

Cheltenham Borough Council

Extraordinary Full Council Meeting 28th September 2023

Entering into the Development Finance Agreement

Accountable member:

Cllr Mike Collins, Cabinet Member for Cyber, Regeneration and Commercial Income

Accountable officer:

Paul Jones, Executive Director for Finance, Assets and Regeneration

Ward(s) affected:

All

Key Decision: Yes

Executive summary:

Cheltenham has been home to GCHQ for 70 years. The presence of this national asset and the people employed working in security industries have had a significant role in shaping Cheltenham borough. They have provided opportunity, jobs, driven the economy and supported our communities. Outside of London, Cheltenham has the highest concentration of cyber-related tech businesses in the UK, demonstrating our town's importance in keeping everyone safe. Technology is advancing at an almost incomprehensible speed. This brings both benefits and new and unknown threats. This report and the recommendations within it, aims to position Cheltenham Borough Council as a key enabler for the future development and growth of the communications, defence, national security and cyber-tech sectors, retaining and building Cheltenham's prominence as a global leader in these vital industries.

The National Cyber Innovation Centre will be the beating heart of the Golden Valley Development. The presence of this critical asset will act as a catalyst bringing public sector, academia and companies large and small together in one place. This curated mix of diversity and backgrounds aims to drive an engineered serendipity that will create technological advancements to supercharge growth, opportunity and answer the challenge of the new and undefined threats that we face.

But the benefits of this growth must be extended and harnessed by Cheltenham's communities, particularly those facing the challenges of poverty and the pressures of rising costs. The National Innovation Centre and the wider Golden Valley Development aims to directly address this need; the Innovation Centre will provide a thriving, accessible space for our school children and students to be inspired by the people working in it. And it will allow residents to more readily access or consider a job or

career in these fast-moving sectors. This more open approach aims to drive a greater inclusivity that has the ability to create a step change in the aspiration within the communities surrounding GCHQ and the Golden Valley Development, communities that suffer high deprivation and are most deserving of these opportunities.

The Innovation Centre (IC) represents the first phase of a new vibrant garden community that will bring hundreds of new and affordable homes, retail and a unique culture that will enhance Cheltenham as a place. The Innovation Centre has been designed to meet high sustainable credentials, likewise the neighbouring mobility hub will drive active travel reducing car use as much as possible meeting the Council's commitment to net zero. In totality, the IC and the Golden Valley Development have the potential to have a transformational impact on the Borough and our people.

By directly funding the IC, CBC are able to better control the development, capture the benefits and enable the wider development to be delivered with certainty and at pace.

This paper requests approval to enter into a conditional Development Funding Agreement (DFA) to deliver the Innovation Centre and a Mobility Hub within a funding envelope of up to £95m. Funding a development project of this scale and nature comes with associated risk. As such, the DFA includes a number of protections for the Council through a variety of clauses and Conditions that must collectively be satisfied before any funding is provided. Central to these protections is the provision of a Maximum Commitment that will cap the Council's liability should construction costs increase.

In addition, a number of other conditions will need to be met to release funding. This includes meeting viability requirements, obtaining pre-let agreements and securing Planning Permission. These are described in more detail throughout the report and in the recommendations presented to Council for approval below.

Recommendations: Council is recommended to

- 1. approve entry into the conditional Development Funding Agreement with HBD X Factory with the conditions set out in Appendix ii – Commercial Detail;**
- 2. approve provision of a funding envelope of up to £95m;**
- 3. delegate authority to the Director of Finance, Assets and Regeneration, in consultation with the Cabinet Member for Cyber, Regeneration and Commercial Income and the Cabinet Member for Finance and Assets, to manage the process and ultimate discharge of the funding conditions, referring back to Cabinet or Council for decisions where constitutionally appropriate. These Conditions are:**
 - Meeting the Viability Test**
 - Defining the Maximum Commitment**
 - Agreeing and obtaining acceptable Pre-let Agreements**
 - Agreeing detailed designs for the Innovation Centre and the Mobility Hub**
 - Obtaining an Acceptable Planning permission**
 - Agreeing an acceptable building contract with a construction contractor**
 - Discharging any Third Party Rights on the land**
 - Agreeing plans that define the various Plots for development**
- 4. note the protection that the Council is afforded on construction cost over-runs through the provision of a Maximum Commitment;**

