scheme to take account of comments from Stage 1 Road Safety Audit
- Review of scheme against updated design standards
- Updated traffic modelling to reflect scheme post RSA and design standards review
- Land plan
- High level drainage design

What governance and assurance processes are in place for the management and delivery of the project?

The figure below outlines the governance structure that will be employed to deliver the project.



The roles and responsibilities of key roles within the project are described in the table below:

	Responsibility
Project Board	Sponsors and signs off on strategic decisions and strategies. Escalates to Chief Officer and/or political decision makers.
Steering Group	Responsible for overseeing the delivery of the Project including: recommending strategic decisions to Project Board monitoring project milestones tracking the progress of the Work Streams and discuss or mitigate any bottlenecks highlighted by the Work Stream Leads
HCC Senior Responsible Officer	Accountable for the overall success of the project in meeting the objectives.
HCC Project Sponsor	Responsible for the overall success of the project in meeting the objectives.
HCC Project Manager	Responsible for managing the delivery of the Project on behalf of HCC.
Risk Manager	The risk manager assists the HCC Project Manager by managing the project risk register. The risk manager will provide updates at Steering Group meetings for discussion and assist in identifying risks that require escalation to the Project Board in accordance with the agreed escalation process

Work Stream Leads (WSL)	The Work Stream Leads support the Project Manager in the day to day running of the various work streams and will coordinate their respective work streams and provide updates to the Steering Group.
Design Project Manager	The Design Project Manager is responsible for managing the Design Work Stream
CDM 2015: Client	The CDM 2015 Client will be responsible for carrying out the Client role as defined in CDM 2015 Regulations. This CDM 2015 Client will be the named "Client" on the HSE F10 Form.
CDM 2015: Principal Designer	The principal designer is responsible for managing health and safety during the pre-construction phase of the project.

The extended project life cycle adopted by HCC comprises seven stages as follows:

- Stage 1: Initiation
- Stage 2: Option Testing
- Stage 3: Preferred Option Business Case
- Stage 4: Design
- Stage 5: Procurement
- Stage 6: Delivery
- Stage 7: Maintain and Operate.

At the end of each stage, gate reviews are held to review progress, determine what is required for the next stage, determine whether any key decisions need to be made and determine whether the project should proceed to the next stage.

This project is currently approaching the end of Stage 3.

The HCC Major Transportation Board (the top right of the organogram above) will be responsible for project assurance – this Board includes representatives from the LEP, HCC Senior officers with scheme delegations and reporting lines to the Section 151 Officer who will be responsible for financial expenditure.

What plans are in place for the ongoing monitoring of the project? i.e. how will information regarding project outputs and outcomes be collected/ monitored

A Monitoring and Evaluation Plan will be developed as part of the preparatory works.

Given the early stage of the project, a bespoke monitoring and evaluation plan is not yet in place. This will be developed during later stages of the project but will adopt the following methodology / include the following data:

Baseline data will be collected prior to scheme construction and will include:

- Traffic data (journey times, manual classified counts, queue lengths) at key junctions
- Economic data (GVA, current number of jobs) in the Gunnels Wood Employment Area
- Accident data (STATS19)
- Air quality data (at the closest AQ monitoring sites)

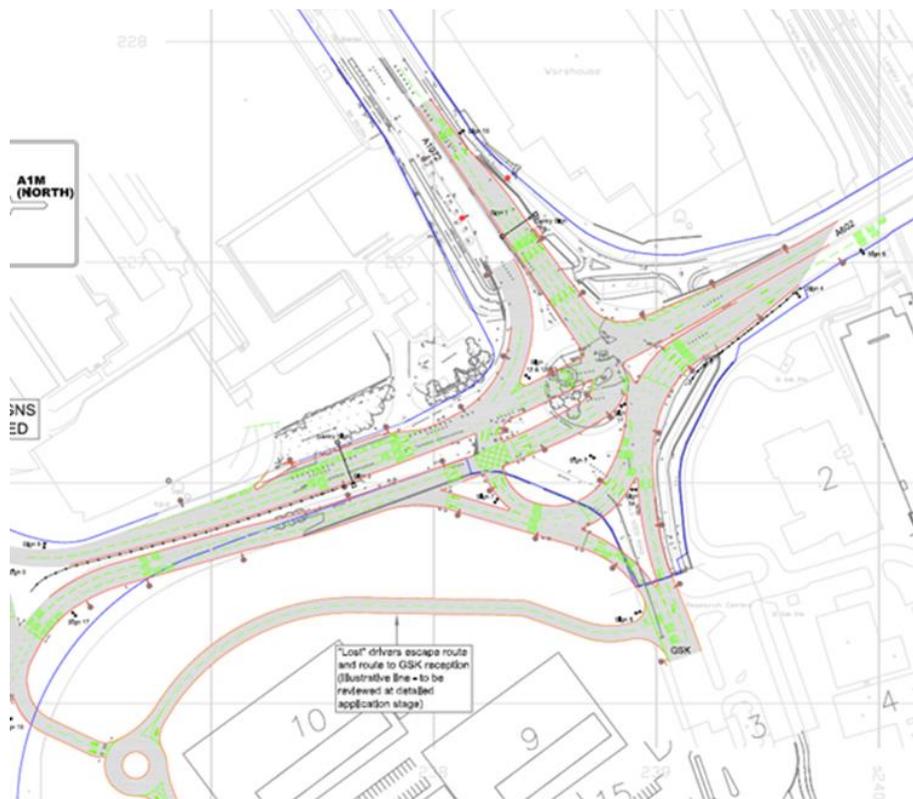
Additionally, the estimated construction cost, and duration of construction programme will be recorded.

Following construction of the scheme, the same data will be collected / surveys undertaken as the data assembled for the baseline, to enable analysis and comparison. The data analysed will be reported on in an evaluation plan. Success of the project will be determined against how well it has achieved its objectives and anticipated outcomes (this will be outlined within a causal chain diagram within future updates of the business case), and how closely the outturn costs, construction programme and Value for Money were adhered to.

Future Employment and housing allocations through to 2031 based on both permissions and Local Plan information are captured in a database that can be accessed via geographic mapping. These site allocations are included within HCC's Strategic Transport model (COMET) which is used as the basis for forecast travel demand scenarios in developing future transport infrastructure. This data set thus provides the most appropriate source for outputs, ensuring consistency with HCC transport modelling which underpins the business case development for new schemes.

A wider monitoring regime to capture the (indirect) impact on housing, jobs and economic impacts has been established by HCC and the LEP in relation to HCC led transport infrastructure projects. This regime is already being used for a number of highways projects and will be used for this project as well. Data is collected from local planning authorities on an annual basis in relation to the number of developments constructed, in construction, in planning and so forth and information is stored by HCC in a central data base that can be access at any time via a geographic interface which allows the user to directly access the current information for developments across the county.

PLEASE PROVIDE A site plan



Once Heads of Terms have been agreed, towns are required to develop business cases for each project and submit a Summary Document to Ministry of Housing, Communities and Local Government (MHCLG). MHCLG will need to review and be satisfied with the Summary Document before funding can be released.

The **Summary Document is mandatory**, even if you do not use the TFDP business case template.

SUMMARY DOCUMENT

General conditions table
TIP improvement condition <i>Set out TIP improvement conditions as agreed in Heads of Terms</i>
Evidence <i>Provide evidence of how conditions have been addressed</i>
Public Sector Equality Duty (PSED) <i>Provide a summary of programme-level PSED analysis</i>
Signature of Town Deal Board Chair and accountable body’s Chief Executive Officer or S151 Officer

Project summary table

Project summary table
<u>Gunnels Wood Road Infrastructure Improvements Part 1</u>
Business case appraisal <i>Provide details of how the business case has been appraised</i>
Is this project being fast-tracked?
Yes
Total project value (£, million)
Towns Fund funding allocated (£1 million):

Outputs <i>Provide a list of the final projected outputs, they must be clear and quantified</i>					
Outcomes <i>Provide a list of the final projected outcomes, they must be clear and quantified</i>					
Cost-benefit projection (for example BCR or NPSV)					
Public match funding <i>Provide the total (£, million) and breakdown of sources</i>					
Private match funding <i>Provide the total (£, million) and breakdown of sources</i>					
Nominal Financial profile (£, million)					
2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Actions taken to address project conditions <i>Provide details of actions taken to address any conditions that were attached to the project, where the condition was to provide a delivery plan this should be inputted in the section below</i>					

Delivery plan

Including details of:

- *partnerships*
- *timescales*
- *planning permission and other milestones*
- *interdependencies*
- *risks and mitigation measures*

Monitoring and evaluation plan*

Provide details on:

- *how spending and delivery will be monitored against expected milestones and outputs and outcomes*
- *what Key Performance Indicators will be used*
- *arrangements for sharing of data*
- *the levers that are available to address any performance issues*
- *who will be responsible for evaluating success*

Signature of Town Deal Board Chair and accountable body's Chief Executive Officer or S151 Officer

* Further guidance on monitoring and evaluation requirements will be provided in January 2020.

PROPORTIONALITY GUIDE

You should consider the following questions and prompts to help guide the level of detail required for your business case. Ultimately, this is a question for your local assurance processes and your Town Deal Board.

GENERAL CONSIDERATIONS

Key questions to consider the level of detail and effort required for your business case as a whole include:

- Is your project large (smaller projects – e.g. <£1m – require less detail compared to larger projects – e.g. projects over £25m)?
- Is the project of regional or national significance?
- Is it a complex or innovative project?
- Is this the first time you have delivered a project of this kind?

If you answer 'Yes' to one or more of these questions, you will need to produce a more detailed business case.

Ultimately, you should follow any guidance on the level of detail required for business cases based on your local assurance processes.

For each of the five cases below, we set out key questions and considerations to help you gauge the level of detail required for your business case.

At the end of this document, you can use the [Proportionality Tool](#) to assess where each business case falls on the scale of these key questions, which should help you understand the level of detail required for your business case.

STRATEGIC CASE

Key questions to consider the level of detail and effort required for your Strategic Case include:

- Is the project a key enabler for other projects or programmes? Is it part of a set of projects to achieve more transformational change?
- Is there a complex stakeholder or policy challenge which requires further evidence or articulation of wider strategic alignment?
- Does the project or its theory of change have any dependencies on other projects or activities?

ECONOMIC CASE

Key questions to consider the level of detail and effort required for your Economic Case include:

- Is the project in any way high risk or/and new and novel? Are the benefits of this type of project well understood and is there evidence that they are likely to be achieved?
- Is the "Do something" well-articulated – or does it need further refinement? Are the scenarios easily defined?

- What is the level of certainty around the costs and benefits? Is the BCR or NPV calculation particularly sensitive to any of the variables or assumptions?
- Is there any interrelationship or complexity between costs, benefits etc.? For instance, prices or costs impacting on demand?
- Are the costs and benefits dependent on the commercial or financial deal?
- Are there any significant dis-benefits?
- Is the case dependent on significant benefits which are difficult to monetise?
- Is the project likely to have a different impact on different groups (e.g. age, income)?

FINANCIAL CASE

Key questions to consider the level of detail and effort required for your Financial Case include:

- What are the various sources of co-funding and commitment levels, and are there key uncertainties around those?
- Are there any foreseen Capital or Revenue constraints?
- What are the key assumptions that will impact the financial viability and what sensitivities do you plan to run? Are there any key financial risks to the project?
- Has there been consideration of tax and accounting treatment with your local assurance owner / accounting buddy?

COMMERCIAL CASE

Key questions to consider the level of detail and effort required for your Commercial Case include:

- What is the commercial strategy underpinning delivery of the project?
- Which party owns which risk and the basis for the risk allocation? To what extent is there opportunity for suppliers to bear risk? Where suppliers are able to take risk how will the pricing mechanism reward/penalise them?
- Does the project involve partnering with multiple bodies and, if so, how will agreements be negotiated?
- Does the scope of the project require specialist input and are there any specific challenges or risks?
- Is the market understood and is the project likely to result in competitive tender(s)?
- Are there any specific challenges in deciding the procurement route to market? To what extent can existing processes for procurement and contract management be used? Do you have experience with this type of procurement?
- To what extent can the project be delivered as a single package or are multiple packages required?
- Can social value be delivered through procurement?

MANAGEMENT CASE

Key questions to consider the level of detail and effort required for your Management Case include:

- Does the accountable body have an existing and proven approach for the delivery of projects and how will that be applied to the delivery of the project?
- What is the scale and complexity of the project?
- What are the key risks, who are the owners and how will they be managed?
- Is this an innovative project and does the project sponsor have experience in delivering similar projects?
- How many organisations will be involved in the delivery of the project and have they worked together?
- Does this project require complex delivery arrangements and are the roles and responsibilities clear and agreed?
- To what extent is the project dependent on projects by others and how will interfaces be managed?

- How many stakeholders will need to be engaged during development and delivery stages and how will this be achieved?
- What is the basis for the workstreams/activities in the proposed delivery schedule and the confidence in achieving key milestones?
- To what extent are there existing processes and procedures for project controls and how will these be applied?
- Who requires to assured, about what, to what level of detail and to what extent can existing arrangements be adapted and used?
- Is benefits realisation dependent on other parties, behavioural change, or additional enablers such as training or programming?
- How many outcomes and outputs will need to be monitored, and is there an established method for monitoring the outcomes and outputs that have been identified?

PROPORTIONALITY ASSESSMENT TOOL

	Less detail		More detail
General			
Project size and value	<£1m	↔	£25m+
Regional and national significance	Local	↔	Regional / national
Innovation	Low	↔	High
Experience delivering similar projects	High	↔	Low / no experience
Strategic case			
Enabler of other projects and transformational change	Local impact	↔	Transformational change
Stakeholder picture	Simple	↔	Complex
Key dependencies with other projects	No dependencies	↔	Strong dependencies
Economic case			
Risk and novelty of project	Low		High
Scenario definition	Simple	↔	Complex, including Covid-19 impacts
Certainty around costs and benefits	High certainty	↔	Low certainty
Disbenefits	No disbenefits	↔	Potential Disbenefits
Monetising benefits	Easy to monetise	↔	Difficult to monetise
Distributional impacts across groups	simple impacts, less relevant to project	↔	Complex distributional impacts
Financial case			
Co-funding and uncertainties	Clear co-funding approach	↔	High uncertainty and complex co-funding
Capital and Revenue restraints	None		Some
Financial viability and key financial risks	Low risks	↔	High financial risks
Tax and accounting treatment	Clear	↔	Complex, to be defined
		↔	

	Less detail		More detail
Commercial case			
Number of parties	1	↔	>3
Procurement experience	Procured before	↔	Never procured
Risks and allocation	Clear and obvious	↔	Shared and need defining
Market assessment	Sufficient capacity	↔	Limited capacity
Procurement route	Framework	↔	Negotiated deal
Contract conditions	Standard, used before	↔	Modified, complex
Payment mechanisms	Cost reimbursement	↔	Target price
Incentives	None	↔	Pain / Gain
Assurance required	Minimal	↔	Independent
Value added	Minimal	↔	Multiple opportunities
Management case			
Technical complexity	Low	↔	High
Novelty	No novel aspects	↔	Little experience
Delivery risks	Few and manageable	↔	Many, likely, resource hungry
Dependencies	Few	↔	Many
Delivery model	Single body	↔	Multi-party
Project team	1-3	↔	>5
Project model	Single	↔	Part of a programme
Stakeholders	Passive management	↔	Active management
Assurance required	Minimal	↔	Independent
Benefits	Clear, concise, measurable	↔	Multi-faceted

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Stage 2 – Business Case Template

Marshgate Biotech Centre

Business Case template (optional) to be used by Towns as guidance for structuring their business cases

VERSION CONTROL

Document version	Publication date	Description of changes	Modified by
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BUSINESS CASE TEMPLATE

1. INTRODUCTION

1.1 Introduction

Purpose of the Business Case

- 1.1.1 This business case sets out the proposal and rationale for a project titled Marshgate Biotech Centre. The project will lead to the creation of 76,437 sq.ft of offices, high tech and laboratory space and high quality public realm.
- 1.1.2 This will enhance investor confidence in the town, help establish it as an office and manufacturing location for the biotech industry within the UK Innovation Corridor, provide a catalyst for the attraction of world class employers within the same sector into the town and position Stevenage more generally as an office location of regional significance. It will lead to the creation of 300 jobs.

Background to Towns Fund and Stage 2 process

- 1.1.3 In November 2019, Stevenage was included in the 100 places eligible to develop and submit a Town Investment Plan. This presented an opportunity for Stevenage to bid for up to £25 million of capital funding to support and address key challenges facing the town. Towns were also invited to bid for over £25m if exceptional circumstances could be demonstrated.
- 1.1.4 Working closely with key public, private and third sector partners the Stevenage Development Board was established and a Stevenage Town Investment Plan was created and submitted to MHCLG (now renamed DLUHC) in October 2020. In March 2021, the partnership was notified of its award of £37.5m of funding.
- 1.1.5 The investment plan was predicated on maximising the success of our businesses in the science and engineering sectors, regenerating the town centre, and delivering opportunities for local people including enhanced skills & training. Ten projects were submitted as part of the ask to central government, ranging across Transport and Active Travel infrastructure, Skills and Enterprise, Arts, Heritage and Cultural and Town Centre Regeneration.
- 1.1.6 One of the projects, Marshgate Biotech, identified an existing town centre car park as an opportunity to deliver a life sciences centre. The site is adjacent to St George's Way, opposite Town Centre Gardens, and to the rear of the former Marks & Spencer development.
- 1.1.7 Building on the Town Investment Plan, this document sets the strategic, economic and financial case for the Marshgate Biotech Centre project, the commercial arrangements for procuring its delivery and the processes and arrangements for the governance and management of the project.

Scheme Promoter and Accountable Body for the Project

- 1.1.8 The scheme promoter is Reef and the landowner is Stevenage Borough Council, working in conjunction with the funder UBS.

1.2 Summary of the Scheme

1.2.1 The scheme being supported by the Town Fund will involve the bringing forward and implementation of a new Life Science development that will directly respond to the need for additional space to meet continued growth of Stevenage’s specialist bioscience cluster. The development will take place on an existing surface car park alongside St, George’s way on the east side of the town centre.

1.2.2 Key activities will involve:

- High quality public realm work to create the conditions for the development to proceed. This will include new paving surfaces, planting and street furniture from the site to Queensway North and a pathway to the current multi storey car park on St. Georges Way
- A development project to be undertaken by the developer Reef to create 76,437 sq.ft of offices, and high-tech laboratory space. A funder, tenant and contractor for the scheme have been identified, and a planning application has been submitted for the development under reference 21/00627/FPM. Reef are now looking to progress the land transaction following planning permission being granted. The land is currently in the ownership of Stevenage Borough Council.

1.2.3 Autolus Holdings UK, who are a biopharmaceutical company founded on advanced cell programming technology and spun-out from University College London in 2014, is an investment vehicle for Autolus Limited who will occupy the Bioscience building with two other group subsidiaries. The ultimate parent company is Autolus Therapeutics Plc, which is listed on Nasdaq and who have a market value of £565m. The scope of the project is summarised below.

Activity	Parallel Projects	Enabling Phase	Development Phase
Station Gateway Phase 1 (Town Investment Plan Project)	√		
Reallocation of car parking spaces from Marshgate to MSCP		√	
Sale of Marshgate car park site to developers		√	
Public realm improvement scheme from Marshgate to Queensway North		√	
Site preparation works			√
Development of bioscience office and laboratory building			√

1.3 Business Case Structure and Content

1.3.1 The full rationale for the project, covering the context, challenges to be address objectives and approach to delivery, are set out below under the following headings.

- Strategic Case
- Economic Case
- Financial Case
- Commercial Case
- Management Case

STRATEGIC CASE

2. STRATEGIC CASE

2.1 Introduction to the Strategic Case

2.1.1 This strategic case defines the scope of the project. It explains how the project will create the conditions for the redevelopment of Marshgate car park by way of site enabling works, the creation of a high quality public realm to support the development of a major bioscience operation.

2.2 Case for Change

Current Context, Challenges and Arrangements

Regeneration Challenges and Priorities

2.2.1 Stevenage Town Centre has become characterised by ageing infrastructure due to time expired buildings that have reached the end of their useful life, and have a negative impact on amenity. It was the first of the New Towns, but now has a decaying appearance. Its current public realm and hospitality offer are failing to attract people. Its shopping centre is losing business and major retailers have moved out, leaving an oversupply of older retail space that is no longer fit for purpose.

2.2.2 Stevenage New Town was originally designed to serve a population of 60,000. The population already stood at 84,000 in 2011 and is forecast to increase to just under 93,000 by 2035 – growth of 50% of that of the original new town, yet there has been no increase in the size of the town centre and growth of surrounding districts will have a significant influence on the town centre.

2.2.3 Meanwhile the economy of Stevenage has grown beyond the regional and national average over the past 15 years principally through expansion of knowledge-based industries and with the presence of an impressive array of world class businesses in life sciences, agri-tech, IT, advanced engineering and high value manufacturing. The area is fragmented with disjointed routes for walking and cycling. The town is currently 'cut off' from Gunnels Wood, now the largest employment site in Hertfordshire. Current challenges that need to be addressed can be summarised as follows.

- Town centres will have an important role to play in the post-Covid world. They now have to assume greater importance as employment and residential locations, focal points for community, social and recreation activity and as hubs for integrated transport.
- Significant investment in new infrastructure and buildings is needed to meet these conditions and to rectify the current shortcomings of Stevenage town centre.
- Investor confidence is low. The market has not responded independently to the challenge of providing housing and employment space in the town centre or leisure, food and beverage provision meeting the expectations of an increasingly affluent population, many of whom are employees of world class businesses.

- Development sites for housing and employment are in short supply. To transform the town centre, public sector intervention is needed to enable more to be brought forward for development.

Stevenage Central Framework

2.2.4 The Stevenage Central Framework published in 2015 identified the need for significant amounts of new employment space and residential development to make investment in upgraded retailing, food and beverage and other key town centre amenities viable and fit for the 21st century. The Stevenage Central Framework has defined the following major opportunity areas.

- Southgate Park
- Central West (Leisure Park)
- Park Place and Town Centre Gardens
- Stevenage Central Core
- Station Gateway
- Northgate
- Marshgate

Regeneration Proposals for Marshgate and Other Surface Car Parks

2.2.5 The surface car parks in town centre are currently an inefficient use of valuable land and can be used in a much more effective way. They represent a clear challenge in the way that they act as a physical barrier, but also provide a key part of the regeneration opportunity. The redevelopment of surface level car-parks for regeneration is fundamental to the delivery of the homes, jobs and economic benefits sought in the framework and Local Plan.

2.2.6 Redevelopment of these under-utilised sites will create opportunities to develop offices and workspace matching post-Covid requirements. These will raise the image of Stevenage town centre and position it as a high quality, strategic office location. This will then enhance investor confidence and provide a catalyse to development in the wider town centre area.

Progress in to Date in Delivering the Stevenage Central Framework

2.2.7 An early start has been made in delivering the objectives of the Stevenage Central Framework with a number of key building blocks already in place to accelerate transformation and new development.

- A development agreement has been signed with Mace as a private sector development partner, enabling fast track approaches to be new development and construction.
- In addition to SBC's initiation of the SG1 and Queensway, a number of private sector developments have already been completed including Park Place, Vista Tower and Skyline, creating just under 500 new residential units.

- A number of redevelopment sites in the central core, northern and southern gateway major opportunity areas, pivotal to kick starting transformation, have been acquired. Preliminary enabling works are either underway or are scheduled.
- Selected preliminary public realm improvements are currently being implemented or are programmed around key sites with a view to building investment confidence amongst developers and future occupiers and promoting high quality development outcomes.
- Completion of the North Block project, utilising unused second floor space and converting this into a flexible co-working facility facing directly onto the historic town square.
- Construction of a new bus interchange on a new site alongside the station has been approved for funding and construction has now started. This has released a major development site which provides a major catalyst for transformation of the town centre. The new bus interchange, the transformation of Stevenage station and the addition of a 5th platform are the first building blocks towards creating a sustainable transport hub for road, rail, cycling and walking, which will be completed by the first phase of the Station Gateway project, which also forms part of the Town Investment Plan.

Evidence of Need

2.2.8 The Marshgate Biotech Centre project addresses two of the challenges set out in the Town Investment Plan.

Challenge 3: Town Centre Transformation. The town centre has aged, retail is losing business due to dated floorspace, catchment leakage, high representation of lower value outlets, and an over-reliance on traditional retail, with limited diversification. Expansion of housing and employment space in the town centre are needed to create natural footfall and increase demand sustainably. To address this, the Stevenage Central Framework adopted in 2015 sets out a £1bn programme to transform the town centre delivering over 3,600 new homes and 55,750 sqm of offices and other commercial space. To achieve this, Stevenage needs to create the conditions for investment in the town centre and whilst the early phases of our regeneration programme have begun to improve values in the town, development viability remains challenging without public sector intervention.

Challenge 5: Lack of Suitable Modern Space for Growth. The lack of suitable space is constraining market and growth of sectors that hold national significance. Life sciences, agri-tech, advanced engineering and manufacturing, where Stevenage is very strong are generating significant demand for modern space. Increasing demand is emerging for space the town centre. Over the last 10 years, 67,000sqm of commercial floorspace has been lost in Stevenage, 75% to residential. This lack of supply threatens Stevenage's potential to maintain its competitive edge, meet the demand that is coming and the ability to retain key businesses. Achilles Therapeutics, which raised more than £100m of investment moved away from Stevenage to Hammersmith to continue its expansion in 2020. Addressing the demand for town centre space would also drive investment in the broad range of facilities that will help attract and retain skilled employees and businesses, enhancing footfall. This will propel the town centre's revitalisation, wider regeneration and post-Covid resilience.

Future Needs

- 2.2.9 In order to maintain its position in the UK Innovation Corridor (UKIC) being promoted by the Government, Stevenage needs to retain and further develop its significant bioscience industry and attract international investment in these, space and other advanced technologies. These businesses are mainly based in the Gunnels Wood area. As noted above, it has become apparent that a number of these types of businesses are now seeking more sustainable business locations in a town centre environment close to good national and international transport links.
- 2.2.10 Parallel evidence is mounting that in the post-Covid 19 world, new models and layouts of office and workspace layouts will be in demand in highly accessible locations where all the support amenities are at hand, for which development-ready town centre sites are the most attractive. (*Source: JLL: The Future of UK Regional Office Demand Office in Markets Outside Central London After COVID-19; March 2021*).
- 2.2.11 This has become apparent in Stevenage where a number of major bioscience companies have come forward with requirements for office and R&D laboratory space in locations within or close to the town centre.
- 2.2.12 The Marshgate Biotech Centre project is key to stimulating the demand for office space in the town centre. For this, it is essential to redevelop an underused car park on the east side of the town centre by transferring its parking capacity to the enhanced multi-storey car park being developed as part of the Station Gateway project and reallocating planning designation of the site for office and residential use, thereby bringing the site forward for development by Reef. More detailed proposals for this will be displayed in the Station Gateway Business Case.
- 2.2.13 This development will be pivotal repositioning the image of Stevenage as an office location and will help to it to establish a market for commercial development and to compete with comparable locations such as Reading and Milton Keynes, since Stevenage enjoys an advantage over both with quicker journey times into London.

Barriers and Market Failures

Site Shortages

- 2.2.14 There is a severe shortage of employment space within the town centre. The development of the original new town focused major employment development at Gunnels Wood, so provision in the town centre has always been limited. Moreover, much of the borough's employment space has been lost due to permitted development.
- 2.2.15 To provide the level of office and R&D space demand emerging in the town centre, additional development sites for employment would need to be brought forward. Currently, none are readily available. There are a number of other market failures constraining redevelopment.

Market Failures Constraining Redevelopment of the Town Centre

- 2.2.16 The private sector has proved unable to bring forward these opportunities as development schemes cannot self-fund the necessary land assembly, site preparation and supporting

infrastructure required. This market failure needs to be addressed by releasing under-utilised land and creating the conditions to accelerate redevelopment.

2.2.17 Moreover, there has inefficient use of space within the town centre, with over 7 hectares of surface level car parks in close proximity to the station, much of which are under-utilised and this being the case with Marshgate. Existing car parks are now being be considered for redevelopment, because replacement is being created to the north of the Station as part of the Station Gateway Phase 1 project which also forms part of the Town Investment Plan.

Addressing Conditions in the Post Covid-19 Era

Implications for the Use of Employment Space and the Future of Offices

2.2.18 The emerging picture is that, where possible, employers will adapt the size, location and configuration of their office buildings given new models of flexible working. With companies all over the country adapting to the fallout of the pandemic and trying to return to some sense of normality in the post-COVID world, most data shows that offices will not strictly be a thing in the past but will mostly adapt to a new framework. Office space configurations and densities are also likely to change. The regional head at Deloitte Real Estate was recently quoted as that tenants were focused on space that was attractive to staff rather than purely functional and that: “The new start office space under construction is being marketed as amenity-rich, with well-being and community high on priorities.” (Source: *Financial Times*; *UK businesses think big about smaller office spaces*; 4th March, 2021.)

2.2.19 This new framework for offices is intended to enhance ‘employee experience’ and not just overhead. A report conducted by JLL states that offices are now seen more as environments that promote collaboration, innovation, recruitment and retention. Offices have already implemented spaces specific for meetings, collaboration, concentrated work and other rooms solely for to provide for a variety of working contexts. More attention is being placed on well-being, with rooms set up solely for mindfulness meditation, yoga, event spaces and cafes. The outside area is also becoming more of a focus from planners to improve employee well-being, with attention being put to improve air ventilation and having more outdoor leisure space. This may lead to offices having less desk spaces, but more collaboration space, with a hybrid model and homeworking on the rise this will end up offsetting a trend of space per worker decreasing since the early 1990’s. (JLL: *The Future of UK Regional Office Demand Office in Markets Outside Central London After COVID-19*; March 2021).

Implications for Town Centres Post Covid

2.2.20 Hybrid and remote-working will create a new set of benefits but also challenges to local economies with its wide-spread adoption.

2.2.21 Research from KPMG says that that it is clear things will not return to the way things were before the pandemic. With the reduction in commuter footfall and reduction in commercial rent, city centres may now have to consider serving their inhabitants in a different way. According to the same report, high streets could lose anywhere from 20-40% of outlets. New models could be emerging from the shift to online, with consumers buying online and getting better pricing whilst some stores may adopt a hybrid model where they have their stores as a showroom before the

customer buys the product on their website. However, some speciality stores may keep their physical locations intact. (*Source: The future of towns and cities* (January 2021) KPMG).

2.2.22 Research by Legal and General and Demos showed that in a post-COVID world, the new working models will provide opportunities for parts of the country like rural areas and neighbourhoods that were previously ignored, potentially at the expense of city centres. However, the report concludes that mass exodus from cities is overblown as young people and those with jobs that cannot be done remotely made up the majority of those that moved last year and moved within larger cities.

2.2.23 The view that city centres will still play a key role in the future is corroborated by various findings from the Centre for Cities:

- Evidence has shown that East Asian countries that have suffered threats of pandemics in the past at a more frequent rate than the West, have continued to urbanise and have seen their cities grow
- Companies from similar sectors geographically have tended to cluster together because connections, collaborations and shared ideas create new ideas, innovation and other synergies
- Amenities with a large or specialist customer base need to be in city centres
- Local neighbourhoods cannot match the breadth of jobs that a city centre can offer.

2.2.24 These findings seem to indicate a halfway point between the “15 minute city” and the current reliance on city centres, whereby more local amenities will be situated across neighbourhoods and cities whilst more specialist forms of amenities will remain in city centres in the post pandemic world.

Opportunities

2.2.25 A number of factors have come together that can help accelerate the Marshgate project.

2.2.26 There has been a recent surge of interest by major companies already in Stevenage in taking up space in the town centre. For global businesses, Stevenage town centre offers a strategic location with road, rail and air connections that place it within 20 minutes of London and less than 45 minutes of Heathrow, Gatwick and Luton airports. To attract them, high quality office development and R&D space will be needed.

2.2.27 Site shortages have precluded this option up to now. However, there is now an opportunity to release 6 major surface level car parks spread across 4 hectares within the central area, but this can only be realised if there is no net loss of parking, to protect the existing local economy, whilst also encouraging the use of sustainable transport options and connections. Station Gateway Phase 1, by providing a new multi-storey car park and cycle hub immediately adjacent to the station thereby increasing the car parking capacity of the town centre, enables the under-utilised Marshgate site to be released for redevelopment. In so doing, it will address three of the five major opportunities defined in the Strategic Town Investment Plan.

Opportunity 2: Innovation Hub, High Growth Potential and STEM City. These effects will truly position Stevenage at the heart of the UK Innovation Corridor, enhancing its status

as High Potential Opportunity location and a business location of international significance.

Opportunity 4: Building Wealth and Reclaiming Expenditure. The town centre can be a UK top 100 town. Our vision is to bring back what Stevenage once was - a destination town centre with a combined retail, office, leisure and residential offer that will meet the needs not only of our residents but attract visitors and encourage our great industries and businesses to use it.

2.2.28 This will transform the town centre and harness the strategic potential of the town centre as a key employment hub at the same time maximising the number of jobs created in the town and support the local economy, especially as part of the Covid-19 recovery plan.

