



**Appraisal of the 'Revitalised Nelson' Towns
Fund Proposal**

**A Report for Pendle Borough Council and the
Towns Fund Board**

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1 Project Overview and Appraisal Approach

Key Points

- £13.3 million is sought towards a total investment programme of £28.9 million to provide: the redevelopment of Pendle Rise and Trafalgar House, a Relocation Fund for existing tenants of Pendle Rise, and Public Realm improvements.
- The investment is expected to deliver an acceptable value for money, however some elements of the schemes are at a relatively early stage of development which is reflected in the high level of information provided for some parts of the business case.
- In light of this, the project is recommended for investment subject to a number of conditions set out at the start of each chapter and in the summary section.

Scheme Overview

Overarching ambition

1.1 The business case is for a package of investments totalling £28.9 million, with the aim of attracting people into Nelson and creating a positive experience for locals and visitors.

1.2 The scope of works includes:

- The demolition of the current Pendle Rise shopping centre and the redevelopment of both Pendle Rise and Trafalgar House.
- A relocation fund to acquire and refurbish additional town centre retail properties for existing tenants of the Pendle Rise site.
- Protection of Nelson's heritage through the retention and refurbishment of the frontage of Trafalgar House.
- Improvements to the public realm in Nelson's town centre, including the planting of new trees.
- Upgrading the accessibility of the town centre through the architectural design.
- Increasing the parking space provision with 150 new car parking spaces on the site of the new Pendle Rise development. A further 26 car parking spaces will be provided on the demolished section of Trafalgar House, of which around half will provide EV charging points.

Outputs, Outcomes and Impacts

1.3 The package of investments is expected to deliver:

- 4,000 sqm of new commercial floorspace
- 2,782 sqm of refurbished commercial floorspace
- Up to 395 full time equivalent (FTE) jobs, accommodated in the floorspace provided above
- Refurbishment of 1 heritage building
- 14 new electric vehicle (EV) charging facilities
- 1,000 sqm of new and improved public realm

- 1.4 Delivery of these outputs is expected to achieve the following quantified and non-quantified outcomes and impacts:
- Increased footfall
 - Reduced vacancies in the town centre
 - Reduction in crime (valued at £2.2 million)
 - Increased residential and commercial land values across Nelson.

Appraisal Approach

- 1.5 This appraisal has been completed by ekosgen, an independent economic research consultancy specialising in the production and appraisal of business cases. Following receipt of the Business Case and supporting documentation, ekosgen completed an initial assessment against the requirements of the Towns Fund and HM Treasury Green Book before issuing clarifications to Pendle Borough Council and Hatch (the consultancy supporting the development of the business case).
- 1.6 This assessment takes account of the information provided throughout this process and is based on the following documents:
- Draft Revitalised Nelson Business Case and supporting appendices (received 20th October 2022)
 - Clarification Responses (received 21st November 2022)
 - Impact Assessment modelling (received 21st November 2022)
 - Final Business Case (received 28th November 2022)
- 1.7 Our assessment also draws on comments provided by the Nelson Town Deal Appraisal Sub-Group, received on 7th November 2022.
- 1.8 Findings have been presented case by case.

2 Strategic Case

Key Points

- The project is aligned with local and national policy objectives and supports objectives outlined in the Nelson Town Investment Plan.
- The business case demonstrates the current underperformance of Nelson as a business and residential destination, with underutilised and vacant properties in the town centre reinforcing perceptions of long-term decline.
- The challenges posed by existing provision within the town – including the issues associated with the existing Pendle Rise centre (e.g. poor amenity and severance impacting on perceptions of the town) is clearly set out.
- Stakeholder engagement has been used to demonstrate low satisfaction with the area currently and support for increased commercial options.
- The business case articulates the potential outcomes of repurposing high-profile, underused and long-term vacant buildings back into use for commercial purposes, and provision of a Relocation Fund.

Recommendation:

- The case as set out is suitable for investment, however, we note that the business case could be strengthened if further evidence could be demonstrated concerning the potential demand for space from existing and potential occupiers.

2.1 Assessment of the strategic case considers the project's strategic alignment with Towns Fund objectives and the wider local policy context, evidence of the case to intervene and the connection between the project and identified issues and opportunities.

Strategic Fit

2.2 The delivery of the Revitalised Nelson project aligns with the strategic objectives (SO) of the Town Investment Plan. It does this, broadly, through supporting the health and wellbeing of its residents (SO5), breathing new life into heritage assets and redundant buildings (SO8), enhancing physical connections to support inclusion and economic growth (SO9), as well as contributing towards community cohesion and sense of pride and identity (SO1) and reinforcing Nelson's role as a key service centre (SO6).