5. **note the investment opportunities outlined in Appendix iii that will provide a better return the Council;**
 6. **delegate authority to the Director of Finance, Assets and Regeneration, in consultation with the Cabinet Member for Cyber, Regeneration and Commercial Income and the Cabinet Member for Finance and Assets, to manage and approve expenditure of the Council Variations Budget;**
 7. **delegate authority to the Director of Finance, Assets and Regeneration, in consultation with the Cabinet Member for Cyber, Regeneration and Commercial Income and the Cabinet Member for Finance and Assets, to negotiate commercial terms on a Management Agreement for the Innovation Centre and, if appropriate, the Mobility Hub. Approval from Full Council will be sought prior to entering into any Management Agreement.**
-

Implications

1.1 Financial, Property and Asset implications

The financial implications of this agreement are outlined in detail in Appendix iii – Financial Analysis

Signed off by: Gemma Bell, Director of Finance and Assets, gemma.bell@cheltenham.gov.uk

1.2 Legal implications

Trowers & Hamblins LLP has been supporting the Council in relation to the negotiation and agreement of the Development Funding Agreement (**DFA**) with HBD x Factory Limited.

A summary of the legal aspects of the development agreement prepared by Trowers & Hamblins LLP is set out in Appendix iv, but to give a very brief overview of the structure:

1. The DFA is a conditional contract, being conditional on various matters including planning permission, viability, the agreement of the Council's maximum commitment, and the agreement of a pre-let agreement with the potential anchor tenant. It contains obligations on the parties to discharge those conditions.
2. Once the conditions are satisfied, it sets out the Developer's obligations to design and deliver the IC Works, and the Council's obligations to fund them.
3. Please see Trowers & Hamblins' separate report on detailed provisions of the DFA.

Section 1 of the Localism Act 2011 provides the Council with the power to do anything an individual may do, subject to a number of limitations. This is referred to as the "general power of competence". A local authority may exercise the general power of competence for its own purpose, for a commercial purpose and/or for the benefit of others. This general power of competence provides sufficient power for the Council to enter into the Development Funding Agreement as envisaged by this report.

The public sector equality duty under Section 149 of the Equality Act 2010 requires the Council to have due regard to; (i) the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010; (ii) the need to advance equality of opportunity between persons who share a protected characteristic and persons who do not share it, and (iii) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

A Community (Equalities) Impact Assessment will be undertaken by the Council in accordance with its duties under the Act.

There are no direct Human Rights Act implications arising from the matters in this report.

Contact officer: RBeiley@towers.com

Signed off by: Rob Beiley, Partner, Trowers & Hamlins LLP (the Council's external legal advisers on the project).

1.3 Environmental and climate change implications

The Innovation Centre and Mobility hub will be key buildings in setting a high environmental standard for the development and furthering the sustainability ambitions for the development, particularly with regard to active travel.

The current proposals go beyond Building regulation requirements for construction and will be net-zero carbon in their operation. Consideration is also being given to the embodied carbon impact these buildings will have and this forms part of the assessment within the BREEAM and NABERS accreditation that will be obtained.

Biodiversity Net Gain targets will be met for this building by utilising existing land on the Golden Valley development. This is part of a broader environmental strategy for the entire development that is still being established.

The Climate Change Assessment Toolkit is included within appendix vi – Climate Change Assessment Tool

Signed off by: Paul Jones, Executive Director of Finance, Assets, and regeneration.
Paul.jones@cheltenham.gov.uk

1.4 Corporate Plan Priorities

This report contributes to the following Corporate Plan Priorities:

- Enhance Cheltenham's reputation as the cyber capital of the UK
- Working with residents, communities and businesses to help make Cheltenham net zero by 2030
- Increasing the number of affordable homes through our £180m housing investment plan
- Ensuring residents, communities and businesses benefit from Cheltenham's future growth and prosperity
- Being a more modern, efficient and financially sustainable council

