

WEST NORTHAMPTONSHIRE COUNCIL CABINET

12TH APRIL 2022

CABINET MEMBER WITH RESPONSIBILITY FOR ECONOMIC DEVELOPMENT, TOWN CENTRE REGENERATION AND GROWTH: COUNCILLOR LIZZY BOWEN

Report Title	Towns Fund: 35-45 Abington Street Project- Business Case and Delivery Strategy
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Appendix A – 35 - 45 Abington Street - Appraisal Report

Appendix B – 35-45 Abington Street-Outline Business Case and Procurement Delivery Strategy EXEMPT

1. Purpose of Report

- 1.1 This report requests approval of the Outline Business Case (OBC) and the Procurement and Delivery Strategy for the 35-45 Abington Street project. The regeneration project covers three sites, 35-39 Abington Street (the former British Homes Stores premises), 41-45 Abington Street (the former Marks and Spencer premises) and 20-28 Wood Street and was previously covered as two Towns Fund projects but now is being carried forwards as one project.
- 1.2 Approvals will allow the funding to be drawn down from Northampton's Towns Fund grant allocation of £9.7m across both projects.

2. Executive Summary

- 2.1 The July 2021 Cabinet noted the Towns Fund grant allocation to West Northamptonshire Council from MHCLG of £24.9m, subject to approval of stage two business cases for each project and in addition noted that each project business case would need to come back to Cabinet for consideration and approval.
- 2.2 Abington Street is the principal shopping street in Northampton, also acting as a key pedestrian arterial route the town centre, connecting Abington Square through to the Market Square. However, with changes in retail habits it has struggled. The Northampton Town Centre Masterplan, October 2019, sets out a vision for the part of Abington Street which is the subject of this report as "a re-development opportunity to help redefine a struggling part of the town centre as a residential neighbourhood."
- 2.3 The site has therefore been strategically identified as a residential opportunity. Introducing quality town centre residential provision to this area will increase and diversify the existing mix of accommodation offer and will be a catalyst for creation of a town centre neighbourhood. By increasing the town centre's residential population, it will bolster the town centre sustainability and competitiveness, increase footfall, and resolve the problem of what to do with unviable large format retail units that have no obvious other viable use.
- 2.4 The Abington Street site occupies approximately 0.8 Hectares (2 acres) of footprint in the town centre, presently occupied by two large vacant retail units, and a former office building.
 - 41-45 Abington Street (Former M&S) is owned by the Council, having been acquired by Northampton Borough Council (NBC) in September 2020.
 - 35-39 Abington Street is in third party ownership and is proposed to be acquired in order to take the combined project forward.
 - 20- 28 Wood Street, a former derelict office building is in third party ownership and is proposed to be acquired in order to take the combined project forward.
- 2.5 This Cabinet report seeks approval of the 35-45 Abington Street Project OBC (Appendix B). This has been developed in accordance with the Ministry of Housing, Communities & Local Government (MHCLG) appraisal guide and HM Treasury Green Book requirements by Cushman and Wakefield, the Council's consultant. It will enable draw down on a combined

total of £9.7m of capital grant investment funding to enable project delivery. This is already allocated as £4.2m for 35-39 Abington Street and £5.4m for 41-45 Abington Street.

- 2.6 This report also seeks approval of the Procurement and Delivery Strategy (Appendix B) for the delivery of the 35-45 Abington Street, which identifies options that have been considered and the recommended approach, which is to appoint a development partner for the site.
- 2.7 The OBC (Appendix B) has established the strategic case for redevelopment of the combined site for residential development, an initial masterplan prepared by 5Plus Architects comprises approximately 340 dwellings. The proposal includes for retained active commercial frontage to Abington Street.
- 2.8 The Procurement and Delivery Strategy (Appendix B) establishes the preferred procurement route and the reasons and provides an options analysis. The conclusion is that WNC's delivery objectives are more likely achievable through a form of Development Agreement (DA). The PDS sets out that using a framework is the preferred way of procuring a development partner. A DA will enable a greater degree of control than simply relying on planning controls when seeking to influence the development of the site, enabling the Council's delivery objectives, outputs and outcomes to be delivered.
- 2.9 As noted above, delivery of this scheme would require acquisition of two sites which are 35-39 Abington Street Northampton and 20-28 Wood Street Northampton. If this could not be achieved through negotiation, then a Cabinet decision to use compulsory purchase powers may be sought. The negotiations would be undertaken in a way to allow for this.

