

Information/Discussion Paper

Overview and Scrutiny – 27 July 2020

Golden Valley, West Cheltenham

Consider impact of COVID on the project and how this is being mitigated

This note contains the information to keep Members informed of matters relating to the work of the Committee, but where no decisions from Members are needed

1. Why has this come to scrutiny?

- 1.1 At Cabinet on 3 March 2020, the Golden Valley “procurement, route to market” was approved. This permitted the Council to seek a delivery partner for all of the Council’s land; the structure of the agreement is likely to be a Development Agreement or a Joint Venture.
- 1.2 Since the Cabinet meeting, Covid-19 has spread rapidly across the UK resulting in changing working and economic conditions. This report reviews the impact of Covid-19 on the procurement process, the decision to continue with the procurement, the programme and the critical assessments that have informed these processes.

2. Summary of the Issue

- 2.1 The impact of Covid-19 has regularly been considered by the Council’s property advisors, Avison Young and officers since its emergence in the UK in March 2020. It is recognised that the resulting economic and market conditions are unheralded and the full impact on the development and investment market is yet to be determined, although it is recognised that some sectors of the property market have already been severely impacted, particularly retail and leisure.
- 2.2 The Council are seeking a Partner to deliver the development of the 45 ha (112 acres) of land acquired in August 2019. This will primarily comprise the delivery of the commercial, cyber lead employment land with some mixed use residential accommodation. Prior to the Covid-19 pandemic, the Cyber industry was worth £8.3bn annually to the UK economy; although Covid-19 will see an immediate impact on demand, it is anticipated that this sector will continue to grow (and its importance potentially strengthen) and therefore be considered as a target for future investment. The biggest threat to Cyber demand at the West Cheltenham site will be a potential glut in available office space across the town and wider region, which may have a direct impact on rents, values and the availability of competing cyber accommodation. Also, with the significant impact the Golden Valley Development (home of Cyber Central UK) is having, developers, landlords and investors will be looking to take advantage of growing the local eco-system in a reaction to the current challenging commercial conditions.
- 2.3 There has however been a more immediate impact on other sectors such as retail and leisure with major stores and restaurants all struggling with rent payments due to

the closure of premises resulting in businesses closing. The transactional markets, both residential and commercial, have stalled with the closure of premises and movement restrictions, although these are seeing a gentle recovery since lockdown eased. The impact of developer's acquiring residential land is yet to be quantified; however, as observed in the last financial crisis, an increased number of sites were delivered as affordable with the benefit of grant funding.

- 2.4** The changing market and economic conditions over the past six months place greater risk on the Council's objective of procuring a development partner to deliver the ambitious regenerative plans for West Cheltenham. The decisions impacted by Covid-19 over the last six months are therefore reviewed in this report and subject to scrutiny.
- 2.5** There is a strong case for the council to continue promoting Golden Valley as a prestigious and high value national recovery flagship project. However, this needs to be balanced against the severe financial pressures the council now finds itself in as a result of the loss and future uncertainty of key income streams. The risk remains that the scheme will not result in the long term financial uplift envisaged as part of the business case.
- 2.6** The response from both the development market and cyber / innovation sector has been very promising to date. As the progression of the 'Ready21' start up Minster Project promoting the delivery of cyber & cultural innovation as a stepping stone to Cyber Central in 2023/2024. The Cyber security sector *doubled* in value last year and now is worth £8.3bn. Covid-19 has clearly strengthened that demand and high levels of growth are expected. The Golden Valley site is ideally suited to facilitate this growth and lead the UK's mission to be a global cyber leader.

3. Summary of evidence/information

- 3.1** Having regard to the changing economic conditions and the earlier decision of Cabinet to proceed to market, Council officers and senior members reviewed its process plan in relation to the procurement of a development partner. In April 2020, it was considered there were a number of options available to the Council in relation of the procurement of a future development/investment partner;
- Option 1 – Continue procurement as proposed in original timetable
 - Option 2 – Continue procurement allowing for new timetable
 - Option 3 – Defer procurement
 - Option 4 – Alternative procurement structure
- 3.2** Each of these options was considered in turn with merits and dis-benefits of each option considered including an assessment of financial impact, programme impact and reputational risk. A subsequent report was presented to ELT and the lead Member summarising each option; it recommended that the authority should continue with the competitive dialogue approach approved by Cabinet in March 2020, build on the momentum and excitement already generated in the wider development/investment market through a series of events and meetings held by officers, however should allow for a new timetable to be considered taking account of potential delays from Covid-19.
- 3.3** The market response from pre and post Covid meetings/calls was positive in that the Council are continuing with their programme to procure a development partner. It

was highlighted that this demonstrates the confidence the Council have in achieving their vision and delivering their objectives of enhancing Cheltenham as the UK's capital of Cyber.