1.5 Equality, Diversity and Inclusion Implications

An equalities impact assessment is included in Appendix vii

2 Background

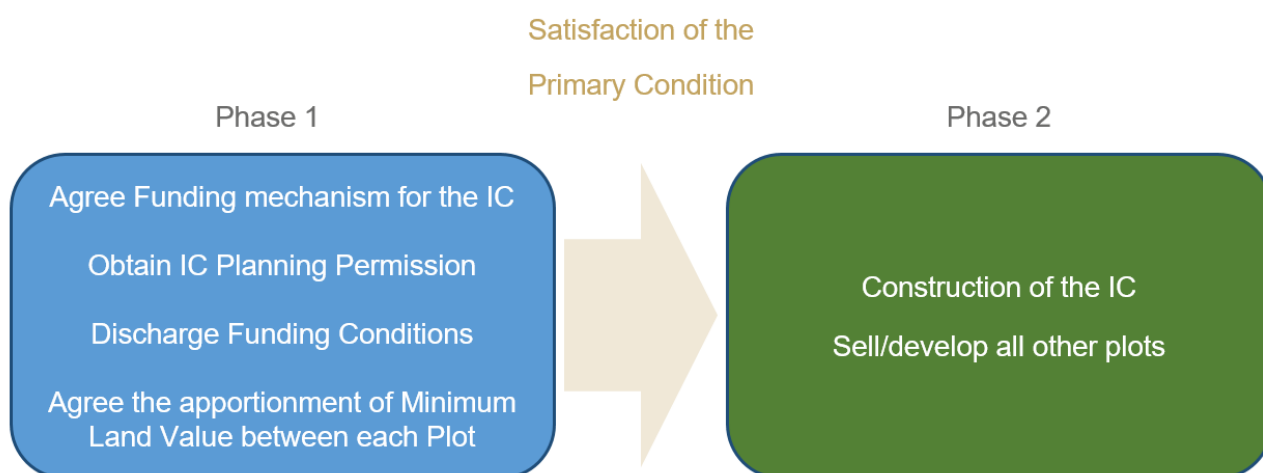
- 2.1 The Golden Valley Development (also known as West Cheltenham) was defined as an important development opportunity for the town through the Joint Core Strategy in 2017 and latterly in the Golden Valley Supplementary Planning Document (July 2020). Critically, Golden Valley is an 'employment led' allocation and as such, it will play a major role in the long-term economic development of the town.
- 2.2 In addition to this local significance, Golden Valley is an opportunity of national importance, most recently recognised for its potential to provide a location for a new National Cyber Innovation Centre, as identified in the National Cyber Strategy (2022).
- 2.3 In 2019 the Council recognised that the enormous potential provided at West Cheltenham would not be fully realised through exclusive reliance on private sector developers. In response, Full Council approved the purchase of 45 hectares of land at Golden Valley and subsequently entered into a Development Agreement (DA) with HBDXF to deliver its vision.
- 2.4 The development of CBC's land interest is important for a number of key reasons:
- 2.4.1 Firstly, it provides a significant financial opportunity to support the Council's finances in the coming years. This can be characterised in a number of ways, including:
- Short-term surplus derived from the development of the land. This can provide a capital injection into the Council's finances over the next 5-10 years as the project evolves.
 - Short-term revenue generation for activities associated with development, such as Planning and Development Management fees. These will help to support the existing services provided by the Council.
 - Long-term investment opportunities, such as the ability to invest in commercial buildings or housing for long-term benefit.
 - Long-term revenue generation through the collection of Business rates and Council tax. These provide the council with its main source of income and are expected to generate in excess of £300m and £80m respectively over the next 40 years.
- 2.4.2 Under the current regime of business rates retention, Councils have much greater incentive to grow businesses in their areas and greater certainty about their future funding - allowing them to plan ahead, manage risk, budget for the long term and plan for worst case scenarios. The current scheme allows growth to be retained over a set 'baseline' target with 40% being retained by CBC and 10% being retained by Gloucestershire County Council (GCC). The remaining 50% is returned to Central Government for redistribution as an element of the local government funding settlement.
- 2.4.3 It is difficult to assess the total value of business rates that will be retained by CBC over the next 40 years with some certainty as the current system is subject to potential baseline resets and a change in how local government is funded. However, based on the existing system, the estimated retention of business rates to CBC over the first 5 years of development is £1.8m, rising to £3.4m per annum by year 10.
- 2.4.4 Similarly with Council Tax revenue. CBC will only retain its proportionate share which currently

equates to 11%, with 74% received by GCC and the remaining 15% to the Gloucestershire Police and Crime Commissioner. It is therefore estimated that CBC will generate council tax as its proportionate share of circa £9m over a 40 year period, which equates to an annual council tax yield of circa £250k per annum on completion of all the residential units.

