

Flitwick Station Site and Car Park

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This report relates to a Key Decision

Purpose of this report

1. To seek Executive agreement on the recommended delivery approach for the regeneration of Flitwick station site and car park with approval to undertake the required procurement process to identify and secure a development partner on the best financial terms possible.

RECOMMENDATIONS

The Executive is asked:

1. **to note the progress made towards enabling the regeneration of Flitwick Station site and car park since this matter was last considered by the Executive in April 2017, including:**
 - **Preparation of provisional Heads of Terms with a major retail anchor for the scheme.**
 - **The completion of a public consultation exercise between the 31st July and the 13th September which has demonstrated broad support for the scheme objectives and priorities as set out in the April 2017 Executive report.**
 - **The preparation of a Memorandum of Understanding with Network Rail and Govia Thameslink Railways Ltd for the purpose of supporting partnership work towards scheme delivery.**

- **Commencement of detailed design work for the Transport Interchange as funded by Network Rail's National Station Improvement Programme (NSIP).**
 - **The further refinement and improvement of the draft concept scheme based on the market view of proposed uses including testing of likely construction costs and revenue generating potential.**
2. **to consider and support the recommended mechanism as outlined in Part 5 (B), paragraph 57 for delivering the scheme and its benefits, namely a development partnership. To note that Executive approval will be sought in future on key decisions in line with the Council's standing orders;**
 3. **to note the Council's bids to the Government's competitive Housing Infrastructure Fund (HIF) for £5.3M and Accelerated Construction Fund for £0.8M. The purpose of these bids is to support housing provision within the scheme through the delivery of site infrastructure. This may include the funding of new access roads, junction improvements, public transport interchange and potentially step free access to all station platforms. A decision on which funding bids will be supported is expected in early 2018; and**
 4. **to note that the Council will be lobbying Government for additional financial support via Network Rail's next investment plan (2019 to 2024) for the purpose of providing step free access at Flitwick station.**
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Overview and Scrutiny Comments

2. A report concerning this project and progression of recommended delivery approach will be submitted to the Overview and Scrutiny committee for review prior to final consideration by the Executive.

Report structure

3. This main body of this report is structured into the sections listed and summarised below.
 - **Part 1: Report objectives** - a summary of the specific objectives for this report as approved by the Council Executive in April 2017.
 - **Part 2: Background, effective place making for Flitwick and West Mid Beds** - a description of the project, it's origin, key drivers and importance in the context of effective place making and the development of this location as an increasingly important and strategic transport hub.

- **Part 3: Public consultation and engagement** - a summary of the results of a public consultation exercise undertaken to inform the development of the scheme.
- **Part 4: Partnership working** - a summary of the heads of terms agreed with the key rail and commercial partners.
- **Part 5 (A): Development brief testing** - a summary of the commercial risks, challenges and opportunities arising from the concept scheme, as identified by external property advisors. Together with results from soft market testing undertaken with potential mixed use developer partners.
- **Part 5 (B): Delivery and route to market**- analysis of the different delivery routes for the Council, identifying a preferred route for further development.
- **Part 6(A): Financial considerations (revenue)** - the financial considerations relating to the impact on existing and future revenue flows from the site, including car parking, NNDR and Council tax.
- **Part 6(B): Financial considerations (capital)** - an overview of the current capital allocation that the Council has available to support this scheme.

Part 1: Report objectives

4. In April 2017, the Executive asked that officers continue to develop a mixed use regeneration scheme for the site as the Council's preferred option, specifically, Executive asked officers to:
 - negotiate provisional heads of terms with the potential retail anchor in order to urgently secure their participation in the scheme;
 - negotiate provisional heads of terms as required with the Homes and Communities Agency (subject to due diligence) in order to secure time limited investment funding;
 - undertake a local consultation on the proposal and the mix of uses;
 - prepare an outline development brief;
 - undertake an options appraisal of the delivery options available to the Council, and take appropriate market soundings to assess market interest in the options;
 - further refine the financial appraisal, including specific consideration of the implications for the Council in terms of income generated from the interim car parking on the site;

- review, consider and cost any further remedial works required to ensure safe operation of the temporary car park in the period up to construction commencing; and
 - undertake a lessons learned exercise of other similar mixed-use schemes which have been successfully implemented.
5. This report sets out how this work has been taken forward and is informed by a third party assessment undertaken by commercial and development specialists.

