MARKET WALK SHOPPING CENTRE, NORTHAMPTON PROJECT

OUTLINE BUSINESS CASE

DEVELOPED IN RESPONSE TO THE NORTHAMPTON TOWN DEAL

ON BEHALF OF WEST NORTHAMPTONSHIRE COUNCIL

CUSHMAN & WAKEFIELD

26 August 2022

CONTENTS

1. Executive Summary

Purpose of this Outline Business Case

This Outline Business Case (OBC) has been developed by Cushman & Wakefield in conjunction with West Northamptonshire Council (the "Council") in response to the Government's Town Deal programme. Following the approval of the Northampton Town Investment Plan, this OBC seeks approval for £4.175m of Town Deal capital grant investment and has been developed in accordance with Town Deal and wider MHCLG Appraisal Guide and HMT Green Book requirements, adopting principles of proportionality as agreed. Given the scale of the funding ask, it is agreed that a proportionate approach to the Business Case can be adopted as per the latest HMT Green Book, particularly in the Economic Case, where for example, only two intervention options are shortlisted through to full economic appraisal (do something versus a "Business As Usual" BAU scenario).

Strategic Case

The subject site currently comprises a large vacant shopping centre, known as Market Walk. The centre has formerly been occupied by retailers including Dorothy Perkins, Zara Beauty, Lucci Leather, Swishing, Cynthia Spencer Hospice, Rendezvous Coffee Shop, Fitness Inc, Bohemian Finds, Aflora and Luxe Gifts, Evans, Bias and others. Following the decline in the retail market, the Shopping Centre has become redundant and as such, has been earmarked for a redevelopment / repurposing opportunity.

The site occupies a strategically important position within the town centre, with Abington Street being a key arterial route through the retail core and linking the site to Northampton Railway Station. The Market Walk Shopping Centre also fronts onto Market Square, a key regeneration site identified in the Town Centre Masterplan, published in October 2019. Introducing a new leisure offering to this area will increase and diversify the existing offer and will support the regeneration of Market Square.

An initial site masterplan has been prepared by UrbanEdge Architects, on behalf of ARBA Group, comprising a food and beverage focused leisure offering in the shell of the former Market Walk Shopping Centre.

The creation of a space for multiple independent street food operators is proposed, that will serve a wide variety of good quality, modern street food cuisine from local independent traders. A number of retail units would be transformed into bars, each with their own unique look and offer, and there will also be provision for competitive socialising including various leisure activities. The bars and street food units would be located around a communal open seating area focused on a main stage, which would provide a space for live music performances and entertainment. The centre would retain active frontages to Market Square and Abington Street. A key element will be to create an external space that offers outdoor drinking and dining, which is currently envisaged to be achieved through the inclusion of a retractable roof.

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

It is recognised that the unprecedented levels of change experienced by Northampton's Town Centre in recent times have created a series of challenges it must tackle and overcome, including:

- Creating a Vibrant and Welcoming Town Centre
- Providing the Conditions for Business to Flourish
- Creating a Town Centre that Benefits all of our Communities

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. Without intervention, it is likely that the Market Walk Shopping Centre will remain in a redundant and vacant 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.

There are a range of market failures constraining investment in Northampton, with the market failures impacting the re-development of the Market Walk Shopping Centre predominantly focused around public goods and viability challenges, as set out in this Strategic Case. The cost of undertaking the redevelopment of the Shopping Centre, alongside the cost of acquiring the property and making capital contributions to secure occupiers, is greater than the value of the scheme, resulting in a viability gap. Due to this, the site would not be delivered by the market, in the absence of the Towns Fund investment, which justifies the need for public intervention.

Economic Case

In summary, the Economic Case demonstrates that the preferred option could achieve a marginally 'acceptable' value for money position with a BCR of exactly 1.0 when appraised using the Land Value Uplift plus wider external benefits approach.

However, when assessed using the place-based approach, the preferred option has the potential to generate a 'high' value for money position with a BCR of 2.9.

The preferred option fully aligns with the scheme's SMART objectives and whilst the LVU based BCR is only marginally acceptable (and the risks of this falling below 1 must be acknowledged), the strategic rationale for intervention and the above wider non-monetised benefits should be accounted for in the overall assessment of the value for money of the preferred option as accepted and recommended in the latest version of the Green Book. The place based BCR also gives some comfort of the VFM position given the risks around the LVU based BCR falling below subject to changes to scheme costs/benefits. In our view, either approach to benefits monetisation could be justified in this instance and we have presented both scenarios to allow the appraiser to understand the BCR implications of each. Ultimately, it would seem logical to argue that the place based approach is relevant to a Towns Fund scheme of this nature.

Financial Case

The Financial Case has set out in detail the various revenue and cost assumptions which support the development appraisal undertaken for the Market Walk site.

Based on the appraisal undertaken by Cushman & Wakefield, a viability gap in the order of £4.175m has been identified, which is proposed to be met through Towns Fund funding.

Aside from the public sector gap funding outlined above, which is required as a result of the negative viability position of the scheme, we have assumed and are confident that the delivery of the scheme would be funded through commercial funding sources.

Commercial Case

The Commercial Case has considered market sentiment, demand and demographic analysis in order to demonstrate demand for the proposed Market Walk scheme.

The Hold Group are responsible for delivering Stack Newcastle 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 & hospitality.

This Commercial Case has also demonstrated the capability and track record of ARBA Group as a developer, providing examples of successfully delivered projects and an overview of the company.

Whilst Northampton's retail and leisure sector has suffered due to the compounding effects of Rushen Lakes, the Covid pandemic and the shift to online shopping, there is a huge opportunity to reimagine the role that leisure/hospitality plays in creating a new town centre anchor by transforming the currently vacant Market Walk Shopping Centre.

The repurposed Shopping Centre 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 Market Square as a prime events space.

Northampton's current leisure and F&B offer is substantial with 119 F&B businesses located within the town centre (source Northampton Town Centre BID Directory). There is a mix of independent operators, national chains, and multi-site operators, which all offer a more traditional dining/drinking experience.

There is no business currently operating in Northampton or in the wider County that offers a multipurpose venue with independent street food traders, bars, and entertainment, demonstrating there is a gap in the market for this type of offer.

It is anticipated that the scheme will be delivered through a form of Development Agreement and Grant Funding Agreement between the developer (ARBA Group) and WNC, with the latter effectively acting as the accountable body for defrayment of the Towns Fund grant.

Management Case

WNC will be the Accountable Body for defrayment of the Towns Fund grant associated with the project, and will be responsible for overseeing the financial management and accountability monitoring of the Project.

WNC has an existing team who will supply project management and delivery expertise and will draw in partner resources when relevant, to ensure that the project and partners comply fully with funding legislative requirements.

The project team has a strong and demonstrable track record in delivering major, transformational projects. The Council has put in place the arrangements for successful delivery of the interventions including; a robust governance structure, risk and change management plan, and a system for monitoring and evaluating post-delivery benefits.

As outlined elsewhere in this Business Case, a wide range of benefits are forecast to be generated through delivery of the programme. We recognise the importance of having robust arrangements in place to allow benefits to be captured and to be alert to instances where there may be challenges to achieving anticipated benefits. As such, WNC, in conjunction with ARBA Group plans to develop KPIs as part of the M&E strategy, rather than defining them all at this point.

The development of the Town Investment Plan has been guided by community and stakeholder consultation throughout its development. The development of the Northampton Town Investment Plan has been overseen by Northampton Forward Board; a public / private partnership board established in early 2019.

Online consultations on the potential TIP proposals were held in September 2020 to determine the community's priorities for investment, gain feedback and opinions on a range of proposed investment areas and determine the challenges / opportunities for the town. The consultation identified that Town Centre Public Realm and Market Walk were seen to be the most beneficial to improving the town centre with regards to regeneration. 51% of all participants identified that the Market Walk project would be extremely beneficial to the town centre.

2. Strategic Case

Background

The subject site currently comprises a large vacant shopping centre, known as Market Walk. The centre has formerly been occupied by retailers including Dorothy Perkins, Zara Beauty, Lucci Leather, Swishing, Cynthia Spencer Hospice, Rendezvous Coffee Shop, Fitness Inc, Bohemian Finds, Aflora and Luxe Gifts, Evans, Bias and others. Following the decline in the retail market, the Shopping Centre has become redundant and as such, has been earmarked for a redevelopment / repurposing opportunity.

The site is located within Northampton Town Centre, around half a mile to the east of Northampton Railway Station and around a quarter of a mile to the northeast of Northampton Bus Station.

The site fronts Abington Street to the south, Market Square to the west and Wood Street to the east. The eastern most part of the site is bounded by existing development. The wider surrounding area of the site is predominantly retail, given the town centre location. The Grosvenor Shopping Centre and multi storey car park are located in the immediate vicinity of the site.

The freehold interest in the site is currently owned by CFC 52 LIMITED (Co. Regn. No. 07268031) of 1A Kingsley Way, London N2 0FW. ARBA Developments Limited have agreed Heads of Terms (HoTs) to purchase the freehold interest for a price of £2,000,000. This offer is subject to the following conditions:

- Planning Permission. Receiving a Planning Consent for (Class E use and Sui Generis Entertainment Venue

- Licencing. An acceptable licence being granted.

- Vacant Possession on completion

- Contract

The agreed acquisition price does not take account of the potential Towns Fund funding support.

The site occupies an important position within the town centre, with Abington Street being a key arterial route through the retail core and linking the site to Northampton Railway Station. The Market Walk Shopping Centre also fronts onto Market Square, a key regeneration site identified in the Town Centre Masterplan, published in October 2019. Introducing a new leisure offering to this area will increase and diversify the existing offer and will support the regeneration of Market Square.

A site plan and site location plan are included below, at Figure 2.1 and Figure 2.2.

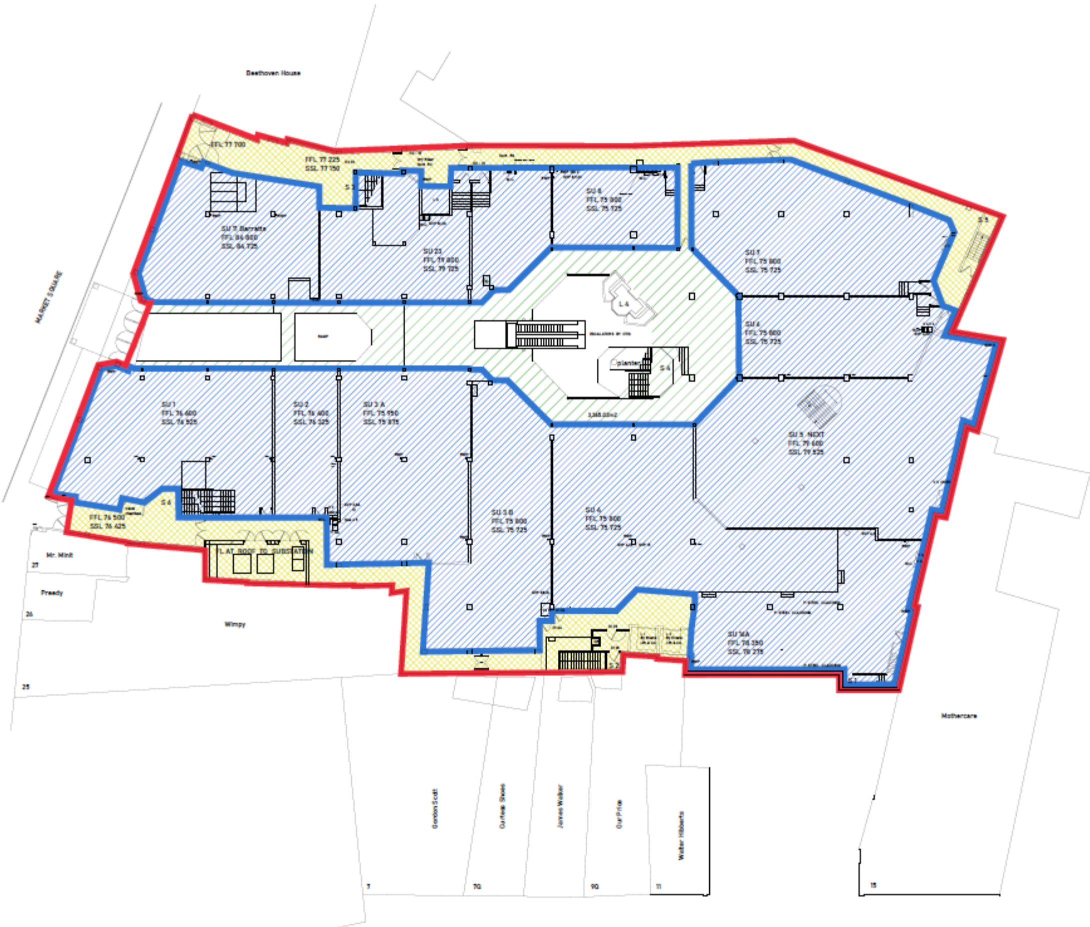


Figure 2.1: Site Plan

Figure 2.2: Site Location Plan

Scheme Proposals

An initial site masterplan has been prepared by UrbanEdge Architects, on behalf of ARBA Group, comprising a food and beverage focused leisure offering in the shell of the former Market Walk Shopping Centre.

The creation of a space for multiple independent street food operators is proposed, that will serve a wide variety of good quality, modern street food cuisine from local independent traders. A number of retail units would be transformed into bars, each with their own unique look and offer, and there will also be provision for competitive socialising including various leisure activities. The bars and street food units would be located around a communal open seating area focused on a main stage, which would provide a space for live music performances and entertainment. The centre would retain active frontages to both Market Square and Abington Street. A key element will be to create an external space that offers outdoor drinking and dining, which is currently envisaged to be achieved through the inclusion of a retractable roof.

The repurposed Shopping Centre 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 Market Square as a prime events space.

The Case for Change

Northampton is the County Town of Northamptonshire and is the area's main employment, retail and cultural centre. The town lies on the banks of the River Nene, 67 miles North-West of London and 54 miles South-East of Birmingham. As such, the town is strategically located to benefit and contribute towards the Oxford-Cambridge Arc, a major national Government economic growth corridor. The town is served by the M1 motorway and the Northampton Loop of the West Coast Main Line, offering strong regional and national transport connections.

These attributes mean Northampton is recognised as one of the top towns pursuing high growth strategies in sectors such as automotive, logistics and advanced manufacturing. This in turn contributed to the establishment of the nationally designated Northampton Waterside Enterprise Zone in 2011; 120 hectares of business led development along the River Nene.

Northampton is the largest town in the UK, with a population of 225,700. Over the last 20 years, its population has grown faster than the national rate, at 0.8% per year (ONS mid-year population estimates 2017). Northampton is a net importer of workers, with a workplace population of 153,000, and a jobs density of 1.07 which is significantly above both the regional and national comparisons. The town itself commands a sizeable travel to work area which is roughly in line with the catchment area for Northampton Town Centre.

The University of Northampton is based in the town centre, and is critical for the economic future of the area and supporting skills growth. The introduction of an enhanced competitive socialising experience and good quality F&B / leisure options will play a key role in improving the University experience.

However, the unprecedented levels of change experienced by Northampton's town centre in recent times has created a series of challenges it must tackle and overcome:

- 15% reduction in footfall between 2015 and 2019
- 23 retail businesses vacated the town in 2020
- 21.8% of town centre units were vacant in Q4 2020
- 36.8% decline in prime retail rents achievable between 2017 and 2020

- Only 3% of all office space classed as high quality
- 86.6% of children for whom benefits are claimed
- 47.7% of those in employment are in the ‘at risk’ categories
- 24,000 crimes took place in Northampton in 2019

The town, therefore, faces a number of critical equity and competitiveness challenges to its economic prosperity and sustainability which must be addressed. The scale and nature of the Market Walk scheme could contribute significantly to this.

Current Position and Challenges

Challenge 1: Creating a Vibrant and Welcoming Town Centre

Northampton town centre is in decline. It is failing to meet the needs of residents and businesses and is not keeping up pace with other regional town centres and retail destinations, including Milton Keynes and Rushden Lakes. Vacancy rates in the primary shopping area are at around 15%, and the town has seen a year-on-year decline in footfall of 14%. The loss of major national retailers has left large vacant premises that have no viable alternative uses creating large disjointed and inactive areas. Many remaining retailers are likely to be on short term and flexible leases, and there is a need to provide confidence for them to continue to invest in the town.

The importance of high-quality amenities to high value employers, particularly professional services firms, is well established. The weakness of the town centre offer is a major barrier to Northampton re-establishing itself as a regionally significant business hub within the Oxford-Cambridge Arc.

The proposal will significantly enhance the town’s offer on this key site and will assist to reposition its town centre offer and appeal to wider occupiers and investors, as well as employees and visitors.

Challenge 2: Providing the Conditions for Business to Flourish

Last year there were 1,800 new businesses formed in Northampton. This is a significant opportunity, with start-ups generating employment opportunities in the town and contributing to economic dynamism through innovation and competition. However, as indicated by the 5-year survival rate, the start-up rate is not translating into long-term survival. This represents a significant loss of entrepreneurial and economic capacity for the town.

It is anticipated that the proposals for Market Walk will provide a suitable option for food and beverage start-ups to begin to trade, building up their businesses before being able to relocate into larger longer-term units elsewhere in the town centre. This model has worked elsewhere successfully, especially within the food and beverage sector, and the proposed operator already has a good track record in this regard. he Hold has a proven track record of seeing businesses move out into high street locations and being subsequently successful.

Challenge 5: Creating a Town Centre that Benefits all of our communities

Unemployment is a key challenge across Northampton. Despite the high number of jobs and major employers located in Northampton, around 5% of the working age population are unemployed. This is higher than both the regional average (3.8%) and national average (4.0%). Northampton has been particularly badly hit by Covid-19, with the claimant count increasing by 160% between January and September 2020, compared to 127% nationally. Northampton has also seen a higher proportion of its workforce furloughed compared to other areas (258 employees per 1,000 working age residents in August, compared to 230 across England). *Source of Statistics: Northampton Town Investment Plan.*

There is an opportunity to make the town centre more inclusive for all communities. The online consultation held in September 2020 found that residents wanted the town centre to be open to everyone. There was also an identified need to deliver a greater diversity of uses for all residents (including the young and elderly), placing importance on the provision of community centres, activities and community spaces. The proposal for Market Walk Shopping Centre will be aimed at a broad demographic range, both in terms of age and also pricing, and could contribute heavily to this Challenge. The Hold provides free entertainment, including an active children's programme in school holidays, making it accessible to residents from all income backgrounds.

Rationale for intervention and impact of not intervening

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 proposed operator, it is estimated that the completed scheme will generate footfall in the region of 1,000,000 people per year.

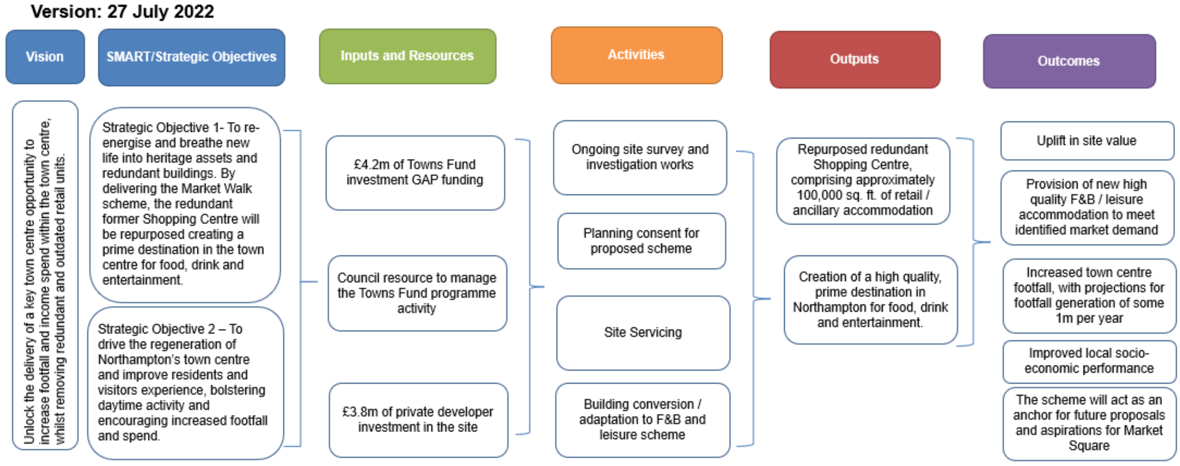
Without intervention, it is likely that the Market Walk Shopping Centre will remain in a redundant and vacant retail state following the decline in the retail market and the impact of Covid-19 in the town centre. This is likely to cause a decline in footfall to this part of the town centre, having an adverse effect on the immediate surrounding area and in particular the proposals for Market Square. Any proposal to demolish the Shopping Centre and redevelop the site would be extremely challenging given the interlinkages with surrounding properties and would have significant viability challenges, amongst other constraints. Repurposing the centre reduces the need for waste disposal and construction, and reflects a superior option with regards to sustainability.

As set out further within the Financial Case, there are significant viability challenges associated with the proposed scheme such that the site would not be delivered by the market, in the absence of the Towns Fund investment, which justifies the need for public intervention. The cost of acquiring the shopping centre and the redevelopment costs are greater than the scheme values achievable, therefore resulting in a viability gap.

Theory of Change and Expected Outcomes

The theory of change, and expected outcomes linked to this are presented in the below Logic Model.

Market Walk Shopping Centre Logic Model/Theory of Change
Version: 27 July 2022



Market Failure

Market failure is where the market mechanism alone cannot achieve economic efficiency. There are a range of market failures constraining investment in Northampton. The market failures impacting the re-development of the Market Walk Shopping Centre are outlined below:

Quasi-Public Goods and Positive Externalities

Several investments relating to public realm and gateways to the town have the qualities of public goods and are the types of investment that local authorities would take responsibility for. In some cases it may be possible to raise funding from developer contributions. However, whilst development is not forthcoming this investment will not materialise. The site currently comprises a large redundant shopping centre, and as evidenced by the Financial Case, the viability challenges presented by the redevelopment of the vacant shopping centre are substantial. In the absence of Town Deal funding, it is unlikely that the ARBA Group will acquire the site due to a lack of viability, and moreover, there are no other currently available public sector funding sources to address the scheme viability gap.

Therefore, it is likely that without public sector intervention, the redevelopment to deliver these public benefits to the local area, and wider town centre, beyond the occupiers/owners of the site, would not materialise. The site is in private ownership, and the Council has identified the opportunity to work with a delivery partner to acquire the land interest and help facilitate the redevelopment of this key town centre site. This will therefore address a quasi-public goods failure in that the scheme will deliver wider benefits to society which a developer would not benefit from directly and thus would not commit to delivery on the back of.

The scheme as proposed will deliver wider societal benefits to the local area through bringing back into productive economic use a vacant brownfield site with a redundant existing use. The site is currently a brownfield site with negative externalities associated with its nature as a large redundant building within the main retail core (encouraging crime/anti-social behaviour and serving as a blight on the wider area). The scheme will address these and deliver wider positive externalities across the wider area, particularly through diversifying the town centre offering, encouraging footfall and town centre dwell time. The scheme will animate the Shopping Centre 7 days a week from morning until late evening and will provide a transition between the daytime and evening economy in the town centre.

In a “business as usual” scenario, Market Walk is highly likely to remain vacant, as the decline in the retail market has made the shopping centre style of retail accommodation somewhat obsolete in this location and therefore, the prospect of re-letting the currently vacant units is very limited, particularly given the vacancy rate in the town centre. Any form of site redevelopment or building repurposing would be likely to have a viability challenge requiring public sector intervention of one sort or another. As demonstrated in the Strategic and Commercial Cases, due to the risks associated with retail development it is also unlikely that there would be market appetite from other developers to bring a similar scheme forward in the absence of grant funding in a BAU scenario. The shopping centre is likely to become mothballed over the medium term in this scenario until a public sector funding opportunity arises to fund/finance a viable solution. In this scenario, it is likely that the public sector would need to intervene in the future to enable acquisition and redevelopment of the site.