- 2.4.5 The second key reason that CBC's land is important is that the principle economic activity at Golden Valley will be undertaken on it in the form of Commercial development for office and retail use. The benefits that can be provided through curating a cyber-tech led innovation cluster will therefore be largely determined by the way CBC develops its land.
 - 2.4.6 Thirdly, as part of an integrated mixed-use Garden Community, the CBC land will provide around 1000 new homes that will contribute to addressing the need for Affordable and high quality housing for local people.
 - 2.4.7 Finally, through development of its land, CBC are able to meet broader Regeneration and Integration ambitions for the surrounding communities and the wider town. This will include meeting Net-zero development ambitions and securing Social Value benefits.
- 2.5 The way in which this vision is delivered is prescribed within the Development Agreement between CBC and HBDXF.

The Development Agreement

- 2.6 The Development Agreement (DA) provides a framework for bringing forward development of the CBC owned land at Golden Valley. This framework effectively splits the development process into two phases that are separated by the Primary Condition. Once all activities in Phase 1 are completed, the Primary Condition is satisfied and Phase 2 work can commence (see diagram below).



- 2.7 It should be noted that during Phase 1, all activities are underwritten by CBC within an £8m budget approved by Full Council in April 2022. This underwrite will not fall away until the Primary Condition is satisfied.
- 2.8 The importance of the IC in this process is clear; without a funding agreement in place (with conditions satisfied) and a Planning Permission for the IC obtained, the wider development does not

proceed.

- 2.9 The Development Agreement was structured in this fashion to ensure that the benefits provided by the IC are secured and delivered early in the project. This includes securing a Primary Tenant for the building and creating an 'innovative core' to the development that will ultimately attract other employers and drive economic growth.
- 2.10 Early delivery of the Innovation Centre also demands that the most difficult (and risky) elements of the development are addressed up-front, whilst CBC still retain the widest number of exit strategy options. This is important from an overall risk management perspective and to ensure the project ultimately delivers on its vision.
- 2.11 Whilst the Development Agreement envisages the requirement for a Development Funding Agreement (DFA) for the IC and stipulates a number of conditions that it must include, it does not dictate all of the terms. As such, HBDXF and CBC officers have been negotiating an appropriate agreement over the last year for presentation to Full Council.

The importance of the Innovation Centre

- 2.12 As stated above, the Innovation Centre will provide a key role in delivering on the vision for the Golden Valley development and this is recognised through its importance in both Planning documents and the Development Agreement. This importance can be characterised in a number of ways:
- 2.12.1 It will provide a new home for the Primary Tenant within Cheltenham. This will enable a critical local employer to more effectively work with their partners and to expand their operation, thus growing the Cheltenham economy.
- 2.12.2 It will provide an innovative core to the development by combining government, industry, academia and social activities into one building. The diversity will be complimented with a mix of large corporate occupiers and areas for start-up's, SME's and co-working space. The range and diversity of activity is designed to spark collaboration and creativity, helping to build the products and companies of tomorrow.
- 2.12.3 The active management and curation of users/occupiers to ensure it retains a dedicate Cyber-tech focus will become an attractor for other similar businesses and enable the establishment of a broader industry cluster at Golden Valley. This will ultimately grow the Cheltenham economy and provide a distinct specialism that will help to attract further investment.
- 2.12.4 The provision of areas within the IC that are targeted at start-up businesses, combined with the overall range and flexibility of lettable space, will provide opportunity for business to establish, grow and thrive within Cheltenham. In conjunction with existing and future facilities in the town centre (including the MX), the IC will be important in enabling local business and local talent to develop here.
- 2.12.5 As the first building to be developed, it will set the standard and become the 'poster child' for the development. To this end, it has an important role in advertising the development and defining what Golden Valley will become. This includes evidencing high environmental sustainability credentials, high quality design and the Garden Community ethos.

The cumulative impact of the above benefits will be to increase interest and desirability in the development. Ultimately, the delivery of these buildings is fundamental to securing occupiers on commercial leases and driving-up the value of CBC's wider land holding.