Part 2: Background: Effective Place Making for Flitwick and West Mid Beds

6. The purpose of this project is to deliver a transformational project in Flitwick that will underpin sustainable and long term economic growth. This will lead to a more attractive and successful town centre better capable of supporting the needs of Flitwick and West Mid Beds as a strategically important transport gateway and hub.
7. A full summary of Flitwick today and in the future was provided in the April 2017 Executive report. In summary, the settlement of Flitwick is located in the West Mid Beds quadrant and has a population of 13,180 residents. It is well connected by road and rail with easy access to J13 of the M1 and the A507.
8. Flitwick Railway Station acts as an important transport hub and gateway for a wider area than the town itself serving other settlements and major employment locations such as Cranfield, Marston Vale, Millbrook and Center Parcs. The station supports over 1.5 million passenger journeys per year with this figure forecast by Network Rail to continue growing substantially over the next 15 years.
9. The station is based within the heart of the town centre and acts as both a positive and negative attribute of the town. It is positive in terms of providing important transport infrastructure however it also serves to physically divide the town centre into two poorly connected parts. This division limits the land and space available for providing appropriate levels of town centre retail and services and an acceptable overall experience for those living, working and visiting Flitwick.
10. The Flitwick Station site and car park concept scheme is the first regeneration proposal to come forward from the Council's town centre property portfolio that incorporates multiple uses including car parking, residential, retail, environmental and transport infrastructure improvements. The objectives of the regeneration scheme are to address the aforementioned issues and to develop a much enhanced town centre fully capable of acting as a strategic gateway into central Bedfordshire. It will support sustainable economic development in Flitwick and wider West Mid Beds locality.

11. The proposed regeneration scheme is complex in nature due to many moving parts, relationships and inter-dependencies. It encompasses third party land ownership in relation to Network Rail's ownership of parts of the proposed development area and also Govia Thameslink Railway's Ltd lease of this same area as part of the Thameslink Rail franchise.
12. The scheme will physically link to major improvements being made to the High Street / Kings Road / Station Road areas of the town centre that are being delivered as part of the Council's Market Town Regeneration Fund (MTRF) programme and are being delivered in partnership with Flitwick Town Council. Improvements include the creation of new public spaces capable of being used to deliver commercial activities including specialist and regular town markets and new community facilities and the development of apartments for older residents will also be provided. Central Bedfordshire Council and Flitwick Town Council are investing circa £1M each.
13. Proposals for the regeneration of the station area site have been in development for over a decade with the first substantial scheme plans being consulted on during 2007. These plans were produced by a private sector partnership led by the supermarket chain Tesco and involved the redevelopment of the station area site and also the existing Tesco store. The proposals did not progress due to Tesco withdrawing from the scheme during 2010.
14. At this point, the Council took on a greater leadership role beyond that of the Planning and Highways Authority. The Council acquired its first landholding within the redevelopment area in 2011 utilising a Government regeneration grant of £3.6M. This grant from the Growth Area Fund round 3 (GAF3) was provided to the Council for the specific purpose of enabling a significant regeneration of Flitwick town centre to proceed. Since 2013 this site (site A as shown in appendix B) has been used as a temporary car park. Parking capacity has increased through several phases of works from 65 (approx.) to the current capacity of 318 (approx.) spaces.
15. The purchase of site A was followed in 2012 with the acquisition of Franklins House (site B) and 10 Steppingley Road (site C). These properties were purchased for £1.7M and funded directly by the Council for the explicit purpose of providing active frontage to Steppingley Road and a new access point into the site respectively.
16. Since these acquisitions the Council has developed a number of different proposals for the site in liaison with potential retailers, investors and developers. These proposals were not ultimately actionable due to site constraints and the need to minimise disruption to the adjacent rail station site in land take and impact on the station controlled car park.

