



Cyber Central - West Cheltenham

Delivery Options Report

February 2020

Executive Summary

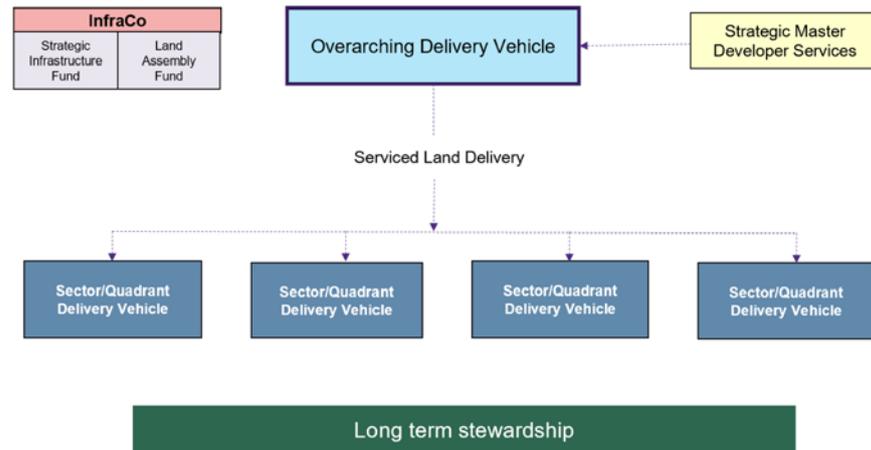
- i. Avison Young (AY) is instructed by Cheltenham Borough Council (CBC) to provide commercial property advice in relation to the proposed delivery of Cyber Central, West Cheltenham.
- ii. The Cyber Central project is to provide 1,100 new homes and up to 45 hectares of employment space focussed on cyber-security with supporting uses. CBC has acquired 112 acres, which constitutes a significant part of the proposed Cyber Central Joint Core Strategy (JCS) allocation that extends to approximately 307 acres in total and is located to the west of Cheltenham. The land is predominantly greenfield, agricultural land with a limited number of existing buildings.
- iii. The delivery strategy has been considered alongside CBC's strategic objectives, which are outlined below.

Strategic Objectives	
1. Growth Agenda	As part of the Council's growth agenda – to deliver, at the earliest opportunity, a cyber park, providing the opportunity to deliver cyber tech/security with high value employment opportunities and associated supporting industries to West Cheltenham.
2. Cyber Tech Capital of UK	To proactively manage and promote the cyber park so that it becomes recognised as the cyber tech capital of the UK.
3. Mixed use & Mixed tenure	To achieve a true mixed use and mixed tenure (minimum of 40% affordable housing) community
4. Regeneration & Integration	Through effective master planning, to integrate the cyber park with the existing adjoining community, and assist in the community's regeneration in line with the Garden Communities principles
5. Long Term Financial Return	To secure a mix of capital and revenue returns over the medium to long term to provide the Council with a long term stewardship interest in the cyber park and to ensure that the debt servicing costs associated with the Council's initial capital outlay for land, £39,100,000, are covered.

- iv. In addition to the strategic objectives, CBC has a number of aspirations the scheme should deliver but not to the detriment of the strategic objectives;
 - Reduce the carbon footprint of the development, with the ultimate aim of achieving net carbon neutrality, in response to the Council's declaration of a 'Climate Emergency';
 - To deliver a high quality environment created to ensure the buildings, public realm and public spaces raise the bar - this is not just a standard business park or residential development;
 - Affordable homes to be managed by the Council's ALMO Cheltenham Borough Homes;
 - Delivery of the development should be employment led, with residential development happening in tandem not in advance in accordance with planning policy; and

- Delivery of homes and employment space is accelerated in order for the Council to benefit from income from new homes bonus and business rates.
- v. There are a number of key stakeholders associated with Cyber Central, most notably Severn Trent Water and their subsidiary Midlands Land Portfolio Ltd, who control a large part of the allocated land and also the adjoining land within the allocation safeguarded area comprising the Hayden sewage treatment works. They will play a key part in both overcoming a significant constraint associated with the allocation, the odour control zone, and enabling the delivery of their land that provides approximately half of the housing in the allocation.
- vi. There is further work to progress with Severn Trent and their subsidiary, as well as with other stakeholders to understand and resolve the numerous constraints and obstacles that will affect delivery of the scheme. This includes forming an agreement in relation to the position and extent of common infrastructure and also how fair distribution of this and other planning obligations will be achieved across the allocation.
- vii. The capacity of the surrounding highway network remains a significant hurdle to overcome, although it is hoped that the HIF bid made to Government will be successful in unlocking this.
- viii. In considering the most appropriate route to delivery we have to consider the way the market operates to ensure healthy competition and that the eventual market offering by the Council, is in a form and structure that the target market operators recognise and fits their business model. The type of partner could be in the form of a strategic/master developer; contractor developers; investor/funders; or commercial and residential developers.
- ix. Securing a delivery partner will require a number of wider influences to be addressed, such as the economic conditions, availability of both public and private finding, control and influence required over the delivery of the scheme and CBC's attitude to risk and risk mitigation.
- x. We have considered six main delivery options;
- Land disposal (whole – Option 1 or in phases – Option 2)
 - Disposal using a Development Agreement (whole – Option 3 or in phases – Option 4)
 - Corporate partnership delivery structure – Option 5
 - Council direct delivery of part of the scheme – Option 6
- xi. Taking into consideration the Council's strategic objectives and its list of aspirations, it is clear that the Council will need a delivery option that enables it to have a large degree of participation in decision making and influencing the evolution of the scheme. Also given the strategic importance of this site and the need to be pro-active in driving and/or stimulating the market to deliver individual development parcels within the masterplan, the Council should look to structure a delivery option that reflects a strategic master developer role. This can be done using either an overarching site wide development agreement or a corporate joint venture structure, depending upon the cashflow modelling of the infrastructure, and the consequential financing and funding requirements. An illustration of this structure is shown below:

A potential delivery approach structure



- xii. AY has undertaken a soft market testing process to measure and assess the market's appetite for this opportunity alongside understanding the potential requirements or influences they may seek to address. This has been applied to a selected cross section of the market covering the strategic/master developer; contractor developers; investor/funders; and commercial/residential developers.
- xiii. Respondents have expressed clear appetite to become involved in the scheme, recognising that it presents an exciting opportunity in light of the proximity of GCHQ, and also CBC's long term vision for the site. Respondents made various comments concerning the need to procure a partner following EU procurement rules (OJEU), and the preferred delivery option.
- xiv. Procurement of a delivery partner has also been considered in the context of public procurement 'rules' that are set out in the Public Contracts Regulations 2015 (the Regulations). These make it clear that works, services or supply contracts with a value above the specified financial thresholds must be competitively procured using a Regulations compliant tender process. We consider that where the purpose of the preferred delivery option is to subsequently award such contracts, on behalf of the Council, it could be argued that the delivery option is seeking to circumvent the Regulations creating the risk of future challenge.
- xv. As a consequence of the above, delivery options 3, 5 and 6 are in our view potentially likely to be within the scope of the Regulations due to the level of influence and approval rights around the development that the Council will want to have as landowner, aside from their role as statutory planning authority. Therefore, in all delivery options, we consider that the Regulations will need to be followed. The principal procurement procedures are:
- a. Open Procedure;
 - b. Restricted Procedure (run independently or by the Council utilising Homes England's DPP);
 - c. Competitive Dialogue; and
 - d. Competitive Procedure with Negotiation.
- xvi. In our experience, in most cases where the Regulations apply, contracting authorities will use either the Competitive Dialogue Procedure, or the Competitive Procedure with Negotiation. There have been a number of complex procurement exercises carried out under both of these procedures and the timescale

for each is similar. Following discussions with the Council's lawyers, the most appropriate way forward is to use the Competitive Dialogue procedure.

Recommendations

- CBC to seek a delivery partner with skills and experience of a Master Developer.
- The delivery partner is secured for all of CBC's ownership and no separation of the commercial and residential elements of the proposed scheme.
- The structure of the agreement will be delivered through a Development Agreement or a Joint Venture, to be defined during dialogue with bidders
- Due to the Council's objectives and need to retain a degree of control over the development, the opportunity will need to be procured following EU procurement rules and it is recommended the Competitive Dialogue procedure is followed. This will discount some parties in participating, but there is little choice at this stage.
- Flexibility is built into the procurement and contract in order to allow for delivery over a lengthy time period, where there will be changes in policies, legislation and market conditions.
- The Council agrees to delegate the ability to long list and shortlist to a senior officer/CEO as it is important to keep the momentum of the project, particularly once the procurement has commenced. Additionally, this level of delegation will provide confidence to the market around the efficiency with which the procurement exercise will be run.

xvii. In addition to the above, we are of the view that progress needs to be made in relation to the following, while the opportunity is being prepared for launch;

- Severn Trent Water/Midlands Land Portfolio – a more defined position with regard to both works associated with the mitigation measures to the odour control zone and also collaboration in respect of their landholding forming part of the allocation.
- CBC is undertaking research into the 'Cyber' potential, which will provide potential delivery partners with a better understanding of the target market of occupiers and economic stats
- Review of infrastructure requirements, including capacity testing for associated utility connections.
- Cluster 1 – outline of potential requirements around the cluster 1 proposals, including any potential specific requirements from GCHQ.
- Review cost consultants assessment of high level cost estimates and the likely timings for strategic (scheme wide) infrastructure;
- Taking the above data, to instruct Avison Young to undertake high level financial modelling of the preferred delivery option against a base line position, we suggest Option 1 – land disposal model prior to the start of dialogue with bidders

xviii. We set out below the potential high level programme to get to the market and begin the procurement process.

Stage	Timescale	Date
Cabinet Approval on Strategy		3rd March

PIN Notice		6th March
OJEU Contract Notice	6 weeks	20th April – 25th May
Information Memorandum		20th April
SQ returned		25th May
Evaluation and Shortlisting from SQ	2 weeks	25th May – 15th June
Issue de-selection letters		15th June
Issue Invitation to Participate in Dialogue (ITPD)		15th June
Response to ITPD , evaluation and workshops	8 -12 weeks	15th June to 7th September
Issue de-selection letters		7th September
Dialogue		7th September to October (tbc)
Issue Invitation to Submit Final Tender		October (tbc)
Receipt of ISFT		November (tbc)
Clarifications & Evaluation of ISFT	2-4 weeks	November/December (tbc)
Issue de-selection letters		December
CBC Internal approval process	2-4 weeks	28th December?
Award Contract + 10 day standstill period		January 2021

Contents

Executive Summary	2
1. Introduction	1
2. Property Context	5
3. Disposal Options and Procurement	10
4. Additional Considerations	24
5. Summary and Conclusion	26
6. Disclaimer and Limitations	30

Appendices

Appendix I	Masterplan and SPD Summary
Appendix II	Technical Due Diligence Summary
Appendix III	Market Commentary
Appendix IV	Delivery Options Summary Table

Prepared By: James Craven MRICS / Daniel Rich MRICS

Status: Final

Draft Date: February 2020

For and on behalf of GVA Grimley Limited t/a Avison Young

1. Introduction

AY instructions

- 1.1 Avison Young (AY) is instructed by Cheltenham Borough Council (CBC) to provide commercial property advice in relation to the proposed delivery of Cyber Central, West Cheltenham. The first stage of this instruction is to provide a report on the various delivery options associated with proposition, which can be used to secure cabinet approval.

Overview of project

- 1.2 The Cyber Central – West Cheltenham site extends to approximately 307 acres and is located to the west of Cheltenham. The land is predominantly greenfield, agricultural land with a limited number of existing buildings.
- 1.3 The location of the land on the western edge of the town, with good strategic road access makes the site suitable for development, while the proximity to GCHQ creates a significant opportunity to link development to the largest employer in the town.
- 1.4 The Gloucester, Cheltenham and Tewkesbury Joint Core Strategy was adopted in November 2017, within which the land in question is allocated under policy A7, predominantly for the delivery of up to 1,100 homes and up to 45 hectares of B-class employment to be focussed on Cyber-Security, with supporting uses, detailed later in this report.
- 1.5 CBC has purchased two large land ownerships within the allocation that was previously in private ownership but controlled under a promotion agreement; the other major ownership is with Severn Trent Water and Midland Land Partnerships Ltd (MLPL) (a wholly-owned subsidiary of Severn Trent Water).
- 1.6 The intention of CBC is to control the growth and development of cyber-related and supporting uses on the site alongside new homes. The aim is to create an ecosystem of established companies, start-ups and academia in the Cyber field to foster new partnerships and stimulate collaboration across the field.
- 1.7 This will be led by the development of Cluster 1; intended to be one of the first phases of the scheme, located at the southern gateway to the site and within relative proximity to GCHQ. The details of Cluster 1 are yet to be defined but are expected to include a Cyber Innovation Centre (CIC) as part of the scheme, possibly anchored by GCHQ but containing co-working and collaboration space for other occupiers.
- 1.8 Alongside this space, the CIC is expected to include café/retail space that is open to the public and forms part of a retail and leisure offering around landscaped public space.

Objectives and Aspirations

The Council's Strategic Objectives

- 1.9 The Council's strategic objectives have been discussed and this will need to be defined in greater detail to inform the selection of an appropriate delivery partner and the KPI's of a contractual agreement. These are summarised in the table below in priority order.

Strategic Objectives

1. Growth Agenda	As part of the Council's growth agenda – to deliver, at the earliest opportunity, a cyber park, providing the opportunity to deliver cyber tech/security with high value employment opportunities and associated supporting industries to West Cheltenham.
2. Cyber Tech Capital of UK	To proactively manage and promote the cyber park so that it becomes recognised as the cyber tech capital of the UK.
3. Mixed use & Mixed tenure	To achieve a true mixed use and mixed tenure (minimum of 40% affordable housing) community.
4. Regeneration & Integration	Through effective master planning, to integrate the cyber park with the existing adjoining community, and assist in the community's regeneration in line with the Garden Communities principles.
5. Long Term Financial Return	To secure a mix of capital and revenue returns over the medium to long term to provide the Council with a long term stewardship interest in the cyber park and to ensure that the debt servicing costs associated with the Council's initial capital outlay for land, £39,100,000, are covered.

1.10 We have used these strategic objectives to review the options associated with the delivery to make a recommendation on the most appropriate way forward to procure and secure a development partner to deliver the scheme.

Council Aspirations

1.11 In addition to the strategic objectives above, CBC has a number of aspirations for the scheme. The delivery of these aspirations will depend on scheme viability and are subject to testing by the selected Development Partner at a later date with subsequent negotiation with the Council, however they set the stage of what the Council would like the scheme to deliver. CBC would like the scheme to be a leading national project and key to the town's future growth. The scheme should aspire to achieve the following, without detriment to the strategic objectives above:

- Reduce the carbon footprint of the development, with the ultimate aim of achieving net carbon neutrality, in response to the Council's declaration of a 'Climate Emergency';
- To deliver a high quality environment created to ensure the buildings, public realm and public spaces raise the bar - this is not just a standard business park or residential development;
- Affordable homes to be managed by the Council's ALMO Cheltenham Borough Homes;
- Delivery of the development should be employment led, with residential development happening in tandem not in advance; and
- Delivery of homes and employment space is accelerated in order for the Council to benefit from income from new homes bonus and business rates.

Cyber definition

- 1.12 The general definition of “Cyber” needs further clarification and refinement to ensure the proposition is clear and understood, as applied to potential occupiers on the subject site, however it can be described as “the environment where data and information is communicated around the Internet of Things”, the Internet of Things being defined as connected wireless networks, sensors, smart thermostats, telecommunications, big data, the internet, utility, energy and transport networks, military systems, and others yet to be defined.
- 1.13 The Cyber sector therefore covers a large area with applications to most sectors in some form, especially with the continued growth in the use of technology to create quicker, cheaper and more efficient processes.

Key stakeholders

- 1.14 The table below identifies the key stakeholders in the Cyber Central – West Cheltenham scheme and the proportional land ownership. The ownerships are discussed in greater detail in the land ownership section of chapter 2 of this report:

Land owner	Land ownership with the allocation area/Relationship
Midlands Land Portfolio Ltd/Severn Trent Water	141 acres in the northern part of the site
Cheltenham Borough Council	112 acres in the north eastern and south eastern corners
Tarling	37.5 acres in the southern part of the site
Hulbert	13.6 acres in the northern part of the site
Hadley	5.4 acres in the north western part of the site
Hutchinson	5.1 acres in the southern part of the site
Wainwright	4.2 acres in the south western corner of the site
Jeffereys	2.5 acres in the south western corner of the site
Coppard	2.4 acres in the very north western part of the site
Tewkesbury Borough Council	Planning Authority for northern section of allocation
Gloucestershire County Council	County Council across the allocation site
Homes England	
GFirst LEP	

- 1.15 All of these relationships need to be developed further as the scheme progresses as each will have an important part to play in the delivery of a successful scheme. In particular, a close working relationship with Severn Trent Water/Midlands Land Portfolio, is necessary to speed up the delivery of the development.

Report structure

- 1.16 This report first considers the current situation and property context including ownership, the current strategic allocation position and situation of the HIF bid in Section 2.
- 1.17 Section 3 covers the disposal and procurement options open to CBC, and the pros and cons associated with each route.
- 1.18 The additional considerations in Section 4 are items that should be considered in the wider context of the scheme delivery but are of limited importance at this stage.

- 1.19 The summary and conclusion in section 5 provides the results of the analysis presented in this report, identifying the suggested procurement route and highlighting important considerations that should be addressed through the ongoing work in delivering Cyber Central.
- 1.20 Appendix I discusses the current masterplan and contents of the Supplementary Planning Document (SPD) before Appendix II summarises the technical due diligence completed on the land to date.
- 1.21 The market commentary in Appendix III covers both the local property market context in terms of demand, supply, values and opportunities, as well as the national sentiment.
- 1.22 The example of delivery option evaluation against objectives is included at Appendix IV

Financial limitations

- 1.23 To date, financial appraisals and cashflows have not been undertaken (other than the early high level appraisals completed by Savills for CBC in support of the acquisition) on the land given the high-level nature of the scheme proposals and level of detail in relation to infrastructure and abnormal costs.
- 1.24 While the early nature of the scheme prevents accurate scheme analysis, we advocate further work in relation to costs relating to strategic infrastructure and to provide to interested parties in the bidding process. This will allow them to program the costs into their scheme appraisals.

2. Property Context

Description

- 2.1 The subject land comprises approximately 112 acres in total located on the west of Cheltenham in close proximity to GCHQ. The M5 motorway, junction 10, is a short distance away. The subject land is located to the west of the existing residential suburbs of Fiddler's Green and Hester's Way and is bounded to the north by Old Gloucester Road (B4634), to the west by the Hayden Sewage Treatment Works and the south by Pheasant Lane.
- 2.2 The land is currently in agricultural use as pasture and arable land in the main, with a small area with agricultural buildings and a temporary car park.