The importance of the Mobility Hub

2.13 The Mobility Hub is a separate, adjacent building to the IC. It is designed to be a comprehensive and co-ordinated transport node that connects various methods of travel into one place. Facilities that are to be provided will include: car parking (including electric vehicle charging facilities), secure cycle storage, changing rooms, e-scooter spaces, links to bus stops and some commercial (retail) units.

2.14 In addition to this broader purpose, the initial phase of the Mobility Hub is important for providing the requisite parking facilities for the IC. As such, the two buildings are linked from both a Planning and a financial perspective.

2.15 The Mobility Hub will bring three main advantages to the IC and the wider development:

- Firstly, the provision of a comprehensive and integrated transport node will encourage the use of non-car transport to the site and within Golden Valley. This not only meets sustainability aspirations but it also creates a more vibrant (less car-dominated) urban realm and is in line with the Garden Community status of the project.
- Secondly, by providing a dedicated building for car and cycle storage, more efficient designs can be used for the main buildings. To provide a similar level of car parking as under-croft or basement parking within the IC would inevitably drive up cost and reduce the amount of lettable space available.
- Finally, a Mobility Hub provides much better flexibility in responding to transport requirements for the wider development; it can be extended or reduced to meet demand without requiring expensive repurposing of space within each of the buildings. Surplus capacity from one building can be taken up by users from another building in a way that would not be possible with on-plot provision.

2.16 Aside from the direct benefits the Mobility Hub will provide to the development, there will also be knock-on benefits to the surrounding communities. Additional parking within the development should help to ease on-street congestion on Fiddlers Green Lane and an integrated transport hub, with improved bus links, will be available to and benefit local residents.

2.17 The DFA seeks approval for only the first phase of the Mobility Hub (around 250 car parking spaces). It is not deemed necessary or financially viable for the entire number of car parking spaces (up to 500) to be delivered as part of the DFA. A second phase to supply the remaining car parking spaces will be constructed at a later date when plans for other buildings are presented and parking requirements can be re-assessed.

The development proposals and process

2.18 Progression of the designs is usually marked against the Royal Institute of British Architects (RIBA) Plan of Work. These delineations split the development process into 7 separate stages as

identified below:



- 2.19 The Planning approach that HBDXF are progressing for the IC and Mobility Hub involves the submission of an initial Outline Planning application (establishing the broad shape, size and access parameters) followed by a Reserved Matters Planning application (establishing the detail such as materials, landscaping etc).
- 2.20 Spatial Coordination (Stage 3) designs will be completed in the coming weeks, enabling the Outline Planning application to be submitted with the Reserved Matters application to be submitted shortly afterwards.
- 2.21 A pack containing some of the current Stage 3 architectural drawings is included within Appendix V: Design Proposals. It should be noted that these designs remain a work in progress and are likely to change as the project evolves.
- 2.22 A Building Contractor will be procured under a PCSA (Pre Contract Services Agreement) to progress Technical Design (Stage 4) when appropriate. This work will occur ahead of entering into the main construction contract and will be undertaken following submission of the Planning applications.
- 2.23 Following completion of Stage 4 design, a construction contractor will be procured for the main works.

3 Overview of the Development Funding Agreement

Legal structure

- 3.1 The development of the IC and Mobility Hub will be governed by three legal agreements that broadly reflect the development process. The Development Agreement covers 'pre-construction' activities, the DFA principally covers 'construction' activities and the Management Agreement (yet to be agreed) will cover the use of the building.
- 3.2 Notwithstanding the above, there are several clauses within the DA that are relevant throughout the construction period and beyond. Equally, there are several clauses within the DFA that cover pre-construction activities (such as design development and satisfaction of the Conditions).
- 3.3 To ensure that these legal documents complement each other and do not give rise to conflict, both HBDXF and CBC have engaged the same legal advisors for the DFA as were engaged for the DA.
- 3.4 The Management Agreement for the operation of the IC (and potentially the Mobility Hub) will be negotiated following the agreement of the DFA.

Commercial overview

3.5 The DFA will be signed between three parties:

- CBC as the Funder. The principle responsibility CBC have is to provide funding to the Developer.
- HBDXF as the Developer. The Developer's responsibilities include the overall management of the project, procurement and management of the building contractor and obtaining all the necessary consents.
- Henry Boot Developments as the Guarantor. The Guarantor will only be required to act if the Developer fails to meet their responsibilities under the DFA.

