

Enterprise M3 Board Meeting

30 July 2020

Business Case for approval –Whitehill & Bordon New Town Centre - Item 9b

Enterprise M3 Board is asked to:

AGREE that the LEP enters into a legal agreement with the Whitehill & Bordon Regeneration Company (WBRC) to deliver the Whitehill & Bordon New Town Centre and allocate £4,800,000 for this project, in the form of a grant, with the requirement that the funding is spent in full this financial year.

1 Background

- 1.1 The LEP has established a process whereby promoters of schemes that have been provisionally allocated Local Growth Fund (LGF) should submit completed full business cases to the Board for further consideration. For schemes seeking greater than £3m LGF, Programme Management Group (PMG) will review the proposal first and provide a recommendation to the LEP Board, whether to allocate funding to the project.
- 1.2 In March 2020 PMG considered a revised Expression of Interest for Whitehill & Bordon new town centre requesting £4.8m capital funding to deliver key elements of Phase 1a of Whitehill & Bordon new town centre. All capital funding for the scheme had been secured other than from the LEP and subject to securing this, PMG were advised that Phase 1a, which is the core of the new town centre, is deliverable by March 2021 and that the scheme could spend the full £4.8m LGF sought this financial year.
- 1.3 On this basis PMG agreed that the revised proposal could be progressed to full business case. The business case has now been received and in line with the PMG's Terms of Reference, the full Business Case has been subject to independent scrutiny carried out by AECOM and reviewed by LEP Officers and PMG.

2 Whitehill & Bordon New Town Centre – Proposal

- 2.1 Whitehill & Bordon Regeneration Company Ltd (WBRC), acting as the Development Manager for the Defence Infrastructure Organisation (landowner), are seeking £4.8 m LGF towards three elements of Phase 1A of the Whitehill & Bordon New Town Centre project. The grant will go towards funding the new public realm of the town centre including town squares, a town park and a car park. Some 1,193 sqm of business floorspace in the form of the Makers Market, an indoor and outdoor market, is to be provided which will support local businesses, host events and bolster the activities of local community groups. Finally, the last element funded by the LEP grant is the provision of fibre broadband to the town centre.
- 2.2 The scheme is the first phase of redevelopment of the town centre of Whitehill & Bordon and will coincide with the delivery of the new Leisure Centre in the town and create a catalyst in delivering the Health Hub, retail floorspace and residential and office floorspace in the later phases of the town centre regeneration programme.
- 2.3 As indicated above there are 3 main phases for the overall redevelopment and regeneration of Whitehill & Bordon town centre project; the first phase consists of 4 sub-phases:
 - **Phase 1A** - a new Leisure Centre with car parking, Marina Park, Makers Market, Town Square public realm and associated residential and car parking
 - **Phase 1B** - the Health Hub

- **Phase 1C** – a cinema, restaurants, Sergeants' Mess Heritage Centre and new retail along the High Street and Town Square. Part of this phase includes residential and office provision along with associated car parking
- **Phase 1D** – residential, pod work hub spaces with some mixed uses and associated car parking

2.4 The second Phase is split into two sub-phases

- **Phase 2A** - a foodstore with residential above and associated car parking
- **Phase 2B** - a theatre and Arts Centre with residential with some mixed uses on ground floor

2.5 Phase 3 consists of a hotel, care & extra care and further residential provision with associated car parking

2.6 The main objectives of the scheme are to:

- Provide sense of place of the new town centre in Whitehill & Bordon from the opening of the first new town centre facilities which are the leisure centre and Makers Market.
- Ensure that the leisure centre, developed by East Hampshire District Council (EHDC), has the right environment to be well used and encourage healthy lifestyles in the town.
- Provide spaces for events and play in a town meeting one of the key needs in the town.
- Bring Whitehill & Bordon on a par with Alton and Petersfield town centres in the retail hierarchy in accordance with the EHDC Joint Core Strategy.
- Provide new spaces to bolster community and cultural activity in the town.
- Provide a sustainable income for the future management and maintenance of the town centre.
- Provide an income to support local organisations to deliver events and showcase talent in the region.
- Through roll out of fibre across the development and free to access fibre in the town centre, make Whitehill & Bordon one of the leading digital towns in the region.
- Act a trigger for the delivery of the Health Hub – which is the first standalone viable project of the Town Centre.
- Act as a stimulant for accelerated housing growth.
- Act as a beacon for inward investment into the town.