2.3 Policy Alignment

National Policy Alignment

UK Innovation Corridor

2.3.1 Stevenage is situated centrally within the UK Innovation Corridor (UKIC), part of a dynamic cluster connecting London to Cambridge, supports an economy worth £189 billion, 2.8 million jobs, out-performs the Oxford to Cambridge Arc and is now Britain's Fastest Growing Region. Amongst industries focussed on commercial innovation, advanced technology, and bioscience, Stevenage specifically is home to global household names - GSK, Airbus, MBDA, and Fujitsu - industries with a bright future. More than 70 companies in the life sciences field have clustered around Stevenage over the past 8-10 years, more than 60% of them focussed on R&D in the Cell and Gene therapy.

2.3.2 Stevenage is one of six Life Science Opportunities Zones identified by the Government and has recently been designated by the DIT as a High Opportunity Area. The opportunity for Stevenage is not only to retain but to grow its share of the global market and be promoted nationally and internationally.

Sub-regional Policy Alignment

Hertfordshire Covid Recovery Plan

2.3.4 Stevenage has a pivotal role to play in the delivering the Recovery Plan for Hertfordshire. Its current regeneration strategy and Town Fund projects directly address the plan's two transformational programmes:

- equipping Hertfordshire's places for mid-21st Century living supporting town centres and town-level economies.
- connecting Hertfordshire for mid-21st Century living and working building digital connectivity.

2.3.5 Through this and other Town Fund projects, Stevenage will lead on the delivery packages for:

- 1) Enterprise and Innovation – Stevenage’s businesses, many of them SMEs are key to economic recovery.
- 2) Skills and Creativity –the extent to which businesses have the confidence to recruit and invest in their staff will be critical to unlocking recovery and will be greatly assisted through our priority projects
- 3) International Trade and Investment – focused on securing new investment for Hertfordshire. This project is aimed at changing Stevenage’s image, attracting and retaining investment.

Hertfordshire LEP Strategic Economic Plan

2.3.6 The project addresses each of the four priorities within the current Hertfordshire LEP Strategic Economic Plan.

Priority 2: Harnessing our relationships with London and elsewhere will be addressed due to delivering smarter forms of connectivity, walking, cycling and ultra-low emissions vehicle access to the rail station.

Priority 3: Reinvigorating our places for the 21st-century. The strategy calls for high-density solutions recognising particular opportunities linked to railway hubs and transforming town centres into vibrant lively urban hubs underpinned by new models of living and working. The Stevenage Central Framework and this scheme align closely with this approach. This will be directly addressed by this project, given the proposal to release car parking land adjacent to the station for high density redevelopment.

Local Industrial Strategy Grand Challenges

2.3.7 Grand Challenges for Hertfordshire highlights the importance of clean growth challenges. This project provides the conditions for accelerating the adoption of clean transportation throughout the borough for the long term. Regarding other Grand Challenges, better facilities for cycling and walking and improved access to recreational activities will be conducive to helping the increasing numbers of older people to stay active, productive and independent.

Local Policy Alignment

2.3.8 Stevenage Local Plan 2019-2031. This was adopted in 2019 following Examination in Public and sets the overall spatial vision for the borough and growth direction to 2031. In total 7,600 homes are planned, 3,000 of these targeted for a regenerated Town Centre. The Local Plan looks to provide at least 140,000 m² of new B-class employment floorspace and is promoting new employment opportunities as a critical component of the town centre regeneration. This project directly reflects the Local Plan’s ambitions.

2.3.9 Stevenage Central Framework. This was prepared in 2015 to set a direction of change for the regeneration of Stevenage Town Centre. Now supported by the Local Plan, the Framework sets out a strategy for accelerated employment and housing provision on a large scale in the town centre to meet the demands of significant population growth and revitalised and enhanced and modernised amenities to service it.

2.4 Vision and Objectives

Vision

2.4.1 This project will bring about a major step forward in transformation of Stevenage Town Centre.

- The creation of a new part 4 storey, part 5 storey Biopharma laboratory and workspace facility (Use Class E), public car park and wider public realm improvement works.
- Enhanced recognition of Stevenage Town Centre as a high prestige location for headquarters and R&D for state-of-the-art technology companies prominent on the world stage.
- The stimulation of major investment commitments of developers and international companies to the development and occupancy of an extensive portfolio of new, high quality commercial space within the town centre.
- Enhanced investment confidence likely to stimulate development of high quality floorspace and housing on other redevelopment sites and throughout the rest of the town centre.

SMART Objectives Related to the Project

- 1) To release a site development opportunity on the east side of the town centre by September 2021.
- 2) To enhance developer and future occupier confidence through upgrades to the public realm on the pedestrian approaches of the site by March 2022, in order to accelerate investment commitment.
- 3) To kick start the transformation of the Marshgate site by September 2021 and accelerate redevelopment of 76,437 sqft of offices, high tech and laboratory space
- 4) To successfully embed the proposed new biotech facility and its staff into the town centre.

Measures of Success

2.4.2 Successes to be measured and the method of measurement each of element of the project are summarised below.

Project	Successes to be Measured	Method of Measurement
Public realm project	Value as a key amenity for local residents and workers	Surveys with local residents and workers
	Success in addressing concerns about visual quality, privacy and noise	Surveys with local residents
Bioscience building	Delivery on time and to budget	Tracking with developer
	No. of high quality jobs created	Tracking with Autolus

2.5 The Proposed Investment

Options Considered

2.5.1 The Do nothing and Do minimum options considered in the first instance to deliver the solutions to meet the above objectives were:

- a) Do nothing: No redevelopment of the car park for high value office and laboratory based R&D activity or related public realm improvements, no economic improvement for the town centre.
- b) Do minimum: To reduce costs, proceed with the project without investment in accompanying public realm improvements; development unlikely to proceed or attract such a positive end-user.

2.5.2 A full list of the options considered is set out in Section 3 along with the criteria adopted in shortlisting them.

Preferred Option

2.5.3 The preferred option is the creation of a new street, footpath and high quality public realm linking the site to Queensway North and the current multi-storey car park project to create 76,437 sqft of offices, high tech and laboratory space.

Project Risks, Constraints, and Interdependencies

2.5.4 The main inter-dependency is the completion of the new multi-storey car park, which forms part of the Station Gateway Phase 1 TIP project. This is because there will be a loss of parking as a result of this development. A new multi-storey car park, will enable more efficient use of land, promote more EV spaces, and incorporate integrated cycling facilities. The development itself will comply with all planning requirements to ensure a travel plan is in place that promotes sustainable forms of transport. The site is in a highly sustainable location that may reduce the number of daily car and minibus journeys compared to alternative sites. Further details of this will be included in the Station Gateway Business Case. Project risks are set out in the table below.

Risk Register L: Likelihood; I: Impact; T: Tolerance										
Ref.	Risk	Triggers	Consequences	Controls	Risk Score			Contingency	Responsible Person	Date: Added/Updated
001	Objections to public realm by neighbouring uses and general public	Consultation and publication of design proposals	Unpopular proposals could lead to public cynicism	Communications strategy to ensure public kept informed	3	3	9	Timely commencement of consultation activity in order to identify and address major issues should they arise. benefits of design proposals to be clearly communicated.		August 2021
002	Failure to achieve planning approval	Notification of Council decision	Major delay to completion. Risk of Autolus pulling out of relocation to town centre and related job creation not realised	Planning approval has been expedited and is well advanced. Through consultation, scope of objections well understood.	4	10	8	Ensure design of public realm builds in solutions to address objections such as concerns over privacy, noise and visual quality.		
003	Reef suffers financial distress and ceases operations	Reported delays in construction progress	Major delay to completion. Risk of Autolus pulling out of relocation to town centre and related job creation not realised	Terms of development agreement Regular progress reviews	2	10	10	Through its due diligence, SBC has reviewed Reef's commercial performance and the value of its property holdings and is assured of the robustness of its finances. SBC has other development partners such as mace who could be called upon to rescue the project in such circumstances		

004	Autolus backs out of the deal with Reef	Feedback from regular reviews	Major job creation opportunity not realised	SBC has no direct control of this, but the purpose of the commitment to the public realm scheme is a significant inducement, minimising the possibility of a pull out.				Intensify relationship with Autolus to resolve difficulties causing possible pull out. If necessary promote the opportunity to another high prestige occupier.		
005	Labour shortages create delays	Conclusion of contracts building contractors with building for public realm and site redevelopment	Delays to completion of both projects due to recruitment difficulties for contractors	Contractual arrangements	4	8	9	In development agreement with Reef and contract with public realm contractors incorporate commitment to bring in additional temporary labour to ensure projects are completed on time.		August 2021
006	Climate changes and weather conditions	Unusually harsh weather conditions	Bad weather retards progress of the construction programme	Regular progress reviews	6	9	12	Build in sufficient slack in the programme to cover for unforeseen eventualities such as weather		August 2021

007	Slowdown in development activity of bioscience centre and housing	Milestones in development programme not achieved	Delivery of outputs held back	Regular progress reviews	3	7	12	Incorporation of tight delivery standards in development agreement.		August 2021
008	The construction cost exceeds the limit for the project or other issues arising during the design development	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	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.		August 2021
009	Constrained nature of the site limits both the volume of building which can be accommodated, the range of uses and how the buildings are 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	Close cooperation with Planning to ensure sufficient area is designated for the new MSCP. Procurement of an experienced car park building company specialising in a construction of modular buildings.		August 2021

010	Loss of customers using the remaining car parking site during the construction period.	General reduction in car parking revenue. Inadequate alternative provision. Ineffective communication.	Economic impact on local businesses. Impact on customer behaviour and their travel choices. On-street parking provision and peripheral parking provision is likely to increase. Increased enforcement of on-street parking.	Parking incentives to optimise usage. Appropriate signage to maximise use of alternative provision. Rigorous and timely data capture. Customer relationships management.	3	3	9	 <p>Location of nearby car parks with access routes would be widely advertised encouraging commuters to use them. The best time to build would be during the recovery from pandemic when parking levels are still not back to 'regular levels'.</p>	August 2021
011	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	The need to implement practices to ensure safety. Shortfalls in manufacturing capacity causing price inflation. Project delay by significant social distancing measures. Negative Change in payment practices.	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.	2	3	3	 <p>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.</p>	August 2021

012	Development of Marshgate car park constrained by unknown site conditions.	Physical obstructions. Physical conditions.	Need to change working methods. Revision of the design. Delays in delivering the development. Cost escalation.	Clear and appropriate description of works in technical documents. Clearly defined scope of works e.g. contractor's design obligations and buildability obligations	3	3	9	Contractual provisions to manage unforeseen site conditions e.g. physical obstructions or physical conditions.		August 2021
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Description of the Project

Purpose and Key Elements of the Project

2.5.5 The purpose of this project is to:

- a) Create the conditions for significant office and R&D space and residential development to be accelerated on the east side of Stevenage Town Centre.

2.5.6 Key elements of the project are:

- Programme of public realm improvements
- Initiation of a development scheme by Reef to provide 76,437 sqft of offices, high tech and laboratory space.
- Management proposal for the loss of car parking in relation to the Station Gateway Phase1 Business Case

Public Realm Improvements

2.5.7 The public realm will be upgraded on land adjacent to the development site for the Biotech Offices and the on rest of the Marshgate site. This will create a new street to Queensway North together with a high quality footpath to the expanded multi-storey car park. It will include repaving of areas around remaining car parking spaces and planting of trees and shrubs around the perimeter of the site and the parking spaces. Preliminary design for the public realm works has commenced and detailed design will start at the outset of the project and be completed by early 2022, following which implementation will proceed.

Site Preparation and Enabling Works

2.5.6 Contracts will be put out by the developers for site clearance, any necessary remediation, fencing and installation of essential site services. Please refer to the management section of the project.

Development Scheme

2.5.7 Construction of 76,437 sqft of offices, high tech and laboratory space to be undertaken by the developer, Reef on behalf of the proposed occupier, Autolus and comprising the following uses.

Ground Floor: Warehouse Storage, deliveries, shipment processing and communications.
Mezzanine Storage: Plant rooms and maintenance stores.
First Floor: Cell Manufacturing Processing facilities and staff changing facilities
Second Floor: Vector Manufacturing and QC Vector processing and laboratories
Third Floor: Offices, meeting rooms, seminar centre and banks of desks for staff.

Floorspace areas:

Use	Sqm	Sqft
General Manufacturing Production	2,508	26,996
Office	1,771	19,063
Warehouse	1,270	13,670
QC Labs	858	9,235

TOTAL	6,407	68,964
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2.5.8 The development will enable the activities of Autolus, currently spread over four separate locations in Stevenage to be consolidated on a single site. This will assure the retention of Autolus’s global manufacturing operations in Stevenage whilst establishing a critical mass of cell and gene therapy excellence that will further drive the growth of the Stevenage Cluster, and positioning Stevenage at the heart of the U.K.’s bioscience and life science capabilities.

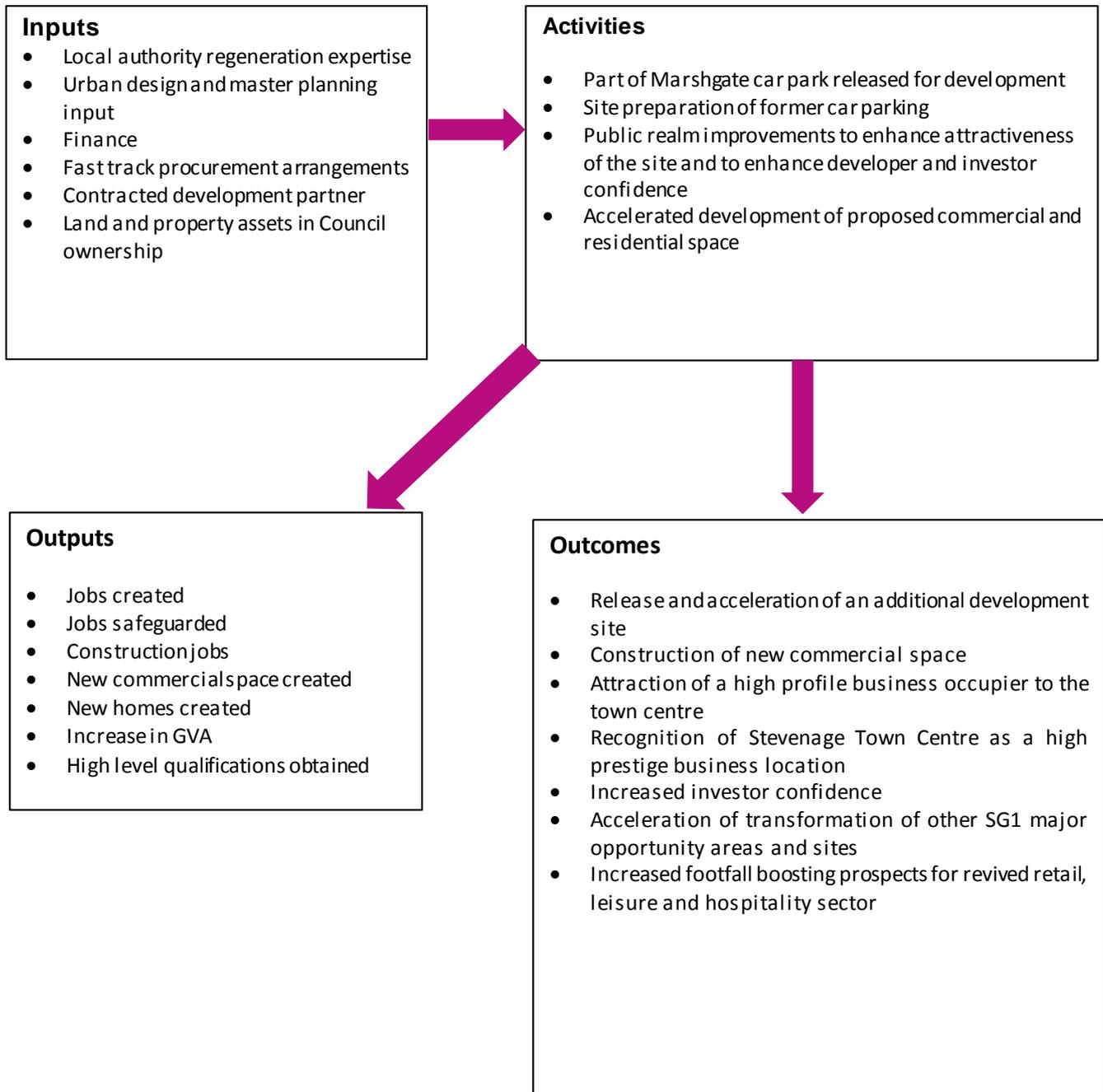
How the Project Addresses the Objectives and Vision

2.5.9 The vision and objectives will be addressed and met as a result of the following outcomes.

- Releasing one of the smaller car parks in the town centre will accelerate the redevelopment of the rest of Stevenage Central by enabling assembly of a pivotal redevelopment opportunity.
- High-quality public realm improvements will be conducive to the realisation of new, high quality commercial space within the town centre, and accessible high quality public spaces. This will boost investor confidence and accelerate investment commitments of the developers and that of the prospective new owner occupier.
- This will build recognition of Stevenage Town Centre as a high prestige location for headquarters and R&D for state-of-the-art technology companies prominent on the world stage, providing a catalyst for a sequential flow of investment in high quality floorspace and housing throughout the rest of the town centre.

Project Theory of Change

2.5.10 The following logic model explains the theory of change.



Expected Outputs and Outcomes

2.5.11 Quantified Outputs

Jobs Created	307
Commercial Floorspace Developed or Upgraded sqm	7,103
Net Increase in Commercial Floorspace	1,580
Construction Jobs	169
Additional GVA Generated per Annum	£17,712,967
Additional Annual High Level Skills Qualifications Attained	23

2.5.12 Wider Outcomes and Benefits

Economic

- Acceleration of the redevelopment of a key site in a Major Opportunity Area, in turn accelerating the on-going regeneration of the rest of the town centre.
- Attraction of major investment into a high prestige HQ and R&D facility.
- Retention of a significant number of jobs in Stevenage.
- Scope for creation of a significant number of additional jobs in Stevenage.
- Catalyst for stimulating early development commitments on sites similarly released for development.
- Creation of a magnet for additional world class bioscience activities in Stevenage Town Centre
- An extensive number of construction jobs will be created.
- Stronger perception of Stevenage as a place to invest by the private sector.

Environmental

- Major visual improvements contributing to creation of a higher quality living and working environment on the east side of the town centre.
- Scope for higher levels of living and working on the town centre, reducing the need to travel.

Social

- New qualifications will be generated as a result of the scheme.

2.5.13 Expected Different Impacts by Protected Characteristics and/or Income Groups

No adverse effects are identified. (Please refer to Town Investment Plan EQIA?)

2.6 Stakeholders

2.6.1 Key stakeholders and their role or interest in the project are listed below.

Project	Sub project	Primary Stakeholder	Comment
Marshgate Biotech Centre	Public realm	Autolus	Boost to image of the location. Provides recreational amenity key for attracting high quality staff in the post Covid era
		Local residents	Improved lifestyle offer for users of the town centre. Needs to play a key role in screening the development from surrounding residential development
		Arts and Cultural Group	Input in to the design of public art piece
	Creation of the bioscience building	Autolus	Provides Autolus with superbly located space for expansion, close to food and beverage, retail, leisure and other amenities key to supporting staff in the post Covid era.
		Herts LEP and Local Bioscience Industry Bodies	Major champions for development of the bioscience cluster
		Local residents	Major boost in numbers of high quality jobs for young people
	Creation of affordable homes	Local residents	Increased scope for living and working locally

Summary of Engagement to Date and Evidence Gathered

Autolus

2.6.2 Feedback from the potential tenant has been overwhelmingly positive. They recognise a number of strategic benefits to being located within the town centre. These include;

- Access to amenities and services for staff, enabling a better work-life balance and providing a wider range of options, promoting staff wellbeing
- Promoting a vibrant local economy to promote long-term business growth
- Excellent car-free access from the rail station for staff and visitors, promoting sustainable transport and reducing carbon footprint
- Proximity to hotels and residential accommodation for visitors and staff
- Availability of land and the potential for future expansion.

Consultation from the Planning Process

2.6.3 As part of the planning process, 234 individual and organisations have been invited to comment on the proposed development on the Marshgate site, of these 22 comments have been received with 14 supporting and 8 objecting to the project.

Comments from those Supporting the Project

2.6.4 A comment from Hertfordshire LEP in support of the Planning application states “This is a really exciting step forward in the development of the Life sciences cluster in Stevenage. The

development of Marshgate will be critical by transforming into Stevenage R&D hub into a full scale industrial cluster. This has major socio and economic benefits for the local area by creating high skilled, technical and ancillary employment opportunities for residents both in the industry and its supply chain and boosting the performance of the local economy. Globally it will continue to consolidate Stevenage's position as a destination hub for cell and gene therapy companies, generating further investment from overseas investors."

2.6.5 A comment from the Cell and Gene Therapy Catapult states: "At present, Stevenage is at the centre of the largest cell and gene therapy cluster outside of the US.....Retaining Autolus's global manufacturing operations is pivotal to creating a critical mass of cell and gene therapy excellence that will further drive the growth of the Stevenage Cluster, adding benefits to the inhabitants of the town.....Consolidation on a single site is imperative to retaining this growing company in Stevenage. Autolus is committed to upskilling their employees; they have multiple apprentices and have utilised local skills initiatives such as the aseptic course offered by the University of Hertfordshire. The proposed facility is an important part of delivering Stevenage at the heart of the U.K.'s bioscience and life science capabilities, articulated by the Stevenage Town Investment Plan and referenced in the UK government's Life Sciences vision. With the UK cell and gene sector being composed of over 100 companies, the proposed facility open also represents a long-term proposition".

2.6.6 Four town centre businesses have provided comments, all of which are supportive, amongst which the project being a great opportunity for local businesses and good for jobs and a great project for the regeneration of Stevenage and for securing more jobs for local people have been mentioned. A major retail operator has highlighted the significant boost for the businesses and shops in the town centre, with the some 300 additional employees shopping, eating and socialising within the town and surrounding facilities being a positive step for the survival of many town centre businesses and stores.

2.6.7 Supporting comments from residential neighbours have highlighted:

- Well needed public realm improvements
- New jobs and fresh opportunities for the town
- More people in the town supporting local business
- The development hiding an outdated building
- The project usefully retaining some parking spaces
- The quality of materials elevating the town and additional landscaping making Stevenage a nicer place to look at for local residents and visitors
- The boost to a night time economy for Stevenage
- A further major investment in Stevenage as a town and science centre of the UK.

2.6.8 A key caveat put forward was the need for great care and consideration to be shown towards existing neighbours and residents in terms of noise, dust creation and works traffic.

Comments from those Objecting to the Project

2.6.9 Against this, objections from neighbours highlighted:

- Concerns over loss of light, blocking of views and overshadowing

- Concerns over privacy due to being overlooked from the building
- Forcing people to use the multi storey car park which is dated, poorly lit at night and intimidating
- Concerns over noise from deliveries and general use of the building 24/7
- Concerns over traffic - Marshgate being a very small one way road for so many employees
- Question of where all the employees will park
- One of the industrial sites or the existing science park could well meet the requirement

Approach to Wider Stakeholder Engagement

2.6.10 In a wider context, stakeholders views have been captured through the Stevenage engagement programme, encompassing a number of mechanisms.

Local Residents

- A wide range of digital engagement utilising social media other related platforms
- A dedicated Visitor Centre in Town Square open to the public, where people could view, engage with and discuss the regeneration of the town.
- A 'virtual visitor centre', which contains all of the content in a digital platform on our dedicated website. This has enabled the Council to continue to reach residents of all ages and abilities during the pandemic.
- Stevenage residents' survey.

Currently engagement is focused on the consultation and promotion of the Council's priority projects.

Business

- Business networking events, a number of project based consultations, such as the Local Plan, SG1, and the Bus Interchange and a number of roadshow events.

Other Stakeholders

- Regular consultation with public sector bodies such as Hertfordshire County Council, the LEP and relevant statutory bodies
- Project specific consultation as part of the planning process

2.6.11 The key themes that have emerged from residents, business and community groups are:

- Create inclusive accessible transport
- Create great spaces to live in and socialise
- Create a vibrant town centre offer that is a destination for all
- Create aspiring communities and opportunities that create a lasting legacy. events through to a wide range of digital engagement utilising social media other related platforms.

Summary of Stakeholder Viewpoint of the Project and How it Has Influenced the Strategic Case

- 2.6.12 Extensive engagement was carried out as part of the development of the Town Investment Plan process. Project-specific consultation took place both before and during the planning application, and further engagement is planned as part of the public realm design. Clearly, the benefits of more well paid jobs assuring the continued vibrancy of the town centre, higher quality amenities, and the prestige of having a world beating bioscience facility in the heart of the Stevenage urban area are recognised by local businesses and some neighbouring residents.
- 2.6.13 Against this, concerns about impaired visual quality, privacy and being overlooked, potential noise and traffic congestion are valid concerns. For this reason, the design of public realm scheme will need to take account of these concerns and incorporate solutions to address and mitigate potential adverse effects of the scheme.
- 2.6.14 In parallel, the initiatives being brought forward for the wider regeneration of the town, including integrated public transport, new walkways and cycle ways, enhanced parking provision with electric charging elsewhere in the town, and the impacts on providing travel options alternative to the car need to be clearly communicated to the incoming employees in order to prevent car based traffic congestion.

ECONOMIC CASE

3. ECONOMIC CASE

3.1 Introduction

3.1.1 This economic case defines the benefits from the scheme identified and how they will have come about, the geographical scale of the benefits by way of a place based analysis and how the how benefits estimated link to the theory of change and strategic case set out above. Quantified benefits have been calculated and an assessment made of non-quantifiable benefits. The economic case indicates which benefits have been monetised and how these will be generated year by year. Factors such as additionality, deadweight and displacement of benefits and double counting have been considered as have distributional impacts.

3.2 Approach to the Economic Case

Options Initially Considered

3.2.1 In the first instance, the following long list of options was considered for addressing the opportunities and constraints described above.

- i) Do nothing: Leave the Marshgate undeveloped and continue to use as a car park.
- ii) Stevenage Borough Council to act as a speculative developer.
- iii) Redevelop the car park for alternative uses such as retail and leisure.
- iv) To reduce costs, proceed with an office development project without investment in accompanying public realm improvements.
- v) Pursue a solely office based development on the site.
- vi) Pursue a residential development exclusively on the site.
- vii) Creation of a new street, footpath and high quality public realm linking the site to Queensway North and the multi-story and a development project to create 76,437 sq.ft of offices, high tech and laboratory space.

How Project Options Were Shortlisted

3.2.2 The following criteria have been adopted in shortlisting options. Projects must be able to:

- Align with Stevenage Town Investment Plan strategic objectives
- Provide a positive local economic impact
- Address the stated objectives of and benefits sought from the project and those of associated strategic policies
- Be delivered within a 36 month timescale.
- Significantly accelerate delivery of the Stevenage Central SG1 Regeneration Strategy
- Significantly improve accessibility in an out of the Town Centre

- Demonstrate a significant impact on air quality, adoption of ultra-low vehicles and reduction of traditional car usage

How Options were Shortlisted

3.2.3 Of these options redeveloping the car park for alternative uses such as retail and leisure or exclusively for either office development were rejected because:

- a) the retail sector and its space requirements are declining
- b) ample provision either exists or is being created for leisure and hospitality activity in adjacent town centre locations
- c) these options do not have the same catalytic impact on regeneration as the preferred option
- d) A market opportunity for life sciences emerged quickly

Shortlisted Options

3.2.4 The remaining options, which have been shortlisted are appraised as follows.

Option 1	Do nothing: Leave the Marshgate undeveloped and continue to use as a car park.
<i>Appraisal</i>	Sites such as these are urgently required to create new development opportunities conducive to diversifying and sustaining the prosperity of the town centre. Without this site comprehensive regeneration of the town centre will not be accelerated. Continued use of the site for parking also reduces the viability of the proposed multi-storey car park.
Option 2	Do Minimum Scenario: Fence off the car park and wait for the market to come along with a suitable scheme without any public sector inducements or support such as investment in accompanying public realm improvements.
<i>Appraisal</i>	Leaving the opportunity solely for the market to decide is likely to lead to sub-optimal regeneration outcomes. Satisfactory development outcomes are likely to take many more years.
Option 3	Council to act as developer as speculative developer.
<i>Appraisal</i>	This is not an optimal use of resources or expertise. Proactive private sector investors and developers are more nimble and can deliver higher quality development at less cost than the public sector. By working with the private sector the Council's financial resources can be deployed to stimulate transformation more quickly and more widely across the town centre.

Option 4	Adopt an alternative development such as retail and leisure or exclusively offices or housing.
<i>Appraisal</i>	Demand for retail space is in decline. Schemes have already been brought forward for more copious food and beverage provision. Combining office and residential uses in towns and cities has been identified by bodies such as the Centre for Cities as a means of keeping urban centres prosperous and resilient as strong demand for high quality amenities can be established and maintained. It is also conducive to creating a sustainable environment as by having homes and employment opportunities close together reduces the need to travel. Also, given the demand for housing, uses on available development sites need to be intensified.
Option 5	Creation of a new street, footpath and high quality public realm linking the site to Queensway North and the multi-story and a development project to create 76,437 sq.ft of offices, high tech and laboratory space.
<i>Appraisal</i>	This option creates a high prestige employment use; helps to consolidate Stevenage as a premier bioscience location; establishes a market for high quality office uses on other town centre sites; alleviates housing shortages; diversifies the town centre and sustains the viability of local amenities and accelerates the comprehensive transformation of the town centre.

Preferred Option

3.2.5 The preferred option is No. 5, the creation of a new street, footpath and high quality public realm linking the site to Queensway North and the multi-story and a development project to create 76,437 sq.ft of commercial life sciences space, responding to a unique market opportunity for Stevenage and the need for grow-on space for the internationally recognised Cell & Gene Therapy Cluster.

3.3 Economic Benefits

3.3.1 Quantified Benefits

Jobs Created	307
Commercial Floorspace Developed or Upgraded sqm	7,103
Net Increase in Commercial Floorspace	1,580
Construction Jobs	169
Additional GVA Generated per Annum	£17,712,967
Additional Annual High Level Skills Qualifications Attained	23

How Benefits Have Been Monetised

3.3.2 GVA impacts from employment and income projections have been projected. These have been projected over a 30-year period. There are no monetisable direct transport benefits.

Relevant Modelling Results

	Present Value 30 Years
Cost	£47,189,795
Benefits	
Transport	£0
Non-Transport	£254,405,820
Total	£254,405,820
Net Present Value: Benefits Less Cost	£207,216,025
<u>BCR Calculations</u>	
Transport	0.00
Non-Transport	5.39
Transport and Non-Transport	5.39

Annual Undiscounted Benefits (real terms)

	Undiscounted 30 Years
Cost	£50,206,443
Benefits	
Transport	
Non-Transport	£442,824,184
Total	£442,824,184
Net Present Value: Benefits Less Cost	£392,617,741
<u>BCR Calculations</u>	
Transport	0.00
Non-Transport	8.82
Transport and Non-Transport	8.82

Additionality, Deadweight, Displacement and Substitution of Benefits

3.3.3 The following assessment has been made of additionality, deadweight, displacement and substitution of benefits.

Additionality	<p>Additionality affects that would not have been realised but for this project are:</p> <ul style="list-style-type: none"> • New floorspace created and associated job creation • Additional housing that would not have been possible without the project • Enhancement of Stevenage Town Centre's profile as a high-quality business location for international companies
Leakage	This project is about place specific site development which cannot take place

	elsewhere so no leakage is anticipated.
Deadweight	The benefits from this project could not have happened anyway given identified market failures and the amount of investment needed to release and prepare the proposed sites ready for development.
Displacement	Possible relocation of high-tech businesses from Gunnels Wood to the town centre will occur, but given the intensity of demand from the clustering effects within the biosciences sector coupled with a shortage of employment space borough-wide, replacement investment would be found quickly, creating jobs that would cancel out any displacement effects.
Substitution	Not expected to apply as: <ul style="list-style-type: none"> a) Stevenage is being position for attracting investment and jobs from international companies b) Given the proposed innovation hub and STEM skills project complementing this project as part of the Town Fund proposals, skills levels will be enhanced.

Assessment of Non-Quantified Benefits

3.3.4 Non-quantified impacts and benefits are summarised below.

Project	Impact	Assessment of Benefits
Public realm	Higher levels of investor confidence	<ul style="list-style-type: none"> • Acceleration of development commitments and completions. • Providing an improved town centre visual environment will generate higher levels of investor confidence, conducive to acceleration of the rest of the redevelopment of Stevenage Central. • New homes will be created to offset housing shortages. Faster provision of new affordable homes that can be allocated to local people. • Enhanced patronage of and investment in upgraded food and beverage outlets. • Wider choice of high quality jobs for local residents • Increase in town centre residents, employees, visitors and spending.

Consideration of Distribution of Impacts

Employment and income

3.3.5 High quality office development employment opportunities will predominantly benefit white collar occupations. Food and beverage and retail development will provide employment opportunities for service sector, manual and elementary occupations.

Geographical

3.3.6 Beneficiaries will be primarily current residents of Stevenage and future residents of the town centre plus those within Stevenage and its travel to work area.

