

Project Assessment Report

Key requirements of the business case have been identified and assigned a RAG rating. A headline description of each of the ratings is provided below.

Risk Rating Key	
Red	The gap in information or issue raised fundamentally undermines the overall case or specific, critical elements being assessed. Without resolution, approval would not be recommended.
Amber	The information provided demonstrates the business case has the potential to be compliant subject to specific conditions being met.
Amber - Green	The information provided does not fully align with the requirements, but in the assessor's view, this is not sufficient to undermine the overall case. For example, the assessor believes a reasonable case could be made against the relevant assessment criteria or the information provided is proportionate to the investment sought. These are highlighted for information to the Northampton Forward Board.
Green	The information required is fully compliant with the assessment criteria; no further action required.

Project Details

Project Name	Abington Street
Project Applicant	West Northamptonshire Council
Senior Responsible Owner	Kevin Langley – West Northamptonshire Council
Project Manager	Rob Saunders - West Northamptonshire Council
Total Project Cost	£57.8 million
TIP Request	£9.7 million
Proposed Start Date	August 2025
Proposed End Date	October 2032
Project Description	The subject site currently comprises two large vacant retail units, formerly occupied by M&S (41 – 45 Abington Street) and BHS (35 – 39 Abington Street). Following the decline in the retail market, the two town centre units have become redundant and as such, have been earmarked to provide residential redevelopment opportunities through a Council-led approach to delivery. The site is located within Northampton town centre, around half a mile to the east of Northampton Railway Station.

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
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Appraisal Summary

Project recommended to proceed subject to conditions on procurement approach.

- **Strategic Case** – Overall, the strategic case presents a clear rationale for investment and considers the need and opportunity around this scheme and Northampton’s town centre housing offer. There is good evidence provided by independent consultants of demand for housing and this a need for public sector intervention to meet the strategic objectives of the Town Investment Plan.
- **Economic Case** - The proposed approach is reasonable and appropriate for a scheme of this type and focussed on a core assessment of the direct impact of the scheme on land values and associated labour market impacts. On this basis, the business case presents a marginally positive benefit cost ratio (BCR) of 1.1 - which is considered acceptable value for money. However, a fuller assessment, considering additional impacts that have not been monetised would likely deliver a non-trivial level of economic benefit over and above the core benefits. Nevertheless, even with a marginal BCR, the close alignment of the scheme to the TIP’s strategic objectives and these wider non-monetised benefits should be taken into account in the full assessment of its Value for Money.
- **Financial Case** - The business case presents the required information around project costs and funding. Assumptions underpinning any cost estimates have been clearly articulated and are supported by evidence. The project seeks to fund acquisition of third-party property on Abington Street, abnormal development costs and fill the remaining viability gap. The central estimate of the viability gap remains above the available budget, meaning the competitive process to secure a development partner will be crucial to deliver the project objectives with the available budget.
- **Commercial Case** - The commercial options available are discussed in some detail and recommendations are presented around two potential procurement routes that are expected to ensure a suitable development partner can be procured via a competitive process. The delivery and procurement strategy also recommends further soft market testing in advance of launching a procurement process. A credible assessment of the commercial viability (both market sale and purpose built PRS housing) is presented.

Subsidy control advice has been provided and indicates that the cost of site acquisition and assembly, plus associated demolition/site preparation works can be completed without subsidy control issues provided a prepared site is to be disposed of at full market value. Further grant will constitute a subsidy but procurement can be made compliant.
- **Management Case** - The management case presents an appropriate set of project management and governance arrangements to deliver a scheme of this nature. Project delivery timescales are clearly set out and appear realistic. The approach to monitoring and evaluation and benefits realisation are set out in principle and are appropriate for a scheme of this type. Further evidence on project team’s track record would support the board in determining if additional resource is required or appropriate.

