

Levelling up Central Kempston

Regeneration Projects Technical Note

18 June 2021

Quality information

<u>Prepared by</u>	<u>Checked by</u>	<u>Verified by</u>	<u>Approved by</u>
Lizzie Cornwell Consultant Gregory Openshaw	Gregory Openshaw	Jameel Hayat	Jameel Hayat

Revision History

<u>Revision</u>	<u>Revision date</u>	<u>Details</u>	<u>Authorized</u>	<u>Name</u>	<u>Position</u>
V1	17 th June 21	Original	Yes	JH	Reg. Dir.

Distribution List

<u># Hard Copies</u>	<u>PDF Required</u>	<u>Association / Company Name</u>
N/A	N/A	Bedford Borough Council

Prepared for:

Bedford Borough Council

Prepared by:

AECOM Infrastructure & Environment UK Limited
Aldgate Tower
2 Lemn Street
London E1 8FA
United Kingdom
aecom.com

© 2021 AECOM Infrastructure & Environment UK Limited. All Rights Reserved.

This document has been prepared by AECOM Infrastructure & Environment UK Limited ("AECOM") for sole use of our client (the "Client") in accordance with generally accepted consultancy principles, the budget for fees and the terms of reference agreed between AECOM and the Client. Any information provided by third parties and referred to herein has not been checked or verified by AECOM, unless otherwise expressly stated in the document. No third party may rely upon this document without the prior and express written agreement of AECOM.

Table of Contents

1. Introduction.....	5
Background	5
Report Purpose.....	6
2. Impacts.....	6
Identifying potential impacts.....	6
Calculating potential impacts	7
Land Value Uplift.....	7
Employment generated by Saxon Centre Office Block.....	7
Wider impacts (crime and affordable housing).....	8
Rental Values.....	9
3. Economic Appraisal	9
Introduction.....	9
Monetising Impacts	9
Sensitivity	10
Costs.....	10
4. Caveats	11

Figures

Figure 2.1 Regeneration Projects	6
--	---

Tables

Table 3.1 Costing Elements of Regeneration Projects.....	10
--	----

1. Introduction

Background

- 1.1 Bedford Borough Council (BBC) commissioned AECOM in June 2021 to assist in the preparation of BBC's *Levelling up Central Kempston* submission to the Government's Levelling Up Fund (LuF). The LuF was announced in the 2020 Spending Review to support communities and 'level up' left behind regions within the UK.
- 1.2 BBC is bidding for LuF funding for two complementary projects: Active Travel and Regeneration. The projects are interrelated and comprise:
 - **Active Travel**
 - Upgrades to Kempston Mill Bridge
 - Upgrades to Back Channel Bridge
 - Cycle path improvements along core stretch of the B531 (Bedford Road)
 - Foot path improvements along core stretch of the B531 (Bedford Road)
 - Improved lighting along core stretch of the B531 (Bedford Road)
 - Improved lighting and resurfacing for cyclists along Kempston Riverside Path
 - Cycle parking: Secure cycling parking at the Saxon Centre and improved facilities at Halsey Road shops
 - General public realm improvements at the Saxon Centre
 - E-bike charging hub at St John's Car Park
 - **Regeneration**
 - Refurbishment of the Saxon Centre Office Block
 - General public realm improvements at the Saxon Centre
 - Support for the delivery of a Kempston Health Hub at the site of the Kempston Police Station (acquiring land and demolition)
- 1.3 Figure 1.1 below shows the location of the interventions included as part of the Regeneration Project within Kempston.