Legal/ownership (report on title)

- 2.3 Apart from CBC's recent acquisition there are multiple landowners, mostly within the southern part of the site, that are included in the allocation, although we are not aware of any promoters or developers associated with this land. Severn Trent Water is a notable landowner due to their ownership of land suitable for development and also the sewage treatment works that would require works associated with odour mitigation.
- 2.4 We have been provided with a Report on Title produced for Cheltenham Borough Council by Browne Jacobson dated 12 June 2019. This concludes that subject to the matters addressed in the report CBC has a good and marketable title to the Property.

Land Ownership/Covenants/Restrictions/etc

- 2.5 Cheltenham Borough Council – The landowner of 112 acres in the north eastern and south eastern corners of the allocation site, including Hope Farm and Hope Cottage in the north, and Holmlea Farm in the south, CBC is also planning authority.
- 2.6 Severn Trent Water/Midlands Land Portfolio Ltd (subsidiary of Severn Trent Water) – the land owner of 141 acres generally in the northern part of the site. Severn Trent Water operates the sewage treatment works, which will require works to improve the odour control zone within the allocated development area.
- 2.7 Coppard – the land owner of 2.1 acres in the very north western corner of the site, including an existing dwelling.
- 2.8 Hadley – the land owner of 5.3 acres in the north western part of the site.
- 2.9 Hulbert – the land owners of 13.6 acres of land located in the north of the site and surrounded by STW/MLPL ownership on western, southern and eastern boundaries, with the B4634 to the north.
- 2.10 Tarling – the land owner of 41.3 acres in the southern part of the site, generally on the western side.

- 2.11 Hutchinson – the land owner of 5 acres in the southern part of the site, surrounded by Tarling, Cheltenham Borough Council and Wainwright ownerships. We understand that Hutchinson has expressed a desire to sell the land to Cheltenham Borough Council.
- 2.12 Wainwright – the land owner of 4.5 acres in the south western corner of the site.
- 2.13 Jeffereys – the land owner of 2.5 acres in the south western corner of the site.
- 2.14 Tewkesbury Borough Council – while the majority of the site lies within Cheltenham Borough Council's jurisdiction, the north western portion lies within the jurisdiction of Tewkesbury Borough Council, with this area contributing towards their housing and employment targets, while burdening their highways capacity, for example. The planning application for the development will need to be submitted to both Cheltenham and Tewkesbury Councils.
- 2.15 Gloucestershire County Council – will be a stakeholder with an overarching responsibility for provision of some services which could include highways, health and social care, education and recycling/waste.
- 2.16 Homes England – a stakeholder with inputs into funding, delivery of infrastructure or the funding of Affordable Housing. In addition they have a role in administering the Housing and Infrastructure Funding (HIF). The extent of this element is yet to be determined.
- 2.17 GFirst LEP – leading the local industrial strategy and assisting in the delivery of infrastructure funding.

Planning Allocation

- 2.18 The site has been identified as an allocation in the Joint Core Strategy (JCS) as an employment led, mixed use allocation incorporating residential and B-class led employment land along with access. The allocation removes the site from the Green Belt and safeguards the adjacent land, occupied by the Sewage Treatment Works, for the long term development needs.
- 2.19 The A7 Strategic Allocation identified at 'West Cheltenham' will be expected to deliver:
- i. Approximately 1,100 new homes
 - ii. Approximately 111 acres (45 hectares) of B-class led employment land to be focussed upon a cyber-security hub and other high technology and high 'Gross Value Added' generating development and ancillary employment uses;
 - iii. All development should be employment led; delivery of housing must be in tandem with employment development;
 - iv. A comprehensive masterplan and development strategy for the strategic allocation, set within the context of the safeguarded land at West Cheltenham, which includes:
 - A delivery strategy for employment focussed land release;
 - A positive impact on the regeneration of neighbourhoods in west Cheltenham;

- Integrates built form and a comprehensive network of accessible green infrastructure, including local green space. The network will incorporate and protect notable natural features, including the Hatherley Brook, the Fiddlers Green Key Wildlife Site and important trees and hedgerows.
- v. Primary vehicle accesses from Fiddlers Green Lane and B4634 Old Gloucester Road;
 - vi. Measures necessary to mitigate the traffic impact of the site, including the use of travel plans to encourage the use of sustainable transport modes;
 - vii. High quality public transport facilities and connections within and adjacent to the site;
 - viii. Safe, easy and convenient pedestrian and cycle links within the site, to key centres and with neighbouring existing development and the wider green infrastructure network;
 - ix. A distribution of development that takes account of the proximity of the Hayden sewage treatment works and incorporates appropriate spatial planning arrangements and mitigation measures designed to minimise material impacts on residential properties and commercial premises. Development which is likely to be significantly affected by odours will not be permitted within the Odour Monitoring Zone identified on the proposals.
 - x. A landscape buffer to the western boundary of the site which will provide screening between the development and the Hayden sewage treatment works.
- 2.20 Following on from adoption, the JCS authorities are now undertaking a review and have published an 'Issues and Options' consultation which closed on the 11th January 2019.
- 2.21 Within this consultation document in respect of West Cheltenham it elaborates on the employment land which will be centred on the provision of a new nationally important cyber security hub. Grimshaw's 'Cyber Central Vision' document has been produced to support this development opportunity and is a background paper to the 'Issues & Options' consultation.
- 2.22 In addition to the A7 - West Cheltenham allocation, the 'safeguarded land' adjacent to the site was removed from the Green Belt for longer term development needs beyond the plan period (2031). These areas of land therefore provide the primary opportunity to meet the growth requirements for Cheltenham. Further development in this area would provide the opportunity to build on the development of the existing strategic allocation and take advantage of social and community infrastructure that is to be provided. At West Cheltenham, development beyond the current allocation would also assist in maximising the potential of the cyber security hub.
- 2.23 This area is in a strategically important location being within close proximity to the M5 junction 10. Transport modelling work has been previously undertaken to inform the JCS which demonstrated that to deliver growth up to 2031, significant infrastructure improvements would be required not only for the junction but surrounding routes (JCS Transport Evidence Base – Appendices – May 2017). This includes improving the junction to an 'all ways' junction giving access to/from the northbound and southbound directions of the M5. Notably, not only are the improvements required to deliver existing growth, they will also provide the opportunity to examine further growth in the area, particularly from an employment perspective. This growth has not yet been modelled but is proposed to be undertaken early in the plan revision process.

2.24 In order to unlock the highway capacity we understand that CBC has submitted a bid for Housing Infrastructure Funding (HIF). A decision on the HIF bid is expected imminently (see below).

Supplementary Planning Document

2.25 A Supplementary Planning Document (SPD) has been prepared by the Council to provide overarching principles to guide development in this area.

2.26 A summary of the SPD is provided in Appendix I of this report.

Garden Communities Status

2.27 In July 2019, a joint bid between Tewkesbury Borough Council and Cheltenham Borough Council for Garden Communities status was confirmed for the West Cheltenham Garden Village. The award comes with joint capacity funding to the value of £150,000 which, alongside other funding will support site assembly, masterplanning and the development of a Supplementary Planning Document.

2.28 Garden Community Qualities hinge on 10 principles to which the West Cheltenham scheme will adhere:

- a. Clear identity – creating a distinctive new garden community.
- b. Sustainable scale – a scale to support the infrastructure of growing a new, self-sufficient community.
- c. Well-designed places – a vibrant mix of quality, mixed use properties.
- d. Great homes – a range of high quality, distinctive homes, across a range of tenures.
- e. Strong local vision and engagement – developed with the community, respecting the local area.
- f. Transport – Integrated options that promote sustainable transport.
- g. Healthy places – designed to provide choices for a healthy life
- h. Green space – accessible green space that promotes health, well-being and quality of life.
- i. Legacy and stewardship arrangements – to care for the community in the long term.
- j. Future proofed – to allow for changing demographics and impact of climate change.

2.29 In addition, deliverability and viability, in high level terms, are a key component of Garden Communities.

Housing Infrastructure Fund

2.30 A Housing Infrastructure Fund (HIF) bid for highway improvements to junction 10 on M5 motorway and a link road to West Cheltenham was submitted in March 2019 by GCC. The outcome of this submission will dictate future network capacity and the delivery of residential development at both West and Northwest Cheltenham. We are advised that a decision is expected in early 2020.

2.31 The outcome of the HIF bid is a critical component in the procurement of a Delivery Partner, given the complexities the unknown position would present.

2.32 The Council has been successful in a funding bid for Growth Deal 3 monies for transport infrastructure to enable the delivery of the future cyber park; this is currently being delivered by Gloucestershire County

Council (GCC) as accountable body and highways authority. This significantly reduces access / highway infrastructure risks for the commercial phase of the delivery.

3. Disposal Options and Procurement

Key Considerations

3.1 When assessing the range of potential delivery options for any major development proposal there are a number of key considerations that need to be assessed to help inform the decision and to narrow down the range of options that may be suitable. Whilst some may be relatively generic, there are number of specific considerations relevant to delivery of the Council’s strategic proposals for West Cheltenham.

3.2 The principal considerations are:

3.3 **The Council’s Strategic Objectives** – these need to be developed into a more granular group of objectives to enable effective assessment and measurement against each, they can be summarised as:

Strategic Objectives	
1. Growth Agenda	As part of the Council’s growth agenda – to deliver, at the earliest opportunity, a cyber park, providing the opportunity to deliver cyber tech/security with high value employment opportunities and associated supporting industries to West Cheltenham.
2. Cyber Tech Capital of UK	To proactively manage and promote the cyber park so that it becomes recognised as the cyber tech capital of the UK.
3. Mixed use & Mixed Tenure	To achieve a true mixed use and mixed tenure (minimum of 40% affordable housing) community.
4. Regeneration & Integration	Through effective master planning, to integrate the cyber park with the existing adjoining community, and assist in the community’s regeneration in line with the Garden Communities principles.
5. Long Term Financial Return	To secure a mix of capital and revenue returns over the medium to long term to provide the Council with a long term stewardship interest in the cyber park and to ensure that the debt servicing costs associated with the Council’s initial capital outlay for land, £39,100,000, are covered.

3.4 **Council Aspirations** – the Council would like the scheme to be a leading national project and key to the town’s future growth. The scheme should aspire to achieve the following, without detriment to the strategic objectives above:

- Reduce the carbon footprint of the development, with the ultimate aim of achieving net carbon neutrality, in response to the Council’s declaration of a climate emergency;
- To deliver a high quality environment created to ensure the buildings, public realm and public spaces raise the bar - this is not just a standard business park or residential development;
- Affordable homes to be managed by the Council’s ALMO Cheltenham Borough Homes;
- Delivery of the development should be employment led, with residential development happening in tandem not in advance; and

- Delivery of homes and employment space is accelerated in order for the Council to benefit from income from new homes bonus and business rates.

3.5 **How is the development likely to be phased?** – the key delivery issues for consideration are:

- What are the technical constraints associated with the delivery of the site that would impact the phasing? Such as odour mitigation works, highway capacity, etc
- The scale of any “catalytic development phases”, that is, phases that will need to be of a specific quantum in order to start to create a sense of place, and/or to attract an occupier;
- Could the first phase of development be seeded with the Council taking a head lease (providing a valuable lease wrapper) on the proposed innovation centre in the scheme?;
- Strategic level infrastructure for the whole of West Cheltenham as well as that specifically linked to the relevant development phase being brought forward – the key delivery impact of this is scheme cashflow and viability;
- The likely size of the employment and residential phases to be brought forward in tandem; and
- How each of the above items can be secured through land ownership. It is envisaged, as is common with many strategic sites, that there will be the need for landowner collaboration and equalisation agreements.

3.6 **Who are the likely participants in the market to deliver the scheme (either in whole or phases)?** – the delivery options need to be considered against the way the market operates to ensure healthy competition and that the eventual market offering by the Council, is in a form and structure that the target market operators recognise and fits their business model. For this project, depending upon how it is phased, the range of operators could include:

- Strategic/Master developers, such as: Urban & Civic, St Modwen, Telereal Trillium, Segro, Peel Group;
- Contractor developers, such as Lendlease, Bouygues (Linkcity), Morgan Sindall Group, Galliford Try;
- Investor/funders, such as Legal and General, Aviva, Land Securities, Bruntwood;
- Commercial and residential developers – whilst there are some, like Argent, who may consider this as a combined proposition, most are likely to form their own joint venture to apply the strengths of house building with parties whose strengths lie in commercial development.

3.7 **Economic Conditions** – this will obviously sit alongside what the market will deliver but it is a point that should not be ignored as it could have a significant impact upon the outcome and delivery of the strategic objectives. If there is a market downturn, how does this impact the arrangement with the development partner?

3.8 **Funding** – with key questions being:

- If public funding is to go into the scheme, in what form will it be injected e.g. a loan facility like debt funding, publicly provided (and funded) infrastructure works, or an investment via equity funding;
- Is there to be any form of revolving infrastructure funding provided by the public sector perhaps using business rates?
- Is institutional funding to be accessed, in which case could it lead to a 'lease wrapper' type structure? and
- What are the contractual security implications of the above scenarios and do they work with the delivery option?
- Will the HIF bid be successful and deliver the necessary highway capacity required for the development?

3.9 **State Aid** – whilst this is a regulatory consideration, it is one which is important, and the market is now quite sophisticated in testing to ensure that State aid issues and risks have been fully considered. It can arise in various scenarios but most obviously where:

- Works are being undertaken by a public entity for which the benefit will lie with the private sector;
- Funding is being provided by a public entity; and
- The way in which the Council seeks a return for its land. This latter point is also relevant under statutory "best consideration" issues depending on how the Council's legally holds the land it has acquired (or acquires in the future) e.g. whether it is held for planning purposes or for general purposes in which case s123 of the Local Government Act will apply. We have been provisionally advised that the land is held for "development purposes" which we assume will be therefore for planning purposes. This needs to be checked, but disposals under section 233 allow a wider range of issues to be considered under the best consideration test than S123.

3.10 **Control and influence** – how much control or influence over the delivery of the scheme does the Council want aside from its planning powers? Different forms of delivery structure can offer more or less direct influence.

3.11 **Risks and risk mitigation** – risks are priced by the private sector and therefore, if there are certain delivery risks that the Council may be better placed to manage, then it would be sensible to consider the Council managing the specific risk, as otherwise the private sector's return metric will be applied within their financial appraisal which will have a negative impact on the Council's land and/or overall return, say through overage or other form of participation clause.

3.12 **Direct delivery** – does the Council have any ambition to directly deliver any part of the scheme? Some Councils either have, or have ambitions to have, a direct house building capability. At the stage of preparing this report, it is understood that the Council may consider a direct development role where it decides to acquire (i.e. forward purchase) the competed commercial investment.

3.13 **Strategic Stakeholders** – there will be a number of stakeholders that will be important to the delivery of the scheme, these include;

- Severn Trent Water (and associated subsidiaries)
- Homes England
- Cheltenham Borough Homes
- GFirst LEP
- GCHQ

Principal Delivery Options

3.14 In preparing this section, we have incorporated feedback that was obtained from the Delivery Options Workshop held with the Council's senior officer team on 12th November.

3.15 At this strategic stage of scoping and refining the potential delivery options, we have set out below a description of each delivery option and in the attached table at Appendix IV we have summarised our opinion of the ability of each delivery option to meet or facilitate some of the various considerations listed in the previous section, as well as the Council's strategic objectives and aspirations.

3.16 Going forward, it is good practice for the Council to consider an emerging preferred option and the eventual decision on the final preferred option in a similar way to that recommended by HM Treasury's Green Book (<https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>). Whilst it is for the Council to decide the extent to which it chooses to follow this guidance, the broad approach of setting out the various options to be tested and appraising and evaluating them in terms of financial and non-financial considerations, is a helpful and auditable approach. If in future central government funding is sought, then showing that an approach which follows the principles of the guidance could be required.

3.17 For a strategic project such as West Cheltenham in which the Council has a major land interest, the following are the principal delivery options that could be considered, albeit there can be sub-variations on each:

Land Disposal (whole – Option 1 or in phases – Option 2)

3.18 This is often the most straight forward way of disposing of land. It is often used when the landowner is looking to generate an upfront capital receipt, either unconditionally, or when defined conditions precedent have been met. It is very suitable where the site has a clear planning position (or outline planning permission granted) and is of a "lot size" to create a competitive environment and so attract a number of bidders. Any requirement for overage provisions would reduce the upfront payment a purchaser is willing to offer.

3.19 In the context of West Cheltenham, if the Council was minded to use this approach, it would ideally need to be on the grant of planning permission, either for the whole masterplan, or specifically in accordance with an agreed phasing programme.

- 3.20 The capital receipt for the land if the whole site were to be offered, would be significantly discounted to reflect the size of the transaction and cashflow impact of a large early capital payment. Unless the Council was promoting its own masterplan, then the up-front costs for the developer/purchaser to undertake this work in advance of having security of the land would make this option unattractive to the market, and therefore the number of potential parties in the market would be lower than some of the other option expanded on below.
- 3.21 The Council's level of control and influence under this delivery option would be heavily reliant on the use of its planning powers, as having disposed of the freehold (or long lease of part) the ability to approve plans, or indeed require performance of a purchaser's commitments, would be very limited. Accordingly, we do not consider that this delivery option meets the Council's current stated objectives, however it could form part of the strategy associated with the delivery of the residential land to the market. The Workshop on 12th November reached a similar conclusion.

Disposal using a Development Agreement (whole - Option 3 or in phases – Option 4)

- 3.22 This is a contractual form of "partnership" structure and has traditionally been relatively common for more complex disposals by local authorities and other public sector organisations. It usually requires the performance of certain obligations by the chosen development partner and upon these conditions and performance measures being met, the Council would transfer the whole, or for West Cheltenham, it is more likely parts of the land under an agreed drawdown structure. There would therefore be an overarching development agreement allowing the phased draw-down of freehold or long leasehold parcels of land. In this way the overarching development agreement performance measures or other obligations subsist.
- 3.23 Because of the overarching development agreement (DA) it is easier for the Council to maintain an active role in monitoring performance of the scheme phase by phase, because the developer knows it has to engage with the Council on subsequent phases. In reality though, the controls on performance are often in the negative i.e. the developer cannot do X until the Council has approved Y. This is in comparison to the more proactive role in a corporate partnership structure.
- 3.24 Depending upon the commercial and legal provisions of the overarching DA, it offers the possibility for a security package to be created where say an infrastructure fund is created to cover the upfront required infrastructure expenditure. The infrastructure fund would then be repaid through the allocation of a proportion against defined future phases as they are drawn down.
- 3.25 Development agreements often allow for phased land payments, or even deferred payments linked to sales receipts by the developer. It is also common for them to contain participation provisions for the Council including revenue and planning overage structures.
- 3.26 Under a DA the majority of the delivery and development risk is transferred to the developer and so the financial return that the Council will secure will reflect this.
- 3.27 The issues of State aid and best consideration are normally simplified in that the commercial terms and financial offer are shown to have been tested in the market under the agreed procurement or sale exercise. These issues can require more careful consideration where a phased drawdown agreement runs for a

number of years. In some cases, bidders may try to negotiate that their offered phase consideration should to be adjusted phase by phase perhaps based on unexpected cost considerations from a previous phase.