Protected Groups

3.3.7 No adverse effects are identified.

3.4 Economic Costs

Breakdown of Project Costs

Marshgate Biotech Centre Affordable Housing

	Bioscience Building	Affordable Housing	Public Realm	Total
Site Acquisition Costs	£3,400,000	£21,040	£0	£3,421,040
Construction:				
Construction costs	£23,648,965	£14,976,748	£1,800,000	£40,425,713
Professional fees	£2,241,330	£1,944,000	£200,000	£4,385,330
Financing costs	£1,082,839	£891,521		£1,974,360
Sub Total	£26,973,134	£17,812,269	£2,000,000	£46,785,403
Total	£30,373,134	£17,833,309	£2,000,000	£50,206,443

3.5 Value for Money Assessment

VFM Assessment

	Present Value 30 Years
Cost	£47,189,795
Benefits	
Transport	£0
Non-Transport	£254,405,820
Total	£254,405,820
Net Present Value: Benefits Less Cost	£207,216,025
<u>BCR Calculations</u>	
Transport	0.00
Non-Transport	5.39
Transport and Non-Transport	5.39

Steps taken to Maximise Vfm

3.5.1 Appropriate measures are being applied to ensure that the construction works for the project can be delivered in the most cost-effective manner possible, without sacrificing on the quality and functionality of the end product.

3.5.2 To this end, the appointed contractors will be asked to assess scope for further savings from the supply chain, alternative configurations and materials with a view to optimise value for money. In addition, quotes for ongoing design and survey activity will be retendered should this be considered to have scope for further savings.

3.6 Place Based Analysis

3.6.1 Benefits related to the preferred option which are quantifiable and those wider in scope or non-quantifiable are set in the place-based analysis described below, taking account of local employment impacts.

Place Based Analysis		
Target Area	Central Core, Stevenage Town Centre, SG1	
External dependencies	None affecting project implementation Site occupancy not dependent on market demand, as occupier for commercial floorspace in town centre has been identified	
Benefits to the Target Area: Quantified	Summary of Outputs	
	Jobs Created	307
	Commercial Floorspace Developed or Upgraded sqm	7,103
	Net Increase in Commercial Floorspace	1,580
	Construction Jobs	169
	Additional GVA Generated per Annum	£17,712,967
	Additional Annual High Level Skills Qualifications Attained	23
	Benefits to the Target Area: Qualitative	<p><u>Economic</u></p> <ul style="list-style-type: none"> • Acceleration of the redevelopment of key sites in Central Core • Improved town centre environment • Stronger perception of Stevenage as a place to invest • Higher levels of investor confidence conducive to acceleration of transformation throughout Stevenage Central <p><u>Environmental</u></p> <ul style="list-style-type: none"> • Improved visual environment • Enhanced scope for living and working in the town centre, thereby reducing the need to travel. • Cleaner air and healthier lifestyles. <p><u>Social</u></p> <ul style="list-style-type: none"> • New homes will be created to offset housing shortages • Better local amenities due to increase patronage of retail, hospitality and leisure activities in the town centre.
Possible collateral effects in the target area or wider spatial area	<p><u>Positive effects</u></p> <ul style="list-style-type: none"> • Acceleration of on-going regeneration of the town centre. • Reduced car usage, cleaner air and healthier lifestyles <p><u>Negative effects</u></p> <ul style="list-style-type: none"> • Possible attraction of employers out of Gunnel's Wood employment area 	
Adverse effects on protected groups	None so far identified	
Different impacts by income group	High quality office development likely to benefit white collar occupations F&B and retail development will provide opportunities for manual and elementary occupations	
Views of local stakeholders	TBC	
Alignment with wider public policy in the relevant area/s and the UK as a whole/s	<u>National</u> Boost to: Prospects for the UK Innovation Corridor Net Zero Carbon Policies	

Place Based Analysis	
Target Area	Central Core, Stevenage Town Centre, SG1
	<p><u>Sub-regional</u> Hertfordshire Covid Recovery Plan: contributes to equipping Hertfordshire’s places for mid-21st Century living supporting town centres and town-level economies building digital connectivity. Boosts enterprise and innovation and international trade and investment. Sub-regional and Local Transport Policies: helps create a built environment conducive to improved accessibility; reduces the need to travel; encourages change in people’s travel behaviour</p> <p><u>Local</u> Stevenage Local Plan 2019-2031. Directly addresses Local Plan’s ambitions for new homes and additional employment floorspace. Stevenage Central Framework. Recycling of redevelopment sites; opportunities to create offices and workspace matching post-Covid requirements; uplifting the area’s image and investor confidence; reduced need to travel; greater opportunities for take up of public transport in place of cars contributing to carbon reduction targets.</p>
Dependency on the successful delivery of other proposals	Completion of new bus interchange and rail station upgrade, both approved and funded
Link of Benefits Estimated Link to Theory of Change and Strategic Case	<ul style="list-style-type: none"> • Release and acceleration of an additional development site • Construction of additional housing • Construction of new commercial space • Attraction of high profile business occupiers • Recognition of Stevenage Town Centre as a high prestige business location • Increased investor confidence • Acceleration of transformation of other SG1 major opportunity areas • Increased footfall boosting prospects for revived retail, leisure and hospitality sector

3.7 Summary of Preferred Option for Investment

Purpose and Key Elements of the Project

3.7.1 The purpose of this project is the creation of a new street, footpath and high quality public realm linking the site to Queensway North and the multi-story and a development project to create 76,437 sqft of offices, high tech and laboratory space.

3.7.2 Key elements of the project are:

- Reallocation of the car parking spaces to the Station North Car Park whose capacity is being augmented by an upper deck as part of the development of the Station Gateway Phase 1 sustainable vehicle park scheme.
- Following the release of one of the town centre surface car parks for redevelopment, site preparation works and public realm enhancements will provide an opportunity for new housing and commercial development.
- Initial enabling works and public realm work to create the conditions for the development to proceed.

- High quality public realm including new paving surfaces and planting of trees and other foliage around the perimeter of the site and car parking area.
- A development project to be undertaken by the developer Reef to create 76,437 sq.ft of offices, high tech and laboratory space
- New office development made possible will reposition Stevenage as office location of international significance providing high quality jobs and career opportunities to Stevenage residents.

3.7.3 Key benefits of the project will include:

- Major boost in the number of and choice of high quality jobs for local residents
- New homes will be created to offset housing shortages. Faster provision of new affordable homes that can be allocated to local people.
- Increase in town centre residents, employees, visitors and spending.
- Enhanced patronage of and investment in upgraded food and beverage outlets.
- An improved town centre visual environment will generate higher levels of investor confidence, conducive to acceleration of the rest of the redevelopment of Stevenage Central.
- Acceleration of development commitments and completions across the wider town centre.
- Consolidation of the gene therapy cluster and wider bioscience sector within the region and UK.

FINANCIAL CASE

4. FINANCIAL CASE

4.1 Introduction

4.1.1 This section sets out the financial case for the project first describing the approach and funding options, details of the buildup of costs, proposed funding and an affordability assessment.

4.2 Approach to Financial Case

Funding Options Considered

Stevenage Borough Council

4.2.1 Stevenage Borough Council has been investigating a range of funding opportunities to fund projects within the Regeneration programme and working across the organisation to create a centralised review of available funding opportunities and determine which projects are most appropriate. The financial impact on the council following COVID 19, will be significant, and it is anticipated that the capital programme will be affected. Were this project to be funded by the Council, it would divert funds earmarked for other initiatives essential to accelerating the regeneration and renewal of the SG1 area, such as strategic site acquisitions and associated enabling works.

Other Public Sector Funding Options

4.2.2 Other funding options such as Future High Street, One Public Estate and Levelling Up funding are less aligned in terms of criteria and the urgency surrounding the scheme, though these are being explored in conjunction with the Town Development Board.

Private Sector

4.2.3 There are good prospects for mobilising the private sector to invest in and take forward the project. A costed development scheme has been worked up by Reef, a development partner of Stevenage Borough Council and a private sector funder identified.

Town Fund

4.2.4 However, the visual quality of the area adjacent to the site is poor and presents a somewhat drab environment comprised of dated buildings and the rear of Queensway North. This presents a potential barrier to triggering a development start. To be sure of securing the investment commitment of the above developer, it will be necessary to mitigate this constraint by parallel investment in high quality public realm works that will significantly enhance the experience and visual quality of the site's environs for employees and visitors to the proposed bioscience building as well as for other town centre visitors.

Preferred Funding Option

4.2.5 The Town Fund is considered to be an ideal option for this scheme as it provides for sufficient resources to implement the public realm elements of the scheme. This can realistically be expected to create the level of confidence needed to secure the investment and development commitment necessary for the bioscience and affordable homes scheme to move forward.

Funding Profile and Scheduling

4.2.6 The funding profile is summarised as follows.

Funding Profile	
Type	
Private Sector	£48,206,443
Town Fund	£1,750,000
Total	£50,206,443

4.2.7 The table below shows the scheduling of the funding.

Funding Profile	20/21	21/22	22/23	23/24	24/25	25/26	Total
Private Sector		£9,641,289	£38,565,154				£48,206,443
Town Fund		£100,000	£400,000	£1,250,000			£1,750,000
Total		£9,841,289	£40,365,154				£50,206,443

4.3 Costs

4.3.1 The project costs are as set out below. The construction costs of the bioscience building and affordable homes are taken from the development appraisals prepared as part of the Marshgate site valuation undertaken by Cushman and Wakefield in behalf of Stevenage Borough Council in June 2021. The costs of the public realm works have been estimated by members of the Council's regeneration team.

Marshgate Bioscience Office and Affordable Housing				
Breakdown of Project Costs	Bioscience Building	Affordable Housing	Public Realm	Total
Site Acquisition Costs	£3,400,000	£21,040	£0	£3,421,040
Construction:				
Construction costs	£23,648,965	£14,976,748	£1,800,000	£40,425,713
Professional fees	£2,241,330	£1,944,000	£200,000	£4,385,330
Financing costs	£1,082,839	£891,521		£1,974,360
Sub Total	£26,973,134	£17,812,269	£2,000,000	£46,785,403
Total	£30,373,134	£17,833,309	£2,000,000	£50,206,443

4.4 Funding and Revenues

4.4.1 Funding options considered are as described above. The funding of the site redevelopment will be assured under the terms of a development agreement with Reef. Sources and uses of funds are summarised below.

Funding Profile				21/22	22/23	23/24	24/25	Total Uses
Sources	Value	Uses	Value					Total
Private Sector	£48,206,443	Development and Construction	£48,206,443					£48,206,443
SBC								
Town Fund	£1,750,000	Public Realm Works	£1,750,000	100,000	400,000	1,250,000		£1,750,000
Total	£50,206,443		£50,206,443					£50,206,443

4.5 Affordability Assessment

4.5.1 A BCR has been calculated as shown below.

Cost	£47,189,795
Benefits	
Transport	£0
Non-Transport	£254,405,820
Total	£254,405,820
Net Present Value: Benefits Less Cost	£207,216,025
<u>BCR Calculations</u>	
Transport	0.00
Non-Transport	5.39
Transport and Non-Transport	5.39

4.5.2 As can be seen from the table above, the net cash flow taking account of economic benefits gives a net present value of £266m and benefit cost ratio of 5.4.

4.5.3 It is proposed that the Town Fund provides the resources for completion of the public realm scheme leading to the site. These commitment to these works provide the assurance to the developer that the visual and physical environment around the redevelopment of the Marshgate site will be significantly upgraded in parallel with his investment commitment, enhancing confidence in the expected success of the scheme.

4.5.4 The redevelopment to be undertaken by Reef will be on the basis of a pre-let to the occupier of the office space. The pre-let would be to Autolus Holdings UK, who are a biopharmaceutical company founded on advanced cell programming technology and spun-out from University College London in 2014. The commitment to this pre-let will be more likely to be secured if this tenant can be assured that their operational environment will be of high quality.

COMMERCIAL CASE

5. COMMERCIAL CASE

5.1 Introduction

5.1.1. This section sets out the commercial case, describing the potential commercial options for delivery of the project model and supporting rationale, taking account of the existing commercial strategy of Stevenage Borough Council and on this basis the procurement strategy adopted, based on a review of possible options for the preferred procurement route. The proposed procurement process, including key milestones, and processes for assurance and approvals are then set out.

5.2 Commercial Deliverability

Potential Delivery Options

5.2.1 There are three delivery options.

1. Stevenage Borough Council promoting a development with its own finances and management resources.
2. Attracting proposals from speculative office developers.
3. Working in partnership with a developer who is able to line up a high quality occupier in advance of the development.

5.2.2 The first option, where the Council would act as a speculative developer is a poor use of its resources and expertise which are better deployed to stimulate leveraged investment and transformation more quickly and more widely across a variety of the town centre. Especially as an opportunity with a developer has naturally arisen through market conditions.

5.2.3 Attracting proposals from speculative office developers has the advantage of bringing in private sector investors and developers who have stronger expertise in development schemes and can deliver at less cost than the public sector. However, the Council's regeneration strategy and wider sub-regional economic growth objectives have determined the need to build powerful clusters in specific areas of economic activity and within definitive timescales. This cannot be assured simply by relying on speculative developers. Leaving the opportunity solely for the market to decide is likely to lead to sub-optimal regeneration outcomes. Moreover, development completions are likely to take many more years.

Proposed Delivery Model

5.2.4 The proposed delivery model is to work in partnership with a developer who is able to line up a high quality occupier in advance of the development and for Stevenage Borough Council to sale the land subject to appropriate conditions as landowner In parallel, it is proposed that the Town Fund provides the resources for completion of the public realm scheme leading to the site , for additional quality and integration with the Town Centre. The redevelopment would be

undertaken by Reef on the basis of a pre-let to the occupier of the office space and the relationships built and established through market engagement process

Rationale for Proposed Delivery Model

- 5.2.5 These arrangements have a number of advantages. An agreement for lease provides assurance to the developer that the scheme can proceed on a viable basis. The commitment to this AFL will be more likely to be secured if this tenant can be assured that their operational environment by way of an enhanced public realm will be of high quality. Both factors are conducive to accelerating the transformation of the Marshgate major opportunity area, with associated knock-on benefits to surrounding parts of the town centre.
- 5.2.6 A further benefit is that this model works well in assuring the meeting of sub-regional economic growth objectives, in this case boosting the position of Stevenage in the UK Innovation Corridor (UKIC) and in this context further developing its significant bioscience industry. The pre-let would be to Autolus Holdings UK, who are a biopharmaceutical company founded on advanced cell programming technology and spun-out from University College London in 2014. Attracting such uses into the town centre is also conducive to making the wider town centre more sustainable both in economic and environmental terms.

Existing Commercial Strategy

- 5.2.7 Stevenage Borough Council has a strong track record of delivering projects and are working collaboratively with partners to increase momentum to regenerate the town centre. In particular, in March 2019, the Council entered into a development agreement with the urban developer Mace to bring forward two of the Major Opportunity Areas (MOAs) of the Framework - Southgate Park and the Central Core – as well as acting as a catalyst to deliver major place shaping changes to the town centre.

Evidence of Market to Deliver the Project

- 5.2.8 As stated in the Town Investment Plan, Reef are an urban regeneration specialist with a £4bn regeneration portfolio and expertise in enhancing communities and environments, providing design expertise and end-to-end management including programming, cost analysis, procurement, construction and leasing. In Stevenage, Reef have acquired the former M&S site in partnership with SBC are delivering a £20m+ mixed-use regeneration scheme of 107 apartments, diversified leisure, retail and restaurant uses, and new commercial space. The scheme is on site now and nearing completion. . Reef are keen to do more in Stevenage particularly involving the life science sector.

Key Contractual Arrangements

- 5.2.9 SBC will contract for the sale of the relevant portion of the Marshgate site based on a recently completed independent site valuation. In parallel with the contract of sale, a development agreement will be concluded between SBC and Reef which will commit Reef to delivering the public realm scheme on behalf of Stevenage Borough Council Reef to commit to developing the office and laboratory space and residential units on the Marshgate within a defined timescale . As

of xxx planning permission was granted to xxx for the development of the office and laboratory space.

Delivery Arrangements

5.2.10 The above contractual arrangements will assure the development of the Marshgate scheme will be completed with the appropriate conditions and mechanisms to monitor the progression of the construction and the design and delivery of the public realm scheme.

Risks

5.2.11 The identified risks are assessed as follows.

Risks	Likelihood	Mitigation
Failure to achieve planning approval	Low	Planning approval has been achieved.
Autolus backs out of the deal with Reef	Medium	SBC has no direct control of this, but the purpose of the commitment to the public realm scheme is to ensure an attractive operational environment for the company and its employees. This is a significant inducement, minimising the possibility of a pull out.
Reef suffers financial distress	Low	Through its due diligence, SBC has reviewed Reef's commercial performance and the value of its property holdings and is assured of the robustness of its finances.

5.3 Procurement Strategy

Projects that will need to be Procured

5.3.1 There are two projects that need to be procured.

1. Turnkey design and build of the public realm project. Responsibility: Reef
2. Turnkey design and build of the bioscience project. Responsibility: Reef.

Procurement Process, Milestones, Assurance and Approvals

5.3.2 Reef Developments will procure the public realm project.

5.3.4 Stevenage Borough Council follows public procurement procedures and complies with public procurement law (s35 Local Government Act 1972 plus current OJEU regulations). Information regarding this can be viewed on our website by following the link below, this also outlines the corporate procurement strategy between 2016-2020. Stevenage Borough Council will perform the procurements of construction contractors.

Proposed Policies on Social Value, Sustainability, and Innovation

To be completed. Do Reef have some criteria for this? Is this where we need to include our core values as a measure or no?

MANAGEMENT CASE

6. MANAGEMENT CASE

6.1 Introduction

- 6.1.1 This section sets out the approach and experience of SBC in delivering similar projects and sets out the proposed arrangements for Project Organisation and Governance. The approaches to oversight and approvals and to assurance and the assurance plan are then described.
- 6.1.2 The scope of the project and its key elements are then described along with the approach to specifying and managing requirements, the interfaces with third parties and related management approach and the approach to solution development, confirmation management and acceptance.
- 6.1.3 The structure of the project programme and principal stages and workstreams and related timescales are then described, making reference to interdependencies with rest of TIP and non-TIP projects.
- 6.1.4 The key milestones and key decision points, assurance, consents, approvals are then summarised. Constraints and assumptions are then summarised and the most likely forecast completion date stated.
- 6.1.5 This section also elucidates on the approaches to risk and opportunities management, project management, stakeholder engagement and benefits, monitoring and evaluation.

Evidence of Application on Similar Projects

- 6.1.6 Stevenage Borough Council has a strong track record of delivering projects and are working collaboratively with partners to increase momentum to regenerate the town centre. In particular, in March 2019, the Council entered into a development agreement with the urban developer Mace to bring forward two of the six Major Opportunity Areas (MOAs) of the Framework - Southgate Park and the Central Core – as well as acting as a catalyst to deliver major place shaping changes to the town centre.

6.2 Project Organisation And Governance

- 6.2.1 There is a very well established two- tier governance system which is already overseeing the delivery of the programme of projects delivery regeneration in the town centre. The Town Development Board has been recently established after drawing the previous Stevenage First board to a close. This board operates a strategic steering group, which sets the vision and direction for the Town Investment Plan funding. In terms of the project delivery, there is a two tier governance structure in place at a programme and project level. Regeneration Steering Group, which monitors the overall performance of the programme. Working groups are

established relating to the project with standardised governance and project management approach that escalates progress, risks and relating to budget, timescales tolerance levels. to the Regeneration Steering Group Projects delivered to date under this supervision model include the public realm projects- Forum Square, Littlewoods Square, Market Place, Wayfinding and more recently North Block, Town Square and the vacant possession of Swingate House.

Key Participants, Accountabilities and Responsibilities

6.2.2 The key participants, accountabilities and responsibilities are summarised below.

Participants	To Whom Accountable	Accountabilities	Responsibilities
Stevenage Borough Council	Central Government	Successful regeneration outcomes and impacts within the town centre	Correct use of Town Fund award
	Local Residents	Delivery of a high-quality public realm	Adequate consultation
		Minimisation of adverse impacts of the scheme	Ensuring a comprehensive design scheme
Reef	Stevenage Borough Council	Compliance with development agreement	Assuring what was proposed is delivered and on time
	Autolus	Provision of a building meeting agreed specification	Assuring quality of the product meets original commitment

Project Delivery Organisation

6.2.3 The project delivery organisation is summarised below.

Organisation	Functions	Key Roles	Capability	Competences and Resourcing
Stevenage Borough Council	Orchestration of regeneration strategy and projects	Stakeholder consultation Project scoping Sourcing of funding Initiation of delivery partnerships Formalising approvals	Well-developed stakeholder engagement strategy, organisation and processes Devising high impact regeneration solutions Delivery through partnership	Expert and experienced regeneration team Town Fund award and match funding for key projects Scope procurement framework Delivery partnerships
Reef	Delivery of high-quality development	Sourcing high quality tenants	Orchestration of scheme design, funding and	Comprehensive array of development

	schemes	Funding Scheme design and planning Procurement Construction and delivery	construction	expertise Access to commercial development funding
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Governance Arrangements for Oversight and Approvals

6.2.4 The Town Development Board will continue to monitor the progress of the programme of Town Investment Plan projects. The Board includes a number of local leaders from key sectors and businesses, including companies such as Airbus, MBDA, Wine Society and Groundwork East; all tiers of local government and Hertfordshire LEP; community sector; education sector including North Hertfordshire College (FE) and the University of Hertfordshire (HE), and others such as the local NHS Trust. Stevenage Borough Council (SBC) will be the accountable body. The Council has a dedicated regeneration directorate to deliver a programme of projects with a current capital value in excess of £60m. SBC will be supported by both the County Council and the LEP. The LEP has considerable experience of major programme management (BEIS/MHCLG Getting Building Fund, Growth Deal and Growing Places funding). The LEP approves and monitors its projects using an Assurance Framework and this will be utilised for administering Town Deal.

6.2.5 As mentioned, the Regeneration Steering Group will monitor the performance of the scheme and the project manager linked to this project will

6.3 Assurance

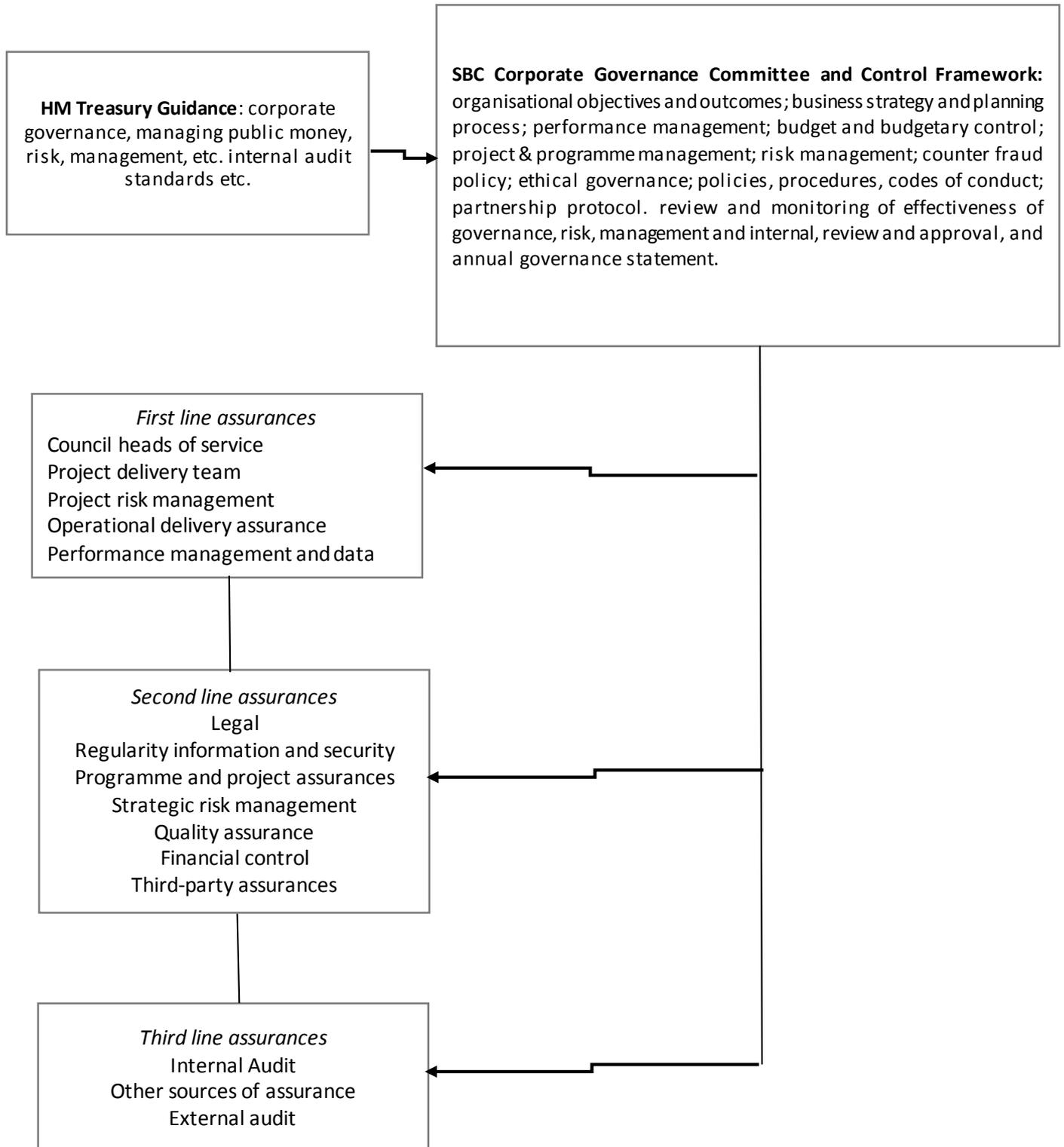
Approach to Assurance

6.3.1 All proposals and business cases will go through a transparent and robust application and scrutiny process, based on three simple principles:

- Robust interrogation to maximise value for money and ensure outputs and outcomes are deliverable and achievable
- Streamlined and efficient process, utilising private sector partners, to ensure pace of delivery is maximised
- Transparency and openness, with the process and framework published (without prejudice to commercial confidentiality).

Summary of Assurance Plans and Timing of Key Reviews and Links to Decision Points

6.3.2 The assurance process will proceed via the following framework.



Integrated Approvals and Assurance Plan

6.3.3 The approvals and assurance arrangements are illustrated in the table below.

Month	Project Delivery Team	Stevenage Development & Town Board		Independent Auditing
	Actions	Approvals	Oversight Actions	Investigations and assurances
<u>Public Realm Project</u>				
1	Final scoping and business case	Approval of business case		
3	Report on risk profile and mitigation measures		Integrated review of project risks and strategic risks, mitigation proposals and actions	Review and commentary on risk profile and combined project risks, mitigation proposals and actions
2	Consultation process and report	Approval to finalise project plan		
3	Project delivery plan: proposed designs, solutions, delivery programme and costings	Approval of project plan		Submission of comments on project delivery plan
4	Asset Transfer	Approval of land sale		
4	Project launch	Approval for project start		
5-35	Monthly project reports: progress, achievements, risk mitigation actions and expenditure		Review of monitoring reports	
			Stage gate assessments	
			Decisions and interventions in the event of serious delays or emerging major uncertainties	
			Commission interim project audit report	Interim project audit
		Directions in event of financial and other irregularities		
<u>Site Development Scheme</u>				
5-35	Monthly report on developers' compliance with development agreement		Interventions in event of non-delivery of development agreement	
<u>Project Completion</u>				
36	Project completion report	Sign off of project completion	Sign off independent auditing	Final project audit

6.4 Scope Management

Summary of the Scope of the Project and its Key Elements

- 6.4.1 The scope of the project specification is driven by the Stevenage Central Framework produced in 2015, through which Stevenage Borough Council has set out to comprehensively regenerate the town centre through the transformation of its major opportunity areas, of which Marshgate is one, in a phased manner. The attraction of high quality employment into the town centre alongside the development of good quality housing is a fundamental objective for assuring the town centre's future resilience.
- 6.4.2 In accordance with this objective, the scheme being supported by the Town Fund will involve the bringing forward and implementation of a new mixed-use development that will directly respond to the need for additional space to meet continued growth of Stevenage's specialist bioscience cluster.
- 6.4.3 The development will take place on an existing surface car park alongside St, George's way on the east side of the town centre. Key activities will involve:

- Initial enabling works and public realm work to create the conditions for the development to proceed. This will include high quality public realm including new paving surfaces and planting from the site to Queensway North and a pathway to the multi-storey car park area.
- A development project to be undertaken by the developer Reef to create 76,437 sqft. of offices, high tech and laboratory space

6.4.4 Autolus Holdings UK, who are a biopharmaceutical company founded on advanced cell programming technology and spun-out from University College London in 2014 is an investment vehicle for Autolus Limited who will occupy the Bioscience building with two other group subsidiaries. The ultimate parent company is Autolus Therapeutics Plc, which is listed on Nasdaq and who have a market value of £565m.

Activity	Parallel Projects	Current Project	
		Enabling Phase	Development Phase
Multi Storey Car Park & zero carbon support infrastructure	√		
Reallocation of car parking spaces from Marshgate to MSCP		√	
Sale of Marshgate car park site to developers		√	
Public realm improvement scheme from Marshgate to Queensway North		√	
Development of bioscience office and laboratory building			√

Approach to Specifying, Approving, and Managing Requirements

6.4.5 The Stevenage Central Framework also sets the parameters underlying the specification of requirements. This has set targets for the amounts of employment space and number of homes to be developed and jobs to be created. Sub-regional economic growth objectives, such as assuring the success of the UK Innovation Corridor in Hertfordshire and the bioscience cluster in particular have an influence on the scope of the project.

6.4.6 To achieve these aims and targets, the Council has specified the resources, processes and tools that need to come together in place to transform Marshgate. Specifically:

- Allocation of one of six surface car parks to be redeveloped – i.e. Marshgate
- The lining up of a competent developer and high prestige occupier for the site
- A project plan and programme for the creation of a high quality public realm to provide conditions for the redevelopment aims to be realised successfully
- Ensuring the necessary planning approvals are secured
- Putting in place other relevant enabling measures affecting the site

6.4.7 The responsibility for initiating and managing these processes will lie with the SBC Regeneration team. Key management tasks the SBC Regeneration team will be concerned with are:

a) Site Specific:

- Specifying the extent and boundaries of the public realm project
- Detailed design
- Consultation with relevant third parties
- Site preparation works
- Building works
- Planting

- Fit out
- Sign off

b) Marshalling Resources:

- Assembling the necessary funds and expertise to take the project forward

c) Integration:

- Ensuring the timely completion of the proposed multi-storey car park to ensure that the spaces taken out of use are effectively substituted
- Consultation with neighbouring uses
- Provision of the necessary non-car accessibility to the site

d) Project development and assurance

- Mechanisms to ensure the project is delivered on time and to budget
- Identification and management of risks
- Assuring the performance of the developer in delivering the required product(s) within the agreed timescale through effective monitoring
- Monitoring and evaluation to ensure that the targeted outputs and outcomes are delivered
- A detailed project plan specifying how the above will be brought together and implemented

e) Approvals

- Approval for the project plan will be sought from the Town Development Board

Interfaces with Third Parties and Management Approach

6.4.8 A number of key interfaces need to be managed:

- Ownerships and occupiers at the boundaries of the public realm works through appropriate consultation activity before design work is finalised
- Monitoring of the developer's activities to ensure that what has been promised through the development agreement is actually delivered
- Ensuring successful embedding of Autolus once the development is handed over A clear and targeted communication plan that highlights the investment in public realm with opportunities for residents to input, and a positive marketing campaign that further secures Stevenage as a life science leader

Approach to Solution Development, Confirmation Management and Acceptance

Solution Development

6.4.9 Given that the solution for the creation of the bioscience office building has been extensively worked up by Reef, the solution development process described here focuses on the public realm project. This has comprised the following stages:

- i) Objective setting
- ii) Consultation with the prospective occupier, neighbouring business users and residents

- iii) Issues identification – examination of how key outcomes to be realised and what adverse impacts need to be minimised
- iv) Specification of requirements
- v) Identification, investment appraisal and evaluation of solution options
- vi) Selection of optimum solution
- vii) Specification of the project
- viii) Verification that the specification will deliver what is required
- ix) Interim development of value-improving proposals
- x) Interim checks on the project to ensure that the right product is being built

Confirmation Management and Acceptance

6.4.10 The confirmation management and acceptance process will cover the reviews and decisions to address:

- the relevance and appropriateness of the objectives
- whether the requirement reflects the objectives and addresses the issues identified
- whether the project specification will meet the preferred solution
- whether the final project outcome has met what was required.