Viability Challenges

Following on from the above, and as set out further within the Financial Case, there are significant viability challenges associated with the proposed scheme. The cost of undertaking the redevelopment of the Shopping Centre, alongside the cost of acquiring the property and making capital contributions to secure occupiers, is greater than the value of the scheme, resulting in a viability gap. Due to this, the site would not be delivered by the market, in the absence of the Towns Fund investment, which justifies the need for public intervention.

SMART Objectives and Critical Success Factors (CSFs)

The scheme's objectives are presented below and are all considered to be SMART (Specific, Measurable, Achievable, Realistic and Timely). These align with the Logic Model presented above.

- By delivering the Market Walk scheme, the redundant former Shopping Centre will be repurposed creating a prime destination in the town centre for food, drink and entertainment. The proposed scheme involves the repurposing of approximately 100,000 sq. ft. of redundant and vacant retail / ancillary accommodation, by 2024.

- The proposed scheme will provide new, quality accommodation for c.13 / 14 new businesses, and deliver a total of 170 permanent local jobs including venue managers, food managers, supervisors, bar staff, kitchen staff and local marketing and sales roles as well as trader employees, all by 2024 / 2025.

- The proposed scheme will provide local residents and visitors with a place to meet, socialise and network with others. It is estimated that the completed scheme will generate footfall in the region of 1m people per year, by 2024 / 2025.

The scheme's Critical Success Factors are set out below in accordance with HMT Green Book guidance and the long list options in the Economic Case have been scored against these:

- Strategic fit – against the scheme objectives and wider policy and strategy aims (e.g. delivery of a mixed use comprehensive scheme as per the planning allocation)

- Achievability – likelihood of deliverability based on resource and skills requirements

- Supplier capacity and capability – ability of potential delivery bodies to deliver the proposal

- Affordability – likely availability of funding and financing to deliver the proposals

- Potential value for money – ability to maximise social value against cost and risk

Evidence of Demand for Proposal

The Hold, the operator proposed for the market-led offer at Market Walk, currently have two operational sites in the UK under the Stack brand, located in Seaburn and Newcastle. Using these two sites as case studies it has been identified that the new site will:

- Create over 170 permanent local jobs including venue managers, food managers, supervisors, bar staff, kitchen staff and local marketing and sales roles as well as trader employees.

- Customers believe that the existing two Stack developments have a positive impact on regeneration in the area they are located, with over 90% rating the sites 8 or above on a scale of 1-10 for the positive impact the venue had has on regeneration in the area.

- Each Stack development supports the creation of 10-15 new small businesses. The small affordable lettable units provide a breeding ground for restauranteurs and entrepreneurs of the future.

- Visitors to the existing Stack sites have identified that the most popular reason to visit any Stack site is to enjoy the atmosphere and spend time with family and friends, creating a welcome and friendly environment.

Further consideration of demand for the proposal is provided in the Commercial Case.

Integration with other projects/programmes

Northampton Town Investment Plan

The Northampton Town Investment Plan (TIP) sets out an ambitious plan to deliver:

- 15,600 sq. m. of new and refurbished commercial floorspace (including shared workspace). The proposals for Market Walk would significantly contribute part to this.
- 24,900 sq. m. of new public spaces
- 2,300 sq. m. of new or expanded cultural and heritage venues, including new space for skills facilities
- Remediation and enabling works for key sites in the town centre to enable new public spaces, new mixed-use urban quarters, and commercial facilities.

Successful delivery of these outputs and the wider impacts associated with the TIP investments will help achieve the 10-year vision to:

Strengthen – Northampton's position at the centre of the Oxford-Cambridge Arc by providing modern spaces for creative businesses to capitalise on the town's manufacturing and entrepreneurial passion.

Create – high-quality housing, digital infrastructure and open spaces that will enable communities to grow and flourish to meet economic, health and wellbeing and environmental challenges.

Build – on the rich heritage and cultural offers to rejuvenate the town centre so it once again represents the aspirations of its residents.

Improve – access to skills and training while promoting first-rate higher and further education opportunities.

An important consideration for the TIP is the extent to which the proposals build on recent and ongoing investments in the town and complement activity by the Council and its partners.

Town Centre Regeneration

The scheme will complement the following activity underway/planned:

- Further development at Northampton Railway Station – to expand and relocate parking provision at the Station and create a new gateway into Northampton, to be delivered by Network Rail. Future proposals for the site include an office and hotel development, subject to further consideration of demand.
- Four Waterside – a cleared five acre site to the south-west of Northampton town centre, near to the central area and the Railway Station. Masterplans for the site outline a mixed-use redevelopment scheme to include speculative development of Grade A offices, as well as a new hotel and residential development. Delivery of this key site will include Towns Fund funding of some £1.5m, as well as Enterprise Zone funding.
- Northampton Museum and Art Gallery - a major transformation to create a high profile cultural attraction for Northamptonshire and the East Midlands. The project has doubled the size of the museum, created four new permanent galleries, and a 400 sq. m. temporary exhibitions gallery, capable of hosting major national and international touring exhibitions.

- Northampton Place Marketing Strategy – being developed to increase future inward investment, increase tourism and improve local perception / civic pride. The strategy will complement the potential initial investment from the TIP and accelerate funding for other projects highlighted in the Masterplan.

- Development at 35 – 39 and 41 – 45 Abington Street – West Northamptonshire Council are progressing proposals for redevelopment of two large, redundant retail units (formerly occupied M&S and BHS) to provide a significant quantum of town centre residential units. Delivery of this key site will include Towns Fund funding of some £9.7m.

Skills and Enterprise Infrastructure

- University of Northampton – a £330 million investment in the relocation of the University to a new campus on the Waterside Enterprise Zone.

- Vulcan Works – a £14 million investment, drawing on SEMLEP Local Growth Fund, ERDF and contributions from NBC was secured to refurbish a Grade II listed Factory and create a new three-storey building comprising 68 lettable units, recently completed in Summer 2021. The units comprise a mix of office, studio and managed workshops aimed at start-ups and growing businesses in the creative sector. During its first 10 years of operation, Vulcan Works is expected to support up to 100 businesses, creating around 300 jobs.

Growth and Connectivity

- City Fibre is in the process of rolling out a £40 million investment in superfast broadband in Northampton which will benefit the town and all proposed investment sites, as well as enabling the deployment of 5G across the town.

Policy and Strategy Context (national, sub-regional and local)

The project's alignment with strategic priorities and policies is set out below:

Strategic Context - Alignment to other policies and strategies

The Town Investment Plan does not exist in isolation. It aligns with existing policies and strategies which will help prioritise and direct wider investment in the town, including:

Northampton Town Centre Masterplan

Developed by the Council to build on the culture, history and heritage of Northampton and transform the heart of town. This will be achieved by creating a smaller and stronger retail core complimented by new residential development serving the needs of the community.

The Northampton Town Centre Masterplan identified the Market Square as a key area for intervention within the town. The masterplan identified that the Market Square's deep-rooted function has always focused around commerce and trade, and that any opportunities in this area will reposition Market Square at the centre of a stronger, consolidated retail core and re-establish the square as the heart of the town centre.

This will be the core principle at the heart of the Hold development, providing a retail opportunity for independent smaller traders.

Northampton Transport Strategy

The Council is also in the process of developing a Transport Strategy which will identify further investment priorities in our transport network, building on the investments set out in this Investment Plan. The Council is also implementing its Local Cycling and Walking Action Plan (2020-31).

The Climate Change Strategy 2020-2023

This establishes a framework for tackling the causes and effects of climate change by: raising awareness of the issues and impacts of climate change on Northamptonshire; reducing emissions of greenhouse gases across the County; and planning for and adapting to the impacts of climate change.

The Oxford-Cambridge Arc Prospectus

This sets out the vision for the Arc to become a global hub for innovation, and home to exemplary models of green development that will inspire communities around the world. Through strong collaboration, the Arc can enhance the lives of its residents, increase the global opportunities for its businesses and improve the environment for the prosperity of all.

SEMLEP Strategic Economic Plan (2017)

The strategic plan sets out how to ensure that the South East Midlands economy not only continues to thrive but contributes even more to the success of UK Plc.

SEMLEP Growing People Skills Plan (2017)

This is a cohesive strategic plan for lifelong skills development working with businesses, organisations, educators, agencies and local authorities.

SEMLEP Energy Strategy (2018)

The route map to secure clean energy to power business and housing growth in line with commitments to cut emissions and improve energy efficiency. The aims of the strategy are:

- To produce an evidence base of the current energy needs of the area for power, heat and transport, along with projected future needs.
- To identify actions to unblock growth over the short term (e.g. infrastructure upgrades, Regulation changes);
- To determine opportunities and options for meeting the area's future energy needs, building on existing technological strengths of the region, including innovative technologies, supply and demand management models and opportunities to reduce carbon impact.

SEMLEP Economic Recovery Strategy (2020)

The action plan to rebuild a resilient economy to respond to the impacts of the Coronavirus pandemic.

People

The COVID-19 pandemic has had an impact upon the local labour market, with some job losses already realised, and more predicted to follow.

Infrastructure Plan

Digital infrastructure is critical to the realisation of a greener future, and also to economic growth and inclusion, as highlighted by the pandemic. SEMLEP and its partners will work together to identify gaps in digital infrastructure and means of addressing them, with a view to establishing full-fibre connectivity across the South East Midlands, including in rural areas.

Business environment
Focus on scale-up activity and diversification will continue alongside support to navigate the EU exit process and promote exporting. Work will continue to promote inward investment, by preparing relevant materials to encourage investment, and by working in partnership with local authorities, developers and commercial agents to help match prospective businesses with appropriate employment land. It will be necessary to assess pandemic induced structural changes to the commercial property market, and to work with partners to ensure the area has an extensive and balanced pipeline of employment land and premises, which meets the need of local businesses, both now and in the future.

Place
Looking ahead, there is a desire to ensure that local places can be sustainable over the long term and, to this end, the South East Midlands aims to be a pioneer of 'Settlements of the Future' concepts. These include smarter, greener energy systems and infrastructure; new spatial approaches to living and working, which support community engagement and incorporate Sport England's Active Design principles; modern methods of construction, including adaptability for the needs of an ageing population; and advanced digital technologies.

National, Regional and Local Planning Policy Context

National Policy and Strategy

The National Planning Policy Framework (NPPF) sets a presumption in favour of sustainable development and a positive approach to planning as a means of supporting the country's economic and housing growth, while protecting the environment. It directs local planning authorities to approve development proposals that accord with the development plan without delay.

Paragraph 8 of the NPPF advises that there are three dimensions to sustainable development, economic, social and environmental. It is advised that all roles are viewed mutually and not in isolation.

Town Centre & Retail

The effective use of land and re-use of previously developed (brownfield) land is encouraged by the NPPF. Paragraph 106 states planning policies should support an appropriate mix of uses, to minimise the number and length of journeys needed for employment, shopping, leisure, education and other activities.

Paragraph 86 encourages planning policies and decisions to support the role that town centres play at the heart of local communities, by taking a positive approach to their growth, management and adaptation. Promotion of long-term viability should be reflected in local policy to enable growth and diversification that can respond rapidly to changes in the retail and leisure industries.

Clean Growth Principles - Sustainable design and construction practices will be adopted that exceed minimum Building Regulations compliance. Renewables will be used as a source of heating and energy. Alternative methods of travel such as electric scooters, electric bicycles and other mobility aids will provided to allow quick connection to the train station only 5 minutes away. Biodiversity and open space will underpin the design principles throughout the buildings. Passive ventilation and sustainable drainage practices will be used throughout.

Local

This section of the report identifies the relevant planning policies within the Development Plan that are relevant to the subject site and the preferred development option. It also highlights key material considerations including national planning policy, the emerging Development Plan policies and Supplementary Planning guidance.

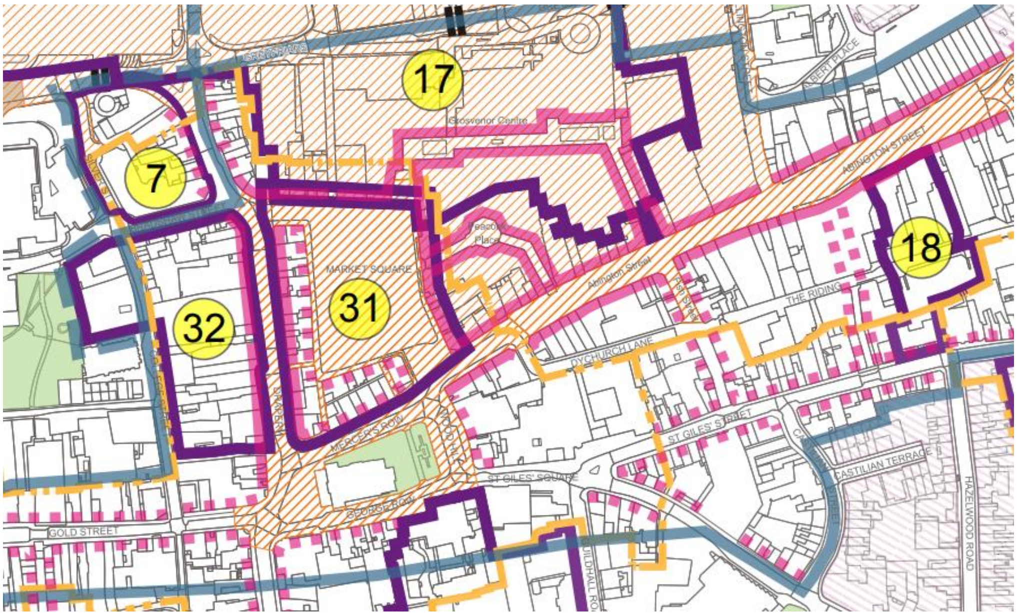
For the purposes of Section 38 of the Planning and Compulsory Purchase Act 2004 the adopted Development Plan for Northampton Borough includes inter alia:

- Northampton Local Plan Saved Policies - Adopted 1997
- Northampton Central Area Action Plan - Adopted 2013
- West Northamptonshire Joint Core Strategy Local Plan Part 1 - Adopted 2017

The 1997 Saved Local Plan policies are largely out of date and are not considered in this report.

The Central Area Action Plan (CAAP) is a Plan that provides specific planning policy and guidance for Northampton town centre and adjoining areas where significant regeneration or investment is proposed in the period up to 2026.

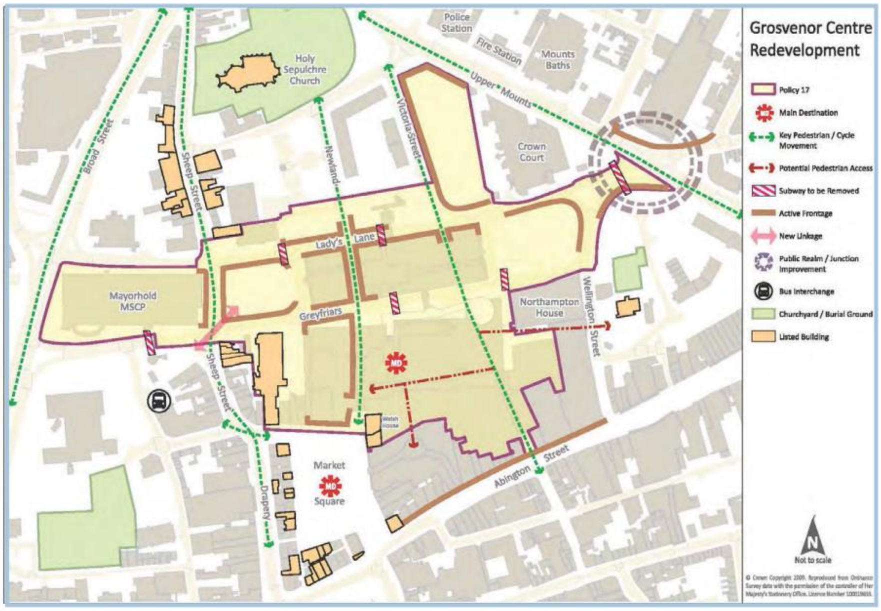
The policies relevant to the subject site are shown on a plan extract below and identify the site as part of Area of Priority Public Realm Improvement (public realm – Policy 3). Site is identified as sitting within the Primary Shopping Area (definition of the primary shopping area – Policy 12) and has Primary Frontage (Policy 13). Market Walk sits immediately west of Market Square allocation (Policy 31) and Grosvenor Centre Redevelopment (Policy 17) immediately to the north.



There are no significant constraints around the site, such as flood risk or listed buildings. The Northampton Conservation Area lies immediately to the west and south west of the site.

The Market Square allocation seeks to establish leisure uses within the Square and to enhance its function and appearance.

The subject site is located adjacent to the Grosvenor Centre Redevelopment site. This is a major redevelopment site in central Northampton. The design aspirations encourage the proposal to provide additional retail floor space, a replacement bus station and to accommodate a mix of other main town centre uses, such as offices, leisure and entertainment, hotel and also residential development.



The site lies within the Greyfriars Character area, which is dominated by large scale and coarse 1970's buildings. These have a direct impact on the permeability of the character area and the wider skyline of Northampton. The design within the area should be of a high standard, should increase permeability where possible and should provide active frontage on the ground floor.

Parking standards (Policy 10) for the Central area zones 1 space / 14 sq. m. (A3 Food and Drink), 1 space/ 25 sq.m. (A1 Shops)

The West Northamptonshire Joint Core Strategy Local Plan (Part 1) sets out the long-term vision and objectives for the whole of the area covered by Northampton Borough, Daventry District and South Northamptonshire Councils for the plan period up to 2029, including strategic policies for steering and shaping development, together with strategic site allocations. The Joint Core Strategy forms part of the Development Plan for the Northampton Borough.

Policy SA (presumption in favour of sustainable development) states that the Council will support development that reflects presumption in favour of sustainable development contained in the NPPF. The Council will work proactively to support and approve proposals that secure development that improves the economic, social and environmental conditions in the area. Applications that accord to policies in the Local Plan will be approved without delay unless material considerations indicate otherwise.

Policy S10 (sustainable development principles) sets out 11 principles for sustainable development. The proposed development must achieve the highest standards of sustainable design, improve environmental performance, use sustainable materials, minimise resource demands and maximise the use of solar gain, passive heating and cooling and ventilation. The proposals should be within walking and cycling distance to services. As well as, promote sustainable drainage, enhance the natural and built environment and heritage assets, create green infrastructure and minimise pollution from noise, air and runoff.

Policy S11 (low carbon and renewables) states that major development should contribute to reductions in carbon emissions and adapt to the effects of climate change through sustainable development principles (Policy S10). All new residential development (including mixed-use) are required to achieve a minimum of Level 4 Standard from 2016 or National Equivalent Standard. All new non – residential development over 500m2 gross internal floor space is required to achieve a minimum rating of at least BREEAM very good standard (or equivalent). These requirements will apply unless it can be demonstrated that they would make the development unviable. The proposed scheme repurposes a major 100,000 sq. ft. Shopping Centre, avoiding demolition and thus reducing the carbon footprint of the investment in the centre of Northampton.

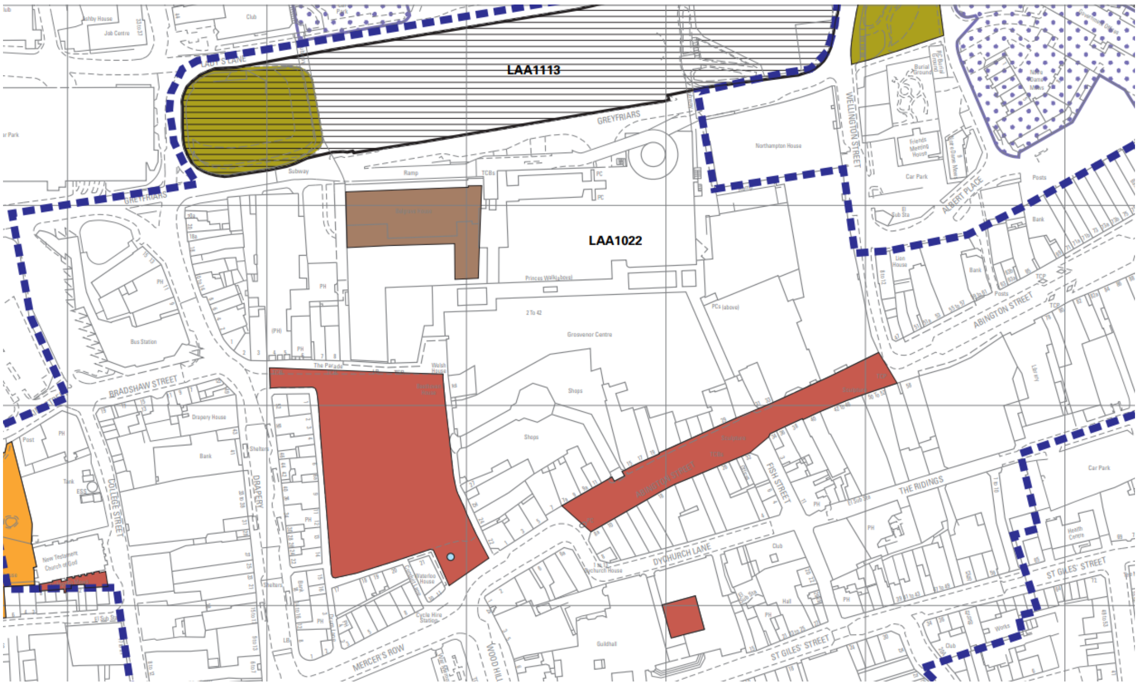
Local Plan part 2 Submission (Regulation 22): 4 February 2021 contains Places Policies for Northampton including Policy 8 (Supporting Northampton Town Centre's Role) and Policy 19 (New Retail Developments and Retail Impact Assessment). The site lies close to the key projects that will shape Northampton in the future.

The site lies within the Town Centre and Primary Shopping Area and Policy 8 and Policy 19 are applicable.

Policy 8 (Supporting Northampton Town Centre's Role) states proposals should contribute positively towards the range of retail, leisure and service-based offers and town regeneration. In particular, mixed-use schemes which provide a balanced mix towards meeting the requirements for town centre uses and housing delivery.

Policy 19 (New Retail Developments and Retail Impact Assessment) supports the provision of convenience retail space and comparison floorspace to meet forecast retail expenditure to 2029. The support will be given to deliver retail within Primary Shopping Area. Within the Primary Shopping Area, developments should not result in the loss of Class A1 retail floorspace with frontage unless alternative use contributes to the vitality of the town centre. The development will have to have an active frontage and be open for business during the day. Change of use of vacant units into alternative main town centre uses or upper floor residential use will be supported if evidence shows that there is a continuous period of vacancy and marketing for 12 to 18 months and that there are no realistic prospects of the unit being occupied for its previous use.

Policy 28 (Open Space) states that new development must ensure that open space defined on the Policies Map is sustained or enhanced. The allocated Civic Space runs in front of the site and to the west from the site (Market Square). Where standards cannot be met on the site, developers will have to contribute to off-site provision.



Any proposal to develop these sites should be accompanied by a site-specific Flood Risk Assessment.

Conclusions

The preferred development option proposes uses that are supported by the adopted and emerging Development Plan, i.e. retail and food outlets. Retail and food outlets are supported within the Town Centre, the use is appropriate in this location and an active frontages would enhance the street scene within Primary Shopping Area.

Policy requirements for access, parking and sustainability must also be taken into consideration. Specifically, non-residential development should reach BREEAM very good requirement.

West Northamptonshire Council (Northampton Area) has several Supplementary Planning Documents. SPD's applicable to the proposal are Parking Standards (2019) sets out parking standards for Northampton. Biodiversity enhancement will have to be secured as set out in Biodiversity SPD (2015). Planning obligations will have to be secured as per the Planning Obligations Strategy (2013) and Community Infrastructure Levy (CIL) adopted in 2015. CIL charge doesn't apply for retail in the central zone.