- 3.28 If there are a number of unknown development costs or constraints (e.g. further land acquisition, or utility upgrades) in the later phases, there is a risk under the DA structure of a deadlock that could provide the developer with a stronger negotiating position. Care therefore needs to be taken to minimise this risk by negotiating commercial provisions at the start that try and achieve (as best as possible) an alignment of interests.
- 3.29 A DA can be structured to reflect the intricacies of complex projects and it is possible to structure it to closely mirror a corporate form of delivery structure explained below. However, a DA is not a 'legal entity' in its own right; it cannot enter into contractual commitments for construction or funding etc. Because of this, the ultimate financial risk becomes the private sector development partner's and therefore creating a true commercial alignment can be difficult as the private development partner will look to secure a priority financial return ahead of the Council.
- 3.30 This structure can facilitate different potential public funding sources being injected, but this will require a "market economy investor" test to be applied to show State Aid compliance.
- 3.31 The feedback from the Delivery Options Workshop indicated that this could be an attractive way to structure a preferred delivery option, given the resource (financial and human) implications of a corporate joint venture (see below).

Corporate partnership delivery structure (Option 5)

- 3.32 This is most commonly a form of joint venture where the parties' interests are aligned on a 50/50 basis. As a consequence, this is a true risk sharing structure.
- 3.33 Within the public sector, most joint ventures are structured with the Council's financial contribution being the land and the partner providing matching working capital. Some public / private JVs also have provision for the Council or public entity, to contribute further funding (providing it is always matched by the private sector partner).
- 3.34 If there is a requirement for additional funding beyond the land (say to secure debt finance from a bank) and the Council does not want to inject further funding, then the private sector partner would usually look to create a financial instrument to cover the additional funding that ranks ahead of the Council's matched funding. This effectively provides the private partner with a priority return (for that portion of funding) similar to the DA.
- 3.35 The JV is usually corporate (a company limited by shares or a limited liability partnership) and therefore is its own legal entity. The exact corporate structure would be subject to the Council's lawyers advising on the vires issues. This should mean that the risks attached to the development are ring fenced, and also that it is able to raise its own funding, employ staff, let construction contracts, or enter into sub sale agreements for parts of a large scheme.
- 3.36 Because this type of delivery structure is 50/50 the development surplus realised through the development of a relevant land parcel is shared, rather than the developer partner having a priority (and therefore unequal)

return. However, where there are losses on a phase or parcel, these are also shared. Therefore, in simple terms, if on a development the developer targets a return of 25% profit on cost, this is the priority return that it would deduct before establishing how much it could pay the Council for its land. Under a JV the land price is determined on draw-down of land into the JV and so where it was undertaking development, the 25% surplus would then also be split equally between the Council and development partner in the JV as neither would have a priority return.

- 3.37 A JV, compared to the overarching DA, can more easily facilitate infrastructure funding if strategic infrastructure investment is required across the site for which subsequent phase developments will benefit. In this scenario the JV would arrange the infrastructure funding (utilising as appropriate public and private sources) and probably set up an infrastructure fund account from which each parcel or phase of the development would be allocated a proportion of infrastructure cost to ensure the whole account (plus the risk margin) is repaid over a target number of years.
- 3.38 At the stage of preparing this initial delivery options report, cashflow modelling and profiling has not been undertaken to assess whether each phase of the development can support its own infrastructure burden, or the extent to which an infrastructure fund or account running across the whole project may be required. It is recommended that this cashflow modelling is undertaken to both inform the detail of the preferred delivery option as well as to provide confidence to the market that such modelling and the viability implications have been considered.
- 3.39 JVs are a good option to consider where there are risks that the public sector is better placed to manage, and where the Council wants a proactive role in influencing the delivery of the development, or where it will have a role in helping to source and inject public funding. They may not be a good option if the Council wants a limited role beyond its planning function, or where it wants a "guaranteed" land receipt.
- 3.40 However, because JVs are more participative, they also have greater costs attached to them, both in terms of the original set-up costs and on-going resourcing of an appropriate representative to sit on the Board and to attend all project meetings. There would be accounting and legal costs of the JV which would need to be met. As a consequence of these financial and resourcing issues, the feedback from the Delivery Options Workshop indicated that this may not be a preferred option and so would rank behind option 2 – the overarching development agreement structure.

Council direct delivery of part of the scheme (Option 6)

- 3.41 We understand that the Council is not considering taking a significant role in undertaking and financing direct delivery of a large part of the project and so we have not elaborated on the options and issues around this. However, in case it may want to consider such a role for part of the scheme, we have included this section.
- 3.42 It is possible to incorporate a direct delivery approach for a proportion of the scheme by the Council in principal delivery options 3 to 5. The issue for the DA or JV will be to establish the allocation of land price for that area to be developed by the Council, as it would be in a non-competitive environment.
- 3.43 For the Council to undertake direct delivery it would need to:

- Have already in-house or to employ someone with the right level of development and contracting experience to manage such a project;
- Incur the costs of preparing the detailed planning application, for the relevant phase;
- Have the ability to manage any retained buildings to be developed, where they are not sold – this could either be say for PRS (private rented accommodation), intermediate housing tenures (where there is already housing stock managed by the Cheltenham Borough Homes), or commercial premises; and
- Need to provide or procure finance for the construction project.

3.44 Clearly with this approach, the complete risk and reward sits with the Council.

Procurement Options

3.45 We have provided our commercial views and advice in this section based upon our experience. However, the Council should ask its appointed lawyers to review this section of the report as it is not intended to be a detailed review of the procurement regulations. Once appointed, they should therefore be asked to provide a substantive opinion.

3.46 Public procurement 'rules' are set out in the Public Contracts Regulations 2015 (the Regulations). These make it clear that works, services or supply contracts with a value above the specified financial thresholds must be competitively procured using a Regulations compliant tender process. The selection of a development partner (or JV partner) is not itself a works, services or supply contract. However, we consider that where the purpose of the preferred delivery option is to subsequently award such contracts, on behalf of the Council, it could be argued that the delivery option is seeking to circumvent the Regulations creating the risk of future challenge. At this stage, we consider that the Council's lawyers may consider the following aspects of the project (as it develops) as being within the scope of the Regulations as either works or services:

- The prospective infrastructure solution to create serviced land parcels;
- Provision of development management services by the development partner; and
- Specifying or otherwise detailing the requirements for a particular development parcel, either for use, design and/or quality purposes, or because the Council may be the ultimate purchaser of the completed asset.

3.47 As a consequence of the above, delivery options 3, 4 and 5 are in our view potentially likely to be within the scope of the Regulations due to the level of influence and approval rights around the development that the Councils will want to have as landowners, aside from their role as statutory planning authority. Therefore, in all delivery options, we consider that the Regulations will need to be followed. The principal procurement procedures are:

- a. Open Procedure;

- b. Restricted Procedure (run independently or by the Council utilising Homes England’s DPP);
- c. Competitive Dialogue; and
- d. Competitive Procedure with Negotiation.

3.48 It is considered that it would not be possible to deliver the Councils’ strategic objectives and aspirations under either the Open or Restricted procedures due to the level of influence and “control” that the Council will want. Additionally, we consider that option 3, structured as an overarching development agreement will contain a level of complexity and risk sharing that would need to be explored with bidders during the procurement exercise. This is difficult to achieve under the Open and Restricted procedures. To utilise either of these procedures could therefore create both legal and commercial risks that would be difficult to mitigate against.

3.49 In our experience, in most cases where the Regulations apply, contracting authorities will use either the Competitive Dialogue (CD) Procedure, or the Competitive Procedure with Negotiation (CPN). There have been a number of complex procurement exercises carried out under both of these procedures and the timescale for each is similar. Consequently, we suggest that the Council’s lawyers advise on which procedure they consider legally is preferred given the specifics of the project. The market is familiar with both procedures.

3.50 Due to the costs and time involved in participating in either of these procurement procedures, the market will want to see an efficiently run process that is kept to the published programme and where the areas to be “dialogued or negotiated” are prioritised.

3.51 Given that the timescales for undertaking an efficient and focussed procurement exercise under either CD or CPN we have set out below a suggested programme for the project. We have referenced this in months so that the dates at this stage are non-specific, but we appreciate that it is the Council’s intention to commence the procurement process in Quarter 1 2020. Under the Regulations a large amount of information and draft documents for use in the procurement need to be available on day one of the process. Whilst the Regulations could be interpreted to mean that every document (including draft legal agreements) need to be in place on the date the procurement is launched, in our experience with complex agreements as envisaged under the CD or CPN procedures, this is not feasible, partly because the whole purpose of these procedures is to shape a an acceptable commercial proposition during the procurement.

3.52 Consequently, clients have taken a sensible and practical approach in trying to comply with the requirement. Subject to the advice of the Council’s lawyers, we suggest the following:

Document	Availability at launch of the procurement
Prequalification / Selection Questionnaire	Yes
Memorandum of Information	Yes
Invitation to Participate in Dialogue/Negotiation (Outline Solutions)	Yes
Invitation to Continue Dialogue/Negotiation (Detailed Solutions)	No

Invitation to submit Final Tender	No
High level Heads of Terms for the transaction	Yes - but ready to be issued to those passing PQQ or Selection Questionnaire

Suggested high level procurement programme

Stage	Timescale	Date
Cabinet Approval on Strategy		3rd March
PIN Notice		6th March
OJEU Contract Notice	6 weeks	20th April – 25th May
Information Memorandum		20th April
SQ returned		25th May
Evaluation and Shortlisting from SQ	2 weeks	25th May – 15th June
Issue de-selection letters		15th June
Issue Invitation to Participate in Dialogue (ITPD)		15th June
Response to ITPD , evaluation and workshops	8 -12 weeks	15th June to 7th September
Issue de-selection letters		7th September
Dialogue		7th September to October (tbc)
Issue Invitation to Submit Final Tender		October (tbc)
Receipt of ISFT		November (tbc)
Clarifications & Evaluation of ISFT	2-4 weeks	November/December (tbc)
Issue de-selection letters		December
CBC Internal approval process	2-4 weeks	28th December?
Award Contract + 10 day standstill period		January 2021

Preliminary View of Potential Delivery Options

3.53 At the Delivery Options Workshop on 12th November, the principal delivery options and their potential variations were discussed in detail. Consequently, the scope of a potentially preferred option was explored which we now set out below.

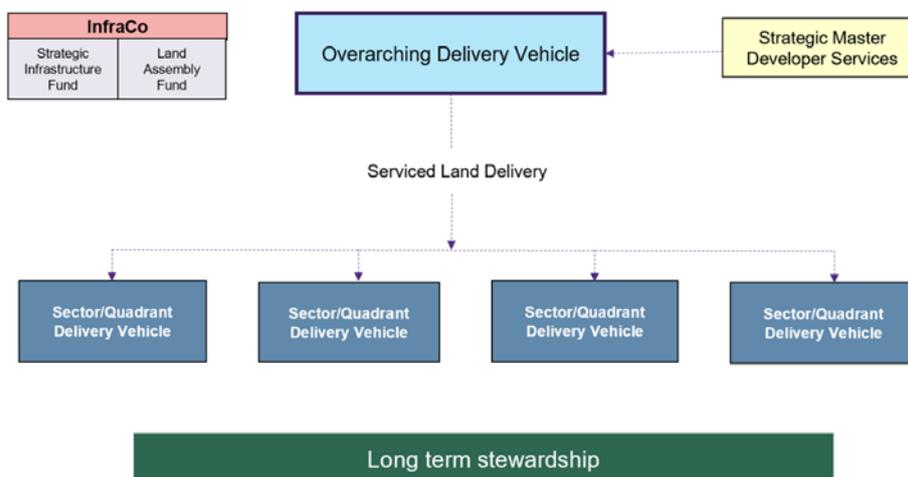
3.54 Taking into consideration the Council's strategic objectives and its list of aspirations, it is clear that the Council will need a delivery option that enables it to have a large degree of participation in decision making and influencing the evolution of the scheme. Also given the strategic importance of this site and the need to be pro-active in driving and/or stimulating the market to deliver individual development parcels within the masterplan, the Council should look to structure a delivery option that reflects a strategic master developer role. This can be done using either an overarching site wide development agreement or a corporate joint venture structure, depending upon the cashflow modelling of the infrastructure, and the consequential financing and funding requirements. The advantages of this delivery approach are:

- The skills in delivering and efficiently funding infrastructure are different to those of a pure commercial or residential developer. Whilst some major developers do both, for example, Lendlease, this approach should look to optimise the development returns through a mid to long term view on infrastructure funding, with then a mixture of some direct development, and serviced plot disposals;

- This approach enables a flexibility of approach around whether the development partnership undertakes direct development of a specific parcel to retain the benefit of the profit margin that this role will attract. This is particularly relevant if the Council decides to help make, perhaps an early commercial development parcel, fundable through say a lease wrapper structure or similar.
- By the Council having a top-level role with a strategic master developer partner, it is envisaged that there will be an agreed business plan incorporating the agreed objectives as well as the partner's financial objectives that would be negotiated during the procurement process. As development parcels are brought forward to the market, the strategic master developer partnership would flow down its requirements to the plot or phase developer to ensure delivery is in accordance with the masterplan and meets the objectives. The plot or phase development agreement would contain the relevant controls to achieve this.
 - The Council can build into the negotiation during procurement:
 - a requirement to receive phased land payments to refund its original land acquisition;
 - revenue overage; and
 - if required to facilitate the provision of debt funding (if it so wishes).

3.55 An illustration of this structure is shown below:

A potential delivery approach structure



3.56 The strategic master development role of the Council and its chosen development partner was explored at the Workshop and gained in principle support. The Workshop attendees suggested that for the following reasons the overarching development agreement structure of option 3 may be preferred over JV structure of option 5:

- the requirement to provide a greater level of appropriately experienced people in the joint venture both at Board and at a project level in order to make key decisions;

- the potential requirement (subject to financial modelling) for further financing beyond the value of the land in order to maintain parity in the JV; and
- whether the Council really wanted a fully participative risk sharing structure.

3.57 In reaching this conclusion, we have undertaken a scoring process on the alternative procurement routes, as detailed in the table below:

Delivery Option Referencing

Option 1	Land disposal phases
Option 2	Land disposal whole
Option 3	Development agreement phase / phase
Option 4	Development agreement - overarching DA for whole scheme with phase drawdown
Option 5	Partnership delivery structure (corporate)
Option 6	Council direct delivery of part has been <u>excluded</u> as only applicable to part of a delivery strategy

Scoring

1 to 10 with 1 being does not meet criteria
and 10 being meets all criteria

Delivery Option Quantitative Assessment

Principal Delivery Options

Option 1 Option 2 Option 3 Option 4 Option 5

		Option 1	Option 2	Option 3	Option 4	Option 5
Strategic Objectives	Cyber Park delivery as part of the Council's growth agenda	2	1	5	8	10
	Proactive management and promotion - UK 'cyber tech capital'	2	1	2	10	10
	Achieve true mixed use/tenure community with 40% affordable	3	5	5	8	8
	Deliver effective masterplanning and integration with community and wider regeneration strategy ("influence over delivery")	3	7	4	10	10
	Secure mixture of revenue and capital returns over medium to long term to create on-going land and stewardship interest	2	1	3	9	10
Aspirations	Reduce carbon footprint and aim to achieve net carbon neutrality	1	2	3	8	8
	Deliver high quality environment - buildings and public realm "raise the bar"	2	2	5	10	10
	Affordable homes to be owned/managed by Cheltenham Borough Homes	6	8	8	8	8
	Employment-led delivery with residential in tandem	1	2	3	9	9
	Acceleration of delivery of homes and employment	1	1	2	8	8

Other Issues	Facilitates different sources of funding	1	1	3	10	10
	Enables risk mitigation strategies by the Council	9	9	8	7	4
	State aid options (to facilitate investment)	4	1	4	7	7
	Best Consideration issues	9	9	9	8	8
	Could it facilitate direct delivery of part?	2	2	7	9	9
	Financial return (<i>nb this is different to BC test</i>)	3	1	4	8	10
	Financial or commercial risk exposure to the Council (highest score = lowest exposure)	8	9	8	6	4
	Resource and/or financial commitment required	9	10	8	7	3
Total score		68	72	91	150	146

Next Steps and Recommendation

- CBC to seek a delivery partner with skills and experience of a Master Developer.
- The delivery partner is secured for all of CBC's ownership and no separation of the commercial and residential elements of the proposed scheme.
- The structure of the agreement will be delivered through a Development Agreement or a Joint Venture, to be defined during dialogue with bidders
- Due to the Council's objectives and need to retain a degree of control over the development, the opportunity will need to be procured following EU procurement rules and it is recommended the Competitive Dialogue procedure is followed. This will discount some parties in participating, but there is little choice at this stage.
- Flexibility is built into the procurement and contract in order to allow for delivery over a lengthy time period, where there will be changes in policies, legislation and market conditions.
- The Council agrees to delegate the ability to long list and shortlist to a senior officer/CEO as it is important to keep the momentum of the project, particularly once the procurement has commenced. Additionally, this level of delegation will provide confidence to the market around the efficiency with which the procurement exercise will be run.

xix. In addition to the above, we are of the view that progress needs to be made in relation to the following, while the opportunity is being prepared for launch;

- Severn Trent Water/Midlands Land Portfolio – a more defined position with regard to both works associated with the mitigation measures to the odour control zone and also collaboration in respect of their landholding forming part of the allocation.

- CBC is undertaking research into the 'Cyber' potential, which will provide potential delivery partners with a better understanding of the target market of occupiers and economic stats
- Review of infrastructure requirements, including capacity testing for associated utility connections.
- Cluster 1 – outline of potential requirements around the cluster 1 proposals, including any potential specific requirements from GCHQ.
- Review cost consultants assessment of high level cost estimates and the likely timings for strategic (scheme wide) infrastructure;
- Taking the above data, to instruct Avison Young to undertake high level financial modelling of the preferred delivery option against a base line position, we suggest Option 1 – land disposal model prior to the start of dialogue with bidders

xx. We set out below the potential high level programme to get to the market and begin the procurement process.

