

# WEST NORTHAMPTONSHIRE COUNCIL CABINET

11 July 2023

**Portfolio Holder for Economic Development, Town Centre Regeneration  
and Growth: Councillor Daniel Lister**

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**Report Title** Northampton Towns Fund Leisure Project: Update

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## List of Appendices

**Appendix A:** Record of Decision by the Leader in relation to Northampton Towns Fund Leisure project

**Appendix B:** Outline Business Case for the Market Walk Shopping Centre

### **1. Purpose of Report**

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- 1.1 This report seeks to;
- 1.2 update Cabinet on progress made towards the delivery of the Market Walk Shopping Centre scheme,
- 1.3 Notify Cabinet of the decision taken by the Leader of the Council to approve the Towns Fund business case in order to secure the development scheme and

- 1.4 Agree the associated recommendations relating to the Market Walk shopping centre in Northampton.

## **2. Executive Summary**

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- 2.1 The purpose of the Market Walk scheme is to create a prime destination in Northampton for food, drink and entertainment which will attract local residents and visitors from neighbouring areas. It will also act as an anchor to support the Council's focus on transforming and enhancing the town centre including increasing the benefits from the improvements taking place on the Market Square and attracting increased footfall to the Town.
- 2.2 Progress has been made towards the delivery of the project and this is set out below.
- 2.3 In addition, the report fulfils the function of reporting to Cabinet the decision taken by the Leader under urgency procedures, which is included at Appendix 1. This was required to ensure that the Council could secure the best development partner and commercial arrangements at a viable price and avoid the Council's interest becoming known and driving the costs up.

## **3. Recommendations**

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- 3.1 That Cabinet:
  - a) notes the update on delivery of the Northampton Towns Fund Leisure Project; and
  - b) notes the decisions taken by the Leader of the Council set out at Appendix A.

## **4. Reason for Recommendations**

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- 4.1 Where decisions that would otherwise be taken by the Leader and Cabinet have been taken by the Leader alone, in the interests of transparency, the decision is reported to the next available meeting of the Cabinet.
- 4.2 The decision taken provided the authority for the Council to:
  - a) approve the Outline Business Case for the Market Walk Shopping Centre project
  - b) note that Northampton Forward have approved the substitution of the grant allocation for Emporium Way to be allocated to the Market Walk Shopping Centre project.
  - c) delegate to the Head of Major Projects and Regeneration authority to take all necessary steps to complete the grant funding agreement for the Market Walk project and secure the site development.
- 4.3 The full reasons for the decision taken are set out in the decision records appended to this report.

## **5. Report Background**

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- 5.1 The Market Walk Shopping Centre scheme will create a prime destination in Northampton for food, drink and entertainment which will attract local residents and visitors from neighbouring areas. It will also act as an anchor to support the Council's focus on transforming and enhancing

the town centre including increasing the benefits from the improvements taking place on the Market Square.