2.7 In terms of measurable outputs, the scheme will deliver the following benefits:

- **Jobs:** the scheme will create 61 direct additional jobs at the Makers Market, with a further 20-25 indirect and induced jobs created.
- **Employment floorspace:** the scheme will create 1,193 sqm of business floorspace in the Makers Market.
- **Benefit Cost Ratio (BCR):** the approach taken to estimate the BCR of the scheme categorises benefits into those that represent value for the public purse or the wider economic. The BCR for the public purse, estimated using only the benefits identified for the public purse, results in a conservative BCR of 1.13 (low value for money according to DfT). However, most of the benefits arising from the scheme are categorised as wider economic benefits, taking into account both benefits for the public purse and the wider economy results in a BCR of 5.17 (high value for money according to DfT).
- **Wider impacts:** although not quantified, the scheme is expected to deliver a range of environmental benefits through the high quality design of the development which will incorporate sustainable design measures used to reduce energy consumption and increase efficiency of water treatment and collection. The scheme will also promote

walking and cycling through the delivery of public realm which connects to the town centre to wider green infrastructure networks and ultra-fast broadband to improve public transport services.

- 2.8 This proposal meets the objectives of the Strategic Economic Plan and emerging Local Industrial Strategy in relation to the repurposing of town centres and supporting economic growth in key centres. It builds upon the significant investment that the LEP has already made in the town and helps to ensure that the benefits of this previous investment are fully realised particularly around connectivity, dynamic communities and sustainable growth corridors. Investment by the LEP into the Relief Road was an important catalyst for development in the town.
- 2.9 The full Business Case is available to the Board on request.

3 Whitehill & Bordon New Town Centre – Scrutiny and Review

- 3.1 AECOM reviewed the business case under both a business as usual and Covid-19 scenario so as to assess the robustness of the proposal where town centres are having to operate somewhat differently than they have in the past. The Covid-19 assessment is considered in Section 4, whilst this part of the review focuses on the submitted business case.
- 3.2 AECOM raised comments and questions with the scheme promoter who responded to these, both in writing and through dialogue. Overall, they consider WBRC has put together an excellent and robust business case. No critical issues have been identified, meaning that there are no significant gaps or shortfall in the information that fundamentally undermines the overall business case. In summary the assessment of the five parts of the business case and any issues identified are presented below.

Strategic Case

- 3.3 The Strategic Case makes a strong argument for how the scheme will respond to the needs of the local community by providing a new town centre to Whitehill & Bordon supporting future employment growth and providing social infrastructure for the community to meet. The scheme will meet Enterprise M3 LEP's key strategic outcomes for placemaking and public realm, digital connectivity and job creation and sustainable employment.

Economic Case

- 3.4 The Economic Case provides details of the short-listed options for Phase 1A of the town centre and a clear rationale for selecting the Preferred Option. The Preferred Option generates value for money BCR of 1.13 for the public purse and a BCR of 5.17 for the public purse and the wider economy. The economic appraisal is based on the Green Book, Appraisal and Additionality Guides. Consultants JLL have undertaken an additionality approach to calculate economic benefits in the BCR using a hypothesis and logic tree benefit impact approach. The Optimism bias and additionalities applied to each benefit have been justified sufficiently within the assumptions table of the appraisal and show a robust model in appraising the benefits of Phase 1A of the town centre.

Commercial Case

- 3.5 The Commercial Case describes the procurement strategy adopted by WBRC; it follows a competitive tendering on single stage, design and build basis which was used previously to deliver the Bordon and Oakhanger Sports Club Pavilion and cricket ground and Hogmoor Inclosure, play area and community buildings. Marbank, the preferred contractor, has been chosen for the delivery of the Makers Market as they have local knowledge of the area and two decades of experience in the design and construction of commercial buildings. Marbank have agreed with the applicant to fix their price until September 2020 when the official contract is signed, and when construction is expected to start. Extensive collaboration has taken place between WBRC, key stakeholders and its contractor to ensure risks and responsibilities are identified and discussed. A detailed risk register was provided with mitigation measures identified for each.

Management Case

- 3.6 The Management Case provides a programme for the scheme with key milestones for detailed design works, tendering and construction of each phase of the scheme. All consents are already in place, with planning permission on minor outstanding conditions for the Makers Market and the public realm confirmed on 7th July 2020. The land is owned by DIO, who is working in a close partnership with WBRC (the Applicant) and civil engineering works have already started on site and progressing well in accordance to the scheme's programme.