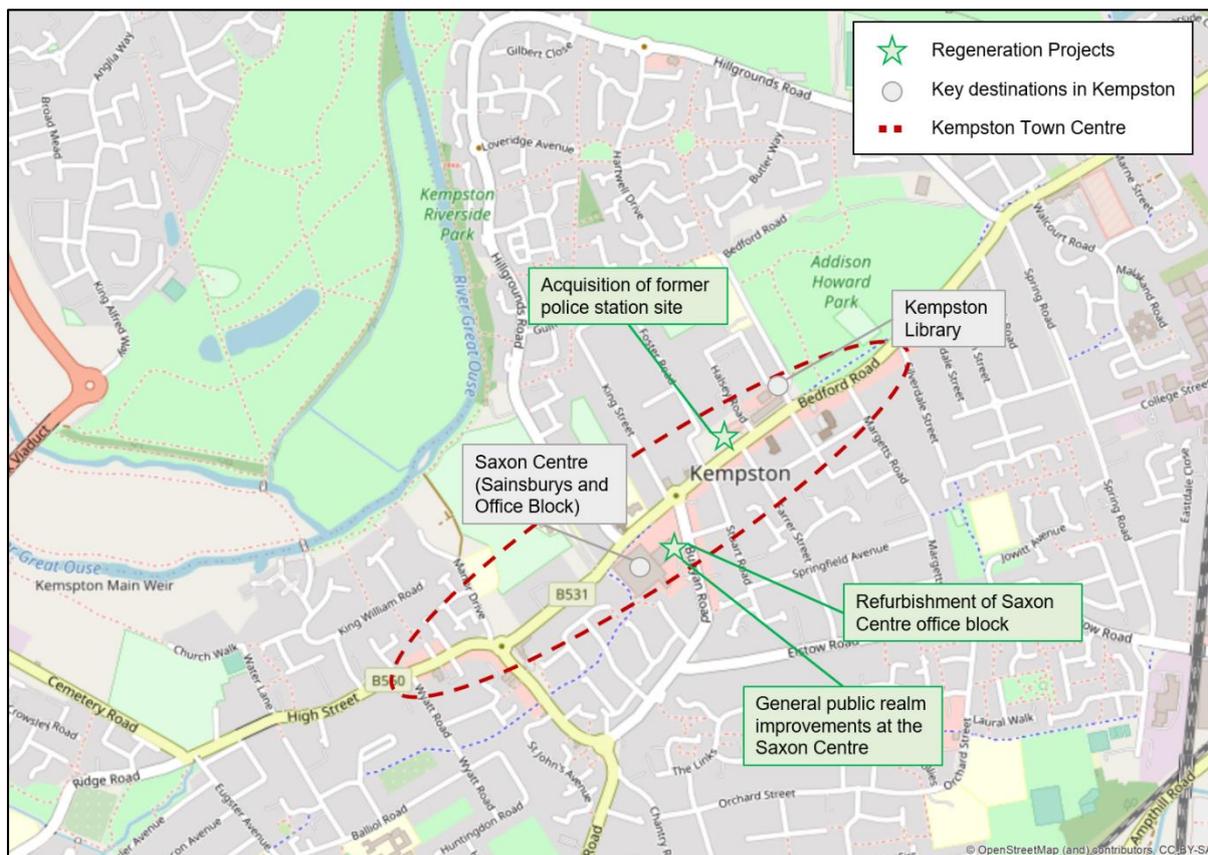


Figure 1.1 Regeneration Projects

Report Purpose

- 1.4 As part of the Levelling up Fund bidding process a Benefit to Cost Ratio (BCR) needs to be established to inform an understanding of the Value for Money (VfM) of the proposal.
- 1.5 This Technical Note presents information on the methodology undertaken to identify the benefits of the project and its costs, and the BCR and VfM for the **Regeneration Project**. The outputs presented in this report inform the BBC LuF Bid.
- 1.6 The report is structured as follows:
 - Section 2: Potential Impacts Arising
 - Section 3: Economic Appraisal
 - Section 4: Limitations

2. Impacts

Identifying potential impacts

- 2.1 A Logic Map was produced to identify the linkages between the active travel and regeneration objectives, and identify how the proposed interventions could lead to desirable outcomes and support improvement in Central Kempston. Understanding the potential cause-effect relationship informed an understanding of what impacts should be appraised as part of the value for money assessment.
- 2.2 Taking a proportionate approach, and following HMT Green Book and MHCLG guidance, the following impacts were assessed and monetised:

- Land value uplift;
- Employment related impacts;
- Wider impacts (crime and affordable housing); and
- Rental income (net of operating costs).

2.3 Regeneration benefits were calculated using a bespoke model, framed by the HMT Green Book principles, and DCLG/MHCLG guidance and assumptions.

Calculating potential impacts

2.4 The method steps and assumptions to calculate impacts are set out below.

Land Value Uplift

2.5 Method:

1. Establish existing areas of:
 - a. Saxon Centre Office Building (not Plaza):
 - i. Site area unknown, so estimate site area:
 1. Building 732 sqm NIA convert to GEA of +20%
 2. Assume 30% footprint of building to site
 - b. Three primary care (GP) surgeries which will become vacant sites once GP surgeries have moved to the new Health Hub
 - i. Information provided by BBC.
2. Identify land values for:
 - a. MHCLG land value benchmarks
 - i. For Office¹ use Northampton and 'Office Edge of CBD' (sqm values)
 - ii. For existing derelict office use assume 50% of commercial values
 - iii. For Residential use 'Bedford residential'
 - b. BBC bespoke values from primary research
 - i. Residual Land Value £ (Demo and rebuild as Resi) provided for each site
3. Apply land values to area totals for DM scenario (continuation of derelict building) and DS scenario to establish values for the sites
4. Monetise over appraisal period, apply price base, discount; and optimism bias