Stage	Timescale	Date
Cabinet Approval on Strategy		3rd March
PIN Notice		6th March
OJEU Contract Notice	6 weeks	20th April – 25th May
Information Memorandum		20th April
SQ returned		25th May
Evaluation and Shortlisting from SQ	2 weeks	25th May – 15th June
Issue de-selection letters		15th June
Issue Invitation to Participate in Dialogue (ITPD)		15th June
Response to ITPD , evaluation and workshops	8 -12 weeks	15th June to 7th September
Issue de-selection letters		7th September
Dialogue		7th September to October (tbc)
Issue Invitation to Submit Final Tender		October (tbc)
Receipt of ISFT		November (tbc)
Clarifications & Evaluation of ISFT	2-4 weeks	November/December (tbc)
Issue de-selection letters		December
CBC Internal approval process	2-4 weeks	28th December?
Award Contract + 10 day standstill period		January 2021

4. Additional Considerations

Cheltenham Borough Homes

- 4.1 Cheltenham Borough Homes (CBH) is an Arms-Length Management Organisation (ALMO) who is wholly-owned by and manages Cheltenham Borough Council's Affordable Housing stock.
- 4.2 Early indications suggest that Cheltenham Borough Council is anticipating that CBH will take on the Affordable Housing within the residential aspect of the scheme. We discuss the following points that should be considered prior to this route being adopted:

Valuation and Best value

- 4.3 Housing Associations/Registered Providers currently have access to large amounts of capital, both to fund s.106 Affordable Housing and additional Grant-funded supported Affordable Housing. This enables competition between organisations enabling best maximum value to be achieved for the Affordable components.
- 4.4 Care must be taken to avoid a situation where competitive tension is removed and scheme viability affected, ultimately resulting in an impact on scheme profit or land value.
- 4.5 CBH should be enabled to compete in the market for the Affordable Housing stock, with information barriers in place to prevent dissemination of commercially-sensitive details relating to bids. This route would result in the best value being achieved for the Council.

Grant/Public subsidy-funded Affordable Housing

- 4.6 Alongside conventional s.106-required Affordable Housing without public subsidy, Housing Associations currently have access to multiple funding streams to deliver non-s.106 Affordable Housing in addition, with Homes England's Strategic Partner Funding forming one of the larger-value allocations available, albeit limited to confirmed partners.
- 4.7 Grant-funded Affordable has the benefit of delivering in excess of the s.106-required (nil subsidy) Affordable and benefits the scheme by reducing sales risk for the developer and benefitting the cashflow alongside the greater delivery of Affordable units. The main downsides relate to the grant being insufficient to reach the open market value of the units, therefore meaning the developer must take a "discount" to the full open market value, the fact that the price is often agreed pre-commencement, meaning the developer does not have the ability to benefit in sales value inflation through the build period and the potential to create Affordable Housing "ghettos", thereby positively discriminating against the mixed and balanced communities sought by planning policy.
- 4.8 We understand that CBH is not currently a Homes England Strategic Partner and therefore would not have access to this main pot of funding to provide this extra Affordable Housing.

Private Rented Sector

- 4.9 The Council has suggested that it may also consider purchasing stock for open market rent as a commercial investment to be managed by CBH. As with grant-funded Affordable Housing, the purchase of Private Rented units can reduce exposure to sales risk, reducing the length of the sales period impacting positively on finance costs, while likely having an impact on the level of profit in the appraisal by virtue of the reduced risk. As another positive, the provision of professionally managed open market rental stock aids in the diversity of tenures on the site, providing more options for potential residents. As with grant-funded Affordable, the early commitment to sell a portion of units as PRS, while de-risking the sales element, does fix the developer into accepting one price, meaning they do not participate in the benefits of a rising market (while conversely protecting them from a falling market). In addition, the valuation of rental stock is typically a capitalised net rental approach (similar to commercial investments) which in the majority of cases results in a “discount” to open market sales values. Again, it is for a developer to assess the risks of market forces and sales risk versus the certainty of a lower sale value.
- 4.10 CBH has the experience and expertise of managing property which could easily be tailored to managing open market property.
- 4.11 There are an increasing number of companies and funds with capital to invest in PRS/Build to Rent (BtR) property across the country, with demand for investment in lower density schemes as opposed to city centre high rise apartment blocks. In order to ensure best value, we suggest that the properties are openly marketed to seek maximum competition.

Tax – External advice

- 4.12 Given the high-value nature of the project, Avison Young advises that the Council seek external tax advice in relation to the potential deal structures and the implications on the Council’s finances.

Tewkesbury Borough Council

- 4.13 The Cyber Central scheme allocation boundary spans both Cheltenham Borough Council and Tewkesbury Borough Council jurisdictions. We note that the allocated land that falls within Tewkesbury’s jurisdiction is in the ownership of other landowners; all of Cheltenham’s land is within Cheltenham’s jurisdiction.
- 4.14 Nevertheless, a development of this scale that spans two Local Authority jurisdictions does raise a number of considerations from a landowner’s perspective, generally linked to the planning process.
- 4.15 With a cross-boundary planning application, both Cheltenham and Tewkesbury planning authorities will have to assess and approve the planning application. On this basis both planning authorities have a duty to seek feedback from their statutory consultees, meaning that collectively the planning applications would consult double the number of consultees. With an increase in the number of parties consulted comes an increase in risk that adverse feedback is received, while there is also the dual planning processes that will need to be run and be agreed, by virtue of approximately 115 acres of the allocation site falling within Tewkesbury’s authority.
- 4.16 Within this decision making process lies the differences in planning policy and strategy which may cause differing views on the planning application and eventual planning committee decision. Despite this, we

note that the allocation is within the Joint Core Strategy between Cheltenham, Tewkesbury and Gloucester and should therefore be relatively uncontroversial.

- 4.17 Alongside the views of Cheltenham and Tewkesbury Borough Councils, the large nature of the proposed scheme will inevitably draw interest and an opinion from Gloucestershire County Council in addition.

Conclusion

- 4.18 We suggest that CBC ought to consider the need to encourage competition for all residential elements in order to maximise land value.
- 4.19 We draw attention to the need of the Council to obtain tax advice given the high values and mixed strategies employed in the delivery of Cyber Central.
- 4.20 The site presents the opportunity for multiple interim/meanwhile uses that could be employed to raise interim revenue and provide site security through occupation. This can range from simple agricultural uses, parking or storage, to more medium term schemes such as residential, retail or office uses in temporary shipping container schemes that could be moved around the site, creating critical mass during the construction period to enable services while being transient enabling relocation when required.
- 4.21 We see the risks associated with Tewkesbury Borough Council to be limited to the wider scope of planning consultation, increasing the number of consultees, although this risk is mitigated through the Joint Core Strategy in which the whole site is allocated.
- 4.22 The safeguarded land presents a longer-term opportunity for the Council beyond the plan period, however the current main risk relates to the relocation of the Hayden Sewage Treatment Works, currently estimated to cost between £80m - £120m. The level of this cost is the defining factor for delivering development on this land and we think that external funding will be required. The viability and deliverability of this development will need to be considered as part of any wider compulsory purchase strategy.

5. Summary and Conclusion

- 5.1 The subject land relates to part of 321 acres of greenfield land to the west of Cheltenham, of which Cheltenham Borough Council form one party of multiple land ownerships within the Cyber Central – West Cheltenham allocation area. There are a number items that were noted during the purchase of the land including telecommunications masts, access to highways and unregistered land, as well as asbestos in existing buildings and rights of way that cross the land.
- 5.2 The site is allocated in the Joint Core Strategy (JCS) primarily for approximately 1,100 homes and 111 acres of B-class-led employment land focussed on the cyber-security industry. Cheltenham Borough Council own approximately 112 acres in the north eastern and south eastern corners with Midland Land Partnerships Ltd (a Severn Trent Water subsidiary) owning c.141 acres in the northern part of the site as well as approximately 73.2 acres in the ownership of 7 private landowners.

- 5.3 A Housing Infrastructure Fund (HIF) bid was submitted in March 2019 to finance highway improvements relating to Junction 10 of the M5 and a new link road connected to Cheltenham, the result of which remains outstanding.
- 5.4 Severn Trent Water and Midland Land Portfolio Ltd are the largest landowners among the nine within the allocation area but a collaboration agreement has not yet been entered into with them or their promoter, Northern Trust.
- 5.5 It is important that parties recognise that the fragmented land ownerships all need to contribute in order to achieve a successful masterplan but at this stage it is not clear how and where the common infrastructure will be delivered. This will be particularly important relating to the proposed accesses and linking primary infrastructure.
- 5.6 Equalisation between landowners will be required due to the scale of the scheme, however the key question remains the inclusion of the employment land given the likely lower land value when compared to residential development land.
- 5.7 The Odour Zone mitigation works at the Hayden Sewage Treatment Works are key to the delivery of the scheme and the Council's strategic objectives and aspirations. The affected area covers a greater extent of the Cheltenham Borough Council land, when compared to the Severn Trent/MLPL land ownership. It is not yet clear who will be responsible for paying the c.£4m for the mitigation works, however with Severn Trent Water the adjacent landowner and potential Collaboration Agreement party, the delivery of these works are key to the deliverability of the scheme.
- 5.8 The exercise of Compulsory Purchase powers should arise as a strategy of last resort, however where the deliverability of the scheme is threatened and negotiation has failed, they may be the key to unlocking delivery. It is also common on large or complex schemes to twin track negotiations with the CPO process to expedite delivery. We note a risk if the compulsory purchase of Severn Trent operational land is required, as their operational assets are afforded special protection from compulsory purchase.
- 5.9 The Supplementary Planning Document Public Consultation closed on the 17th February 2020. It advocates a mixed-use and high density approach to development in line with the Council's aspirations, with mixed-use elements spanning almost the full length of the main spine road. The SPD seeks to embrace the highest standards of environmental sustainability while working with the natural landscape while looking to integrate the existing community of West Cheltenham. The document also discusses a number of constraints that the design will have to overcome including topography, ecology and utilities that will be key to scheme delivery, in addition and in the short term, the odour zone mitigation is paramount to the scheme coming forward.
- 5.10 Much of the Technical Due Diligence forms 'work in progress' connected with the production of the Environmental Statement (draft dated April 2018). In order that as much technical and due diligence information as possible can be presented to the market we suggest that the contents of the draft Environmental Statement are reviewed and where individual components are deemed out of date or insufficiently developed, it is updated and/or completed.
- 5.11 Further, we recommend that a comprehensive audit of the available technical information is undertaken prior to the launch of the procurement process. This will be important to identify where updates to existing

studies, or wholly new information is required. This process will ensure that comprehensive information can be provided to interested parties to enable them to formulate deliverable, realistic proposals.

5.12 We suggest that, where possible, all land ownerships within the wider allocation are encouraged to participate in the production of the technical reports/surveys that will assist in the delivery of the allocation.

5.13 The residential sales market has been strong in the town in recent years, and there are a number of new homes sites coming through the planning system. Average newbuild values of up to £499 per sq ft have been recorded in the town, with average sales rates of 4 units a month across current housing schemes in the town. The Private Rented Sector is generally limited to multi-asset portfolios of AST-rented and house share units.

5.14 The provision of new office space to the town has been limited, but the recently-completed Honeybourne Place has reportedly achieved £35 per sq ft in parts, a new record for Cheltenham, with the building 100% under offer shortly after completion, demonstrating the demand for quality office space in the town. Delivery of industrial space is good and strong rental values suggest strong demand. The retail market is mixed, but with the unsettled national context of this sector this is not surprising. The most relevant commercial scheme to come forward is Corinthian Park given the proximity to the site, with planning for almost 150,000 sq ft of office space alongside a supermarket and nursery. Availability of development land is limited with development typically slow to come forward. The Birmingham Life Sciences and Bright Building at Manchester Science Park are good examples of Innovation Centre development, with the Gloucester Raytheon Cyber Innovation Centre, London Plexal Cyber Innovation Centre and CyberSpark Israel all good examples that Cyber Central can draw from.

5.15 The macroeconomic situation remains uncertain, with GDP, the Consumer Prices Index (CPI), construction and manufacturing all contracting, due in part to Brexit-related uncertainty, although unemployment remains low and real earnings have increased in the 12 months to October 2019. The outlook for the UK remains dominated by political and Brexit-related matters, however short-term is affecting sentiment and decision making as the uncertainty continues.

5.16 We have considered the following main delivery options;

Land disposal (whole – Option 1 or in phases – Option 2)

Disposal using a Development Agreement (whole – Option 3 or in phases – Option 4)

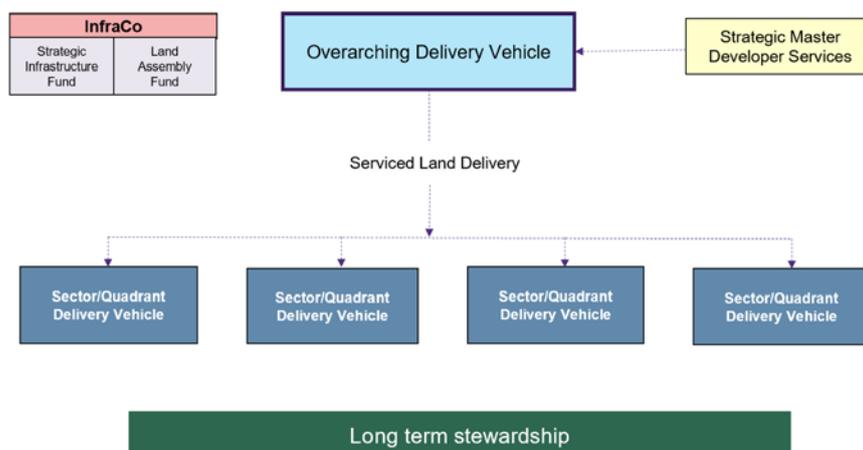
Corporate partnership delivery structure – Option 5

Council direct delivery of part of the scheme – Option 6

5.17 Taking into consideration the Council's strategic objectives and its list of aspirations, it is clear that the Council will need a delivery option that enables it to have a large degree of participation in decision making and influencing the evolution of the scheme. Also given the strategic importance of this site and the need to be pro-active in driving and/or stimulating the market to deliver individual development parcels within the masterplan, the Council should look to structure a delivery option that reflects a strategic master developer role. This can be done using either an overarching site wide development agreement or a corporate joint

venture structure, depending upon the cashflow modelling of the infrastructure, and the consequential financing and funding requirements. An illustration of this structure is shown below:

A potential delivery approach structure



5.18 We suggest that the open marketing of the range of residential tenures may return better value to the Council.

5.19 We draw attention to the need of the Council to obtain tax advice given the high values and mixed strategies employed in the delivery of Cyber Central.

5.20 The site presents the opportunity for multiple interim/meanwhile uses that could be employed to raise interim revenue and provide site security through occupation. This can range from simple agricultural uses, parking or storage, to more medium term schemes such as residential, retail or office uses in temporary shipping container schemes that could be moved around the site, creating critical mass during the construction period to enable services while being transient enabling relocation when required.

Recommendation

- CBC to seek a delivery partner with skills and experience of a Master Developer.
- The delivery partner is secured for all of CBC’s ownership and no separation of the commercial and residential elements of the proposed scheme.
- The structure of the agreement will be delivered through a Development Agreement or a Joint Venture, to be defined during dialogue with bidders
- Due to the Council’s objectives and need to retain a degree of control over the development, the opportunity will need to be procured following EU procurement rules and it is recommended the Competitive Dialogue procedure is followed. This will discount some parties in participating, but there is little choice at this stage.
- Flexibility is built into the procurement and contract in order to allow for delivery over a lengthy time period, where there will be changes in policies, legislation and market conditions.
- The Council agrees to delegate the ability to long list and shortlist to a senior officer/CEO as it is important to keep the momentum of the project, particularly once the procurement has

commenced. Additionally, this level of delegation will provide confidence to the market around the efficiency with which the procurement exercise will be run.

xxi. In addition to the above, we are of the view that progress needs to be made in relation to the following, while the opportunity is being prepared for launch;

- Severn Trent Water/Midlands Land Portfolio – a more defined position with regard to both works associated with the mitigation measures to the odour control zone and also collaboration in respect of their landholding forming part of the allocation.
- CBC is undertaking research into the ‘Cyber’ potential, which will provide potential delivery partners with a better understanding of the target market of occupiers and economic stats
- Review of infrastructure requirements, including capacity testing for associated utility connections.
- Cluster 1 – outline of potential requirements around the cluster 1 proposals, including any potential specific requirements from GCHQ.
- Review cost consultants assessment of high level cost estimates and the likely timings for strategic (scheme wide) infrastructure;
- Taking the above data, to instruct Avison Young to undertake high level financial modelling of the preferred delivery option against a base line position, we suggest Option 1 – land disposal model prior to the start of dialogue with bidders

6. Disclaimer and Limitations

- 6.1 This report has been based upon the information provided by Cheltenham Borough Council and information obtained from the workshop with the Council. This report is not a formal valuation prepared in accordance with the Royal Institution of Chartered Surveyors Valuation Standards and is provided solely as a guide to the potential procurement options for a delivery partner.
- 6.2 The information contained herein should not be relied upon for any other purpose other than the one stated and is for the sole viewing of Cheltenham Borough Council and should not be provided to any third party.
- 6.3 We would be happy to discuss any of the points raised in this report further.

Appendix I

Masterplan and SPD Summary

7. Masterplan and SPD

Status

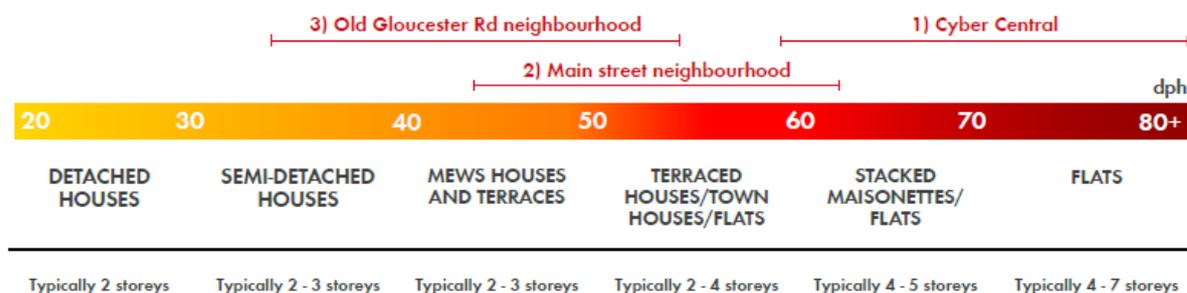
- 7.1 The Cyber Central Garden Community Strategic Masterplan, Supplementary Planning Document has been developed by Avison Young's Planning, Development and Regeneration Team alongside Allies and Morrison, Hydrock and Tyler Grange to provide background and planning principles to proposals on the allocated land to the west of Cheltenham.
- 7.2 The Public Consultation of the SPD closed on the 17th February 2020. Alongside this document, a separate Delivery Strategy document was provided which will cover phasing, CIL and planning obligations.
- 7.3 The final draft incorporates feedback from a number of key stakeholders including the Council, Severn Trent Water (adjacent landowner) and Homes England.

Uses

- 7.4 The West Cheltenham area is allocated for mixed-use development in Policy A7 of the Gloucester, Cheltenham and Tewkesbury Joint Core Strategy (Adoption version, November 2017) including residential, commercial and leisure in order to provide a mixed and balanced community, with the focus being on the delivery of the Cyber Central commercial area.