17. Whilst the regeneration proposal currently being considered does not envisage redevelopment of the Tesco Store it does substantially meet the original principals of the indicative town centre masterplan adopted by the Council in 2008. Consequently this scheme will deliver greater retail choice, improved public transport connections between bus and rail, car parking for town centre visitors and commuters, new homes and an improved town centre environment.
18. Development and completion of this scheme as envisaged will provide substantial investment that will have a lasting impact on Flitwick town centre, creating additional commercial floor space, new jobs and permanent new infrastructure.
19. Construction of the regeneration scheme will also substantially address the lack of available commercial/retail space in the town centre. This issue is demonstrated by the fact Flitwick has almost 50% less retail and service space than comparable town centres elsewhere in central Bedfordshire. The size of the local economy is therefore physically limited and unable to expand in relation to the increasing demands placed by the market on it.
20. Whilst the proposed concept scheme does not presently provide for full step free access to each rail platform at the station it does create an opportunity to secure the necessary funds for this (circa £4M) through lobbying and bidding for funds directly from Government and from Network Rail via it's next investment plan (control period 6 from 2019 to 2024). Plans showing how step free access via a new footbridge would be provided as a future phase are being produced for this purpose.
21. During September 2017 the Council submitted a funding application for £5.3M to the Government's Housing Infrastructure Fund. Applications are expected to be determined in early 2018. A successful outcome will enable the Council to bring forward the scheme at an accelerated pace. It will also ensure the mix of residential accommodation provided and tenure type is the most beneficial possible to the needs and requirements of the local area and population. Should this funding be secured the Council would then move to negotiate provisional heads of terms as required with the Homes and Communities Agency (subject to due diligence) in order to secure time limited investment funding.
22. An additional funding application for £0.8M of funding has also been made to the Government's Accelerated Construction Fund. Applications will again be determined at the start of 2018. If this application is successful the funds awarded would be used towards enabling infrastructure including highways improvements and the development of public Transport Interchange.

Part 3: Public consultation and engagement

23. A substantial consultation exercise has been carried out focused on identifying the priorities of residents, visitors and businesses for improvements to Flitwick town centre through the station area regeneration scheme and how these align to the proposed concept scheme. The consultation also included a separate section concerning the proposed improvements to the High Street, Station Road and Kings Road areas which is funded by the Council's Market Town Regeneration Fund and being delivered in partnership with Flitwick Town Council.
24. This consultation was open for a period of over 6 weeks beginning 31st July and concluding on the 13th September. Information about the consultation was publicised on the Council's website and that of Flitwick Town Council in addition to dedicated articles in a number of publications/newspapers including the Flitwick papers, Bedfordshire on Sunday and the Chronicle & Times.
25. Regular updates were posted on CBC social media channels. 12 tweets were issued on Twitter which generated 314 engagements (comments, likes, re-tweets) with 16,451 impressions (people that saw the tweets). On Facebook we reached 34,453 people generating 1,747 reactions (comments and shares). Video's produced describing the scheme and consultation were viewed 7,300 times.
26. Four drop in sessions for members of the public to discuss the project with Council staff was held at both the Rufus Centre (31st July/3rd August) and Flitwick Library (4th Sept/7th Sept). These sessions were attended by approximately 600 people.
27. Paper copies of the questionnaires were made available through Flitwick Library and Leisure Centre and The Rufus Centre. The Flitwick town centre consultation webpages had a total of 5686 page views between 31st July 2017 and 13th September 2017, demonstrating a high level of interest and reach of the campaign. The top method used to find information was via Facebook with just under 3,000 hits coming from Facebook. Others included; 768 hits from google searches, 382 from Gov Delivery bulletins and 306 hits from Twitter.
28. Flitwick Town Council also contributed to the communications campaign by promoting the consultation through their own social media channels. Their campaign resulted in an additional 348 click-throughs to the consultation pages hosted on the Central Bedfordshire website. In addition, their social media pages reached 5,120 people generating 81 reactions (comments and shares) with engagement (comments, likes, re-tweets) of 988 people.

29. In total 247 residents participated in the consultation by completing the survey. Of the 246 that gave an answer; 78% (192) said they were Flitwick residents. Another 11.4% (28) said they were visitors of Flitwick, with an additional 5.7% (14) as commuters. These groups were key stakeholders and it was important to engage with all of them throughout the consultation.
30. In summary, the findings of this consultation reveal strong support among residents for the regeneration scheme currently proposed. Plans to revamp the station area have been welcomed and deemed necessary by many as Flitwick expands.
31. There was broad support for the **mix of proposed uses** in the station area site, in the following order:
 - Retail and new services
 - Public Transport Interchange and additional car parking
 - New homes
32. The specific themes and issues that emerged through the consultation are identified below:
 - **Existing pedestrian access** to the station is of concern due to the perceived safety issues around the railway bridge at peak times. Key options and suggestions identified to deal with this, included step free access, which was therefore viewed as a positive objective, together with other potential solutions such as additional station access and a footbridge across the rail line.
 - **Traffic flow** as a whole was highlighted as a major problem for the station area and this is supported by the results and additional comments made by respondents, with significant support for options to improve traffic flow around the station.
33. The consultation findings generated through this engagement process provide detailed and valuable input from residents and town centre users into the scheme development process.