Employment generated by Saxon Centre Office Block

2.6 Method – application of HMT Green Book additionality principles and:

1. Establish use of space
 - a. Ground floor = community space 228.70 sqm, NIA
 - b. First floor = office and serviced 251.73 sqm, NIA
 - c. Second floor = serviced and co-working 251.73 sqm, NIA
2. Establish Densities 1 full time equivalent worker (FTE): sqm NIA²

¹ Land value estimates for policy appraisal 2019; and Land value estimates for policy appraisal 2019: guidelines for use. <https://www.gov.uk/government/publications/land-value-estimates-for-policy-appraisal-2019/land-value-estimates-for-policy-appraisal-2019-guidelines-for-use>

² HCA, (2015); Employment Densities Guide: Third Edition.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/484133/employment_density_guide_3rd_edition.pdf

- a. Ground floor 0 sqm : 1 FTE
- b. First floor 12 sqm (serviced office space)
- c. Second floor 15 sqm (co-working space)
3. Assumptions for support staff: 4 FTE (assume space requires early – late hours given co-working and community use, plus weekends, plus manager and administration staffing.
4. Additionality
 - a. Identify and apply leakage (L) , displacement (D), substitution (S) and multipliers (M)³
 - i. L = 25% Low. Conservative assumption - impacts likely to be retained within Kempston / Bedford area.
 - ii. D = 50% Medium. Assume that those seeking start up space will be using other spaces in Bedford / wider area or space in homes / cafes etc
 - iii. S = none
 - iv. M = Medium regional given proximity of Bedford and other urban centres, plus potential to access and collaborate with Bedfordshire University and other business support providers.
 - v. Calculate operational employment arising
5. Identify Gross Value Added (GVA)
 - i. Average GVA per FTE for Bedfordshire, 2016 = £23,895 (ONS)⁴
6. Calculate potential total GVApa generated by FTE supported.
7. Monetise over appraisal period, apply price base, discount; and optimism bias

Wider impacts (crime and affordable housing)

2.7 Crime reduction method:

1. Establish crime levels most suitable category associated with public realm / town centre environments
 - a. Crime data # 2: Kempston Central and East, 'Violent, criminal damage and anti-social behaviour' only during Mar-20 to Feb-21 = 587 incidents
2. Assumption of potential reduction as a consequence Regeneration Project and Active Travel project and associated benefits e.g. improved sense of place, civic pride and potential for events to enable and improve community cohesion = 5%
3. Potential reduction in crime: 5% of 587 = 29 incidents
4. Cost of crime
 - a. 'Crime - average cost per incident of crime, across all types of crime (fiscal, economic and social values)' 2016/17 value of £978.9 (data from Greater Manchester Combined Authority database – a source for non-market impacts, referenced in Green Book)⁵
5. Calculate potential crime reduction benefit
6. Monetise over appraisal period, apply price base, discount; and optimism bias

2.8 Health benefits associated with affordable housing provision:

1. External health benefit of affordable home, based on DCLG appraisal guide⁶:
 - a. Annual uplift factor in health benefit = 2%

³ HCA, (2014); Additionality Guide: Fourth Edition.

⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/378177/additionality_guide_2014_full.pdf

⁵ <https://www.ons.gov.uk/economy/grossvalueaddedgva/datasets/regionalgrossvalueaddedbalancedbylocalauthorityintheuk>

⁶ New Economy Manchester Unit Cost Database, v2.0

⁶ <https://www.gov.uk/government/publications/department-for-communities-and-local-government-appraisal-guide>

- b. Health care cost = £4,000 (2016)
 - c. Probability that someone is a former rough sleeper = 1%
 - d. Probability of a new rented AH unit reducing overcrowding = 89%
 - e. Annual impact of reduced overcrowding = £96.00
 - f. Total houses delivered = 21 (BBC information on sites capacity)
 - g. Affordable homes policy = 30%
2. Monetise over appraisal period, apply price base, discount; and optimism bias

Rental Values

2.9 Method:

3. Establish DM and DS operational costs for Saxon Centre Office Building:
 - a. DM - provided by BBC of £7,500 per 11 years with first year assumed to be 2023
 - b. DS - provided by BBC of £40,000 pa
4. Establish DS income
 - a. DS - provided by BBC of £47,425 pa
5. Monetise DM and DS over appraisal period, apply price base, discount; and optimism bias, and net off.

