

## APPENDIX J – MHCLG COVID Queries and Answers

1. Do you propose to review your scheme – or the market analysis underpinning your scheme - in response to changing market conditions? If so, how? If not, why? (300 words)
  2. How do you anticipate that co-funding of your project and/or your project programme may be affected by changing market conditions? (500 – 750 words)
  3. How will you review and refine your evidence of demand from developers and occupiers in coming months, in response to changing market conditions? (500 – 750 words)
  4. If deliverability of your scheme is now likely to be impacted by market conditions (for example a reduction in demand from developers and occupiers), what would be your strategy to revise proposals for your scheme in order to accelerate / protect delivery of outputs and outcomes? What activities need to be brought forward first in order to progress your scheme? (500 – 750 words)
  5. If deliverability of your scheme was disrupted or delayed as a result of market confidence (for example, delay in follow on investment materialising, which leaves some areas of land undeveloped), what would be your strategy for interim management of the area? Explain any proposals you have for meanwhile activities and how these fit within your overall plans. (500 – 750 words)
  6. How do you anticipate changing market conditions will have an impact on the benefits and outcomes you were hoping to deliver through your scheme? (500 – 750 words)
  7. What impact do you anticipate changing market conditions will have on the financial aspects of your scheme? Please give details on which aspects are likely to be more uncertain e.g. level of co-funding, income, cost inflation, site values etc. and how you propose to reflect this uncertainty in your final submission. Under normal circumstances, we would expect a series of financial models showing a range of scenarios based upon different levels of confidence and uncertainty around key elements and are keen to understand how you foresee the current change in market conditions impacting such modelling. (500 – 750 words)
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Q1: It is currently a period of considerable uncertainty, which will have a significant impact on investment proposals over the coming months, and potentially years. The UK is in the midst of the current crisis and the current lockdown restrictions are having a significant impact on the day to day operations of many organisations, beyond what would be associated with a policy of social distancing. Market and valuation advice from all sources are

subject to caveat following advice from the Royal Institute of Chartered Surveyors. Market forecasts contained in this bid are correct and consistent as of April 2020, and there are no plans to update them prior to submission.

Q2: The public realm components are not subject to co-funding and will not be affected. The Acre Road investment and the Vacant Unit Reactivation & Flats over the Shops initiative could be affected and may result in delays in delivering the expected private sector funding. The impact of delaying Acre Road for 12 months has been assessed in the financial case.

However, we would note the following factors:

- While there is expected to be a lasting impact on UK government debt, as a consequence of the temporary support measures in place at this time and the loss of tax revenue, UK economic activity is currently expected to return to normal levels by the end of 2021 (OBR Central Forecast Scenario).
- The private sector funding and delivery at Acre Road are not scheduled to begin until after this date (see five year spending profile).
- Discussions with developers are already occurring. In April 2020, FDC received a request for pre-application planning advice from the major land owner at Acre Road. This relates to a residential-led scheme for 5 dwellings. Coming at the height of the Covid crisis, this clearly shows developer interest in the site, and provides a mechanism through which FHSF funding could secure a more desirable market-led outcome.

Q3: There will be ongoing discussions with developers and occupiers in the coming months. This will build on the extensive public consultation that has involved both businesses and individuals in March Town Centre through the Town Council and Growing Fenland initiatives. In addition, FDC are also cooperating with a wide ranging assessment of the local impact of Covid led by Greater Cambridgeshire Partnership and the Cambridge and Peterborough Combined Authority. This involves real-time monitoring of commercial property market indicators.

Q4: We do not believe that deliverability of our scheme will be adversely affected by the current market conditions. We refer to a) the OBR central forecast b) evidence of strong market demand in March and c) the public realm components of the proposal which are fully in the control of FDC and Cambridgeshire County Council.

Q5. The principle risk for our proposal relates to Acre Road. Contingencies for site delivery include using FDC's LATCo to take ownership and develop the site independently (see Commercial Case for an explanation of various delivery routes. FDC's new LATCo offers a method through which Acre Road could be developed while abiding to clear public sector investment principles outlined in



Fenland District Council's Commercial Investment Strategy. This strategy allows for investment in regeneration and place shaping where a clear return can be identified. In these terms, economic regeneration is defined as "the broad process of reversing physical, economic and social decline in an area where market forces will not do this without intervention." In most cases, spending on economic regeneration may not result in direct income to the Council as it would from an investment property. However, it can deliver indirect income through an increase in business rates and council tax income (where there is new housing) and generally through increased fees and charges from greater use of Council facilities. The Investment Strategy outlines the circumstances where intervention may be justified, the required rates of return, and how success may be measured in wider terms than purely financial indicators. This approach offers one way in which viability and delivery issues could be addressed.

The preferred delivery vehicle will be subject to a cabinet-level decision by FDC members when the market impacts of Covid-19 become a little clearer.

Q6. Our assumptions on benefit realisation are very conservative and would see March's performance simply match MHCLG approved benchmarks for Land Value Growth. For the preferred option, we have applied appropriate sensitivity tests, and have demonstrated there is considerable degree of 'headroom' above and beyond the required 2:1 BCR.

The Economic Case also includes a do minimum option which also scores robust returns. This do minimum option involves structurally significant changes to the town centre which are deliverable and fully in the control of FDC and Cambridgeshire County Council.

Q7. Appropriate professional advice has been secured for all cost estimates, and allowances for risk have been incorporated into the financial analysis. We have also tested the financial impact of delays to the Acre Road Development site through a new financial scenario.