

SOUTH EAST MIDLANDS

REGIONAL GROWTH FUND - EXPRESSION OF INTEREST

1 Project Name

Northampton Rail and Business Hub

2. Brief Project Description

(State what it will do, its main activities and who it will benefit)

This project is based on using Regional Growth Fund support to unlock significant sustainable employment opportunities through investment in transport infrastructure. At its heart is a well established partnership of private sector bodies (including the Train Operating Company on this line London Midland, Network Rail and the Northamptonshire Chamber of Commerce) and the public sector agencies who are driving an ambitious, collaborative programme of regeneration for Northampton.

The project includes:

- the complete redevelopment of Northampton's Castle Station, doubling its floor space and increasing capacity by 80%
- creates sustainable job growth (net 800 jobs)
- delivers commercial development (up to 20,000sqm)
- provides an innovation centre with multi-gigabit internet connectivity and 70 business start up units
- delivers 200 new homes
- levers in approx. £100m private, £3m public and £4m ERDF funding
- increases car parking capacity from current 750 spaces to 1300
- transfers surface car parking to new multi-storey freeing up 2ha of land for development
- delivers a range of Regional Growth Fund priority benefits including, carbon reduction, congestion reduction, university partnerships, etc.
- is a true public/private partnership based on a long history of joint working in this area

The RGF is critical to the delivery of this project. If supported our proposal will see RGF money used to fund the rail station improvements only – giving a clear, auditable, high profile end use. That public sector investment, increasing the station's capacity by 80% in terms of passenger numbers and train movements, unlocks the private sector investment and all the sustainable jobs and commercial and residential development that entails.

The station's increased capacity means an increased demand for car parking on site. That in turn triggers the private sector development and operation of a 1300 space multi storey car park, freeing up the existing surface car park for commercial and residential development (also private sector funded). At the same time the planned Northampton Innovation Centre (for which £4m of JESSICA ERDF funding is soon to be made available) can proceed on a gateway, WNDC-owned site adjacent to the Station. That Centre will be owned and managed by the University of Northampton, a practical example of the increasing role for the University in helping drive and

influence the regeneration of Northampton, particularly in terms of higher skills and innovation.

Additionally there will be potential to build an element of overage or profit sharing into the overall project, perhaps reflecting the increased fare take possible as a result of the RGF's investment in the station and resultant increase in capacity or as part of the income realised through the development of the current surface car park. The partners have a strong record of such arrangements and will be keen to see the RGF support "recycled" to extend the benefits it can offer and over a longer period of time.

The project's significance is reflected in the partnership behind it which includes both of Northampton's Local Authorities, Network Rail, London Midland, Department for Transport, the University of Northampton and West Northamptonshire Development Corporation. All these parties have been working on this project for some time, with much time and money already invested as a result. Consequently this is a project which is ready for First Round RGF support, with Green Book compliant financial information in place, partners "signed up" and a delivery structure in place.

The project is an excellent example of how the RGF can be used to "front end" and open up a largely private sector funded proposal. It delivers significant numbers of high quality jobs and transport infrastructure and is effectively the "game changer" for the regeneration of Northampton. It will offer direct support to other regeneration activities underway in Northampton, including a planned major upgrade of town centre retail facilities; Northampton Borough Council's Spring Borough's regeneration programme (the area adjacent to the station and one of the most disadvantaged in the region); and the drive to transform the town's public transport offer (to include a new town centre bus station).

Northampton's economic growth has been stymied for some time by a severe shortage of available, high quality sites in town centre locations. This project breaks that impasse delivering significant new floor space, high quality jobs, superb transport links and all on a site within a few minutes walking distance of the town centre itself.

3. Organisation & Contact Details

(Person responsible for developing the project)

Lead Organisation: West Northamptonshire Development Corporation

Contact name: Paul Quinn

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STRATEGIC FIT

4. Regional Growth Fund - Strategic Objectives – please ✓ as appropriate

Project will encourage private enterprise by providing support for projects with significant potential for economic growth and create additional private sector employment

✓

Project will support those areas and communities that are currently dependent on the public sector make the transition to sustainable private sector growth and prosperity