6.5 Programme/Schedule Management

Summary Structure of the Programme

6.5.1 Key elements of the programme are:

- Public realm improvement scheme from Marshgate to Queensway North and the MSCP
- Sale of Marshgate car park site to developers
- Site preparation works
- Development of bioscience office and laboratory building

Summary Timescales

6.5.2 Main milestones are as summarised below.

Milestone	Timescale	
	Start	Complete
Public Realm		
<i>RIBA 1 outline concepts</i>	September 2021	October 2021
<i>RIBA 2 concepts</i>	November 2021	December 2021
Final Design	December 2021	January 2022
Procurement Actions	December 2021	February 2022
Construction	March 2022	March 2023
Completion		March 2023
Site Redevelopment		
Completion of planning process	June 2021	Completed
Sale of site to developer with legal conditions	August 2021	October 2021
Preliminary site works	December 2021	January 2021
Main construction period	February 2022	September 2023
Handover to occupier	September 2023	October 2023

Interdependencies with the Rest of TIP and non-TIP Projects

6.5.3 The main inter-dependency is the loss of car parking which will need to be considered as part of the Station Gateway Phase 1 Business Case development, as this includes the construction of a new Multi-Storey car park as a key enabler for unlocking future development.

Decision Points, Assurances, Approvals and Critical Paths

6.5.4 These are summarised as follows.

Key Decision Points	<ul style="list-style-type: none"> • Sign off of final business case • Sign off of project designs final costings and delivery plan for public realm works • Sign off of risk mitigation measures • Authorisation of project start • Commissioning of interim and final audits • Sign off of project completion summarised as follows.
Assurances	<ul style="list-style-type: none"> • Integrated review of project risks and strategic risks, mitigation proposals and actions • Review of monitoring reports • Stage gate assessments • Decisions and interventions in the event of serious delays or emerging major uncertainties • Interim project audit

	<ul style="list-style-type: none"> • Directions in event of financial and other irregularities if required • Interventions in event of non-delivery of development agreement • Sign off of independent audits
Consents & Approvals	<ul style="list-style-type: none"> • Local authority planning approval • Approval of final business case • Approval of project designs, final costings and delivery plan for public realm works • Approval of terms of land sale • Approval of development agreement • Approval for project start • Sign off of project completion
Critical Paths and Higher Risk Workstreams	<ul style="list-style-type: none"> • Interim arrangements for reallocated car parking capacity • Completion of multi-storey car park • Finalisation of land sale and development agreement

Summary of Schedule Hierarchy

Milestone	Timescale
Public Realm Start on Site	March 2022
Public Realm Completion	March 2023
Completion of planning process for site redevelopment	November 2021
Site redevelopment completion	September 2023
Handover to occupier	September 2023

Summary of Constraints, Assumptions, and Basis for Programme Durations

6.5.5 These are summarised below:

Issue	(Possible) Constraints	Assumptions	Basis for Programme Durations
Planning	Decision awaited	Approved & issued	Delays would affect project start
Re-allocation of parking capacity	Cannot be finalised until new MSCP is completed	Arrangements will be made to divert cars to interim provision on other under-utilised surface car parks	No delays expected
Public realm works	Need for consultation with neighbouring uses	No major issues expected as project expected to benefit neighbouring uses	6 months for design and approval and 12 months for construction
Sale of car park land	Sale price to be negotiated	Developer expected to accept formal site valuation commissioned by SBC	No delays expected
Site development scheme	Development agreement still pending	Delays unlikely as most elements already agreed with developer	Minimum build out period of 17 months

Forecast Completion Date (within stated range)

6.5.6 September 2023 to November 2023

6.6 Risk and Opportunities Management

Summary of Risk Management Strategy

6.6.1 The risk management strategy is focused around maximising the popularity of the scheme amongst local residents, minimising delays and cost overruns and ensuring timely delivery of the redevelopment scheme, for which a development agreement will be the key assurance tool.

Summary of Processes and Tools

6.6.2 The Town Development Board takes responsibility for the assessment of the project risks and the measures necessary to mitigate them, working with the project delivery team and other sources of assurance such as the auditors.

6.6.3 The board has adopted an assurance plan that provides for an integrated review of project risks and strategic risks, mitigation proposals and actions. As part of this process the board will seek comments on risk profile and combined project risks, mitigation proposals and actions from the SBC audit team. The board will initiate interventions in the event of serious project delays, emerging major uncertainties (e.g. a climate change disaster), non-contract compliance or financial irregularities.

Summary of Risk Themes and Key Risks and Mitigations

6.6.4 The main risk areas relate to:

- a) Potential delays, due to changing weather conditions, labour shortages or unknown site conditions
- b) Public realm proposals proving to be unpopular
- c) Poor delivery performance by the site developer or public realm contractor
- d) Financial - cost overruns and parking revenue loss

6.6.5 Key mitigation measures will include:

- Timely commencement of consultation activity in order to identify and address major issues
- Use of the legal agreement with Reef to secure a commitment to tight delivery standards, to ensure availability of spare labour and measures to address unforeseen eventualities such as weather and unknown site conditions.
- Incorporation of tight delivery standards in development agreement
- Involvement of a cost consultant will be involved from an early stage of the project to ensure contractor's proposals are realistic and within budget.
- Advertising of nearby car parks to encourage use by those regularly parking at Marshgate
- Contractual provisions to manage unforeseen site conditions e.g. physical obstructions or physical conditions

Approach to Opportunities Management and Realisation

6.6.6 The Town Development Board is attuned to the concept of opportunities management, since its core function is to find ways to maximise the social, community and economic benefits from the resources available within the town. In particular, this project was an market opportunity that presented itself following the initial concept work for the site. The generation of ideas is a process that is proactively managed by the Council and the Development Board and addressed through the following processes:

- Proactive stakeholder consultation as a means of capturing useful ideas
- Acquiring new ideas through partnership working

- Developing options in response to changing circumstances e.g. climate change, disruptive innovation etc.
- Seeking optimum uses of under-utilised resources, such as sites with scope for redevelopment
- Examining opportunities as a response to identified risks
- An up-to-date comprehensive vision of where Stevenage wants to be, providing a framework in which ideas can be generated and opportunities identified, evaluated, scoped out and where appropriate taken forward.

6.6.7 These processes are built into the remits, work programme, meeting agendas of the Development Board and relevant Council delivery teams.

Assessment of Opportunities to Gain from Industry Productivity Initiatives

6.6.8 This is an integral part of the process described above as well as being tied into the solutions for the development process. For example:

- The potential use of new construction techniques are constantly considered when specifying tendered contracts.
- Exploiting opportunities brought about by climate change. For example, the need for an expanded multi-storey car park and new cycle was are a means of promoting use of electric vehicles through the provision of charging infrastructure and facilitating the adoption of electric bikes and scooters as an alternative to car use.
- The on-going adoption of digital technologies in all aspects of urban development and operations

6.6.9 Assessment of these types of opportunity are embedded into the agendas of the Council and Development Board.

6.7 Project Management

Proposed Project Management Approach

6.7.1 The project delivery team will be assembled from key officers within the Stevenage Borough Council Regeneration division. This team will take responsibility for day-to-day project management of the scheme. This will include direct delivery of the public realm scheme and ensuring compliance with the development agreement for the bioscience office by Reef. The officers in question have extensive experience of setting up urban development and construction projects and taking them forward to completion.

6.7.2 The detailed implementation of the project will be set out in a comprehensive delivery plan. This will schedule all activities from project inception, through design, costing, approvals, construction activity through to completion and handover. It will build in necessary ongoing stakeholder liaison processes. The governance structures in place ensure there is responsibility for overall control of the scope and progress the project and for putting in place the necessary assurances.

6.7.3 The final scope, scheduling and budget for the project will be worked up by the project delivery team then presented to the Development Board for consideration. The Development Board will then ensure that the project scope is in line with predefined regeneration objectives and the TIP and that the proposed implementation programme is realistically deliverable.

6.7.4 The Development Board will also review all risks and mitigation measures taking into account any views of the council's internal audit team. It will provide directions to the project delivery team for any additional measures that need to be put in place to minimise risks identified.

6.7.5 A number of the controls will be brought about through the contractual process, in particular provision for addressing possible causes of delay, health and safety assurance, quality control and tight and regular reporting.

Processes for Managing Key Interfaces, Consents, and Compliance

6.7.6 The project delivery team will act as the key vehicle for liaising with the parties such as neighbouring uses, the site developer and contractor for the public realm works. As mentioned above the control mechanisms will be built into the contractual process for the developer and contractor and a regular process of monitoring will assure that contract compliance. And remedial actions where this is not achieved. The delivery team will also take responsibility for regular liaison with statutory authorities for planning and other consents required throughout the development process. A further dimension is the initial consultation and ongoing liaison with neighbouring uses so that the public realm proposals and any issues that are likely to arise during the implementation phase are dealt with in a satisfactory and cooperative manner.

Approach to Information Management

6.7.7 A designated member of the project delivery team will take responsibility for information management so that all aspects of the project and its progress and related issues arising are comprehensively recorded and reported upon where necessary. Regular monitoring reports will be submitted to the Development Board and relevant service heads within the Council.

Details for Managing Change

6.7.8 The risk register has identified a number of areas where there might be a need for managing change. These could include severe weather conditions, unexpected problems with site conditions or delays caused by labour shortages affecting the development and construction process.

6.7.9 It will be the responsibility of the Development Board to decide on alternative structures, processes, organisational and governance arrangements that may need to be put in place to address major changes of circumstances.

Arrangements for Managing Professional Service Contracts and Third-party Agreements

6.7.10 As mentioned above the contractual process would be a key tool in controlling the performance of the developers and contractors and related outcomes. The responsibility for managing these another agreements with life with the project delivery team advised and supported by the Council's legal services team.

6.8 Stakeholder Engagement

Key Stakeholders, Interests and Power to Influence Delivery

6.8.1 Key stakeholders and their role or interest in the project are listed below.

Project	Sub project	Primary Stakeholder	Comment
Redevelopment of Marshgate car park	Creation of the bioscience building	Autolus	Provides Autolus with superbly located space for expansion, close to food and beverage, retail, leisure and other amenities key to supporting staff in the post Covid era.
		Herts LEP and local bioscience industry bodies	Major champion for development of the bioscience cluster
		Local residents	Major boost in numbers of high quality jobs for young people
		Park Place residents	Residents living in close proximity to the scheme, will wish to be informed of project progress, engage with the public realm design and development and construction disruption caused.
		Town Centre businesses	Will need to be informed of the progress of the scheme and any construction disruption caused.
	Public realm	Autolus	Boost to image of the location. Provides recreational amenity key for attracting high quality staff in the post Covid era
		Local residents	Improved accessible space for users of the town centre.

Strategy to Engage through Development, Delivery

6.8.2 Of these, residents of neighbouring homes and businesses in control of neighbouring uses will be of particular importance as regards ensuring that the design of the public realm and operational issues associated with having an adjacent new commercial building and additional homes are clearly understood and appropriately addressed.

6.8.3

Summary of Approach to Communications with Stakeholders Including the Public

6.8.4 The Council's stakeholder consultation and communication processes are well designed, extensive and far-reaching. Stakeholders views have been captured more widely through the Stevenage engagement programme, encompassing a number of mechanisms. These processes will operate in parallel with the stakeholder consultation process specific to the project as described above in order to fully inform the course and outcomes of the project.

Local Residents

- A wide range of digital engagement utilising social media other related platforms
- A dedicated Visitor Centre in Town Square open to the public, where people could view, engage with and discuss the regeneration of the town.
- A 'virtual visitor centre', which contains all of the content in a digital platform on our dedicated website. This has enabled the Council to continue to reach residents of all ages and abilities during the pandemic.
- Stevenage residents' survey.

- Currently engagement is focused on the consultation and promotion of the Council's priority projects.

Business

- Business networking events, a number of project based consultations, such as the Local Plan, SG1, and the Bus Interchange and a number of roadshow events.

Other Stakeholders

- Regular consultation with public sector bodies such as Hertfordshire County Council, the LEP and relevant statutory bodies.
- Project specific consultation as part of the planning process.

6.8.5 The key themes that have emerged from residents, business and community groups are:

- Create inclusive accessible transport
- Create great spaces to live in and socialise
- Create a vibrant town centre offer that is a destination for all
- Create aspiring communities and opportunities that create a lasting legacy. events through to a wide range of digital engagement utilising social media other related platforms.

6.9 Benefits, Monitoring and Evaluation

Summary of Benefits Register

6.9.1 Key benefits from the project are summarised as follows.

Economic

- Acceleration of the redevelopment of a key site in a Major Opportunity Area
- Attraction of major investment into a high prestige HQ and R&D facility
- Retention and creation of a significant number of jobs in Stevenage
- Scope for creation of a significant number of additional jobs in Stevenage
- Creation of a magnet for additional world class bioscience activities in Stevenage Town Centre
- Catalyst for stimulating early development commitments on sites similarly released for development.
- An extensive number of construction jobs will be created
- Stronger perception of Stevenage as a place to invest by the private sector

Environmental

- Major visual improvements contributing to creation of a higher quality living and working environment on the east side of the town centre
- Scope for higher levels of living and working on the town centre, reducing the need to travel

Social

- New homes will be created to offset housing shortages
- Provision of new affordable homes which will be allocated to local people
- New qualifications will be generated as a result of the scheme

6.9.2 Quantified Outputs are as follows:

Jobs Created	307
Commercial Floorspace Developed or Upgraded sqm	7,103
Net Increase in Commercial Floorspace	1,580
Indirect Jobs	0
Jobs Safeguarded	0
Construction Jobs	169
Additional GVA Generated per Annum	£17,712,967
Additional Annual High Level Skills Qualifications Attained	23

Approach to Developing a Benefits Realisation Plan and its Approval

6.9.3 The benefits realisation plan will focus primarily on assuring successful delivery of the following outcomes.

- i) Completion of the bioscience office and laboratory building and floorspace
- ii) Creation of jobs Delivery of public realm

6.9.4 The benefits realisation plan will define the mechanisms through which the benefits projected from these outcomes are fully met. Thus, the plan will demonstrate how creating the necessary floor space will be a critical step in achieving the projected number of jobs to be created, how these will translate into the increase in GVA skills qualifications attained as a direct consequence of the project. The plan will show how the realisation of these quantifiable outputs will be tracked by way of interim and post project audits conducted with the developer, commercial and residential occupiers.

6.9.5 Verifying the qualitative benefits will be more nuanced. The benefits realisation plan will provide for interim as well as post project reviews of the public realm project. At interim stage the plan will verify that the design of this project will be likely to suitably deliver the lifestyle and workstyle benefits sought whilst addressing concerns raised by neighbours. A post project stage it will validate the project's success or otherwise in meeting these criteria.

6.9.6 Wider qualitative benefits will be longer term in nature and dependent on parallel initiatives being taken. For the reason the benefits realisation plan will build in periodic reviews to

- a) Assess whether parallel activities, such as investment promotion activity, have been established as a means of maximising scope for the attraction of additional bioscience activities into the town centre and the stimulation of early development commitments on other town centre sites, a stronger perception of Stevenage as a place to invest, as a result of the scheme going ahead
- b) Gauging the extent to which these outcomes will have been achieved.
- c) Evaluating the extent of higher levels of living and working in the town centre, reduced housing shortages and confirming that the new affordable homes got allocated to the right local people.

Arrangements for Tracking and Reporting Benefits Through Delivery

6.9.7 The tracking reporting of benefits through delivery will be closely tied into the formative, interim and summative evaluation process described below. This will be based on defining what needs to be measured against each type of benefit and the method of doing so. Key mechanisms to be established in the regard will include:

- i) Regular liaison with the site developer and public realm project team to verify progress and that original targets and outcomes are on track
- ii) On-going relationship building with Autolus to track levels of job safeguarding and additional job creation
- iii) Survey activity to gauge the impact of the public realm works in enhancing quality of life and addressing neighbours' concerns
- iv) Wider liaison with the town regeneration teams to evaluate the extent of new investment and development commitments and the success of new housing in meeting wider regeneration aims

6.9.8 These activities will be built into the benefits realisation plan and scheduled accordingly. The plan will then presented to the town development board for review and approval.

High Level Strategy for Monitoring and Evaluating Benefits Realisation

6.9.9 Internally the project will be subject to continual evaluation and monitoring through the governance structures and arrangements outlined above. It is intended that key milestones are built into the programme to monitor the tracking of projected outputs and outcomes (e.g. at planning consent, start on site, completion).

6.9.10 In parallel, the evaluation will seek to clarify whether the project achieved what it set out to do and what benefits accrued from it from the points of view of a range of stakeholders. Points to be clarified in evaluation to discussions with stakeholders would be:

Developer and Occupiers:

- Did the Town Fund project assist with the proposed site development and help meet defined targets?
- Was the money spent wisely and could better value for money had been achieved?
- Has the new public realm areas been used by those employed on site and how have users found it beneficial?

General Public:

- How satisfied have users become with the upgraded public realm?
- What use has been made of the public realm areas and how have users found it beneficial?

Stevenage Planning and Regeneration Team:

- To what extent has the project helped to build momentum for wider regeneration in the town centre and beyond?
- How have other developments or improvement projects been encouraged as a result of this project?
- To what extent has footfall within the town centre increased since the completion of the project?

- What lessons can be drawn from the policies for operation of the vehicle park?

Building contractors:

- How well was the project programme planned and implemented?
- Was the site preparation implemented adequately?
- How could the implementation process overall have been improved?

6.9.11 The evaluation will determine whether the outputs projected from the project have been delivered. This will partly be evaluated by quantitative measures, monitoring the impact of the project in terms of outputs i.e. the number of residential units, commercial floorspace and jobs that are created. Both core and non-core outputs will be monitored and evaluated by SBC.

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Executive Summary: Gunnels Wood Road

*Prepared for the Stevenage Development Board
Full Business Cases are available on request*

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Executive Summary from Business Case Assurance Panel

Project Title

Gunnels Wood Road Infrastructure

Assurance Panel Feedback

Assurance Panel discussion was held on the 7th October. Full minutes for this discussion can be provided on request.

Overall the panel discussion was very positive towards the business case. The Panel unanimously supported the business case, with the following amendments to be incorporated:

- Explore implications and risk mitigation for the reversion of capital to revenue in the event that the scheme is not delivered as a capital scheme; tri-party meeting to be held. Memorandum of Understanding to be signed prior to drawdown of any funds.
- A Plan and commitment is needed for securing stage 2 funding should the Levelling-up bid not be supported.
- Additional engagement with GSK needed following their commitment to the delivery of a life science park, to secure stronger commitment that the land required for the infrastructure development will be allocated. The accountable body is advised to consider making drawdown of the funding conditional on receiving additional assurance that the land is allocated, with a signed commitment and timetable for transfer by GSK.
- Ensure the business case is clear what the deliverables are for stage 1, and the potential wider economic benefits of stage 2
- Subsidy Control Assurance/ advice to be completed and appended to the business case when submitted to the Accountable Body processes.

Recommendations for Board

To endorse the project Gunnels Wood Road Infrastructure business case to progress to the Accountable body processes.

Overview

Project Title
Gunnels Wood Road Infrastructure
Project Location
Gunnels Wood Road
Partner/Co-Funding Organisations
Hertfordshire County Council, Hertfordshire Local Enterprise Partnership, Stevenage Borough Council
Total Project Costs (£)
Stage one: £2,123,000 Stage two: £10,100,000
Total Town's Fund Allocation (£)
Stage one: £1,000,000
Other Public Sector Investment (£)
Stage one: £1,013,000 Hertfordshire LEP, £110,000 Hertfordshire County Council
Total Third Sector Investment (£)
N/A
Total Private Sector Investment (£)
£2,000,000 (approximate land value)

Project Description (500 words max)

The purpose of the Gunnels Wood Road Infrastructure Improvements Scheme Stage 1 Project is to unlock development land and lead to the creation of additional high-quality jobs in the Gunnels Wood Employment Area. It will do this by carrying out preparatory works only leading, in due course, to undertaking a range of transport improvements in and around the Gunnels Wood Road Infrastructure Improvement Scheme. The construction of these transport improvements, known as Stage 2, will include pedestrian, cycling & public transport improvements, together with upgrading the Gunnels Wood Road roundabout itself into a gyratory-style junction and widening the A602 between the A1072 and the A1(M).

A separate business case has been submitted to government under the Levelling Up initiative, seeking funding of £10.1 million for the phase 2 transport improvements.

The preparatory works include further traffic modelling work, project management, communications and engagement, high level delivery programme, surveys and investigations (including land ownership, topographical, geotechnical, environmental, ecological, Statutory Undertakers' enquiries, highway drainage, structures, street lighting and any other possible construction constraints), detailed design (including technical approvals and road safety audits), construction costings (including inflation, optimism bias etc.), preparation of invitation to tender pack, preparation and signing of a legal agreement, relocation of boundary walls and fences and the advance diversion of Statutory Undertakers' apparatus.

The A602 is a busy, strategic road on the primary route network that runs from Hitchin in the North West to Ware in the South East. At Stevenage, the A602 connects with the A1(M) London to Edinburgh road at junction 7 (Stevenage) and junction 8 (North Stevenage/Hitchin).

The A602 Broadhall Way generally runs east-west through the area of the proposed scheme and the A1072 Gunnels Wood Road forms the northern arm of the existing roundabout, acting as the main distributor to the extensive employment area on the western side of Stevenage. The southern arm of the roundabout is the main vehicular access to the Glaxo SmithKline (GSK), campus.

What was submitted in the Stevenage Town Investment Plan?

The original proposal submitted as part of the Stevenage Town Investment Plan identified two clear stages of delivery; the design produced as part of stage one will enable the partners to work together to seek the additional funding required for the physical delivery.

What has changed?

£1.013m of funding from Hertfordshire Local Enterprise Partnership was secured to assist with the delivery of stage one, resulting in physical enabling works being included within the scope.

Key Purposes of the Project

Purpose and Key Elements of the Project

The purpose of this project is to:

- a) Produce a design for infrastructure improvements in Gunnels Wood Road and carry out enabling works
- b) Unlock land for development by increasing the capacity of the highway network along Gunnels Wood Road
- c) Deliver high-value employment and training opportunities in the life-science sector
- d) Deliver physical improvements to the highway network in Gunnels Wood Road, principally by improving the A602/Gunnels Wood Road roundabout

Stage 1 (part-funding by Towns Fund) will deliver the design and enabling works; stage two will deliver the infrastructure and outputs.

Configuration of the Project

Activity	Status and Commentary
Planning Application	Any planning permissions will be secured later in the programme.
Design of the scheme	Stage one funding includes design works; traffic modelling has commenced.
Construction	Enabling works are included as part of stage one.
Land sale	Positive discussions with GSK; need to be progressed to secure firmer commitment.
Towns Fund delivery	Full programme in place with clear milestones.

Strategic Case

Indicate how this project meets the Town Investment Plan Vision (<i>tick</i>)		
	Reflecting and Re-Interpreting our New Town Heritage for future generations	
	Embracing Sustainable Travel to maximise the benefits of our strategic location and link our communities with jobs and leisure	✓
	Transforming our Town Centre as a key place of opportunity and integration for business, residents and visitors	
	Upskilling and providing opportunities for all our people to benefit from innovation & growth	✓
	Supercharging the growth of National and International Business Base	✓
Indicate which <i>challenge(s)</i> this project intends to meet (<i>tick</i>)		
	Challenge 1: Ageing Infrastructure – Urban Disconnections and a Brake on Growth	✓
	Challenge 2: Bridging the Skills Gap and Raising Aspirations	✓
	Challenge 3: Town Centre Transformation	
	Challenge 4: A Resident Population Being Left Behind	✓
	Challenge 5: Lack of Suitable Modern Space for Growth	✓
Indicate which <i>opportunity(ies)</i> this project supports (<i>tick</i>)		
	Opportunity 1: National and International Gateway for UK PLC	✓
	Opportunity 2: Innovation Hub, High Growth Potential and STEM City	✓
	Opportunity 3: The Untapped Potential of Stevenage People	✓
	Opportunity 4: Building Wealth and Reclaiming Expenditure	
	Opportunity 5: Reviving Stevenage's Sustainable Travel Network	✓

Policy Alignment (List only, 2.3)

National Policy	Local Policy
<ul style="list-style-type: none"> National Infrastructure Strategy (2020) 	<ul style="list-style-type: none"> LEP Strategic Economic Plan (2017) Hertfordshire Local Industrial Strategy (2019) Hertfordshire Recovery Plan (October 2020) HCC Corporate Plan 2019-2025 HCC Local Transport Plan 4 North Central Hertfordshire Growth and Transport Plan Stevenage Local Plan

Expected Outputs/Outcomes (2.5.11)

Jobs Created	Circa 1,750
Commercial Floorspace Developed or Upgraded sqm	70,000
Private sector leverage	£88.55m
Footpath, cycleway and road improvements	3km

Wider Outcomes and Benefits (2.5.12)

Note that these outputs are for this scheme only and do not relate to any other Stevenage regeneration outputs. The source for these economic outputs is the Stevenage Town Investment Plan and the recent (March 2021) Economic Impact Assessment report prepared by Charles Monck & Associates for Stevenage Bioscience Catalyst. (note that this report is not published) Charles Monck has calculated the economic figures using projections of sector growth based on their knowledge of the market for the Stevenage Bioscience Catalyst area only on the GSK campus.

Date and development	Developed sq ft	Hertfordshire		UK Level	
		Net GVA p.a.	Net Employment	Net GVA p.a.	Net Employment
2020 current SBC portfolio	160,000	£20m	330	£34m	640
2030 with Sycamore House	253,000	£35m	570	£60m	1,100
2030 with gyratory	483,000	£61m	940	£105m	1,800
2040 with gyratory	732,000	£96m	1,510	£165m	2,900

Economic Case

Economic Benefits (3.3.1)

See table of outputs/outcomes above.

Place Based Analysis (3.6.1)

Benefits related to the preferred option which are quantifiable and those wider in scope or non-quantifiable are set in the place-based analysis described below, taking account of local employment impacts.

Target Area	Gunnels Wood Road, Central Core West
External dependencies	Private land ownership. Development potential of site dependant on market conditions.
Benefits to the Target Area: Quantified	Increase presence of life science sector in Stevenage and promote integration with the town.
Benefits to the Target Area: Qualitative	<p><u>Economic</u></p> <ul style="list-style-type: none"> • Unlock development capacity in Gunnels Wood Road and provide opportunity to consolidate reputation as leading Cell & Gene life science cluster • Significant local economic impact from job creation, which can be harnessed across the town • Stronger perception of Stevenage as a place to invest • Higher levels of investor confidence conducive to acceleration of transformation throughout Stevenage Central <p><u>Environmental</u></p> <ul style="list-style-type: none"> • Improved visual environment • Enhanced journeys along key infrastructure route within Stevenage • Cleaner air and healthier lifestyles through decrease in traffic and wider promotion of sustainable transport <p><u>Social</u></p> <ul style="list-style-type: none"> • Higher-paid jobs will be created

	<ul style="list-style-type: none"> Better local amenities due to increase patronage of retail, hospitality and leisure activities in the town centre.
Possible collateral effects in the target area or wider spatial area	<p><u>Positive effects</u></p> <ul style="list-style-type: none"> Acceleration of on-going regeneration of the wider town, and direct benefits this can have for the town centre <p><u>Negative effects</u></p> <ul style="list-style-type: none"> Need to ensure sites are not developed in silo
Adverse effects on protected groups	None so far identified
Different impacts by income group	<p>High quality office development likely to benefit white and blue collar occupations</p> <p>Job opportunities will likely have minimum skills thresholds (levels 3-5); imperative this is mitigated through training opportunities</p>
Views of local stakeholders	TBC
Alignment with wider public policy in the relevant area/s and the UK as a whole/s	<p><u>National</u></p> <p>Boost to:</p> <p>Prospects for the UK Innovation Strategy</p> <p>Net Zero Carbon Policies</p> <p><u>Sub-regional</u></p> <p>Hertfordshire Covid Recovery Plan: contributes to equipping Hertfordshire's places for mid-21st Century living supporting town centres and town-level economies building digital connectivity.</p> <p>Boosts enterprise and innovation and international trade and investment.</p> <p>Sub-regional and Local Transport Policies: helps create a built environment conducive to improved accessibility; reduces the need to travel; encourages change in people's travel behaviour</p> <p><u>Local</u></p> <p>Stevenage Local Plan 2019-2031. Directly addresses Local Plan's ambitions for new employment opportunities.</p>
Dependency on the successful delivery of other proposals	New commercial space dependant on progress of GSK's redevelopment of the site

<p>Link of Benefits Estimated Link to Theory of Change and Strategic Case</p>	<ul style="list-style-type: none"> • Release and acceleration of a key employment development site • Construction of high-quality new commercial space • Attraction of high profile business occupiers • Increased footfall boosting prospects for revived retail, leisure and hospitality sector • Consolidation of Cell & Gene Therapy cluster in Stevenage • Enhanced patronage of and investment in upgraded food and beverage outlets. • Delivery of jobs and training opportunities, increasing the pipeline demand for investment in skills 	
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Financial Case

Funding Profile (4.2.6)

LEP	£1,013,000
Towns Fund	£1,000,000
HCC	£110,000

Funding Schedule (4.2.7)

Funding (£K)	Sunk	21/22	22/23	23/24	Total Remaining	Total
HCC (Revenue)	£50	£30	£30		£60	£110
Stevenage Town Deal			£600	£400	£1,000	£1,000
Herts LEP		£478	£535		£1,013	£1,013
Total	£50	£508	£1,165	£400	£2,073	£2,123

Costs (K)

Spend to date	Sunk	21/22	22/23	23/24	Total Remaining	Total
Forecast Costs	£50	£69			69.000	119.000
Uncommitted costs		£439	£1,165	£400	£2,004	£2,004
Total	£50	£508	£1,165	£400	£2,073	£2,123

Variance (Proposed Funding v Costs)	£0	£0	£0	£0	£0	£0
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Activity	Estimated cost
Project management	£110,000
Communications and engagement	£30,000
Further traffic modelling work	£30,000
High level delivery programme	£3,000
Surveys and investigations, including land ownership, topographical, geotechnical, environmental, ecological, Statutory Undertakers' enquiries, highway drainage, structures, street lighting and any other possible construction constraints)	£200,000
Design, technical approvals and road safety audits	£350,000
Construction costings (including inflation, optimism bias etc.)	£10,000
Procurement including prequalification, preparing and issuing invitation to tender pack, responding to tender queries and tender evaluation	£45,000
HCC's professional fees e.g. land agent, legal	£30,000
GSK's professional fees e.g. land agent, legal	£30,000
Advance works, including site clearance and the relocation of boundary walls and fences	£325,000
Advance diversion of Statutory Undertakers' apparatus.	£960,000
Total	£2,123,000

Commercial Case

Delivery Model (5.2.4-6)

It is anticipated the scheme delivery will be procured through established and previously utilised Highways Framework arrangements. It is anticipated that HCC's existing framework contract for the development of Major Transport projects with WSP will be utilised for this bid. Stage 2 will likely use the (Eastern Highways Alliance 3 Framework or similar) to speed delivery and to benefit from established and market tested competitive processes, utilising contractors who have experience of working on the HCC network. This procurement route has been used to deliver projects in Hertfordshire and wider local authorities.

Hertfordshire County Council has a very experienced team that has recently delivered the New River Bridge and is currently delivering the A120 and A602 projects through similar contracting arrangements and governance.

Risks (5.2.11)

Risk	Mitigation
Traffic modelling results highlight that the benefits will be too low to warrant proceeding with the project	<ul style="list-style-type: none"> • Check traffic modelling assumptions • Value engineering
Land acquisition/dedication (from GSK) (the current cost estimate does not include any allowance for land)	<ul style="list-style-type: none"> • Engage Estates Team • Appoint a land agent • Request a formal land valuation • Work collaboratively with GSK to secure the land needed
Funding is not forthcoming	<ul style="list-style-type: none"> • Prepare a robust business case that can be tailored for different funding sources • Make adequate provision for risk and contingency • Continue to engage with funding partners • Seek out alternative sources of funding (e.g. LEP, DfT, Town Deal, Levelling Up Fund, etc.)
All funding being offered is capital and comes with the risk that HCC might have to fund this from its revenue budget if the scheme does not proceed	<ul style="list-style-type: none"> • Brief senior management and Members about the costs, risks and benefits and seek their approval to proceed
Ability to secure funding for the construction phase	<ul style="list-style-type: none"> • Develop a robust business case that can be tailored to a range of funding sources

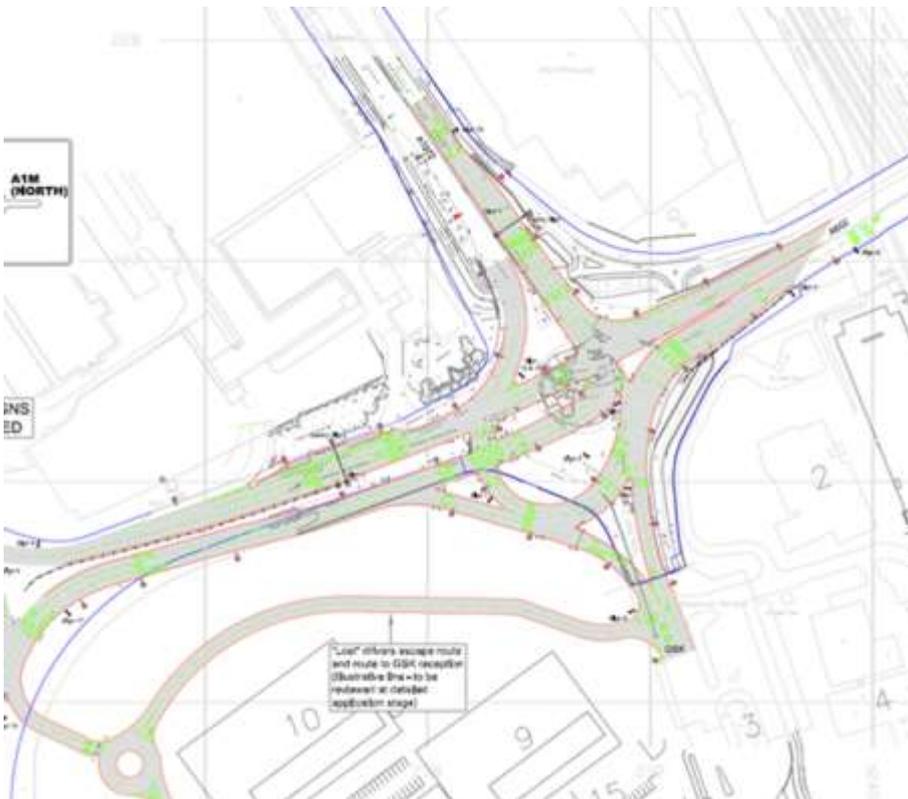
	<ul style="list-style-type: none"> • In the first instance apply for funding under the Levelling Up Fund (LUF) via SBC
Sufficiency of contingency provision in the cost estimate inherited from the Stevenage Town Investment Plan	<ul style="list-style-type: none"> • Hold a workshop with SBC officers to discuss the sufficiency of the contingency allowance • Hold a risk workshop
Having to return funding if scheme does not progress beyond preparatory work	<ul style="list-style-type: none"> • Engage Legal Services • Negotiate a robust agreement with funding partners
Stakeholder acceptability	<ul style="list-style-type: none"> • Communicate project benefits and how they contribute to corporate priorities e.g. LTP4 • Engage with Members and stakeholders
Construction cannot be completed by March 2025	<ul style="list-style-type: none"> • Continued liaison with Highways England about proposed project to upgrade the A1(M) to a smart motorway between junctions 6 and 8 • Continued liaison with HCC Network Manager • Submit Provisional Advance Authorisation to secure road space • Design & Build contract to minimise programme duration
Buildability	<ul style="list-style-type: none"> • Investigating options for early contractor involvement • Consider technology (BIM and digital engineering)

Management Case

Key Participants, Accountabilities and Responsibilities (6.2.2.)