2.3 The business case outlines how the project contributes to the Town Investment Plan's cross-cutting principles of economic recovery, clean growth, and collaboration & engagement. It also briefly outlines how the project supports and complements the other identified Town Deal projects.

2.4 Alignment with the Town Deal intervention framework is explained with the proposed interventions falling within the 'urban regeneration, planning and land use' theme. The relevant indicative outcomes under this theme are the remediation and/or development of abandoned or dilapidated sites; delivery of quality residential or commercial space in key locations (town centres, gateway areas, employment sites); and delivery of new public spaces. Relevant outcomes within this intervention framework include perceptions of the place by residents / businesses / visitors; and land values.

2.5 The project has a strong strategic fit with a range of national, sub-regional and local policy documents. At the local level, it supports Pendle Borough Council's vision to enhance quality of

life in Pendle as outlined within its Strategic Plan 2020-23 and supports the Council's Local Plan Core Strategy objective to '*increase the choice, variety and quality of the retail offer and promote uses that contribute to the creation of a well-balanced, safe and socially inclusive night-time economy in our town centres*'. Alignment with a range of other local / sub-regional policies, strategies and projects is also demonstrated, including with Emerging Lancashire Local Industrial Strategy, Redefining Lancashire: Our Approach to Recovery, Lancashire LEP Strategic Economic Plan, Lancashire Skills and Employment Framework, Pendle Local Plan 2011-2030, Nelson Masterplan 2021, Pendle's Jobs and Growth Strategy 2013-2023, Pendle Economic Growth and Resilience Strategy, Pendle Retail Study 2012.

- 2.6 Through the project's redevelopment of vacant and underutilised buildings and the inclusion of a Relocation Fund to drive increased activity and footfall within the town centre (and in turn increase feelings of safety for residents and attractiveness to businesses looking for retail spaces), alignment is demonstrated with inclusivity, productivity and environmentally focused national strategies such as Ten Point Plan for Green Industrial Revolution, National Planning Policy Framework, and Build Back Better.
- 2.7 The project's strategic fit with the Levelling Up agenda is also articulated through its direct contribution towards the Levelling Up 'Missions' associated with pride in place and pay, employment and productivity.

Rationale and Logic for Intervention

- 2.8 The business case demonstrates how the project addresses challenges and responds to opportunities set out in the Nelson Town Investment Plan.
- 2.9 The business case demonstrates how stakeholder / community engagement work has highlighted local challenges that the project seeks to respond to, such as: low satisfaction with the area which is seen as underused and unsafe, vacant and dilapidated buildings which present an opportunity for better use. Stakeholders identified the limited offering in Nelson in respect of the range and type of shops. There were public consultations and an e-survey to gather opinions from the local people. They identified the poor physical environment relating to shop fronts, and echoing the thoughts of the stakeholders, suggested a lack of retail offering and vacant shops. Young people were engaged in discussions about the future of the town, this feedback suggested desires to make use of underused buildings and improve current buildings, improve the quality of town centre streets, a lack of employment options, and the need for more things to do in the town centre.
- 2.10 Appropriate data is used to further evidence these challenges, particularly in relation to the creation of commercial space and the GVA and FTE benefits accompanying that, alongside the forecast land value uplift and reduction in crime rates. These monetised benefits are placed alongside non-monetised benefits such as fulfilling Nelson's wider role in the borough, increased accessibility and perception of place, town centre health, and environmental impacts.
- 2.11 The way in which the project can respond to local opportunities is explained with the business case drawing upon opportunities identified within the Nelson Town Investment Plan. Such opportunities include how the project can enhance the town centre's offering and increase both footfall and perceptions of the town. Additionally, this will contribute towards the opportunity for Nelson to become an attractive location for businesses, which will help reduce the economic risks Nelson faces given its high reliance on the manufacturing sector.
- 2.12 However, it is noted that much of the consultation evidence provided is with local communities and partners and less evidence has been presented regarding engagement with and potential demand from business. As part of the clarification process, the applicant has confirmed that:

- Engagement has occurred formally and informally with business leaders, tenants and prospective tenants throughout the establishment of the Business case
- The Council and its joint venture partners have sought to connect directly with existing tenants to try and understand their current perspectives on the existing centre, establish whether they would wish to trade in the reconfigured shopping centre and the response have been overwhelmingly positive. Most of those contacted indicated a desire to continue to trade in a new format retail environment, albeit those who were willing to respond were motivated to protect their existing businesses.
- More formally, the Council has issued Sec16 notices seeking clarification of occupational status, the identity of occupiers and tenancy terms.
- In addition, the Council's property advisers (Liberata Property Services) have engaged with existing tenants and PenBrook Joint Venture have appointed Agents to advise on future interest in the new development from national retailers
- On this basis the council are confident following on from all of these contacts that the scheme can be successfully let.