Part 4: Partnership Working: Commercial and retail sector

34. The Council has secured a requirement for retail floorspace, (inc storage) and associated car parking in the proposed redevelopment scheme at Flitwick Rail Station with a major national retailer.
35. Participation in the scheme and provisional Heads of Terms (HoT's) has been approved by the internal Property Board for this retailer. The Board has also authorised the development of detailed plans for the retail unit in order to support and inform the planning process for the scheme as a whole.

36. The HoT's sets out all of the details concerning the development and contractual relationship with the retailer. This includes design and operational specifications for the retail unit, demise, handover date, tolerances, defects, capital contributions to unit fit out and the overall terms and rent levels applicable.
37. The document is provisional and can only be formally entered into (thereby contractually securing the retailer to the scheme) once a delivery partner has been identified and secured. The HoT's provides for a lease of the retail facilities for a period up to 15 years commencing on the retail unit handover date under the Landlord and Tenants Act (1954) with a tenant only break clause at 10 years.
38. The Council has undertaken a due diligence exercise concerning the HoT's which has involved seeking the advice of retail specialists. The terms offered by the retailer have been confirmed as being in line with Industry expectations for a development of this type and location.

Rail sector

39. Developing or changing the use of any land that forms part of an active rail station is a complex matter that must adhere to the necessary rail and regulatory approval processes. This includes securing not only Network Rail's agreement but also that of the Department for Transport and the current train operating company Govia Thameslink Railways Ltd (GTR).
40. The proposed concept scheme at Flitwick incorporates land in the ownership of both the Council and Network Rail. The Network Rail ownership is split across two categories or functions, namely 'operational' and 'station lease'. The latter of which is in the control and management of GTR. It is therefore imperative that the Council works closely with Network Rail and GTR to bring forward a scheme that is mutually beneficial and which can be taken through the necessary rail approvals processes as efficiently as possible.
41. The available development land within Network Rail ownership (operational) could potentially provide two different uses in the final scheme. This could either be through a new development for commercial/retail purposes or additional public and amenity space.
42. Should this part of the site be promoted for commercial development the Council will work closely with Network Rail and GTR to ensure a co-ordinated approach that delivers the broadest range of benefits to station users as is possible. If this site is not redeveloped for these purposes it is expected that this area will be incorporated into the scheme as a public space until such a time as a deliverable commercial scheme can be enabled.

43. The remainder of the Network Rail landholding, which currently forms part of the station lease area and the existing station forecourt, is to be redeveloped to provide an improved welcome and a Transport Interchange. The Interchange will enable bus and rail connectivity as well as improved facilities for users of both services.
44. The Interchange function is an essential element of the overall scheme, and helps to ensure that it is more sustainable in transport terms and also in providing a much improved setting that promotes greater access to the Council owned elements of the scheme. Whilst the Interchange function is non commercial it does enhance the financial viability of the scheme as a whole by increasing the attractiveness of the scheme to potential investors and commercial tenants.
45. The Council, Network Rail and GTR have prepared a draft Memorandum of Understanding (MoU) which sets out the key principles of how they will work together to facilitate the regeneration of Flitwick Station and adjacent sites and its development as an integrated transport hub supported by commercial development. The MoU also references (in tandem with a formal NSIP funding agreement) how Network Rail funding of £0.25M, that has been allocated from the National Station Improvement Programme and other rail contributions will be spent towards improvements to the station.

Part 5(A): Testing the development brief

46. The concept scheme that was presented to Executive in April 2017 has been used as the basis of a high level development brief which has been subjected to extensive testing by a multi disciplinary team led by Strutt and Parker, supported by structural engineers, surveyors and commercial development specialists. The development brief included anchor retail, supporting retail, residential and car parking.
47. The purpose of this testing has been to better understand the development economics and risks that the existing development brief presents and best practice in bringing a scheme of this nature forward. This review undertaken by Strutt & Parker has identified the following key issues:
48. **Attributes of commercial / retail market** – The provision of ground floor retail of a similar nature to Franklin’s house and as a complement to the anchor retail tenant is seen to be commercially appropriate in this area. However, size of the market for such secondary retail is also something that needs to be considered. While the constraints of the CBC owned portion of the site naturally limits the quantum of such accommodation that can be provided, there is potential to provide additional secondary retail capacity on the Network Rail owned portion of the land adjacent to the proposed Interchange, should sufficient demand be identified as part of the partner procurement process and resulting development work.