3. Recommendations

- 3.1 It is recommended that Cabinet:
 - a) approves the Outline Business Case (OBC) for the 35-45 Abington Street Project, to draw down on £9.7m of Towns Fund funding.
 - b) approves the Procurement and Delivery Strategy (Appendix B) that sets out the recommended delivery route for the 35-45 Abington Street Project (which recommends using a form of Development Agreement to deliver the project).
 - c) authorises the purchase of each of 35-39 Abington Street and 20-28 Wood Street, in each case subject to a red book valuation and satisfactory due diligence on the site, a resultant acquisition being made at no more than a fair commercial price taking account of all relevant factors.
 - d) confirms it is willing in principle to exercise its compulsory purchase powers to facilitate the development, if necessary.
 - e) notes a further Cabinet report would be brought back upon the completion of the procurement process to seek approval for the preferred bidder.

4. Reason for Recommendations

- 4.1 To allow the 35-45 Abington Street development site to proceed and to ensure the grant award is spent within the award timescales.

- 4.2 To maximise the opportunities for the effective use of public money.
- 4.3 To reduce the likelihood that current owners will attempt to 'ransom' the Council's aspirations for regeneration of the town centre by seeking excessive prices for their properties.

5. Report Background

- 5.1 At the July 2021 Cabinet approval was given to develop the stage two business cases for the projects included within the £24.9m Towns Fund grant allocation, including for 35-39 and 41-45 Abington Street projects. It was noted that each business case would return to Cabinet for approval.
- 5.2 Given the strategic nature of the two sites, 35-39 and 41-45 Abington Street, along with 20-28 Wood Street are being grouped together due to their proximity, shared objectives and opportunity to procure and deliver them simultaneously. If any of the sites were not brought forward at the same time then there is a risk that the costs for the redevelopment of these sites would increase substantially due to issues around buildability that would prevent these being viable, leaving these poor-quality sites in the town centre for the long term.
- 5.3 The OBC has been developed on this basis and it is envisaged that should negotiated acquisition of 35-39 Abington Street and 20-28 Wood Street not be possible, the Council would to pursue compulsory purchase.
- 5.4 A number of key activities have taken place since summer 2021:
- Appointment of dedicated Project Manager.
 - Towns Fund submission requirements reviewed, and strategy for business case and delivery of the site established.
 - Identification of programme milestones and development of the project risks register.
 - Appointment made of Cushman and Wakefield Public Sector Developments team to develop the OBC, Development Appraisal, viability assessments and a Delivery and Procurement Strategy for the project. (Appendix B)
 - Appointment of 5Plus Architects to provide a site masterplan concept for massing purposes, informing appraisal testing and viability.
 - Appointment of Hatch Ltd, independent appraisers of the OBC.
 - Appointment of Specialist legal support on subsidy control, DWF Law
 - Soft market testing of development mix by professional advisers.
 - Appointment of valuation advice for acquisition purposes of 35-39 Abington Street and 20-28 Wood Street properties (Red Book valuations awaited).
 - Initial dialogue with the third-party owners of 35-39 Abington Street.
- 5.5 The OBC has been independently appraised by Hatch Ltd and subsequently approved by the Northampton Forward Oversight and Delivery Group on the 14th Feb 2022. The Northampton

Forward Board approved the OBC on the 23rd February 2022, confirming the OBC is acceptable and meets the required criteria. This appraisal is included in Appendix A

5.6 The OBC is split into five sections. These are summarised below.

The Strategic Case

5.7 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
- Supporting Our Growth by Delivering Housing

5.8 The Northampton Town Centre Masterplan, published in October 2019, sets out a vision for this part of Abington Street as "a re-development opportunity to help redefine a struggling part of the town centre as a residential neighbourhood." Introducing further residential provision to this area would increase and diversify the existing offer and will support the creation of a new town centre neighbourhood. This would begin to increase the town centre's residential population. This spending power from this should support wider town centre sustainability and competitiveness.