2.13 It is the appraiser's view that, on balance, the approach to the project is sufficiently evidenced and based on a clear rationale. However, the Business Case would be strengthened if supporting evidence of business / occupier demand were more clearly set out. The business case would also benefit from a standalone assessment of potential demand.

Clarity of Objectives and Market Failure

2.14 The business case clearly demonstrates how the project both addresses key challenges and responds to core opportunities set out in the Nelson Town Investment Plan. The business case clearly sets out the investment priorities:

- Reactivate and repurpose key spaces in and around the town centre and maximise the potential of commercial and property as a driver of economic growth.
- To provide the space to enable SME businesses in Nelson to develop, grow and scale up.
- To better attract and retain skilled workers through an improved town centre environment including upgraded public realm and streetscape.
- To facilitate economic resilience and diversification through wider range of uses including enhanced culture and leisure offer.

2.15 A theory of change is set out for the project which shows the link from the context for intervention, rationale, activities, outputs, outcomes through to intended impacts. The theory of change helps to articulate the project and demonstrate the case for intervention.

2.16 As evidence of market failure, the business case cites the positive externalities and coordination failures associated with the redevelopment of the Pendle Rise site and Vacant Trafalgar House.

2.17 Positive externalities relate to the outcomes / impacts articulated in the logic model and include improved perception of place, improved town centre footfall, and improved economic outcomes. This market failure is considered to be valid for the project and demonstrates the need for public intervention.

2.18 In relation to coordination failure, the business case states that, while the private property owners surrounding the sites will benefit from the aforementioned positive externalities, it can be difficult for multiple actors to see the larger picture and benefits of any coordinated action. This appears

to be justified and demonstrates that investment is unlikely to come forward without public sector support (also noting the high abnormal costs associated with redevelopment of such sites).

- 2.19 The combined impact of the programme will have a disproportionately positive impact on Nelson town centre and justifies the case for public intervention.

3 Economic Case

Key Points

- The economic case provides a comprehensive set of alternative options.
- While only one option is shortlisted, the basis for its selection is clear. However, the value for money recommendations would be strengthened if the preferred option BCR could be compared to alternative, deliverable options.
- The project is expected to deliver acceptable value for money, with a BCR of 1.5. This is based on the consideration of direct employment and the associated GVA benefits, improvements to local residential and commercial land values, and crime reduction.
- We consider the assessment to be in line with the Green Book and are satisfied with the value for money recommendation. However, as the scheme is further developed, the implications of any significant amendments to the proposals on value for money should be considered. This is particularly relevant if any elements of the proposals are reduced or removed from the scope of this investment.

Recommendation:

- We consider the case as suitable for investment.

3.1 The economic case was produced by Hatch, an economic development consultancy with experience producing Green Book compliant economic cases for a range of funding streams and intervention types.

Options Identified and Assessed

3.2 Alternative options for the project have been considered in line with Green Book guidance, with longlisted options developed using an options filter which comprises:

- The scope of investment, including:
- The scope of buildings for inclusion in the project
- The scope of works to Pendle rise
- The scope of works for Trafalgar House
- Potential delivery mechanisms, including the procurement of a specialist joint venture partners and direct delivery by the council.

3.3 Following this assessment, the following long list of options were presented in the business case. This includes a do nothing, reference case, against which the costs and benefits of the alternative options are considered.

- **Option 1: Do Nothing.** the reference case option assumes Pendle Rise (including both the shopping centre and office space) remains largely unoccupied and continues to cause problems related to its visual appearance and its impact on the layout of the town. Under this option it is assumed that there will be a continued decline in the town centre offer which will further disincentive inward investment. Trafalgar House will remain in a state of disrepair and continue to attract antisocial behaviour.