Key Stakeholders and Beneficiaries

The scheme is supported by a range of key stakeholders including:

- SEMLEP
- Northampton Forward
- Town Centre BID
- Grosvenor Centre Owner (currently Legal and General)
- Town Centre shops and businesses
- University of Northampton
- Northamptonshire Police and Crime Commissioner

Key beneficiaries will include the following:

- Retail, F&B and leisure occupiers in Northampton and the local area, with the increased footfall leading to increased consumer spend.
- Start-up food and beverage providers, with the scheme offering quality new accommodation and enabling flexible short lease terms.
- The construction of the scheme will also create a number of employment opportunities, again potentially in the local area.
- Local residents and workers, who will be able to access the completed scheme and benefit from the increased town centre offer.

Key Dependencies and Constraints

Key dependencies and constraints which could impact on successful delivery as proposed include:

- Resource – West Northamptonshire Council and ARBA Group are working in partnership on the delivery of the development. This will ensure that progress on site is monitored and tracked to ensure that the development is delivered on time.

- Acquisition of Market Walk Shopping Centre – HoTs have been agreed between ARBA Developments Limited and the vendor for the acquisition of the Property. However, the agreed HoTs are conditional and therefore if any of these conditions aren't satisfied there is a risk that the acquisition would not complete.

- Timescales – Should there be delays associated with achieving planning permission, gaining a licence or timescales for redevelopment, this will impact the completion date of the project. The delivery team have developed a timeline to try to mitigate this risk, and indicative timescales discussed to date have been based on a certain degree of caution.

- Securing a Funding Partner – Should there be issues with successfully securing a funding partner for the site, such as a lack of market interest, then this will naturally present a major risk to the deliverability of the project.

- Planning Consent – Achieving planning consent for the proposed scheme is a key dependency with regards to this project. A sufficient timescale has also been allowed for achieving planning consent.

- Occupier Demand – Whilst proposals for the site include The Hold as an operator for the market element, the success of this component of the scheme will still be dependant on a good level of occupier interest in the various stalls / units. The three additional F&B units within the scheme will be delivered on a speculative basis, and therefore, occupier demand in this sub-sector will also be important.

Strategic Case Summary

The subject site currently comprises a large vacant shopping centre, known as Market Walk. The centre has formerly been occupied by retailers including Dorothy Perkins, Zara Beauty, Lucci Leather, Swishing, Cynthia Spencer Hospice, Rendezvous Coffee Shop, Fitness Inc, Bohemian Finds, Aflora and Luxe Gifts, Evans, Bias and others. Following the decline in the retail market, the Shopping Centre has become redundant and as such, has been earmarked for a redevelopment / repurposing opportunity.

The site occupies an important position within the town centre, with Abington Street being a key arterial route through the retail core and linking the site to Northampton Railway Station. The Market Walk Shopping Centre also fronts onto Market Square, a key regeneration site identified in the Town Centre Masterplan, published in October 2019. Introducing a new leisure offering to this area will increase and diversify the existing offer and will support the regeneration of Market Square.

An initial site masterplan has been prepared by UrbanEdge Architects, on behalf of ARBA Group, comprising a food and beverage focused leisure offering in the shell of the former Market Walk Shopping Centre.

The creation of a space for multiple independent street food operators is proposed, that will serve a wide variety of good quality, modern street food cuisine from local independent traders. A number of retail units would be transformed into bars, each with their own unique look and offer, and there will also be provision for competitive socialising including various leisure activities. The bars and street food units would be located around a communal open seating area focused on a main stage, which would provide a space for live music performances and entertainment. A key element will be to create an external space that offers outdoor drinking and dining, which is currently envisaged to be achieved through the inclusion of a retractable roof.

The repurposed Shopping Centre will create a prime destination in Northampton for food, drink and entertainment which will attract locals and visitors from neighbouring areas. It will also act as an anchor to support the Council’s focus on transforming and enhancing Market Square as a prime events space.

It is recognised that the unprecedented levels of change experienced by Northampton’s town centre in recent times has created a series of challenges it must tackle and overcome, including:

- Creating a Vibrant and Welcoming Town Centre
- Providing the Conditions for Business to Flourish
- Creating a Town Centre that Benefits all of our Communities

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. Without intervention, it is likely that the Market Walk Shopping Centre 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.

There are a range of market failures constraining investment in Northampton, with the market failures impacting the re-development of the Market Walk Shopping Centre predominantly focused around public goods and viability challenges, as set out in this Strategic Case. The cost of undertaking the redevelopment of the Shopping Centre, alongside the cost of acquiring the property and making capital contributions to secure occupiers, is greater than the value of the scheme, resulting in a viability gap. Due to this, the site would not be delivered by the market, in the absence of the Towns Fund investment, which justifies the need for public intervention.

3. Economic Case

Introduction

The purpose of the Economic Case is to identify the proposal that delivers best public value to society. It should present an assessment of the potential intervention options to determine a preferred option on the basis of a value for money/cost benefit assessment. As per the HM Treasury Green Book, demonstrating public value requires a wide range of realistic options to be appraised (the long-list), in terms of how well they meet the spending objectives and critical success factors for the scheme; and then a reduced number of possible options (the short-list) to be examined in further detail. The short-list should ideally include the Business As Usual position (BAU), a realistic and achievable 'do minimum' that meets essential requirements, the preferred way forward (if this is different) and any other options that have been carried forward. These options should then be subject to Cost Benefit Analysis (CBA) to identify the option that offers best public value to society. This should account for both monetised and non-monetised benefits to determine this with a Benefit Cost Ratio (BCR) presented for each and consideration of their alignment back to the strategic objectives for intervention should also be considered. Sensitivity and switching value analysis should be undertaken as part of this.

It is acknowledged that the 2022 Green Book update reflects the latest MHCLG/DLUHC approach focusing on land value uplift as the key measure of private benefit for land and property related schemes. Where relevant this should therefore be accounted for along with the monetisation of wider external benefits as appropriate. However, the 2020 Green Book update also introduced a "place based" approach to economic appraisal where this is considered to be appropriate. In this instance, whilst the Towns Fund is a nationally administered MHCLG/DLUHC programme, the nature of the project in the context of it being one of a number within a wider Town Deal for Northampton, aligns strongly with the Government's definition of a place-based intervention as below. As defined within the Green Book, "place based analysis concerns appraisal applied to geographically defined areas within the UK". It states that place based analysis is be required for two broad categories of proposal:

- proposals with an objective that is specific to a particular place or area or type of area;
- proposals which do not have geographically defined objectives but which appear likely to have different implications either positive or negative for parts of the UK that decision makers will need to understand and may need to take into account.

The Green Book identifies that the relevance and extent of place based analysis will be context specific and a matter of judgement for those developing, appraising and scrutinising business cases. It states that where the proposal has geographically targeted objectives, appraisers should clearly specify whether the employment objectives relate to employment located in the area (including those taken by in-commuters), or to employment of residents of the local area (including in jobs outside the target area). Employment effects should be adjusted for leakage, substitution and displacement as set out below, noting that treatment of these effects depends on the employment objective above. Where appropriate, employment multipliers can also be applied. The Green Book remains silent on the approach to placing a monetary value on the employment impacts derived through place based appraisal and C&W's approach is therefore to apply a productivity value to these through Gross Value Added (GVA) as the primary measure of this as has been an established approach for a number of years in economic appraisal.

In the case of this project, the economic appraisal has been undertaken on both a national Land Value Uplift (plus external benefits) and local place-based approach to appraisal and the outcomes of both of these approaches are presented below. This approach is considered to be appropriate because whilst the project has the potential to generate significant Land Value Uplift benefits, the scheme is part of a wider Northampton Town Deal programme of intervention which is intended to benefit the town centre and wider West Northamptonshire local authority area as a specific and defined area of intervention and benefit. The benefits of the programme as defined within the Town Investment Plan are to drive the local economic growth and sustainability of Northampton Town Centre primarily and the focus is thus very much on an objective relating to a specific and defined local geography as opposed to seeking to deliver net additional benefits at a national scale.

It has also been agreed with the Council and its appraisers, that a proportionate approach to business case development is permitted given the way in which the development and appraisal of Town Deal business cases are being administered at a local level as part of a wider programme agreed with DLUHC through the approval of the already submitted TIP. Proportionality has been accounted for in the development of the Economic Case and what this means in practice is that the optioneering process has been condensed and simplified in so far that the cost benefit analysis focuses only on the preferred option versus a no Town Deal/Business As Usual (BAU) option. This approach was agreed with the Council and its appraisers in advance, with the focus very much being on ensuring that the preferred option achieves a value for money outcome as opposed to considering in detail through quantitative CBA, other shortlisted intervention options.

Nonetheless, a full HMT Green Book/MHCLG Appraisal Guide compliant CBA has been undertaken on the preferred option (accounting for the BAU/deadweight position to account for net additionality) as presented below along with an assessment of the non-monetised benefits in arriving at the value for money conclusions that are presented.

Long List Options

Consideration of all potential long list options for intervention that could deliver the scheme's objectives have been considered by C&W with a summary schedule of long list options considered presented below:

Long List Option	Description and Likely Outcome
1 – Do nothing/Business As Usual	No further investment by the Council/wider public sector. The redevelopment of Market Walk will remain stalled as the development will be unviable. As evidenced by the Financial Case of the business case, the viability challenge presented by the redevelopment of the vacant shopping centre is substantial and, in the absence of Town Deal funding, it is unlikely that ARBA Group will acquire the site due to a lack of viability. Moreover, there are no other currently available public sector funding sources to address the scheme viability gap. As such, it is unlikely that the vacant Market Walk Shopping Centre would be redeveloped under a 'do nothing/ BAU scenario'. Under this scenario, Market Walk is likely to remain vacant as the decline in the retail market has made the shopping centre style of retail accommodation somewhat obsolete in this location and therefore the prospect of re-letting the currently vacant units is very limited. Any form of site redevelopment or building repurposing would be likely to have a viability challenge requiring public sector intervention of one sort or another. As demonstrated in the Strategic and Commercial cases of the business case, due to the risks associated with retail development it is also unlikely that there would be market appetite from other developers to bring a similar scheme forward in the absence of grant funding in a BAU scenario. The shopping centre is likely to become mothballed over the medium term in this scenario until a public sector funding opportunity arises to fund/finance a viable solution. In this scenario, it is likely that the public sector would need to intervene in the future to enable acquisition and redevelopment of the site.
2 – Reduced provision of Town Deal grant funding to fund acquisition costs only	Under this option, the Council could provide a reduced amount of Town Deal grant funding to ARBA Group of circa £2m to fund the costs of acquiring the vacant Market Walk Shopping Centre only and no redevelopment costs. This option is unlikely to result in delivery; as the Financial Case of this business case shows, grant funding of at least £4.175m is required to enable the viable delivery of the scheme. If a

Long List Option	Description and Likely Outcome
	lower amount of grant funding was to be provided, ARBA Group are highly unlikely to deliver the scheme due to the presented viability challenges.
3 – Provision of loan funding to ARBA Group to address the scheme viability challenges	Under this option, the Council could provide a loan, rather than grant funding, to ARBA Group to enable the delivery of the scheme as proposed. This option has considerable loan repayment risks; as the Financial Case of this business case shows, the scheme has significant viability challenges which may make repayment of the loan unlikely, unless market conditions improve significantly. As a result, this option could result in significant delivery and financial risks for the Council.
4 – Provision of Town Deal grant funding to ARBA Group to enable the acquisition and redevelopment of the vacant Market Walk Shopping Centre	The Council could provide Town Deal funding to ARBA Group to enable the acquisition and redevelopment of the vacant Market Walk Shopping Centre to provide refurbished, high quality market floorspace and new F&B floorspace. This option would have transformational placemaking inputs on Abington Street and revitalise Northampton's High Street by increasing footfall and improving investor, occupier and visitor perceptions of the Northampton's retail core.
5 – Council acquisition of the vacant Market Walk Shopping Centre and marketing of the Centre to developers as a development opportunity	Under this option, the Council could use Town Deal funding to acquire the vacant Market Walk Shopping Centre and then take it to the market as a development opportunity. This option does not fully align with the Council's objectives as it would not fully address the issue of retail vacancies in Northampton, and particularly on Abington Street. This option is also likely to result in delivery risks as the evidenced viability challenges associated with the redevelopment of the shopping centre may result in a lack of developer interest in acquiring the site. As demonstrated in the Strategic and Commercial cases of the business case, delivery is unlikely to be achieved in this scenario as the evidenced viability challenges may preclude developers from pursuing development in this location. This option also increases the Council's financial risk exposure.
6 – Council acquisition, demolition/ site preparation and plot sale	Under this option, the Council could use Town Deal funding to acquire the vacant Market Walk Shopping Centre and undertake demolition and site preparation works, prior to selling the whole site to the market for development. This option is likely to result in delivery risks as the evidenced site viability challenges may preclude developers from development in this location even if the site was taken to the market as a cleared site. As demonstrated in the Strategic and Commercial cases of the business case, due to the risks associated with retail development it is also unlikely that there would be market appetite from other developers to bring a new build retail scheme forward in this location. This option would also result in increased planning risk as demolition of the vacant shopping centre may not be acceptable in planning terms. This option would also expose the Council to increased financial risks.
7 – Use another form of Council funding/financing to deliver the scheme in the absence of Town Deal funding	Under this option, the Council could consider using other forms of Council funding/financing (e.g. Public Works Loan Board borrowing or Council reserves) to fund the delivery of the scheme as proposed in the absence of Town Deal funding. This option would increase the Council's risk exposure and is unlikely to be affordable within the existing Council budgets.
8 – Use another form of public sector (e.g. LEP) funding to deliver the	Under this option, the Council could consider using other forms of public sector funding to fund the delivery of the scheme as proposed in the absence of Town Deal funding. This could include, for example, seeking LEP funding. This option is unlikely to result in full delivery of

Long List Option	Description and Likely Outcome
scheme in the absence of Town Deal funding	the scheme as proposed as there are not currently any identified LEP funding opportunities which are appropriate for the scheme.
9 – Use Town Deal grant funding to enable the Council led delivery of a residential led redevelopment scheme	Under this option, the Council could use Town Deal funding to acquire the site and deliver a residential-led conversion scheme. This option does not align with the Council's strategic objectives and is likely to result in delivery challenges associated with difficulties providing appropriate access to natural light for residential units in large floorplate building conversions. This option would also expose the Council to increased financial risks.

Longlist Option Appraisal Against Critical Success Factors

A number of Critical Success Factors (CSFs) have been identified as per the HMT Green Book and the long list options were appraised against these. CSFs are the attributes that any successful proposal must have if it is to achieve successful delivery of its objectives. The identified CSFs include:

- Strategic fit – against the scheme objectives and wider policy and strategy aims (e.g. delivery of a mixed use comprehensive scheme as per the planning allocation)
- Achievability – likelihood of deliverability based on resource and skills requirements
- Supplier capacity and capability – ability of potential delivery bodies to deliver the proposal
- Affordability – likely availability of funding and financing to deliver the proposals
- Potential value for money – ability to maximise social value against cost and risk

A RAG based scoring exercise for each long list option against these is presented below including an assessment based on this as to whether they have been taken through to the shortlisted options stage.

Longlisted options	Critical Success Factors					
	Strategic fit	**Achievability**	**Supplier capacity and capability**	**Affordability**	**Potential VFM**	**Taken forward to shortlist?**
1 – Do nothing/Business As Usual			n/a			Y – as per Green Book requirements
2 – Reduced provision of Town Deal grant funding to fund acquisition costs only						N
3 – Provision of loan funding to ARBA Group to address the scheme viability challenges						N
4 – Provision of Town Deal grant funding to ARBA Group to enable the acquisition and redevelopment of the vacant						Y

Market Walk Shopping Centre						
5 – Council acquisition of the vacant Market Walk Shopping Centre and marketing of the Centre to developers as a development opportunity						N
6 – Council acquisition, demolition/ site preparation and plot sale						N
7 – Use another form of Council funding/financing to deliver the scheme in the absence of Town Deal funding						N
8 – Use another form of public sector (e.g. LEP) funding to deliver the scheme in the absence of Town Deal funding						N
9 – Use Town Deal grant funding to enable the Council led delivery of a residential led redevelopment scheme						N

Shortlisted Options

On the basis of the above, Option 4 scored the highest followed by Option 5 which is in effect a “do more option” requiring additional public funding support and risk exposure. A number of “do minimum”/”do less” lower intervention options were considered above but the analysis clearly identifies their lack of strategic fit and alignment to the objectives of the scheme and wider policy objectives. As per the Green Book, options which do not meet the scheme’s strategic objectives should not be taken through to the shortlisting stage.

As agreed, through a proportionate approach to the economic appraisal, the focus of the cost benefit analysis has very much been on the preferred option versus a no Town Deal/business as usual option to establish the net additional economic benefits of the preferred option primarily.

This results in the following long list options being shortlisted to full economic appraisal:

- **Option 1 - Business As Usual** – No further investment by the Council/wider public sector. The redevelopment of Market Walk will remain stalled as the development will be unviable. As evidenced by the Financial Case of the business case, the viability challenge presented by the redevelopment of the vacant shopping centre is substantial and, in the absence of Town Deal funding, it is unlikely that ARBA Group will acquire the site due to a lack of viability. Moreover, there are no other currently available public sector funding sources to address the scheme viability gap. As such, it is unlikely that the vacant Market Walk Shopping Centre would be redeveloped under a 'do nothing/ BAU scenario'. Under this scenario, Market Walk is likely to remain vacant as the decline in the retail market has made the shopping centre style of retail accommodation somewhat obsolete in this location and therefore the prospect of re-letting the currently vacant units is very limited. Any form of site redevelopment or building repurposing would be likely to have a viability challenge requiring public sector intervention of one sort or another. As demonstrated in the Strategic and Commercial cases of the business case, due to the risks associated with retail development it is also unlikely that there would be market appetite from other developers to bring a similar scheme forward in the absence of grant funding in a BAU scenario. The shopping centre is likely to become mothballed over the medium term in this scenario until a public sector funding opportunity arises to fund/finance a viable solution. In this scenario, it is likely that the public sector would need to intervene in the future to enable acquisition and redevelopment of the site.

- **Option 4 - Preferred option** - The Council could provide Town Deal funding to ARBA Group to enable the acquisition and redevelopment of the vacant Market Walk Shopping Centre to provide refurbished, high quality market floorspace and new F&B floorspace. This option would have transformational placemaking inputs on Abington Street and revitalise Northampton's High Street by increasing footfall and improving investor, occupier and visitor perceptions of the Northampton's retail core.

Approach to Cost Benefit Analysis – Land Value Uplift Approach

As above, the approach taken to the cost benefit analysis is consistent with guidance within the 2016 MHCLG Appraisal Guide and the 2022 HMT Green Book. This focuses on Land Value Uplift (LVU) as the key measure of private benefit alongside labour supply benefits. Using LVU is considered an appropriate approach in accordance with the Green Book which states that "*any increase in land value as a result of a change in its use reflects the economic benefits of conversion to a more productive use. The value to society of a development can therefore be derived from the land value. This estimate should be adjusted for any change likely without the development, displacement from the original land use and wider effects of the resulting development, e.g. any change in amenity value, environmental or health outcomes*". As a property focused scheme seeking investment from a national DLUHC administered funding programme, the LVU based approach is considered to be wholly relevant and applicable. Our focus is on the use of VOA published land value data to inform the LVU assessment, which is considered acceptable within the MHCLG Appraisal Guide (2016).

In addition to LVU, wider external economic benefits have been monetised including labour supply benefits associated with new entrants/re-entrants to the labour market linked to the delivery of the new commercial floorspace and economic activity that this will directly accommodate. As the scheme comprises the redevelopment of an existing building and no associated public realm/ amenity space provision is proposed, amenity benefits/ disbenefits have been excluded from this assessment. Health benefits associated with affordable housing provision have also not been monetised as the preferred option will provide 100% commercial floorspace.

Further details of each key monetised benefit stream are provided below:

- ***Land Value Uplift (LVU)*** – Valuation Office Agency (VOA) 2019 Land Value data has been used (uplifted to 2022/23 base year values using GDP deflators), based on relevant Local Authority based area values. The VOA land values are based on clean sites with no abnormal costs. As per the MHCLG Appraisal Guide, private sector contributions to abnormals should be reflected as a disbenefit in the BCR numerator as these are a disbenefit to the private sector. Public sector contributions towards abnormal costs are not reflected as a private benefit in the numerator of the BCR as these costs are not accounted for in the LVU estimate using the VOA data. All public sector economic costs are however accounted for in the BCR denominator. If, as per in this instance, all abnormals are being funded by the public sector, then on the basis of the below they can be left out of the numerator as a disbenefit (i.e. to be netted of the land value) if the public funding benefit to the private sector is also excluded (i.e. they effectively cancel one another out in the numerator) and the impact of the public sector cost is presented in the denominator.

This is predicated on the basis that the MHCLG Appraisal Guide states that *"if the appraisal is using illustrative Valuation Office Agency land value uplift data, then this data will only account for 'typical' development costs. It will not account for any 'atypical' costs - such as those where there are large 'clean-up' costs associated with brownfield land for example - or the benefits of government support. These impacts will need to be accounted for separately in the appraisal. These 'atypical' private costs should feature as a negative number in the present value benefits as they represent a dis-benefit to the private sector. Any government grant or subsidised loan (less repayments) to the private sector should feature as a positive number in the present value benefits and as a positive number in the present value costs*".

Both direct and indirect land value uplift has been quantified within the economic appraisal model as follows:

- **Direct Land/ Property Value Uplift** – associated with the direct value uplift generated through the redevelopment of Market Walk Shopping Centre as it changes from being a derelict shopping centre to an economically productive market/F&B offer.

- **Indirect/spillover Land/ Property Value Uplift** – indirect land/ property value uplift to occupied retail/leisure properties on Abington Street in the area directly adjacent and opposite to the redeveloped Market Walk Shopping Centre. The area of impact quantified within the indirect Land/Property Value Uplift Assessment is shown on the plan below.

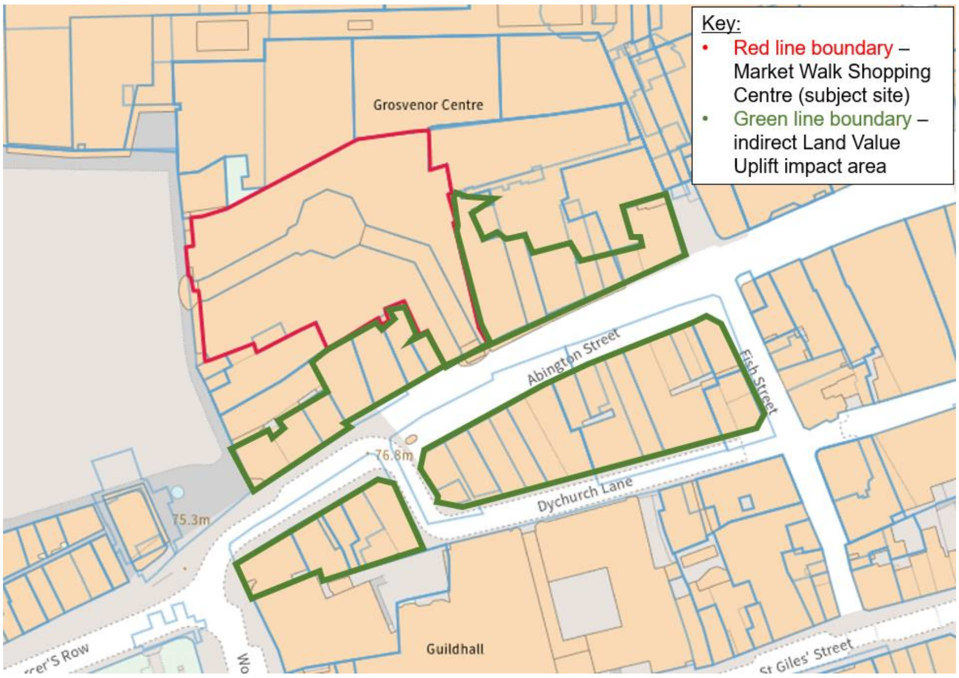


Figure 3.1 - Indirect Land/ Property Value Uplift Impact Area

The area of impact assumed for indirect or spillover commercial property value uplifts is considered to be appropriate and conservative as the delivery of a new market and F&B uses at Market Walk is likely to generate additional footfall on the wider Abington Street and in the rest of Northampton Town Centre. Prudently, a conservative approach has been adopted which limits the monetised indirect land/ property value uplifts to properties adjacent to and opposite the Market Walk Shopping Centre only. The delivery of a new market and F&B uses at Market Walk is likely to result in increased footfall, dwell time and spend and is assumed to therefore indirectly result in an uplift to commercial property values within the impact area (Figure 3.1). Markets and F&B uses can serve as major drivers of footfall within town centres and it is therefore a wholly logical link to make between the proposed scheme and associated uplifts in footfall/spend supporting wider local spend which in turn will drive revenues and impact on the value of existing surrounding commercial property as it becomes more attractive to occupiers.