5.9 The redevelopment of the 35-45 Abington Street site is an opportunity to meet an identified need for high-quality residential accommodation in Northampton town centre.

5.10 An initial site masterplan has been prepared by 5plus Architects, comprising 342 no. 1, 2 and 3 bedroom apartments, arranged over three blocks ('Abington', 'Wellington' and 'Wood'), with the following development mix:

- 159 no. 1 Bed Apartments
- 158 no. 2 Bed Apartments
- 10 no. 3 Bed Apartments
- 15 no. 3 Bed Duplex Apartments

5.11 The £9.7m Towns Fund investment into the site is intended to cover the current viability gap. The OBC Development appraisals identifies a gap of £10.4m (Appendix B). Cushman and Wakefield have advised that the remaining £0.7m gap to deliver the development should be able to be dealt with through the competitive stage of selecting a development partner. This issue is however recorded as a project risk.

Rationale for intervention

5.12 The combined site has significant viability challenges, particularly significant "fixed costs" (such as acquisition, demolition and expensive remediation works). The market will not currently intervene. The Town Deal investment is crucial, the site would simply not be delivered without it.

- 5.13 Intervention will directly lead to the repurposing this key site and will create a catalyst for the wider regeneration within the town centre and benefit of the town centre and wider local economy.
- 5.14 Without intervention, it is likely that the Abington Street site will remain in redundant and vacant retail use following the departure of M&S and BHS stores. This would have an ongoing adverse effect on the immediate surrounding area.

Evidence of Demand for Proposal

Private Sale Residential and PRS (Private Rented Sector)

- 5.15 The OBC confirms whilst there is a varied mix of residential accommodation available in Northampton town centre, recent new build stock has generally been limited to apartment schemes and student accommodation, with larger, more suburban residential schemes located further afield.
- 5.16 It is the view of Cushman & Wakefield's Residential Agency team that there is sufficient demand for town centre apartments at the subject site from both an occupier and developer perspective.
- 5.17 Notwithstanding this, 342 units is considered to be too great a quantum of private sale apartments to be absorbed into the market, without having a detrimental impact on absorption rates. On this basis, it is assumed that one of the three blocks would be delivered as purpose-built Private Rented Sector (PRS) accommodation with the other two being for private sale.
- 5.18 Within the context of the subject site, PRS accommodation is considered to be a suitable use, given town centre location and the proximity to the Railway Station, and other key amenities. There isn't currently a strong PRS market in Northampton, but Cushman & Wakefield consider this to be strengthening.
- 5.19 The extent of the site and quantum of housing proposed will result in phased development, rather than the entire site being built at once. In the initial modelling there are three proposed blocks. Full market commentary is included within the OBC.

The Economic Case

- 5.20 The economic case demonstrates that the preferred option offers an 'acceptable' value outcome for money from both a Towns Fund only and total public sector cost perspective. An initial Benefit Cost Ratio (BCR) of 1.1 is generated when the development is assessed, both on a Towns Fund only and on a total public sector cost basis.
- 5.21 The economic benefits assessment undertaken only quantifies the direct land value uplift benefits (and some minor labour supply impacts) associated with the scheme. There could be

wider indirect land value uplift benefits associated with the regeneration and increased footfall benefits which would be generated by the scheme.

- 5.22 The additional residents who would live at the completed development would increase footfall along Abington Street and should therefore increase visitor spend within the surrounding retail units.
- 5.23 A high-quality scheme will provide transformative regeneration benefits and could have a wider catalytic impact upon Abington Street by increasing investor and occupier confidence in the area. As a result, this is likely to result in an uplift in commercial and residential property values along Abington Street and the wider town centre and result in significant indirect land value uplift benefits which have not been monetised in the BCR.
- 5.24 Residential accommodation delivered under the preferred option would provide both unit sale and Build to Rent accommodation to appeal to a broader range of the occupier market and diversify Northampton's town centre housing offer.
- 5.25 The ancillary commercial leisure floorspace would also diversify the retail/leisure provision on Abington Street and improve Northampton's evening economy offer.
- 5.26 The preferred option is that the Council could use Town Deal funding to acquire the former BHS store and 20-28 Wood Street Properties, complete asbestos strip, and as the discussions with developers progress consider and develop the appropriate level of enabling works for the project (such as whether full demolition and site clearance works take place or not). This should result in a residential led development scheme under a negotiated development agreement providing around 25,009m² Gross Internal Area of new high quality residential floorspace and 859m². GIA of ancillary commercial (food and beverage/ leisure) floor space.