Residential

- 7.5 The residential development is to be delivered in tandem with the employment and could deliver 1,100 dwellings in a mix of types and densities. Despite this, the SPD is clear that this is a commercial-led scheme.
- 7.6 Feedback from the Council suggests there is an aspiration for the allocated 1,100 units as the minimum number the site should be providing, by adopting higher average densities of development across the site.
- 7.7 The SPD focuses on four main character areas, with the below diagram identifying typical density, development type and storey height ranges (SPD Final Draft, p50):



- 7.8 This suggests a higher density than we would expect to see from a greenfield, edge of settlement urban extension of this scale in this location. With suburban locations typically providing lower-density housing with

larger gardens, etc we think that this location will need to major on additional provision for residents in order to encourage them to purchase here. This could take the form of retail, leisure or public open space.

- 7.9 It is anticipated that the Cyber Central and Local Centre areas will be commercial-led, but incorporating an element of residential use, perhaps within high-density stand-alone block/s within the Cyber Central Area and above the commercial element within the Local Centre.
- 7.10 The Main Street and Old Gloucester Road areas will be residential-led, with supporting commercial and community areas located adjacent to residential uses, alongside a school.
- 7.11 The SPD suggests that within the residential areas, accessibility, a mix of typologies and uses, and links to the landscape are key components for successful development.

Mixed-use

- 7.12 The SPD suggests either employment-led or residential-led mixed-use development across much of scheme. While not defining the mix or proportion of these areas, the SPD does detail the potential uses, which we have discussed individually below.
- 7.13 The lack of designation, to some extent provides a blank canvas for potential development partners, however the Council has expressed a desire to maintain an element of control of the delivery of certain aspects of the scheme and will certainly have its own views on the mix of uses here.

Offices/Cluster 1 (Cyber Innovation Centre)

- 7.14 The Cyber Central neighbourhood is anticipated to be office-led, although the SPD does not break down the potential for light industrial or Research and Development uses, for example, to be included within this area.
- 7.15 Cluster 1, the expected first phase of development on the site has been conceived to include an element of innovation and grow-on space, targeted at the Cyber community. The intention is for Cluster 1 to be located at the southern entrance to the scheme, currently proposed at the Telstar Way and Fiddler's Green Lane roundabout, to geographically co-locate with GCHQ, thereby drawing parallels and association, while acting as a gateway to the site and being the catalyst towards the wider site development.
- 7.16 Allies and Morrison has been separately commissioned to undertake some design work on Cluster 1 but we anticipate a mix of workspace, hotel, leisure, retail and residential, located around a landscaped public square/event space. The general proposals suggest a c.50,000 sq ft Cyber Innovation Centre with up to c.10,000 sq ft of this identified for GCHQ as a potential anchor tenant. The remaining space is proposed to be for incubator and follow-on space including teaching, conference and event space, with ground floor retail and publicly-accessible areas with the potential to include roof gardens.

Retail

- 7.17 The ambition is to create a 24/7 culture by providing for both the commercial-led and residential-led areas of the scheme while forming part of the conduit between the two.
- 7.18 The SPD points to shops, bars, restaurants and other leisure being incorporated into the Cyber Cluster buildings at the southern gateway to the site, alongside other uses such as hotel and high density residential around a public square area, capable of hosting events.
- 7.19 We anticipate a development of the situation at the Bristol and Bath Science Park which contains a café/coffee shop at ground floor level alongside an area of meeting and collaboration space, all open to the public. With the Cluster 1 plan to be located around a square, we expect that further development here would also include food and beverage uses at ground level, with complimentary retail operators; convenience store, sandwich bar, etc.
- 7.20 While we envisage the Cyber Cluster to be food and beverage-led, the Local Centre is likely to contain more shop-led retail and alternative uses, including a convenience store or nursery, for example. Typical residential extension local centres see convenience stores as the anchor with estate agents, takeaways, hairdressers, etc. While not the intention, in practical terms we expect the local centre to cater more towards the residential areas, with the Cyber Cluster retail catering more for the commercial areas, with the crossover due to differing retail typologies. The two retail areas should be careful to avoid conflict and direct competition between the two.

Leisure

- 7.21 Leisure uses could include sports facilities, gyms, yoga/dance studios, soft play centres, climbing wall, community centres, etc, to provide facilities to occupiers and residents of West Cheltenham. These uses could be contained in either the Cyber Central or Local Centre areas.
- 7.22 On a larger scale and to push the “mixed-use” and 24/7 aspirations, the site could seek an anchor leisure occupier i.e. indoor skydiving, ice rink, etc to drive the “destination” status of the site to support weekend use while also supporting the food and beverage providers when the rest of Cyber Central is quieter.

Hotel

- 7.23 The SPD suggests a hotel within the Cyber Cluster area of the site, to serve the surrounding businesses, while the Gloucestershire Draft Local industrial Strategy advocates a hotel and conference centre to be located on the Cyber Central scheme. We would expect this hotel to include a bar and/or restaurant on the ground floor and therefore we would expect this to be located around the public square, adding to the mixed-use offering.
- 7.24 To develop this further, we anticipate that there would be demand, especially from temporary GCHQ staff for an aparthotel in this location.
- 7.25 From a commercial perspective the location is strong, being co-located with multiple businesses and situated within a short distance to both Cheltenham Spa Railway Station and the main vehicular route from

the M5. We note there are two hotels in close proximity; the Travelodge at Hatherley Lane and Jurys Inn Cheltenham on Gloucester Road, however the on-site nature of this new hotel is unlikely to cause any adverse capacity issues.

Multi storey car park

- 7.26 To drive development density and reduce the impact of wide areas of surface car parking, the SPD suggests a multi-storey car park as part of the Cyber Cluster.
- 7.27 We understand that feedback from local residents suggests a high level of resentment towards the existing GCHQ-related parking in local residential roads. Anecdotally, we understand that this problem parking is not related to GCHQ staff who have access to on-site parking, but rather contractors working at GCHQ.
- 7.28 There are a mix of views relating to multi storey car parking, including:

Pros	Cons
Co-location of car parking frees up other land that would have been used for surface parking to be developed for more valuable uses, increasing overall scheme viability	Providing paid-for parking on the site will require parking management strategies for surrounding surface parking to prevent unauthorised parking and a strategy in existing roads and new West Cheltenham development
The car park could be funded or purchased by the Council to hold as a long-term income-producing investment	Development of car parks is expensive; decked solutions can be £8-£9,000 per space and full multi-storey car parks from £11-£20,000 per space
This car parking could reduce GCHQ contractor parking on surrounding residential roads	Development of new parking is politically sensitive as it can be seen as encouraging the use of the private car and therefore discouraging sustainable transport options

Site Constraints

- 7.29 The wide and varied site area contains a number of constraints that the SPD has sought to overcome:
- 7.30 Flooding and Topography – Hatherley Brook runs westwards across the southern part of the site, with minor drainage ditches originating both within and just outside the site area. The River Chelt, which runs approximately 500m to the north of the site is classed as a “Main River”, as is Hatherley Brook meaning they are both under the jurisdiction of the Environment Agency.
- 7.31 The majority of the site is located in Flood Zone 1, the lowest risk, however the north western part of the site (within the MLPL land ownership) is at High Risk of surface water flooding during a 1 in 30 year storm event (or greater). The SPD suggests that re-profiling could raise this land to mitigate against this risk, however this would require compensatory storage elsewhere.

- 7.32 National Planning Policy Guidance (NPPG) states that rain water run-off should be infiltrated to ground, discharged to local watercourses or discharged to a local sewer network, in this order of priority. The SPD suggests that the mudstone bedrock prevents infiltration and therefore the strategy should be to discharge into the watercourses on site. This could be achieved through green storage features, to be designed into the scheme, located downslope of proposed development. The constraints plan locates these features in the southern, north easterly and north westerly corners of the SPD area.
- 7.33 Landscape and Visual Impact Assessment (LVIA) – The SPD suggests that there are no designations relating to landscape value and/or sensitivity covering the site, however the JCS: Landscape Characterisation Assessment and Sensitivity Analysis (2013) places this land within the Medium-Low sensitivity landscape, although the Hayden Green sewerage works is visually intrusive within a slightly elevated location. Views to the north east of the Cotswolds AONB from Public Rights of Way are important for wayfinding and a distinctive part of the local character.
- 7.34 Green Infrastructure – the site contains a network of managed hawthorn hedges and hedgerow trees, suggesting a well-tree'd landscape. The SPD suggests that a small number of these hedgerows are protected by TPOs.
- 7.35 The existing structure of trees and hedgerows has helped to structure the development proposals, giving a spine to green infrastructure framework, while the buffer planting to the west of the developable areas could be incorporated into future plans as it helps screen the development from rural areas to the west.
- 7.36 Ecology – The SPD suggests the site contains:
- 20 bat potential trees, which would require a bat license should be they be required to be moved
 - 7 badger sets that would either require a 20-30m buffer from development or a badger license if it were required to be removed
 - 2 on-site ponds and a wet ditch suitable for Great Crested Newts plus an off-site pond; this would require the identification of a suitable receptor site and translocation exercise
 - An area in the north west of the site (non-Council land) suitable for reptile habitat which would require reptile surveys and translocation exercise if habitat is lost.
 - 10 buildings requiring internal bat surveys, a Natural England development license will be required if bats are identified and demolition is required with appropriate alternative replacement roosts provided.
 - Survey of hedgerows required for Dormice.
 - Traditional orchard and deciduous woodland that would ideally be retained or re-provided
 - A suggestion that Fiddlers Green Meadow Local Wildlife Site no longer meets the required criteria and therefore may not form a constraint.

7.37 Utilities, Infrastructure and Odour – the site contains a variety of existing utility infrastructure that will either require a buffer to development or relocation as part of the scheme. These include:

- The site contains two strategic sewers with associated easements. The SPD suggests that a key priority will be to divert a short section of this sewer under the new road connecting Telstar Way for the Innovation Centre.
- There are two, 132kV overhead transmission power lines traversing the site.
- 11kV overhead lines and two buried cables running through the site will need diverting.
- Severn Trent water has a 21" trunk main through the south of the site requiring either a diversion or a no-build easement.
- Where the existing services run through areas of new site entrances, the changes in highways will require diversions.
- The development site boundary is within 100m of the Hayden Sewage Treatment Works, operated by Severn Trent Water. The odour zone covers parts of the proposed commercial and residential areas of the whole site. It is not clear from the SPD to what extent odour zone mitigation works will do to reduce this, nor who will be responsible to pay for it.

7.38 Heritage - There are three Grade II listed buildings to the west of the north-westerly corner of the site with a Scheduled Monument known as Moat House to the north. To the south of the site is a further Grade II listed property called Nesley Croft.

SPD Objectives

7.39 The SPD document contains five overarching objectives, headlined below:

Objective A – Embracing the highest standards of sustainability

Objective B – A vibrant and diverse range of uses and activities, serving existing and new communities

Objective C – Working with the natural landscape and its features

Objective D – An integrated and connected extension of West Cheltenham

Objective E – Promoting the highest standards of design quality

7.40 We note that these SPD objectives are high level in nature and should be considered as overarching guidelines to new development. We have summarised each objective below:

7.41 Objective A – Embracing the highest standards of environmental sustainability

- **A1.** Resource efficiency: New Development at Cyber Central Garden Community will be net carbon zero (or better) and an exemplar in water and energy conservation and waste management, employing the highest standards of environmental sustainability.

AY note: This includes masterplanning to maximise solar and wind opportunities, the use of low or zero carbon technologies, Communal Heat and Power (CHP) and Smart City principles.

- **A2.** Resilience: The design of new buildings, streets, open spaces and other required infrastructure will ensure new development is resilient in terms of flooding and overheating.

AY note: This can be achieved by permeable surfaces and landscaping to aid infiltration using Sponge City principles, while limiting exposure of glazing to the sun to prevent overheating and providing blue/green infrastructure to reduce the impact of localised heat islands.

- **A3.** Connection to nature: Development at Cyber Central Garden Community will enrich local ecology and biodiversity and will take proper account of air quality issues.

AY note: Using existing and new landscaping integrated into all areas should drive local ecology, in line with the Gloucestershire Local Nature Pledge while development will need to consider off-site effects of pollution from road vehicles.

- **A4.** Community and culture: Cyber Central Garden Community will mature into a thriving and mixed sustainable community, providing jobs, homes and community facilities for existing and new residents in a beautiful landscape setting.

AY note: The mix of uses, flexibility and access to nature will help the variety, vibrancy and long term success of Cyber Central.

- **A5.** Mobility: Cyber Central Garden Community will be an integrated and fully connected extension of west Cheltenham.

AY note: This will be supported by new infrastructure including the extension of new bus route, smart street furniture and the provision of electric car and electric bicycle hire.

7.42 Objective B – Working with the natural landscape and its features

- **B1.** Delivered in partnership, a high profile and state of the art “Cyber Innovation Centre” will be the focal point of the Cyber Central Garden Community.

AY note: This includes using the surrounding area to provide comprehensive supporting infrastructure for the Innovation Centre, which requires a strong partnership between public and private sectors.

- **B2.** 45Ha of mixed-use employment land, focussed around the Cyber Central hub, will provide flexible business space, hotels, retail and leisure provision and cultural and community uses to serve the local community and wider region.

AY note: The employment space will be highly connected, physically, digitally and socially with a mix of commercial, community, leisure and residential uses, alongside a new primary school.

- **B3.** A sustainable and deliverable range of housing tenures, including affordable housing and self-build, to meet local needs supported by community infrastructure.

AY note: New housing will provide a mixed and balanced community in size, type and tenure to meet both the current and future need of west Cheltenham, utilising other tenure types including co-living, Built to Rent, self-build and live/work space.

- **B4.** Higher densities and a range of dwelling typologies which make the best use of available land.

AY note: Seeking a higher-density approach to house building to foster a sense of community alongside delivery of the Garden Community Objectives.

7.43 Objective C – Working with the natural landscape and its features

- **C1.** Development must positively integrate existing landscape assets and features and use these features to inform the development of a green infrastructure network for the site.

AY note: This should deliver biodiversity net gains and should form the backbone of the landscape strategy, defining the development parcels.

- **C2.** Proposals should respond to the views into and out of the site and react to the existing topography and strategic landscape character.

AY note: This includes connections to the local landscape and long views to the Cotswolds AONB and Hayden Hill, while the topography will inform the location of routes.

- **C3.** Proposals shall include a network of public spaces to meet local open space requirements.

AY note: Development should include a range of formal and informal open space, integrated with the green infrastructure.

- **C4.** A high quality new public space will be provided at the gateway of Cyber Central which will be designed to provide flexible spaces for events and activity.

AY note: This will be flexible space for events and spill-out from the local bars, etc.

- **C5.** New development should take a creative approach to sustainable drainage to reduce the long-term risk of flooding.

AY note: This approach should be site-wide with amenity, ecological and educational value, utilising the Sponge City principles.

- **C6.** Development should promote a strategy for new tree planting and retention of existing species.

AY note: A tree planting strategy will help with water management, ecology, etc with an aspiration for a Community Woodland over the whole of the site to help drive this ambition.

- **C7.** The boundaries with existing communities, the wider countryside, the sewage works, and between phases of development shall be carefully planned and designed to maximise opportunities for physical and visual integration.

AY note: This emphasises the links with the existing settlement, identifying the importance of shared facilities while high quality architecture at the gateway entrance at Telstar Way will help with the integration of the new settlement.

- **C8.** The development must promote a positive approach to local food growing through the adequate provision of allotments as part of a wider strategy to meet existing and future need.

AY note: The location of the proposed allotments should be selected to promote a sense of community while aspiring to integrate into other community projects, while gardens and balconies should be of sufficient size to accommodate growing space.

- **C9.** Proposals should be devised with partners to develop and deliver an innovative public art programme.

AY note: The art should help to celebrate the natural setting and be useful in wayfinding, while integration into informal play spaces is encouraged.

- **C10.** A management strategy shall be developed across the site to inform the design process and with consideration to longer term sustainability.

AY note: the landscape should be designed to be low maintenance while being integrated with highway and drainage design.

7.44 Objective D – An integrated and connected extension of West Cheltenham

- **D1.** The design and delivery of new development will prioritise and support active and sustainable travel patterns and behaviour – public transport

AY note: This includes diverted bus services through the site as well as wider investment in the Cheltenham – Gloucester route along the A40 spine.

- **D2.** Deliver new direct pedestrian and cycle connections to existing communities and facilities.

AY note: This covers the lines through the site with the existing community and use segregated cycle lanes.

- **D3.** Creation of an open network of streets and routes which can be managed to meet local needs.

AY note: Development should be connected and accessible both internally and with the existing community of West Cheltenham, while the condition of existing roads will be a key consideration.

- **D4.** Delivery of a new “main street” between Telstar Way and Old Gloucester Road, designed as a street for people, not a road for vehicles.

AY note: The road will connect Telstar Way and link to the proposed upgraded junction 10 of the M5 and will need to be designed to slow vehicle speeds through the mixed-use area.

- **D5.** Principal junctions should be designed to minimise land take and create safe and direct crossing points for pedestrians and cycles.

AY note: Priority at major junctions will be given to pedestrian and cycles and will be designed in.

- **D6.** Provision of safe routes to schools, which will be provided within or beyond the West Cheltenham site.

AY note: This will be delivered through a network of cycle and pedestrian routes that are safe and direct between the school and both new and existing houses.

- **D7.** A flexible and creative approach to the application of parking standards and emerging and new vehicle technologies and initiatives.

AY note: Reacting to the changing modal shift in car ownership, the site should provide for car clubs and encouraging sustainable transport solutions to reduce the reliance on the private car. The site also provides for a new multi-storey car park and controlled parking zones may need to be used to enforce parking in surrounding roads.

Objective E – Promoting the highest standards of design quality

- **E1.** New development will deliver a range of housing densities and typologies to ensure effective use of land is made.

AY note: Delivering a range of higher density dwellings will provide a variety of options to cater towards local housing demand.

- **E2.** New development will look to local precedent in Cheltenham to help deliver locally distinctive forms of development.

AY note: Drawing on the high density development of historic Cheltenham can be used to inform modern designs for living.

- **E3.** New development will contribute to the distinct character of its neighbourhood whilst delivering the overall vision for Cyber Central Garden Community.

AY note: Identifying the main Character areas to draw distinctions and connections between them:

- o Cyber Central cluster – commercial-led development with retail, hotel, multi-storey parking and high density residential with landscaping and public realm to support events. This will cater to the tallest buildings on the site to create a sense of place and gateway to the wider scheme. This will be connected by tree-lined streets and be easily navigable by pedestrians and cyclists.
- o Old Gloucester Road residential neighbourhood – The lowest density area with a network of inter-connected streets and dominant pedestrian/cycle routes. Some employment uses to be included with public realm and open space.
- o Main Street neighbourhood – Medium density area of the scheme and residential-led. Again, high quality public realm, landscaping, open space and pedestrian connections with some mixed-use along the main road.
- o Longer-term phases – Hayden Works site – the SPD generally advocates continuation of the policies through the safeguarded land, with the exception of the Cyber Central Cluster, to continue the density, accessibility and flexibility that it applies to the wider site, under the headings of Sustainability, Landscape, Movement and Land uses.