- ***Labour Supply Impacts*** **-** In addition to the direct and indirect LVU above, Labour Supply Impacts have also been monetised. Labour supply impacts capture the tax revenues and associated social welfare benefits arising from additional people in the labour market working and can be included as per the HMT Green Book where there is a case for a scheme enabling new entrants/re-entrants to the labour market. The welfare change is said to be equal to the change in tax revenue and the benefit generally also accounts for the reduction in Government out of work subsidies such as Universal Credit, for example. This is a recognised Green Book principle that is firmly embedded within Unit 2.3 of the DfT’s Transport Appraisal Guidance (TAG). The scheme is proposing the delivery of the new commercial (market and F&B) floorspace which it is assumed will provide opportunities for supporting new entrants/re-entrants to the labour market as explained further below.

Key CBA Model Assumptions

An assessment of the monetised economic benefits and costs has been undertaken in a bespoke MS Excel economic appraisal model prepared by C&W. The following key model assumptions have been applied:

- Model start date – 2022/23 financial year (this is the base year and all economic costs and values are presented in FY 2021/22 values).

- Discount rate – 3.5% pa based on the HMT Green Book Social Time Preference Rate (STPR) over years 1-30 of the appraisal period.
- Exclusion of general inflation on costs and values as per the HMT Green Book.
- 30-year appraisal period (costs and land values are profiled in the year in which they occur and the LVU benefit is only accounted for in the year in which it occurs)
- Inclusion of Optimism Bias (OB) on public sector costs as per the HMT Green Book in the Economic Case only. No OB on benefits applied.
- Benefit adjustment for displacement and deadweight as per the MHCLG Appraisal Guide
- High level switching value and sensitivity analysis has been undertaken.

Monetised Economic Benefits

Direct Land/ Property Value Uplift – Market Walk Shopping Centre

- Applied VOA Land Values from 'Land Value Estimates for Policy Appraisal' (2019).
- Assumed all land values as at FY 2019/2020 as per the guidance and uplifted to 2022/23 values using the GDP deflator equating to £194.84 per sq m for office (edge of CBD) land within the Northampton Local Authority area (now incorporated into the newly created West Northamptonshire Local Authority area). As the VOA data does not provide a specific retail/F&B land value, edge of CBD office land values have been adopted as a proxy as in value terms the uses are considered comparable.
- The above land values have been applied to the following accommodation schedule, as per the scheme designs provided by Urban Edge:
    - F&B Units – 1,593 sq. m. GIA
    - Market – 7,775 sq. m. GIA
    - **Total – 9,368 sq. m. GIA**
- This equates to the following post scheme gross undiscounted land values:
    - F&B Units – £0.310m
    - Market – £1.154m
    - **Total – £1.825m**
- A nil economic Existing Use Value (EUV) is proposed given the current status of the site as a vacant shopping centre with no current economic activity/productivity associated with this. It is acknowledged that the site has an acquisition value in property market terms. However, in economic productivity terms the Shopping Centre is vacant and current generates no productive economic activity and therefore has no existing economic use value. Market Walk Shopping Centre has been vacant for some time and given the decline in the retail market, the shopping centre has become obsolete and the prospects of reletting the units for shopping centre-based retail use is considered to be very minimal. As presented under the BAU scenario description the units will be likely to be mothballed in the absence of the Town Deal funding for the foreseeable future with no economic value attributable to them. This is therefore considered to be a justified economic EUV.
- This results in an undiscounted gross Land Value Uplift (LVU) of £1.825m.
- The land value uplift has been profiled in accordance with the scheme programme (practical completion anticipated in the 2024/25 financial year).

- Assuming this trajectory results in a PV gross discounted LVU of £1.703m (discounted at 3.5% per annum).

- A 20% displacement factor is applied to the land value uplift based on the MHCLG Appraisal Guide. This is a low level of displacement as per the Appraisal Guide and reflects the focus of the proposed scheme specialist commercial use proposed for the site (i.e. an indoor market) which is not provided elsewhere in the town centre. this use therefore offers a differentiated product locally and has a low propensity to displace other activity.

- 0% deadweight is applied as per the above BAU assumption that the scheme would not be delivered without Town Deal funding support given the presented viability case as per the Financial Case section of this business case.

- This results in a PV net additional LVU benefit of £1.363m.

- No private sector contributions to abnormal costs are applied as a private disbenefit to be taken off the post scheme residual land value as, as explained above it is assumed that all site abnormals are funded by the public sector.

- This results in a PV net additional LVU benefit of £1.363m.

Indirect (or “spillover”) Land/Property Value Uplift associated existing adjacent retail/leisure properties

- The current rateable value of all of the relevant retail/ leisure properties within the assumed impact area (Figure 3.1) was obtained from the Valuation Office Agency (VOA) on a property by property basis. The rateable value was applied as a proxy for rental value which is considered an acceptable approach to this (acknowledging the conservative nature of this in that rateable values tend to always be slightly lower than current market values due to the way in which rateable values are based on rateable values from April 2015). An assumed capitalisation yield of 9% (conservative estimate for high street retail property in Northampton Town Centre based on a C&W assumption) was then applied to the retail and F&B properties to derive an estimated current market capital value for each rateable hereditament. This equates to an overall capital value of £16.175m.

- An assumed 3% uplift in capital value per annum for these impacted properties was then assumed for a 5-year period on a compounded basis from the point at which the final element of the scheme is expected to reach practical completion (FY 2024/25). This percentage uplift is considered to be justified and in practice, the scale and duration of uplift could be more significant. The uplift is predicated on the basis of the market’s potential to act as a key driver of town centre footfall (markets typically play a key role in town centres in driving footfall) which in turn could result in additional footfall and spend within the surrounding area. This could therefore have a positive impact on wider property values as a result of increased retail/leisure turnover and higher levels of occupier demand.

  Whilst the MHCLG Appraisal Guide does not specifically acknowledge the potential for indirect/spillover value uplifts, this principle is well accepted by DLUHC through recent funding programmes such as the Future High Street Programme and the current Levelling Up Fund. The clarification guidance that MHCLG provided in relation to the Future High Streets Fund permitted a 5% uplift for 5 years as an accepted area wide uplift to assume and there was an ability to increase this further in the MHCLG appraisal template. The MHCLG Appraisal Guide also suggests a 5% per annum uplift in relation to average annual real terms growth in land values as stated explicitly on page 62 of the 2016 MHCLG Appraisal Guide and whilst this is spillover uplift is not presented as an inflationary based increase, the 3% pa increase nonetheless sits well within this accepted parameter.

- Nil deadweight assumed as the scheme will not be delivered in the absence of Towns Fund investment due to a lack of sufficient available funding and the scale of the viability gap as presented in the Economic Case.

- A displacement rate of 20% which is a low level of displacement as per the MHCLG Appraisal Guide. In practice, we do not consider the value uplift here to have the potential to materially displace any existing values elsewhere.

- The post scheme land values have then been profiled in accordance with the scheme delivery programme (from FY 2024/25) and discounted back to 2022/23 values using a 3.5% annual discount rate. No private sector atypical costs are assumed.

- This results in PV net additional land/property uplift benefit of £1.795m.

Labour Supply Benefits

- Our approach to the quantification of the labour supply impacts is presented below and this aligns with the MHCLG approach to the monetisation of benefits for the Future High Street Fund as per its prescribed MS Excel template as well as the assumptions presented in the latest Green Book. As per the MHCLG guidance for the Future High Street Fund, the monetised labour supply benefits have been included within the initial BCR.

    - Gross FTEs based on the employment projections provided by ARBA Group:

        - Market – 140 gross FTE jobs
        - F&B units – 30 gross FTE jobs
        - Total - 170 gross FTE jobs

    - It has been assumed that 10% of the new gross FTE jobs will be taken by new/re-entrants to the labour market which equates to 17 FTE jobs. This % assumption is in accordance with the accepted parameters defined by MHCLG for the Future High Street Fund programme and is not considered unreasonable reflecting the type of jobs that would be created through the scheme (i.e. many entry level based jobs).

    - GVA per FTE data was applied to the 17 gross FTEs using ONS GVA data at the West Northamptonshire LA level. As West Northamptonshire is a newly created local authority, GVA figures for Daventry, Northampton and South Northamptonshire have been combined to enable an accurate comparison. SIC Group I Accommodation and Food Services Activities (based on ONS 2018 Regional GVA by Industry) has been applied.

    - The GVA figures by SIC Group were divided by the total employment by SIC Group based on BRES 2018 data and the GVA per FTE figures were uplifted to 2022/23 values using the GDP deflator. This resulted in the below GVA per FTE figures:

        - Market and F&B – £23,769 per FTE per annum

    - Applying this the 17 FTEs by use type resulted in a total GVA impact of £0.404m per annum from labour market entrants/re-entrants.

    - The assumed welfare impact was based on 40% of total GVA impact. As per TAG Unit 2.3, the welfare impacts over and above user benefits are assumed to be equivalent to the benefits to the exchequer. These are the tax revenues resulting from labour supply impacts and can be estimated as 40% of the resultant change in GDP/productivity. 40% of the above GVA figure is £0.161m pa and this has been modelled as the annual welfare impact for a 10-year appraisal period from 2024/25 aligned to the floorspace delivery trajectory and discounted at 3.5% pa to 2022/23 present day values.

- This equates to a total PV benefit over 10 years of £1.25m.

Monetised Economic Benefit Summary – Land Value Uplift Approach

The below table summarises the monetised economic benefits of the scheme.

Summary of PV Economic Benefits	PV 2022/23 prices	
Net Additional PV Direct Land Value Uplift	£	1,363,005
Net Additional PV Indirect Land/Property Value Uplift	£	1,794,522
PV Labour Supply Impacts	£	1,254,850
Total	**£**	**4,412,377**

Economic Benefits Analysis Place-based Approach - Employment and Productivity Benefits

As described above, as an alternative approach (and not to be double counted with the above) the economic benefits of the scheme have also been assessed based on the place-based approach to economic benefits assessment as per the 2022 HMT Green Book. This analysis is focused on the employment and productivity benefits generated by the proposed scheme.

- Gross employment projections have been provided by scheme developers, ARBA Group and market operators, The Hold as follows. These are based upon job densities achieved at The Hold's existing markets in Newcastle and Seaburn. These have been adopted within the economic benefits assessment.
    - Market – 140 gross FTE jobs
    - F&B units – 30 gross FTE jobs
    - **Total - 170 gross FTE jobs**

- A number of additionality adjustments have been made to determine the net additional direct FTE jobs which could be supported by the completed scheme, as per HMT Green Book guidance and the HCA Additionality Guide 2014 as below:
    - **Leakage** – a 5% leakage rate has been assumed for the purposes of this appraisal, given the retail/ F&B focus of the direct jobs and corresponding lower propensity to attract inward commuting from outside of the West Northamptonshire local authority area. This represents a low leakage rate as per the HCA Additionality Guide reflecting the likelihood that *'the majority of the benefits of the new employment will go to people living within the target area'*.
    - **Displacement** – 40% has been adopted on the basis that the indoor market will provide a differentiated offer from the existing facilities in Northampton Town Centre and has limited propensity to displace employment activity from elsewhere in Northampton. However, we cannot rule out the prospects that a proportion of the jobs that are provided could be taken by people moving from other retail, hospitality or F&B jobs in the locality. We have therefore assumed a prudent 40% displacement rate which is defined as low to medium within the HCA Additionality Guide.
    - **Multiplier Impacts** – A composite (induced and indirect) multiplier of 1.295 has been adopted based on the average of the multiplier for recreation (1.38) and retailing (1.21) at a local area level as per the HCA Additionality Guide (2014). This was also benchmarked against the place based multipliers within the 2022 HMT Green Book and assuming a "tradable" direct employment category and "central" effect on employment sectors, this would also result in a combined 1.3 multiplier impact on tradable and non- tradable sectors and so is considered to fully consistent with this.

- The additionality adjustments result in total direct net additional local jobs of 125.5 FTEs.
- This has been applied to the GVA output per job value for SIC Group I Accommodation and Service Activities at a West Northamptonshire level (ONS) which equates to £21,846 (2019 value). This has been uplifted to 2022/23 values using the Government's GDP Deflator to derive a GVA output per job of £23,769.
- This has been applied to the net additional local jobs to calculate a total GVA output per annum of £2,982,711. This has then been profiled from the point of realisation (2024/25 FY), with a 5-year persistence of benefits period assumed as per established appraisal methodologies, to result in an overall undiscounted GVA output of £14.193m.
- The benefit has been discounted to a present value at the Social Time Preference Rate of 3.5%. This results in a PV net additional productivity benefit of £13.011m.

Monetised Economic Benefit Summary – Place Based Approach – Employment and Productivity Benefits

The below table summarises the monetised economic benefits of the scheme:

Summary of PV Economic Benefits	
Net Additional PV GVA impacts associated with proposed scheme	£ 13,011,685
Total	**£ 13,011,685**

Monetised Economic Costs

The monetised economic costs are based on the scheme financial costs adjusted as per the Green Book. The financial costs of the scheme relate only to the £4.175m of requested Towns Fund grant funding as there are no other public sector funding sources and all private sector costs are reflected in the LVU.

The following adjustments have been made to the financial costs to calculate the economic costs of the scheme:

- All costs and incomes are discounted at 3.5% pa based on the assumed expenditure and receipt profile with 2022/23 as the base year with no discounting applied in this year;
- Adjusted for Optimism Bias (OB) in accordance with the HMT Green Book and the OB Supplementary Guidance. 10% OB has been applied to the Towns Fund grant at this stage to reflect the stage of capital cost certainty that exists.

A summary of the monetised 'economic' costs is presented below. All sunk costs have been excluded in line with HMT Green Book guidance. No deflator has been applied to remove general inflation on the basis that the public sector costs are derived from a viability appraisal which does not exclude inflation on the costs and values. No opportunity cost is considered applicable.

	Economic Costs			Financial Costs		
	NPV @ 3.5% with OB	OB Adjustment	NPV @ 3.5%	TOTAL (no OB/undiscounted)	2022/23	2023/24
Towns Fund Grant	£4,437,198	10%	£4,033,816	£4,175,000	£0	£4,175,000
Affordable Housing Grant	£0	0%	£0	£0	£0	£0
Other Public Sector Grant	£0	10%	£0	£0	£0	£0
Private sector costs (not incl in LVU)	£0	10%	£0	£0	£0	£0
TOTAL	**£4,437,198**		**£4,033,816**	**£4,175,000**	**£0**	**£4,175,000**

Value for Money Summary – Appraisal Summary Table (AST)

The Appraisal Summary Tables for each of the economic appraisal approaches undertaken are presented below.

AST – Land Value Uplift plus External Benefits Approach

The scheme Appraisal Summary Table (AST) is presented below based on the Town Deal only and total public sector costs:

Appraisal Summary Table (AST)		
PV Economic Benefits	**Towns Fund Cost Only**	**Total Public Sector Cost**
Present Value of Benefits (for initial BCR)	£4,412,377	£4,412,377
Present Value of Other Monetised Impacts (for adjusted BCR)		£0
Total Present Value Benefits	**£4,412,377**	**£4,412,377**
PV Economic Costs		
Towns Fund cost (discounted, incl OB)	£4,437,198	£4,437,198
Other public sector costs (discounted, incl OB)	n/a as Towns Fund cost only	£0
Total Public Sector Cost	**£4,437,198**	**£4,437,198**
Private sector costs (not incl in LVU)	£0	£0
Initial BCR	**1.0**	**1.0**
Adjusted BCR	**1.0**	**1.0**
Initial NPSV	**-£24,821**	**-£24,821**
Adjusted NPSV	**-£24,821**	**-£24,821**

The above appraisal summary table shows that the development generates an initial and adjusted BCR of 1.0 on a total public sector and Towns Fund only basis. This means that the project has the potential to result in a marginally ‘acceptable’ value for money position as per the MHCLG Appraisal Guide and HMT Green Book given the BCR is 1 (a BCR of between 1 and 2 is defined as acceptable). The Net Present Social Value is marginally negative which reflects the fact that the economic costs are actually circa £25,000 higher than the economic benefits but the BCR is rounded to 1 decimal place and so can be presented as being marginally acceptable as a result as long as this is understood. Clearly there is a risk with any changes to schemes costs/benefits, the BCR could fall below 1 (see below).

AST – Place-based (Employment and Productivity Benefits) Approach

The scheme Appraisal Summary Table (AST) is presented below based on the Town Deal only and total public sector costs:

Appraisal Summary Table (AST)		
PV Economic Benefits	**Town Deal Cost Only**	**Total Public Sector Cost**
Present Value of Benefits (for initial BCR)	£13,011,685	£13,011,685
Present Value of Other Monetised Impacts (for adjusted BCR)	£0	£0
Total Present Value Benefits	**£13,011,685**	**£13,011,685**
PV Economic Costs		
Town Deal cost (discounted, incl OB)	£4,437,198	£4,437,198
Other public sector costs (discounted, incl OB)	n/a as Town Deal cost only	£0
Total Public Sector Cost	**£4,437,198**	**£4,437,198**
Private sector costs (not incl in LVU)	£0	£0
Initial BCR	**2.9**	**2.9**
Adjusted BCR	**2.9**	**2.9**
Initial NPSV	**£8,574,487**	**£8,574,487**
Adjusted NPSV	**£8,574,487**	**£8,574,487**

The above Appraisal Summary Table shows that; when assess on a place-based (employment and productivity) basis, the proposed scheme has the potential to generate an initial and adjusted BCR of 2.9 on both a Town Deal cost only and total public sector cost basis. This means that the project has the potential to generate 'high' value for money when assessed on a place-based approach basis, as per the MHCLG Appraisal Guide (as it exceeds 2) from both a Town Deal only and total public sector cost perspective. Under both scenarios, an initial and adjusted Net Present Social Value of £8.575m is generated.

This does not account for wider scheme outcomes and non-monetised benefits which are presented below aligned to the strategic objectives of the project.

This shows that the initial and adjusted BCR has the potential to reach a "marginally acceptable" level under the Land Value Uplift plus external benefits approach to benefit monetisation, and a 'high' level under the place-based approach, based on the assumptions applied above.

Sensitivity Analysis and Switching Value Analysis

The Sensitivity and Switching Value Analyses for each of the economic appraisal approaches undertaken are presented below.

Land Value Uplift Approach

Sensitivity and switching value analysis has been undertaken as per the Green Book, to understand the impacts on the BCR of changes to key variables/inputs as a further test of the VFM position.

Switching Values and impact on BCR	
Percentage increase in PV economic costs for BCR to fall to below 1	0% - on the basis that the BCR is already exactly 1.0
Percentage decrease in PV economic benefits for BCR to fall to below 1	0% - on the basis that the BCR is already exactly 1.0

This demonstrates that there is no headroom for any negative changes to costs/benefits for the BCR to remain at 1.0. Further scenario testing has also been undertaken to test the impacts of variations in key assumptions upon the value for money position of the project.

Scenario Testing	Impact on BCR
Increase in displacement from 20% to 30%	0.9 (based on reduced PV economic benefits of £4.017m)
Increase in Optimism Bias to 20%	0.9 (based on increased PV economic costs of £4.841m)

This shows that the BCR would fall to 0.9 under either of the above scenarios.

Place Based (Employment and Productivity benefits) Approach

Sensitivity and switching value analysis has been undertaken as per the Green Book, to understand the impacts on the BCR of changes to key variables/inputs as a further test of the VFM position. The table below clearly identifies that a significant increase in PV costs or reduction in PV benefits is required for the BCR to fall below 1.

Switching Values and impact on BCR	
Percentage increase in PV economic costs for BCR to fall to below 1	194%
Percentage decrease in PV economic benefits for BCR to fall to below 1	66%

Further scenario testing has also been undertaken to test the impacts of variations in key assumptions upon the value for money position of the project. This illustrates that the BCR remains significantly over 1 under both scenarios.

Scenario Testing	Impact on BCR
Increase in displacement from 40% to 60%	1.96 (based on reduced PV economic benefits of £8.674m)
Increase in Optimism Bias to 20%	2.69 (based on increased PV economic costs of £4.841m)

Wider Non-Monetised Economic Benefits

There are several wider benefits of the scheme that have not been monetised within the above analysis. These are summarised below:

- Regeneration benefits –. the scale and nature of the scheme will provide transformative regeneration benefits and could have a wider catalytic impact upon Abington Street and Northampton's Town Centre beyond the area of impact assumed from a wider value uplift perspective, by increasing investor and occupier confidence in the area. This could assist, for example, to enhance the town's attractiveness as a residential location to improve demand for town centre living which is a wider key objective of the Town Deal.

- Construction jobs – although the construction jobs which will be generated by the new development have not been quantified in detail as part of this Economic Case, 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 job years (or c. 11 FTE jobs based on 1 FTE per 10 construction job years) through the construction period based on the estimated construction costs of c.£8.139m as per the HCA Calculating Cost Per Job Best Practice Note 2015.

- Perception and profile benefits – it could assist to enhance the perception, image and profile of the wider town centre offer through the delivery of such a significant scheme to transform the current offer.

- Reduced crime/anti-social behaviour – through promoting increased activity within a currently derelict shopping centre, including a day and evening offer, this could assist to improve natural surveillance levels and reduce opportunities for crime locally.

Economic Case Summary and Rationale for Selection of Preferred Option

In summary, the above Economic Case demonstrates that the preferred option could achieve a marginally 'acceptable' value for money position with a BCR of exactly 1.0 when appraised using the Land Value Uplift plus wider external benefits approach.

However, when assessed using the place-based approach, the preferred option has the potential to generate a 'high' value for money position with a BCR of 2.9.

The preferred option fully aligns with the scheme's SMART objectives and whilst the LVU based BCR is only marginally acceptable (and the risks of this falling below 1 must be acknowledged), the strategic rationale for intervention and the above wider non-monetised benefits should be accounted for in the overall assessment of the value for money of the preferred option as accepted and recommended in the latest version of the Green Book. The place based BCR also gives some comfort of the VFM position given the risks around the LVU based BCR falling below subject to changes to scheme costs/benefits. In our view, either approach to benefits monetisation could be justified in this instance and we have presented both scenarios to allow the appraiser to understand the BCR implications of each. Ultimately, it would seem logical to argue that the place based approach is relevant to a Towns Fund scheme of this nature.

4. Financial Case

Introduction

This Financial Case is intended to outline the affordability and funding of the preferred option along with identifying key project risks. It includes an analysis of all capital and revenue costs/incomes to demonstrate the financial deliverability and sustainability of the preferred option scheme.

Value Assumptions

Proposed Scheme

We have been provided with scheme designs undertaken by Urban Edge Architects, which comprise the redevelopment / repurposing of the Market Walk Shopping Centre, to provide a large, open market-style space to be operated by The Hold, as well as three supporting F&B units. An accommodation schedule is included below, with Gross Internal Areas, to which we have applied gross/net ratios of 70% for the Hold element and 80% for the three F&B units.