The Financial Case

- 5.27 This Financial Case outlines the affordability and funding of the preferred option along with identifying key project risks. The Financial Case has set out in detail the various cost and revenue assumptions which support the development appraisal undertaken for the Abington Street site.
- 5.28 Based upon the Development Appraisal, it clearly demonstrates that the full £9.7m of the Town Investment Plan (TIP) submission for Abington Street amount is required for the project.
- 5.29 The maximum available public sector intervention would be set out not to exceed the maximum available as the procurement and delivery dialogue commences. So, whilst the appraisal shortfall of £0.7m exists (which amounts to circa 7% of the identified gap), this is expected to be overcome through the competitive tendering process to appoint the development partner. The Council's advisers have expressed confidence that this will occur.

Funding Source profile

Type	Source	Total Amount
35-45 Abington Street		
Public sector	Former NBC acquisition 41-45 Abington Street	£1.5m
Public sector	Town Investment Plan (includes some advanced monies)	£9.7m
Private sector	Private developer investment (residential and commercial active frontage including)	£60.3m
Total		£71.5 m

The Commercial Case

- 5.30 The commercial case assesses the commercial viability of the proposed scheme, and sets out a credible assessment of the commercial viability of the scheme (including residential outputs for market sale and purpose built Private Rented Sector housing). There is analysis on market demand, an overview of the procurement and delivery options, indicative milestones and timescales and key commercial dependencies.
- 5.31 A suitable development partner would be procured through a competitive process, see appendix B. The delivery and procurement strategy recommends further soft market testing in advance of launching a procurement process.

Subsidy Control

- 5.32 Subsidy control advice has been provided ahead of stage approval, an independent legal opinion has been received from DWF Law (Appendix B). The headline view is that the Council may use the £9.7m of public funds for the intended activities and sets out the compliant fashion. Subsidy control advice will be an integral part of the delivery stage to ensure a compliant use of funds is delivered.

The Management Case

- 5.33 The Council is the accountable body for the project. As the accountable body the Council will be responsible for discharging all obligations with MHCLG. The Council will be responsible for overseeing the financial management and accountability monitoring of the project.

Procurement and Delivery Strategy

- 5.34 Cushman and Wakefield were appointed to review the Delivery and Procurement options (Appendix B). A number of potential delivery mechanisms and their suitability when related to the context of the site opportunity and the Council's delivery objectives have been considered and reported on at a high level. The procurement and delivery strategy identifies these options in the light of the Council's Delivery and project objectives. The strategy provides an analysis of each option, informed by Cushman and Wakefield experience on similar projects and broader knowledge of the market. Options considered includes:
- Disposal following planning
 - Development management (Direct Delivery)
 - Development Agreement (DA)
 - Contractual Joint Venture Partnership (DA+)
 - Joint venture partnership (JVCo)
 - Investment Partner (InvestCo)
- 5.35 The development market does typically prefer the contracting authority to set out its preference for a delivery route, and having a stated route would simplify the ongoing legal process. On the basis of the options analysis, it is considered that the Council's delivery objectives are likely to be more achievable through the Development Agreement (DA) approach, or potentially a contractual Joint Venture partnership (DA+) approach. Both offer a 'tried and tested' approaches, in essence both being based on a traditional development agreement structure.
- 5.36 Cushman and Wakefield recommends that the Council initially proceed to test the market view of this recommended delivery route of a DA, in order to better understand whether the market has a strong preference for the DA route.
- 5.37 The DA route, either a DA or Contractual JV give the Council the ability to include provisions that provide the control it requires over development, at the same time as maximising market attractiveness through it being familiar and 'tried and tested' approach.
- 5.38 Advice has been given concerning the procurement status of the opportunity, and it is essential to ensure that the delivery vehicle is compliant with Public Procurement Regulations. This requires the notification of the opportunity on the UK Government's 'Find a Tender' (FTS) service. This can be done by the Council directly or by using a pre-notified framework. In the Procurement and Delivery Strategy C&W identified two compliant procurement frameworks that could be used.
- 5.39 Appendix B sets out the relative benefits of each approach with the key advantages of using a framework including:

- Speed – Panel members are “pre-procured”, avoiding the need for a pre-qualifying ‘sifting’ stage.
- Cost – There are cost savings associated with the shorter timescales, but there is a reduced level of detail and governance when compared with an open procurement process.
- Competition – Through an Expression of Interest stage, the Council will be able to engage with suppliers to understand in advance whether they will be pursuing the opportunity. This reduces the risk of bidders de-selecting themselves partway through the process and promotes healthy competition.
- Market attractiveness – Suppliers have already been through a Find a Tender compliant procedure to secure a place on the framework.

5.40 Using a compliant framework is therefore the recommended route for securing a development partner at this stage. The next stage would be to determine which is most suitable for the project.

5.41 To ensure that the proposals meet the requirements of the council a range of project objectives have been produced which the developers will be scored against when submitting their proposals. They provide the framework for ensuring that the process delivers the Council’s vision for the site. The most appropriate delivery option and procurement route will be one that achieves the optimal balance across the Council’s objectives, whilst avoiding the need for subsidy above the Towns Fund grant available.

5.42 The proposed themes of the objectives are set out below while the precise wording of each objective will be refined ahead of the procurement process:

- **Design Quality** – To set new standards of design quality for residential within Northampton, referencing the distinctive character of Northampton with original and attractive designs, drawing from the area’s heritage.
- **Residential Neighbourhood** – To provide a mix of good quality private residential units to form a new neighbourhood and community.
- **Transport, Linkages & Connectivity** – To connect the site to the wider town centre, with a focus on encouraging permeability and pedestrian flows within the town centre.
- **Partnering Approach** – To create a partnering structure with the Council that: aligns the parties’ goals; plays to their strengths; appropriately apportions risks and provides sufficient control for each party to determine those aspects of the development that are core to their respective organisations.
- **Delivery & Resources** – The timely delivery of the scheme, with appropriate and sufficient resources.
- **Stakeholder engagement** – The production of a stakeholder engagement strategy that clearly identifies who will be consulted in the development of proposals for the site, that identifies any potential obstacles and how they are going to be managed, focusing on the development of constructive and productive relationships over the period of the project that maximise project objectives.

- **Long Term Structure** – The provision of a long-term management and maintenance structure over the completed scheme in order to maintain the environment as an attractive place to live, where people feel safe and secure, at minimal cost and risk to the Council.
- **Green and Sustainable** – The provision of an environmentally sustainable development with high-quality spatial design that fits in with wider town centre developments and supports the Council’s sustainability and climate change strategies.
- **Technology** – To incorporate digital and smart technology within the scheme to create a better place that improves wellbeing, mobility, equality, communities and prosperity. To future proof buildings and infrastructure technology.
- **Social Value** – Typically involves requirements around local employment, community organisations, sustainability.
- **Viability & Funding** – To deliver a viable and fundable scheme and secure sufficient private sector funding on reasonable and appropriate terms to deliver the scheme and unlock public sector funding where gap funding is required.

Project Milestones

5.43 Included below are indicative timescales and milestones for the procurement and delivery of the 35-45 Abington Street scheme.

Project Milestone	Indicative Date
Finalise Delivery & Procurement Strategy & preparation of procurement Documents	February 2021 – April 2022
Launch procurement process	Spring - Summer 2022
Acquisitions (35-39 Abington Street and 20-28 Wood Street)	Summer – Winter 2022
Dialogue stage	Summer – Autumn 2022
Tender evaluation stage	Winter 2022/2023
Complete acquisitions	
Asbestos strip	Winter 2022/2023
Preferred bidder stage	Spring 2023 – Winter 2023
Preparation of further technical work, submission of planning application, determination period and planning permission granted	Winter 2023 – Winter 2024
Funding approval & start on site	January 2025
Abnormal & enabling Works	February 2025 – July 2025 (Demolitions – could be brought forward)
Construction phases	August 2025 – 2032