Clean Growth Aspects

- 3.7 When considering the Business Case PMG, put a strong emphasis on understanding how the scheme met the LEP's clean growth aspirations. WBDC have considered the scheme within the context of their wider Green Measures Strategy and there are a range of elements of the town centre proposals that help to meet this. Key aspects include
- Reducing energy use and carbon emissions with a 10% improvement on all town centre blocks against existing building regulations.
 - Smart Meters will be installed in all blocks together with very low energy appliances and lighting and ultra-fast broadband to promote home working.
 - Block by block heating and power services to include air source heat pumps and PV panels.
 - Water consumption will be less than 110 litres/per head/per day with water meters installed in all blocks and residential units.
 - The public realm includes surface water management features to reduce the impact of storm events and minimise water run-off.
 - Connecting the public realm within the town centre, directly to the wider green infrastructure network
 - Planting 191 shrubs and trees in the town centre to provide a green environment for people and wildlife.
 - Town Centre Waste Management Strategy to be produced for commercial and residential units.
 - Delivery of 34 electric vehicle charging points.
- 3.8 The full Scrutiny Report is available to the Board on request.

4 Covid-19

- 4.1 The LEPs ongoing response to the Covid-19 crisis and economic recovery includes consideration of all capital projects to ensure that they are still relevant and will deliver positive impacts so that we they are schemes we wish to continue to support going forward. There remains considerable uncertainty about what lies ahead, however it is increasingly likely that a 'new normal' will emerge with trips being made in different ways and that this will have a particular resonance in the areas of transport and infrastructure and place.
- 4.2 This business case was developed largely after the start of the Covid-19 pandemic so was able to be written to address its potential impact on the viability and effectiveness of the scheme. Within the review AECOM therefore assessed each element of the business case in terms of its robustness in a post Covid-19 environment and importantly considered whether it would still deliver the benefits and outcomes expected.

Strategic Case

- 4.3 The need for the town centre is only slightly weakened by the uncertainty and economic slowdown generated by the Covid 19 crisis. The applicant has considered and assessed how the town centre will work during a Covid 19 environment and has assured that social distancing regulations will be implemented across the town centre, including the Makers Market which will use its flexible internal layout to ensure visitor's safety.

- 4.4 The market analysis has been updated to consider Covid 19 impacts. Forecasts have assumed a slowdown in the market in the short term and an increase in demand after 12 months back to pre-Covid 19 levels, modelled on the Government's approach to the crisis. Since the scheme already focuses on uses for leisure, health and well-being and away from a strong reliance on retail, demand for the town centre after Covid 19 could be expected to be reasonably robust.

Economic Case

- 4.5 A benefit cost analysis is presented for Phase 1A of the town centre with clearly stated assumptions for the additionality and optimism bias applied to benefits associated with Covid 19 impacts. Overall, a conservative approach has been taken to quantify the benefits of the scheme, in which the economic benefits are categorised as either benefits for the public purse or the wider economy.
- 4.6 Covid 19 considerations have been explicitly stated as impacts to the additionality inputs; for example, for house sale delays, valuation impact, job creation and spend. The over-riding assessment of the Covid 19 impact is a delay of 12 months before normal market conditions return. The 12-month delay is based on the Government's assumption that vaccines and testing kits will become widely available within the next 12 months and contribute to a growing confidence in property buying behaviour.
- 4.7 The BCR model is a sensitivity model and a sensitivity analysis has been conducted to reduce optimism bias for a more positive impact on the benefits and increase optimism bias for a negative impact. The adjustments have been made on the benefits of revenue spend and commercial income on the business units assuming a preference for home working continues post Covid. The sensitivity analysis test shows there is a positive return on £1 investment for the public purse and all economy efficiency. Phase 1A of the Town Centre scheme the public purse value for money (VFM) is marginal at a range of 1.03 to 1.16. However, the overall economic efficiency ranges from 4.66 to 6.23.