- 5.2 The project will create a space for multiple independent food operators, that will serve a wide variety of cuisine from local independent traders based around a central events space within the building. A number of retail units would be transformed into leisure uses including restaurants and bars.
- 5.3 The lower ground floor of the building will offer competitive socialising activities that could include activities such as mini golf, darts, shuffleboard, karaoke booths and ten pin bowling, with the final mix of uses to be determined after market testing.
- 5.4 Food and leisure units will be located around a communal seating area focused on a main stage, which would provide a space for live music performances and entertainment. The former shopping centre will have the frontages improved on both the Market Square and Abington Street to increase the activation of the public realm and improve tired facades. This will also help provide a natural flow of visitors between the Market Square and the all weather indoor leisure facilities in Market Walk.
- 5.5 The redevelopment of the Market Walk Shopping Centre offers an opportunity to meet an identified need for key town centre development, which in turn will encourage footfall and diversify the town centre offering. Based on current projections undertaken by the operator of the scheme, it is estimated that the completed scheme will generate footfall in the region of 1,000,000 per year.
- 5.6 Without intervention, it is likely that Market Walk will remain in a redundant and vacant retail state following the decline in the retail market and the impact of COVID-19 in the town centre. This is likely to cause a decline in footfall to this part of the town centre, having an adverse effect on the immediate surrounding area and in particular the proposals for Market Square.
- 5.7 There has been no significant interest in Market Walk over the last 3 years and no proposals for any viable redevelopment proposals or requests for a change in use, during which the site has been predominantly vacant. Without intervention it is likely that Market Walk will remain in a redundant and vacant retail state and have an adverse effect on the immediate surrounding area and in particular the proposals for the wider Market Square regeneration.
- 5.8 There are significant viability challenges associated with developing the site without the Towns Fund investment, which justified the need for public /authority intervention. This report seeks approval to enter into a Grant Funding Agreement with the developer and use the Towns Fund grant to cover the viability gap identified in the OBC (Section 4- Financial Case) to facilitate the development.
- 5.9 Market Walk Shopping Centre received the third highest number of votes in the TIP consultation, strongly supporting the redevelopment. 60% of respondents felt that the project was essential to Northampton's regeneration. At the time it was rated as having too high a risk around delivery within the timescales set by Government. However, since the council has now been approached

by a developer who have produced a scheme proposal and a programme which will see Market Walk redeveloped within the time frame set by Government.

- 5.10 A business case for the redevelopment of Market Walk has been developed and independently appraised by Hatch Ltd and subsequently approved by the Northampton Forward Oversight and Delivery Group on the 5<sup>th</sup> September 2022 and was subsequently approved virtually by the Northampton Forward Board.
- 5.11 The Hold Group were responsible for delivering Stack Newcastle (now in the course of relocation) and Stack Seaburn, two highly successful leisure, hospitality and entertainment venues that have continued to perform strongly throughout the past few years even through the pandemic, bucking the trend in leisure and hospitality. Due to the success of these two sites, the Hold Group are looking to expand into other areas of the country and provide a solution to landlords and local authorities that will reinvigorate the high street and provide an exciting and prospect for the repurposing of retail units.
- 5.12 The project delivers high value for money with a Benefit Cost Ratio of 2.7. There are several wider non-monetised socio and economic environmental benefits of the project which are summarised below:
- Regeneration benefits – the scale and nature of the scheme will provide transformative regeneration benefits and will have a wider catalytic impact upon Abington Street and Northampton’s town centre beyond the immediate area by increasing investor and occupier confidence in the area. This will assist in enhancing the town’s attractiveness as a residential location to improve demand for town centre living which is a wider key objective of the Town Investment Plan.
  - Construction jobs – the development will generate a significant number of new construction jobs during the construction period. It is estimated that it could support a total of c.113 construction jobs.
  - Perception and profile – the project will assist in enhancing the perception, image and profile of the town centre.
  - Reduce crime and anti-social behaviour – through promoting increased activity in the town centre within a currently derelict shopping centre, including a day and evening offer, the project will improve natural surveillance levels and reduce opportunities for crime locally.
- 5.13 The Hold Group have a proven track record in delivering successful leisure schemes of this nature which include Stack Newcastle and Stack Seaburn. Although both schemes are built using containers and not repurposed retail units, the concept remains the same. Both schemes have been a catalyst in regeneration for their respective areas increasing footfall and sparking further investment in the locations.
- 5.14 Stack Newcastle was located on a derelict piece of land in an area of the city that had been neglected for 20 years. Following the arrival of Stack, there was a huge uplift in footfall and it

changed the flow of people on a night out in the city with obvious benefits to the night-time economy. Stack had such a catalytic effect and is now being relocated to the Pilgrim Quarter a new development as the area they previously occupied is now being transformed into grade A office accommodation for HMRC. During the 4 years of operation the site welcomed over 3 million visitors and turned over £9m of rents received from tenants.

