



WNDC Board Report

Report by Director of Regeneration and Development

Paper Reference: 2010-08-07-03

Agenda Item: 7

7 December 2010

Subject: Regional Growth Fund (Round One) Bid:
Northampton Rail and Business Hub

Advice: That the Board:

1. **Note** the establishment of the Regional Growth Fund by government and the work that has been undertaken with local partners;
2. **Endorse** the proposal to bid to the Regional Growth Fund for a project focussed on the Castle Station area.

Summary:

The Regional Growth Fund (RGF) is a £1.4billion fund that will operate for 3 years between 2011 and 2014. WNDC has been working with local partners with a view to preparing a bid to the Fund. It is proposed that the bid is focussed on the Castle Station area.

1. The Regional Growth Fund in Outline

- 1.1 The Regional Growth Fund (RGF) is a £1.4 billion fund that will operate for three years between 2011 and 2014. Details of the Fund were included within the White Paper "Local Growth - Realising Everyone's Potential". Its aim is to stimulate enterprise by providing support for projects and programmes with significant potential for creating long term private sector led economic growth and employment. Those areas that are currently heavily dependent on public sector employment will be particularly targeted.
- 1.2 RGF will provide a mixture of direct support for private sector investments and support for infrastructure that removes barriers and triggers private sector-led economic growth. Bids must be able to demonstrate that the Fund will create long term growth by leveraging private sector investment and jobs. A minimum bidding threshold of £1m assistance will apply.
- 1.3 The expectation is that bidding partnerships coming together made up of a combination of significant private sector players, SMEs and social enterprises working together with public partners. The public sector cannot bid in its own right.
- 1.4 It is expected that Local Enterprise Partnerships (LEPs) will play a coordinating role within their areas and communities. The South East Midlands Local Enterprise Partnership is currently undertaking such a role, inviting local Expressions of Interest from organisations planning to submit Round One applications.
- 1.5 Northamptonshire Enterprises Ltd. are also helping coordinate early proposals within Northamptonshire, developing strategic context in support of bids and making use of existing evidence of the county's economic strengths and weaknesses.
- 1.6 Whilst all areas of England are eligible to bid to the RGF the Government have made it clear that some parts of the country, particularly where there is currently high employment, low-levels of deprivation and a vibrant private sector, may struggle to demonstrate how they meet the eligibility requirements of the Fund. This point has already been reiterated several times by Lord Heseltine, who is to chair an independent advisory panel which will make recommendations on which proposals best address the objectives of the RGF.

1.7 Round 1 of the bidding is now open with a closing date of 21 January 2011. The second round will be announced shortly. It is planned that there will be at least three rounds of bidding. It is worth noting that those bids which are at an advanced stage of readiness (i.e. ready for Round 1 submission) will not have to complete a formal Expression of Interest but can proceed directly to Full Bid stage.

2. Preparations for a RGF Round One Bid for the Castle Station Area

2.1 Initial appraisal of the guidance surrounding the RGF and the details within the White Paper suggests there could be a strong case for support for a project focussing on Castle Station and the surrounding area. The redevelopment of Castle Station as currently envisaged could generate significant private sector-led economic outcomes, including hundreds of new jobs (see Appendix "A"). Critically it is predicated on the use of public sector investment (in this instance improved rail transport infrastructure) to remove barriers and trigger significant private sector investment-led growth – the main ambition at the heart of RGF thinking.

2.2 Much of the detailed work around those station improvements has already been completed. The key parties include both public and private sector bodies and they have been working together on this initiative for some years. It is particularly helpful that those plan and preparations have included financial modelling to broadly Green Book standard - seen as an essential element of any RGF bid.

2.3 However there remain a number of weaknesses in the proposed bid, at least one of which we can do little about in the timeframe available, namely the fact that Northampton is not overly dependent upon the public sector as an employer (we are below the national average in fact).

2.4 Secondly any bid needs to "fronted" by a private sector partner of some stature and whilst WNDC can continue to play this coordinating role to help shape and deliver the bid, that private sector lead partner will need to be confirmed as a matter of urgency.