Commercial Case

- 4.8 WBRC has stated that procurement and contracting have not been affected by Covid-19 and are progressing according to programme. The civil engineering works are currently being carried out by Mildren, who are on site and being monitored closely on the impact of Covid 19. Mildren have adapted their working practices considering Covid 19 and are currently two weeks ahead of programme and progressing well with the works. However, it should be noted that civil works on site are usually expected to be less impacted on site than building works.
- 4.9 AECOM cost consultants who have been involved in the procurement of works have assessed Marbank's offer considering Covid 19 impacts and the potential market impacts this could have. Their conclusion is that while programmes may lead to delay and financial stress, it is not yet known what impact Covid 19 will have in the long term, and so cost pressures will only come to bear on activity in the medium to long term. The client contingency applied has been reviewed by AECOM and WBRC and concluded as sufficient to cover any unexpected delays or supply stress due to Covid 19.
- 4.10 AECOM recommend that for items that are still to be procured within the scheme, the applicant should negotiate with contractors to incorporate Covid 19 in terms of programme and cost impacts within their contract sum. Alternatively, the applicant should at least ensure sufficient commercial clauses are incorporated as part of their risk mitigation measures for procuring future items.

Management Case

- 4.11 WBRC has responded swiftly to Covid 19 and remote working is allowing the project team to continue uninterrupted and according to their original schedule. The Full Business Case has provided an updated programme considering Covid 19 with key milestones for detailed design works, tendering and construction of each phase of the scheme. The applicant has also considered what an additional delay of 4-6 months would do to the programme and have stated that this would impact works relating to the Makers Market and Town Park. However, the applicant has illustrated that mitigations for delivery delays are in place should such a large delay occur. These include focusing the contractor on external works (Town Park) where

there are relatively few materials required and it is easy for the contractor to substitute materials within the contract. The two outstanding consents for planning permission were confirmed on 7th July 2020.

- 4.12 An updated risk register with Covid 19 impacts shows that the likelihood of an extended construction contract period is high, as well as a demand shock in acquiring an anchor tenant for the Makers Market. The applicant has also confirmed they are monitoring the risk register on a regular basis with key stakeholders and taking on a flexible and agile business approach to cope with change in operating procedures as needed.
- 4.13 Given the above in depth review it is considered that there is a robust case for the LEP to invest in the new town centre in Whitehill & Bordon and that that this case remains strong in both the short and long term even when the impacts of the Covid-19 pandemic are taken into account.

5 Funding

- 5.1 The total cost of the project is £20,900.000, with the proposed funding split is given below:

£m	2019-20	2020-21	2021-22	Total
EM3 LEP Funding Sought		4,800,000	0	4,800.000
Capital funding from other sources	9,800,000	6,200,000	0	16,000,000
Revenue Funding – Management Fee		100,000	0	100,000
Total	9,800,000	11,100,000	0	20,900,000

- 5.2 The LEP grant represents 23% of the total cost of the scheme. Match funding totalling £16.1m is in place and is made up of a contribution of £10.3m from EHDC to deliver the Leisure Centre, £5.4m from WBRC/ DIO 5.4 to fund the demolition works, fees, roads, services and leisure centre car parking and a further £0.4m from EHDC Section 106 funding for public art and the war memorial, which will be finally confirmed in September 2020. In the unlikely case that EHDC were to agree this funding WBRC have confirmed that they would ensure the funds were put in place to meet this gap.
- 5.3 The cost estimates have been received from the preferred contractor, Marbank and has been reviewed by AECOM's Cost Consultant1 during the tender process. WBRC will be responsible for all cost-overruns related to the scheme, however the contractor will also share the risk of cost overruns if they are at fault, as part of the risk transfer mechanism in the contract. EHDC will be responsible for cost overruns related to the Leisure Centre which will complement the scheme; although not mentioned in the risk register, there is a possibility of EHDC failing to cover costs for the leisure centre as part of a financial risk to be considered.
- 5.4 Covid 19 has not impacted on the financial position of funding partners with regards to the project. The funding that has been granted by EHDC is still guaranteed as well as from WBRC/DIO.
- 5.5 WBRC estimates that small cost increases may occur as a direct result of the Covid-19 implications. Therefore, AECOM have reviewed the client contingency considering Covid 19 impacts resulting in a 2.7% contingency on top of costs of £278,948. The calculation of contingency has been followed correctly based on Green Book guidance.

6 Conclusion and Recommendations

- 6.1 In terms of delivery the scheme is ready to progress on site as soon as the full funding package is in place. Phase 1a has reserve matters planning consent and minor amendments (public realm materials and Makers Market roof height) have been submitted with a decision expected early July, which would enable work to start on the ground shortly afterwards.