## **6. Issues and Choices**

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6.1 The decision taken was necessary to ensure the continued proper running of the Council and its business.

## **7. Implications (including financial implications)**

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### **7.1 Resources and Financial**

7.2 The Market Walk Shopping Centre is replacing the Emporium Way project. In the capital programme, it is currently forecasted that the project is made up of £4,006,729 of capital grant funding and £200,000 of revenue grant funding. The capital programme will need to be revised to reflect that all the grant funding (£4.2m) will be used as capital for the project.

7.3 WNC is the accountable body for the Towns Fund grant and will be passporting £4.2 million to the developer from the Towns Fund. The funds will be governed by a grant funding agreement between WNC and the developer and will be paid on the completion of milestones laid out in the agreement and after the acquisition by the developer.

7.4 This grant funding agreement will safeguard the council and put strong governance in place to manage the grant. This will include:

- Ensuring payments will only be made on a stage basis and only for costs incurred
- Checks by a quantity surveyor to ensure the measured works have been undertaken
- Legal charge to secure repayment of the grant if required

### **7.5 Legal**

7.5.1 This report is required to ensure that the Council complies with its constitution in making key decisions relating to the Council's capital assets, even when they are under the management of Northampton Partnership Homes. The Chair of the relevant Overview and Scrutiny Committee has been consulted about this decision.

### **7.6 Risk**

7.6.1 Overall, if the Towns Fund projects are not delivered, there will be significant financial, reputational and political risks for both the council and the developers (see also OBC page 21- Key Dependencies and Constraints).

- Financial risks: If the projects are not delivered within time and deadlines are not met, the council risks losing external funding and faces increased costs within projects through not being able to undertake appropriate due diligence.
- Reputational risks: If the programme of work is not delivered timely, then it weakens the council's position to leverage funding from Government and other external funders in the future. There would also be a reputational hit with the public with many of these schemes already heavily promoted.
- Political risks: As a new authority, the council is under increased scrutiny from Government and the public and if the projects are not delivered efficiently then this can seriously harm the council's perception to these audiences.

7.6.2 There are also risks that are specific to the delivery of the Market Walk Shopping Centre project, these are recorded in a risk register which is regularly reviewed and monitored by the council. Below is a summary of the risks for the projects.

- Not getting planning consent – ensure project manager works closely with planning throughout the process to minimise this risk, although it should be noted that the council, in its capacity as the Local Planning Authority, is entirely independent
- COVID-19 – continued uncertainty around the impacts of the COVID-19 pandemic, particularly with regards to market/occupier demand in the office sector
- Inflation cost pressures – in the past 24 months we have seen unprecedented inflation levels on construction projects. There is contingency allowed for within the appraisals as well as any cost increases being offset by the inflation on sales values

7.6.4 The council will in accordance with the Subsidy Control advice given by DWF have to publish the award of the grant and should do so within 3 months. To mitigate against any challenge of the award/grant on the basis of it being unlawful the council will maintain robust audit trails evidencing its compliance with all required legislation and statutory requirements evidencing such by reference to the Pro Forma attached at Annexure B of this report as well as carrying out any required due diligence in respect of the grantee.

7.6.5 The council is as with all its decisions open to Judicial Review challenge following the publication of the award/grant within the period of normally afforded for such (3 months). The council will need to bear this in mind in terms any further contractual commitments with the developer within this period.

## 7.7 Consultation and Communication

7.7.1 The council is as with all its decisions open to Judicial Review challenge following the publication of the award/grant within the period of normally afforded for such (3 months). The council will need to bear this in mind in terms any further contractual commitments with the developer within this period.

7.7.2 The council will keep members of the public, partners and other stakeholders informed and engaged on the Market Walk proposals as they progress, including objectives, outcomes and

future benefits, as part of the wider communications strategy and activities for the regeneration of Northampton town centre.

## **8. Background Papers**

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None