3. How the Bid Might be Developed

3.1 The regeneration of the station and the surrounding area has proved to be an exceptionally challenging objective. The costs and interdependencies associated with

each individual component of the programme have made it difficult to progress, especially in a time of economic downturn and public sector retrenchment.

- 3.2 A successful bid to the RGF, however, could unlock the scheme. The proposal is to bid specifically for the costs of the new railway station (circa £20m). We will need to demonstrate that that investment of public sector monies triggers private sector leverage and the resultant commercial floor space, employment opportunities, etc.
- 3.3 If the station could be remodelled (doubling in size, increasing capacity by 80%) we could then turn our attention to the multi storey car park. Also budgeted at circa £20m the new car park would need to not only accommodate the current 750 car parking spaces provided at Castle Station but also a further 550 new spaces (to reflect the increased capacity of the station and the increased numbers of rail travellers to be accommodated).
- 3.4 This second stage of the proposal sees a private sector car park operator introduced to build and operate that new car park in return for the income from the additional car parking spaces (income from the existing spaces currently goes to the train operating company). Early income projections indicate this could generate a healthy return for the new operator and some initial “soft market testing” suggest there may be private sector interest in the idea.
- 3.5 Building out the 1300 space multi storey car park then allows the current surface car park to be released for redevelopment. The 2 hectares of brownfield land this frees up could allow for up to 20,000m² of commercial space and 200 new homes (though early conversations with the University of Northampton indicate there could be an interest in at least some of that residential element being developed for the town’s burgeoning student population).
- 3.6 The support of the Department for Transport will be a critical to this aspect of the proposal. That sharing of costs and operational activities between a newly introduced private sector car park operator and the train operating company will need to be reflected in the next iteration of the rail franchise arrangements (given that the existing car park incomes goes to the train operating company). However, those new franchise arrangements will not be confirmed before 2014, allowing time for all parties in this proposal to review the costs and benefits of the approach outlined here.

Discussions on this aspect of the proposal are underway with the Department for Transport.

- 3.7 That commercial development will create net 600 new jobs and lever in a further £90m of private sector monies. The aspiration is to create higher quality, higher skilled jobs in this key location, helping address that inherent low skill bias to employment opportunities in Northampton.
- 3.8 The fourth major piece of this jigsaw is the proposed Northampton Innovation Centre, a 3000m² employment space to be located on the former United Social Club site (which is currently in WNDC ownership). An application to the East Midlands Urban Development Fund is at an advanced stage for this initiative, which would see business space for 60 new business in an environmentally exemplar building. A decision on this initiative, which will require the commitment of WNDC capital funding as well as European Regional Development Fund monies, is expected early in the New Year.

4. Risks and Mitigation

- 4.1 At face value, this is a strong bid to the Regional Growth Fund. As currently envisaged it represents a clear cut example of public sector funding in transport infrastructure removing barriers to private sector-led growth, resulting in significant numbers of new sustainable jobs and private sector leverage several times that of the public's initial investment. Most of the plans for the redevelopment of buildings or locations are already in place (largely as a result of NEL, NCC and WNDC funding to date) and much of the financial modelling is readily available. There are a number of additional benefits which could be delivered through this programme including support for the regeneration of the adjacent Spring Boroughs area, the alignment of RGF and European Structural Fund monies and reductions in carbon, congestion and car dependency.
- 4.2 However, as noted earlier, this is a complex project. DFT support will be critical, especially in relation to the rail franchising arrangements. The proportion of the existing workforce employed in the public sector in Northampton is below national average. We are promoting a major regeneration programme at a time when the

commercial and development sectors are particularly depressed. And although we are right at the start of this RGF bidding process (guidance was only released in the past few weeks) we will need to secure the full support of significant private sector partners to lead the bid as soon as possible.

- 4.3 Even with those caveats, the RGF represents a significant opportunity for the private and public partners working to regenerate and reanimate this part of Northampton and as noted earlier, an Expression of Interest (attached as Appendix "A") has been submitted on the partners' behalf.

5. Appendices

Appendix A: Expression of Interest Submitted to South East Midlands Local Enterprise Partnership