3.6 The principle role of the DFA is to enable funding for the construction of the IC and Mobility Hub. Budgets for all pre-construction work (including Planning application costs) are stipulated and governed by the Development Agreement. Funding from the DFA will therefore not be required until construction is ready to start.

3.7 To ensure that these activities are completed to the Council's satisfaction and to ensure that the Council remains content to fund the development, a number of **Conditions** have been included that must be satisfied before CBC are obliged to fund the development. The specific conditions that must be satisfied are described in Appendix ii: Commercial Detail. The final condition to be discharged will be the Viability Test. This will be completed once key costs can be established (including construction costs, professional fees and financing costs) and it must evidence, through the agreed viability model, that the project is still anticipated to meet the Council's financial requirements.

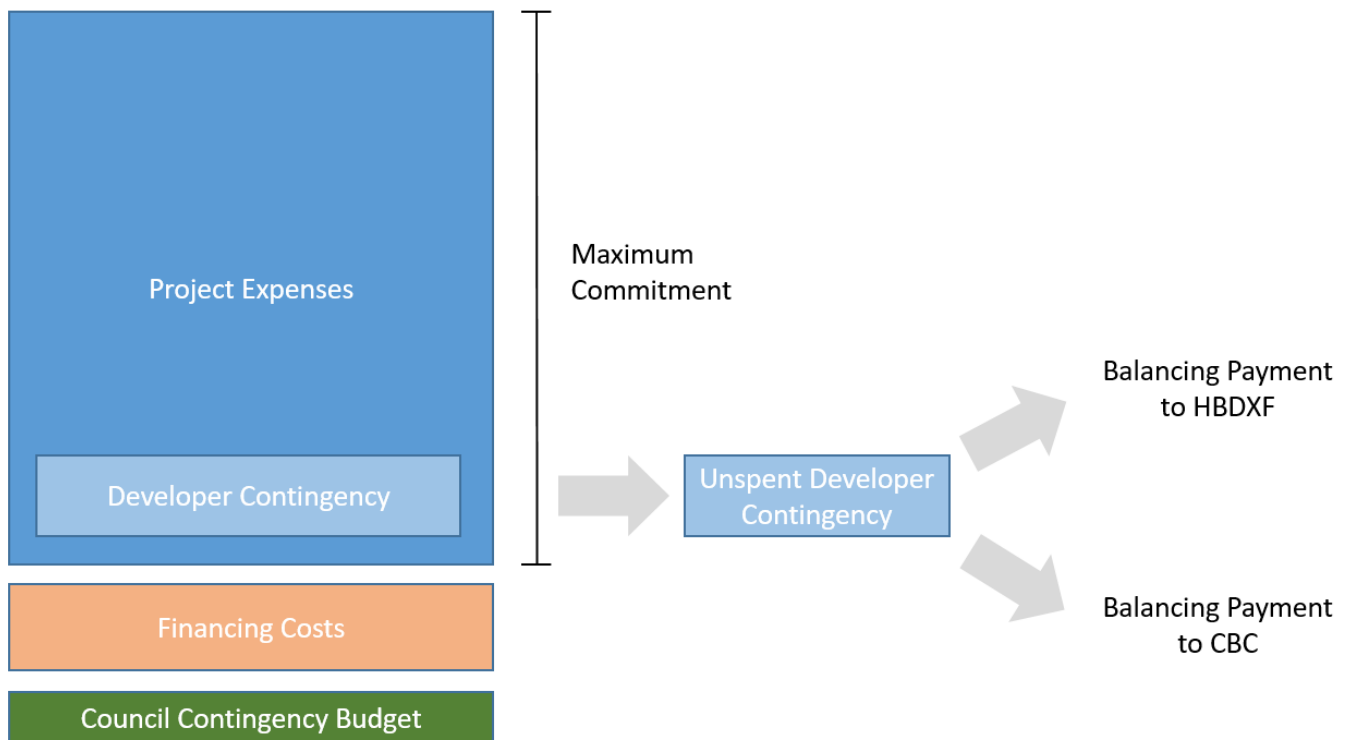
3.8 The DFA also includes the provision of a **Maximum Commitment** to protect the Council in the event that there are cost increases during the construction process. The Maximum Commitment will cover all costs that the Developer is responsible for, including: construction costs, Developer contingency, Developers return and Professional Fees It will not cover Financing Costs which, are the responsibility of the Council. Setting the Maximum Commitment is one of the conditions that must be satisfied before the Council will release any funding. This will be completed as part of the Viability Test.