Key Risks

5.44 A risk register has been developed as part of the project and will be updated regularly. Risks identified are:-

- Risk of judicial review or any other challenges on procurement– ensure proper procurement procedure is followed and seek suitable legal advice.
- Lack of interest from the development market – The advice the Council has received is that the proposals are attractive to the market but that some further market testing with development partners through the early stages of procurement will be necessary and will crystallise the position.
- Funding gap of c£0.7m – It should be noted that the commercial view is that the market will respond to this through the competitive process. The Council should also be clear on its requirements i.e. no subsidy funded by the Council.
- Land assembly costs. A market valuation is underway and will establish the ‘Red Book’ value of the third-party interests. The allowance in the development appraisal is considered to be comfortable at this stage.
- Additional costs should a negotiated acquisition of land not be possible, and additional costs of compulsory purchase may then be required.
- Increased costs such as construction elements or enabling works (such as safe removal of asbestos and demolition). There is a contingency allowance in the appraisals, but it should be noted that all costs are “present day”, and whilst a case could be made for including inflation on the appraisal costs, similarly a case could be made for also inflating the appraisal values (in terms of rents and capital values). It is therefore a traditional approach when preparing development appraisals to present both costs and values in current day’s prices for consistency.
- Delivery team resourcing – The council has assigned a Project Manager and has appointed a technical team to lead on the procurement and delivery of the development, including specialist commercial advisers. This is funded from the overall project budget. If resourcing issues arise this will be identified and managed thorough regular monitoring of progress and responded to.
- Obtaining planning permission – The proposed scheme is to deliver a significant quantum of housing. The Project Manager will work closely with planning throughout the project process to minimise any potential permission issues, identifying issues at early stage.

Intervention Requirements

5.45 The OBC, outlines the strategic, commercial, and financial case for the intervention for the 35-45 Abington Street project. There is significant viability gap and without the Towns Fund grant these strategic sites will likely remain an unsolved problem. Investment is required to enable

the site to come forward to make the project viable. This will best be delivered by a developer bringing the site forward in partnership with the Council.

- 5.46 The approval of the OBC foresees the full draw down of the £9.7m of the Towns Fund to meet the viability gap of delivering the scheme and would be used to cover the costs as set out in 7.13 below.

Acquisition of 35-39 Abington Street & 20-28 Wood Street Properties

- 5.47 The Council has been engaging with owners of the 35-39 Abington Street over the scheme and has discussed the proposals to acquire the properties. This has been on the basis of a negotiated acquisition. The owners have indicated their openness to receiving an offer.
- 5.48 The Council will need to engage with the owners of 20-28 Wood Street (a derelict property understood to be owned by Legal and General) to discuss and agree the acquisition.
- 5.49 Prior to completing any acquisition, the Council would undertake full due diligence including title searches and appropriate building condition reports (noting that we are planning to demolish the properties). Acquisition consideration will be guided by a Market Valuation.

Compulsory Purchase

- 5.50 Every reasonable effort will be made prior to appointing a development partner to acquire all land interests within the project area. However, the Council may need to use its statutory powers to facilitate development on the site.
- 5.51 Should the Council not be able to reach agreements with the remaining private interests within the site area it is proposed to seek a resolution to use compulsory purchase powers to acquire these sites. If it is considered that the Council would need to make a compulsory purchase order in respect of land, planning permission would have to be in place or a scheme sufficiently advanced to justify this.
- 5.52 The compulsory purchase process from making the order to the Secretary of State confirming the Order could take in the region of 12 to 24 months. The making of a compulsory purchase order is a function which the Cabinet may exercise. It would have to consider the justification when the specific property interest is identified.

6 Issues and Choices

- 6.1 To approve the drawdown of the funding for 35-45 Abington Street as described in this report.

- 6.2 To not approve the funding for these projects will mean that the project will not be able to take place as the project is reliant on the Towns Fund. This would mean that the funding allocated by Government will be lost and not be used for the regeneration of Northampton town centre.
- 6.3 To approve the Procurement and Delivery Strategy for the 35-45 Abington Street project as described in this report.
- 6.4 To not approve the Procurement and Delivery Strategy. The Procurement and Delivery Strategy set out above has been carefully scrutinised and recommended by C&W as the best option for bringing forward these sites. If this is not approved, this would mean looking at other options that would not meet the objectives in delaying the project which is likely to then result in losing the allocated Government funding which in turn would mean the project would not be brought forward.