3. Economic Appraisal

Introduction

- 3.1 The economic appraisal calculates benefits and costs over the appraisal period, at a common price base, with social preference discounting; and optimism bias applied to scheme costs. It also factors in the indirect taxation correction factor for scheme costs, on the basis that benefits are in the market price unit of account.
- 3.2 Information on the results of the appraisal are also presented in the LuF Bid application form and supplementary spreadsheets.

Monetising Impacts

- 3.3 As part of the economic appraisal of the Regeneration schemes, assumptions have been made. These include:
 - Price base: Monetised costs and benefits are presented in 2010 prices and values, discounted in line with HMT Green Book Guidance⁷. As the bid comprises two projects, with the other being a transport project, a price base of 2010 has been applied to allow the two sets of prices and values to be combined. For the Regeneration Project, prices and values have also been expressed in 2021 as per MHCLG reporting preferences.
 - The opening year is assumed to be 2023 for all the interventions.
 - An appraisal period of 30 years (2023-2052)
 - Real increases in price are taken from the DfT's TAG Databook⁸ (average about 1.5% per annum)

⁷ HMS Treasury (2018). The green book: Central government guidance on appraisal and evaluation. London: HM Treasury. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/685903/The_Green_Book.pdf

⁸ DfT TAG Data Book, July 2020, v1.1.3.1. <https://www.gov.uk/government/publications/tag-data-book>

- 3.5% pa discount rate (years 1-30 as per HMT Green Book)
- 1.5% pa discount rate (years 1-30 as per HMT Green Book) for health impacts; and
- DS scenario (and different demand scenario options within this) assessed against the DM scenario.
- Optimism bias of 15%. It was deemed appropriate as by the nature of the interventions, the costs are well-known. Recent procurement or tendering processes undertaken by Bedford Council reduce uncertainties and provide clarity on likely costs.
- Indirect taxation correction factor of 1.19 applied.

Sensitivity

- Sensitivity: two tests are applied:
 - 1) with Gross Value Added change of +/- 25%; and
 - 2) with an appraisal period of 20 years (2023-2042).

Costs

- 3.4 The costs to develop the Regeneration Projects have been estimated by BBC and are shown in Table 3.1 below. Overall, the Regeneration Projects are estimated to cost £6.95 million.
- 3.5 This value includes risks and uncertainties. Risk and allowance varied by cost component, depending on the quality of information and experience or knowledge. The risk and uncertainty costs are set out in 'Table D Costing estimates' in the LUF submission. For many cost components the risk allowance is 10% based on the complexity of the scheme and the current scheme stage, and 5% on the preliminary design costs and 10% on the detailed design costs. In some instances, where there was good relevant information such as a recent quotation / recent procurement for the same item, the risk and contingency is lower.
- 3.6 The costs below were factored for inclusion in the Economic Case (discounted 2010 or 2021 real prices in the market price unit of account as set out earlier in this report).

Table 3.1 Costing Elements of Regeneration Projects

Regeneration Project	Costs (£)
Saxon Centre office block refurbishment	£2,521,000
Water ingress measures	£289,500
Repaving	£1,043,000
Amenity/Decorative lighting and CCTV	£231,340
Seating	£285,070
Planters and living walls	£125,090
Performance/arts area / amphitheatre	£534,000
Footfall Count equipment	£36,000
Health Hub - Funding to buy the site as per Strategic Outline Case (SOC)	£1,100,000
Health Hub - Funding to demolish buildings on the site as per SOC	£583,560
Project Management (30 months) capitalised	£200,000
Total	£6,948,560

4. Caveats

- 4.1 The data used and methodology employed were guided by the time constraints in which to undertake this appraisal.
- 4.2 There is uncertainty regarding:
- Land value uplift
 - The value of derelict land
 - Employment related
 - Businesses using the new Saxon Centre Office Block may have a different GVA per FTE than used – depending on sector and business maturity (e.g. start ups may have lower levels)
 - Crime
 - The potential change in incidents should ideally be informed by a better understanding of how investment in public realm can impact on crime
 - Affordable housing
 - The number of affordable homes is guided by site capacity; there will however be other factors which determine whether affordable homes can be delivered on those sites.
- 4.3 Many benefits have not been monetised, and the monetised benefits could be considerably higher than the above method is able to identify, based on the data and information available. Moreover the success of the Regeneration project will not necessarily be best determined by monetised benefits as there are a range of other social benefits, which often cannot easily be monetised, that the project seeks to address, in order to 'level up' Kempston.

aecom.com