49. It is unclear, however, whether there would be sufficient market for such lets in this area to support the additional investment required at the current time. It is therefore recommended that the Council and its partner Network Rail also consider use of this area as a public space either landscaped or hardstanding in the short to medium term. This would not prevent the development of this area for commercial uses at an appropriate point in the future as and when sufficient market demand was demonstrated.
50. **Attributes of residential market** – demand within Flitwick for residential of the type proposed is currently unproven and any scheme will need to reflect this and take account a potentially more conservative view on the ceiling in values and, levels of demand. 1 and 2 bedroom flats rather than larger duplex apartments provide a better local fit. In the next 6 to 12 months however further data will be available to appraise the demand and value of this type of residential accommodation based on the adjacent site on which a mixture of flats and houses is currently being built. On this basis, it would not be recommended that the Council take on sales risk associated with development, but rather work with a partner who is willing to take a commercial view on the existing residential market in Flitwick and the extent to which a scheme in this location would act as a 'draw' for new residents, particularly due to the transport links.
51. **Construction cost** – the physical attributes of the site, most notably the ground conditions/ level changes; flood risk / drainage; highways design and the adjacency to the railway line (acoustics/ vibration), present 'abnormal' construction risks which are exceptionally hard to quantify, until such time as further detailed site appraisal and scheme design has been undertaken. There are a number of scheme attributes that have been identified as cost drivers which present opportunities to refine and reduce construction costs, most notably concerning the location of the service yard and the strategy for servicing the anchor retailer.
52. On this basis, it can be concluded that the development economics of the scheme are highly sensitive, and depending on the assumptions and commercial views taken on the key development parameters, the scheme can swing between commercial viability and a position where additional financial investment from the Council would be needed to deliver the scheme. This commercial sensitivity of the scheme is such that the Council will need to consider carefully the allocation of risk in any delivery strategy.
53. The concept scheme that was presented to the Council Executive during April 2017 has also been subject to soft market testing amongst a group of mixed use developers with relevant delivery experience of such schemes, and understanding of lessons learned. The conclusion of this testing was that there is likely to be market interest in such a development, albeit the interest may be affected by general economic conditions affecting the risk appetite of several developers and the specific risks of this scheme. Issues and comments arising were:

- **Network Rail** – the Council’s focus on ensuring clarity of partnership and involvement of Network Rail ahead of bringing the scheme to market was welcomed, and necessary to generate market confidence in the scheme.
- **Construction costs** – the market feedback supports the advice from Strutt & Parker relating to the challenge of construction costs. In taking the scheme to market, the approach to de-risking these risks and expectations of how and when these costs are fixed and transferred will also be key to market interest.
- **Housing** – the inclusion of housing in the development was welcomed, however, any requirement for these to be Starter Homes specifically was viewed nervously as the detail of this particular product is yet to be fully understood.
- **Scope to generate revenue or phased income** – the Council’s interest in generating long-term income as opposed to upfront return from the site, was viewed favourably by the developers, as a means of managing the overall risk profile of the project. Securing long term revenue income is of particular importance to the Council.

Part 5(B): Delivery and route to market

54. In April 2017, three principal delivery options were identified for further consideration and presentation in this report. These are:
- Option 1: Sale of the land to a developer, with the Council taking no further role other than planning.
 - Option 2: The Council acting as a mixed-use developer, funding and self-delivering the scheme through standard construction contracts.
 - Option 3: The Council establishing a development partnership with a mixed-use developer, with or without the council acting as a part funder.
55. Furthermore, a series of factors were identified for consideration of each option. The specific of each of these factors or criteria have been honed, given the results of the commercial review and the soft market testing outlined above.
- **Investment** – who will provide the funding for the development? Does the Council have the ability and/or interest in providing the investment required?