Housing – Affordable Housing and design standards

Affordable Housing

- 7.45 The SPD majors on a variety and diversity of unit types and tenures across the site. The JCS sets the Affordable Housing policy at 35% for this site, through policy SD12; lower than the 40% for non-strategic sites in Cheltenham to account for the higher level of infrastructure required.
- 7.46 Point D1 of the SPD encourages a range of tenures including market rent, key worker housing, Co-Living, Live/Work units and Affordable Housing alongside traditional market sale.

Sustainability/Housing Standards

- 7.47 Point A1 of the SPD pushes the sustainable credentials of the site, to create “an exemplar in water and energy conservation, and waste management”. This includes design at a site-wide level but also discusses an on-site smart grid, the use of renewable energy sources, energy storage and smart metering. This point highlights the opportunity for low or zero-carbon technologies and the use of decentralised Central Heat and Power (CHP) in the detailed development of the site.
- 7.48 Given the early nature of the SPD there is little in the way of unit-specific methods, however from a site-wide perspective, it promotes the delivery of sustainable drainage technology to reduce the consumption of energy and water, roads and pavements to encourage sustainable transport choices, local schooling and employment options .

7.49 The aspiration for exemplar development here is key, however we note the viability balance of delivering what is still expensive equipment. The SPD does not go as far to specify the use of Passivhaus/Building for Life, etc, however we think that would be too early at this stage to designate this.

Conclusion

7.50 The Supplementary Planning Document public consultation closed on the 17th February 2020. It advocates a mixed-use and high density approach to development in line with the Council's aspirations, with mixed-use elements spanning almost the full length of the main spine road. The SPD seeks to embrace the highest standards of environmental sustainability while working with the natural landscape while looking to integrate the existing community of West Cheltenham. The document also discusses a number of constraints that the design will have to overcome including topography, ecology and utilities that will be key to scheme delivery, in addition and in the short term, the odour zone mitigation is paramount to the scheme coming forward.

Appendix II

Technical Due Diligence Summary

8. Technical Due Diligence

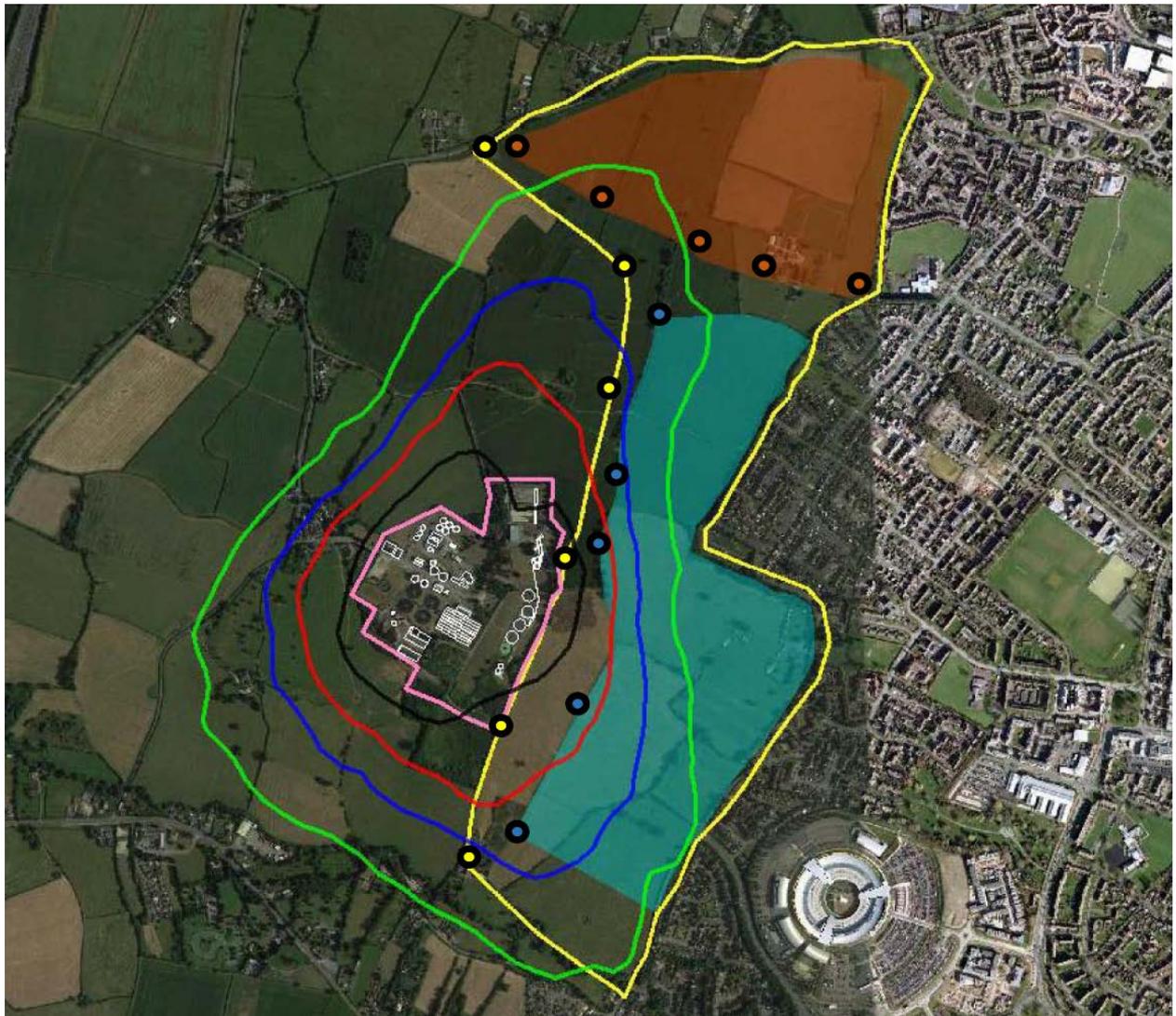
8.1 We have been provided with a suite of technical due diligence information produced by the former promoter to accompany its promotion of the land recently acquired by CBC. Much of this forms 'work in progress' connected with the production of the Environmental Statement (draft dated April 2018). In order that as much technical and due diligence information as possible can be presented to the market we suggest that the contents of the draft Environmental Statement are reviewed and where individual components are deemed out of date or insufficiently developed, it is updated and/or completed.

8.2 Initial review highlights the following areas:

Odour Mitigation

8.3 Severn Trent Water (STWL) is seeking to reduce the extent of the cordon sanitaire in place at Hayden Sewage Treatment Works (STW) in order to facilitate the development of land in the vicinity of the works, and has engaged MWH/Stantec to produce an odour impact assessment.

8.4 Following a detailed assessment by MWH/Stantec in March 2015, an additional odour impact assessment was carried out in June 2016 to evaluate additional odour mitigation measures based upon the findings of the March 2015 modelling exercise. This was updated in March 2018. The image below is the Scenario 8 situation which we understand to be the preferred solution.



KEY

- | | |
|--|---|
| — 1.5 ou _E /m ³ (98%ile 1hr Ave) | — Future Development Area (Other Use) |
| — 3.0 ou _E /m ³ (98%ile 1hr Ave) | — Residential/Mixed Use Area |
| — 5.0 ou _E /m ³ (98%ile 1hr Ave) | — Commercial/Employment Area |
| — 10.0 ou _E /m ³ (98%ile 1hr Ave) | — Site Boundary |

8.5 The objective of these assessments was to determine the off-site odour impact of the sewage works based upon current operational practice, and to determine what odour reduction would be required from the works to enable development to be implemented without users/residents of the developed land being subject to odour impact likely to give risk to complaints.

8.6 This study highlights that all residential properties are at <3 ouE/m³ which is the assessment benchmark value and thus would suggest the odour impact of [the preferred scenario] is deemed to be classified as moderate and this is supported by recent planning applications which have allowed future development at <3 ouE/m³. The area within 3 to 5 ouE/m³ has been allocated for other uses like proposed planting and attenuation, etc. A recent planning appeal for Gillingham Dorset WwTW was dismissed by the planning

inspectorate because the odour impact from the treatment works was ≥ 3 ouE/m³, based on this the model has demonstrated that complaints are unlikely to occur and exposure below this level is unlikely to constitute significant pollution or significant detriment to the residential properties to the north of the site.

- 8.7 The model would also suggest the odour impact is deemed to be classified as moderate to the majority of the employment/commercial properties to the east and south-east of the site. The Institute of Air Quality Management classify employment/commercial activities as medium sensitivity receptors and it suggests an odour impact of 3 - 10 ouE/m³ would be classified as moderate and 1.5 - 3 ouE/m³ as slight. However, not all commercial activities should necessarily be treated the same with regards to odour exposure. Thus, for conservatism at or around 5 ouE/m³ could be considered the upper limit. The area within odour concentration of 5 to 10 ouE/m³ has been designated for other use like car parks, proposed planting and attenuation, etc.
- 8.8 In summary therefore; at average emissions with proposed odour control improvements, based on the latest planning drawings, the land use of the proposed development is acceptable based on this report's criteria assessment.
- 8.9 We recommend that the recommendations made in the assessment referenced above are confirmed.

Drainage

- 8.10 The former promoter and Northern Trust commissioned a Water Framework Directive (WFD) Scoping Report by BWB in April 2018 in respect of a proposed outline planning application for a mixed used development at a site at West Cheltenham, Gloucestershire.
- 8.11 The site considered is located across three designated surface water bodies according to the Catchment Explorer Data website, the Hatherley Brook (source to confluence River Severn), River Chelt (source to M5) and River Chelt (M5 to confluence River Severn). The development proposals were not deemed to threaten these water bodies' objectives to reach their respective overall water body statuses.
- 8.12 Additionally, the site is located within a ground water body, the Severn Vale - Secondary Combined Groundwater Management Catchment. Likewise, the proposals are not likely to result in the deterioration of this water body.
- 8.13 Consequently, a Water Framework Directive Compliance Assessment (WFDCA) is not considered to be a requirement at this location.
- 8.14 The Environment Agency reviewed (August 2018) the above Water Framework Directive (WFD) Scoping Report (2018) and the requirement for a Water Framework Directive Compliance Assessment (WFDCA) to be undertaken as part of a planning application for a mixed use development west of Cheltenham.
- 8.15 The Environment Agency concluded that the groundwater situation pertaining to this site does not raise any issues that would require further investigation with regards to the proposed development. The proposed mixed use development, dependant on design, has the potential to not impact negatively on the objectives

and aims of the Severn River Basin Management Plan and could achieve betterment for the watercourses through the sections over which it has direct influence. The Environment Agency does not consider that a WFDCA should be required for this development proposal.

Foul Water & Utilities

- 8.16 A Foul Water & Utilities Assessment was prepared by BWB Consulting Limited (BWB) in August 2017 on behalf of the former owners of the site. It describes the locations of existing utilities apparatus in the vicinity of the site, and provides an account of the viability of servicing the proposed development with suitable mains services infrastructure. The assessment also considers whether any services diversions are likely to be required as a consequence of the development proposals.
- 8.17 BWB carried out a comprehensive services search to establish the approximate location of existing recorded services. The site and its surrounds are well served by high and low voltage electricity, gas, water, foul sewers and telecoms. The main conclusions and recommendations that can be drawn from this foul water and utilities investigation are as follows;
- 8.18 Having made initial enquiries with the relevant statutory undertakers, it appears as though reinforcement works to the local electricity, clean water and foul sewer networks will be required, in order to accommodate the proposed development.
- 8.19 Severn Trent Water has confirmed that further network modelling is required, in order to establish a suitable strategy to discharge foul drainage for the site.
- 8.20 Following a review of the existing services electricity, clean water, foul sewer and telecommunication record plans, it is confirmed that significant diversionary works will be required across the site to accommodate the proposed development.
- 8.21 Wales & West Utilities (WWU) propose installing an on-site gas governor in order to distribute low pressure gas supplies throughout the site.
- 8.22 Western Power Distribution (WPD) envisage utilising the existing infrastructure present within the site, in addition to conducting off-site reinforcement works, in order to substantiate supplies to a portion of the overall development.
- 8.23 A fixed masterplan, with a clear phasing plan will be required in order to establish accurate supply costs for the provision of electricity, gas and clean water to the site.
- 8.24 It is recommended that further consultation with the relevant companies is undertaken nearer to construction and once the development proposals are reasonably fixed, in order to confirm the availability of suitable residual capacity within the relevant utility networks.
- 8.25 It is recommended that further consultation is undertaken with the relevant statutory authorities, in order to formalise a suitable strategy for the proposed diversion of existing on-site infrastructure.

- 8.26 Where possible, it is recommended that the existing 132kV overhead electricity lines, 1500 mm dia and 1050 mm dia public combined/foul sewers are accommodated within the proposed site masterplan, including their respective easement and building proximity distances.
- 8.27 It is recommended that further consultation with the relevant companies is undertaken closer to the time of development, in order to ascertain whether diversionary works will be required at the proposed site entrance.
- 8.28 It is recommended that a below ground survey of the site is undertaken prior to commencement of site works in order to determine whether there are any unknown apparatus present within the confines of the site boundary.

Access/Highways

- 8.29 Numerous development scenarios have been modelled by Transport Planning Associates (TPA) and these are provided in its SATURN Modelling update (July 2019). In brief this shows a northern secondary access off the Old Gloucester Road (B4634), and two primary access points: a southern roundabout access where Telstar Way on the western perimeter of GCHQ leads from the A40 to Fiddler's Green Way on the site's south eastern boundary, and a northern roundabout access on the site's northern boundary on the Old Gloucester Road (B4634). The two latter, primary access points are proposed to be linked by a primary 'spine' road running north-south across the site linking the Cyber Park in the south to the residential land in the north.
- 8.30 Furthermore, Telstar Way and its junction with the A40 to the south of the site's southern boundary is proposed for improvements to improve capacity, and roundabout improvements are envisaged for the Arle Court roundabout on A40.

Site Investigation

- 8.31 The draft Environmental Statement contains a chapter on Ground Conditions. This concludes as follows:
- 8.32 'Based upon the information available at this stage, there are no potential issues or concerns at the site that cannot be successfully managed or mitigated that would preclude the proposal.
- 8.33 A ground conditions assessment constituting a Tier 1 Contaminated Land Risk Assessment has been [undertaken] in relation to potential impacts on human health from soil contamination, risks from ground gas, and potential effects on controlled waters. This includes the determination of a CSM and a risk assessment based on the sensitivity of receptors and the potential magnitude of effects.
- 8.34 There is a low risk that significant contamination sources exist at the site. This cannot be discounted without intrusive investigation and, as such, a precautionary approach has been adopted. Potential effects have been assigned significance criteria based on the risk assessment. The likely significant effects that have been identified, mitigation measure requirements and residual impacts are summarised.

- 8.35 The residual effects assessed will be reviewed to inform the intrusive site investigation that will form part of the standard engineering design process. If the results of the investigation indicate the absence of significant contamination sources, the mitigation measures can be reduced or removed, accordingly. If any significant contamination sources are identified, specific remediation measures will be identified as part of the investigation and they will be remediated to reduce potential impacts to negligible.'
- 8.36 A GeoEnvironmental Desk Study (produced by Wardell Armstrong) was commissioned by the former promoter in 2015 to support the promotion of its land interest (subsequently acquired by CBC).
- 8.37 Given its desk-based nature, and the time elapsed since its production, and the fact that the relevant chapter in the draft Environmental Statement is incomplete, we recommend that an appropriately designed and detailed geotechnical site investigation is conducted.

Constraints

- 8.38 The most obvious key constraint is the Severn Trent Water (STW), 700mm diameter, and 1050 mm diameter public foul/combined sewer pass through the northern extents of the site, with a 15m easement width (i.e. 7.5 m either side of the centre of the pipe).
- 8.39 STW has confirmed that the southern extents of the proposed development site contains a 600 mm diameter and a 1050 mm diameter public foul /combined sewer that are impacted by development proposals. STW has confirmed that their sewer assets contain the following protection zones:
- 8.40 600 mm and 700 mm diameter sewers require a 10 m protection zone (5 m either side of the centreline of the pipe)
- 8.41 1050 mm and 1500 mm diameter sewers require a 15 m protection zone (7.5 m either side of the centreline of the pipe).
- 8.42 STW has confirmed the presence of a number of sewage pumping stations, which serve the existing residential dwellings located to the north and south of the proposed development site. STW have confirmed that each pumping station requires a 15 m stand-off area from any new buildings.

Heritage

- 8.43 In November 2015 Cotswold Archaeology was commissioned by Tetlow King Planning to carry out a historic environment desk based assessment of land at Hayden, Cheltenham, Gloucestershire. This assessment was produced to accompany the evidence base for a strategic land allocation for Phase 1 of a commercial-led, mixed use development.

Archaeological potential and recommendations

- 8.44 There are no designated heritage assets within the Site, nor is there any evidence to indicate that any currently unrecorded buried archaeological remains within the Site of a level of significance which would affect design plans or preclude development will be present within the Site. There is however some potential

for hitherto unidentified buried non-designated archaeological remains being present within the Site, principally of late prehistoric to medieval date and if present possibly concentrated overlooking the valley of the Hatherley Brook in the Fiddlers Green area or within the northern section of the Site in proximity to the Old Gloucester Road.

- 8.45 The hedgerows following boundaries within and on the edges of the Site all pre-date 1845 and can be considered 'important' under archaeological and historical criteria of the Hedgerow Regulations 1997. These hedgerows have evidential and historical qualities as components within the local historic landscape character, but are not designated heritage assets with regard to Paragraph 128 of the Framework. Opportunities will be explored to retain these hedgerows within the scheme.
- 8.46 For the purposes of a strategic land allocation for development this report is sufficient to inform the process in line with point 5 of Sustainable Development Policy within the developing Gloucester, Cheltenham and Tewkesbury Joint Core Strategy. For a planning application it is recommended here that an appropriate programme of archaeological reconnaissance is developed and agreed with the County Archaeological Service in order to fully assess the buried archaeological potential of the Site and to inform any developing masterplan and associated mitigation strategy in line with Paragraph 128 of the Framework and inform decisions under policies BE20 and BE21 of the Cheltenham Borough Local Plan (2nd Review) and policies HEN21 – HEN23 of the Tewkesbury Local Plan to 2011.