Strategic Case

Project Details	Comments	RAG Rating
Strategic fit to the Town Investment Plan	<ul style="list-style-type: none"> The proposal aligns closely to the Town Investment Plan's objectives. It states how the scheme will drive regeneration of Northampton's town centre, instil pride and a strong sense of identity and re-energise and breathe new life into heritage assets and redundant buildings. 	
Confirmation of the Strategic Objectives and Critical Success Factors	<ul style="list-style-type: none"> Strategic objectives for the scheme have been identified and are SMART. These are closely aligned to the objectives set out in Northampton's Town Investment Plan. Options longlisting has been undertaken to identify the preferred option in the Economic Case. Critical Success Factors are set out in accordance with HMT Green Book Guidance. 	
Strength of the market failure evidence and rationale	<ul style="list-style-type: none"> Market failures have been clearly identified and the rationale for public sector investment has been provided. Identified market failures include the existence of viability challenges, quasi-public goods and positive externalities. The market failure argument also links to evidence in the financial case. 	
Evidence of demand, need and additionality	<ul style="list-style-type: none"> A view of demand is given, with further information provided in the commercial case. Evidence of future need provided by appealing to the Housing Background Paper. 	
Stakeholder buy-in to the project	<ul style="list-style-type: none"> Key stakeholders in support of the project have been identified. Although, stakeholder engagement is set out in the Management Case, this section could be improved if more detail was provided in the Strategic Case. 	
Integration/links with other projects/programmes	<ul style="list-style-type: none"> The proposal mentions other projects that the scheme links to and how the Abington Street scheme will complement these projects. The proposal also mentions a variety of policies and strategies that the project aligns with. This section could be improved by drawing more explicit links between the project and these policies/strategies although these links can be inferred and appear justified. 	
Implications of any strategic risks and dependencies	<ul style="list-style-type: none"> Key project dependencies and constraints have been identified alongside mitigations. 	

Assessor Comments

- This section provides a clear overview of the scheme’s strategic intent. Fundamental requirements of the Strategic Case are in place and are clearly articulated. The proposal shows how the scheme aligns with the TIP and provides strong evidence of market failure as well as the need for public sector intervention.
- The proposal mentions many policies that the project links to but it does not explicitly explain how the scheme will contribute to each of these.
- Greater detail on the demand and need for market sale and PRS accommodation is provided through the commercial case.

Clarifications

All clarifications have been resolved

Overall Strategic Case RAG Rating



Economic Case

Project Details	Comments	RAG Rating
Range and credibility of options (including the do-nothing and do minimum case)	<ul style="list-style-type: none"> • Proportionality cited alongside the existing TIP as a reason for only undertaking a cost benefit analysis for two scenarios: the preferred option versus a Business As Usual / reference case. • A long list of 10 project options was presented which considered the “business as usual” scenario and a range of other options varying the scope, delivery and financing of the project. • A RAG rating matrix against a set of critical success factors has been included. Coverage of the long-list is suitable, further clarification of some of the options was sought to illustrate ratings that were not initially clear and the short-listing and the short-listing exercise is judged to be credible. 	
<ul style="list-style-type: none"> • Scheme delivers value for money 	<ul style="list-style-type: none"> • Using the profile of Town Deal costs from the Financial Case and the NPV costs is replicated successfully. • The method for calculating the benefit cost ratio is appropriate (albeit subject to comments above regarding the optimism of certain assumptions) and produces an initial BCR of 1.1 – which is considered acceptable. With no public sector match funding included in the preferred option this is equivalent in a Towns Fund only and total public sector assessment of the BCR. 	
<ul style="list-style-type: none"> • Implications of reference case / do nothing option considered for additionality 	<ul style="list-style-type: none"> • There is a clearly defined Business as Usual / Do Nothing scenario against which the preferred option is assessed. The justification for the Do Nothing scenario is set out clearly and links to the viability assessment made in the financial case. 	
<ul style="list-style-type: none"> • Assumptions underpinning the economic model and sensitivity testing 	<ul style="list-style-type: none"> • Land Value Uplift is identified as the most appropriate measure of private benefits to the scheme. Published VOA land values are chosen to value the scheme although with a development appraisal available this would have been an alternative option, subject to adjustment of costs to reflect Towns Fund. • A justification for a nil existing use value is provided in the narrative – although this is contestable. However, since the £2.0 m acquisition cost for 35-39 Abington St is covered by the development appraisal and subsumed into the abnormal costs any further existing use valuation could also represent double counting. 	