Role	HCC
Senior Responsible Officer/ Project Executive	Rupert Thacker (on behalf of HCC Transportation Major Projects Board)
Group Manager	David Burt
Project Sponsor	Paul Rogers
Design Project Director	Graham Higgins (WSP)
Design Project Manager	Livio Martelli (WSP)

Hertfordshire County Council has an experienced team that has recently delivered the New River Bridge project broadly on time and within budget. The team is also currently delivering the A120 and A602 projects. The team has reach back to technical, contract and project management experts within Arup and WSP via the CST and TIPS contracts.



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Executive Summary: Marshgate

*Prepared for the Stevenage Development Board
Full Business Cases are available on request*

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Executive Summary from Business Case Assurance Panel

Project Title

Marshgate Biotech Centre

Assurance Panel Feedback

Assurance Panel discussion was held on the 7th October. Full minutes for this discussion can be provided on request.

Overall the panel discussion was very positive towards the business case. The Panel unanimously supported the business case, with the following minor amendments to be incorporated:

- Expanding on the commercial case more- structures etc. are appropriate but more content should be provided.
- Emphasise that without public sector investment & the Stevenage Town Investment Plan the scheme would not deliver the same quality of benefits.
- Ensure to include Cell and Gene life science strategies that were recently published with in the narrative
- Ensure the Build Cost Ratio (BCR) is presented more prominently
- Highlight the dependency for loss of car parking to be captured within the work for Station Gateway business case.
- Subsidy Control Assurance/ advice to be completed and appended to the business case when submitted to the Accountable Body processes.
- Government and Hertfordshire LEP have invested circa.£150m in life sciences in Stevenage, and it is great to see a result on that investment with the expansion of a firm that was a start-up company within the cluster

Recommendations for Board

To endorse the project Marshgate Biotech Centre business case to progress to the Accountable body processes.

Overview

Project Title
Marshgate Biotech Centre
Project Location
Stevenage Town Centre (Marshgate Car Park)
Partner/Co-Funding Organisations
Stevenage Borough Council, Reef Developments, Autolus
Total Project Costs (£)
£60,000,000
Total Town's Fund Allocation (£)
£1,750,000
Other Public Sector Investment (£)
N/A
Total Third Sector Investment (£)
N/A
Total Private Sector Investment (£)
£61,750,000

Project Description (500 words max)

Marshgate project focusses on the establishment of a new life science facility within the town centre that will provide high-quality laboratory and office space for international biopharmaceutical company Autolus, pioneers in new cancer treatments.

What was submitted in the Stevenage Town Investment Plan?

The original proposal submitted as part of the Stevenage Town Investment Plan was a mixed-use scheme that promoted the delivery of office space and residential development on one of the surface level car parks within the town centre called Marshgate.

What has changed?

Autolus, an international cell and gene research company already operating within the Stevenage Cell & Gene Catapult, have worked with developer Reef to create a European headquarters on the Marshgate site. The proposals include the land sale of the car park from land owner Stevenage Borough Council to an institutional investor, who will provide the remaining funding for the scheme. Reef will deliver over 7000 sqm of high tech office and lab space and new public realm, which will create better pedestrian routes and improve the quality public spaces for residents.

The key worker housing element of the original submission was removed as a contracted output, as the commercial development requires more space, delivers a greater floorspace and provides a much larger investment than originally envisaged; the Development Board has committed to exploring key worker housing in other locations across the town.

The Town's Fund investment in the project will be used for the delivery of the public realm. This investment improves the viability of the scheme allowing for the delivery of the life science centre, but also ensures that a high level public realm space can be achieved, connecting the scheme with the surrounding environment and delivering another package of public realm improvement in the town centre aligned with the emerging public realm design guide.

Key elements of the project are:

- Initiation of a development scheme by Reef to provide 76,437 sqft of offices, high tech and laboratory space
- Land transaction
- Delivery of public realm improvements to integrate proposals with surrounding development
- Enhancement of the town centre regeneration programme
- Job creation in a sustainable location

Commencement of the construction of the this project is expected Autumn/Winter 2021, and it's anticipated delivery date for both the building and the public realm works is 2022/2023.

Key Purposes of the Project

Purpose and Key Elements of the Project

The purpose of this project is to:

- a) Create the conditions for significant office and R&D space to be accelerated on the east side of Stevenage Town Centre.
- b) Continue expanding the world leading life science sector in Stevenage
- c) Bring a new exciting use to the town centre to add to the economic health of the town centre
- d) Creation of new and improved public spaces across the town centre linking the new scheme with the fabric of the town centre.

Configuration of the Project

Key activities of the project are outlined below including what progress has been achieved.

Activity	Status and Commentary
Planning Application	Planning was submitted and approval was secured in August 2021 for the proposed scheme.
Design of the scheme (building)	Autolus and Reef have created designs for the building as part of the planning application process
Construction	Initial enabling works are anticipated on the site within the coming weeks. Marshgate car park will be closed in coming weeks to facilitate this. Contractor identified.
Land sale	Activities relating to the sale of the land have been progressed and contracts are due to be exchanged within the next week.
Towns Fund delivery	Initial designs have been drawn up but further consultation and public engagement is to be completed.

Strategic Case

Indicate how this project meets the Town Investment Plan Vision (<i>tick</i>)		
	Reflecting and Re-Interpreting our New Town Heritage for future generations	
	Embracing Sustainable Travel to maximise the benefits of our strategic location and link our communities with jobs and leisure	✓
	Transforming our Town Centre as a key place of opportunity and integration for business, residents and visitors	✓
	Upskilling and providing opportunities for all our people to benefit from innovation & growth	✓
	Supercharging the growth of National and International Business Base	✓
Indicate which <i>challenge(s)</i> this project intends to meet (<i>tick</i>)		
	Challenge 1: Ageing Infrastructure – Urban Disconnections and a Brake on Growth	
	Challenge 2: Bridging the Skills Gap and Raising Aspirations	✓
	Challenge 3: Town Centre Transformation	✓
	Challenge 4: A Resident Population Being Left Behind	✓
	Challenge 5: Lack of Suitable Modern Space for Growth	
Indicate which <i>opportunity(ies)</i> this project supports (<i>tick</i>)		
	Opportunity 1: National and International Gateway for UK PLC	✓
	Opportunity 2: Innovation Hub, High Growth Potential and STEM City	✓
	Opportunity 3: The Untapped Potential of Stevenage People	✓
	Opportunity 4: Building Wealth and Reclaiming Expenditure	✓
	Opportunity 5: Reviving Stevenage's Sustainable Travel Network	

Policy Alignment (List only, 2.3)

National Policy	Local Policy
<ul style="list-style-type: none"> • UK Innovation Strategy • HM Government Life Science Vision 2021 	<ul style="list-style-type: none"> • Hertfordshire Covid Recovery Plan • Hertfordshire LEP Strategic Economic Plan • Local Industrial Strategy Grand Challenges • Stevenage Local Plan • Stevenage Central Framework

Expected Outputs/Outcomes (2.5.11)

Jobs Created	307
Commercial Floorspace Developed or Upgraded sqm	7,103
Net Increase in Commercial Floorspace	1,580
Construction Jobs	169
Additional GVA Generated per Annum	£17,712,967
Additional Annual High Level Skills Qualifications Attained	23

Wider Outcomes and Benefits (2.5.12)

Economic

- Acceleration of the redevelopment of a key site in a Major Opportunity Area, in turn accelerating the on-going regeneration of the rest of the town centre.
- Attraction of major investment into a high prestige HQ and R&D facility.
- Retention of a significant number of jobs in Stevenage.
- Scope for creation of a significant number of additional jobs in Stevenage.
- Catalyst for stimulating early development commitments on sites similarly released for development.
- Creation of a magnet for additional world class bioscience activities in Stevenage Town Centre
- An extensive number of construction jobs will be created.
- Stronger perception of Stevenage as a place to invest by the private sector.

Environmental

- Major visual improvements contributing to creation of a higher quality living and working environment on the east side of the town centre.

- Scope for higher levels of living and working on the town centre, reducing the need to travel.

Social

- New qualifications will be generated as a result of the scheme.
- Improved aspiration by providing a high-quality opportunity in a highly sustainable location

Economic Case

Economic Benefits (3.3.1)

See table of outputs/outcomes above.

GVA impacts from employment and income projections have been projected. These have been projected over a 30-year period. There are no monetisable direct transport benefits.

Place Based Analysis (3.6.1)

Benefits related to the preferred option which are quantifiable and those wider in scope or non-quantifiable are set in the place-based analysis described below, taking account of local employment impacts.

Target Area	Central Core, Stevenage Town Centre, SG1
External dependencies	None affecting project implementation Site occupancy not dependent on market demand, as occupier for commercial floorspace in town centre has been identified
Benefits to the Target Area: Quantified	As above
Benefits to the Target Area: Qualitative	<p><u>Economic</u></p> <ul style="list-style-type: none"> • Acceleration of the redevelopment of key sites in Central Core • Improved town centre environment • Stronger perception of Stevenage as a place to invest • Higher levels of investor confidence conducive to acceleration of transformation throughout Stevenage Central <p><u>Environmental</u></p> <ul style="list-style-type: none"> • Improved visual environment • Enhanced scope for living and working in the town centre, thereby reducing the need to travel. • Cleaner air and healthier lifestyles. <p><u>Social</u></p> <ul style="list-style-type: none"> • Better local amenities due to increase patronage of retail, hospitality and leisure activities in the town centre. • Enhance employment and skills opportunities

Possible collateral effects in the target area or wider spatial area	<u>Positive effects</u> <ul style="list-style-type: none"> Acceleration of on-going regeneration of the town centre. Reduced car usage, cleaner air and healthier lifestyles <u>Negative effects</u> <ul style="list-style-type: none"> Possible attraction of employers out of Gunnels Wood employment area
Adverse effects on protected groups	None so far identified
Different impacts by income group	High quality office development likely to benefit white collar occupations F&B and retail development will provide opportunities for manual and elementary occupations
Views of local stakeholders	TBC
Alignment with wider public policy in the relevant area/s and the UK as a whole/s	<u>National</u> Boost to: Prospects for the UK Innovation Corridor Net Zero Carbon Policies <u>Sub-regional</u> Hertfordshire Covid Recovery Plan: contributes to equipping Hertfordshire's places for mid-21st Century living supporting town centres and town-level economies building digital connectivity. Boosts enterprise and innovation and international trade and investment. Sub-regional and Local Transport Policies: helps create a built environment conducive to improved accessibility; reduces the need to travel; encourages change in people's travel behaviour <u>Local</u> Stevenage Local Plan 2019-2031. Directly addresses Local Plan's ambitions for new homes and additional employment floorspace. Stevenage Central Framework. Recycling of redevelopment sites; opportunities to create offices and workspace matching post-Covid requirements; uplifting the area's image and investor confidence; reduced need to travel; greater opportunities for take up of public transport in place of cars contributing to carbon reduction targets.
Dependency on the successful	No direct dependencies, but will complement the completion of new bus interchange and rail station upgrade, and the Queensway

delivery of other proposals	North mixed-used development, which are all under delivery.	
Link of Benefits Estimated Link to Theory of Change and Strategic Case	<ul style="list-style-type: none"> • Release and acceleration of an additional development site • Construction of high-quality new commercial space • Attraction of high profile business occupiers • Recognition of Stevenage Town Centre as a high prestige business location • Acceleration of transformation of other SG1 major opportunity areas • Increased footfall boosting prospects for revived retail, leisure and hospitality sector • Consolidation of Cell & Gene Therapy cluster in Stevenage • Increase in town centre residents, employees, visitors and spending. • Enhanced patronage of and investment in upgraded food and beverage outlets. • An improved town centre visual environment will generate higher levels of investor confidence, conducive to acceleration of the rest of the redevelopment of Stevenage Central. • Delivery of jobs and training opportunities, increasing the pipeline demand for investment in skills • Delivers central pillars of the Stevenage Town Investment Plan requested by Government 	

Financial Case

Funding Profile (4.2.6)

Private Sector	£60,000,000
Town's Fund	£1,750,000

Funding Schedule (4.2.7)

Source	21/22	22/23	23/24	24/25	25/26	Total
Private Sector	£15,000,000	£35,000,000	£10,000,000			£60,000,000
Town's Fund	£100,000	£400,000	£1,250,000			£1,750,000

Stevenage Development Board will expect that the funding will not be released unless there is a signed Accountable Body Agreement in place.

Commercial Case

Delivery Model (5.2.4-6)

Proposed Delivery Model

The proposed delivery model is to work in partnership with a developer who is able to secure a high quality occupier and institutional investor in advance of the development and for Stevenage Borough Council to dispose of the land subject to appropriate conditions as landowner. In parallel, it is proposed that the Town Fund provides the resources for completion of the public realm scheme leading to the site, for additional quality and integration with the Town Centre. The redevelopment would be undertaken by Reef on the basis of a pre-let to the occupier of the office space and the relationships built and established through market engagement process

Rationale for Proposed Delivery Model

These arrangements have a number of advantages. An agreement for lease provides assurance to the developer that the scheme can proceed on a viable basis. The commitment to this AFL will be more likely to be secured if this tenant can be assured that their operational environment by way of an enhanced public realm will be of high quality. Both factors are conducive to accelerating the transformation of the Marshgate major opportunity area, with associated knock-on benefits to surrounding parts of the town centre.

A further benefit is that this model works well in assuring the meeting of sub-regional economic growth objectives, in this case boosting the position of Stevenage in the UK Innovation Corridor (UKIC) and in this context further developing its significant bioscience industry. The pre-let would be to Autolus Holdings UK, who is a biopharmaceutical company founded on advanced cell programming technology and spun-out from University College London in 2014. Attracting such uses into the town centre is also conducive to making the wider town centre more sustainable both in economic and environmental terms.

Risks (5.2.11)

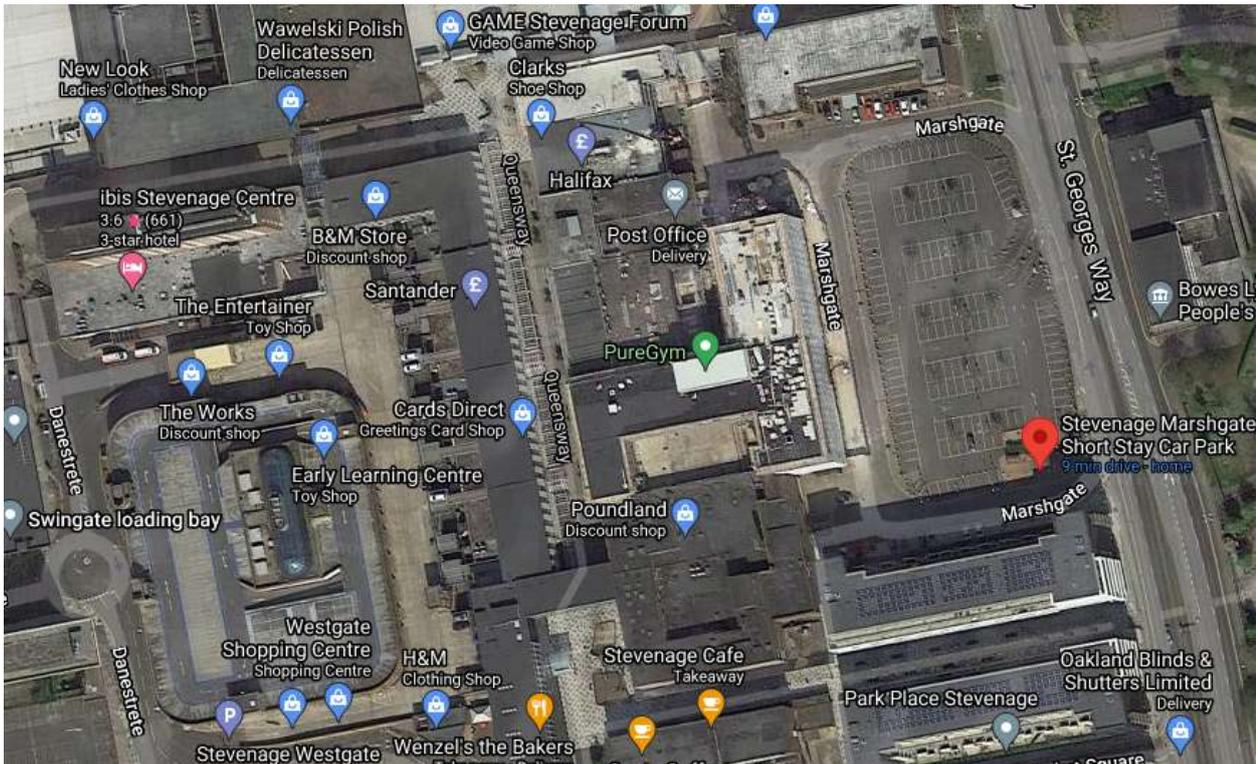
Risks	Likelihood	Mitigation
Failure to achieve planning approval	Low	Planning approval has been achieved.
Autolus backs out of the deal with Reef	Medium	SBC has no direct control of this, but the purpose of the commitment to the public realm scheme is to ensure an attractive operational environment for the company and its employees. This is a significant inducement, minimising the possibility of a pull out.
Reef suffers financial distress	Low	Through its due diligence, SBC has reviewed Reef's commercial performance and the value of its property holdings and is assured of the robustness of its finances.

Management Case

Key Participants, Accountabilities and Responsibilities (6.2.2.)			
Participants	To Whom Accountable	Accountabilities	Responsibilities
Stevenage Borough Council	Central Government	Successful regeneration outcomes and impacts within the town centre	Correct use of Town Fund award
	Local Residents	Delivery of a high-quality public realm	Adequate consultation
		Minimisation of adverse impacts of the scheme	Ensuring a comprehensive design scheme
Reef	Stevenage Borough Council	Compliance with development agreement	Assuring what was proposed is delivered and on time
	Autolus	Provision of a building meeting agreed specification	Assuring quality of the product meets original commitment



St George's Way



**STEVENAGE DEVELOPMENT BOARD
MINUTES**

Date: Thursday, 14 October 2021

Time: 2.30pm

Place: Virtual (via Zoom)

Present: Adrian Hawkins (Independent Chair)
Matt Partridge (Chief Executive, Stevenage Borough Council)
Councillor Sharon Taylor (Stevenage Borough Council)
Councillor John Gardner (Stevenage Borough Council)
Tom Pike (Stevenage Borough Council)
Clare Fletcher (Stevenage Borough Council)
Chris Barnes (Stevenage Borough Council)
Dave Wells (Stevenage Borough Council)
Lucy King (Stevenage Borough Council)
Warren Myles (Stevenage Borough Council)
Gemma Hannant (Stevenage Borough Council)
County Councillor Richard Roberts (Hertfordshire County Council)
Patsy Dell (Hertfordshire County Council)
Adam Wood (Hertfordshire LEP)
Norman Jennings (Hertfordshire LEP)
Briege Leahy (Herts Chamber of Commerce)
Charlotte Blizzard-Welch (Stevenage Citizens Advice Bureau)
Ed Jordan (WENTA)
Claire Dicks (MBDA)
Kit Davies (North Hertfordshire College)
Steve Finlan (The Wine Society)
Sian Carter (Homes England)
Karen Hillen (BEIS)
Kevin Cowin (MACE)
James Latham (Stevenage Bioscience Catalyst)
Mary Hartley (East and North Hertfordshire NHS Trust)
Julie Newlan (University of Hertfordshire)
Richard Whitehead (Aecom)

Also in attendance:

Piers Slater (Reef)
Adam Molyneux (WSP UK Ltd) – **for Item 8 only**
Giles Perkins (WSP UK Ltd) – **for Item 8 only**
Andrew Highfield (Hertfordshire County Council) – **for Item 8 only**

Start / End Start Time: 2.30pm
Time: End Time: 4.36pm

2 APOLOGIES FOR ABSENCE

The Board was advised that apologies for absence had been received from the following:

Martha Lytton Cobbold (Knebworth House)
Sarah McLaughlin (Hertfordshire County Council)
Stephen Ward (Catapult)
Kasia Averall (Catapult)
Greg Westover (Legal & General)
Charles Amies (Homes England)
Keith Ellis (Airbus)
Hetty Thornton (Historic England)
Duncan Parsley (GlaxoSmithKline)

6 TOWN DEAL BUSINESS CASES TRANCHE 1

Chris Barnes (SBC Assistant Director: Regeneration) advised the Board of the review process for Town Deal Business Cases. This features a full draft of each Business Case would be subject to an officer sift before being considered by an Assurance Panel, involving some Board Members. The next stage would be submission to the Board and, subject to Board endorsement, the final stage would be approval by the Accountable Body (SBC). Thereafter, the Business Case(s) would be submitted to the Government.

Chris stated that two summary Business Cases were before the Board for consideration. Full versions of each Business Case were available on request.

(1) Gunnels Wood Road Infrastructure Project

Chris commented that the Business Case was fully consistent with the initial proposal set out in the Stevenage Town Investment Plan (TIP).

Chris advised that the Business Case proposed the use of £1M of Towns Fund money to part-fund the delivery of stage 1 of the Gunnels Wood Road infrastructure project, the design and enabling works required as part of the gyratory roundabout works. The project aligned with the ethos of the TIP, by utilising public funding to leverage private investment to make Stevenage Even Better, and importantly enhance the opportunities for local residents and businesses.

Chris explained that the works themselves related to an infrastructure project, land for redevelopment, delivering local economic growth and high-value jobs, and harnessing the opportunity to enhance skills, training and employment opportunities for the people of Stevenage. The development of a life science park, as detailed at previous Board meetings and in the national press, would continue to solidify Stevenage as a leading centre for life sciences as well as enable other growth opportunities in the area. This could only be achieved if the highway capacity and infrastructure challenges for Gunnels Wood Road were addressed

Chris stated that the lead delivery partner for the project would be Hertfordshire County Council (HCC), supported by Hertfordshire Local Enterprise Partnership (LEP) and Stevenage Borough Council. There was also a key role for GlaxoSmithKline (GSK) in relation to unlocking the outcomes of this project, and the assurance panel which had reviewed this business case, including the Chair and Chief Officers from the accountable body, HCC and the LEP, had recommended a condition to ensure secure allocation of the land prior to significant funding being spent.

Chris mentioned that there were some challenges around the insecurity of stage 2 funding - whilst it had been positive to see some positive partnership working between the Development Board, LEP, HCC and the Borough Council in relation to the Levelling-up fund, this money had not yet been secured. However, part of the reason for including the project in the TIP, and funding stage 1, was that it would provide the strongest possible platform to subsequently secure the additional funding. Notwithstanding this, the Business Case was strongly supported by the assurance panel, with a recommendation that the Development Board endorse the project.

The Board noted an issue raised by James Latham (Stevenage Bioscience Catalyst) concerning the transfer of GSK owned land to allow the development to take place. There was the possibility that the sale of the GSK freehold land required would be to a developer, in which case the developer would be a further party to the necessary agreement. The Board considered that it would be important to engage with GSK as soon as possible and get their sign off before design work commenced.

It was **RESOLVED** that the Gunnels Wood Road Infrastructure Project Business Case be endorsed, and recommended to the Accountable Body (Stevenage Borough Council) for approval.

(2) Marshgate Biotech Centre Project

Chris commented that the Business Case was fully consistent with the initial proposal set out in the Stevenage Town Investment Plan (TIP), with the exception of the key worker housing element, which the Board had previously agreed to vary in response to the challenge of receiving £37.5M Town Deal funding (as opposed to the £50M bid contained in the TIP).

Chris advised that the Business Case proposed the use of £1.75M of Towns Fund money to deliver a new life science centre on Marshgate car park, including laboratory and office space, as a European HQ for Autolus, who currently have a Research & Development presence in Stevenage.

Chris explained that the funding would be used to deliver the public elements of the scheme, delivering a new public parking offer, and improvements to the public realm connections to and from the site. This dovetailed nicely with the nearby Park Place and Queensway North developments, which had been completed or were close to completion.

Chris stated that the outputs that this project delivered would provide a significant economic boost to the town as part of the Covid-recovery. This was an opportunity to provide high-quality life science development in the town centre, with job roles at accessible skills levels for a wide range of local people, and really did get to the heart of the TIP. It would be especially positive for many Board Members, who had seen Government and LEP investment in life sciences in the town, together with Borough Council investment in the town centre regeneration, to see the results of both combining to deliver jobs, economic growth, and provide stimulus to the town centre.

Chris considered that the project would create a significant opportunity to harness the spending power and footfall the development would generate; to support existing businesses and attract new ones as part of the transformation of our town; and to start to strengthen those links between residents, businesses, and the quality of the town's amenities and infrastructure.

Chris advised that the lead delivery partner for this project would be Reef, supported by Stevenage Borough Council. An Accountable Body Agreement would be in place to ensure that the funds were managed and used appropriately, and the programme delivered the outputs expected. The assurance panel again provided strong support for this Business Case, and the chance to deliver a project such as this early in the programme would set a really positive statement to the Government.

The following points were made by Board Members:

- In response to a query, Chris explained that the removal of the key worker housing element had been removed from the project in agreement with BEIS, on the basis that such housing (if required) could be provided on sites such as Queensway North, which already had a set of eligibility criteria regarding the occupation of such units. He undertook to ensure that any remaining references to key worker housing were removed from the Business Case;
- In reply to a further query, Chris confirmed that the size of the proposed building reflected Autolus's stated requirements and was fit for purpose; whilst the TIP contained no specific requirements for carbon zero design, it was expected that the planning process would scrutinise sustainability and design issues. Piers Slater (Reef) added that his company's in-house design team took zero carbon issues very seriously. The building would be of modular design and would be future-proofed. An area of land adjacent to the site had been reserved by SBC should Autolus wish to expand the premises any time in the future;
- In terms of an issue regarding loss of car parking due to the development, Chris stated that this should be offset by the car parking to be provided in the new Multi-Storey Car Park proposed on the Railway Station North Car Park, which was part of the Station Gateway project. There was also underused parking space in the St. George's Way Multi-Storey Car Park; and
- Chris confirmed that the intention was to submit Business Cases to the Government as soon as they were approved, rather than all at once in March 2022.

It was **RESOLVED** that the Marshgate Biotech Centre Project Business Case be endorsed, and recommended to the Accountable Body (Stevenage Borough

Council) for approval.

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Meeting: Audit Committee / Executive / Council **Agenda Item:**

Portfolio Area: Resources



Date: 10 November 2021 / 17
November 2021 / 15 December
2021

2021/22 MID YEAR TREASURY MANAGEMENT REVIEW

NON-KEY DECISION

Author – Belinda White Ext No. 2515
Contributors – Lee Busby Ext No. 2730
Lead Officer – Clare Fletcher Ext No. 2933
Contact Officer – Clare Fletcher Ext No. 2933

1. PURPOSE

1.1 To update Members on the Treasury Management activities in 2021/22 and review effectiveness of the 2021/22 Treasury Management and Investment Strategy including the 2021/22 prudential and treasury indicators.

2. RECOMMENDATIONS

- 2.1 That Council approve the 2021/22 Treasury Management Mid-Year review.
- 2.2 That subject to any comments from Executive and the Audit Committee, Council approve the list of approved Countries (with approved counterparties) for investments as set out in Appendix D to this report.
- 2.3 That the updated authorised and operational borrowing limits as set out in Appendix A to this report are approved.
- 2.4 That the impact of the outstanding decision set out in paragraph 4.1.4 be noted.

3. BACKGROUND

3.1 This report covers one of three reporting requirements under the Prudential and Treasury Management Code of Practice (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), the other reports being:

- Annual Treasury Strategy (in advance of the year) (last reported to Council 24 February 2021)
- Annual Treasury Management Review after the year end (2020/21 was reported to Council 13 October 2021)

3.2 In December 2017, CIPFA revised the Code to require, all local authorities to report:

- A high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- An overview of how the associated risk is managed;
- On the implications for future financial sustainability.

These elements are covered in the annual Capital Strategy reported to Council in February each year.

3.3 This report summarises:

- Capital expenditure and financing for 2021/22;
- The overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- The reporting of the required prudential and treasury indicators, including the impact of the expenditure on the Council's underlying indebtedness (the Capital Financing Requirement);
- An update on the Treasury Management Strategy Position;
- An economic update for the first part of 2021/22.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 The Council's Capital Expenditure and Financing 2021/22

4.1.1 Capital expenditure¹ can be financed either by capital resources the Council has on its balance sheet (e.g. capital receipts and capital grants) or by making a revenue contribution to capital. If sufficient capital resources are not available to fund the expenditure the Council would need to borrow to meet the funding gap. This borrowing may be taken externally in new loans or internally from cash balances held by the council (see also 4.3.3). The need to borrow is measured and reported through the Prudential Indicators.

4.1.2 The Treasury Management Strategy and Prudential Indicators for 2021/22 were originally approved by Council on the 24 February 2021. Since then, capital budget changes have been approved and the Prudential Indicators updated in the 2020/21 Annual Treasury Management Review (approved by Council 13 October 2021). The Treasury Management Mid-Year Review Indicators have been updated based on the 1st and 2nd quarter capital programme reported to Executive (20 October 2021).

¹ Council expenditure can be classified as capital when it is used to purchase assets with a life of more than one year, exceeds £5,000 in value and meets the guidelines laid out in CIPFA accounting practices.

4.1.3 Table One (see below) shows the original capital programme, the revised capital programme (approved by Executive 20 October 2021) and financing.

Table One: 2021/22 Capital Expenditure and Financing		
	2021/22 Original Capital Strategy (Council February 2021) £'000	2021/22 Revised Mid-Year Review (Q1&Q2 Capital Strategy -Executive October 2021) £'000
Capital Expenditure:		
General Fund Capital Expenditure	17,400	22,322
HRA Capital Expenditure	52,488	53,857
Total Capital Expenditure	69,888	76,180
· Capital Receipts	(14,958)	(17,828)
· Capital Grants / Contributions	(9,131)	(13,167)
· Capital Reserves	(2,211)	(2,356)
· Revenue contributions	0	(88)
· Major Repairs Reserve	(11,798)	(8,238)
Total Resources Available	(38,097)	(41,676)
Capital Expenditure Requiring Borrowing	(31,790)	(34,503)

4.1.4 It should be noted that at the time of writing the report, a decision was yet to be made regarding the demolition costs for Swingate House of approx. £900K. The Council may decide to incur these costs and so the capital programme would be approx. £900K higher, or the site would be sold with these works still to be undertaken and this would be reflected in the capital receipt achieved. A report is due to be presented to the Council's Executive in December which will make recommendations on this issue.

4.2 The Council's overall borrowing position.

4.2.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR)². Whether physical borrowing is taken out depends on the level of cash balances held by the Council. The treasury service manages the Council's cash position to ensure sufficient cash is available to meet the capital payments, based on the Council's Capital Strategy and its Treasury Management Strategy. This may be through internal borrowing from utilising cash balances held by the Council in the short to medium term or external borrowing such as from the Government, through the Public Works Loan Board (PWLb), or the money markets.

² Capital Financing Requirement (CFR) represents the amount of debt the Council needs to/has taken to fund the capital programme after debt repayments and Minimum Revenue Provision (MRP) are taken into account

4.2.2 The 2021/22 Capital Strategy identified the need for borrowing for financing elements of the capital programme. The Council has not undertaken any new external borrowing to date in 2021/22.