3.9 To enable HBDXF to effectively manage the contract and give them confidence that they are also not unduly exposed to construction cost increases, a **Developer Contingency** sum will be provided as part of the overall project funding. This sum will be set through the Viability Test and can be drawn upon as required by the Developer during the construction process.

3.10 Upon completion of the development, any unspent Developer Contingency will be split between HBDXF and CBC and paid as a **Balancing Payment**. This structure incentivises the Developer to minimise the use of the Developer Contingency budget and provides a reward for them in taking the financial risk of cost increases above the Maximum Commitment.

3.11 As with the Development Agreement, the Developer (HBDXF) is a Joint Venture Special Purpose Vehicle (SPV) set up specifically for this project. To ensure that CBC can have confidence that the SPV will fulfil its obligations under the DFA, a **Guarantee** (similar to that provided for the Development Agreement) will be provided by the Parent Company, Henry Boot Developments.

3.12 A depiction of the Maximum Commitment and Balancing payments is illustrated in the below diagram:



Financial Overview

- 3.13 A detailed financial analysis is provided in Appendix iii.
- 3.14 The financial performance of the development has been modelled using the Viability Model provided and agreed through the Development Agreement. This has subsequently been updated and the most recent version was provided to the Council in August 2023
- 3.15 The Council (as landowner) will not derive any significant development surplus from the development of these buildings. This is due principally to the high costs attached to their construction and, more recently, the challenge of funding these projects in the current economic climate. However, it has been understood since the inception of the project that no development surplus will be made on these plots and this does not jeopardise the overall development surplus the Council is expecting from the wider Golden Valley project. In addition, safeguards have been put in place to protect the council from making a loss, including the requirement for a Viability Test and a cost cap through the Maximum Commitment (as described above).
- 3.16 The financial benefit to Council for these plots will be in acting as the Funder and the investment return that this permits.
- 3.17 The obligation to fund the development (following satisfaction of the Conditions) represents both risk and opportunity to the Council. A baseline position that enables an investment return to be made is included within the Viability Model. Following satisfaction of the Conditions, sensitivity analysis has been provided in Appendix iii showing the impact of changing key variables (such as borrowing rates and void periods) on the Council's investment return. Overall, it should be noted that due to the stringent requirements contained within the Conditions (including the Viability Test and the Pre-let Condition), the risk of a significantly lower investment return to the Council is limited.

- 3.18 A number of factors have been considered in setting the requested Funding Envelope and it is anticipated that £95m is an appropriate figure.
- 3.19 The ultimate requirement, and the corresponding Maximum Commitment, will be defined as part of the Viability Test but in no circumstances will the project proceed requiring more than this Funding Envelope.

Implementation

- 3.20 Governance structures (internally and for the project team) are well established and defined within the Development Agreement. It is not anticipated that any new or additional governance will be required for the DFA.
- 3.21 Reporting and performance management during the pre-construction phase will be led internally by the Head of Development with support from the wider Developments and Major Projects team.
- 3.22 Following satisfaction of the contractual conditions, the project will be led internally by the Head of Construction with support from the wider Developments and Major Projects team.
- 3.23 Risk management will continue to be updated by the project lead and included in the monthly Programme Board governance reports. The project team currently uses the Clearview system to capture, monitor and respond to risks.
- 3.24 The management of the Client Variations Budget will be strictly through the existing governance arrangements for the project. Any request to spend this money will need to be approved by the Programme Board with accompanying financial analysis provided outlining the impact this will have on the overall DFA viability.

4 Reasons for recommendations

- 4.1 The Development Funding Agreement plays a fundamental role in securing the delivery of two crucial buildings: the Innovation Centre and the Mobility Hub.
- 4.2 As part of the wider vision for Golden Valley, these buildings will:
- 4.2.1 Provide investment returns to the Council, contributing significantly to the Council's long-term financial stability.
- 4.2.2 Enable development that will provide revenue to the Council in the short-term (Planning and Development Management fees) and the long-term (Business Rates).
- 4.2.3 Play a crucial role in building a larger, more diverse and more resilient economy for the town, based on innovation and Cyber-tech.
- 4.2.4 Provide jobs and infrastructure that will support the wider Garden Community.
- 4.2.5 Help with the regeneration and integration of the local area by providing new facilities and adding to the local economy.