Unit	Gross Area	Net Area	Gross / Net Ratio
The Hold Unit	83,689 sq. ft.	58,583 sq. ft.	70%
Unit A	5,856 sq. ft.	4,684 sq. ft.	80%
Unit B	7,707 sq. ft.	6,166 sq. ft.	80%
Unit C	3,584 sq. ft.	2,868 sq. ft.	80%

The Hold Unit

For the Hold unit, which makes up the majority of the proposed scheme, we understand that an agreement has been reached for The Hold to take a lease with an annual rent of £250,000, and a 12 month initial rent free period.

This rental income has been capitalised at an all risks yield of 10.00%, which reflects the covenant strength of The Hold as an occupier / operator, as well as the transient and start-up nature of the prospective stall operators, and the overall risk of delivering the concept in an unproven and challenged market.

Purchasers costs have been deducted at the prevailing rate of 6.80%, realising a net development value for this element of the scheme of circa £2.1m.

F&B Units

We have made the following assumptions regarding annual rent and rent free incentives for the three F&B units, having regard to local and regional agency sentiment, as well as comparable evidence.

Unit	Gross Area	Net Area (80% of Gross)	Assumed Rental Value	Rent (per sq. ft.)	Rent Free Incentive
Unit A	5,856 sq. ft.	4,684 sq. ft.	£85,000 p.a.	£18.15	12 months
Unit B	7,707 sq. ft.	6,166 sq. ft.	£100,000 p.a.	£16.22	12 months
Unit C	3,584 sq. ft.	2,868 sq. ft.	£55,000 p.a.	£19.18	12 months

There is a real lack of F&B comparable evidence in Northampton, and we have therefore, had regard to evidence from the wider region, as well as placing a greater weight on local property agency sentiment.

We are aware of a recent letting to Pizza Express at the new Castle Quay scheme in Banbury, which achieved an annual rent of c. £92,500 for a 15 year lease (tenant break after 11 years). The unit was delivered as a shell, comprising 3,400 sq. ft. and the letting involved a £500,000 capital contribution. Whilst this letting reflects a headline rent of approximately £27 per sq. ft., Banbury is considered to be a much superior location to Northampton and the subject site, and the rental values in the table above are therefore at a significant discount to this on a £ per sq. ft. basis.

We are also aware of a letting to Dough & Co, at 2 Mulberry Place, Daventry. The unit let in February 2022, for a term of 15 years. The unit comprised c. 3,000 sq. ft. with the annual rent of £45,000 reflecting around £15 per sq. ft. The location and proposed units at the subject site are considered to be superior to this unit and therefore, the assumed rental values are at a premium to this evidence.

More commonly in the current retail and F&B market, rental values are having regard to “economic rents”, and are being assessed in the market more and more so on the affordability of the total rental value, as opposed to a £ per sq. ft. basis. Based on agency sentiment, we are of the view that the largest of the three F&B units could achieve a rent of no more than £100,000 per annum, with this essentially reflecting a ceiling for total rental values in Northampton. The other two units are smaller, and therefore, accounting for quantum, we would envisage slightly higher rents on a £ per sq. ft. basis being achievable, up to c. £19 per sq. ft.

Based on the assumption of the units being let to regional / national F&B occupiers, an all risks yield of 9.00% has been applied to this assumed rental income, reflective of market sentiment, C&W’s property investment yields tracker, and the challenges associated with the retail / F&B sector in regional markets.

Again, purchasers’ costs have been deducted at the prevailing rate of 6.80%, realising a net development value for this element of the scheme of circa £2.3m.

Development Timescales

We have included the following development timescales within our appraisal, which have been informed by indicative timescales provided by ARBA Group, and are considered reasonable:

- Acquisition date of May 2023
- Start on site in July 2023, with a 9 month building conversion period
- Following this, a 7 month period has been assumed for fitting out the Hold element, completing in October 2024
- We have assumed that the value of The Hold element would be realised following this, with an assumed 12 month rent free incentive
- For the three F&B units, we have assumed that one of these units would be pre-let, and thus, the value realised at practical completion of the Hold fit out
- We have allowed for staggered lettings for the remaining two F&B units, 6 and 12 months after practical completion

Capital Costs

Construction Costs

In undertaking an appraisal of the preferred option, we have had regard to an Order of Cost Estimate (OCE) undertaken by Turner & Townsend on behalf of ARBA Group, which is summarised below, and included at Appendix B. This OCE covers the building adaptation costs, on the basis of a shell and core fit out.

Item	Cost
Superstructure – Roof	£600,000
Superstructure – Stairs and Ramps	£150,000
Superstructure – External Walls	£300,000
Superstructure – Internal Walls and Partitions	£100,000
Services – Sanitary Installations	£40,000
Services - MEP Generally	£400,000
Minor Demolition Works and Alteration Works	£700,000
External Drainage	£150,000
Facilitating and Building Works Total	**£2,440,000**
Main Contractor Preliminaries	£244,000
Main Contractors Overheads and Profit	£161,040
Total – Building Works Estimate	**£2,845,040**

We have also been provided with an estimated fit out contribution of £750,000 for the Hold element.

For the three F&B units, having regard to current retail agency sentiment and the level of contribution that is required to achieve the rental values included above, we have made the following fit out contribution assumptions, on the basis that the units will be delivered on a shell and core basis, at best. The below allowances range between £250,000 and £500,000 depending on size, and reflect circa £65 - £70 per sq. ft.

- Unit 1 (5,856 sq. ft. GIA) - £400,000 (£68 per sq. ft.)
- Unit 2 (7,707 sq. ft. GIA) - £500,000 (£65 per sq. ft.)
- Unit 3 (3,584 sq. ft. GIA) - £250,000 (70 per sq. ft.)

Other Site Costs

An allowance of £2m has been included for the acquisition of the Market Walk Shopping Centre, which has been informed by the agreed Heads of Terms between the Vendor and ARBA Developments Limited. Appropriate allowances for Stamp Duty Land Tax, agency fees and legal fees have been made.

Contingency & Professional Fees

It is noted that whilst the OCE includes a 5.00% Contingency allowance, applied to the Building Works Estimate total above (£2,845,040), the OCE explicitly excludes allowances for asbestos removal, diversion of existing services, removal of contaminated material and several other items, for which an appropriate contingency allowance must be applied. We have therefore, applied a replacement Contingency allowance of 10.00% within our appraisal of the site, which reflects the scheme being at a relatively early stage of scheme design, which typically carries a greater level of risk and uncertainty when estimating costs. This level of contingency also allows for the possibility of the presence of deleterious materials, such as asbestos. Contingency has been applied to the Building Works Estimate and the fit out contribution for The Hold, as this forms a key component of the proposed scheme and is effectively pre-let. In terms of overall cost, this allowance reflects circa £360,000, which is considered reasonable given the nature of the scheme.

We have also included an allowance for Professional Fees at 10.00% within our appraisal of the site, which is an industry standard assumption and has again been applied to the Building Works Estimate and the fit out contribution for The Hold.

Letting, Marketing and Disposal Costs

We have allowed for letting agency and letting legal fees of 10.00% and 5.00% respectively, consistent with commercial schemes of this nature. Letting agency fees have been applied to the three F&B units only, given that The Hold operation is effectively pre-let and forms part of the overall scheme proposal. Letting legal fees have been applied across the board.

We have included scheme marketing costs at 1.00% of Gross Development Value, as well as sales agent fees at 1.00% of GDV, and sales legal fees at 0.50% of GDV.

Finance Costs

We have included a rate of 6.50% as the cost of finance within the appraisal.

Developer Profit & Appraisal Summary

Based on the value, timescales and cost assumptions set out above, we have undertaken a development appraisal of the proposed scheme, which is included at Appendix A of this report, and the outputs for which are summarised below.

On the basis that the acquisition cost has been fixed, developer profit is the output of the development appraisal, for which the amount of Towns Fund gap funding is a variable. Typically, for commercial schemes of this nature, particularly in the retail sector, we would expect a developer profit allowance of around 20% on cost, reflective of current retail market conditions and the risks associated with securing occupiers for the scheme.

In order to realise a level of profit in this region, and thus for the scheme to be commercially viable, Towns Fund gap funding of £4.175m is required, assuming that this is apportioned on the following basis:

- £2.1m on "Day 1" of the appraisal, assumed to be on a "back to back" basis with the acquisition cost of £2m and associated allowances for SDLT and fees.
- £2.075m assumed to be drawn down monthly in arrears and evenly apportioned over the first 8 months of the "building adaptation" phase.

Making these assumptions regarding the gap funding requirement, a developer profit allowance of £731,742 is realised, which reflects approximately 9.33% on total scheme cost (£7,841,562), and 15.50% on GDV (£4,398,304).

However, on the basis that the Towns Fund funding will effectively offset and be linked to around £4.175m of development cost (as above), with no real risk to the developer for such cost elements, we have considered this profit allowance in the context of the scheme costs that the developer will be responsible for (£3,666,562). Against this level of development cost, the profit allowance reflects approximately 20%, which is considered reasonable and justifies the level of Towns Fund funding required in order for the scheme to be viable and deliverable.

Project Costs

We have presented below an annual profile of the total project costs.

	23/24	24/25	25/26
Total Project Costs	£5,558,241	£1,470,551	£812,750

*excludes developer profit

Funding Profile

It is proposed that the Market Walk development will be funded through a combination of Towns Fund funding and private commercial/developer equity funding.

Public Sector Funding

Based on the appraisal undertaken by Cushman & Wakefield, a Towns Fund gap funding requirement in the order of £4.175m has been identified.

The table below sets out the anticipated public sector funding profile, for the £4.175m of Towns Fund funding, which assumes:

- £2.1m in May 2023 (2023/24 FY), assumed to be on a "back to back" basis with the acquisition cost of £2m and associated allowances for SDLT and fees
- £2.075m assumed to be drawn down monthly in arrears and evenly apportioned over the first 8 months of the "building adaptation" phase, between August 2023 and March 2024 (2023/24 FY)

Total (no OB / undiscounted)	2023/24
£4,175,000	£4,175,00

These timescales are based on the current anticipated programme for scheme delivery, as referred to in the Development Timescales sub-section above.

Commercial Funding

Funding Source, Certainty and Affordability

As set out above, the viability gap for the scheme is proposed to be funded through Towns Fund funding.

Aside from the public sector gap funding, which is required as a result of the negative viability position of the scheme, delivery of the scheme will be funded through commercial funding sources, for which allowances have been made in our development appraisal for the scheme.

Need for Public Sector Intervention – Project Viability

Based on the development appraisal undertaken, a viability gap of circa £4.175m has been established, and therefore, the proposed scheme is considered unviable without gap funding contributions from the public sector.

Contingency and Cost Overruns

We have included an allowance for contingency of 10.00% (amounting to circa £360,000) within our appraisal of the scheme, to reflect the scheme being at a relatively early stage of design, which typically carries a greater level of risk and uncertainty when estimating costs. This level of contingency also allows for the possibility of the presence of deleterious materials, such as asbestos.

Key Financial Risks

- Risk of increased conversion costs due to changes in scheme design, given the relatively early stage of design that the scheme is currently at. It is noted that we have made a contingency allowance in our appraisal which partially reflects this.

- It should be noted that the current costs in the development appraisal purely relate to present day costs, with inflation having been excluded from our appraisal of the site, treating the appraisal on a "todays costs and today's values" basis. Whilst a case could be made for including inflation on the costs, similarly a case could be made for also inflating the appraisal values (in terms of rents and capital values) and if both were inflated by the same amount the net impact is nil. When preparing development appraisals we would typically always present both costs and values in current days prices for consistency as otherwise this relies on cost and value forecasts over which there could be uncertainties beyond the short term.

- Risk of poor demand for the F&B units, albeit we have assumed a staggered letting profile and have allowed for significant capital contributions and incentives within our appraisal of the scheme.

- Risk of increased abnormal costs as a result of the safe removal of asbestos or other deleterious materials being required.

- Risk of securing commercial funding for the scheme, albeit that we have made allowances for an appropriate finance cost within our appraisal of the site, and the inclusion of public sector funding mitigates the amount of private funding required, thus de-risking this element.

- On the basis that Heads of Terms have been agreed between the vendor and ARBA Developments Limited, we don't anticipate increases to the acquisition cost as a major risk.

Financial Case Summary

The Financial Case has set out in detail the various revenue and cost assumptions which support the development appraisal undertaken for the Market Walk site.

Based on the appraisal undertaken by Cushman & Wakefield, a viability gap in the order of £4.175m has been identified, which is proposed to be met through Towns Fund funding.

Aside from the public sector gap funding outlined above, which is required as a result of the negative viability position of the scheme, we have assumed and are confident that the delivery of the scheme would be funded through commercial funding sources.

5. Commercial Case

Introduction

This Commercial Case will assess the commercial viability of the proposed scheme, including comment and analysis on market demand, indicative milestones and timescales, key commercial dependencies, and an overview of the proposed procurement / delivery strategy.

Market Analysis/Demand and Commercial Viability/Sustainability

The Hold Group are responsible for delivering Stack Newcastle 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 & 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 commercially safe prospect for the repurposing of retail units.

Whilst Northampton's retail and leisure sector has suffered due to the compounding effects of Rushen Lakes, the Covid pandemic and the shift to online shopping, there is a huge opportunity to reimagine the role that leisure/hospitality plays in creating a new town centre anchor by transforming the currently vacant Market Walk Shopping Centre.

The repurposed Shopping Centre 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 Market Square as a prime events space.

Market / Demographic Analysis

Northampton's current leisure and F&B offer is substantial with 119 F&B businesses located within the town centre (source Northampton Town Centre BID Directory). There is a mix of independent operators, national chains, and multi-site operators, which all offer a more traditional dining/drinking experience. There are also several venues offering live music from local bands to touring bands, but again these venues are more traditional, hosting ticketed performances and with limited food provision.

Through research, it is evident that the F&B offer in Northampton has declined and that a more modern offer is available outside of the town at Rushden Lakes which is home to many mid-range and well known high street occupiers including Nandos, Patisserie Valerie, Pizza Express and Zizzi. This middle market is being squeezed with wealthier customers looking for something different, and lower income households tightening their purse strings. The Hold model bucks this trend as it appeals to a more inclusive customer base due to the value, experience, atmosphere and quality that is provided. It provides a strategic destination offer characterised by independent traders and competitive socialising. The evidence provided by the company demonstrates that at its existing establishments it has significant beneficial trickle down impacts on other traders in the locality and has a draw from a wide catchment, bringing a new demographic into the town centre.

There is no business currently operating in Northampton or in the wider County that offers a multipurpose venue with independent street food traders, bars, and entertainment, demonstrating there is a gap in the market for this type of offer.

Existing pop up events and festivals provide evidence that there is an appetite for this type of experience. Bite Street is currently Northampton's most popular pop-up street food event, which splits its time between two venues - the County Cricket Ground in Abingdon and Franklin's Gardens, home of Northampton Saints RFC.

Northamptonshire's Good Food and Drink festival is also returning for its third year with over 40 vendors, which indicates there is a market for street food traders and a pool of quality operators who will be suitable to occupy the units within the proposed scheme.

Transforming the Market Walk Shopping Centre into a food, drink and entertainment venue would provide a year-round, all-day offering of street food and a festival atmosphere that would appeal to a range of demographics. Notwithstanding this, the primary target audience would be the 25 – 45 age bracket, as they are the market with the most disposable income and prioritise spending their money and time on experiences.

Northampton has a population of 230,000 and a total catchment of 753,000 within the County, which is predicted to increase by 16.6% by 2043 (Northamptonshire Demography Insight Pack 2020).

40% of Northamptonshire's population are aged between 20 – 49 (317,356).

Research would suggest that this demographic do not have a huge amount of choice within the town centre that would meet their needs for good quality casual dining and social experiences. There is clearly an appetite for a more experiential leisure offer which can be evidenced by the number one venue on Trip Advisor – recently opened 'Playhouse' (formerly Revolution Bar), which offers gaming activities including arcade games, a racetrack and music bingo themed nights alongside pizza and cocktails.

The Hold venue would complement this offer in the town and provide more competitive socializing activities such as 'mini golf, darts, shuffleboard, karaoke booths and ten pin bowling. The Hold have demonstrated that at their existing venues, which attract a wide demographic by age.

The Hold venue would offer residents of Northampton a unique and exciting venue which would stop leakage to neighbouring places such as Milton Keynes and London which is only one hour away and home to a plethora of innovative venues.

Track Record – The Hold Group (Operator)

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 are 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.

Stack Newcastle was located on a derelict piece of land in an area of the city that had been neglected for 15 – 20 years. Following the arrival of Stack the area saw a huge uplift in footfall and it changed the flow of people on a night out in the city. Stack was so successful at Pilgrim Street, the area is being transformed into Grade A office accommodation for HMRC and Stack is being relocated to a permanent location just down the street. The new home for Stack Newcastle is a repurposing of Grade II Worswick Chambers and will be at the heart of the Pilgrim Quarter development.

During the 4 years Stack Newcastle operated from August 2018 – May 2022 the site welcomed over 3 million visitors despite being closed for several months during lockdown. In the year April 2021 – May 2022 Stack Newcastle turned over just short of £9m net of VAT including rents received from tenants.

Stack Seaburn has been another success story invigorating Sunderland's seafront and attracting major investment into the area including a new hotel, housing development site and a number of new bars and restaurants. Survey data showed that 96% of respondents were more likely to visit the area because of Stack.

Stack Seaburn opened during the pandemic in September 2020 and reached its one millionth visitor in May 2022, had it not been for Government-imposed lockdowns they believe they would have hit this figure within by the first year of opening. In the year April 2021 – May 2022Stack Seaburn turned over £5.5m net of VAT including rents received from tenants.

Both venues have also demonstrated their power to pull in customers from a wider catchment area. This has had a significantly positive impact in Sunderland – it has reduced leakage to Newcastle (yet this never affected Newcastle's customer base) and it is attracting people from the wider region to visit Sunderland including Teeside, Durham, Stockton and Middlesbrough, areas that previously people weren't visiting from – see below maps:

STACK NEWCASTLE
SHOP · EAT · EVENTS

STACK NEWCASTLE 2019

STACK NEWCASTLE 2021

STACK NEWCASTLE 2022

STACK
SEABURN
LOCAL SOCIAL HUB

STACK SEABURN 2021

STACK SEABURN 2022

Financial Projections – The Hold Group (Operator)

The financial projections for The Hold at Market Walk are circa £10m per annum in turnover.

This figure accounts for £7m generated from the bars, tenant rents, retros, screen advertising/ sponsorship income and owned and operated food units, including a coffee shop. An additional £3m is forecasted for the competitive socialising gaming areas.

The assumption for this forecast is based on experience at other venues, the number of food units being let, market demand and low competition, along with the investment that is being put into the town centre.

Capacity / Track Record of Developer – ARBA Group

ARBA Group is a real estate developer, investor and property manager focused primarily on commercial real estate in England. ARBA Group was established by four individuals with a sector wide background of experience in the acquisition, refurbishment, delivery and management of real estate, and prides itself on thinking outside the box to repurpose, reimagine or simply update property making it fit for purpose in the current economic climate. With the combined skills of two chartered surveyor Directors, an archaically trained Director with a planning background, and a construction Director, ARBA Group is well placed to utilise this experience on projects that aren't always traditional development opportunities.

ARBA Group retains a portfolio of office accommodation, retail units and leisure properties with a few residential units. ARBA is also active in the transactional market and keeps a close overview of the property investment market, including key drivers and trends. ARBA Group has access to internal private equity investment funding, along with external syndicated equity funding and traditional bank funding, being well positioned for current and future projects.

ARBA Group is closely linked with Tanbry Construction, a £15m turnover contractor and construction company that undertakes various construction projects across the UK, most pertinently including structural work on shopping centres. Tanbry have been appointed on works including lift pits, escalator pits, structural openings and lift shafts in both shopping centres and stores. This is specialist work in tightly controlled health and safety environments, often with restricted access and controlled working periods. ARBA Group has a variety of trusted professional partners that work together on various projects.

Examples of projects successfully delivered by ARBA Group include:

Meadowhall Business Park, Sheffield

Acquired by ARBA Group from Sheffield City Council, the property comprises four two storey office blocks and a three storey central office block on the east of Sheffield, close to the M1. Sheffield City Council vacated the property, leaving almost 80,000 sq. ft. of vacant accommodation in dated condition. ARBA Group refurbished the accommodation, repurposing parts by removing the structural bridge links between the buildings, installing new internal amenity facilities, and rebranding the accommodation using cladding and creating improved parking provision. After a short period of ownership, new lettings were achieved over a period of two years and at a cost of c. £4.5m, the entire site had been refurbished and relet to high quality tenants, including Tata Steel, Preventex and Capgemini.

Former Bus Station – Mansfield

ARBA Group successfully developed a former bus station that was temporarily in use as a surface car park. The completed development included a leisure restaurant destination with Taco Bell, Tim Hortons and Dominos as occupiers. ARBA Group were appointed as preferred developer by Mansfield Council to deliver the scheme, for which ARBA Group successfully obtained planning permission for. Supported by Nottinghamshire County Council and D2N2 Business Investment Fund, the scheme attracted a significant financial grant to assist with the viability of the project. The scheme is open and trading well after construction work commenced during the pandemic in summer 2021. A letter of reference for ARBA Group from Mansfield Council can be made available if required.

Procurement & Delivery Options

On the basis that this scheme would be delivered by ARBA Group, who have approached the Council directly with this proposal, a typical procurement process is not required.

It is anticipated that the scheme will be delivered through a form of Development Agreement and Grant Funding Agreement between the developer (ARBA Group) and WNC, with the latter effectively acting as the accountable body for defrayment of the Towns Fund grant.

This process will still demonstrate value for money, through basing the Development Agreement, Grant Funding Agreement and this Towns Fund funding application on robust and market facing commercial inputs in the development appraisal. It is suggested that as part of such agreements, the developer should provide an independent report by an external RICS qualified surveyor to confirm the validity of the tendered costs and development appraisal inputs to demonstrate that they are commensurate with market rates prior to any grant drawdown. The Council have also taken subsidy control advice relating to the proposed scheme which is included below within this Commercial Case.

It is also the case that this is an advantageous position with regards to procurement and delivery of the site, as a developer in the market with a robust track record and proposal has effectively approached the Council, as opposed to the Council having to take the lead and acquire the property at risk, and then run a procurement process at risk. This alternative process would have significant impacts on timescale and costs, and may still not be successful with regards to maximising developer appetite and identifying a preferred development partner to deliver the scheme.

Indicative Contractual Milestones and Risk Transfer

Included below are indicative timescales and milestones for the procurement and delivery of the Market Walk scheme.

Project Milestone	Indicative Date
Planning Application Submitted	November 2022
Detailed Design and Procurement of Contractor	November 2022 – April 2023
Planning Approval	May 2023
Completion of Purchase of Market Walk Centre	May 2023
Start on Site & Building Adaptation Works	July 2023
The Hold Fit Out	April 2024 - October 2024
The Hold Commence Trading	October - December 2024

Asset Ownership

Market Walk Shopping Centre is currently in third party private ownership, and has been earmarked for acquisition in early 2023, for which Heads of Terms have been agreed between the parties, subject to conditions.

Subsidy Control Compliance

With regards to subsidy control compliance, WNC have sought advice from DWF Law LLP. Please refer to the Advice Note included at Appendix C, for further detail and information.