- **Risk management** – who is managing the risks, to what extent is the Council able and willing to take specific risks? Notably – construction risk and commercial occupation risk.
- **Structure of return** – how achievable will it be to balance initial capital receipt and/or existing/future revenue.
- **Control** – what level of control will the Council have over timescales and the development scope?
- **Likely market interest** – what other parties would be required? What level of market interest / competition would there be for such a scheme?
- **Timescale** – how long will the pre-contract work take, what control / certainty will there be? (particularly given importance of retaining the anchor tenant).
- **Capacity** – to what extent does the Council have the capacity and skills required to secure the delivery option?

56. These have each been assessed on a 'Red-Amber-Green' basis.

- Red - an assessment of red has been made where it is deemed that against these criteria the deliverability of the option would be highly challenging to the extent that it is likely to render the option unlikely to be achievable for this scheme.
- Amber – an assessment of amber has been made where it is deemed that against these criteria the deliverability of the option would be challenging but could be managed, if the benefits against other criteria are deemed to outweigh the Amber assessment against particular criteria.
- Green – an assessment of green has been made where it is deemed that this particular delivery option provides a good fit with the Council's criteria.

57. Table 1 sets out this assessment, with supporting summary commentary. On this basis, it is recommended that Option 3: Development Partnership is taken forward as the Council's preferred delivery option. Noting that both of the other options have scored 'Red' against more than one criterion, indicating that their deliverability for this specific scheme, given its risk profile would be highly challenging for the Council and therefore not recommended.

Table 1: Analysis of delivery options

	Option 1: Land sale	Option 2: Self Delivery	Option 3: Development partnership
Investment	Green – In theory, no investment required, asset is transferred to the private sector (providing a willing buyer can be found – see below).	Red – the Council would need to raise the necessary capital funds to develop and build out the project, through loan or its own funds. At least c. £30M.	Amber – given the risk profile of the project and the viability sensitivity, it may be that some investment is needed from the Council to attract a partner.
Risk management	Red – A classic ‘simple’ land sale requires the private sector to take the commercial risk from the Council at ‘day 1’. This is unlikely to be achievable for this site.	Red – the Council would take on the development risk and the overall construction cost risk until the scheme is fully developed. This is not recommended based on the advice received.	Amber – this approach gives the flexibility for a more nuanced and phased approach to risk transfer, which has the ability to give comfort to all sides.
Structure of return	Amber – A land sale in its simplest form focuses on a capital receipt, while it can be restructured in a number of forms, this tends to lead to a development partnership model.	Amber – this option in theory gives full flexibility for the Council to structure the return as it wishes and to maximise its return. However, it should be noted that the risks involved could lead to a situation where the Council make little or no return from the site.	Green – this approach gives flexibility to structure the return, as the costs and revenue of the scheme are better understood and risk transferred.
Control	Amber – The council would have to rely on its role as a planning authority. In particular, this could lead to specific ‘public benefits’ such as the interchange being watered down.	Green – this option provides maximum control for the Council (for taking full risk).	Amber – the Council will need to allow its partner to have significant influence over the scheme scope and parameters, such that they are willing and able to take the risk, and deliver the return for the Council. However, the Council would retain influence, enabling it to secure the public benefits desired.
Market interest	Red - Unlikely to be market interest, given the soft market testing feedback and the site risk profile. On this basis, it is deemed unlikely that a capital receipt would be generated commensurate with the investment made to date.	Green – the Council would need to employ a main contractor and other professionals to support the delivery. There would be interest in these packages of work.	Amber – the soft market testing indicates that there would be interest in this scheme, providing that the Council brings the scheme to market in an appropriate manner.
Timescale	Amber – Can be quick for a simple site, but this site is not simple, and therefore unlikely to be quick or deliverable.	Amber – this option in theory can be seen as quick as it limits the need for upfront procurement and work. However, in reality, it is likely to lead to extended timeframes given the risks and challenges involved.	Amber – the timescales for this sort of delivery option can be highly variable, depending upon the procurement / commissioning route followed, and the thoroughness of preparation. However, they can be managed extremely tightly.
Capacity	Green – the Council has extensive experience of such transactions.	Red – the Council does not have experience of taking such developments forward in a self-delivery model.	Amber – the Council has officers with experience of such partnerships, and their skills will be complemented with necessary external expertise.