The setting and significance of designated heritage assets

- 8.47 There will be no physical harm to any of the designated assets identified in proximity to the site nor will there be any changes to the settings of any designated assets which would affect their significance.
- 8.48 The development proposals are therefore in accordance with the objectives of the Framework regarding heritage, including Paragraph 126 which requires that LPAs should 'recognise that heritage assets are an irreplaceable resource and conserve them in a manner appropriate to their significance'. No 'substantial harm' would be occasioned to the designated heritage assets in the environs of the site; indeed the proposals would lead to no harm.
- 8.49 The development proposals are consistent with the objectives and requirements of the 1990 Act and the Framework as no harm will be occasioned to the significance of any designated heritage assets, either physically or through change to their setting.
- 8.50 Section 66 (1) of the Planning (Listed Buildings and Conservation Areas) Act 1990 states that 'special regard' should be given by the decision maker on the desirability of preserving a Listed building or its setting. The High Courts have clarified (Mr Justice Lindblom [in Forest of Dean District Council v SSCLG, [2013] EWHC 4052 (Admin)]) that, taken as a whole, the duty under s66 is consistent with the Framework; having regard in particular to paragraphs 131 and 132 which advises that 'great weight' should be given to the conservation of a designated heritage asset. In this regard, it has also been established in the High Courts (Mr Justice Lindblom Forge Field Society [2014]EWHC 1895) that in the context of the Planning Act 1990 'preserve' means 'no harm'; and not 'no change'.

- 8.51 The fact that no harm will be occasioned to the significance of any designated heritage assets due to changes within their settings also aligns any potential residential development of the Site with Sustainable Development Policy (SD9) of the Gloucester, Cheltenham and Tewkesbury Joint Core Strategy, Policy BE19 of the Cheltenham Borough Local Plan 2nd Review and Policy HEN13 of the Tewkesbury Local Plan to 2011. There are no saved policies within the Cheltenham Borough Local Plan 2nd Review with regard to the setting of Listed buildings.
- 8.52 The chapter in the draft Environmental Statement (April 2018) provided by the former promoter contains the following summary:
- 8.53 'A scheme of works has been conducted to ascertain the nature and extent of any heritage assets that may be affected by the development. These works have comprised desk-based assessment, geophysical survey and consideration of the setting of heritage assets within the surrounding study area. The effects have been assessed using established criteria for environmental assessment.
- 8.54 Designated heritage assets within the vicinity of the site have been considered, and it is considered that there is no significant effect on their setting. An archaeological resource is present within the site, including the remains of ridge and furrow cultivation, and significant later prehistoric/Roman settlement and field system remains. Following a mitigation programme of archaeological recording and dissemination of the results, there will be no significant environmental impact. '

Ecology

- 8.55 Ecology Solutions was commissioned in April 2016 by Tetlow King Planning to undertake an Ecological Assessment of the site at Fiddlers Green, Hayden, Cheltenham, Gloucestershire.
- 8.56 The former promoter has also provided an earlier Baseline Ecological Report prepared by the Environmental Dimension Partnership Ltd. (EDP) in January 2016. and Northern Trust in respect of proposed development of land at Hayden. The EDP report concluded that, subject to consultation, assessment and further ecological survey, there are no 'in principal' (significant) ecological constraints that would preclude development at this location outright, and which cannot be sympathetically addressed/accommodated by good site design and masterplanning and a forward thinking Green Infrastructure strategy. The suite of Phase 2 ecology surveys that are likely to be required to inform any planning application are typical for a site of this size, and does not imply that there are any significant limitations to the quantum or layout of a future development.
- 8.57 The Ecology section of the draft Environmental Statement is incomplete, with no draft text addressing Noise, Odour, Topographic or Trees. Given the lack of a section on Ecology, and the now reasonably historic conclusions from the Report by EDP, it may be prudent to bring this information up to date to inform a future marketing process.

Conclusion

- 8.58 Much of the above forms 'work in progress' connected with the production of the Environmental Statement (draft dated April 2018). In order that as much technical and due diligence information as possible can be

presented to the market we suggest that the contents of the draft Environmental Statement are reviewed and where individual components are deemed out of date or insufficiently developed, it is updated and/or completed.

8.59 Further, we recommend that a comprehensive audit of the available technical information is undertaken prior to the start of a procurement process. This will be important to identify where updates to existing studies, or wholly new information is required. This process will ensure that comprehensive information can be provided to interested parties to enable them to formulate deliverable, realistic proposals.

8.60 We suggest that, where possible, all land ownerships within the wider allocation are encouraged to participate in the production of the technical reports/surveys that will assist in the delivery of the allocation.

Appendix III

Market Commentary

9. Market Commentary

Residential Sales Market

- 9.1 The residential market in Cheltenham's has been strong in recent years with Halifax suggesting that the town experienced the highest growth in the UK during 2017 at 13%, although in line with much of the UK, this rate of growth has fallen since.
- 9.2 Nationally, the political landscape remains uncertain with a new Prime Minister, a General Election announced for early December and Brexit still looming in January 2020. Housebuilders are beginning to admit to a slowdown in sales rates, however demand from developers and house builders for new sites remains strong.
- 9.3 Cheltenham currently has five residential development sites with available units, although we note the Furlong Rise scheme is currently marketing the last of their units. These scheme are:
- 9.4 Bovis Homes/Bloor Homes – Furlong Rise, New Barn Lane, Prestbury, GL52 3LQ – A 300 unit scheme in the north eastern of the town with an additional 50-bed Care Home that was approved (10/01243/OUT) in January 2015. Bovis are at the end of their scheme and appear to have a single five bedroom house available, while Bloor has already sold out.
- 9.5 Persimmon Homes – Oakley Grange, Symonds Way, GL52 5GP – Persimmon are in the final phases of their 311-unit site that was originally approved at planning pre-2001 on the former GCHQ site to the east of Cheltenham. The final units include a range of two bedroom flats and three, four and five bedroom houses.
- 9.6 Cala Homes – 59 Lansdown, Lansdown Road, GL52 6QT – A 67-unit scheme on the former Central Cheltenham Police Station that was permitted (17/00337/FUL) in October 2017. The scheme contains one and two bedroom flats fronting Lansdown Road, and five bedroom houses to the rear of the site.
- 9.7 Redrow Homes – Brizen View Phase 1, Leckhampton Lane, Shurdington, GL53 0QH – part of Redrow's 377-unit site west of Farm Lane at Shurdington, to the south of the town that was granted full planning permission (14/00838/FUL) in April 2016. This parcel contains 34 four and five bedroom houses.
- 9.8 Redrow – Brizen Park Phase 1, Farm Lane, Shurdington, GL53 0AF – A further part of Redrow's west of Farm Lane scheme at Shurdington, under the same full planning permission. This parcel includes 145 units including three and four bedroom houses, discounted open market and Affordable Housing in the form of apartments and coach houses.
- 9.9 The table below demonstrates the number of units, average size and £ per sq ft across the history of the schemes:

	Bovis	Bloor	Persimmon	Redrow	Cala
	Furlong Rise	Prestbury Chase	Oakley Grange	Brizen Park/View	59 Lansdown

2016	Units sold	4	5	41	N/A	N/A
	Av size	1,889	760	1,237		
	Av £ sq ft	£305	£351	£263		
2017	Units sold	26	51	66	N/A	N/A
	Av size	1,673	1,060	1,304		
	Av £ sq ft	£299	£319	£274		
2018	Units sold	37	42	51	39	N/A
	Av size	1,207	1,057	1,021	1,455	
	Av £ sq ft	£276	£341	£277	£361	
2019	Units sold	15	4	26	28	4
	Av size	1,091	1,655	1,093	1,038	1,981
	Av £ sq ft	£327	£289	£260	£367	£499
Av rate of sales per mth		2.6	3.8	4.8	3.9	1.0

9.10 The data demonstrates a wide variety of unit types and achieved values across the schemes, however the sales rates average almost 4 units a month (excluding Cala as they are in the very early stages of their sales).

Residential – Private Rented Sector (PRS)/Build to Rent (BtR)

9.11 In addition to the residential sales market, we consider the Private Rented Sector which, although limited in Cheltenham to date, could be grown upon with the Cyber Central scheme. When referring to the PRS, we mean the large-scale ownership of residential investment property. Traditionally this has been buy-to-let landlords however the last five years has seen the emergence of investment funds buying and developing large, generally city/town-centre apartment blocks.

9.12 One of the more prevalent examples of buy to let landlords identified in Cheltenham is House Share Cheltenham, with 16x house share assets in the town. To our knowledge, there are no large-scale, co-located residential investment ownerships in Cheltenham.

9.13 Census data from 2011 that is now out of date suggested that more of Cheltenham's residents lived in private rented accommodation (22%) when compared to Gloucestershire (15%), the south west (17%) and England (17%). We anticipate that the strong growth experienced in sales values as detailed above will have driven more people to renting for affordability reasons, however conversely, previous experience dictates that the relationship between sales values and capitalised rental values for residential property is wide, suggesting that rental investment property is less worthwhile.

9.14 There are a number of opportunities to include PRS property in the Cyber Central scheme including either seeking an external investor or the Council committing to fund and/or commit to purchase a high-density block or group of units which could be managed by CBH.

9.15 The commitment to purchase units or fund development has a number of pros and cons, discussed in the table below:

Pros	Cons
Early commitment to sell a number of units reduces sales risk on completion – with reduced risk comes a reduced margin to cover the risk resulting in a better residual land value.	Commitment to sell units at a price before commencement of development can mean that the developer can miss out on a rising sales market.
The commitment to sell multiple units to an investor can often catalyse a start on site.	In a strong market, the development will not need a catalyst therefore selling at a lower value in order to catalyse the scheme is not required.
The pre-sale of units helps cashflow either through funding for the build or payment on completion of development.	Rented units are usually valued on a capitalised net investment value basis, which usually results in a lower value compared to the sale value, referred to as the “discount”. Selling to an investor means the developer is selling the units at below their maximum value
The investment from either an external source or the Council will quickly establish the location in placemaking terms as they have a desire to market the property to the best of it’s ability.	It is hoped that wider placemaking for the whole scheme will become a feature of the whole site, meaning that accelerated placemaking is not required.

9.16 The trade-off between selling to an investor and selling units into the market can be summarised by the balance between the certainty of sale at a lower value versus the potential of selling units individually at a potentially higher value, i.e. a potential lower reward for lower risk versus a potential higher reward for higher risk.

9.17 PRS remains an emerging market but international investors seek exposure to this asset class, compressing yields in order to be competitive.

9.18 Setting the potential risk profile balance to one side, it may be that the Council has a strategy to own a diverse, mixed-use property profile at Cyber Central as part of a long-term strategic investment plan.

Employment

9.19 As well as summaries of the key commercial markets in Cheltenham, we have also used Costar Analytics to compare statistics between Cheltenham, Birmingham, Bristol and Herefordshire & Worcestershire, being the closest regional hubs for the offices, industrial and retail markets. Graphs showing the trends and comparison are available on request.

Offices

9.20 The low delivery of new office stock to the market after several years of positive net absorption have brought down vacancy rates across the town and contributed to growing average rental values of almost £14 sq ft. While useful for tone, we note these average figures cover the full spectrum of the market in terms of location and quality. Permitted development and redevelopment of existing offices has removed the amount of office space in the town, with Rivershill House (Telereal Trillium – conversion to 63 apartments),

John Dower House (Pegasus Life – conversion and newbuild to 80 retirement units) and Pate Court (Churchill Retirement – 65 newbuild retirement units) being three of the larger examples.

- 9.21 Honeybourne Place is the only newbuild office to the town providing 63,000 sq ft across five floors that has recently reached completion. The marketing agent suggests that 100% of the floor space is under offer or let at rates close to quoting values of £30/32/35 sq ft depending on storey height; the highest headline rental figures in Cheltenham.
- 9.22 The Quadrangle is currently undergoing a significant £9m refurbishment to re-provide 71,000 sq ft of office space as well as ground floor and rooftop restaurants. The building is due to be completed in Q4 2020 with no space contracted yet but they are in talks with a number of parties; both office and restaurant. Savills Estate Agents are also likely to remain somewhere within the building. Quoting rents are currently £27 - £30 per sq ft for office space and £30 - £32 for restaurants, possibly down to £25 per sq ft for the more secluded spots. A single offer for the whole office building has now fallen away.
- 9.23 The Cheltenham market contains the lowest office availability of the Bristol/Birmingham/Herefordshire & Worcestershire areas at 2.4%, although in context, due to the size of settlement this is not too significant as a single 10,000 sq ft letting has more of an impact here than in Birmingham, for example. Despite this, the low availability demonstrates the demand for space in the town.
- 9.24 Q3 2019 office rents average at just over £14 per sq ft, comparing unfavourably to Birmingham at over £20 per sq ft, but with Bristol at just over £16 per sq ft, this suggests a strong market given the relative sizes.
- 9.25 Birmingham has consistently lead the way in the development of office floor space during the past 5 years, with just under 600,000 sq ft currently under construction. With the recent completion at Honeybourne Place, Cheltenham currently has no office space currently under construction, despite the consented developments available.
- 9.26 Birmingham and Bristol clearly have a strongest absorption rates, although, perhaps surprising, Cheltenham has seen an average of c.100,000 sq ft of absorption over the past five years.
- 9.27 Bristol has consistently had the lowest average investment yield over the past five years but Cheltenham overtook Birmingham in early 2016 and has seen stronger yields ever since, currently at 7% versus Birmingham at 7.6%, with Bristol at 6.5%. Given the low number of transactions in the town, the demand from investors suggests that the compressed market and strong demand from occupiers provides sufficient comfort to pay strong values for investments in Cheltenham.
- 9.28 In addition to standard rentals, we have made a brief assessment of co-working and serviced office values. There are a number of serviced offices located throughout Cheltenham with a range of quality, sizes and services. Values are typically between £200 - £300pcm per person.
- 9.29 Hub8 is the new Co-working hub in central Cheltenham, designed to cater towards the Cyber-tech community. Hotdesks are available from £25pcm + £40 per day, or £120 per week, or £250 (all + VAT) per month, with a corporate membership also available for £250 pcm but transferrable between up to 4 staff

members. Dedicated desks with lockable drawers are available from £350pcm. Offices for 6+ people are also available to let on undisclosed terms. All contracts include 1GB dedicated broadband, access to in house events, use of meeting pods and tea/coffee.

9.30 We have attempted to ascertain the difference between traditional serviced offices/co-working and an innovation centre using Bristol as an example. The table below shows the price differences between three locations:

- Spaces – Castle Park – located in central Bristol, the former Pithay Building provides co-working space managed by Spaces. The bright interior contains a mix of large tables, personal pods, relaxing space and meeting rooms.
- VWorks @ Village Hotel, Filton – contained within the Village Hotel in Filton, 5.5 miles to the north of Bristol city centre, this co-working space again contains a mix of hot desking and personal pods alongside meeting rooms. Being located in a hotel, they can also provide catering, rooms, access to the swimming pool, etc.
- Bristol and Bath Science Park (B&BSP) is located in Emersons Green, 6.0 miles to the east of the city centre and contains an Innovation Centre with Grow-on space.

	Spaces City Centre	VWorks @ Village Hotel North Fringe	Bristol & Bath Science Park East Fringe
Hot desk	From £223pcm	From £55pcm	From £85pcm + VAT
Dedicated desk	From £216pcm	N/A	N/A
Serviced office	From £243pcm	N/A	From £325pcm + VAT

9.31 Our research shows that the Innovation Centre has the potential to create premium office values depending on the quality of the offer.

9.32 It is our view that the specificity that the Council are aspiring to at Cyber Central will mean that rental values will be favourable when compared to town centre co-working locations, although considering the Innovation Centre, the scope for a social value angle has not been discussed and is for the Council to consider at a later date.

Industrial

9.33 Cheltenham currently has the lowest availability of industrial space of the four areas at just 2.4% of stock, with the graph suggesting that the last two years have seen significant demand for space, with peak availability at almost 6.5% of stock in early 2016.

9.34 Overall average rental values have grown in line with the other four areas and are broadly consistent with values in Hereford & Worcestershire at around £5.75 per sq ft, both ahead of Birmingham at c.£5.40 per sq ft but significantly behind Bristol at over £7 per sq ft.

- 9.35 For context, newbuild units at Chancerygate's Furlong Business Park are quoting rents of £7.50 sq ft, while second hand units tend to quote between £5 - £7 sq ft.
- 9.36 Despite Bristol generally delivering the most space since the middle of 2016, Cheltenham currently has the same amount of space under construction as Bristol in excess of 500,000 sq ft. Birmingham is ahead at 680,000 but all of these numbers are down on the peak of almost 3,000,000 sq ft under construction in Bristol in late 2017.
- 9.37 12 month absorption in Cheltenham is just ahead of 310,000 in Q4 2019, lower than Birmingham at almost 800,000 sq ft and far behind Bristol at 1.5m sq ft. Given the relative sizes, this is a strong performance from Cheltenham.
- 9.38 Again, Bristol yields are the lowest of the four at 6.5%, with Cheltenham at 6.9% and Birmingham at 7.8%. This again suggests that the perceived risk is low in Cheltenham, presumably because of the demand to be in the town and the lack of space available in the market.

Retail

- 9.39 The national context of the retail market is one of uncertainty and change with a number of high-profile occupiers undergoing Company Voluntary Arrangements (CVAs) or going into administration. The retail purchasing market continues to undergo a modal shift, with the increase in online sales and home delivery putting further pressure on high streets and shopping centres.
- 9.40 Cheltenham has historically been a strong retail destination with a reputation for high end retailers, helping average rental values of £21 per sq ft are to be just behind Birmingham at £22 per sq ft while still a way from Bristol at £26 per sq ft.
- 9.41 Cheltenham had twice the absorption of space as Birmingham in the 12 months to Q4 2019, but just in excess of half that of Bristol.
- 9.42 Despite this, Cheltenham has had the highest retail availability of the four areas since the end of 2017 at 2.8% of stock.
- 9.43 Investment yields are the tightest in this sector with all four areas between 6.2% and 6.8%, with Cheltenham and Bristol competing for the lowest yields in the last five years.