Key Commercial Dependencies

The following commercial dependencies are relevant:

- Market Walk Shopping Centre is currently in third party ownership, and needs to be acquired in order to ensure the comprehensive redevelopment of the site. HoTs have been agreed between ARBA Developments Limited and the vendor for the acquisition of the Property.
- Planning permission must be secured before redevelopment works can start and for completion of the acquisition of the Property.
- Private Sector and Public Sector Funding must be secured before development can start.
- Development Finance must be drawn down before development can start.
- Occupier Demand – Whilst proposals for the site include The Hold as an operator for the market element, the success of this component of the scheme will still be dependant on a good level of occupier interest in the various stalls / units. The three additional F&B units within the scheme will be delivered on a speculative basis, and therefore, occupier demand in this sub-sector will also be important.

Commercial Case Summary

The Commercial Case has considered market sentiment, demand and demographic analysis in order to demonstrate demand for the proposed Market Walk scheme.

The Hold Group are responsible for delivering Stack Newcastle 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 & hospitality.

This Commercial Case has also demonstrated the capability and track record of ARBA Group as a developer, providing examples of successfully delivered projects and an overview of the company.

While Northampton's retail and leisure sector has suffered due to the compounding effects of Rushen Lakes, the Covid pandemic and the shift to online shopping, there is a huge opportunity to reimagine the role that leisure/hospitality plays in creating a new town centre anchor by transforming the currently vacant Market Walk Shopping Centre.

The repurposed Shopping Centre will create a prime destination in Northampton for food, drink and entertainment which will attract locals and visitors from neighbouring areas. It will also act as an anchor to support the Council's focus on transforming and enhancing Market Square as a prime events space.

Northampton's current leisure and F&B offer is substantial with 119 F&B businesses located within the town centre (source Northampton Town Centre BID Directory). There is a mix of independent operators, national chains, and multi-site operators, which all offer a more traditional dining/drinking experience.

There is no business currently operating in Northampton or in the wider County that offers a multipurpose venue with independent street food traders, bars, and entertainment, demonstrating there is a gap in the market for this type of offer.

It is anticipated that the scheme will be delivered through a form of Development Agreement and Grant Funding Agreement between the developer (ARBA Group) and WNC, with the latter effectively acting as the accountable body for defrayment of the Towns Fund grant.

6. Management Case

Project Governance and Management

As set out in the Commercial Case, it is anticipated that the scheme will be delivered through a form of Development Agreement and Grant Funding Agreement between the developer (ARBA Group) and WNC, with the latter effectively acting as the accountable body for defrayment of the Towns Fund grant.

WNC will be the Accountable Body for defrayment of the Towns Fund grant associated with the project, and will be responsible for overseeing the financial management and accountability monitoring of the Project.

WNC has an existing team who can supply project management and delivery expertise and can draw in partner resources when relevant, to ensure that the project and partners comply fully with funding legislative requirements.

The project team has a strong and demonstrable track record in delivering major, transformational projects. The Council has put in place the arrangements for successful delivery of the interventions including; a robust governance structure, risk and change management plan, ad a system for monitoring and evaluating post-delivery benefits.

This project will be delivered between ARBA Group and WNC, with support from its partners as required. Members of the new authority have been involved in the development of this project through the Northampton Waterside Enterprise Zone which will continue to monitor the project in its role as the Programme Delivery Board.

Information regarding the track record and capability of ARBA Group is included in the Commercial Case.

WNC, and the personnel involved in the project, has significant experience in delivering major capital investment projects (including the design, procurement, and construction of buildings and other facilities) as well as leading on grant funding agreements with third parties to deliver transformational projects within West Northamptonshire.

WNC has delivered the following schemes using the same team and personnel proposed to support on this project:

- Vulcan Works Creative Hub – £14m regeneration project in the heart of Northampton town centre including the new build and refurbishment of a collection of grade II listed derelict structures to provide new quality workspace for businesses in the creative and cultural sectors in West Northamptonshire. Completed in 2021.

- Mulberry Place - £12m regeneration project in Daventry town centre for a brand new start of the art cinema and public realm improvements. Completed in 2022.

- Northampton Museum and Art Gallery - £7m refurbishment in Northampton's cultural quarter which has doubled the size of the museum, new dedicated shoe gallery, two art galleries and a large exhibition space, central hall and a large atrium to support local businesses, artists and makers. Completed in 2021.

The Council also has active grant funding agreements with third parties including:

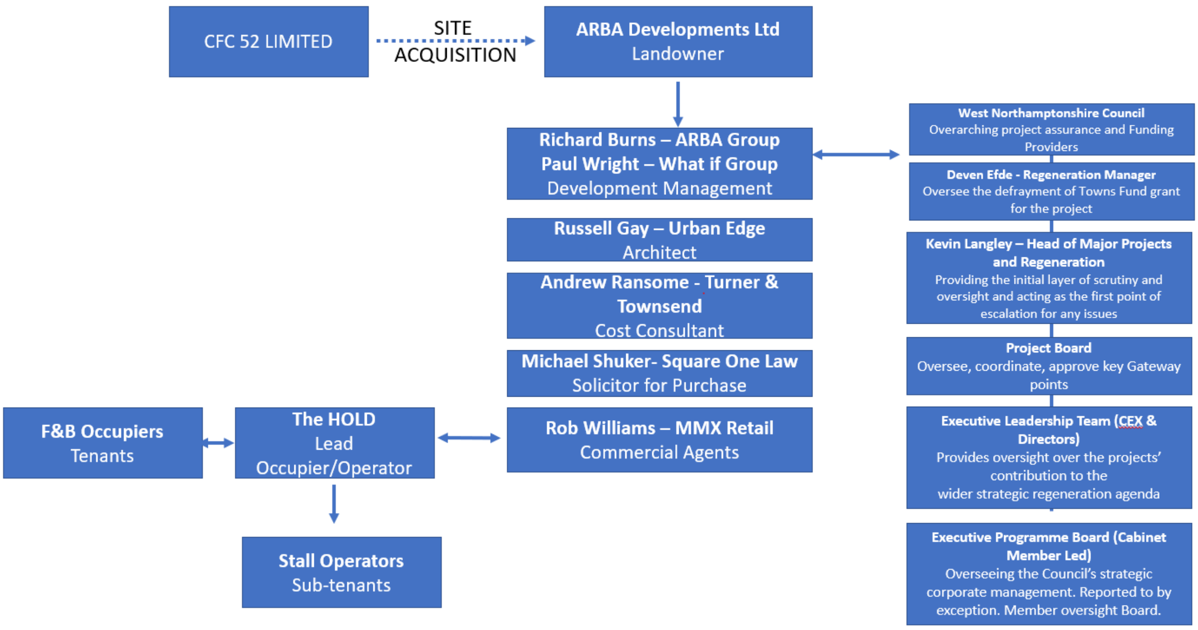
- The 78 Derngate Trust, providing them with a Towns Fund grant to support their extension of the museum.

- The Old Black Lion, providing the Churches Conservation Trust with a Towns Fund grant to support the redevelopment of a Grade II listed derelict pub opposite Northampton train station.

This approach is aligned two quality frameworks – the Councils Code of Corporate Governance which is based on national best practice framework developed by CIPFA/SOLACE (2007), and the Performance Management Framework which provides for agile project management and aligns with all new Unitary frameworks.

At delivery stage, delivery against key project milestones will be monitored through the project governance structure. Overarching project assurance will be provided by West Northamptonshire Council (WNC), with ARBA Group having day-to-day responsibility for the delivery of the project.

This structure is set out in more detail over the page:



Delivery Programme and Key Milestones

Included below are indicative timescales and milestones for the procurement and delivery of the Market Walk scheme.

Project Milestone	Indicative Date
Planning Application Submitted	November 2022
Detailed Design and Procurement of Contractor	November 2022 – April 2023
Planning Approval	May 2023
Completion of Purchase of Market Walk Centre	May 2023
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The Hold Fit Out	April 2024 - October 2024
The Hold Commence Trading	October - December 2024

Monitoring and Evaluation and Benefits Realisation

As outlined elsewhere in this Business Case, a wide range of benefits are forecast to be generated through delivery of the programme. We recognise the importance of having robust arrangements in place to allow benefits to be captured and to be alert to instances where there may be challenges to achieving anticipated benefits.

As such, WNC, in conjunction with ARBA Group plans to develop KPIs as part of the Monitoring & Evaluation (M&E) strategy, rather than defining them all at this point. As such, the approach to benefits capture includes:

- Agreeing target benefits at the point of finalising project details, prior to delivery commencing, including indicators to be used, how they are anticipated to arise from supported activities, responsible owners and timescales for achievement.
- Alerting all members of the delivery team to the anticipated range of benefits at the outset of activity so everyone is aware of the target indicators
- Giving the project manager overall responsibility for benefits capture with responsible owners to be identified against each indicator below this.
- Alerting works teams/contractors to the benefits they are responsible for realising and how evidence will need to be captured
- Having clear overall project monitoring and evaluation approaches (as above)
- Reviewing progress against benefits indicators as part of project meetings and agreeing remedial actions in the event of performance below target.
- Completing a benefits register, updated as necessary on a rolling basis (see example template below).

The following example benefits register template has been compiled and will be used for all benefits identified through the Economic Case. The content will remain under review through the course of implementation to ensure identified indicators continue to provide a true reflection of the activities being delivered and benefits arising. These approaches build on the Council's experience of collecting evidence in support of a wide range of capital investment projects. Benefits for the subject site will include:

- Increase of 5% in town centre footfall
- Creation of 50 jobs within 3 years
- Approximately 100,000 sq. ft. of commercial floorspace to be redeveloped / repurposed

Benefit Type	XXXX
Description	XXXX
Responsible Owner	XXXX
Performance measure	XXXX
Data collection method	XXXX
Target	XXXX
Target date	XXXX

As such, the following key outputs and outcomes will be measured/monitored:

Outputs
Repurposing of a redundant shopping centre, comprising approximately 100,000 sq. ft. of retail / ancillary accommodation.
Creation of c. 17,000 sq. ft. GIA of quality F&B accommodation, along with a high quality market offer comprising over 80,000 sq. ft. GIA
Creation of a high quality, prime destination in Northampton for food, drink and entertainment.

Outcomes
Redevelopment of a key town centre site, with the scheme acting as an anchor for future proposals and aspirations for Market Square
Uplift in site value
Provision of new high quality retail / F&B accommodation to meet identified market demand
Improved local socio-economic performance
Increased town centre footfall, with projections for footfall generation of some 1m per year

Stakeholder Engagement and Communication

The development of the Town Investment Plan has been guided by community and stakeholder consultation throughout its development.

The TIP builds on initial consultation work undertaken to inform the development of the Northampton Town Centre Masterplan which seeks to address many of the challenges outlined in this TIP. The consultation exercise for the masterplan informed the early development of the project longlist.

Since the announcement of the Towns Fund, the following process of engagement and consultation has been adopted to shape its development, with further consultation to be undertaken at the planning application stage of development.

Northampton Forward Board

The development of the Northampton Town Investment Plan has been overseen by Northampton Forward Board; a public / private partnership board established in early 2019. The Board is formed of a wide range of partners including:

- West Northamptonshire Council
- Northants Police
- Grosvenor Centre
- Northampton Town Centre BID
- University of Northampton

- Royal and Derngate
- South East Midlands Local Enterprise Partnership (SEMLEP)
- Tricker's
- Northamptonshire Chamber
- Andrew Lewer MP

The Board is responsible for developing the vision and objectives for the Town Investment Plan. It has agreed the Critical Success Factors and prioritised the longlist of projects. Northampton Forward have also overseen the development of the Future High Street Fund Bid and Northampton Town Centre Masterplan, therefore ensuring that all potential development and funding bids are complimentary and coherent.

Online Consultations

Online consultations on the potential TIP proposals were held in September 2020 to determine the community's priorities for investment, gain feedback and opinions on a range of proposed investment areas and determine the challenges / opportunities for the town. Approximately 434 individuals replied to the questionnaire creating a total of 1,495 pieces of project level feedback. The responses were evenly split between males and females. 18% of respondents were aged under-35 and 15% were over-65.

Overall, the majority of responses were positive about how beneficial the projects would be to improve the town centre. The main challenges highlighted were a lack of quality goods offered in the town centre, poor appearance of the town centre and competition with other areas. The main opportunities were bringing disused buildings / public space back into use and improving the public realm. The initial survey was followed by more detailed questioning of a web community across three days.

The consultation identified that Town Centre Public Realm and Market Walk were seen to be the most beneficial to improving the town centre with regards to regeneration. 51% of all participants identified that the Market Walk project would be extremely beneficial to the town centre. This resulted in the project being scored 8.01 out of 10, with the average project scoring just 6.90.

This builds on over two years of consultation completed on the ground and through all media channels. The online consultation completed for the Town Centre Masterplan in 2019 informed the development of the longlist of projects developed for this TIP. Key local priorities identified at that stage include the restoration and upkeep of historic buildings, improving the quality of retail, the quality of public realm and greenspace in enhancing the town centre, pedestrianisation in the town centre, and the potential to accommodate new homes.

Consultation Workshops

A series of consultation workshops were completed in October 2020 focusing on Urban Regeneration; Deprivation and Inequality; and Business, Enterprise and Skills. Approximately 150 stakeholders were approached to take part in the workshops. Workshops were attended by key stakeholders in Northampton including local businesses, social enterprises (Northampton Social Enterprise Town), Community Town Safety Teams, Northampton Digital, Northampton Arts and University of Northampton.

Engagement with private sector bodies aided understanding of growth barriers and helped to ensure the plan remains responsive in uncertain times.

Engagement with public sector and community organisations highlighted how social enterprises can be incorporated into projects.

The consultations produced a number of themes for the Town Investment Plan including re-energising cultural and historic assets, diversifying the housing offer to match the needs of the community, make the town centre feel safer and upgrade / improve management of key public spaces.

Stakeholder Engagement Plan

A Stakeholder Engagement Plan has been developed to accompany the Launch of Northampton's finalised Town Investment Plan. This document sets out our commitment to develop ongoing relationships with key stakeholders to ensure implementation of the Town Investment Plan remains responsive to the overarching needs of the town.

Further scheme specific consultation will be undertaken for the proposals for Market Walk Shopping Centre, leading up to and through the planning process.

Risk Identification and Management Strategy

Risk register being provided by WNC / ARBA Group.

Management Strategy

The Towns Fund project team has a strong and demonstrable track record in delivering major, transformational projects. The Council has put in place the arrangements for successful delivery of the interventions, including: a robust governance structure, risk and change management plan, and a system for monitoring and evaluating post-delivery benefits. The Town Investment Plan will be delivered West Northamptonshire Council.

Members of the new authority have been involved in the development of the TIP through the Northampton Forward Board which will continue to act as the Programme Delivery Board for the TIP.

This approach is aligned two quality frameworks – the Council's Code of Corporate Governance which is based on national best practice framework developed by CIPFA/SOLACE (2007), and our Performance Management Framework – and will align with all new Unitary frameworks.

Management Case Summary

WNC will be the Accountable Body for defrayment of the Towns Fund grant associated with the project, and will be responsible for overseeing the financial management and accountability monitoring of the Project.

WNC has an existing team who will supply project management and delivery expertise and will draw in partner resources when relevant, to ensure that the project and partners comply fully with funding legislative requirements.

The project team has a strong and demonstrable track record in delivering major, transformational projects. The Council has put in place the arrangements for successful delivery of the interventions including; a robust governance structure, risk and change management plan, ad a system for monitoring and evaluating post-delivery benefits.

As outlined elsewhere in this Business Case, a wide range of benefits are forecast to be generated through delivery of the programme. We recognise the importance of having robust arrangements in place to allow benefits to be captured and to be alert to instances where there may be challenges to achieving anticipated benefits. As such, WNC, in conjunction with ARBA Group plans to develop KPIs as part of the M&E strategy, rather than defining them all at this point.

The development of the Town Investment Plan has been guided by community and stakeholder consultation throughout its development. The development of the Northampton Town Investment Plan has been overseen by Northampton Forward Board; a public / private partnership board established in early 2019.

Online consultations on the potential TIP proposals were held in September 2020 to determine the community’s priorities for investment, gain feedback and opinions on a range of proposed investment areas and determine the challenges / opportunities for the town. The consultation identified that Town Centre Public Realm and Market Walk were seen to be the most beneficial to improving the town centre with regards to regeneration. 51% of all participants identified that the Market Walk project would be extremely beneficial to the town centre.

Appendix A – Development Appraisal Summary

Market Walk Shopping Centre, Northampton
Towns Fund Appraisal v3
Exc. Inflation

Development Appraisal
Cushman & Wakefield
16 August 2022

Market Walk Shopping Centre, Northampton
Towns Fund Appraisal v3
Exc. Inflation

Summary Appraisal for Phase 1

Currency in £

REVENUE

Rental Area Summary	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
The Hold	1	58,583	4.27	250,000	250,000	250,000
Unit A	1	4,684	18.15	85,000	85,000	85,000
Unit B	1	6,166	16.22	100,000	100,000	100,000
Unit C	1	2,868	19.18	55,000	55,000	55,000
Totals	**4**	**72,301**			**490,000**	**490,000**

Investment Valuation					
The Hold					
Market Rent	250,000	YP @	10.0000%	10.0000	
(1yr Rent Free)		PV 1yr @	10.0000%	0.9091	2,272,727
Unit A					
Market Rent	85,000	YP @	9.0000%	11.1111	
(1yr Rent Free)		PV 1yr @	9.0000%	0.9174	866,463
Unit B					
Market Rent	100,000	YP @	9.0000%	11.1111	
(1yr Rent Free)		PV 1yr @	9.0000%	0.9174	1,019,368
Unit C					
Market Rent	55,000	YP @	9.0000%	11.1111	
(1yr Rent Free)		PV 1yr @	9.0000%	0.9174	560,652
					4,719,210

GROSS DEVELOPMENT VALUE			**4,719,210**
Purchaser's Costs		(320,906)	
Effective Purchaser's Costs Rate	6.80%		(320,906)
NET DEVELOPMENT VALUE			**4,398,304**
Additional Revenue			
Towns Fund Funding - Purchase		2,100,000	
Towns Fund Funding - Construction		2,075,000	
			4,175,000
NET REALISATION			**8,573,304**

OUTLAY

ACQUISITION COSTS			
Market Walk Shopping Centre Acquisition		2,000,000	
			2,000,000
Stamp Duty		87,500	
Agent Fee	1.00%	20,000	
Legal Fee	0.75%	15,000	
			122,500
CONSTRUCTION COSTS			
Contingency	10.00%	359,504	
			359,504
Other Construction			
The Hold Fit Out Contribution		750,000	
Building Adaptation Cost		2,845,040	
Unit A Fit Out Contribution		400,000	
Unit B Fit Out Contribution		500,000	
Unit C Fit Out Contribution		250,000	

Market Walk Shopping Centre, Northampton
Towns Fund Appraisal v3
Exc. Inflation

			4,745,040
PROFESSIONAL FEES			
Professional Fees	10.00%	359,504	
			359,504
MARKETING & LETTING			
Marketing	1.00%	47,192	
Letting Agent Fee	10.00%	24,000	
Letting Legal Fee	5.00%	24,500	
			95,692
DISPOSAL FEES			
Sales Agent Fee	1.00%	47,192	
Sales Legal Fee	0.50%	23,596	
			70,788
FINANCE			
Debit Rate 6.5000%, Credit Rate 0.0000% (Nominal)			
Land		88,230	
Construction		304	
Total Finance Cost			88,534
TOTAL COSTS			**7,841,562**
PROFIT			
			731,742
Performance Measures			
Profit on Cost%	9.33%		
Profit on GDV%	15.51%		
Profit on NDV%	16.64%		
Development Yield% (on Rent)	6.25%		
Equivalent Yield% (Nominal)	9.48%		
Equivalent Yield% (True)	10.07%		
IRR	40.97%		
Rent Cover	1 yr 6 mths		
Profit Erosion (finance rate 6.500)	1 yr 5 mths		

Appendix B – Order of Cost Estimate (Turner & Townsend)

Turner & Townsend

Market Walk Northampton, Shell and Core Works

What If Group and ARBA Group

Order of cost estimate

Feasibility Estimate

making the **difference**

10 August 2022

Contents

Quality check

Rev	Status	Prepared by	Checked by	Date
1	Final	Andrew Ransome	Paul Humble	10.08.22

Issued to	Company	Transmission	Date
Paul Wright	What If Group	Email	10.08.22

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Section 1 - Project Particulars

Client:	**What If Group**
Project:	Market Walk Shell and Core Works
Location:	Northampton
Works:	Feasibility Benchmarking
Programme:	TBC
Budget:	TBC
Base Date:	Jul-22
RIBA Stage:	Feasibility (RIBA Stage 1)
Procurement Strategy:	Design & Build (assumed)
Contract Form:	JCT Design and Build Contract 2016 (assumed)

Team:

Architect	Urban Edge
Engineer	N/A
M&E Engineer	N/A

GIFA (m2) 9300

Section 2 - Cost Plan Scope

The following list is to be reviewed with and agreed with What If Group and is a guide to the scope of the cost plan, client's budget and items outside of the project scope:

No.	Item	Included in Cost Plan Scope	Included in Client Scope	Outside of Project Scope
1	Main contractor preliminaries (10%).	●		
2	Design Development and risk (5%).	●		
3	Main contractors overheads and profit (6%).	●		
4	Project / design team fees.		●	
5	Legal fees.		●	
6	Asbestos removal.			●
7	New/upgrade of existing statutory services.			●
8	Future changes to building regulations.			●
9	Temporary services.		●	
10	Client insurances for the building works.	●		
11	Contractor risk allowances.	●		
12	Inflation beyond 2Q2023.			●
13	Finance charges, costs and fees.		●	
14	Survey fees.		●	
15	Value added tax.		●	
16	Diversion of existing services.			●
17	Planning / building control fees.		●	
18	Section agreements.		●	
19	Slab Strengthening or pits for equipment.			●

Section 2 - Cost Plan Scope

The following list is to be reviewed with and agreed with What If Group and is a guide to the scope of the cost plan, client's budget and items outside of the project scope:

No.	Item	Included in Cost Plan Scope	Included in Client Scope	Outside of Project Scope
17	Removal of contaminated material.			●
18	No allowance for process equipment and associated MEP.		●	
19	Assumed site wide services infrastructure already in place.		●	
20	Sprinkler systems.			●
21	Intruder alarms, telephones and data systems.			●
22	FF&E.			●
23	External signage and way finding.			●
24	BREEAM			●
25	Excavation or works to existing substructures			●
26	Requirements for the construction of new public rights of way.			●
27	4nr new staircases to be installed	●		
28	Replacement of existing fire escape stairs			●
29	Internal partitions to deliniate between units	●		
30	Any other partitions associated with fit out works			●
31	Floor and ceiling finishes other than making good existing substrate			●
32	Allowance for skim coat and plaster finsih to existing walls where required	●		
33	Provisional allowance for alterations to drainage to accommodate open roof	●		
34	Upgrading of internal building fabric to accommodate external environment			●
35	Breaking ourt existing concrete floors to creat full height void	●		
36	Provisional allowance for glazed roof	●		
37	Structural improvements as a result of cutting out floor slabs			●

Section 3 - Financial Summary

Ref	Description	Total (£s)		Cost / m2 (£s)	
0	**Facilitating Works**	**£**	**-**	**£**	**-**
0.1	Toxic / hazardous / contaminated material removal		Excl.		Excl.
0.2	Major demolition works		Excl.		Excl.
0.3	Specialist groundworks		Excl.		Excl.
0.4	Temporary diversion works		Excl.		Excl.
0.5	Extraordinary site investigation works		Excl.		Excl.
1.0	**SUBSTRUCTURE**				
1.1	Substructure		Excl.		Excl.
2.0	**SUPERSTRUCTURE**	**£**	**1,150,000**	**£**	**124**
2.1	Frame		Excl.		Excl.
2.2	Upper floors		Excl.		Excl.
2.3	Roof		600,000.00		64.52
2.4	Stairs and ramps		150,000.00		16.13
2.5	External walls		300,000.00		32.26
2.6	Windows and external doors		Excl.		Excl.
2.7	Internal walls and partitions		100,000.00		10.75
2.8	Internal doors		Excl.		Excl.
3.0	**INTERNAL FINISHES**	**£**	**-**	**£**	**-**
3.1	Wall finishes		Excl.		Excl.
3.2	Floor finishes (making good existing floors)		Excl.		Excl.
3.3	Ceiling Finishes		Excl.		Excl.
4.0	**FITTINGS, FURNITURE AND EQUIPMENT**	**£**	**-**	**£**	**-**
4.1	Fittings, furnishings and equipment		Excl.		Excl.
5.0	**SERVICES**	**£**	**440,000**	**£**	**47**