58. Should the Executive accept the recommendation to pursue Option 3 at this stage, then the next step will be to develop this option in more detail. The key issues that will be examined:

- **Procurement / commissioning process** – this will include consideration of different procurement routes, and the extent to which the commissioning focuses on procuring the right partner vs. the right technical solution.
- **Approach to finalising the development brief for the project and the nature of the partnership** – given the need to manage construction cost and income, the approach to providing flexibility and then fixing the scope and structure of the scheme / development brief needs to be considered. It may be that depending upon this approach, the anticipated ‘partnership’ can be delivered through a land sale commissioning mechanism, rather than a procurement commissioning mechanism, which can bring timescale benefits. There are a number of options for such a partnership, including the establishment of a formal joint-venture entity or partnership through a sales based development agreement. It may also be that a hybrid approach is used. Each of these will be assessed. It may also be beneficial that this is left open during the initial stages of commissioning, so as not to provide a barrier to participation.
- **Market view and bidding costs** – in considering the approach due consideration will be given to ensuring that the costs of the process are reasonable and manageable, and do not provide a barrier to an effective competition, given the risk profile. In particular, when and to what extent bidders are required to invest in technical surveys, design work and legal work will need to be considered.
- **Approach to de-risking and risk transfer within the process** – the aim of the process is to achieve commercial and construction risk transfer to the private sector while giving the Council the best return. Given the risk profile and advice received, this cannot be achieved in a ‘single leap’ and therefore consideration will be given to the appropriate process to achieve this. In particular, when and how site surveys (particularly ground investigation and utility) are undertaken will be key to when and how construction risk can be transferred effectively.
- **Approach to finalising the quantum and structure of the Council’s return** – as the risks are bottomed out through the process, it will be possible to ascertain the quantum and structure of the return to the Council from the scheme. The process will need to be clear as to how and when this will be achieved.

- **Council costs and capacity** – the overall costs and capacity implications for the Council will need to be managed, such that the process can be managed within the resources available.
- **Management of programme workstreams** – while the technical and commercial workstream is critical to delivery, the project also will need to continue to dovetail with the Council's other activities in the areas, and build on the public consultation undertaken to date.
- **Ongoing Executive and member reporting** – once the process has been further developed, then the appropriate member engagement and political decision making points will be identified, in consultation with the Executive Member for Regeneration and Executive Member for Education and Skills.

Part 6 (A): Financial considerations (revenue)

59. Regeneration of the Flitwick Station area will have a direct impact on the Council's current revenue income. The net impact / benefit to the Council of the scheme will be ascertained as the process develops.
60. The current temporary car park operated by the Council has expanded its capacity significantly since the Council took over control of the site in 2013. At this point parking spaces were limited to the exterior of the existing Units A, B and C warehouses and totalled approximately 65 spaces.
61. All three warehouses have since been demolished with the majority of land attached to Units B and C in separate ownership to the Council and currently being developed for housing. Capacity of the Council controlled temporary car park has expanded gradually since this time and now totals approximately 318 spaces.
62. In the most recent full financial year (2016/17) the CBC temporary car park generated £0.193M in ticket sales. After operational costs, the net income to the Council from these sales was £0.134M. Capacity of the car park was expanded in quarter 1 of the 2017/18 and as a consequence gross income for the current financial year is forecast to be £0.223M gross, accounting again for operational costs and tax the net forecasted income is £0.163M. At this stage no remedial works have been identified as necessary and required before the start of future construction, however this will be kept under review.
63. The existing retail units in the premises known as Franklins House were purchased for the explicit purpose of enabling redevelopment of the station area and providing active frontage onto Station Road. This building contains eight units totalling 600 sqm of floorspace which are rented to a variety of businesses including fast food retailer, opticians and veterinarians.

64. Rental income from these units generates £0.085M annually. An additional and stand alone premises within the Council landownership generates £0.015M in rental income. Total current net income therefore totals £0.266M. The current concept scheme for the Council's ownership in the station area provides for the potential of additional car parking revenue, together with additional NNDR revenue and Council tax,
65. It is currently assumed that Franklins House will form part of the eventual redevelopment scheme. This can only be confirmed however once a delivery partner is in place and a final scheme has been produced. It is the Council's position that if Franklins House is redeveloped we will seek to support tenants by relocating them elsewhere within the scheme or to another comparable location if this is feasible. Regular updates with tenants have been offered to provide support and information. To date this offer has been accepted by three of the eight tenants.