4.2.3 In 2021/22 the average cash holding between April and September was £77.5 Million (compared to £62.0 Million April to September 2020/21). While investment returns are low the “internal” borrowing rate is significantly cheaper than the cost of external borrowing and remains a prudent use of the Council’s cash balances, unless it is considered more advantageous to secure long term borrowing in accordance with the HRA Business Plan.

4.2.4 As at the 30 September 2021 the Council had total external borrowing of £218,834,687 which is projected to increase to £252,432,312 by 31 March 2022 if all approved borrowing is taken as per the revised capital programme approved by Executive on 20 October 2021.

4.2.5 The General Fund currently has £2,150,687 external borrowing with the PWLB, comprising an Equal Instalments of Principal (EIP) loan with the final principal repayment in February 2023, and a Maturity loan of £1.756 Million which matures in March 2028.

4.2.6 The HRA has external borrowing of £216,684,000 with the PWLB, with the majority of the HRA debt (£194,911,000) taken out in March 2012 to finance the payment required to central government for self-financing. This debt was arranged over a number of loans at fixed rates and with varying maturities and is not impacted by the recent changes in PWLB rates.

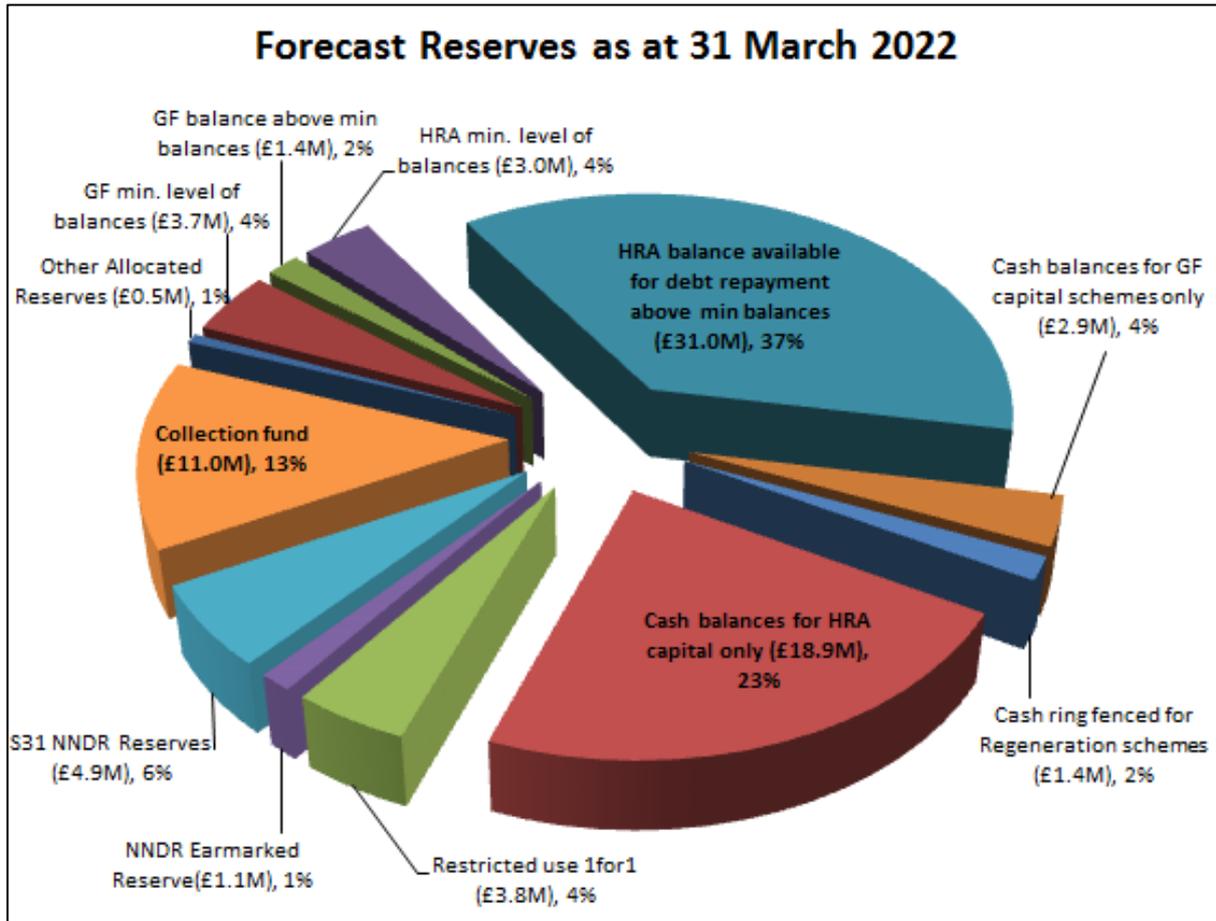
4.2.7 The HRA borrowing includes £7,763,000 used to fund the pre-2012 Decent Homes programme. This debt was called ‘supported borrowing’ under the former HRA subsidy system but now forms part of the HRA debt portfolio. An additional £10,000,000 was taken in March 2021 to fund additional Decent Homes expenditure.

4.2.8 Since the lifting of the HRA Debt Cap, which was formerly £217,685,000, HRA borrowing limits are based on affordability rather than legislation. These limits are now reviewed as part of the annual HRA Business Plan and through annual budget setting. An MTFs update for the HRA is being reported to Executive on 8 December 2021 as part of the Draft Budget for 2022/23.

4.3 Cash balances and cash flow management

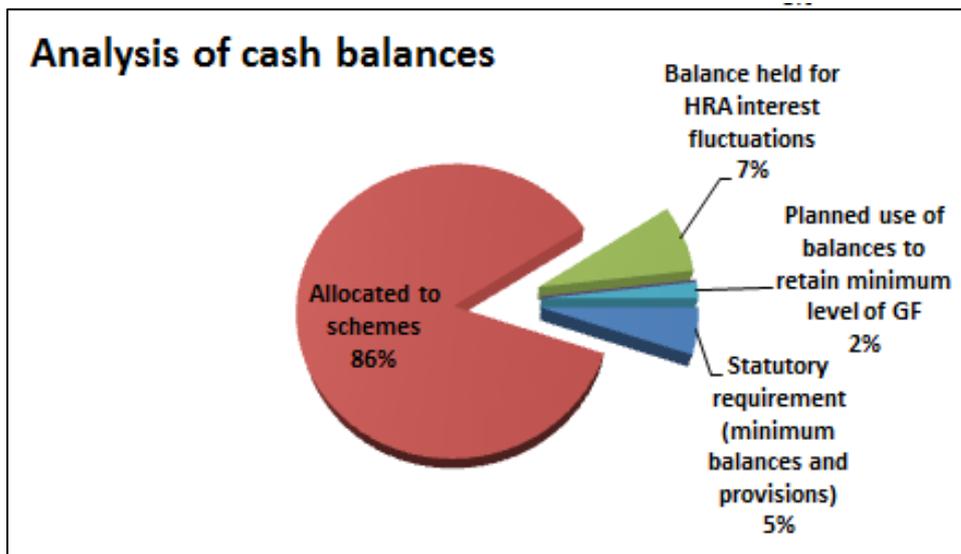
4.3.1 As at 1 April 2021 cash balances held by SBC totalled £73.15 Million. The current revised cash balance expected to be held as at 31 March 2022 is £72.4 Million. The breakdown of these cash balances is shown in the following chart.

Chart One: Cash Balances expected as at 31 March 2022



4.3.2 These cash balances can be further analysed between allocated to schemes, held for statutory requirements and held for third parties. This identifies that all of the £72.4 Million of cash resources have been allocated. Unless allocated reserves are no longer needed in the future, there are **currently no cash resources available** for new projects.

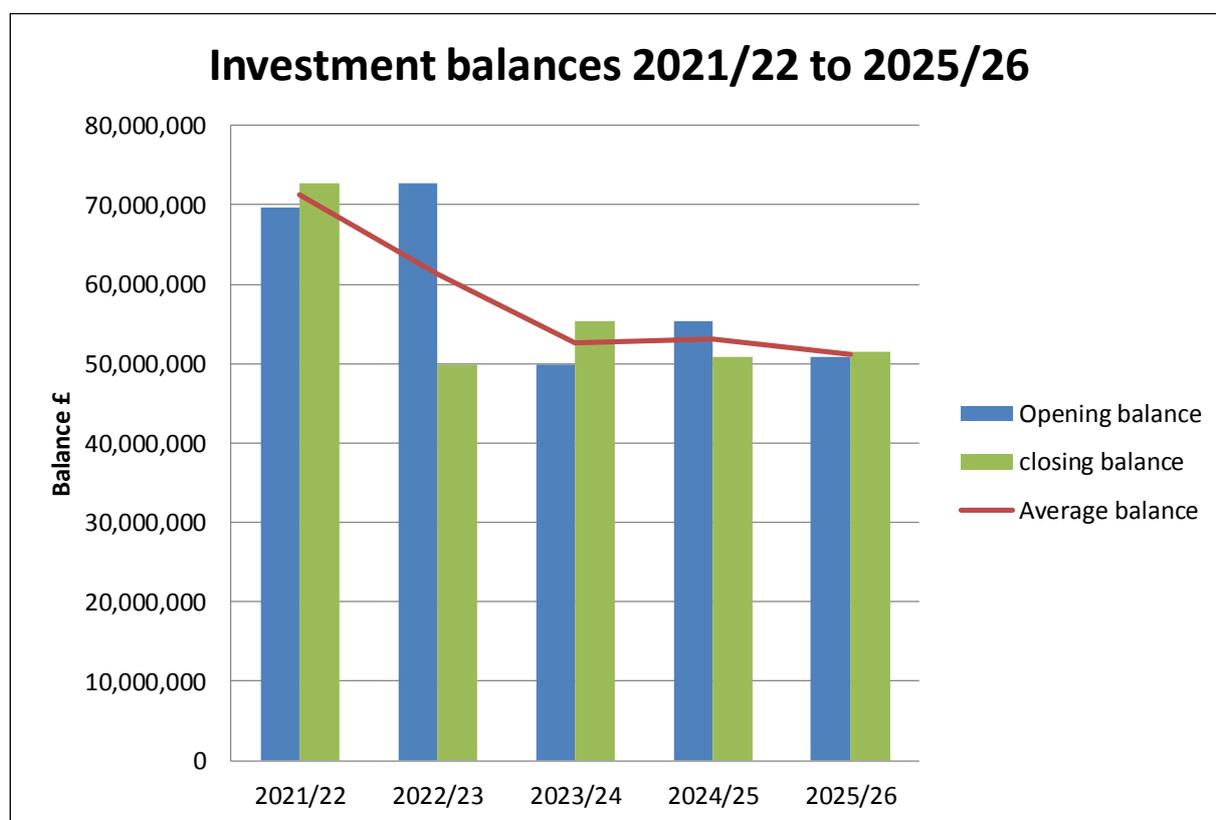
Chart Two: Analysis of Cash Balances



4.3.3 Cash investment balances are expected to be £72.4 Million by 31 March 2022 (reserves and balances of £83.8 Million less actual internal borrowing of £11.2 Million), but this is dependent on current spending projections and approved borrowing included in the capital strategy and current HRA business plan (General Fund - £4.182Million and HRA - £29.547Million) for 2021/22. Decisions as to when to take this borrowing will be considered based on cash balances and anticipated interest rates.

4.3.4 The forecast investment balances to 2025/26 has been updated to reflect the latest General Fund MTFs and HRA MTFs projections and the revised capital programme. Note that, like the pie chart in paragraph 4.3.2, the balances in the chart below includes those being held on behalf of third parties.

Chart Three: Investment Balances forecast



4.4 Prudential Indicators

4.4.1 It is a statutory duty for the Council to determine and keep under review its affordable borrowing limits. The Council's approved Treasury and Prudential Indicators, (which measures affordability limits), are included in the approved Treasury Management Strategy and an update on those indicators is included in this report. During the year to date, the Council has operated within the treasury and prudential indicators set out in that strategy. Further explanation of key prudential indicators is given below and is also shown in Appendix A.

4.4.2 **Borrowing and the 2021/22 Capital Financing Requirement (CFR)** - The Council's underlying need to borrow for capital expenditure is referred to as the Capital Financing Requirement (CFR). The Council's original estimate and latest CFR for the year is shown in the table below. The estimate of the CFR for

2021/22 has been updated for the capital strategy approved by Members (20 October 2021 Executive). Further updates may be required pending completion of the external audit of the 2019/20 and 2020/21 accounts.

4.4.3 The HRA MTFs update (HRA 2021/22 - 2025/26) will be reported to the 17 November 2021 Executive, and the Final HRA and Rent Setting Report 2022/23 to Executive to the 19 January 2022 Executive and to Council on 26 January 2022. The CFR and Prudential Indicators included in this report have been updated to reflect the current projections for the HRA revised business plan.

Table Two: Capital Financing Requirement 2021/22			
	2021/22	2021/22	2021/22
	Original: Annual TM Strategy (Approved Council February 2021)	Revised: Annual TM Review of 2020/21 (Approved Council October 2021)	Revised: Mid-Year Review (Executive November 2021)
CFR Calculation	£'000	£'000	£'000
Opening Balance	264,817	266,800	266,800
Closing Capital Financing Requirement (General Fund)	31,010	44,372	37,372
Closing Capital Financing Requirement (Housing Revenue Account)	264,076	262,144	262,144
Closing Balance	295,086	306,516	299,516
Increase/ (Decrease)	30,269	39,716	32,716

4.4.4 Total debt repayments made in the first half of 2021/22 relating to principle on PWLB General Fund loans were £131,579 (paid in August). A further repayment of £131,579 will be made in February 2022 in relation to General Fund debt.

4.4.5 The Council could further reduce its CFR by:

- The application of additional capital financing resources (such as unapplied capital receipts) if available; or
- Charging more than the statutory revenue charge (Minimum Revenue Provision (MRP)) each year through a Voluntary Revenue Provision (VRP) which would increase the cost to the General Fund

4.4.6 The **net borrowing position** of the Council at 31 March 2022 is estimated to be **£180.0 Million** (total borrowings/loans of £252.4M less total investments held of £72.4 Million). This updated position also reflects the current projections for the HRA revised business plan.

4.4.7 The **operational boundary and authorised limit** refer to the borrowing limits within which the treasury team operate. To date there have been **no breaches** of either limit in 2021/22).

4.4.8 At the time of publication of this report the external audit of the 2019/20 accounts has yet to be completed and the external audit of the 2020/21 accounts has yet to commence. Any changes following the completion of the external audits will be reported to Members in subsequent reports.

4.4.9 **Minimum Revenue Provision (MRP)**³ – In 2021/22 the MRP calculated on previous years' borrowing is £465,491, however there will be no MRP charge to the General Fund with respect to borrowing for regeneration assets of £193,703, due to the overpayment calculated following the MRP review, which reviewed the asset lives used in calculating MRP. Based on the current forecasts this 'MRP holiday' period for regeneration assets will result in no MRP charges to the General Fund until 2025/26. Further detail can be found in Appendix E (MRP Policy).

4.4.10 MRP needs to be calculated regardless of whether actual external borrowing has been taken and hence differs from the treasury management arrangements, the latter considers utilising cash balances when borrowing rates are higher than investment interest rates.

4.4.11 The **ratio of financing costs to net revenue stream** is equal to General Fund interest costs divided by the General Fund net revenue income from Council Tax and Business Rates.

4.4.12 The treasury management indicators for 2021/22 onwards have been calculated based on the 1st and 2nd quarter capital programme reported to Executive 20 October 2021. There will be subsequent updates to the capital programme including the capital bidding process for the period 2022/23 to 2026/27 and as such the data relating to future years is indicative only and will be subject to change. The full list of Treasury Prudential Indicators is shown in Appendix A.

4.5 Update on Treasury Management Strategy Position 2021/22

4.5.1 The Council's debt and investment position is managed by the treasury management section to ensure adequate liquidity for revenue and capital activities. In addition, investment decisions are based on the security of the investments and spread over a number of counterparties to manage the Council's exposure to risk.

4.5.2 The Council's **average investment returns** are modest due to the historically low Bank of England Base Rate which is currently 0.10% and the risk appetite in the treasury management strategy. As at 30 September 2021 the 2021/22 average rate of interest being earned on investments was 0.36% (compared to 0.98% earned in 2020/21). This exceeded the 7 day LIBID benchmark rate of 0.00% (source: LINK Asset Services 21 October 2021).

³ MRP- The Council must base its borrowing decisions in accordance with the Prudential Code which requires the Council to demonstrate a need to borrow and to show the cost of that borrowing for the General Fund is affordable. The Council's MRP policy, as required by CIPFA guidance, is approved annually by Council as part of the Treasury Management Strategy. The calculation of MRP is based upon prior years' borrowing requirement and the life of the assets for which borrowing was required.

4.5.3 At current interest rates it is still prudent to utilise the Council's cash balances (as shown in paragraph 4.3.1) for short-term internal borrowing. However, PWLB borrowing costs will be kept under review and officers will determine whether it may be prudent to take some borrowing at lower interest rates based on the forecast reduction of future cash balances and borrowing identified in the HRA business plan. The decision and timing of when to borrow is being monitored by officers.

4.5.4 The Council's treasury position for the first half of year was as follows:

Table three: Treasury Position 2021/22						
	30 Sep 2021 Principal £'000s	Rate / Return %	Average Life (Yrs)	31 Mar 2022 Principal £'000s	Rate / Return %	Average Life (Yrs)
Fixed rate loans - PWLB	218,835	3.34	12.07	218,703	3.34	11.6
General Fund Prudential Borrowing				4,182		
HRA Borrowing				29,547		
Total Borrowing	218,835	3.37	12.07	252,432	3.34	11.6
CFR				299,515		
less finance lease and other technical adjustments				(29,982)		
less self-financing agreement				(5,929)		
Over/(under) borrowing*				(11,172)		
Investments Portfolio	74,930	0.36	N/A	72,391	0.31	N/A

* financed by internal borrowing (£3.047Million HRA £8.125Million General Fund)

4.5.5 The maturity structure of the debt portfolio was as follows (see also Appendix B):

Table four: Maturity of Debt Portfolio for 2020/21 and 2021/22		
Time to maturity	31 March 2021 Actual £'000's	30 September 2021 Actual £'000's
Maturing within one year	263	263
1 year or more and less than 2 years	263	132
2 years or more and less than 5 years	500	500
5 years or more and less than 10 years	49,656	49,656
10 years or more	168,284	168,284
Total	218,966	218,835

4.5.6 There are two investments with **maturities over one year** as detailed below:

Table five: Maturities Over One Year					
Counterparty	Country	Rating	Deposit amount	Start date	Maturity on
Cambridgeshire County Council	UK	AA	5,000,000	12/04/2021	12/04/2023
Bury MBC	UK	AA	2,300,000	18/05/2020	18/11/2024
			7,300,000		

4.5.7 All other investments held during the first half of 2021/22 are due to mature within one year. A summary of the Council's exposure to fixed and variable rate investments is shown below in Table Six. (See also Appendix B).

Table Six : Fixed and Variable Rate Investment Totals		
	31 March 2021 Actual	30 September 2021 Actual
	£'000's	£'000's
Fixed rate principal	41,000	47,000
Variable rate principal	28,700	27,930
Total	69,700	74,930

4.5.8 Since the last Treasury report, the application to add the CCLA Public Sector Deposit Fund Money Market fund was completed and they have been added to the portfolio, due to the closure of the Amundi Money Market Fund.

4.5.9 There have been **no breaches** of treasury **counter party limits**, with the investment activity during the year conforming to the approved strategy. Any breach would be notified to the Chief Finance Officer. The Council has had no liquidity difficulties and no funds have been placed with the Debt Management Office (DMO) during 2021/22 to date, demonstrating that counterparty limits and availability for placing funds approved in the TM Strategy were working effectively. It is possible that surplus funds borrowed during 2021/22 will be placed in the DMO temporarily, if PWLB borrowing rates are advantageous and cash balances due to the timing of taking out new loans would breach other counterparty limits.

4.5.10 The list of "Approved Countries for Investments" is detailed in Appendix D.

4.5.11 **Money Market Fund Regulatory Change** took place in early 2019, and Liquidity (non-government) Funds were converted from Constant Net Asset Value (CNAV) funds to Low Volatility Net Asset Value (LVNAV) pricing. Government-type funds remained as CNAV funds under the new regulations. These changes have had no impact on the Council's Treasury Management Strategy.

4.5.12 As part of the Council regeneration programme and financial security objectives officers have established special purpose vehicles (SPV) to deliver regeneration in the town and to improve the offer in the private rented sector. These SPV's have included a Limited Liability partnership and a wholly owned company. As completely separate legal entities the board of Directors of the SPV needed to delegate authority for the treasury management function to the Council, for officers to invest monies on behalf of the SPV's subject to Director's delegation. Any sums invested on behalf of these SPV's will be done in accordance with the Council's own treasury management policies. No such investments have been made on their behalf to date.

4.6 Economic Review & Interest Rate Outlook

4.6.1 UK Growth

The Bank of England's Monetary Policy Report August 2021 reports that UK GDP is expected to have risen by 5% in 2021 Q2, leaving it around 4% below its pre-pandemic level and slightly stronger than expected in the May Report. GDP is expected to grow by around 3% in Q3, somewhat weaker than expected in the May Report, with a small negative impact from recent developments in the pandemic. UK GDP is projected to recover further over the remainder of the year, reaching its pre-pandemic level in 2021 Q4, with demand growth boosted by a waning impact from Covid. Further out, the pace of GDP growth is expected to slow towards more normal rates, partly reflecting the gradual tightening in the stance of announced fiscal policy

4.6.2 Inflation and Bank Rate

Twelve-month CPI inflation fell to 3.1% in September from 3.2% in August. CPI inflation is expected to remain above the 2% target. The latest forecast from the OECD (the Organisation for Economic Co-operation and Development) is that inflation will be running at about 3% at the end of 2022. Inflation has picked up around the world due to higher costs of raw materials, constraints on the supply of goods, stronger consumer demand as economies reopen, and prices bouncing back from drops during the pandemic in some sectors. At its meeting ending on 24 September 2021, the MPC voted unanimously to maintain Bank Rate at 0.1%, which has been the rate since 19 March 2020 in response to the Coronavirus pandemic. Financial markets are now pricing in a first increase in Bank Rate from 0.10% to 0.25% in February 2022, however the MPC has stated that it wants to see what happens to the economy, and particularly to employment once furlough ends at the end of September. At the MPC's meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would need to wait until the May meeting when it would have data up until February. Our current forecasts are for the rise to 0.25% to take place in June.

4.6.3 Wage inflation

Following the August MPC meeting, the Governor of the Bank of England Andrew Bailey said, "the challenge of avoiding a steep rise in unemployment has been replaced by that of ensuring a flow of labour into jobs" and that "the Committee will be monitoring closely the incoming evidence regarding developments in the labour market, and particularly unemployment, wider measures of slack, and underlying wage pressures." This flagged up a potential danger that labour shortages could push up wage growth by more than it expects and that, as a result, CPI inflation would stay above the 2% target for longer.

4.6.4 Brexit

The UK left the European Union on 31 January 2020 and an exit deal was agreed between the UK and the EU just before the end of the transition period on 31 December 2020. The initial agreement with the EU only covered trade, so further work remains on the services sector where temporary equivalence has been granted in both directions between the UK and EU and needs to be formalised permanently. Trade agreements with some countries and trading

blocs took effect from 1 January 2021. Other agreements are still under discussion with countries where trading agreements were in place before 1 January 2021, and the Government put in place a UK global tariff and is trading with other World Trade Organisation (WTO) members on WTO terms, while trade with eligible developing countries is taking place under the UK's Generalised Scheme of Preferences. Brexit is likely to lead to a long-term structural change in the UK economy, impacting areas such as trade, investment and immigration.

4.6.7 Budget and Spending Review 2021

On 27 October 2021 the Chancellor delivered his Budget and Spending Review 2021, including the Office for Budget Responsibility (OBR) forecasts.

The main points from the Chancellor's Budget Statement that are relevant to local government are as follows:

- New grant funding for local government has been announced over the next three years, worth £4.8bn. The details of how this funding will be distributed and which services it will be allocated to were not included in the speech. There was also no announcement on funding reform, and no confirmation that the reset would be delayed beyond 1 April 2022.
- The Spending Review document confirms that the Council Tax referendum limit is expected to remain at 2% per annum for the Spending Review Period, with an additional 1% per annum flexibility for social care authorities to increase the Social Care Precept.
- The Business Rates multiplier will, again, be frozen, rather than rising by inflation, as in 2021/22. It is expected that this will be funded by government through a further increase to the multiplier cap compensation grant. The conclusion of the review of Business Rates was also published on 27 October. This included 3-yearly revaluations from 2023, and a new Business Rates improvement relief, which, from 2023, will allow businesses to make improvements and pay no extra business rates for 12 months (it is expected that this relief would be funded for local government).
- Retail, Hospitality and Leisure relief will be extended at 50% for 2022/23, subject to a £110,000 cash cap. This is £5,000 higher than the cap currently applicable to the 66% relief to businesses, which were not (or would not have been) required to close on 5 January 2021. The Government estimates the relief will be worth £1.7bn to business. Again, it is expected that this will continue to be fully funded for local government.
- £560m will be provided for youth services as part of the levelling up agenda. There will also be new funding for community football pitches (£200m+), to support museums and libraries (£800m), and for 100 new 'pocket parks' on small areas of derelict land.
- The public sector pay freeze will not continue, and the intention is to return to the usual system of independent pay commission recommendations for 'fair and affordable' pay rises over the whole Spending Review period. The

minimum wage will be increased to £9.50 per hour, accepting the Low Pay Commission's recommendation.

- Total departmental spending will increase over this Parliament by £150bn, or 3.8% per annum in real terms. There will be a real terms rise in spending for every single department.
- The OBR forecasts predict continued higher inflation, with CPI expected to average 4% over the coming year. The Government consider that this high inflation relates to demand exceeding supply (as demand has recovered more quickly than suppliers can re-mobilise, as economies reopen) and also to the surge in demand for energy, despite continuing disruptions to supply.
- Economic recovery is now expected to be quicker, with a return to pre-COVID levels expected at the turn of the year (earlier than was expected in March). The estimates of the impact from COVID have been reduced from 3% to 2%, and the peak unemployment is now expected to be 5.2% (down from the 12% predicted in March).
- The government will publish a new Charter for Budget Responsibility (which will be subject to a vote in Parliament). The Charter will include two rules, which must be met by the third year of a fiscal period: that underlying Public Sector Net Debt (excluding the Bank of England) must be falling as a percentage of GDP, and, in normal times, the state should only borrow to invest (with everyday spending being paid through taxation). Today's announcement meets these rules. There will also be a target for 3% of GDP to be committed to capital spending.
- Other announcements include an intention to return aid spending to 0.7% in 2024/25 (before the end of the Parliament); reforms to alcohol duties (which will simplify the system using a basic principle that 'the stronger the drink, the higher the rate'); reductions to Air Passenger Duty for domestic flights and a new 'super long haul' rate introduced; a further freeze to fuel duty; and a reduction to the Universal Credit taper from 63% to 55% (which is the amount that Universal Credit falls as income rises from work).

5. IMPLICATIONS

5.1 Financial Implications

5.1.1 This report is of a financial nature and reviews the treasury management function for 2021/22 to date. Any consequential financial impacts of the Strategy will be incorporated into the Capital Strategy updates and subsequent quarterly budget monitoring reports.

5.1.2 During the financial year to date officers have operated within the Treasury and Prudential Indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.

5.2 Legal Implications

- 5.2.1 Approval of the Prudential Code Indicators and the Treasury Management Strategy Indicators are intended to ensure that the Council complies with relevant legislation and best practice.
- 5.2.2 There have been no changes to PWLB borrowing arrangements since the last Treasury report, however there is ongoing consultation on changes to the Prudential and Treasury Management codes. Officers will ensure that any changes are reflected in treasury operations and reporting requirements.

5.3 Risk Implications

- 5.3.1 The current policy of minimising external borrowing only remains financially viable while cash balances are high and the differentials between investment income and borrowing rates remain. Should these conditions change the Council may need to take borrowing at higher rates which would increase revenue costs.
- 5.3.2 There remains uncertainty on the impact of exiting the EU on UK economy and borrowing rates. Officers monitor interest rate forecasts to inform the timing of borrowing decisions.
- 5.3.3 The Council's Treasury Management Strategy is based on limits for counterparties to reduce risk of investing with only a small number of institutions.
- 5.3.4 The thresholds and time limits set for investments in the Strategy are based on the relative ratings of investment vehicles and counterparties. These are designed to take into account the relative risk of investments and also to preclude certain grades of investments and counterparties to prevent loss of income to the Council.

5.4 Equalities and Diversity Implications

- 5.4.1 This report is technical in nature and there are no implications associated with equalities and diversity within this report. In addition to remaining within agreed counterparty rules, the Council retains the discretion not to invest in countries that meet the minimum rating but where there are concerns over human rights issues. Counterparty rules will also be overlaid by any other ethical considerations from time to time as appropriate.
- 5.4.2 The Treasury Management Policy does not have the potential to discriminate against people on grounds of age; disability; gender; ethnicity; sexual orientation; religion/belief; or by way of financial exclusion. As such a detailed Equality Impact Assessment has not been undertaken.

5.6 Climate Change Implications

- 5.6.1 The council's investment portfolio is sterling investments and not directly in companies. However the treasury management team will review the use of Money Market funds to ensure, where possible, money market funds that invest in environmentally sustainable companies are used. In this way the TM

team will align with the Councils ambition to attempt to be carbon neutral by 2030.