	<ul style="list-style-type: none"> • The calculation steps for the direct Land Value Uplift are clear and approximately replicable on the information provided. • Labour Supply Impacts are included in line with methodology previously employed in the Future High Streets Fund. However, an estimate of new / re-entrants to the labour market of 10% is at the high end of expectations. • The 10-year persistence of these benefits is also at the upper end of acceptable estimates for labour supply impacts. However, sensitivity tests suggest that these problems are minor, given the negligible impact of labour supply on value for money. The VfM category is not affected by removing this category of benefits.
<ul style="list-style-type: none"> • Appropriateness of risk assessment and adjustments for optimism bias 	<ul style="list-style-type: none"> • The approach to costs is in line with guidance. However, Optimism Bias of 10% is relatively low considering the stage of development. Clarifications from Cushman and Wakefield suggest the use of recently tendered build costs and a significant contingency allowance are contributing factors in the reduction of OB from the upper bound. Sensitivity tests also suggest that at the upper bound (24%) for standard building projects, the initial BCR would remain above 1.0.
<ul style="list-style-type: none"> • Assessment of additionality and adjustment of gross benefits to account for deadweight, displacement, substitution, leakage and economic multipliers 	<ul style="list-style-type: none"> • Low displacement assumption for residential units (20%) is applied and justified on the basis of strong demand, differentiated housing typology and viability constraints locally. • Higher (albeit still low/medium) displacement of commercial floorspace is justified on the grounds of differentiated product. This is less clear cut given the evidence presented in the strategic case around demand for town centre uses. Sensitivity analysis of the displacement rates is used later to test the value for money position with respect to higher displacement.
<ul style="list-style-type: none"> • Benefits appraisal aligns with refreshed Green Book and departmental guidance 	<ul style="list-style-type: none"> • The value for money approach is consistent with the 2016 MHCLG Appraisal Guide and the 2020 HMT Green Book, applying Land Value Uplift alongside labour supply benefits.
<ul style="list-style-type: none"> • Sensitivity tests 	<ul style="list-style-type: none"> • Sensitivity test – excluding labour supply impact – has marginal impact. No change in value for money assessment overall i.e. BCR remains at 1.1. • Changing OB to 44% reduces BCR to 0.9, as does doubling of displacement across both land use types. Switching value of +15% costs and -13% benefits to reach BCR of less than 1.

<ul style="list-style-type: none"> Value for Money assessment 	<ul style="list-style-type: none"> The economic case rightly identifies that the value for money position is marginal but that there are wider economic benefits that could acceptably be monetised. These are benefits that also closely align with the strategic objectives of the Town Investment Plan. The economic case concludes that wider benefits that have not been monetised e.g. Land Value Uplift would be expected given the nature of the scheme. This helps to address any concerns over the marginal nature of the initial BCR. 	
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<p>Assessor Comments</p>	<ul style="list-style-type: none"> This is a competent assessment of the initial BCR which indicates a path to acceptable value for money. The assumptions underpinning the initial BCR are, in places, at the upper end of credibility and means the value for money assessment is borderline on direct land values and labour supply impacts alone. No formal quantification of the wider benefits has been made, however, in clarifications a credible scenario was presented (using high level methodology) under which only a relatively small number of commercial property receive a proportionally modest property value uplift and the BCR increases to approximately 1.5. Coupled with the strong strategic rationale which aligns the project closely with the Northampton TIP, the initial BCR, and the potential for wider monetisable benefits can be shown to demonstrate value for money in line with the principles outlined in the Green Book 2020. 	
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<p>Clarifications</p>	<ul style="list-style-type: none"> All clarifications have been resolved 	
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<p>Overall Economic Case RAG Rating</p>	
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Financial Case