Part 6 (B): Financial considerations (capital)

66. The Council has an existing allocation of £1.255M funding from its capital programme towards the Flitwick Station area regeneration scheme. As part of its budget planning process from 2018/19 onwards a further allocation is under consideration. Subject to approval this would provide £2.060M net capital funding towards the regeneration of Flitwick Station area.
67. Given the benefits of the scheme and the risks, it is recommended that the Council establish this as a potential contribution to the scheme. This funding would be considered as an investment and the Council would seek an appropriate return in either capital or ongoing revenue as part of any final development partnership. The exact level of investment necessary will be tested through the procurement process. In the event that investment from the Council (beyond land ownership) is not required or at a reduced level, any funds not used from this allocation will be withdrawn from the project.
68. In addition, the Council will be seeking to raise other external sources of funding. The Council has already bid to the Government's competitive Housing Infrastructure Fund (HIF) for £5.3M and Accelerated Construction Fund for £0.8M. The purpose of these bid(s) is to support housing provision within the scheme through the delivery of site infrastructure. This may include the funding of new access roads, junction improvements, public transport interchange and potentially step free access to all station platforms. A decision on which funding bids will be supported is expected in early 2018.
69. Furthermore, the Council will be lobbying Government for additional financial support via Network Rail's next investment plan (2019 to 2024) for the purpose of providing step free access at Flitwick station.

Measures of success in Central Bedfordshire

70. The ultimate measure of success to be applied to this project and its subsequent implementation is the enhancement of Flitwick town centre in line with the principles adopted by the Council's five year plan, namely a town centre positioned to thrive and prosper with new job opportunities, improved facilities and services. The regeneration of Flitwick station area as proposed by this report will directly facilitate these objectives.

Council Priorities

71. The successful progression of this project will support the Council's objective of enhancing Central Bedfordshire by better enabling Flitwick town centre to thrive and prosper with an improved town centre and facilities for the benefit of residents, employees and visitors. It will also help to create a stronger local community by providing a greater sense of place with the town centre at the heart of this.

Corporate Implications

Legal Implications

72. There are substantial legal issues which will have to be considered as part of progression of this project and in particular the procurement of a development partner and any ongoing shared financial or commercial interests or commitments. These issues, which may include for example overage clauses relating to the development such as on sales achieved or floorspace built, will be fully addressed as part of the preparatory work in advance of the partner procurement process commencing.

Financial Implications

73. Progression of this project will directly impact on the Council's current revenue income derived from the Council's landholding adjacent to Flitwick Rail Station and the retail premises Franklins House. It will be necessary to mitigate any revenue loss through the partner procurement process in terms of securing an ongoing revenue stream and from other indirect revenue sources generated such as NNDR. If feasible the Council may also, subject to the quantum of development in the final scheme seek to increase overall revenue generation from the scheme and/or generation of a capital receipt.

Risk Implications

74. There are substantial risks relating to the delivery of a major regeneration scheme such as that proposed. These include financial, reputational and the risks inherent in larger scale construction. The Council's approach at the outset of the development of this project has been to reduce these risks to a minimum. This includes for example the transfer of all financial risk concerning scheme delivery to the private sector.

Close monitoring of risks and issues as they arise in scheme delivery will be closely managed and controlled using relevant project management standards.

Equalities Implications

75. Central Bedfordshire Council has a statutory duty to promote equality of opportunity, eliminate unlawful discrimination, harassment and victimisation and foster good relations in respect of nine protected characteristics; age disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
76. Good planning and development can improve environments and opportunities for communities experiencing disadvantage. Planning which does not adequately engage with, or consider the needs of, local communities is unlikely to improve their life chances and may further entrench area-based disadvantage.
77. The redevelopment of Flitwick Station area, with input from the local community as described by this report, provides a unique opportunity to radically improve access to this important infrastructure so that it provides a genuinely enhanced service for all station users, residents, employees and visitors.

Sustainability Implications

78. The mixed-use development proposed by this report will provide on completion major improvements to transport infrastructure which will encourage and promote greater use of public transport. It will also directly support the growth of a substantial number of local jobs in a location that is closer to communities. This will help to reduce out-commuting and support growth, stability and sustainability in the local economy.

Appendix

- a. Site plan (project area)
- b. Site plan (CBC property acquisitions)
- c. Site plan (CBC/NR land ownership)