- 6.2 Overall this is considered to be a very well developed business case with a clearly established need in Whitehill & Bordon for a new town centre in order to provide a sense of place, a place for community and work for people living in the town. The scheme is linked to the remaining key strategic piece of regeneration of Whitehill & Bordon under the current EHDC planning framework. It is at an advanced stage of design and procurement, with an experienced team in place. The value for money for the scheme as captured by the BCR is positive at 1.13 for public purse (alone) and 5.17 including wider benefits; considering this scheme focuses on a public realm asset and a conservative approach has been undertaken to quantify benefits, the scheme does show reasonable value for money.
- 6.3 Under the Covid 19 assessment, the rationale for this investment remains robust from a societal, environmental and economic perspective. The need for a town centre has not diminished during the lockdown, although leisure and retail businesses are currently closed, food retail and takeaways are still active in the economy and both will be present in the Makers Market. Phase 1A of the town centres venues and spaces will not be severely affected economically by Covid 19 because they are activities to which social distancing measures can be applied sensibly to keep people safe. The Economic Case has highlighted the benefits considering Covid 19 impacts too.
- 6.4 Overall the objectives of the scheme are sound and accord well with Government and LEP priorities contained in the emerging Local Industrial Strategy. It is also considered that the scheme is one that the LEP would wish to support as part of our Economic Recovery Plan post Covid-19, as it aligns well to the repurposing of town centres, which is considered to continue to be important in the future. In addition, the LEP investment will act as a catalyst to accelerate the delivery of commercially viable subsequent phases and create a real momentum in the scheme.
- 6.5 WBRC have confirmed that the programme is in place to ensure full expenditure of the £4.8m grant request this financial year. There is sufficient unallocated funding available to support this scheme and given the potential delays with other parts of the programme this will be very helpful in ensuring our LGF spend target is met in 2020/21. It is suggested that if the Board approve this scheme that the award of the grant could be conditional on full expenditure this financial year.
- 6.6 Therefore, the Board is asked to AGREE to enter into a legal agreement with Whitehill & Bordon Regeneration Company to deliver the Whitehill & Bordon New Town Centre and allocate £4,800,000 for this project, in the form of a grant.
- 6.7 This proposal meets the objectives of the Strategic Economic Plan and emerging Local Industrial Strategy in relation to the repurposing of town centres and supporting economic growth in key centres. It builds upon the significant investment that the LEP has already made in the town and helps to ensure that the benefits of this previous investment are fully realised particularly around connectivity, dynamic communities and sustainable growth corridors. Investment by the LEP into the Relief Road was an important catalyst for development in the town.

Criteria	Assessment	Comments
Strategic Fit	Excellent	The scheme meets the objectives of the Strategic Economic Plan and emerging Local Industrial Strategy in relation to the repurposing of town centres and supporting economic growth in key centres. It helps to fully realise the benefits of previous investment in the area around connectivity, dynamic communities and sustainable growth corridors.

Low Carbon	Good	The project has a number of aspects that reducing energy use and carbon emissions and will deliver a 10% improvement on all town centre blocks against existing building regulations. Other elements include the installation of smart meters throughout the area and CO2 reductions through building management systems, user information and behaviour change
Digital	Excellent	The key digital aspects of the scheme are the installation of site wide hyper fast broadband service over fibre of up to 1,000Mb, which is up and working the day the resident moves in. Additionally, WBRC are providing all residences with Satellite, TV and Radio signals via fibre optic cable, ensuring high quality service to all and an overall aesthetic improvement to the town centre. There will also be State of the art integrated fire and security systems, and CCTV to manage the safety and Real Time Passenger Information (RTPI) at bus stops, to assist residents using the available and proposed bus services
Impact of the Scheme	Good	The scheme will have a positive impact by providing a high-quality public realm for users of the new town centre. The development will incorporate sustainable design measures used to reduce energy consumption and increase efficiency of water treatment and collection. The scheme will also promote walking and cycling through the delivery of public realm which connects to the town centre to wider green infrastructure networks and ultra-fast broadband to improve public transport services.
Percentage of Match Funding	Excellent	Match funding represents 78% of the total cost of the scheme, though the delivery of the leisure centre.
Past Performance of Scheme Promoter	Excellent	Whitehill & Bordon Regeneration Company and East Hampshire District Council have delivered many infrastructure schemes to time and to budget and have a long and successful relationship with the LEP

Kevin Travers
Enterprise M3 LEP Head of Transport
20th July 2020