Forthcoming schemes

- 9.44 We have undertaken an analysis of the Cheltenham planning system; the table below shows the number of residential and commercial schemes that have been through the planning portal since the start of 2018. We note this may include more historic outline applications that have seen Reserved Matters application during this timescale, making them relevant:

Planning ref	Status	Applicant	Proposals	Location
--------------	--------	-----------	-----------	----------

18/02171/OUT	Appeal dismissed	William Morrison (Cheltenham) Limited and The Trustees of the Carmelite Charitable Trust	69 dwellings. Refused mainly due to heritage impact	Land adjacent to Oakhurst Rise
10/01243/OUT	Granted Jan 15 Now complete	Bloor Homes and Bovis Homes	300 dwellings and 50 bed care home	Starvehall Farm
15/00786/FUL	Granted Aug 15 Now complete	Pegasus Life	50 Care flats	One Bayshill Road
17/01311/FUL	Granted May 18	Telereal Trillium & Freemantle Developments	63 dwellings	Rivershill House, St George's Road
15/01163/OUT 19/00053/REM	Granted Apr 16 RM Pending	Pitville School RM by Lioncourt Homes	58 dwellings	Pitville School, Albert Road
16/01499/FUL	Granted Dec 16 Now complete	Pegasus Life	80 unit retirement scheme	John Dower House, 24 Crescent Place
17/01266/FUL	Granted Sep 18 Currently on site	Newland Homes	Demolition of commercial buildings and erection of 30 dwellings	102 Prestbury Road
18/01527/REM	Granted Apr 19 Currently on site	Bromford Homes	54 dwellings	Premier Products, Bouncers Lane
17/02411/FUL	Granted Aug 18	Mark Casey Ltd	40 flats and 3 commercial units	379-391 High Street
18/01180/FUL	Granted Oct 18	Grovefield Car Parking Ltd	40,000 sq ft office	Hatherley Lane
18/02581/FUL	Granted Mar 19	Private applicant	Demolition of a dwelling and 8 self and custom build units	Cromwell Court, Greenway Lane
18/01004/FUL	Appeal Granted Feb 19	Hinton Properties (Grovefield Way) Ltd	64,000 sq ft offices, 5,400 sq ft nursery & 19,000 sq ft Aldi, outline planning for 86,000 sq ft offices	Land at Grovefield Way
19/00526/SCREEN	Issued	Robert Hitchins Ltd	250 dwellings	Oakley Farm, Priors Road
19/00916/SCOPE	Issued	Robert Hitchins Ltd	250 dwellings	Oakley Farm, Priors

				Road
19/00334/OUT	Pending	Robert Hitchins Ltd	250 dwellings	Land off Kidnappers Lane
18/01190/OUT	Pending	Gloucestershire County Council	60 dwellings	Former Monkscroft Primary School, Shelley Road

9.45 The table suggests that there are a number of stalled sites waiting for pre-lets, for example, while there is clearly a demand for homes in the town given the number of applications submitted. The general sub-100 unit applications appears to be derived from the high-density nature of historic development meaning that available land is generally smaller in size.

Land availability/competing sites in Cheltenham

9.46 Land availability is generally low in the town, however there are a number of schemes which may compete with the delivery of space at Cyber Central.

Corinthian Park

9.47 Corinthian Park is providing 149,000 sq ft of office space alongside a nursery and coffee shop less than 1 mile to the south west of Cyber Central. The developer, Hinton Group, is currently marketing 64,000 sq ft in three office buildings with detailed planning consent and will commence development once they are pre-let. They are also offering design and build packages for the second phase of development which has outline planning for a further 86,000 sq ft of space.

9.48 This is the closest, larger-scale development to Cyber Central, although in terms of competition may be fully let by the time Cyber Central comes to fruition.

Workshop Cheltenham

9.49 Workshop Cheltenham is being developed by the same team behind Hub 8. The 20,000 sq ft shipping container scheme will house flexible space for SME and start-up companies. The scheme has been brought forward with collaboration between multiple groups including a land swap between Gloucestershire County Council and Cheltenham Borough Council, and £500,000 funding from the LEP. The scheme is hoped to provide space for 300 people alongside a 300-seat arts venue with shops and an art gallery.

North Place/Portland Street Car Parks

9.50 The North Place and Portland Street Car parks are located to the north of the A4019 St Margaret’s Road. 2.33 acres of the North Place car park is in the ownership of North Place Properties Ltd, which appears to have links to the previous Augur Buchler owners, while 0.69 acres in the middle is owned by Cheltenham Borough Council. 0.4 acres is owned by North Place Developments Ltd, an MF Freeman company, who are also the owners of the adjacent 1.8 acre Portland Street car park. A planning application was approved in

August 2013 across the two sites for the development of a supermarket, related retail, a multi-storey car park, 143 residential units and a new bus node across the two car parks.

- 9.51 The scheme was never built, partly through Skanska pulling out of the UK residential market and partly through the supermarket pulling out of the deal as well. The MF Freeman website suggests that the planning permission is still live and they are working to deliver a residential scheme on the Portland Street Car Park site, however this has not been forthcoming to date. Cheltenham Borough Council will have a better understanding of the plans for the North Place car park being one of the land owners, however to date there is no new planning permission available.
- 9.52 Despite this, with limited information available, the combined 5 acre site could deliver a competing scheme, with the market for new large-format supermarkets now very reduced, therefore suggesting that an alternative scheme could come forward on the site.

Elms Park

- 9.53 Elms Park is the name of the cross-border strategic residential development falling on both sides of the Cheltenham Borough Council and Tewkesbury Borough Council boundary to the north west of Cheltenham. An Outline planning application has been submitted by Persimmon and Bloor for a scheme to contain up to 4,115 dwellings, a 25 acre business park and school, alongside a local centre and healthcare facilities.
- 9.54 Alongside Cyber Central, this is a substantial delivery of both commercial space and residential units to the local market, and may dilute interest in the Cyber Central site. From a strategic perspective, prior to any announcement of the Housing Infrastructure Funding (HIF) awards (Gloucestershire bid for HIF money to create/upgrade Junction 10 of the M5 and create a link Road to Cheltenham), there remains a limited amount of capacity in the existing road network i.e. this may prevent development of more than c.1,000 dwellings if the HIF funding is not realised.

Benchmarking other projects of note

Birmingham Life Sciences Park

- 9.55 The Birmingham Life Sciences Park is due to open in 2022 and will build on the "integrated clinical-academic" vision to "be a pioneering and globally significant location that brings together outstanding researchers, clinicians, policy makers and industry to rapidly translate scientific and clinical insights into patient benefit and economic growth". This is to build on the existing co-location of the University of Birmingham, University Hospitals Birmingham NHS Foundation Trust, and Birmingham Women's and Children's NHS Foundation Trust, the Institute of Translational Medicine (ITM) and the BioHub Birmingham, among others.
- 9.56 The park is intending to attract the establishment of new SMEs and investment from large pharmaceutical/biotechnology firms. The scheme is on a 9.9ac site in Selly Oak with planning permission for 580,000 sq ft of offices, R&D space, laboratories and co-creation/co-development spaces.

- 9.57 Following remediation work undertaken by Birmingham City Council, supported by funding from the Local Growth Fund, the site was purchased by the University of Birmingham. Working in partnership with Birmingham City Council, Greater Birmingham & Solihull Local Enterprise Partnership, and the West Midlands Combined Authority, a strategy was formed and Avison Young (then GVA) was appointed to procure a development and funding partner.

Bright Building, Manchester Science Park

- 9.58 The Bright Building is Manchester Science Park's newest building for tech and innovation, providing space for large corporates to work and collaborate with start-ups. The 70,000 sq ft building is situated in the Innovation District, close to two Universities and five Hospitals, and houses collaboration space, a café, gym and 24 hour security for flexible working.
- 9.59 The building was part-funded by the North West Evergreen Fund (backed by the European Regional Development Fund) and the Greater Manchester Combined Authority, and is located within the Corridor Manchester Enterprise Zone, allowing businesses moving here Business Rates Relief for up to 5 years. The property itself contains a large communal workspace on the ground floor with bookable event space for up to 200 people. Friska operate a café in the building while there is a studio gym, showers, lockers, a drying room and an outdoor workspace.
- 9.60 The Bright Building is home to the Mi-IDEA Innovation Centre, a Joint Venture between Cisco and Manchester Science Park designed to house post-accelerator companies (described as neither an accelerator nor co-working), providing mentorship and collaboration in the digital innovation sector.

Gloucester CIC

- 9.61 American company Raytheon opened a new £3m cyber-crime fighting centre at Barnwood Business Park in Gloucester in 2015, with space for 100 people working on big data, analytics and network defence. The intention of the facility was to bring together industry, customers, partners and academia together to solve some of the most complex cyber issues. The lease of the building is held by the Secretary of State for Communities and Local Government.

London CIC

- 9.62 Plexal is the former home of the London 2012 Olympic Press Centre and is located at Here East in Stratford, east London. The 68,000 sq ft Innovation Centre was developed by technology consultancy firm Entiq and Delancey, which purchased the Olympic Park in 2011. The Plexal website claims that it is the "UK's dedicated space for industry-led cybersecurity innovation" and is home to the London Office for Rapid Cyber Security Advancement (LORCA); a Government-backed cyber security programme that is being delivered alongside Deloitte. The building offers co-working space and small office hire, aimed at tech start-ups as well as larger businesses, while providing for events and mentor support to smaller businesses.

CyberSpark Israel

- 9.63 Cyberspark is the Israeli Cyber Innovation Centre, located in Beer-Sheva. The CIC is a joint venture between the Prime Minister's office, Beer Sheva Municipality, Ben Gurion University of the Negev and leading companies in the cybersecurity industry. Alongside an innovation hub, CyberSpark also contains a research centre, R&D hub, training centre, incubator and intelligence centre.
- 9.64 Cyberspark contains a mix of small, medium and multi-national companies with joint facilities, open discussion and a co-opetition model.

Macro economics

Economic Trends

- 9.65 UK GDP contracted by 0.2% in Q2, the worst performance in six years and significantly down from the 0.5% expansion in Q1. Encouragingly, monthly GDP for July increased above expectations at 0.3%, bringing the rolling three-month growth rate to nil. Growth in the service sector remained positive, albeit subdued and longer-term weakening is evident.
- 9.66 The Markit / CIPS Purchasing Managers Indices average across the services, manufacturing and construction sectors slid just below the crucial 50 no-change value in August at 49.9. Activity in construction and manufacturing sector contracted with Brexit-related uncertainty and tighter budget setting among businesses cited as the most common reason. Activity in the service sector also fell but remained just above the 50 no-change level.
- 9.67 The UK labour market remains buoyant with unemployment at 3.8%, the lowest since December 1974. At the same time, real earnings increased by 2.1% including bonuses and 1.9% excluding bonuses compared with a year earlier. CPI inflation fell to 1.7% in August 2019, falling below the Bank of England's target of 2% and considerably lower than 2.1% in July 2019. However, rising real wages and low productivity growth will ensure pressure on prices remains. We anticipate the Bank of England will keep the 'Bank Rate' on hold in the near term amid Brexit and political uncertainty and heightened concerns about a global slowdown.
- 9.68 Outlook – The outlook for UK economic growth continues to be dominated by political and Brexit-related matters. Whilst both the EU's and the UK government's aim is to get a Brexit deal, in the short-term this is having a knock-on effect on the economy as business confidence takes a hit and uncertainty remains. This comes at a time where global factors are less favourable, with escalating global trade tensions and slowdown in global economic potentially adding further stress to the UK economy.
- 9.69 We expect GDP growth to remain weak in 2019 as business activity and investment remains subdued. However, the slowdown in economic growth is not unique to the UK, suggesting there are other global factors at play too which have been a drag globally. In September, the Treasury further downgraded its economic growth consensus forecasts to 1.2% and 1% for 2019 and 2020 respectively. Only three months ago forecasts for the economy were 1.4% for both 2019 and 2020.

Occupier

- 9.70 Central London offices saw strong leasing activity in Q2 2019, well above the long term average with take-up reaching 3.0 million sq ft, with strong performance across all London markets. Take-up continued to be strongest for prime office supply with pre-lets accounting for 30% of all take-up for the quarter and new existing stock accounting for a further 34%. Tenant demand was dominated by Financial Services, making up 30% of take-up for the quarter. Serviced office take-up accounted for 15% of take-up for the quarter whilst the TMT & Creative sector also took a backseat accounting for just 7% of take-up, down from 15% in Q1 2019 and 22% in Q4 2018.
- 9.71 Take up in the 'Big Nine' regional office markets totalled 2.34 million sq ft in Q2 2019, 10% up on the ten year quarterly average. Strong activity across the Big Nine regional office markets during Q2, with activity heavily skewed towards larger deals, city centre markets and the 'modern' sectors of flexible workspace and TMT. Conversely smaller deals, the out-of-town markets and traditional sectors such as financial, professional and business services have underperformed.
- 9.72 The stress in the retail sector continues with the UK's British Retail Consortium reporting total sales remained flat in August when compared to year prior. The combination of rising import costs, higher business rates and the changing nature of shopping patterns to online has resulted in subdued performance in the retail property sector. Average rental growth fell further negative to -4.5% in the 12 months to August (MSCI Monthly Index). According to RICS, availability has increased to the highest level since Q2 2009 whilst landlords continue to increase the value of incentive packages to retail tenants.
- 9.73 Demand for modern industrial space is highly driven by e-commerce, manufacturing and logistics companies. The e-commerce sector was by far the most acquisitive during the first half of the year, accounting for almost 50% of take-up of the big-shed market. Overall, the market remains resilient with average industrial rental values increasing by 3.5% in the 12 months to August, well above the office and retail sector although growth has slowed over the last year (MSCI Monthly Index).

Outlook

- 9.74 The annual rate of growth for all-property declined to just below zero in the 12 months to June, largely due to the drag from the retail sector (MSCI Monthly Index). We expect all-property rental growth to remain largely flat for the remainder of this year. In the industrial sector, rental growth will remain robust and above inflation, albeit slower than the previous two years at just below 3%. We expect rental growth for prime stock in the office sector to remain resilient whilst secondary stock is likely to see flat to negative growth.

Investment market

- 9.75 Annual transactions value dropped to circa £53 billion, the weakest in two years. The gloomy sentiment towards the retail investment market has deepened with the annual transactions down circa 50% on the five year average. Total overseas investment value has now levelled off following the post-referendum surge, however it remains a significant proportion of activity, accounting for 46% of all transactions.

- 9.76 All-property equivalent yields have edged up slightly to 5.9% amid weak economic outlook and stress in the retail property sector. Consequently, all-property average capital value growth turned negative to -1.8% in the year to August (MSCI monthly index), down from 4.9% a year earlier.
- 9.77 Outlook – Brexit will continue to play a pivotal role in investment decisions during the second half of the year and with the possibility of no-deal rising we do not expect activity to recover in Q3. Despite this, there remains a large weight of global money ready to invest, particularly for best assets with long dated income and secure covenants.

Conclusion

- 9.78 The residential sales market has been strong in the town in recent years, and there are a number of new homes sites coming through the planning system. Newbuild values of up to £499 per sq ft have been recorded in the town, with average sales rates of 4 units a month across current housing schemes in the town. The Private Rented Sector is generally limited to multi-asset portfolios of AST-rented and house share units.
- 9.79 The provision of new office space to the town has been limited, but the recently-completed Honeybourne Place has reportedly achieved £35 per sq ft in parts, a new record for Cheltenham, with the building 100% under offer shortly after completion, demonstrating the demand for quality office space in the town. Delivery of industrial space is good and strong rental values suggest strong demand. The retail market is mixed, but with the unsettled national context of this sector this is not surprising. The most relevant commercial scheme to come forward is Corinthian Park given the proximity to the site, with planning for almost 150,000 sq ft of office space alongside a supermarket and nursery. Availability of development land is limited with development typically slow to come forward. The Birmingham Life Sciences and Bright Building at Manchester Science Park are good examples of Innovation Centre development, with the Gloucester Raytheon Cyber Innovation Centre, London Plexal Cyber Innovation Centre and CyberSpark Israel all good examples that Cyber Central can draw from.
- 9.80 The macroeconomic situation remains uncertain, with GDP, the Consumer Prices Index (CPI), construction and manufacturing all contracting, likely due to Brexit-related uncertainty, although unemployment remains buoyant and real earnings have increased. The outlook for the UK remains dominated by political and Brexit-related matters, however short-term this is affecting sentiment and decision making as the uncertainty continues.

Appendix IV

Example of Delivery Options Evaluation against Objectives

DRAFT

Summary of Delivery Options an

Delivery Option	Enables influence over delivery?	Facilitates different sources of funding?	Enables risk mitigation by public sector?	State aid and best consideration	Enables direct delivery	££ Return and financial impact	Procurement Route *	Potential to deliver the Council's Objectives & Aspirations
Land disposal phases (Option 1)	No - limited sanction for changing scheme	Some sources may be less open as land sold and no public interest	Council could undertake limited risk mitigation before disposal	No issues as clean market disposal	No	£ capital receipt Limited chance to share in value uplift No on-going financial impact	Probably Restricted Procedure or accessing say the Homes England Development Partner Panel (DPP)	No - but could form part of a delivery strategy
Land disposal whole (Option 2)	No - limited sanction for changing scheme	Some sources may be less open as land sold and no public interest	Council could undertake limited risk mitigation before disposal	No issues as clean market disposal	No	£ capital receipt A basic form of coverage could be possible No on-going financial impact	Probably Restricted Procedure or accessing say the Homes England Development Partner Panel (DPP)	No
Development agreement phase / phase (Option 3)	Some, but mainly with 'negative' control	Yes - but scheme wide opportunities less likely to be secured	Council can agree risk mitigation as pre-condition per phase	Tested as part of procurement	Yes - could be incorporated	££ capital receipt plus overage - after developer priority profit - more usual with DA. Limited on-going resource cost	Possibly use of Homes England DPP or possibly Restricted Procedure, if straight forward.	Possibly - but infrastructure funding and delivery solution may be an issue (subject to further modelling)
Development agreement - overarching DA for whole scheme with phase drawdown (Option 4)	Some, but mainly with 'negative' control. Probably stronger than phase/phase DA	Yes	Council can agree risk mitigation where relevant across the scheme as pre-condition to draw down of a phase.	Tested as part of procurement; care needed where land return can be varied for later phases	Yes - could be incorporated	££ capital receipt plus overage - after developer priority profit - across whole expected (planning & revenue) Limited on-going resource cost	Possibly use of Homes England DPP, or if complex Competitive Dialogue (CD) or Competitive Procedure with Negotiation (CPN)	Yes if structured as close as possible to the corporate structure including business plans, key decision making etc.
Partnership delivery structure (corporate) (Option 5)	Yes - Council sits on the Board	Yes	This structure shares risk with private sector partner	Tested as part of procurement; care needed on land value contribution value at time of transfer to JV	Yes - could be incorporated	£££ potentially greater BUT also exposure to downside risk as this is a risk sharing structure. Full participation through share of surplus with no priority pay-away. There are greatest resource costs.	Due to relative complexity, likely to be CD or CPN.	Yes - but resourcing and funding impacts of this option are a negative
Council direct delivery of part (Option 6)	Yes - complete control	Yes	All risk sits with the Council	Should not be relevant. Construction contract needs to be procured though.	Yes	££££ BUT also full exposure to the downside risks; no sharing of risk. Surplus not shared, 100% retained by the Council. Additional resource costs to build a team or procure services	Council would let its construction contracts probably using Restricted Procedure	Only in relation to specific development plots as no aspiration for significant direct delivery

* Subject to CBC lawyer's review and advice

Contact Details

Enquiries

James Craven MRICS
0117 988 5314
James.craven@avisonyoung.com

Daniel Rich MRICS
0117 988 5332
Daniel.rich@avisonyoung.com

Visit us online

avisonyoung.co.uk

Avison Young

St Catherine's Court, Berkeley Place, Bristol BS8 1BQ
Avison Young is the trading name of GVA Grimley Limited
© 2019 GVA Grimley Limited