- **Option 2: Refurbishment of Pendle Rise.** Focusing investment on Pendle Rise only, this option would upgrade the existing building and its façade.
- **Option 3: Acquisition and Demolition of Pendle Rise.** This option would include the creation of new public realm, alongside car parking and public event space. There would be reprovision of retail space in this option.
- **Option 4: Acquisition, Demolition and Replacement of Pendle Rise (Option A).** This option includes the preferred design option for Pendle Rise which comprises six units providing retail and food provision across 52,650 sq ft and 150 car parking spaces.
- **Option 5: Acquisition, Demolition and Replacement of Pendle Rise (Option B).** This option will provide 51,150 sq ft of new retail and food space across 9 units and 106 car parking spaces.
- **Option 6: Acquisition, Demolition and Replacement of Pendle Rise (Option C).** This would deliver a mix-used development in line with a previous Future High Street Fund bid and will comprise new residential developments.
- **Option 7: Acquisition, demolition and replacement (Pendle Rise) plus relocation fund.** Delivering the preferred option for Pendle Rise (Option A) plus a relocation fund for existing SMEs located on the site.
- **Option 8: Acquisition, demolition and replacement (Pendle Rise) and retention of Trafalgar House.** Delivery of Option 4, plus the retention of Trafalgar House.
- **Option 9: Acquisition, demolition and replacement (Pendle Rise) and demolition of Trafalgar House.** Delivery of Option 4, plus the demolition of Trafalgar House.
- **Option 10: Acquisition, demolition and replacement (Pendle Rise) and the redevelopment of Trafalgar House.** Delivery of Option 4, plus the redevelopment of Trafalgar House.
- **Option 11: Acquisition, demolition and replacement (Pendle Rise) and re-development of Trafalgar House, plus relocation fund.** This option will essentially deliver Option 7 (i.e. the preferred design for Pendle Rise and the relocation fund), and the redevelopment of Trafalgar House).
- **Option 12: Do Maximum.** This will deliver Option 6 above (the Option C design for Pendle Rise), plus the relocation fund and redevelopment of Trafalgar House.

3.4 As can be seen from the options set out above, an extensive array of options has been considered, with further potential options set out in the appendices.

3.5 A qualitative RAG approach is adopted to assess the long list of options against 4 Investment Objectives and 4 Critical Success Factors:

- **IO1:** Reactivate and repurpose key spaces in and around the town centre and maximise the potential of commercial and residential property as a driver of economic growth
- **IO2:** To provide the space to enable SME businesses in Nelson to develop, grow and scale up
- **IO3:** To better attract and retain skilled workers through an improved town centre environment including upgraded public realm and streetscape
- **IO4:** To facilitate economic resilience and diversification through wider range of uses including enhanced culture and leisure offer
- **CSF1:** A strong fit with the TIP Strategic Objectives and Project Investment Priorities
- **CSF2:** Ability to address market failure and need

- **CSF3:** Ability to respond to demand for property
 - **CSF4:** Financially affordable and deliverable within the Town's Fund timescale
- 3.6 The basis on which options have been scored is reasonable. Key points to note are:
- Of the Pendle Rise redevelopment options, Option 4 provides the most permeability, alongside the greatest amount of car parking space which is expected to support other office and retail uses throughout the town.
 - Of the options for Trafalgar House: demolition is discounted as there is support amongst the public and heritage bodies to see the building retained where possible. Poor market demand makes full retention an unrealistic option and conversion to housing has been considered but is incredibly costly and therefore discounted on the grounds of affordability.
 - Inclusion of a relocation fund is preferred to options that exclude it as would allow more of the shopping centre's existing firms to grow into improved retail space throughout the town, supporting IO2.
- 3.7 The appraiser is satisfied that each longlisted option's RAG rating can be understood and is supported by clear explanation. Whilst we would typically expect that alternative shortlisted options are presented in the economic appraisal, and that this would strengthen the value for money conclusions, we are satisfied that that basis on which the preferred option has been identified is clear.

Project Costs

- 3.8 Costs are discounted at a rate of 3.5% per annum in line with HM Treasury guidelines. All future costs are deflated to 2021 and, while the precise deflator used is not clear from the business case, the level of adjustment applied appears to be reasonable. All costs are exclusive of VAT in line with Green Book guidance.
- 3.9 Optimism Bias (OB) has been applied to all costs at a rate of 24%, representing the upper bound of the standard building projects proposed in the Green Book which is considered to be broadly appropriate.
- 3.10 Following the clarification process, only the public sector costs are considered within the core economic assessment, as private sector costs can be considered as part of the standard developer contributions arising from an enabled development, which in turn give rise to a financial return. On this basis, while they are captured as match funding costs in the Financia Case, they are not considered to be an economic cost on the same basis as public sector grant¹.
- 3.11 On this basis, the economic cost to the public sector is estimated to be £14.53 million. We notice a minor discrepancy with the value quoted in the Business Case (of £14.69), however the impact of this will be a marginal beneficial impact on the value for money assessment and therefore it is not considered necessary to revise for the purpose of this appraisal.