5.1	Sanitary installations (inc refurbishment of GF toilets)		40,000.00		4.30
5.2	MEP generally		400,000.00		43.01
6.0	**PREFABRICATED BUILDING AND BUILDING UNITS**	**£**	**-**	**£**	**-**
6.1	Prefabricated buildings and units		Excl.		Excl.
7.0	**WORK TO EXISTING BUILDING (DEMOLITIONS)**	**£**	**700,000**	**£**	**75**
7.1	Minor demolition works and alteration works		700,000.00		75.27
7.2	Repairs to existing services		Excl.		Excl.
7.3	Damp-proof courses / fungus and beetle eradication		Excl.		Excl.
7.4	Façade retention		Incl. in External Walls		Excl.
7.5	Cleaning existing surfaces		Excl.		Excl.
7.6	Renovation works		Excl.		Excl.
8.0	**EXTERNAL WORKS**	**£**	**150,000**	**£**	**16**
8.1	Site preparation works		Excl.		Excl.
8.2	Roads, paths, pavings and surfacings		Excl.		Excl.
8.3	Soft landscaping, planting and irrigation systems		Excl.		Excl.
8.4	Fencing, railings and walls		Excl.		Excl.
8.5	External fixtures		Excl.		Excl.
8.6	External drainage		150,000.00		16.13
8.7	External services		Excl.		Excl.
8.8	Minor building works and ancillary buildings		Excl.		Excl.
	FACILITATING AND BUILDING WORKS TOTAL	**£**	**2,440,000**	**£**	**262**
9	Main Contractors Prelminiaries		244,000.00		26.24
	FACILITATING AND BUILDING WORKS TOTAL (incl. preliminaries)	**£**	**2,684,000**	**£**	**289**
10	Main Contractors Overheads and Profit		161,040.00		17.32
	Total: Building works estimate	**£**	**2,845,040.00**	**£**	**306**

11	Project / design team fees		Excl.		Excl.
	Base cost estimate	**£**	**2,845,040.00**	**£**	**306**
12	Risks and Design Development (5%)	£	142,252.00		15.30
	Total construction cost (excluding inflation)	**£**	**2,987,292.00**	**£**	**321**
13	Inflation (see Appendix A)	£	119,491.68		12.85
	Estimated overall project cost	**£**	**3,106,783.68**	**£**	**334.06**
	Rounded estimate to nearest £10,000.00	**£**	**3,100,000.00**	**£**	**333.33**

Section 5 - Basis of Cost Plan - Information Used

Title	Reference	Revision / Status	Type	Received
Ground Floor Area	2628-URB-ZZ-GF-DR-A-103150	P00	PDF	23.06.22
Upper Ground Floor	2628-URB-ZZ-UG-DR-A-103150	P00	PDF	23.06.22
First Floor Area	2628-URB-ZZ-FF-DR-A-103150	P00	PDF	23.06.22
Level Four Layout	17070365_205	0	PDF	23.06.22
Level 0 Floor Layout	17070365/201	0	PDF	23.06.22

Appendix A - Market Conditions

Market Conditions

Warm

The current construction tender market is seeing much higher than anticipated prices which is reflecting the current unprecedented state of the tender market with greater levels of price and supply uncertainty. The Ukraine conflict coupled with the recent surge in oil, gas and coal prices has massively affected all levels of the construction supply chain and has led to enforced rate rises well beyond any tender price inflation index allowances.

The market appears to be very much in 'shock' mode at the moment and a 'fear factor' / risk is being priced at all levels of the supply chain and there are no signs that this position is going to improve in the short term. It is almost impossible to get fixed prices from the supply chain and we are seeing price rises across all areas of construction trades. Higher prices for commodities are one of the key drivers behind these increased inflation allowances. Market volatility has been pronounced and prices are more sensitive to shocks, with many commodity indices rising globally.

There is also a great deal of concern over the stability of the supply chain particularly anything steel related following an increase by British Steel of +£250/tonne (their largest increase ever and equating to around +25% on supply price) so care should be taken in engagement with all main and sub-contractors to ensure that appropriate insurance / bonds / guarantees / warranties can be put in place.

The unprecedented tender price increases therefore raises a concern over the predictability and certainty of tender price indexation at the moment until sufficient market data is captured to reflect the current situation and perhaps even more concerning is that at this stage it is very difficult to reasonably estimate when this price inflation and material availability will stabilise or show signs of reducing.

Contact

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Appendix C – Subsidy Control Compliance Advice Note

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One Snowhill Snow Hill Queensway Birmingham B4 6GA DX 13051 Birmingham
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PRIVILEGED & CONFIDENTIAL

Kevin Langley
Head of Major Projects and Regeneration
West Northamptonshire Council
The Guildhall
St Giles Square
Northampton
NN1 1DE

Your Ref:
Our Ref: 2037891-6
Please quote this when replying

Date: 26 August 2022

Please ask for: Jonathan Branton
Mobile: 07736 563202
E-mail: Jonathan.Branton@dwf.law

Dear Kevin,

Subsidy Control Opinion: Market Walk Shopping Centre

We are instructed by West Northamptonshire Council ("the Council") to advise on the Subsidy Control compliance of a proposed grant of £4.2m from the Towns Deal fund (hereafter "the Grant"). The Grant is secured originally from the Department for Levelling Up, Housing and Communities ("DLUHC") and is proposed to be awarded to a particular developer (identity to be confirmed, hereafter "the Developer"), with a view to closing the viability gap for the delivery of a modernised series of retail units at Market Walk Shopping Centre, Market Walk, Northampton ("the Project"). The Developer will develop the site at a cost estimated at £8.4m (which includes a 10% developer's return) and provide the funding balance of £4.2m from commercial sources.

Our summary views are as follows:

- the Grant is not a subsidy when it first passes from DLUHC to the Council, on the basis the Council acts as an accountable body to pass through and administer the relevant funds;
- the Grant will be a *prima facie* subsidy when it is legally committed to the Developer (by way of a Grant Funding Agreement) given that it is to a property developer for a commercial venture in a competitive market (ie. an entity offering goods or services on a market, so an "enterprise");
- given the proposed award is well above £315k then in order to be awarded lawfully it will need to be found in compliance with all the Subsidy Control Principles ("the Principles") set out in Schedule 1 of the Subsidy Control Act 2022 ("the Act")[1] and not in breach of any other relevant provisions. Most particularly within this, the proposed subsidy will need to be determined as the minimum amount necessary (normally done by viability gap appraisal or equivalent) to secure the reasonable public policy objective intended;

[1] From a technical perspective the requirement now is to fulfil the six Common Principles from Article 366 of the EU/UK Trade & Cooperation Agreement, albeit by the time the funding is in place this is likely to have been replaced by the seven Principles at Schedule 1 of the Act.

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- the Developer's contribution will be sourced by private commercial/developer equity funding. If there is found to be any sub-commercial element in the loan then this too could be regarded as a subsidy to the Developer and added to the Grant (hence the verification of this loan as non-subsidy will be important);
- for third party suppliers and contractors to the Council in respect of all the above, there should be no subsidy to them provided they are remunerated at market rate and no more. This can be presumed when such parties are engaged by reference to open competitive procurement methods and failing this by a simple benchmarking exercise; and
- following the award of the funding, the Council will need to undertake minimum publication requirements for basic details of the award, following which a short potential challenge period will ensue and if no challenge is forthcoming within three months at the latest then any future challenge by a competitor will be time-barred.

The above is based on new UK Subsidy Control law since the proposed awards of grant funding needs to comply with the new Subsidy Control rules, given that each will be committed after 11pm on the 31 December 2020, which means the body awarding the public funding should carry out an assessment against each of the UK's international subsidy commitments. This includes the Act[2], draft guidance on UK Subsidy Control published by DBEIS on 1 July 2022[3] ("the Draft Guidance"); Chapter 3 of the *EU / UK Trade & Cooperation Agreement*[4] ("TCA"), Article 10 of the Northern Ireland Protocol[5], Article 138 of the Withdrawal Agreement[6], the WTO rules[7] and other trade agreements that the UK has in place[8] (NB. for present purposes we believe only the Act and the TCA are engaged).

Our advice is also based upon the law in force at the date of this letter (albeit also in contemplation of future law to be implemented in due course via the Act) and our understanding of the facts of the Project.

A. Our understanding of the facts

We derive our facts from Cushman and Wakefield draft Outline Business Case (OBC) of 22 August 2022 as summarised below.

---

[2] In particular, the definitions of "*Subsidy*" and "*Enterprise*" which came into effect on 28 April 2022 by operation of Section 91(1)(a) of the Act.

[3] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1087649/subsidy-control-act-2022-draft-guidance.pdf

[4] The Trade and Cooperation Agreement between the European Union and the European Atomic Energy Community, of the one part, and the United Kingdom of Great Britain and Northern Ireland, of the other part, which was incorporated into law within the UK by the European Union (Future Relationship) Act 2020.

[5] Revised Protocol to the Withdrawal Agreement (October 2019) as clarified by the Joint Declarations dated 10 December 2020.

[6] Agreement on the Withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community.

[7] Including the Agreement on Subsidies and Countervailing Measures.

[8] A full list of trade agreements is accessible here: https://www.gov.uk/guidance/uk-trade-agreements-with-non-eu-countries.

A.1 The Project

The Project constitutes the regeneration and development of a currently redundant and derelict retail space called Market Walk Shopping Centre in Northampton. The OBC describes the proposed redevelopment as follows:.

> *"The creation of a space for multiple independent street food operators is proposed, that will serve a wide variety of good quality, modern street food cuisine from local independent traders. A number of retail units would be transformed into bars, each with their own unique look and offer, and there will also be provision for competitive socialising including various leisure activities. The bars and street food units would be located around a communal open seating area focused on a main stage, which would provide a space for live music performances and entertainment. The centre would retain active frontages to Market Square and Abington Street. A key element will be to create an external space that offers outdoor drinking and dining, which is currently envisaged to be achieved through the inclusion of a retractable roof."*

A.2 Parties involved

The precise identity and make up of the Developer is to be confirmed but it is anticipated to be a commercial property developer, which will purchase the freehold interest in the site from the current (private sector) owner. The Developer then hopes to obtain the Grant from the Council against the costs of the Project.

A.3 Costs and funding of the Project

The OBC development appraisal provides the RICS/QS assessed costs as follows:

Description	**£**
Site acquisition from	2,122,500
Construction	4,745,040
Professional Fees	359,504
Finance Cost	88,534
Contingency	359,504
Total Cost before developer's return	7,675,082
Developer's return (10%)	731,742
Total Cost after developer's return	**8,406,824**

The Developer's return is benchmarked in the development appraisal/OBC as the minimum required to interest the market. The development appraisal also identifies the development value based on projected revenues over the asset's estimated useful life as £4.4m from which we have taken off marketing, letting and disposal costs to arrive at £4.2m. This is the viability gap for the Project. The sources of funding are therefore:

Source	%	£'m
The Grant	50	4.2
the Developer (commercial loan)	50	4.2
Total		**8.4**

Our opinion below is based on the accuracy of the facts above so please correct us if mistaken.

B. The UK Subsidy Control rules

B.1 Overview of the new UK regime

Although promoted as a single set of rules, in practice the UK Subsidy Control regime requires checks against all the UK's international and domestic commitments relating to the award of subsidies.

Subsidy controls are also applicable via other international obligations for the UK such as those deriving from World Trade Organisation membership[9] and specific Free Trade Agreements entered into with particular countries apart from the EU (eg. Japan, Korea, Israel, Georgia and Australia) as well as the Northern Ireland Protocol[10]. However, it seems quite clear that the Project, as a local support in Northampton only (with no apparent effects on trade in exports of goods or Northern Ireland in any way and not involving EU funds such as ESIF), does not raise any reasonable prospect of invoking any issues in respect of these additional frameworks. We have therefore not considered these additional frameworks any further for the purposes of this advice.

B.2 What is a subsidy?

Since 28 April 2022, Section 2(1) of the Act has defined subsidy as: "*financial assistance which—*

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[9] The WTO Agreement on Subsidies and Countervailing Measures is not a domestic subsidy regime, but rather is a means for countries that are signatories to take actions to protect their own markets by countering the effects of subsidised imports which cause injury to their domestic industry producing the like product. Under the agreement, a country can use the WTO's dispute-settlement procedure to seek the withdrawal of the subsidy or to take actions to mitigate the adverse effects on its businesses. Therefore, the WTO rules assessment does not consider the impact of a single subsidy on particular businesses in a home country but rather takes account of how measures affect trade in other markets and sectors in other countries. Furthermore, whilst measures are sometimes actionable, it is comparatively rare for action to be taken.

[10] The Northern Ireland Protocol applies EU State aid law to measures within the scope of Article 10 thereof. These are situations where a measure has an effect upon trade between Northern Ireland and the European Union and falls within the scope of the Protocol (which is focussed upon goods and the electricity market). BEIS Guidance Notes of 31 December 2020 consider that Article 10 has limited applicability, noting the statement by the EU on 17 December 2020 that "*the effect on trade between Northern Ireland and the Union which is subject to this Protocol cannot be merely hypothetical, presumed, or without a genuine and direct link to Northern Ireland. It must be established why the measure is liable to have such an effect on trade between Northern Ireland and the Union, based on the real foreseeable effects of the measure*".

(a) is given, directly or indirectly, from public resources by a public authority,

(b) confers an economic advantage on one or more enterprises,

(c) is specific, that is, is such that it benefits one or more enterprises over one or more other enterprises with respect to the production of goods or the provision of services, and

(d) has, or is capable of having, an effect on—

(i) competition or investment within the United Kingdom,

(ii) trade between the United Kingdom and a country or territory outside the United Kingdom, or

(iii) investment as between the United Kingdom and a country or territory outside the United Kingdom".

We note that the above requirements (a) to (d) are cumulative, ie. if any one of these requirements is not met then the measure in question cannot be a subsidy.

Although the terminology is slightly different to that used in EU State aid law, we note that the substance of what constitutes a subsidy and a State aid is very similar[11], with the exception of the final limb which is now narrower than under EU State aid law (thereby potentially applying to measures which even have only a domestic effect). The similarities are very helpful because there is extensive case law as to what is, and what is not, a State aid, which can be used as a reference point to determine the presence of a subsidy.

As will be explained further below, this is useful in that it allows guidance from State aid law to be harnessed for the understanding of the various limbs set out above; in particular, what constitutes *advantage to an enterprise* being substantively the same notion as what constitutes *advantage to an undertaking* under State aid law.

The similarities mean that in assessing the presence of subsidy we believe it remains necessary to take account of the *Leipzig Halle*[12] case, which established that a State aid may arise when a public body receives funding to install infrastructure which is commercially exploitable. This addressed the question of when a public body is engaged in economic activities (and is therefore to be considered an undertaking) or not.

What is an enterprise[13] is clarified at Section 7(1) of the Act and concerns being "*engaged in an economic activity that entails offering goods or services on a market, to the extent that the person is engaged in such an activity*". This is essentially the same notion as in State aid law for which the comparable term is an "*undertaking*". Section 7(2) of the Act clarifies that "*an activity is not to be regarded as an economic activity if or to the extent that it is carried out for a purpose which is not economic*". There is no basis from the definition

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[11] This also makes inherent sense on the basis that these provisions are intended to allow the UK to set up a parallel Subsidy Control regime to the EU's State aid regime based on common founding principles and minimum standards.
[12] C-288/11 P.
[13] The TCA introduces a parallel notion of an "*economic actor*", which this reference to "*enterprises*" replaces. However for immediate purposes we do not believe the characterisation as an enterprise or economic actor makes any difference. Both notions are in effect modelled upon the EU law notion of an "*undertaking*".

in the Act to suppose that a local authority engaged in economic activities would escape from being an enterprise purely on the basis of being an arm of State. This appears to be further confirmed by the Draft Guidance.

B.3 How to render a subsidy lawful

When a 'subsidy' is present, the funding may still be lawfully awarded provided certain steps specified in the TCA are taken (soon to be replaced by relevant comparable provisions in the Act).

For smaller value awards, funding may proceed under the cover of the Small Amounts of Financial Assistance ("SAFA") provision, which works in a similar way to previous EU De Minimis aid, albeit with approximately double the allowance. However, the SAFA is limited to awards of up to 325,000 special drawing rights (currently c £354,000[14]) over three fiscal years per enterprise, and the Act will in due course re-name and convert this to the *Minimal Financial Assistance* route which is fixed at £315,000 in the current and two previous financial years.

For other awards, funding may be lawfully awarded by demonstrating that the measure respects each of the Subsidy Control Principles listed at Article 366 TCA (and in some limited cases, not considered relevant here, the additional requirements for so-called *Services of Public Economic Interest*).

Although not in force at this time, Schedule 1 of the Act[15] includes a seventh principle and also slightly re-phrases the six principles as written in the TCA. By the time the funding is in place this is likely to have been replaced by the seven Principles at Schedule 1 of the Act. We will therefore work on this basis immediately even though not technically yet law. The Principles are:

1. *subsidies should pursue a specific public policy objective in order to (a) remedy an identified market failure or (b) to address an equity rationale such as regional disadvantage, social difficulties or distributional concerns;*
2. *subsidies should be proportionate to their specific public policy objective and limited to what is necessary to achieve it;*
3. *subsidies should be designed to bring about a change of economic behaviour of the beneficiary. That change, in relation to a subsidy, should be (a) conducive to achieving its specific public policy objective, and (b) something that would not happen without the subsidy;*
4. *subsidies should not normally compensate for the costs the beneficiary would have funded in the absence of any subsidy;*
5. *subsidies should be an appropriate policy instrument for achieving their specific public policy objective and that objective cannot be achieved through other, less distortive, means;*

[14] International Monetary Fund, *SDRs per Currency unit and Currency units per SDR*. Accessible here: https://www.imf.org/external/np/fin/data/rms_five.aspx. The conversion rate at 8 August 2022 was 1.089.
[15] Expected to come into force in Autumn 2022.

6. *subsidies should be designed to achieve their specific policy objective while minimising any negative effects on competition or investment within the United Kingdom; and*
7. *subsidies' beneficial effects (in terms of achieving their public policy objective) should outweigh any negative effects, including in particular negative effects on (a) competition or investment within the United Kingdom; (b) international trade or investment.*

For avoidance of doubt, we consider that by satisfying the above there can be no danger of being considered not to satisfy the six Common Principles as they are written in the TCA.

There is currently no procedural facility for awarding authorities to obtain confirmation of their assessments as to compliance with the Principles, so it is necessary for awarding authorities to self-assess.

The Act introduces procedures for potential notification of larger scale subsidies to the CMA for a non-binding view prior to award and introduces a mandatory notification requirement for the largest subsidies, currently anticipated to be those of a cumulative value per project in excess of £10m (or £5m+ for certain sensitive sectors). As noted above, it is expected (subject to the anticipated progress of new law) that the proposed award of £4.2m will not need to be notified to the CMA for analysis and a non-binding view prior to award (without which the award would be prohibited). However, this should be kept under review until the law in this respect is confirmed.

There are certain other requirements which awarding authorities need to be aware of such as not falling foul of any of the prohibitions set out in the TCA, and once acknowledged subsidies have been awarded under the Principles (NB. not for SAFA awards) then minimal details regarding the same must be published within six months of award. The Act adapts these requirements slightly going forwards, for example reducing the post-award time limit for publication to three months and reducing the threshold for publication of subsidy awards to £100,000 per subsidy.

B.4 Dealing with challenges and transparency publication

In terms of potential challenge, the UK and European Commission (on behalf of the EU) have the right to challenge each other's subsidies under the TCA and seek remedial measures in exceptional circumstances where significant injury to the other's economic interests can be shown. We would only expect this to be invoked in regard to large high profile subsidies with international effects, ie. hence we disregard any possibility for this case.

More realistic in this case is challenge by way of judicial review brought in a national court by an 'interested party', ie. usually a competitor of some sort. Although we have not been informed that an interested party is preparing a complaint in the present case, this is the risk against which to prepare.

Under Article 373 TCA, the short window for challenge under UK national law commences upon the transparency (publication) requirements referred to above being met. We address this in more detail in Section F below, but the headline point is that the time period within which challenges can be made is significantly reduced under the new regime (from ten years from last award under State aid, to up to 3 months from publication now). The challenge period starts upon the publication of brief details of the award.

We also note that where Central Government funding is involved that Subsidy Control is likely to be a compliance risk which may be audited. Therefore, it is sensible to collect and retain records that demonstrate compliance.

C. Will the proposed LUF award constitute a subsidy to the Developer?

C.1 Initial transfer from DLUHC to the Council

The first transfer is from Central Government (DLUHC) to the Council. Measures will be in place to show that the Council receives this funding in its capacity as an accountable body. As such the Council is not an enterprise for the purposes of this transaction.

C.2 £4.2m to the Developer: Subsidy

In terms of whether a subsidy exists (see tests in Section B.2 above), the assumption should be that there is a subsidy arising to the Developer through the award of £4.2m from the Council.

This is because the Council's onward payment of the Grant to the Developer is for the purposes of engaging in a commercial real estate opportunity for which the Developer offers goods or services on a market. This is deemed economic activity in which there is a full and competitive market. This means that as a commercial private sector operator, it should be expected to be considered an enterprise. The award is a *prima facie* subsidy to the Developer as it is given from State resources to a specific enterprise as a gratuity, from which it is not possible to exclude a potential effect on trade or investment in the UK.

Having established that the proposed funding is a subsidy, the payment then needs to be justified against the Principles set out in Section B.3 above. The biggest challenge normally revolves around being certain that the subsidy is the minimum necessary as per Principle 2, which normally requires careful satisfaction of funding limited to a viability gap and relevant due diligence of the need for that amount of subsidy accordingly, which also in turn implies having been satisfied in advance that the costs and the desired specification are appropriate too.

D. Awarding as a subsidy pursuant to the Principles

D.1 Basics of the Principles

The target here is for each public authority funder to demonstrate compliance against each of the Principles, and by "demonstrate" we mean relying on an evidence trail and not simply making assumptions or "taking an applicant's word for it". We have offered preliminary suggestions below for how this might be achieved.

The nature of the Principles is imprecise in each case, in that they are not subject to the same precise thresholds against specific costs and other specific requirements that EU law sets out in block exemptions. Rather, the Principles are ultimately about taking a sound decision against a series of frames of reference. This therefore implies a degree of discretion for the awarding authority (here the Council) in taking the decision. What would be examined in a challenge is the reasonable (or not) way in which the decision was taken. This most of all implies a need to show that each decision was considered properly in context and against a reliable and diligent examination of evidence. Defending such a decision later would particularly rely on being able to show the evidence had been suitably gathered to inform the decision. Were the matter to receive a challenge this would be by way of judicial review against the decision of the Council, which would test that finding under standard principles of UK public law. New challenge procedures are discussed in Section F below.

The commentary in Section D.3 below against each Principle here should be viewed as a start point only. It is anticipated that considerable work will have already been done on Project appraisals already and we would expect this work to contain evidence to satisfy the relevant tests below. In the event of a lack of evidence on any of these points then they should be considered afresh in order to be sure of compliance and further evidential support (by independent experts where relevant) should be commissioned.

The precise level of subsidy will need to be determined and this goes to the heart of Principle 2 referred to in B.3 above and as discussed under D.2 below. For avoidance of doubt, this would need to include any other public intervention that was under contemplation, assuming all to be considered against the same costs.