7 Implications (including financial implications)

Resources and Financial

- 7.1 WNC is the accountable body for the Towns Fund grant and will be managing the total amount of £9.7m for these projects. The funds are governed by legal agreements between WNC and Government. WNC's responsibility is the administration and monitoring of the grant funding.
- 7.2 Government has already forward funded approximately £1.24m of the Towns Fund total allocations (as explained in the July 2021 Cabinet report). The Council has used this forward funding to undertake enabling works at 41-45 Abington Street (a full asbestos strip), and to fund OBC development for each Towns Fund project, including a portion towards 35-45 Abington Street. This has been allocated to professional services, and advice to deliver the proposals.
- 7.3 The project is intended to be delivered at low cost to the authority. The costs associated with bringing this project forward are:-
- **Procurement and Development Agreement** (costs will relate to professional services required through these processes, including legal and professional advice, this will likely be in the region of £250k). This is budgeted from the Towns Fund revenue element and within existing regeneration budgets.
 - **Holding of property stage** (such as business rate liability for a short period while strip out works happen, security, utility costs, and interim management). This is currently unbudgeted. The team will work to commence the asbestos strip out as a priority once the acquisitions have been completed to minimise these costs. The costs will be met through Towns Fund revenue grant.
 - **Third party property acquisitions** (including purchase price, associated professional fees including valuation, legal and stamp duty land tax costs). These costs are built within the £9.7m of Towns Fund grant.

- **Site preparation stage** (all relevant site remediation costs, pre-commencement enabling works, creation of a cleared site including asbestos removal, remedial and services removal and capping, and demolition costs). These costs are built within the £9.7m of towns fund grant.
- **Development viability gap** (the remaining viability consideration that will be documented in the Development Agreement as gap funding to the developer to bring the viability issue). These costs are built within the £9.7m of Towns Fund grant and will have a cap defined by the overall costs up to the headline budget.

7.4 Whilst it is intended that these costs would be met from the Towns Fund grant, some of them may be revenue costs more than the revenue element of the grant, in which case the Council would need to bear them itself. All reasonable steps will be taken to minimise these costs to seek to ensure these can be met through the Towns Fund Grant. If there are additional costs as identified above which cannot be met through existing budgets a further report will be prepared for Cabinet in order for them to consider how they could potentially fund the costs.

Legal

- 7.5 It is noted pursuant to paragraph 2.4 above that consideration of the outline business case by Cabinet of the proposals relating to 41-45 Abington Street and 35-39 Abington Street, and use of the capital grant investment follow the approval process as set out in the Cabinet Report entitled Northampton Town Fund dated 13th July 2021. However, it is also noted that whilst the authority to purchase 20-28 Wood Street forms part of the recommendations to Cabinet, the property itself was not identified as an independent project for consideration in the same way as 41-45 Abington Street and 35-39 Abington Street have been, so it follows that that the property has not been subject to the same approval process, although the purchase of the property appears to be integral to the re-development project
- 7.6 It is noted pursuant to paragraph 2. 6 above in relation to the proposed delivery strategy, it is understood that this part of the strategy involves the proposed acquisition of property, and a joint venture partnership with a developer and in the event that the proposed acquisition of the property (either whole or in part) fails consideration of the alternative option which is to use of the Council’s compulsory purchase powers to secure the property in order to progress with the re-development project.
- 7.7 Section 1 of the Localism Act 2011 provides a general power of competence which provides the Council with the same power to act that an individual generally has and provides that the power may be used in innovative ways, and the Council can also use more specific powers under statute, see further below.
- 7.8 It is noted above that the costs of the re-development project may exceed that allowed for under the grant provision, and the potential for a development viability gap. Section 12 of the Local Government Act 2003 provides the Council with the power to invest, if so required. Under the statute the meaning of “investment” covers for example, a loan made to a joint venture or to a third party, provided the investment was for any purpose relevant to its functions under any enactment or for the purposes of prudent management of its financial

affairs. It is noted that further work is to be undertaken with respect to viability and funding it is therefore recommended that further specialist legal advice be obtained.