Project Benefits

- 3.12 Benefits assessed on the following basis:

¹ An alternative approach would be to capture the discounted cash flow of private sector costs and revenues over the appraisal period, which is not considered to be proportionate given the marginal impact this is expected to have on the value for money conclusions.

- Assessment period: assessment includes a 10-year appraisal period from the point of project delivery (2024/25)
- Discounting: a 3.5% per annum social discount rate, in line with HM Treasury guidelines
- Current prices: all monetised benefits are converted to 2021 prices

Employment Benefits

- 3.13 **Pendle Rise:** While the floorspace re-provided at Pendle Rise is below the current level of provision, it will be of a higher quality and achieve higher densities. The Economic Appraisal, using standard employment densities, estimated that employment accommodated on site will fall, as a result of the redevelopment from 298 FTE to 267 FTE. While we understand the basis on which the assumptions have been selected (including limited information on existing onsite employment), based on the evidence provided we consider that the estimate of existing on-site employment has the potential to be overstated, and it is therefore reasonable to assume that the figures as presented are likely to under-estimate the potential uplift in employment.
- 3.14 **Relocation Fund and Trafalgar House:** Using standard employment densities for retail employment, these elements of the scheme are expected to support a further 129 FTE, leading to an overall total of 395, compared to 298 in the reference case.
- 3.15 Standard GVA assumptions for retail employment are used to estimate a present value net **GVA contribution of £11.3 million**. This takes account of reasonable levels of leakage (25%), displacement (25%) and deducts the benefits associated with the reference case. The appraisers are satisfied with the approach adopted, having had the opportunity to review the supporting economic model.
- 3.16 We note that the potential to divert funding for the Relocation Fund to other elements of the scheme in response to, for example, cost pressures is noted in the Financial Case. However, given its role in delivering employment outcomes, any the impact on overall value for money should be carefully considered before the scope of proposed investments is amended.

Wider Land Value Uplift

- 3.17 **Wider land value uplift (WLVU)** has been calculated at a programme-wide level for Nelson, with 55.1% of the uplift attributed to the Healthy Town project based on the proportion of the project's Town Deal funding ask. This equates to £4.9 million for residential homes and £3.7 million for commercial property.
- 3.18 The basis on which wider land value uplift has been estimated is consistent with relevant guidance. It is assumed that value will increase by 1% a year, persisting for five years, post investment with 50% displacement. In light of the scale of impact on the town centre, and in line with benchmarks for the Future High Street Fund (as an example) it is possible that higher rates could be sustained, particularly for local commercial values. Displacement of 50% is also considered to be potentially conservative.

Reduction in Crime

- 3.19 It is assumed that the proposed improvements would support a reduction in crime within 1 mile radius of the Pendle Rise shopping centre, resulting from increased public safety. It is assumed that there would be 325 fewer crimes over this period in 2026/27 rising to 369 fewer crimes per year in 2030/31. While the case could be strengthened with greater supporting evidence on the nature of crimes captured, the approach set out is considered to be reasonable.
- 3.20 We note that a value of £2,929 is applied to each crime to capture the economic and social benefits. It should be noted that the previous Future High Street Guidance only considered the

economic costs, however we consider the inclusion of social value to be consistent with the treatment of economic costs and benefits for other Towns Fund investments subsequently approved by government.

- 3.21 On this basis, after discounting for leakage and displacement (at 25% each), the economic and social value of the assumed reduction in crime is estimated to be £2.2 million.

Residual Value

While the residual value of the Pendle Rise development at the end of the appraisal period has been considered. However, following the clarification process it has been excluded from the core assessment, as it is only relevant if private sector costs are captured in the BCR.