✓

CRITERIA

5. How does your project address the following?	
Sustainable private sector growth	
New commercial and/or social enterprises	<p>RGF support generates up to 20,000 sqm of new commercial floor space in a strategically critical site for the regeneration of the town centre. The importance of this location in terms of commercial development is well established and is prominent in both the draft Central Area Action Plan (currently being produced by Northampton Borough Council) and the Central Area Design, Development and Movement Framework for Northampton (effectively the master plan for the regeneration of the town).</p> <p>Additionally the Northampton Innovation Centre will generate a further 3,000 sqm of commercial space, supporting up to 70 new businesses. Owned and managed by the University of Northampton this building will focus on businesses offering high quality IT and business support services, with a particular emphasis on social entries-based activity (the University of Northampton is set to become one of the U.K.'s leading institutions in the area of social enterprise).</p>
Number of private sector jobs created	<p>This project generates net 800 new jobs (a figure confirmed in Green Book compliant analysis and ERDF appraisal). Reflecting the desire to see this project act as a driver of higher skills and innovation in Northampton, many of these new jobs will require higher skill levels. The presence of the University and the planned Innovation Centre within the project will help significantly with that aspiration.</p> <p>It is worth noting that Northampton's traditional reliance on relatively low skilled jobs means those employed in higher skilled works are over represented in the public sector. Hence the knowledge base for the town is very sensitive to any retrenchment in public services or budgets. This project could make a major contribution to the replacement of lost public sector posts by private sector knowledge-based jobs.</p>

<p>Significant demonstrable private sector leverage</p>	<p>This project is based on making use of public sector funding to free up over £90m of private sector capital funding. Additionally it generates significant private sector revenue leverage through increased income from rail fares (as a result of increased station capacity), increased car parking incomes (though the provision of 550 new spaces), increased spending in new retail facilities included within the station enhancements, etc.</p> <p>Overall the project will see the RGF act as a multiplier of significant and readily auditable private sector leverage.</p>
<p>Commercial imperative or business case</p>	<p>The town's existing transport infrastructure has long been recognised as a "brake" on development and growth. The existing station is seen as a particular problem (confirmed in the Northamptonshire Chamber of Commerce report "Northampton Castle Train Station Survey 2009). The station is operating at capacity, is in very poor condition and will require significant investment in the near future just to maintain current services.</p> <p>Meanwhile the existing surface car park (which this project would release) is blocking the development of over 20,000sqm of commercial floor space in a location identified as a priority for employment growth in the town. This development (alongside the ERDF-funded Innovation Centre) would make a significant contribution to redressing the town's historic high employment but low skills imbalance with the creation of 800 new, sustainable jobs. The partners involved in the project to date have amassed considerable evidence in support of this project, including the monetisation of benefits.</p> <p>Supporting evidence is available in the WNDC-commissioned "Northampton Station Improvements Business Case" prepared by MVA Consultancy in January 2010.</p>
<p>Risks and mitigating actions</p>	<p>This is a complex project with a number of interdependencies to be taken account of. The volatility of the development and residential sector has an obvious bearing on the financial modelling which underpins it. However, the partners have had specialist financial advice in place throughout the</p>

	<p>development of this project (provided by CBRE), with regular reappraisals of values and market trends. As a consequence there is a detailed and realistic understanding of the options and constraints created as a result of current market conditions.</p> <p>The other main risks revolve around the rail franchising process. For this project to come to fruition key elements (including the arrangements for the construction and operation of the multi storey car park) will need to be reflected in the next iteration of the rail franchise for the line (due in 2014). Consequently the presence of the DFT in the partnership is crucial to its success. The programme of activities behind the project has been scheduled to take account of that franchising process and timetable.</p>
<p>Rebalancing the economy</p>	
<p>Private sector job creation in areas of high public sector employment</p>	<p>Almost a quarter of Northampton's workforce is employed by the public sector, reflecting its position as the County Town and the seat of local authority, hospital and other public sector service providers.</p> <p>Additionally, in the September 2010 Rank of Resilience study (carried out by Experian on behalf of the BBC) Northampton is ranked as 183 out of 234, within 25% of the bottom of the scale. This confirms the Northampton economy is particularly vulnerable to any retrenchment in public or private sector budgets.</p>
<p>Additionality</p>	
<p>Contribution to environmentally sustainable or rural economic growth</p>	<p>This project delivers a number of valuable environmental sustainability outcomes. It is predicated on increasing rail use through an 80% uplift in station capacity. This in turn can contribute to reductions in car use, carbon and congestion especially within the Northampton travel to work area and the nearby M1 corridor.</p> <p>The proposed infrastructure itself will be built out to stringent environmental performance standards (e.g. the Innovation Centre will be at least BREEAM "Excellent"). Innovation Centre also includes allowance for a multi-gigabit Dark Fibre connection with the University of Northampton's Newton Building,</p>