BACKGROUND DOCUMENTS

BD1 Prudential Code Indicators and Treasury Management Strategy 2021/22
(24 February 2021 Council)

BD2 Annual Treasury Management Review of 2020/21 (13 October 2021
Council)

APPENDICES

- Appendix A – Prudential Indicators for Mid Year Review.
- Appendix B – Investment and Loan Portfolios
- Appendix C – Specified & Non-Specified Investment Criteria
- Appendix D – Approved Countries for Investments
- Appendix E – MRP Policy

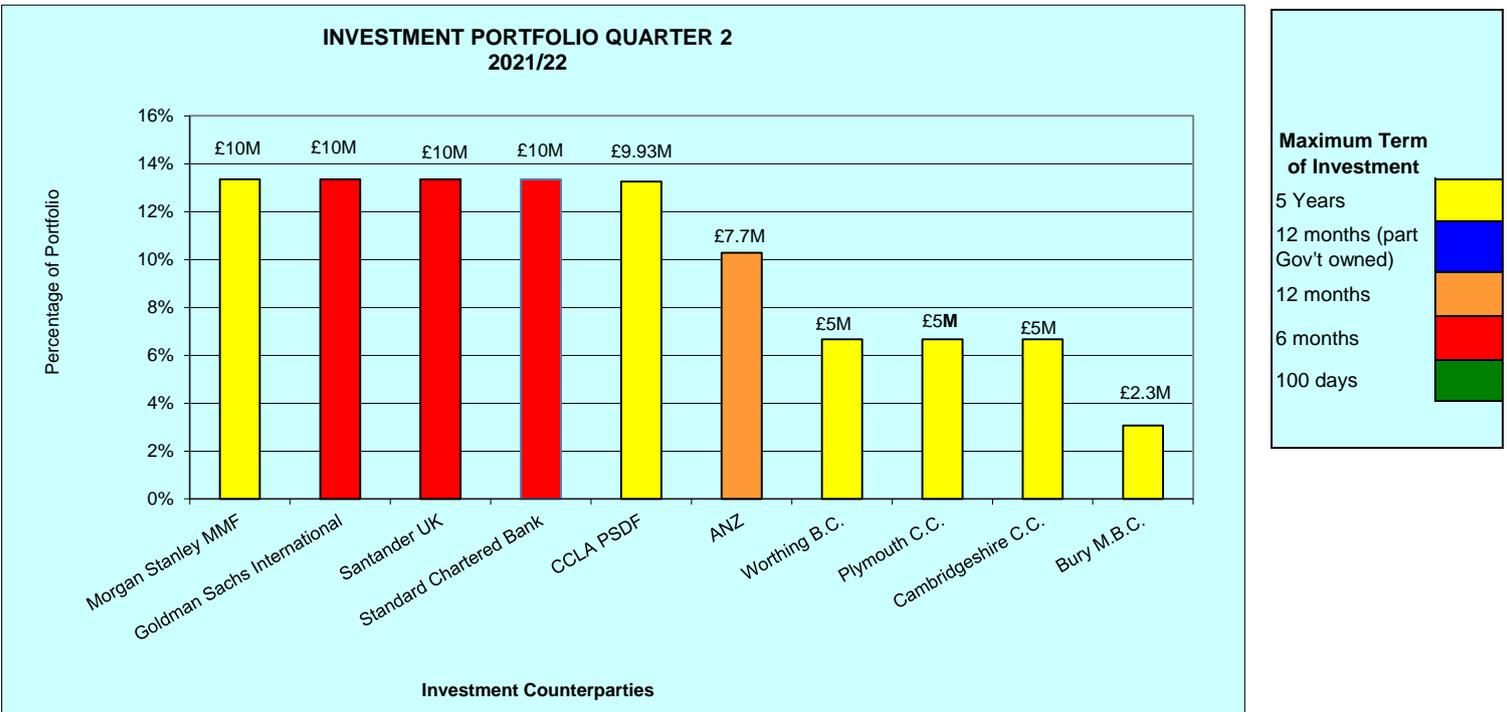
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Appendix A		2021/22 Treasury Management Strategy - Mid year review											
Treasury Management Prudential Indicators													
	2021/22	2021/22	2021/22	2022/23	2022/23	2022/23	2023/24	2023/24	2023/24	2024/25	2024/25	2024/25	
Capital Expenditure (Based on Q1 & Q2 Capital report October 2021):	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21-22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21-22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21-22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21-22	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
General Fund	17,400	20,296	22,322	20,145	20,251	20,522	26,137	26,127	25,976	14,795	14,795	14,795	14,735
HRA	52,488	58,263	53,857	56,858	57,209	61,615	37,256	37,186	37,186	28,748	28,818	28,818	28,818
Total	69,887	78,559	76,180	77,004	77,460	82,137	63,393	63,314	63,162	43,543	43,613	43,613	43,553
Ratio of financing costs to net revenue stream:	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21-22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21-22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21-22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21-22	
	%	%	%	%	%	%	%	%	%	%	%	%	%
General Fund Capital Expenditure	4.78%	4.90%	5.06%	5.28%	5.38%	5.56%	6.12%	6.26%	6.46%	6.73%	6.91%	7.13%	7.13%
HRA Capital Expenditure	16.82%	16.79%	32.10%	17.09%	17.30%	33.90%	17.08%	17.52%	34.38%	16.16%	16.57%	32.52%	32.52%
General Fund: Net revenue stream is the RSG, NNDR grant and Council Tax raised for the year. HRA: The net revenue stream is the total HRA income shown in the Council's accounts from received rents, service charges and other incomes. The ratio of financing costs to net revenue stream reflects the high level													
Authorised Limit for external debt	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21-22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21-22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21-22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21-22	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Borrowing - General Fund	45,294	51,372	51,606	51,126	57,298	57,438	52,484	58,511	58,795	51,730	57,612	58,042	58,042
Borrowing - Queensway residential	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Borrowing - HRA	272,076	270,144	270,144	287,716	285,784	285,784	299,696	297,764	297,764	299,696	297,764	297,764	297,764
Total	332,371	336,515	336,750	353,843	358,082	358,222	367,180	371,275	371,559	366,426	370,376	370,806	370,806
The authorised limit in that it is the level up to which the Council may borrow without getting further approval from Full Council. The Council may need to borrow short term for cash flow purposes, exceeding the operational boundary. The authorised limit allows for £8m headroom above the Operational Boundary (£2m General Fund and £6m HRA), which is in addition to our capital plans.													
Operational Boundary for external debt	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21-22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21-22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21-22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21-22	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Borrowing - General Fund	43,294	49,372	49,606	49,126	55,298	55,438	50,484	56,511	56,795	49,730	55,612	56,042	56,042
Borrowing - Queensway residential	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Borrowing - HRA	266,076	264,144	264,144	281,716	279,784	279,784	293,696	291,764	291,764	293,696	291,764	291,764	291,764
Total	324,371	328,515	328,750	345,843	350,082	350,222	359,180	363,275	363,559	358,426	362,376	362,806	362,806
The operational boundary differs from the authorised limit in that it is the level up to which the Council expects to have to borrow. The Council may need to borrow short term for cash flow purposes, exceeding the operational boundary. The operational boundary allows for £7m headroom in addition to our capital plans (£5m General Fund and £2m HRA) plus the additional borrowing facility that may be drawn down by the Housing WOC.													
Gross & Net Debt	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21-22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21-22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21-22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21-22	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross External Debt - General Fund	6,444	13,201	6,201	12,710	19,570	12,335	14,770	23,351	14,395	14,770	23,351	14,395	14,395
Gross External Debt - HRA	257,089	246,231	246,231	272,729	261,871	261,871	284,709	273,851	273,851	284,709	273,851	273,851	273,851
Gross External Debt	263,533	259,432	252,432	285,439	281,441	274,207	299,479	297,203	288,247	299,479	297,203	288,247	288,247
Less Investments	(58,969)	(59,121)	(72,391)	(49,005)	(40,078)	(49,640)	(47,604)	(42,885)	(55,131)	(42,297)	(41,199)	(50,554)	(50,554)
Net Borrowing	204,564	200,311	180,041	236,434	241,363	224,567	251,875	254,318	233,115	257,181	256,004	237,693	237,693
The Gross External Debt is the actual debt taken out by the Council plus any relevant long term liabilities. The Net Borrowing is defined as gross external debt less investments. The net borrowing requirement may not, except in the short term, exceed the total capital financing requirement in the preceding year, plus the													
Capital Financing Requirement	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21-22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21-22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21-22	Original February 2021	Revised Cap Outturn Aug 21 Exec	Revised Mid year review 21-22	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Capital Financing Requirement GF	31,060	44,372	37,372	36,892	50,298	43,203	38,249	51,511	44,561	37,495	50,612	43,807	43,807
Capital Financing Requirement HRA	264,076	262,144	262,144	279,716	277,784	277,784	291,696	289,764	289,764	291,696	289,764	289,764	289,764
Total Capital Financing Requirement	295,136	306,515	299,515	316,608	328,082	320,987	329,945	341,275	334,325	329,191	340,376	333,571	333,571
The Capital Financing Requirement (CFR) reflects the amount of money the Council would need to borrow to fund its capital programme. This is split between the Housing Revenue Account CFR (HRACFR) and the General Fund CFR (GFCFR).													

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Average interest rate - 2020/21 **0.98%**
 Average interest rate - 2021/22 Q2 **0.39%**
 Bank of England Bank Rate **0.36%**

<u>Borrower</u>	<u>Nation</u>	<u>Sovereign Rating (Fitch)</u>	<u>Amount £'s</u>	<u>From</u>	<u>To</u>	<u>Rate %</u>
Money Market Funds (Instant Access)						
CCLA PSDF	UK		9,930,000			0.02
Morgan Stanley MMF	UK		10,000,000			0.03
60 Day Notice						
Santander UK	UK	AA-	1,000,000			0.35
95 Day Notice						
Standard Chartered Bank	UK	AA-	7,000,000			0.37
Fixed Term Deposit						
Standard Chartered Bank	UK	AA-	3,000,000	26-May-21	26-Nov-21	0.20
Goldman Sachs International	UK	AA-	2,000,000	27-May-21	27-Nov-21	0.28
Plymouth City Council	UK	AA-	5,000,000	30-Nov-20	29-Nov-21	0.25
Santander UK	UK	AA-	1,000,000	27-May-21	29-Nov-21	0.20
Worthing Borough Council	UK	AA-	5,000,000	05-Dec-19	06-Dec-21	1.50
Santander UK	UK	AA-	8,000,000	30-Jun-21	30-Dec-21	0.20
Goldman Sachs International	UK	AA-	8,000,000	14-Jul-21	31-Dec-21	0.18
Australia & New Zealand Banking Corp (ANZ)	Aus	AAA	2,700,000	15-Sep-17	14-Sep-22	0.19
Australia & New Zealand Banking Corp (ANZ)	Aus	AAA	5,000,000	27-Sep-21	26-Sep-22	0.25
Cambridgeshire C.C.	UK	AA-	5,000,000	13-Apr-21	12-Apr-23	0.44
Bury M.B.C.	UK	AA-	2,300,000	18-May-20	18-Nov-24	2.00
			74,930,000			



LOAN PORTFOLIO QUARTER 2 (30th September 2021)

Decent Homes Borrowing

<u>Lender</u>	<u>Type</u>	<u>Rate %</u>	<u>Amount £'s</u>	<u>From</u>	<u>To</u>	<u>Life of Loan</u>
PWLB	Fixed Rate/Maturity	4.75	2,000,000	04/03/2010	04/03/2035	25 years
PWLB	Fixed Rate/Maturity	4.28	1,800,000	25/05/2010	25/05/2035	25 years
PWLB	Fixed Rate/Maturity	4.24	963,000	17/08/2010	17/08/2035	25 years
PWLB	Fixed Rate/Maturity	4.65	3,000,000	25/03/2010	25/09/2035	25 1/2 years
PWLB	Fixed Rate/Maturity	1.72	510,000	25/03/2020	25/03/2045	25 years
PWLB	Fixed Rate/Maturity	1.60	3,500,000	25/03/2020	25/03/2037	17 years
PWLB	Fixed Rate/Maturity	2.06	10,000,000	30/03/2021	30/03/2041	20 years
			21,773,000			

Self Financing Borrowing

<u>Lender</u>	<u>Type</u>	<u>Rate %</u>	<u>Amount £'s</u>	<u>From</u>	<u>To</u>	<u>Life of Loan</u>
PWLB	Fixed Rate/Maturity	2.92	500,000	28/03/2012	28/03/2026	14 years
PWLB	Fixed Rate/Maturity	3.01	8,000,000	28/03/2012	28/03/2027	15 years
PWLB	Fixed Rate/Maturity	3.08	8,700,000	28/03/2012	28/03/2028	16 years
PWLB	Fixed Rate/Maturity	3.15	9,600,000	28/03/2012	28/03/2029	17 years
PWLB	Fixed Rate/Maturity	3.21	10,600,000	28/03/2012	28/03/2030	18 years
PWLB	Fixed Rate/Maturity	3.26	11,000,000	28/03/2012	28/03/2031	19 years
PWLB	Fixed Rate/Maturity	3.30	16,000,000	28/03/2012	28/03/2032	20 years
PWLB	Fixed Rate/Maturity	3.34	17,500,000	28/03/2012	28/03/2033	21 years
PWLB	Fixed Rate/Maturity	3.37	17,600,000	28/03/2012	28/03/2034	22 years
PWLB	Fixed Rate/Maturity	3.40	17,300,000	28/03/2012	28/03/2035	23 years
PWLB	Fixed Rate/Maturity	3.42	15,300,000	28/03/2012	28/03/2036	24 years
PWLB	Fixed Rate/Maturity	3.44	21,000,000	28/03/2012	28/03/2037	25 years
PWLB	Fixed Rate/Maturity	3.46	18,200,000	28/03/2012	28/03/2038	26 years
PWLB	Fixed Rate/Maturity	3.47	19,611,000	28/03/2012	28/03/2039	27 years
PWLB	Fixed Rate/Maturity	3.48	4,000,000	28/03/2012	28/03/2040	28 years
			194,911,000			

Prudential Borrowing

<u>Lender</u>	<u>Type</u>	<u>Rate %</u>	<u>Amount £'s</u>	<u>From</u>	<u>To</u>	<u>Life of Loan</u>
PWLB	Fixed Rate/EIP	2.37	394,737	19/08/2013	19/02/2022	9 1/2 years
PWLB	Fixed Rate	2.29	1,755,950	19/03/2018	19/03/2028	10 years
			2,150,687			

Total Borrowing

218,834,687

Appendix C
Specified and Non-specified Investment Criteria
(including Treasury Limits and Procedures)

2021/22 Treasury Management Mid Year Review

Table 1

Specified Investments are sterling denominated with maturities up to maximum of one year and must meet the following minimum high credit quality criteria:

Investment Counterparty	Investment Instrument	Minimum High Credit Quality Criteria	Investment Duration
Banks or Building Societies	Overnight Deposit	Fitch: Short Term F1 and Long Term A and Moody, Standard & Poor, equivalent where rated, the lowest rating used where different OR	Maximum duration as per Treasury Advisor's (Capita's) colour coded Credit List, and less than one year
	Notice Account	Part-nationalised or Nationalised UK banking institutions	
	Short Term Deposit	(subject to regular reviews of government share percentage).	
Debt Management Office or UK Local Authority	Any deposit	No limit.	
Money Market Funds	Instant Access or with Notice	AAA rated	Instant Access or notice period up to one year

Table 2

Non-Specified Investment are sterling denominated with a maturity longer than one year but no longer than five years, and must meet the following criteria:

Investment Counterparty	Investment Instrument	Minimum High Credit Quality Criteria	Investment Duration
Banks or Building Societies	Any deposits with maturity up to a maximum of five years	Fitch: Short Term F1+ and Long Term AA- and Moody, Standard & Poor, equivalent where rated, the lowest rating used where different	Maximum duration suggested by Treasury Advisor's (Capita's) colour coded Credit List, and not in excess of five years
Debt Management Office or UK Local Authority		No Limit.	

Please Turn Over

Table 3 **Treasury Limits**

Investment Instrument	Cash balances less than £30Million	Cash balances higher than £30Million
	Limits	Limits
Variable Rate Investments (Excluding Enhanced Cash Funds)	Maximum holding £30M	Maximum holding 100%
Counterparty limits (to encompass all forms of investment)	Maximum £5M	Maximum £10M
Instant Access Or Overnight Deposit	Maximum holding 100%	
Fixed Rate less than 12 month maturity	Maximum holding 100%	
Fixed Rate more than 12 months to maturity (includes all types of Fixed Rate Investments i.e. Certificates of Deposits)	Maximum £5M	Maximum £10M
Money Market Funds - Traditional Instant Assess (Counterparty Limit per Fund)	Maximum £5M per MMF	Maximum £10M per MMF
	No limit on total cash held	
Enhanced Cash Funds	Maximum £3M	
Certificates of Deposits	Maximum £5M	
Property Funds	Maximum of £3M - No durational limit. Use would be subject to consultation and approval	

Procedures of Applying the Criteria and Limits	
	Before the Treasury Team makes an investment, the Team will follow the follow procedure to ensure full compliance with the Specified and Non-Specified Criteria and Treasury Limits:
1	Check that the Counterparty is on the Counterparty List (also known as Current Counterparty Report for Stevenage) produced by Link Asset Services (LAS), specifically meeting the Council's Specified and Non-specified Minimum High Credit Quality Criteria in the above Table 1 & 2. If it is not on the list, the Treasury Team will not invest with them.
2	If the Counterparty is on the list, then the Treasury Team refers to the Credit List produced by LAS in colour coding, to determine the maximum investment duration suggested for the deposit, as per the column of Suggested Duration (CDS Adjusted with manual override).
3	Refer to the Treasury Limits in the above Table 3 to ensure the amount invested complies with the Treasury Limits.

APPENDIX D: Approved Countries (with Approved counterparties) for Investments (September 2021)

Based on lowest available rating

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Singapore
- Sweden
- Switzerland
- U.S.A.

AA+

- Canada
- Finland

AA

- United Arab Emirates
- France

AA-

- Belgium
- Qatar

The UK is exempt from the sovereign rating criteria as recommended by Link Asset Services

The above list includes the possible countries the Council may invest with. Not all of these countries are used or will be used in treasury management investments

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Minimum Revenue Provision Policy

Minimum Revenue Provision Policy Statement 2021/22

From 2013/14, the council has not had a fully funded capital programme, and although there has not been a need to borrow in full externally, due to the use of investment balances, it is necessary to make adequate provision for the repayment of debt in the form of Minimum Revenue Provision, including in 2021/22 for the unfunded element of 2011/12 to 2014/15 expenditure. The **preferred method for existing underlying borrowing is Option 3 (Asset Life Method)** whereby the MRP will be spread over the useful life of the asset. Useful life is dependent on the type of asset and was reviewed in 2019/20. Following that review asset lives now ranges from 7 years (ICT equipment) to 50 years (Investment properties, regeneration sites and car parks for example).

In applying the new asset lives historic MRP had been overpaid and in accordance with MHCLG MRP Guidance can be reclaimed in future years. The council has a policy to ring fence costs and income associated with regeneration assets and as such has shown these MRP changes separately, see table below. The overpayment of £1,057,660.39 results in no MRP needing to be charged to the accounts for the regeneration assets until 2025/26, when a partial charge will be required, utilising the remainder of the overpayment balance.

voluntary MRP made		Use of overpayment	
	Regeneration		Regeneration
2012/13	£46,929.65	2020/21	£193,703.12
2013/14	£140,788.95	2021/22	£193,703.12
2014/15	£163,165.30	2022/23	£193,703.12
2015/16	£141,355.30	2023/24	£193,703.12
2016/17	£141,355.30	2024/25	£193,703.12
2017/18	£141,355.30	2026/26	£89,144.79
2018/19	£141,355.30		
2019/20	£141,355.30		
cumulative total	£1,057,660.39	cumulative total	£1,057,660.39

The Council approved a **Property Investment** Strategy – an investment of £15Million in property funded from prudential borrowing. As having Investments for Yield in the capital strategy are no longer permitted, only the MRP payable of £35,119 per year on the investment made of £1,755,950 which will be payable. This was calculated under **Option 3 (Asset Life Method) and the annuity method**, which links the MRP to the flow of benefits from the properties.

The forecast annual MRP for 2021/22 is £388,957 based on the capital expenditure in the draft 2020/21 Financial Accounts, with the lower figure of £195,254 needing to be charged to the 2021/22 Financial Accounts taking into account the overpayment on the regeneration assets. The forecast annual MRP for 2022/23 is £408,312 with £214,609 to be charged to the 2022/23 Financial Accounts.

Finance lease payments due as part of the Queensway regeneration project are also applied as MRP, funded from the payments received in the year, as will any MRP due on borrowing taken in relation to the Housing Wholly Owned Company.

Additional Information

1. What is a Minimum Revenue Provision (MRP)?

The Minimum Revenue Provision is a charge that Councils which are not debt free are required to make in their accounts for the repayment of debt (as measured by the underlying need to borrow, rather than actual debt). The underlying debt is needed to finance the capital programme. Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, machinery etc. It is therefore prudent to charge an amount for the repayment of debt over the life of the asset or some similar proxy figure, allowing borrowing to be matched to asset life. Setting aside an amount for the repayment of debt in this manner would then allow for future borrowing to be taken out to finance the asset when it needs replacing at no incremental cost. The manner of spreading these costs is through an annual Minimum Revenue Provision, which was previously determined under Regulation, and is now determined by Guidance.

2. Statutory duty

Statutory Instrument 2008 no. 414 s4 lays down that:

“A local authority shall determine for the current financial year an amount of minimum revenue provision that it considers to be prudent.”

The above is a substitution for the previous requirement to comply with regulation 28 in S.I. 2003 no. 3146 (as amended).

There is no requirement to charge MRP where the Capital Financing Requirement (CFR) is nil or negative at the end of the preceding financial year.

The share of Housing Revenue Account CFR is not subject to an MRP charge.

3. Government Guidance

Along with the above duty, the Government issued guidance which came into force on 31st March 2008 which requires that a Statement on the Council's policy for its annual MRP should be submitted to the full Council for approval before the start of the financial year to which the provision will relate.

The Council is legally obliged to “have regard” to the guidance, which is intended to enable a more flexible approach to assessing the amount of annual provision than was required under the previous statutory requirements. The guidance offers four main options under which MRP could be made, with an overriding recommendation that the Council should make prudent provision to redeem its debt liability over a period which is reasonably commensurate with that over which the capital expenditure is estimated to provide benefits. The requirement to ‘have regard’ to the guidance therefore means that: -

Although four main options are recommended in the guidance, there is no intention to be prescriptive by making these the only methods of charge under which a local authority may consider its MRP to be prudent.

It is the responsibility of each authority to decide upon the most appropriate method of making a prudent provision, after having had regard to the guidance.

The four recommended options are thus:

Option 1: Regulatory Method

Under the previous MRP regulations, MRP was set at a uniform rate of 4% of the adjusted CFR (i.e. adjusted for "Adjustment A") on a reducing balance method (which in effect meant that MRP charges would stretch into infinity).

This historic approach must continue for all capital expenditure incurred in years before the start of this new approach. It may also be used for new capital expenditure up to the amount which is deemed to be supported through the Supported Capital Expenditure (SCE) annual allocation.

Option 2: Capital Financing Requirement Method

This is a variation on option 1 which is based upon a charge of 4% of the aggregate CFR without any adjustment for Adjustment A, or certain other factors which were brought into account under the previous statutory MRP calculation. The CFR is the measure of an authority's outstanding debt liability as depicted by their balance sheet.

This is not applicable to the Council as it is for existing non supported debt

Option 3: Asset Life Method.

This method may be applied to most new capital expenditure, including where desired that which may alternatively continue to be treated under options 1 or 2.

Under this option, it is intended that MRP should be spread over the estimated useful life of either an asset created, or other purpose of the expenditure. There are two useful advantages of this option: -

Longer life assets e.g. freehold land can be charged over a longer period than would arise under options 1 and 2.

No MRP charges need to be made until the financial year after that in which an item of capital expenditure is fully incurred and, in the case of a new asset, comes into service use (this is often referred to as being an 'MRP holiday'). This is not available under options 1 and 2.

There are two methods of calculating charges under option 3:

equal instalment method – equal annual instalments,

annuity method – annual payments gradually increase during the life of the asset.

This is the preferred method as it allows costs to be spread equally over the life of the asset.

Option 4: Depreciation Method

Under this option, MRP charges are to be linked to the useful life of each type of asset using the standard accounting rules for depreciation (but with some exceptions) i.e. this is a more complex approach than option 3.

The same conditions apply regarding the date of completion of the new expenditure as apply under option 3.

This method is not favoured by the Council as if the asset is subject to a downturn in value, then that amount would have to be written off in that year, in addition to the annual charge

4. Date of implementation

The previous statutory MRP requirements ceased to have effect after the 2006/07 financial year. Transitional arrangements included within the guidance no longer apply for the MRP charge for 2009/10 onwards. Therefore, options 1 and 2 should only be used for Supported Capital Expenditure (SCE). The CLG document remains as

guidance and authorities may consider alternative individual MRP approaches, as long as they are consistent with the statutory duty to make a prudent revenue provision.

Meeting: EXECUTIVE

Agenda Item:

Portfolio Area: Resources



Date: 17 November 2021

2ND QUARTER REVENUE MONITORING REPORT – GENERAL FUND AND HRA

KEY DECISION

Author – Tim Greenwood/Keith Reynoldson Ext. 2403/2943
Contributor – Clare Fletcher, Finance team and budget Managers
Lead Officers – Clare Fletcher Ext. 2933
Contact Officer – Clare Fletcher Ext.2933

1. PURPOSE

- 1.1 To update Members on the projected General Fund and Housing Revenue Account (HRA) 2021/22 net expenditure and seek approval to amend the General Fund and HRA budgets as part of the quarterly revenue review.
- 1.2 To update Members on the reserves and balances available to support revenue expenditure and seek approval for revisions to the allocated reserves.

2. RECOMMENDATIONS

General Fund

- 2.1 That Members approve the 2021/22 2nd quarter projected net decrease in General Fund expenditure of £85,600.
- 2.2 That Members note the use of the additional grant funding of £105,000 for vulnerable private renters as set out in paragraph 4.1.12 and approve a corresponding increase in expenditure to reflect the use of the grant.
- 2.3 That Members note the cumulative changes made to the General Fund net budget remains within the £400,000 increase variation limit delegated to the Executive, as set out in paragraph 4.1.23.

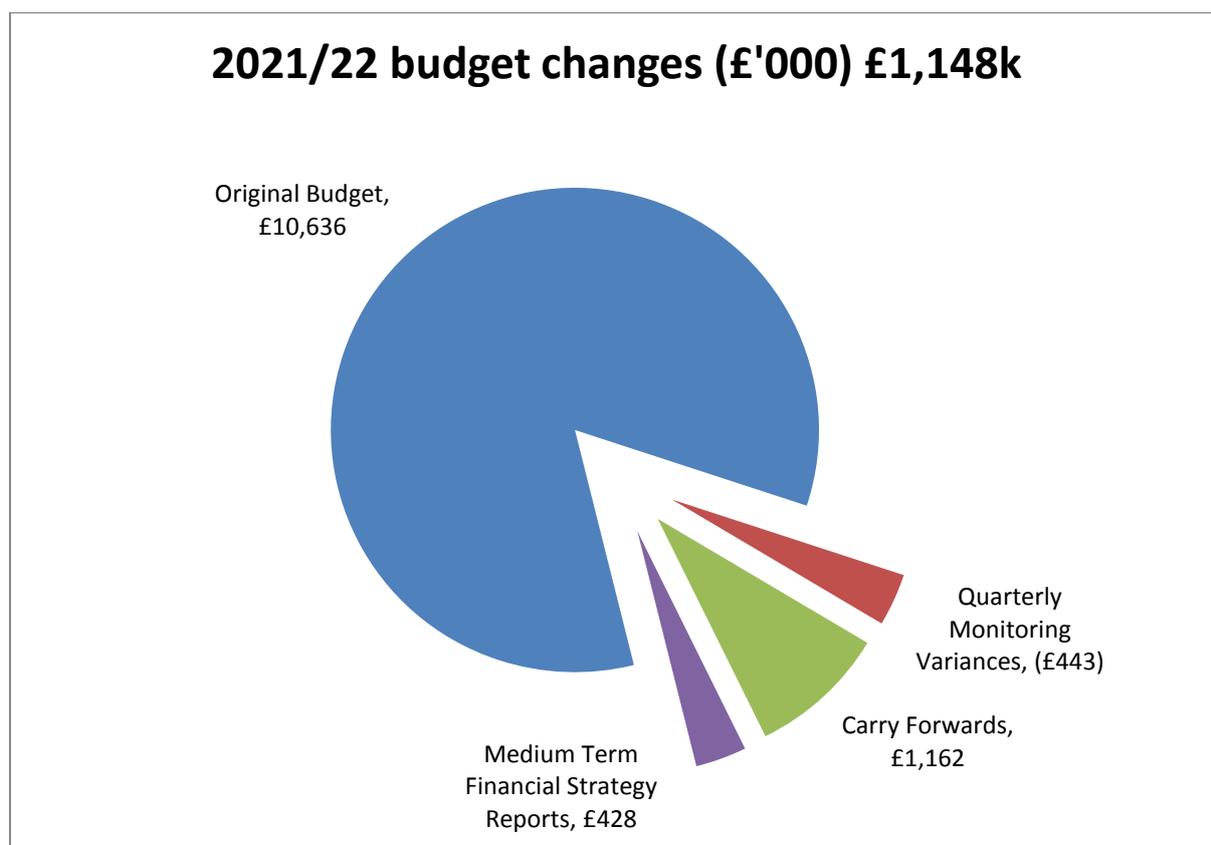
Housing Revenue Account

2.4 That the 2021/22 2nd quarter projected net increase in HRA expenditure of £231,690 be approved.

2.5 That Members note the cumulative increases made to the HRA net budget remains within the £250,000 increase variation limit delegated to the Executive.

3. BACKGROUND - GENERAL FUND

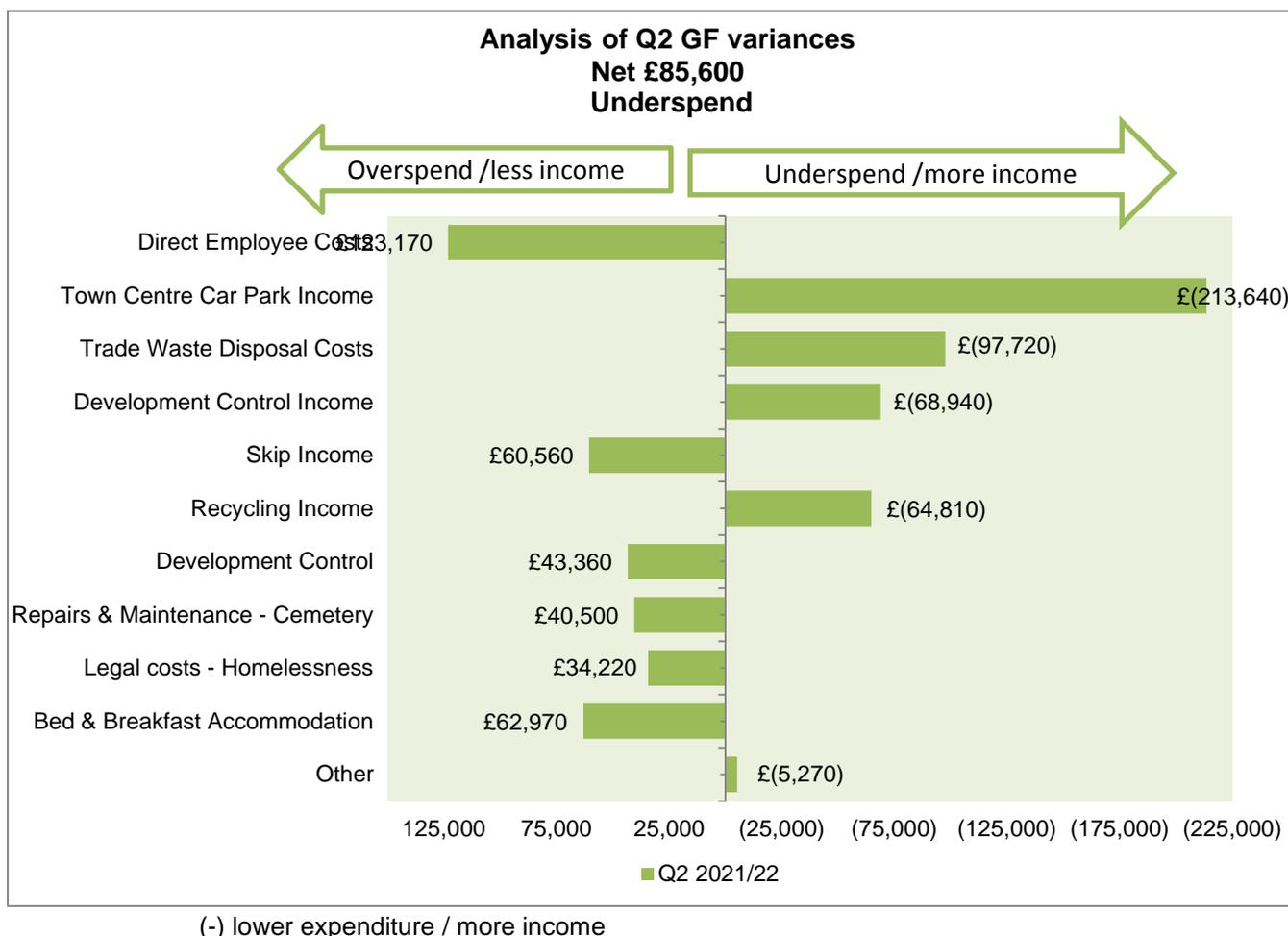
3.1. Since the General Fund net budget of £10,635,570 was approved at Council, Members have approved net budget changes of £1,147,810 as detailed in the chart below:



4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 General Fund – Budget Review

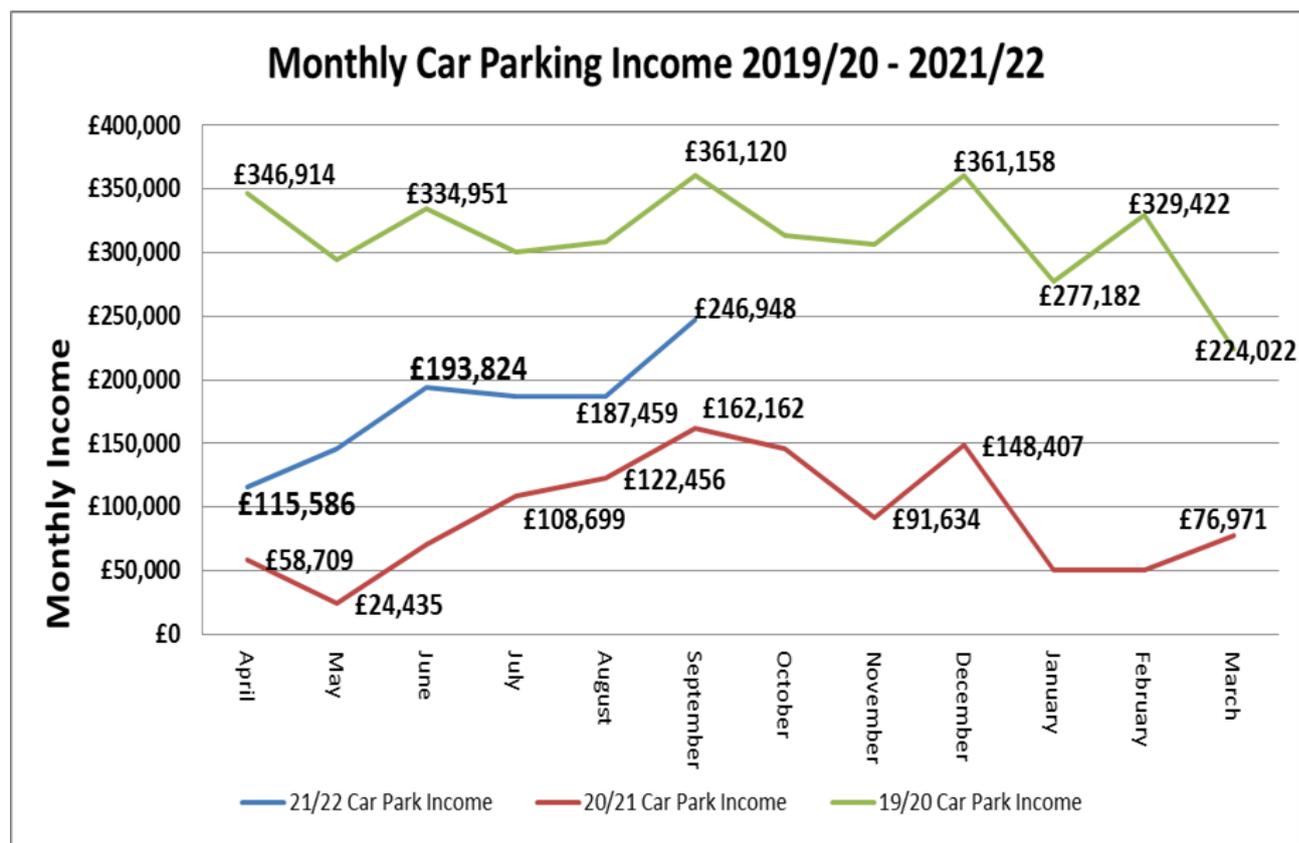
4.1.1 Following the 2nd quarter review of revenue budgets officers have identified the following budget movements.