This timetable is set out below:

Key Stage	Indicative timeline
Invitation to Submit Outline Solutions (ISOS) (max 6 parties)	24 th July 2020
Deadline for clarification questions (ISOS)	<u>25th September 2020</u>
ISOS Bidder meeting– Introduction of ISOS, Vision, Design & Planning + Project Delivery, including Cluster 1	<u>Wk commencing 7th September 2020</u>
Deadline to submit ISOS	<u>Mid October 2020</u>
Evaluation of ISOS	Mid October – early November 2020
Invitation to Submit Detailed Tenders (ISDT) (3 parties)	Early November 2020
Bidder Meeting/Presentation 1 – Vision, Design, Planning, Project Delivery	<u>TBC – Dec 2020</u>
Bidder Meeting 2/Presentation – Financial and Legal	<u>TBC – Dec 2020</u>
Negotiation of Detailed Tenders	November & December 2020
Deadline to submit Final Detailed Tenders	January 2021
Identification of preferred tenderer	March / April 2021 (CBC cabinet meeting)
Mandatory Standstill period	10 calendar days (ends on a working day)
Finalisation of Contract with preferred tenderer	Apr 21
Publication of Contract Award Notice	Within 30 days of award

3.4 The Council formally launched its search for a development partner on 11th May 2020. As Covid resulted in the cancellation of a proposed launch event, increased

attention was focused on launching the development opportunity to the market online. To support this, the Council produced an information memorandum to share with all interested parties (see supporting appendix).

- 3.5 The Council utilised its social media platforms to support the launch resulting in widespread coverage across the social media spectrum, as well as the traditional print adverts placed in trade press etc.
- 3.6 In December 2019, the Department of International Trade (DIT) selected Golden Valley (Cyber Central) as one of their national capital investment projects. To help market the opportunity to international investment platforms, the Council presented to a number of DIT's international colleagues across the global regions.
- 3.7 The market response since the formal launch of the search for a development partner has been positive. That the council are continuing with their programme to procure a development partner at this time demonstrates the confidence the Council have in achieving their vision and delivering their objectives of enhancing Cheltenham as the UK's capital of Cyber. It should be noted that this feedback does not automatically translate to formal submissions.
- 3.8 As part of the Government's New Deal Recovery Plan support is being made particularly into the housing and construction industries. There is also considerable support for and interest in tech and science innovation, promoting the UK as a global force in this sector. This is of considerable interest to the Golden Valley Development as the vision is closely aligned with delivery of many of the outputs, innovation, nurturing and retaining talent, growth in cyber-tech, delivery of high quality houses, green recovery. This project could be promoted as a flagship UK recovery project.
- 3.9 In particular a package of measures to support housing / construction has been announced across England, these include;

- A £12bn affordable homes programme that will support up to 180,000 new affordable homes for ownership and rent over the next 8 years
- Included in the affordable homes programme will be a 1,500 unit pilot of 'First Homes': houses that will be sold to first time buyers at a 30% discount which will remain in perpetuity, keeping them affordable for generations of families to own.
- Funds from the £400m Brownfield Land Fund have today been allocated to the West Midlands, Greater Manchester, West Yorkshire, Liverpool City Region, Sheffield City Region, and North of Tyne and Tees Valley to support around 24,000 homes.
- The Home Building Fund to help smaller developers access finance for new housing developments will receive additional £450m boost. This is expected to support delivery of around 7,200 new homes.

The support from Central Government and desire to speed up housing delivery can only be a positive for the future of the Golden Valley Development and the housing market.

4. Next Steps - possible next steps for the committee to consider e.g. potential witnesses, further report, site visit etc.

- 4.1 Covid-19 is unheralded and presents significant challenges to any property procurement process, alongside substantial risks to the programme. This has been

reflected in changes to the programme and revisions to the marketing strategy in promoting the opportunity.

- 4.2** The search for a development partner started formally on 11th May 2020. Expressions of interest have been invited from interested parties with a closing date of 10th July 2020. At the time of drafting this paper we can confirm 11 submissions have been received and the Council is engaged in reviewing the submissions and propose inviting a maximum of six to submit outline tender solutions starting from 24th July 2020; this process will be subject to an internal gateway review to ensure there is confidence the Council can secure its objectives of procuring a suitable development partner.
- 4.3** Moving forward it is proposed that next stage submissions are invited in early October 2020, when it is proposed that a shortlist of three companies will be invited to continue dialogue. This decision will be the subject of a further internal gateway review.

Background Papers

Information Memorandum, May 2020

Project website – www.goldenvalleyuk.com

Trowers, Covid-19 and Procurement Processes
Article, 30 March 2020

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Accountability

Cabinet Member Development and Safety

Scrutiny Function

Overview and Scrutiny Committee