	allowing for an exceptionally high speed internet link and reducing the need for people to travel outside Northampton to work.
Market failures that the application addresses and why RGF is needed to proceed	The perceived “short life” of rail franchises under existing arrangements, the relatively low values on offer in the commercial sector and the poor economic outlook all conspire to restrict private sector investment. RGF will unlock a regeneration priority project which has been severely curtailed by such market failure for some time. That initial public sector investment will allow the pieces of private sector funding to fall into place, creating the outputs and outcomes detailed earlier.
Minimum amount of RGF required to progress	The redevelopment of Castle Station Northampton is already at an advanced stage of design, allowing for accurate and realistic costs to be determined. That redevelopment will cost £20m and, as noted earlier, the RGF investment would realise considerably more private sector and additional public sector leverage.
Value for money	
Consistency with Green Book vfm criteria	The main elements of this project have already been subjected to a formal Green Book appraisal, commissioned by the project partners and including the monetisation of benefits, income projections, cost estimates, etc. That data is available within the Strategic Case for Investment prepared by GeneCon for the partners in January 2010, which confirmed the case for investment at the levels detailed and concluded the project represented value for money.
Transformational impact	<p>This is a high profile, truly transformational project which not only raises the quality of Northampton’s transport offer several levels but also sets in train a reshaping of the town’s employment offer - away from low skilled jobs towards higher skilled, higher value employment. In physical terms, the project starts to define the gateway to the town/city centre Northampton is currently missing with a quality railway station accessed at grade, a major employment and business hub, new housing and an adjacent environmental exemplar business Innovation Centre operated by Northampton University.</p> <p>The mixed use nature of the site, with transport, residential, commercial and retail development all represented, reflects current sustainability best</p>

	<p>practice.</p> <p>The project will help deliver the social, environmental and economic infrastructure recognised as essential underpinnings for the growth of Northampton as it develops into a city the current size of Leicester, Derby or Coventry.</p>
<p>Fit with South East Midlands vision of <i>high levels of business growth, enterprise and job creation built on first class infrastructure, local private sector strengths and exports.</i></p>	<p>The project represents a good fit with a number of SEM objectives. At the core of this project is the desire to make use of infrastructure investment to drive business growth both through the freeing up of space for new commercial development (and in doing so creating jobs) but also helping reconfigure Northampton’s wider economic offer through improved transport links; higher skilled jobs; regeneration; and environmentally exemplar buildings.</p> <p>The project will be delivered by an existing partnership of private and public sector bodies. In enterprise terms it offers new business opportunities for companies from nationals like Network Rail right through to business start ups in the planned Innovation centre. It represents the best of public –private sector collaboration where the shared objectives are based on a commitment to quality, additionality and taking full advantage of respective strengths.</p>
<p>Key project deliverables</p>	<ul style="list-style-type: none"> • the redevelopment of Northampton’s Castle Station • 80% uplift in station capacity • new job growth of net 800 jobs • 20,000 sqm of new commercial development • a 3,000sqm BREEAM “Excellent” innovation centre with multi-gigabit internet connectivity • 70 business start up units • 200 new homes • £100m private, £3m public and £4m ERDF funding • 550 new car parking spaces at the station • a new multi-storey car park • frees up 2ha of land for development • a significant contribution to carbon reduction, congestion reduction, car usage reduction and a range of other environmental outputs

The main uses of RGF funds	The RGF money will be focussed exclusively on the Castle Station redevelopment element of the project. As a consequence the public sector investment will be visible, auditable and central to the overall project.
State Aid Compliance	The public - private sector aspects of this project mean particular account will need to be taken of State Aid in any procurement activity but the partners have extensive experience of such issues, including their application in the type of regeneration and development activities proposed here.

LONG TERM POTENTIAL

6. Provide a brief description how your project has long term potential for promoting growth.

The project has been designed to unlock long term growth. The RGF investment is committed right at the start of the project, leveraging in the private sector investment which generates the long term growth in the form of 800 sustainable new jobs, support for hundreds of new businesses through the life of the Northampton Innovation Centre, new commercial floor space, etc.

Additionally, the improved transport hub will make a significant contribution to the growth and economic wellbeing of the whole of Northampton and the major retail improvements already planned and underway (e.g. the Grosvenor Retail Centre project, town centre improvements, etc.).

DELIVERABILITY/STATE OF READINESS

7. Approx Funding Required (Current Best Estimate)

Source	Source and Amount (Cash or in-kind)	Secured or Indicate level of commitment
1.Public	RGF - £20m WNDC-managed Capital Funding - £3m	Bid for In principle approval from WNDC Board
2. Other public <i>(include European funding)</i>	JESSICA ERDF - £4m	Draft heads of terms being agreed
3. Private sector	Car Park - £20m Commercial and residential development- £70m	Development partner currently being sought Subject to full procurement process
4. Total project cost	£117m	

8. Project Timescale

Start date: June 2011

Length of project: RGF monies will be fully expended by Summer 2014 (3 years)

End date: The whole project is planned to complete by Dec 2019 (8.5 years)