

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