Project Details	Comments	RAG Rating
Robustness of the project costs	<p>The project costs have been assembled by qualified professionals using appropriate benchmarks e.g. BCIS.</p> <p>There is only a very high-level breakdown by activity as the project anticipates undertaking a ‘gap funding to developer’ approach – in which the procurement process offers to part fund the development process through grant as opposed to WNC commissioning specific activities.</p> <p>Noted that there is not much scope for slippage within the Town Fund period to spend the funds.</p> <p>However, it is noted that the “gap funding to developer” approach and front loading of acquisition costs allows for funding to be spent before the end of the Town Fund period. Nevertheless, this approach may require consideration over contractual requirements of developer partner given the requirement to frontload these costs to meet Town Fund programme requirements.</p>	
Scheme funding	<p>The project has been entered into the Town Deal as a candidate for public funding on the basis of a gap funding requirement as it is considered unviable in its own right. The initial assessment of the viability gap is larger than the level of available funding (£10.4 m vs £9.7 m, +7%) which is identified as a project risk.</p> <p>The competitive nature of the procurement process and potential value engineering on the part of any developer act as mitigation against this risk.</p> <p>A set of sensitivities on developer profit indicate that a competitive process to secure a development partner could still feasibly deliver the scheme for the given level of funding (viable at 19% profit on cost).</p> <p>While acquisition (£2m) is identified as a Town Deal cost there is no clear breakdown of how</p>	

	<p>the remaining £7.7m should be spent. The approach to dealing with this has been clarified as generic “gap funding to developer” which will allow for a fixed sum of grant to be offered with developers reacting to this through the procurement process.</p> <p>Excluding inflation from the Financial Case – <u>this is typically against best practice</u>. A justification is provided that carries a certain logic, as relates to the overall viability gap.</p> <p>Given the “gap funding to developer” approach which is proposed to carry through to the procurement of a development partner the explicit nominal cost of activities funded will not be directly subject to inflation per se. As such the identified gap represents Cushman & Wakefield’s best judgement of the identified viability gap to be met in nominal terms given potential movements in costs and revenues over time.</p>	
Project viability assessment (where appropriate)	The overall viability assessment has been provided and has been conducted appropriately.	
Assessor Comments	<ul style="list-style-type: none"> • The viability assessment is suitably comprehensive and key issues over affordability have been explored. • Typically the financial case would explicitly consider inflation. The nature of the project funding e.g. “gap funding to developer” means excessive cost inflation may have more of an impact on project outcomes than project deliverability if developers have to value engineer the proposals to mitigate cost increases. • This approach slightly contradicts the Subsidy Control advice, which considers some site-preparation and clearance works as pre-procurement for the purpose of their advice. • The economic case has some buffer in terms of value for money to absorb this risk and a monitoring and evaluation strategy / benefit realisation process have been identified to manage these through the project. 	
Clarifications	<ul style="list-style-type: none"> • WNC to confirm that the site preparation, clearance and demolition activities will be procured with all other development activity under a competitive process. 	
Overall Financial Case RAG Rating		

Commercial Case

Project Details	Comments	RAG Rating
Appropriateness of procurement arrangements	Either the Homes England DPS or the Pagabo framework would be appropriate procurement routes for the developer and construction team.	Green
Rationale for and appropriateness of the commercial structure and delivery arrangements	<p>Delivery through either a development agreement or contractual joint venture partnership would be appropriate for this scheme. Evidence to support this judgement is set out in the Delivery & procurement strategy.</p> <p>It is noted that the recommendation includes the need for further soft market testing against the proposed delivery structure.</p>	
Depth and appropriateness of the risk assessment and adequacy of approaches to risk transfer and management	<p>The Delivery & Procurement strategy highlights the pros and cons of a range of delivery and procurement options for the project. The ability to clearly apportion risks are pros set attributed to the Development Agreement or Contractual joint venture partnership approach (DA+) routes recommended.</p> <p>The assessment is detailed and comprehensive covering both delivery and procurement options. Contractual milestones indicate timeline for risk transfer given the recommended procurement strategy.</p>	Green
Capacity of applicant to deliver the investment (where applicable) risks.	<p>West Northamptonshire Council has provided high-level details of the project team's track record in delivering capital projects. The governance structure also allows specifically for external advisers to be involved in project boards and the cost plan has an allowance for professional fees.</p> <p>The business case would be strengthened by further information as to the nature of project team's past experience with respect to procurement of similar development agreements and the nature of the external support required.</p>	
Asset ownership after project completion	<ul style="list-style-type: none"> • 41-45 Abington Street is owned freehold by Northampton Borough Council, having been acquired from Marks and Spencer PLC in September 2020 • 35-39 Abington Street is currently in private ownership, and has been earmarked for 	Green