4.3 The Council is in a unique position and would bring a number of advantages to the project as the funder, including:

- 4.3.1 Ensuring the vision for Golden Valley can be delivered and is not compromised through over-reliance on the private sector.
- 4.3.2 Access to Public Works Loan Board funding for the project.
- 4.3.3 Utilising existing Council assets to take a targeted investment approach that would ultimately lead to lower financing costs.
- 4.3.4 Providing certainty and expedience of delivery.
- 4.3.5 Utilising its existing connections and role within the town to deliver the project, including with the current cyber eco-system.

5 Alternative options considered

5.1 The Innovation Centre and Mobility Hub are, by their very nature, financially challenging projects to deliver. This can be for a number of reasons, including:

- 5.1.1 The high capital investment costs driven by the size and complexity of the buildings.
- 5.1.2 The high operational costs; they require dedicated management through specialist providers
- 5.1.3 The niche nature of the product

5.2 Notwithstanding this, alternative funding options have been considered for Golden Valley

Private Sector Delivery

5.3 Private sector developers and investors would inevitably require higher investment returns (this is particularly true in the current economic climate with high interest rates) and a significant developer profit. This would likely result in the design and operation of a markedly different building to the one that is proposed here. Fundamentally, there is a high level of risk that the Council would not get the buildings it desires as compromises are made to prioritise short-term financial returns. Given the importance of these buildings in the wider Golden Valley vision, this risk could have significant impact on the overall development

5.4 Aside from risking the overall vision, the engagement of private sector investors would inevitably take time and delay the overall project. As highlighted earlier, the structure of the Development Agreement requires the Innovation Centre to be the first building delivered and until funding can be secured for this, no other development can take place.

Full or part Government Funded

5.5 Government funding has been a key tactic that has been pursued on the project for several months, including a bid to the Levelling Up Fund that was rejected.

5.6 The Project team will continue to engage with government to seek out funding opportunities where possible and press the case that this is development of national importance and government funding would significantly de-risk the project. The DFA does not prevent the potential for government funding to be introduced into the scheme. However, no promises of funding have currently been provided and to ensure the project is not subjected to delay, these proposals are presented now for approval.

6 Consultation and feedback

Public consultation

6.1 A programme of public consultation exercises were undertaken between November 2022 and January 2023 to garner feedback on the masterplan proposals, including the location and use of both the Innovation Centre and the Mobility Hub. The Mobility Hub in particular was well received as an opportunity to address existing parking issues in the community and support additional non-car transport options. However, concerns were raised about the potential for it to be visually imposing. This will be addressed through the Planning process. The Innovation Centre received relatively little comment through the public consultation exercises.

6.2 Further opportunities for public consultation will be provided through the formal Planning process once plans have been submitted.

Eco-system engagement

6.3 There has also been extensive engagement with Cheltenham businesses and the Cyber-tech 'ecosystem' that already exists in the town. This has involved a variety of events, presentations and working groups that have been established to reflect on the way the Innovation Centre can complement the existing local economy. The proposals continue to attract wide support from the ecosystem generally and key organisations within it.

6.4 A working group is now established that includes key local organisations (including CBC) with the purpose of providing clear communication to the broader cyber-tech community and to ensure the economic advantages of the IC can be delivered through curated selection of occupiers in the building.

Ongoing engagement roles

7 In addition to the formal engagement strategies identified above, specific roles are being created to provide ongoing engagement capacity for the project. A role is being created within the CBC project team to provide stakeholder engagement support for the entire Golden Valley project. Additionally, the construction contractor will be required to provide Community Engagement support as part of the Social Value requirements negotiated in the contract.

8 Key risks

8.1 See Appendix i

Report author:

Martin Chastney, Head of Development, martin.chastney@cheltenham.gov.uk

Appendices:

- i. Risk Assessment
- ii. Commercial Detail
- iii. Financial Analysis
- iv. Legal report
- v. Development Proposal
- vi. Climate Change Assessment Tool
- vii. Equalities Impact Assessment