- 7.9 As noted in paragraph 7.5 above if the proposed property acquisitions fail to happen (in whole or in part) the Council could exercise its compulsory purchase powers to acquire the property. There are a number of different acts of Parliament that use compulsory purchase powers, one of which for example is pursuant to, Section 226 of the Town and Country Planning Act 1990 which authorises the Council to compulsorily purchase land if the Council thinks that the acquisition of same, will facilitate the development or re- development or improvement of land, or acquisition is required to achieve the proper planning of an area. If such powers are required for the re-development project, it is recommended that further specialist legal advice should be obtained.
- 7.10 It is recommended given the scope and complexities of the proposed re-development project that an appropriate level of budget will be allowed to provide for specialist external legal expertise, where necessary and appropriate commensurate with the nature of the project, beyond that already received with respect to subsidy control.
- 7.11 The OBS Appendix B provides for a headline options analysis of the procurement options available to the Council for the appointment of a development partner, this analysis has been undertaken by Cushman and Wakefield from the perspective of a property adviser and not a legal adviser, accordingly legal advice must be sought to confirm the recommended and most appropriate procurement route to ensure strict compliance with the Council's Contract Procedure Rules and the Public Contract Regulations 2015.

Risk

- 7.12 As well as general project delivery risks identified at 5.12.12, If the Towns Fund projects are not delivered, there will be significant financial, reputational, and political risks for both the Council and the chosen developer.
- Financial risks: if the projects are not delivered within time and deadlines are not met, the Council risks losing external funding and faces increased costs within projects through not being able to undertake appropriate due diligence. Holding costs would also increase.
 - Reputational risks: if the programme of work is not delivered in a timely manner, then it weakens the Council's position to secure future funding from Government and other external funders in the future. There would also be reputational harm with the public, as many of these schemes have already been heavily promoted.
 - Political risks: as a new authority, the Council is under increased scrutiny from Government and the public. If the projects are not delivered efficiently or efficiently then this could seriously harm the Council's perception to these audiences.
- 7.13 Each project will have a project board established, with a wide range of representatives from the Council. A project specific risk register will be developed and regularly monitored by the project board.

Consultation

7.14 The development of the Town Investment Plan (TIP) was guided by community and stakeholder consultation. The TIP builds on the initial consultation work undertaken to inform the development of the Town Centre Masterplan which seeks to address many of the challenges faced by the town centre.

Online Consultation

7.15 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 and opportunities for the town.

7.16 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.

7.17 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 and public space back into use and improving the public realm. The initial survey was followed by more detailed questioning of a consultation group across three days.

7.18 This builds on more than 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 the TIP.

7.19 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

7.20 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 safety teams, Digital Northampton, NN Contemporary Arts and the University of Northampton.

- 7.21 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.
- 7.22 The consultations produced a number of themes for the TIP including re-energizing cultural and historic assets, diversifying the housing offer to match the needs of the community, make the town centre feel safer and upgrade and improve the management of key public spaces.
- 7.23 The detailed TIP consultation findings can be found in the appendices.
- 7.24 A stakeholder engagement plan has been developed to accompany Northampton's TIP. This document sets out our commitment to develop ongoing relationships with key stakeholders to ensure implementation of the TIP remains responsive to the overarching needs of the town.

Consideration by Overview and Scrutiny

- 7.25 N/A

Climate Impact

- 7.26 The new build will be required to deliver net zero no later than 2030. Additionally, construction carbon impacts will have a significant weight in selecting developers and then contractors, through the development agreement. The Council will also undertake environmental impact assessments in line with the Towns Fund guidance and the stage two business cases will look at the climate and environmental impact as part of their development.

Community Impact

- 7.27 As the project develops of this scale there will be engagement and consultations with local stakeholders through all stages, and statutory consultations will take place during the planning stages.
- 7.28 The Council will undertake programme-wide level impact assessments, relevant project-level impact assessment and equality and impact assessments when required.

Communications

- 7.29 A communications strategy will be developed as part of taking the project forward, and to cover all key milestones. Publicity agreement with the chosen developer and contractors will be required to ensure WNC's involvement and contribution is reasonably reflected in any output.

8 Background Papers

- 8.1 Towns Fund Cabinet Report – Tuesday 13th July 2021.