	<p>acquisition in 2022, for which an allowance of £2m has been included in the appraisal of the site, as referred to in the Financial Case</p> <p>Further asset transfer details will be developed as part of the development agreement or joint venture partnership.</p>	
<p>Comment on subsidy control position of the project and whether advice has been sought</p>	<p>DWF Law LLP have provided Subsidy Control advice. This confirms that the project will probably confer a subsidy on a developer but this subsidy can be made compliant with the legislation. This will require the council to commit to particular procurement principles – e.g. open procurement, with a subsidy amount no more than necessary and proportionate to the objective at hand. Further details of these principles are contained in DWF Law’s Advice Note.</p> <p>WNC/the Board should proceed to procurement with these principles in mind.</p>	
<p>Assessor Comments</p>	<ul style="list-style-type: none"> • A market assessment and summary of the local housing need/demand has been provided to evidence the likely commercial viability for new build town centre property in Northampton. • The demand for purpose built PRS has been explained and justified. • A number of potential delivery and procurement routes have been outlined (see Cushman & Wakefield, Delivery & procurement strategy – Abington Street, Northampton). A development Agreement or DA+ approach and procurement via the Pagabo or Homes England DPS routes are recommended based on a comprehensive analysis of a wider range of options. • The strategy notes further soft market testing is advised before making a final decision on procurement but that a number of suitable developers could be engaged through either route. 	
<p>Clarifications</p>	<ul style="list-style-type: none"> • All clarifications have been resolved 	
<p>Overall Commercial Case RAG Rating</p>		

Management Case

Project Details	Comments	RAG Rating
Effective governance and management arrangements	Governance and management structure is clearly set out including level of oversight by different board.	Green
Availability of capacity and capability to deliver the project effectively	<p>The project team has a history of delivering capital projects. A full procurement plan for a preferred development partner has been included.</p> <p>The business case would be strengthened by further information as to the nature of project team's past experience with respect to procurement of similar development agreements and the nature of the external or internal support required to manage this project along with other Town Fund investments to the same timescale.</p>	Yellow
Realism of delivery plan and milestones	Delivery plan across the procurement process and over the 3 blocks of construction is clear and realistic.	Green
Existence of particular barriers such as planning consent, land purchase etc.	<p>Barriers include:</p> <ul style="list-style-type: none"> - Purchase of 35 – 39 Abington Street for a reasonable price - Planning consent on both sites <p>Realisation plans for both have been included in the report</p>	Green
Delivery risks and mitigation	A number of delivery risks are identified in the risk register and with high level mitigation plans.	Green
Ongoing management costs and risks to benefit realisation	Ongoing management costs are by implication passed on eventual asset owners although this has not been made explicit.	Yellow
Monitoring and evaluation plan	A clear monitoring and evaluation plan has been included KPIs to be developed as the project continues.	Green
Assessor Comments	<ul style="list-style-type: none"> • The proposed governance structure looks appropriate to support a scheme of this nature provided appropriate external professional support is in place. • Some evidence of past delivery of capital works provided although this section is light on detail with respect to project value/complexity. • Further information and detail on additional (internal/external) resource requirements to manage this (alongside other Town Fund projects) would be beneficial. 	

Clarifications

- Update the date for finalisation of delivery and procurement strategy and procurement documentation (**currently January to March 2021**)
- Clarify when and how asset ownership is expected to pass to a third party or if not how management costs will be met by WNC in the long term.

Overall Management Case RAG Rating