Once the analysis of the Principles is complete, we recommend documenting the same in a *pro forma*[16] which records the basis for the conclusion that the Principles are met. Completing the *pro forma* also reflects BEIS' guidance of 31 December 2020.

D.2 Specifics of each Principle

We now address each of the Principles in turn, noting that each needs its own answer and justification against the facts of the intervention, and targets different issues of compatibility.

1. Subsidies should pursue a specific public policy objective in order to (a) remedy an identified market failure or (b) to address an equity rationale such as regional disadvantage, social difficulties or distributional concerns

The OBC provides an equity rationale for the Project:

> *"the unprecedented levels of change experienced by Northampton's town centre in recent times has created a series of challenges it must tackle and overcome: - 15% reduction in footfall between 2015 and 2019 - 23 retail businesses vacated the town in 2020 - 21.8% of town centre units were vacant in Q4 2020 - 36.8% decline in prime retail rents achievable between 2017 and 2020 Outline Business*

[16] The point of the pro forma is to provide a contemporaneous record of the basis for the award decision, as this is what a challenge would test. The pro forma does not necessarily constitute the formal defence to a challenge against the subsidy compliance of the Grant, and neither is it a document that should be expected to be published, but rather it is an aide memoire to force contemporaneous consideration of the relevant issues prior to award of a relevant subsidy. It may form the basis of a document that the Council would reply with if later questioned by an interested party as to how it satisfied the Principles in a particular case. Should that happen it is vital that the table presents a true and correct summary of the facts and analysis done at the time of the subsidy being awarded.

Case – Market Walk Shopping Centre, Northampton Project 10 - Only 3% of all office space classed as high quality - 86.6% of children for whom benefits are claimed - 47.7% of those in employment are in the 'at risk' categories - 24,000 crimes took place in Northampton in 2019."

We would advise the equity rationale is developed into a specific objective using evidence such as public consultations, stakeholder consultations, market and demand surveys. The OBC provides:

"The Northampton Town Centre Masterplan identified the Market Square as a key area for intervention within the town. The masterplan identified that the Market Square's deep-rooted function has always focused around commerce and trade, and that any opportunities in this area will reposition Market Square at the centre of a stronger, consolidated retail core and re-establish the square as the heart of the town centre."

If evidence described above has been obtained while developing the masterplan (ie. why this particular nature of activity is needed at this time at this location) then it should be summarised in answering this principle. In particular the evidence to support the following objectives identified in the OBC should be maintained.

"- repurposing of approximately 100,000 sq. ft. of redundant and vacant retail / ancillary accommodation, by 2024.

- provide new, quality accommodation for c.13 / 14 new businesses, and deliver a total of 170 permanent local jobs including venue managers, food managers, supervisors, bar staff, kitchen staff and local marketing and sales roles as well as trader employees, all by 2024 / 2025.

- provide local residents and visitors with a place to meet, socialise and network with others. It is estimated that the completed scheme will generate footfall in the region of 1m people per year, by 2024 / 2025."

OBC also highlights a market failure rationale including references to viability gap (see principle 2 below) but there is no evidence of market testing (eg. advertising the development to the market to seek interest and proposals from a number of developers) which is understandable given the site is currently privately owned.

We do not anticipate it will be hard to find suitable public policy imperative for supporting the proposed intervention, however, it will need to be articulated and defined carefully, particularly since the proportionality of the public support addressed below depends on this. The overall purpose appears to be to redevelop part of Northampton to create new residential and commercial units to bring jobs into the area. The Council notes that this objective aligns with the Towns Fund, which we explore in more detail below.

The proposed funding originates from Central Government as per the Towns Fund. This is a national fund allocated to particular regions identified as deprived and carrying social inequalities. The fund's objectives are *"to drive the sustainable economic regeneration of towns to deliver long term economic and productivity growth. This will be done through:*

- *Urban regeneration*
- *Ensuring towns are thriving places for people to live and work, including by:*
- *Increasing density in town centres;*
- *Strengthening local economic assets including local cultural assets;*
- *Site acquisition, preparation, remediation, and/or development; and*
- *Making full use of planning tools to bring strategic direction and change"*[17].

It is very important however that "the objective" as arrived at here must be sufficiently precise to cover the exact project and costs the subsidy is intended to cover (for which the Council must have its reasons why this is considered a good idea for the general good) and for the same to be met in the short to medium term in the specific manner proposed rather than delayed or diluted. This is because all the subsequent Principles relate back to the specific public policy objective(s) as defined here, so for them to be shown to be suitably respected it is vital each objective is defined fully, properly, and specifically.

2. Subsidies should be proportionate to their specific public policy objective and limited to what is necessary to achieve it

This Principle is normally the key provision as it goes to the amount and the heart of the financial case on the need for intervention. It naturally depends completely on the details of the facts and the costs to be supported and the projections of need from the applicant. This is normally evidenced by a viability gap appraisal and reasonable due diligence from the funder (the Council) to corroborate that the funding is no more than necessary to allow this element of the Project to go ahead on the intended timescale and to the intended specification. This normally relies on a finding that the subsidy is needed in order to close a viability gap to allow the investment to proceed now, based on a minimum expectation of reasonable profit in order to be sustainable.

The Draft guidance provides in paragraph 137

> *"Public authorities should use the following formula to determine whether the subsidy is just large enough to achieve the required change in behaviour: DRAFT Subsidy Control Act Statutory Guidance 37 Size of subsidy = Cost of project – any benefits to the recipient such as expected increase in profits or decrease in costs after undertaking project."*

This suggests a viability gap forecast would be useful in providing evidence of the Principles. The OBC contains a development appraisal which assesses the viability gap at £4.2m (the exact level of the Grant) after taking

[17] Ministry of Housing, Communities & Local Government, Towns Fund Guidance (June 2020) p.9. Accessible here: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/926422/Towns_Fund_further_guidance.pdf

into account developer's return on cost of 10% which is regarded as commensurate with the minimum the market would expect to undertake a development of this nature.

Overall, it seems there is evidence to satisfy this Principle, but it is very important that the Council forms a final view as to the appropriateness of the final amount of subsidy requested and records the basis for this decision. We recommend this is initially done via the annexed *pro forma*.

3. Subsidies should be designed to bring about a change of economic behaviour of the beneficiary. That change, in relation to a subsidy, should be (a) conducive to achieving its specific public policy objective, and (b) something that would not happen without the subsidy

This criterion is about the proposed measure needing to be seen to have a behaviour changing effect, and without the subsidy the Project would not be able to proceed in the same way, either at all, or would be delayed, smaller in scale, or with less investment by the beneficiary. It is therefore similar to the general incentive test set out at Article 6.3 GBER (the former EU block exemption).

OBC has provided a baseline scenario of "do nothing" in its comparison of options, thereby arriving at the Project as the preferred option given its most favourable benefit cost ratio. Without the subsidy the site would remain derelict and redundant, with opportunity cost in lost revenue and possible demolition/clearance cost.

Given the scale of the intervention and the anticipated viability gap, this should not be at all difficult to sustain, to the extent that we understand that, without public subsidy, the Project has no apparent chance of happening at all.

The behaviour changing impact of the subsidy is perhaps best demonstrated by viability gap analysis as alluded to in Principle 2. This is normally clear evidence that without the intervention there would be no commercial rationale for the Project. This would demonstrate that "the specific public policy objective" (ie. this part of the Project, and getting it delivered now as specified) would not be achieved without the subsidy, and therefore the proposed measure has a behaviour changing effect. As always, it is important to keep records to corroborate that this has been specifically confirmed (not assumed), including showing how the funding has changed the delivery of the Project.

4. Subsidies should not normally compensate for the costs the beneficiary would have funded in the absence of any subsidy

We interpret this rule to discourage if not prohibit subsidies to projects that have already started and are legally committed (which would be evidence that they would necessarily happen anyway with or without the subsidy). The parallel rule in State aid (which is persuasive only) acts to block projects that have not started as at the time an aid application has been submitted.

In the present case, we understand that not even work on the site preparation has started (NB. preliminary studies and planning are excluded from any understanding of what "starting work" means), hence this should be easy to satisfy.

OBC in options appraisal has considered the "business as usual" scenario which would be academic given the site is redundant. The costs are one off capital costs bench marked as reasonable by external professional advisors and do not contain on going revenue costs which are expected in any event to be met by operating revenues.

Overall, the point of this rule is for the awarding authorities to be satisfied that they are not funding things which are necessarily happening already anyway and we understand this is clear to all as things stand. From the facts, this requirement appears to be easily met but should still be documented by the Council to confirm how it has reached that decision.

5. Subsidies should be an appropriate policy instrument for achieving their specific public policy objective and that objective cannot be achieved through other, less distortive, means

This Principle is about the Council being able to show that other non-subsidy interventions for the purposes of achieving the specific public policy objective were considered, but dismissed in favour of the subsidy option chosen, on the basis only the subsidy option would be likely to be effective. Ultimately, an awarding authority should be able to show here that other forms of intervention were considered but discounted on the basis they would not work, or at least clearly not as reliably.

Another way to look at this would be whether any other means of supporting the objective but without granting subsidy might have delivered the desired outcome. An example of this might have been commercial lending, albeit we would not expect this to have closed the viability gap in the required manner to allow the Project to go ahead (NB. rather it would have extended the gap).

The delivery of the works aims to deliver modern mixed used units to bring jobs and generate social value for Northampton. The subsidy is awarded to specifically enable works to the sites to be delivered and, in reaching the decision to apply a subsidy, the Council has considered alternative options.

Overall, it is for the Council to conclude and demonstrate that the subsidy it is providing has been considered and evaluated as the only effective way to facilitate the objective, presumably on the basis that other methods were not satisfactory for one reason or another. This is normally self-evident when large viability gaps are present but nevertheless we recommend it is carefully documented how the Council may have reached such a conclusion.

6. Subsidies should be designed to achieve their specific policy objective while minimising any negative effects on competition or investment within the United Kingdom

This is the new Principle from the Act. Technically it does not need satisfying for a subsidy award being made now at the time of writing, but since we anticipate there to be several months or longer before the proposed award could be ready to be made, we expect this Principle will be required to have been considered once the time comes, hence it is sensible to plan for it now. It overlaps significantly with the final Principle (below) but since it has been created as a standalone new Principle we believe it will need its own standalone assessment.

This Principle has been introduced purportedly to deal with concerns as to dislocation effects between different parts of the UK and particularly as between different devolved nations. However, it can apply on a more localised level too hence we would not recommend reliance on anything merely concluding no negative effect on Scotland, Northern Ireland and Wales.

We believe that for this Principle to be reliably satisfied will require some form of study of any potential negative effects on competition or investment in the first place. This should then conclude (hopefully) that the negative effects are minimal to begin with, but also what steps have been taken to minimise them. This involves considering basic features of competition economics for the affected relevant markets (ie. shopping and retail spaces of particular capacities and capabilities and within a certain geographic area to be considered substitutable), for example whether sustaining supply like this in Northampton will likely lead to incremental new demand and investment or mere dislocation from existing suppliers in neighbouring areas.

It is likely that significant work will already have been done on this and/or that this will be in train anyway through standard assessments for Green Book principles etc. The effect on competition or investment of a measure will involve assessing what is to be delivered with public support and considering what are the markets for these elements already and how much of a distortion will be created by the intervention.

There will be a wide margin of discretion on conclusions drawn from the evidence but if there is no independent expert study to begin with then it will be much more difficult to defend the Council's decision on this point. From the Council's perspective what it should be looking to do is obtain firm evidence (ie. a study) on this point, to allow the Council to take the safest possible decision.

Ultimately, among the most significant of steps taken to minimise distortion of competition will be to show that the subsidy has been limited as per Principle 2 to the absolute minimum necessary, but we do not recommend reliance on this alone or else there would be no need for this new Principle. Other considerations which could be helpful to show that effects on competition would be minimised would be if there had been negotiations on scope of the Project, for example for the Council to be able to show that it had exercised some thought and discretion in altering scope to limit any potential for distortion of competition resulting.

7. Subsidies' beneficial effects (in terms of achieving their public policy objective) should outweigh any negative effects, including in particular negative effects on (a) competition or investment within the United Kingdom; (b) international trade or investment[18]

We believe this Principle overlaps significantly with the aforementioned (new) one and is sometimes compared to the so-called balancing test referred to in EU guidelines and which the European Commission has historically operated when exercising discretion to approve proposed State aid notified to it. The main difference between

[18] This Principle is considered widely to be the most important and requires balancing the pros and cons of intervening in the manner proposed.

new Principle 6 and this Principle is that this one is a yes / no question: ie. do the positives of achieving the objective outweigh negative effects on competition?

The evidence on the negatives should be clear from the study carried out at Principle 6 above. What then matters is setting the positives of achieving the objective against this. Again, the Council will have considerable discretion because the law sets no relative weight on what should be considered more or less important. Any court is unlikely to wish to want to substitute its discretion for that of the public funder at the relevant time. What is important therefore is to be able to show a due process was followed (ie. evidence gathered) and an informed decision taken.

The effect is to require awarding authorities to be satisfied that there is an overall net positive effect to be drawn from a subsidy provided. To arrive at this conclusion safely, in particular given the quantum and importance of the Project, we would recommend some form of study be commissioned to place a comparison against the two elements to be balanced.

We would not expect this to be a problem in the present case in that the funding will be shown to be closing a gap and in so doing funding something facilitating a highly ambitious and transformative investment project for Northampton. Completion of the Project will directly contribute to achieving the policy objective by delivering an economic asset in a previously underutilised site. In addition, the proposed use of the site is also expected to provide employment opportunities for the Northampton area. This demonstrates evidence that the Project will potentially have a wider impact on the surrounding area. When a State support is limited to this sort of intervention then we anticipate that any distortive effects are relatively clearly insufficient to outweigh the positive effects on investment that it will bring.

The OBC has arrived at the Project as the preferred option after considering several other options like "do nothing" and alternative delivery of different scale. It has done so by a technical process assessing the benefit cost ratio. In making this assessment negatives of the Project like displacement, leakage and relocation in relation to surrounding geography and comparable retail /commercial spaces has been made.

Given the strong product differentiation against other retail spaces in the surrounding geographical area the negative effects are regarded as limited meaning the benefits of the Project outweigh them.

OBC also highlights wider benefits which have no numerical value to include in the benefit cost assessment above. These are:

> *"• Regeneration benefits –. the scale and nature of the scheme will provide transformative regeneration benefits and could have a wider catalytic impact upon Abington Street and Northampton's Town Centre beyond the area of impact assumed from a wider value uplift perspective, by increasing investor and occupier confidence in the area. This could assist, for example, to enhance the town's attractiveness as a residential location to improve demand for town centre living which is a wider key objective of the Town Deal.*

• Construction jobs – although the construction jobs which will be generated by the new development have not been quantified in detail as part of this Economic Case, 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 job years (or c. 11 FTE jobs based on 1 FTE per 10 construction job years) through the construction period based on the estimated construction costs of c.£8.139m as per the HCA Calculating Cost Per Job Best Practice Note 2015.

• Perception and profile benefits – it could assist to enhance the perception, image and profile of the wider town centre offer through the delivery of such a significant scheme to transform the current offer.

• Reduced crime/anti-social behaviour – through promoting increased activity within a currently derelict shopping centre, including a day and evening offer, this could assist to improve natural surveillance levels and reduce opportunities for crime locally."

Ultimately, this Principle is about showing that a sensible judgment has been applied based on a reasonable gathering of evidence, and then applying a reasonable judgment on that evidence.

D.3 Prohibited subsidies and subsidies subject to special conditions via the TCA

We note that the TCA (and in due course the Act) contains some wider assessment criteria which must be worked through.

This includes certain prohibitions on subsidies such as those that are made contingent on the use of domestic over imported goods, or those based purely on export performance. This can only be verified from a view of the grant funding agreement to be used but we have no reason to expect any such prohibited clauses or restrictions from the Council, nor for any of the other special conditions on subsidies from the TCA to be engaged (eg. subsidy for air carriers for the operation of routes; banks, credit institutions and insurance companies; and unlimited state guarantees). The Act adds to these prohibitions, including subsidies causing relocation of activities, but neither this nor any other prohibition in the Act appears likely to cause a difficulty.

We recommend an additional check that the beneficiary (the Council) is not deemed "ailing or insolvent" as at the time of the Grant on the basis this would render the subsidy prohibited unless provided by way of rescue and restructuring (which has its own specific further requirements). On the facts, we see no reason why this requirement should be an issue for the Council.

This bears some similarities with the previous test in GBER not to aid "undertakings in difficulty" but is not the same test. This can be satisfied now with basic checks that the subsidy beneficiary is a going concern, ie. not likely to go out of business in the short to medium term absent the subsidy under consideration. The Act will include a further analysis of the group balance sheet, to conclude that assets exceed liability.

We also note that the energy and environmental principles at Annex 27 of the TCA are not applicable in this instance. These apply in respect of subsidies for electricity generation adequacy, renewable energy and cogeneration. Similar provisions will be set out at Schedule 2 of the Act. Given that the Project does not involve a subsidy in connection with the the energy market or the environment, these provisions are not engaged here and are therefore mentioned for completeness only.

D.4 Important new procedure emerging from Subsidy Control Act and notifications to the CMA

The Act creates additional classes of subsidy namely Subsidies of Interest ("SoI") and Subsidies of Particular Interest ("SoPI"). These are not defined in the legislation and there was a recent public consultation[19] (closed 6 May 2022) on how this should be set in law[20].

The point of being within whatever may be these final classifications is to, respectively: (i) enable a proposed subsidy to be capable being notified to the (CMA in advance of award for a non-binding review, should the parties desire, or (ii) oblige a proposed subsidy to be notified to the CMA in advance of award for a non-binding review, with failure to do so rendering the subsidy prohibited.

As things stand, the public consultation[21] anticipates that a SoPI will occur for any subsidy in excess of £10m, hence the proposed subsidy to the Project will not qualify, so we mention this now for completeness only. However, this should be kept under review by the Council until the law in this respect is finally clarified.

E. Avoiding subsidy to third party suppliers and contractors

The risk of a subsidy arises to such bodies where the remuneration exceeds that which would be provided by the market. Therefore, where the remuneration is set by an open and competitive market process or benchmarked at market rate, it may reasonably be expected that no subsidy arises. We assume that the Project will be undertaken by the Developer following the Council's procurement and value for money processes which should be sufficient. Accordingly, the risk of a subsidy arising to third parties is not expected to arise in these circumstances.

F. Subsidy Control risk and challenges

Ignoring the EU/UK international dimension (which we do not consider likely to be triggered in this case), the new challenge regime exists on two levels:

- for acknowledged subsidies granted under the Principles, as here, there are mandatory publication requirements post-award (as here), but short windows for challenge thereafter by specific (subsidy) judicial review, as explained below; and
- for non-subsidy awards there are no such mandatory publication requirements but of course if there is doubt as to the classification of an award as subsidy or not then the failsafe approach is to award as subsidy and publish. In the absence of this there is always a general judicial review risk against any

[19] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1063355/ssopi-and-ssoi-consultation.pdf
[20] The draft Regulation mentions £5-10m in non-sensitive sectors and £1-5m in sensitive sectors. The Project is expected to be in a non-sensitive sector.
[21] See Draft Subsidy Control (Subsidies and Schemes of Interest or Particular Interest) Regulations 2022 (publishing.service.gov.uk)

decision of a public authority, the time limit for challenging which again flows from the placing of the matter in the public domain. Hence, even in a no subsidy situation it is recommended to place the fact of the intervention in the public domain.

On the present facts, subsidy risk arises first at the level of the funder, in this case the Council which could ultimately be responsible in defending a UK national court[22] judicial review action (NB. as noted above we believe the subsidy awarding authority would normally be the Council not DLUHC).

The primary risk, however, is always to the recipient (the Developer) which would be asked to refund the support if found to have been given unlawfully. This is so even though the lawfulness of the decision to award ultimately rests with the public funder. As with EU State aid this cannot be contracted out of, ie. it is not possible for the public funder to indemnify against the chances of an adverse subsidy ruling without thereby creating another subsidy.

Given the competitive market that could be affected, we cannot rule out the possibility of disaffected interested parties being willing to challenge (NB. the risk is normally minimised if there is a lot of advance publicity to flush out would-be challengers at an early stage).

In the present case, the Project involves apparent subsidy needing to go under the Principles so will need to be the subject of a minimal transparency publication within six months of award (to be reduced to three in due course by the Act). Only once the publication has been made and the challenge periods passed may it be safely concluded as beyond challenge.

Article 369 TCA imposes the basic transparency obligation on public authorities awarding a subsidy, namely that within six months of an award they publish on an official website[23] the following minimum information:

- legal basis and policy objective or purpose of the subsidy;
- name of the recipient of the subsidy when available;
- the date of grant of the subsidy, the duration of the subsidy and any other time limits attached to the subsidy; and
- the amount of the subsidy or the amount budgeted for the subsidy.

The Act proposes slight but not significant variations on this and accordingly this will need checking in due course.

[22] The secures that future subsidy challenges will be heard at the Competition Appeals Tribunal (rather than the standard High Court).
[23] The national database for this has now been launched at https://searchforuksubsidies.beis.gov.uk/ and log in codes can be obtained from subsidycontrol@beis.gov.uk. It is not yet mandatory to publish within this forum rather than (for example) on the funders' official websites, but it would certainly be considered best practice at this time to use the national database and the Subsidy Control Act envisages that this will be mandated in due course.

It is the transparency publication which sets off the time limits for challenge under judicial review, which are one month from publication. If details for how an authority satisfied the Principles are requested within that first month, then a challenge may be lodged within a further one month of receipt of those details from the authority (noting that an authority has 28 days within which to answer such requests). It follows from the above that the sooner the publication is made, the sooner time starts to run and the potential risk period for a challenge will pass.

If awarding acknowledged subsidies under the Principles the "bottom line" is that to be safe in the award it is vital for the awarding authority to be able to demonstrate it has reasonably concluded satisfaction with all the Principles. It is also vital to keep records for how they have been deemed to have been reasonably satisfied (hence the recommended *pro forma*). This is because:

- this forms the substance of the primary defence against an action for judicial review by an interested party (eg. a competitor or anyone else claiming to be affected by the Project[24]);
- it is a new and further TCA requirement that evidence of compliance with the Principles is produced to interested parties requesting it within 28 days of request following publication (see above); and
- the *pro forma* will assist in answering any further questions as may arise either from Central Government or any other source.

To conclude, there is always a risk of challenge under any analysis, and the way to protect against this is to ensure the basis for award under the Principles has been soundly thought through to begin with (with due attention to evidence trail) and then for the fact of the award to be made public. This way time, can be shown to have started to run and (hopefully) a line can be drawn under the risk within a maximum of three months thereafter, assuming no challenge is forthcoming.

We hope the above is useful but please let us know if you would like further explanation as to how Subsidy Control enforcement can manifest itself.

Concluding remarks

As discussed above there seems to be good prima facie evidence, from the OBC in particular, to suggest that the Grant may be awarded lawfully and therefore as per new UK Subsidy Control. This will require further attention to detail prior to the Council taking a final decision on the award and then implementing it via suitable grant funding agreement, but the signs are positive. Clearly it will be necessary to confirm the identity and make up of the Developer and subject the relevant entity to due diligence against the proposed costs and confirmation of the evidence in the OBC. Once all that is confirmed and the grant funding agreement entered into, the final act will be making a suitable publication notice as described above. Please let us know if you have any further

[24] This is set out in Article 369 TCA, whereby an interested party means any natural or legal person, economic actor or association of economic actors whose interest might be affected by the granting of a subsidy, in particular the beneficiary, economic actors competing with the beneficiary or relevant trade associations.

questions on this. at all stages it is important to keep records for the decisions made, particulary as to compliance with each of the Subsidy Control Principles.

Lastly, for avoidance of doubt this opinion is for the benefit of West Northamptonshire Council only and may not be relied upon by third parties without the express consent of West Northamptonshire Council and DWF Law LLP.

Yours sincerely,

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