4.1.2 **Direct Employee Expenses – pressure £123,170.** This includes a number of changes which are detailed below:

- **£62,870 Stevenage Direct Services business unit**, the Council along with other public and private sector service providers are experiencing difficulties in recruiting and retaining HGV drivers. Managers have agreed a financial retention package to ensure that key services like recycling and refuse continue to operate. This will be an on-going pressure for the Council and the additional cost has already been factored into salary assumptions for 2022/23.
- **£51,840 Planning and Regulatory** pressure, the General Fund salary budgets includes an allowance for staff turnover (4.5%), however current salary projections for this service area, indicate this will not be achieved this year
- **£29,690 Community Transport** pressure, Members approved the cessation of Community Transport in 2021/22, the service had not been able to operate as a result of COVID. The due consultation process and notice periods meant that it took longer than originally projected causing a one off in year pressure.
- **£21,230 Play Service** has been impacted by COVID and was not able to offer the normal service which has resulted in a one off in year saving.

4.1.3 **Town Centre Parking Income – in year saving £213,640.** Parking income has been significantly impacted by COVID, in 2020/21 there were losses of £2.8Million compared to budget. The 2021/22 budget setting process anticipated that there would be further losses of (£1.5Million budget setting with a further £200K quarter 1 monitoring). However, the last few months have seen an improvement in parking income and the in year deficit is now projected back to the original budget losses of £1.5Million. Members should note the 2022/23 budget assumes a further £694K of losses.



4.1.3 **Trade Disposal Costs – in year saving of £97,720.** Disposal costs have reduced for trade waste, (there has been an increase in trade recycling income). The level required going forward needs to be assessed to determine whether this is a one year only impact.

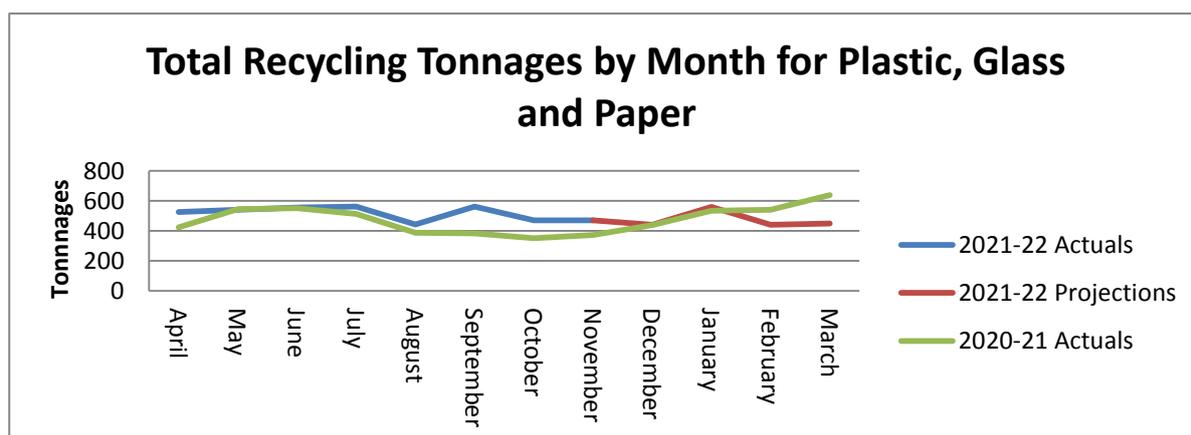
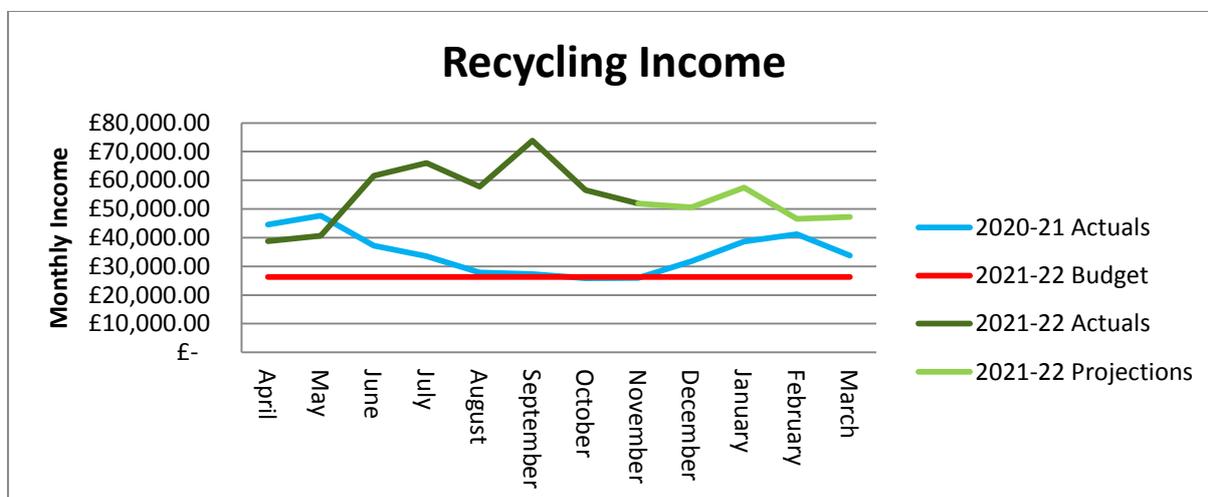
4.1.5 **Development Control Income – in year increased income £68,940.** Following the adoption of the local plan there has been an upturn in the number of planning applications received. This represents a 17% increase in the current year, the assumptions for next year will be reviewed as part of the budget setting process.

4.1.6 **Skip Income – pressure £60,560.** The skip service is a competitive market, combined with the pressures for HGV drivers have resulted in lower income - a drop of 50%. The service is reviewing the pricing structure, service provision and the need for a review of the O Licence. The level of income

assumed going forward needs to be reviewed and if lower will offset any on-going gains identified for trade waste and recycling income.

4.1.7 **Recycling Income – saving £64,810.** Included in the 2021/22 budget was a pressure of £120,000 as the market price had dropped for recycling plastics. At the time income for recyclates dropped from £140 per tonne to just £10 - £20 per tonne with the added haulage costs..

4.1.8 In 2021/22 tonnages and prices have improved and at the 1st quarter a £193,740 increased income was reported with now a further £64,810 projected for recycled materials. Recyclate prices have been volatile and an assessment of 2022/23 income is currently underway. Any improvement in the budgeted amount would require an increase in the income equalisation reserve due to the price volatility. Detail of the projected income from recycling and tonnage recycled are shown in the charts below.



4.1.8 **Development Control – pressure £43,360.** There is an in year financial pressure as a result of a planning proposal challenge (judicial review) which is a Council responsibility to fund.

4.1.9 **Repairs and Maintenance at the Cemetery – pressure £40,500.** Works of a health and safety nature have been identified at the cemetery, which requires funding.

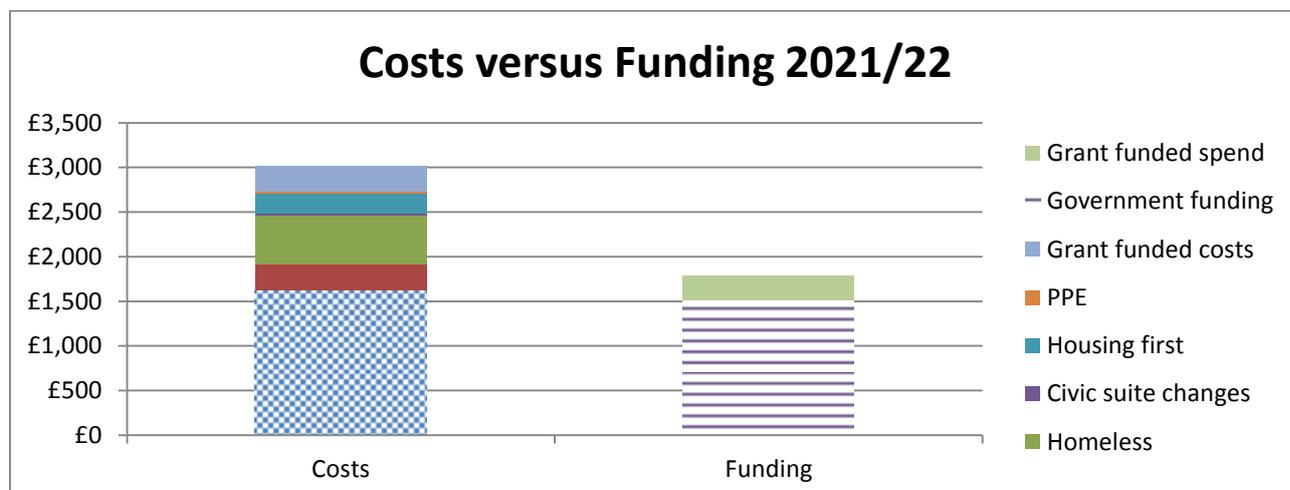
4.1.10 Homeless Legal Costs – pressure £34,220. This pressure relates to one off court costs and legal payments regarding homelessness decisions. The timing and size of these awards are sporadic and difficult to predict leading to this in year pressure.

4.1.11 Bed and Breakfast – pressure £62,870. Since the pandemic, homelessness presentations and the need to use bed and breakfast accommodation has increased dramatically. The latest projection shows an increased budget pressure of £62,870, giving a total of £568,790 for 2021/22. It should be noted that these projections are dependent on an assumed recovery of housing benefits and the service is demand led, making it difficult to predict. The area will continue to be monitored and management action will be focussed on maximising in-house resources and reducing the use of B&B where possible. The 2022/23 budget is being reviewed and the base level will be insufficient based on current trends.

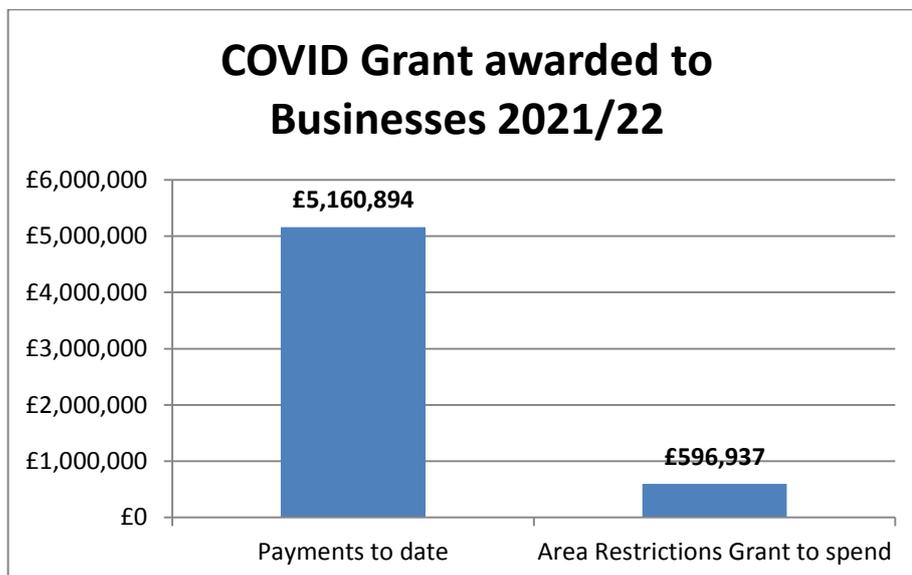
4.1.12 Homelessness Grant Received. The Council has received grant funding of £105,000 for support for vulnerable renters. This funding is specifically targeted towards preventing evictions from the private rented sector. Therefore, increased income and expenditure of £105,000 has been included in the 2nd quarter projections.

4.1.19 Other – savings £5,270. There are small net savings across General Fund Services totalling just over £5K and as such not reported separately. The budget setting process will assess whether any of in-year budget changes identified in this report have an on-going impact. However Members should note that while some of the income projections have improved (recycling), there are significant pressures around homeless and skip hire income.

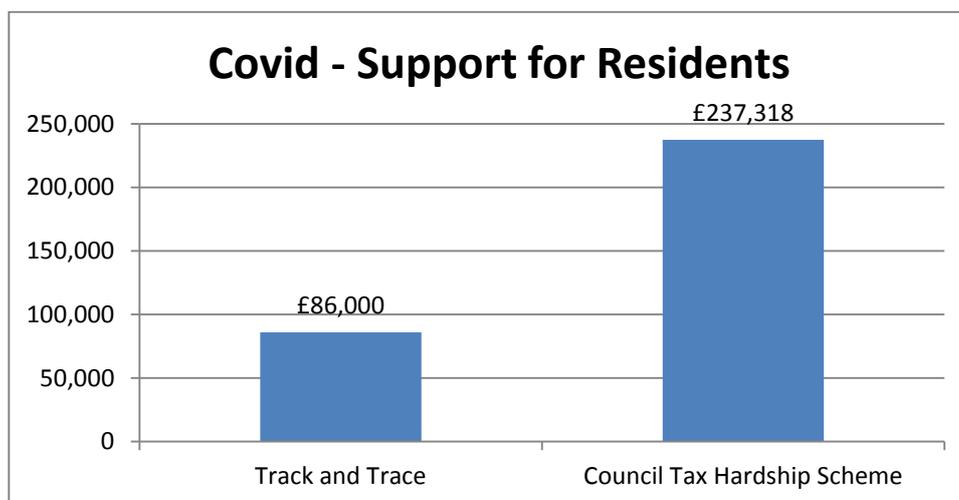
4.1.20 COVID. Total net COVID losses for 2020/21 were projected as £2.48million. The net projected costs for 2021/22 are estimated to be £1.29million as illustrated in the chart below.



4.1.21 The council continues to distribute support grants to business and a further £596K still to distribute, relating to the Area Restrictions grant (ARG) to be spent by 31 March 2022. Details of grants paid to date are shown below.



4.2.22 Payments are also made to support residents through the track and trace payments and support for payment of council tax.



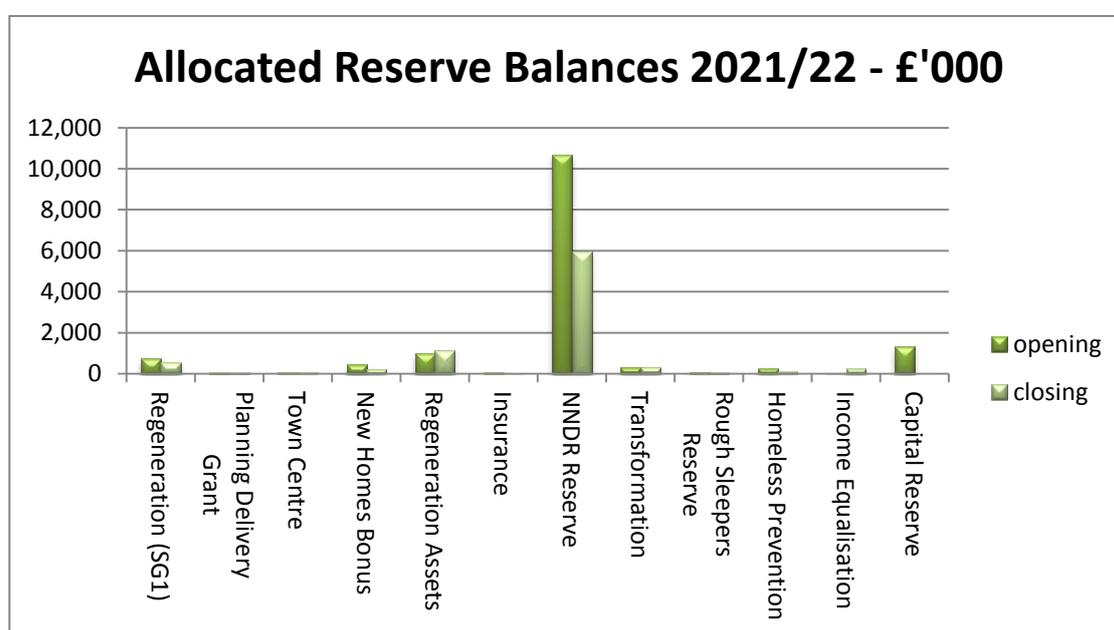
4.1.23 The cumulative changes made to the General Fund net budget remains within the £400,000 increase variation limit delegated to the Executive. The total value of changes is (£528,570).

Executive Delegation - General Fund	£
Original Net General Fund Budget	10,635,570
Q4 Carry Forwards	1,162,400
Reserves and RCCO	428,380
Total	12,226,350

Executive Delegation - General Fund	£
Quarterly monitoring (1&2)	(528,570)
Within Executive Delegated Limit	(528,570)

4.2 Review of General Fund Balances

4.2.1 **Allocated Reserves** – these balances are ‘ring fenced’ and have been set aside for specific purposes. The estimated total value of (revenue) allocated reserves as at 31 March 2022 is **£8,435,073**, (31 March 2021, £15,192,788). Reserve balances are projected to decrease by £6,757,715 during this year, the majority of this reduction relates to NNDR repayments to the Collection Fund (£4,180,512), regeneration and new build projects.



4.2.3 General Fund Balance – Following the 2nd quarter review and MTFs to the September Executive the General Fund balance as at the 31 March 2022 is now forecast to be **£4,999,959** excluding the impact of changes in the Financial Savings Options report to this Executive.

General Fund Balances	£
Original Net General Fund Budget	10,635,570
Approved budget changes	(1,147,810)
Net Working budget approved to Date	11,783,380
2nd Quarter review	(85,600)
Total Net Expenditure post Q2 review	11,697,780
less core resources	(10,296,870)
Transfer (to)/from General Fund balances	1,400,910
General Fund balance 31/3/21	(6,400,869)
Transfer (to)/from General Fund balances	1,400,910

General Fund Balances	£
Projected General Fund balance 31/3/22	(4,999,959)
Allocated Revenue Reserves –repayment to Collection Fund	(4,878,851)
Other Allocated Revenue Reserves	(3,556,222)
Total General Fund Revenue balances (estimated 31/3/22)	(13,435,032)

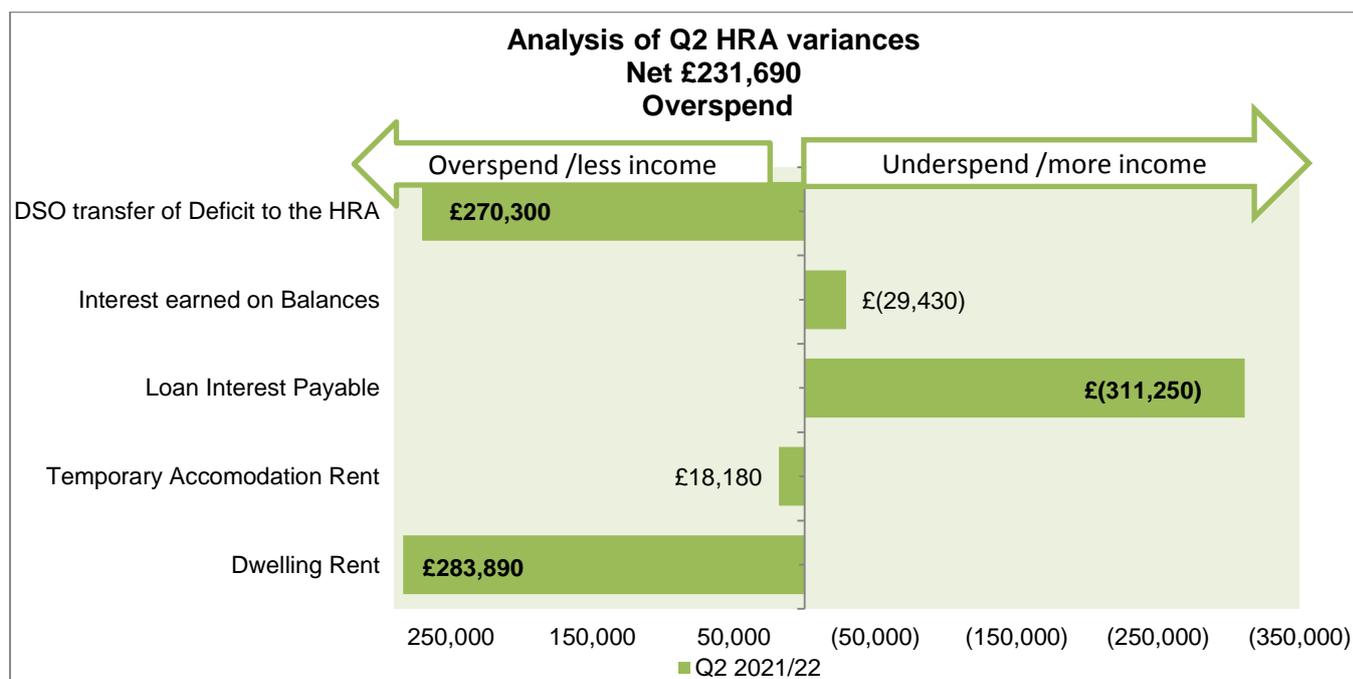
4.3 Housing Revenue Account

4.3.1 Since the Housing Revenue Account (HRA) net budget surplus of £2,719,960 was approved at Council, Members have further approved net costs of £1,211,490, as detailed in the following table.

HRA Working Budget	£
Original Budget 2021/22	(2,719,960)
20/21 Q3 Carry Forwards	834,380
20/21 Q4 Carry Forwards	377,110
Approved Movement	1,211,490
Total Working Budget	(1,508,470)

4.4 Housing Revenue Account - Budget Review

4.4.1 Following the 2nd quarter review of revenue budgets officers have identified the following budget movements.



- 4.4.2 **DSO Deficit transfer to the HRA £270,300.** The projected net cost of responsive and void repairs charged to the HRA from the Direct Service Organisation (DSO) has been increased for 2nd quarter. A more detailed explanation of the increase is included at 4.5 below.
- 4.4.3 **Interest Earned on Balances (£29,430).** The latest estimate of income earned on balances, using current projections of both balances and interest rates, is expected to be £29K higher than estimated in the original budgeted.
- 4.4.4 **Loan Interest Payable (£311,250).** After reviewing current and expected loans and estimated interest rates, the loan interest payable has been reduced from a budget of £7.8Million to a revised figure of £7.5Million. Financing decisions are often taken later in the financial year, when actual spend has been more firmly established, so this area will be reviewed again before the end of the financial year.
- 4.4.5 **Temporary Accommodation Rent reduction in income £18,180.** The estimated rent for temporary accommodation has been reduced at 2nd quarter, due to an increase in void loss. Part of the reason for this has been due to a significant increase in HRA properties used for temporary accommodation to avoid placements into expensive and often less suitable bed and breakfast. This has been put in place in response to rising homelessness presentations since the implementation of the Homelessness Reduction Act and the impact of the current pandemic. Void rates are generally higher in temporary accommodation due to the regular turnover of residents, but there have also been operational difficulties in void turn arounds that have also added to this loss.
- 4.4.6 **Dwelling Rent reduction in income (£283,890).** The latest rent projections for the general housing stock show a 0.7% reduction from £39.864Million to £39.579Million. This variance is made up of a number of elements within the projection calculation, shown in the table below.

Rent income variations to the budget	£
Symonds Green completion now 2022/23	62,870
Timing of RTB sales	11,420
Void Loss	171,690
Net other variances	37,910
Total	283,890

- 4.4.7 The Symonds Green development had been budgeted in 2021/22 part year. However, due to delays, mainly caused by the pandemic, these properties are not expected to be finished until the start of 2022/23. The timing of Right to Buy (RTB) sales has also had a small impact on the rent projection as more

completions happened earlier in the year. However, this could be reversed by the end of the year, as sales have slowed considerably in recent months.

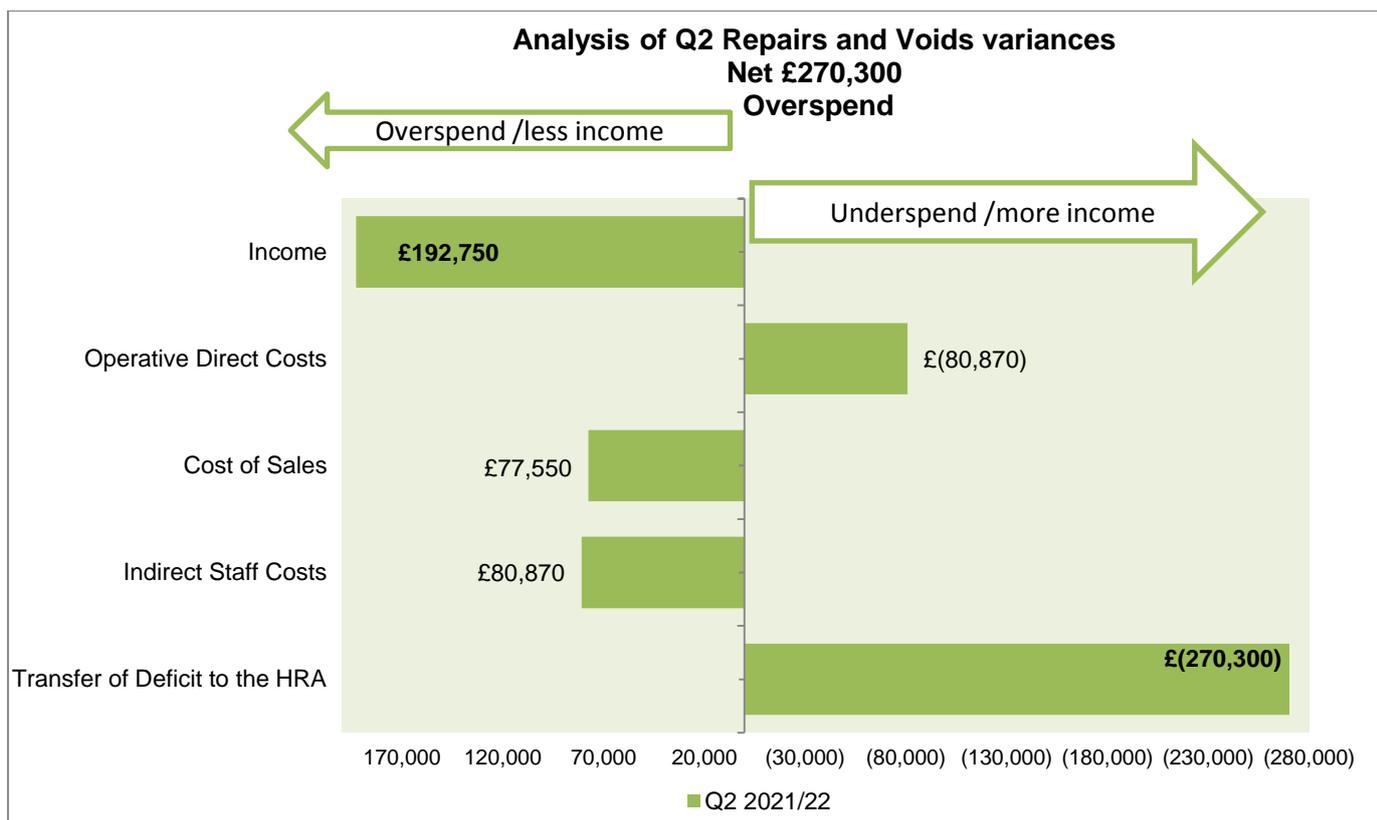
4.4.8 Void loss is higher than forecast for quarter two as there has been a significant increase in the number of tenants moving following the lifting of the national COVID-19 restrictions. The increase in void property numbers has an upward pressure on void losses and this is reflected in the increase to £171,690 at the end of quarter two. Other impacts include the delays in sourcing certain materials and contractors to complete void works, the availability of staff and the time taken to place certain prospective tenants into properties because of their specific support needs, as in the case of complex social issues and elderly clients. Some of these pressures are now easing and management actions are being taken to mitigate these problems. This has been reflected in the projection, which anticipates an improvement in performance for the rest of the year. However, this will continue to be monitored carefully and charges reported at the next quarter.

4.4.9 **Building Safety and Compliance work.** The Council is currently employing a waking watch while remedial works are carried out to high rise accommodation to ensure the safety of residents. This is expected to cost just under £1Million and is due to end before the start of the next financial year. This cost has been accommodated within current budgets, as growth was included in 2021/22 for building safety works at £500K per annum. Delays in the implementation of these regulations has meant that a budget of £469K was carried forward into this year and in combination with the current budget of £500K, is sufficient to cover the waking watch expenditure.

4.4.10 the 2021/22 budget also included growth for increased electrical testing, however, in light of current regulation and best practice, Housing officers have recommended reducing the time between inspections increasing the cost. This is proposed to be funded from decent homes standard budget of £250K because the standard has not yet been agreed (by the government). However, these ongoing compliance costs will be reviewed during budget setting for next year and in the next business plan revision.

4.5 **Responsive Repairs and Voids Performance**

4.5.1 The Repairs and Voids team's financial position is included in the overall HRA. The Q2 projection expects the deficit to increase by £270K for this year.



- 4.5.2 **Income £192,750.** While revenue has increased by 19% over this time last year, it is still well below normal levels seen before the pandemic. It is anticipated that as the operational pressures caused by the pandemic ease that income and activity levels will increase, but they are not likely to fully recover in this financial year.
- 4.5.3 **Operative Direct Costs (£80,870).** Currently there is a variance on employee cost, caused by the timing of recruitment to vacant posts.
- 4.5.4 **Cost of Sales £77,550.** Projected spend on sub-contractors is expected to be higher than the current working budget based on expected demand for the rest of this year. There continue to be backlogs in fencing and roofing and this backlog existed pre the pandemic, due to fencing contractors not completing works and problems with roofing works. Materials spend is currently on budget, but with market prices for timber and other materials increasing there may be a higher pressure projected at 3rd quarter.
- 4.5.5 **Indirect Staff Costs £80,870.** Additional cover for two long term sick staff members has led to a pressure in this area. This is projected to be matched by the saving in direct operative costs shown above.
- 4.5.6 **Transfer of Deficit to HRA (£270,300).** As reported above, income has not increased back to normal since the start of the pandemic, although operations are normalising as restrictions have eased Subcontractor usage is higher, (but lower than 2019/20 levels), but income has not risen to offset this additional spend, which has led to the further £270K pressure at the 2nd quarter review. Management are currently reviewing Operative utilisation and the “end to end”

repairs project is looking into other areas for potential lost income and streamlining practices to increase the efficiency of the unit.

4.6 Housing Revenue Account Balances

- 4.6.1 Following the 2nd quarter review the HRA balance is now forecast to be a surplus of £26,670,784.

Housing Revenue Account Outturn Position	£
Working Budget	(1,508,470)
2 nd Quarter Net Projected Pressure	231,960
Projected net Surplus post 2nd Quarter review	(1,276,510)
HRA balance brought forward 1/4/21	(25,394,274)
Surplus in year	(1,276,510)
Projected HRA balance 31/3/22	(26,670,784)

5 IMPLICATIONS

5.1 Financial Implications

- 5.1.1 This report is financial in nature and consequently financial implications are included above.

5.2 Legal Implications

- 5.2.1 The objective of this report is to outline the projected General Fund net expenditure for 2021/22 and the impact on the General Fund balances. While there are no legal consequences at this stage Members are reminded of their duty to set a balanced budget.

5.3 Equalities and Diversity Implications

- 5.3.1 This report summarises external and internal factors that impact on approved budgets and recommends changes to those budgets in year. Budget changes identified for future years that could adversely impact on groups covered by statutory equality duties will be incorporated into the budget setting process which includes Equality Impact Assessments (EqIA). None of the budget changes reported will change any existing equalities and diversity policies.
- 5.3.2 The service department has been asked to look at the equalities and diversity implications in the increase in void re-let times and any potential impact on protected groups.

5.4 Risk Implications

- 5.4.1 A risk based assessment of balances is undertaken and reported to Council as part of the General Fund Budget setting process. Both the General Fund and HRA balances are projected to be above minimum levels.

5.5 Policy Implications

- 5.5.1 The budget framework represents a development of a policy led budgeting approach across Council services and the overall Medium Term Financial Strategy.

5.6 Climate Change Implications

- 5.6.1 The Budget and Policy setting process prioritised growth for climate change as part of the 2021/22 budget setting process. The 2021/22 process should have due regard for climate change implications based on the Council's Climate Change Strategy. There are no direct climate change implications from the budget changes in this report.

6. BACKGROUND PAPERS

- BD1 – 2021/22 Council Tax Setting and General Fund Budget (Council 24 February 2021)
- BD2- 2021/22 Final HRA and Rent setting report (Council 28 January 2021)
- BD3- General Fund Medium Term Financial Strategy Update (2020/22 – 2025/26)

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