Summary of Project Benefits and Value for Money Assessment

- 3.22 The table below summaries the net present value project benefits for the preferred option. These are presented net of deadweight (the reference case).
- 3.23 As set out above, in the appraiser's view, no adjustments are required to the economic benefits. If the economic costs are corrected, this will have a very minor impact on the benefit cost ratio – increasing it to 1.52.
- 3.24 The BCR is just above the threshold for medium value for money (a BCR of 1.5) and is considered to be suitable for Towns Fund investment on this basis. We agree with the assessment that the assumptions adopted are likely to be conservative and consider it reasonable that greater value for money could be achieved – particularly once the wider economic and social benefits are considered.
- 3.25 A separate assessment has been considered in the sensitivity tests which captures private sector investment and the residual value of the Pendle Rise development – and on this basis the BCR is estimated to be 1.03 – just above the threshold for 'acceptable' value for money. However, as previously described, we do not consider it necessary to capture these costs without also capturing the present value of gross development value accruing to the developer (which is likely to exceed the assumed residual value) and we are satisfied that the scheme will deliver value for money.

Project benefit	Option 11 (Preferred Option)
Economic benefits	
Direct GVA	£11.30m
Residential WLVU	£4.92m
Crime	£2.22m
Commercial WLVU	£3.70m
Residual asset value	£0.00m
Total economic benefits	£22.14m
Economic costs	
Towns Fund cost/funding	£14.53m
Co-funding	£0.17m
Total public sector funding	£14.69m
Private sector funding	£0.00m
Total economic costs	£14.69m
Benefit-Cost Ratio (BCR)	1.51

Risk and Sensitivity Analysis

3.26 As referenced earlier under 'Project Benefits', the applicant has undertaken a series of high-level sensitivity analyses on the BCR. Three scenarios have been tested:

- **Wider LVU of 2% per annum** which increases the BCR to 2.12 – which would represent good value for money.
- **Reducing the persistence of employment to 5 years**, which reduces the BCR to 1.15 – which continues to represent an acceptable value for money
- **Inclusion of private sector match funding** – as described above.

This analysis indicates that all scenarios can offer an appropriate return on investment and that, overall, the project can withstand major reductions to core input assumptions whilst still offering value for money.

4 Financial Case

Key Points

- £13.3 million is sought from the Towns Funds towards a £28.9 million investment programme, making Revitalised Nelson the largest single project within the Nelson Towns Fund programme. The largest element is for Pendle Rise (£9.9 million Towns Fund and £22.1 million overall).
- Costs for the enabling works at Pendle Rise and the redevelopment of Trafalgar House are based on an independent Outline Cost Plan. Other costs are based on benchmark values or high-level estimates.
- Allowances for inflation are provided by an independent cost consultant. However, they are below prevailing inflation rates.
- It is therefore reasonable to assume that costs may change significantly as detailed design work is carried out and the Town Board should be satisfied that there is sufficient flexibility and/or contingency within the proposals to allow for an affordable scheme to be delivered.
- Advice on VAT is being sought and this may impact on the preferred delivery model for Pendle Rise. The outcome of this advice, and any implications on delivery, should be shared at the earliest opportunity.
- Match funding will largely be provided by the PenBrook Joint Venture, which will contribute £12.14 million to the development of Pendle Rise and £3.31 million to the relocation fund. However, it is noted that the final investment decision will be made once individual schemes are further developed and costs are more defined. Timescales for this decision-making process should be clearly set out and the implications considered more fully – including in the risk assessment, in order that appropriate mitigations can be identified.
- If there is any amendment to the scheme proposals arising from cost inflation or the detailed assessment of viability, the impact on overall scheme value for money should inform any final approval decision by the Town Board.
- There is a £160,000 funding gap for Pendle Rise. As a condition of funding, PBC should set out the process it will adopt to secure funding and potential mitigations should this not be possible within the available timescales.
- The potential to use the Relocation Fund as contingency for the wider scheme is identified in the financial case. While this may introduce welcome flexibility in the investment proposals, in addition to considering the implications on scheme value for money, the implications for existing tenant businesses at Pendle Rise should be fully considered before the relocation of this funding is approved.
- Almost £9 million of Towns Fund investment is allocated to the penultimate year of the programme, with completion planned for December 2025. The implications of any delay to delivery should be carefully considered. The Towns Fund funding profile should also be clarified in light of the comment that 'the Town Deal funded element is due to complete by December 2024.
- A profile of match funding has not been provided in the business case and will be required for the Summary Submissions and monitoring returns to DLUHC. These should therefore be provided as a condition ahead of final approval by the Town Board.

Recommendation:

Given the scale of investment, the Financial Case is set out at a relatively high level, recognising the relatively early stage of development of the proposals. In light of the comments above, **we consider that the case is suitable for investment subject to the following specific conditions being met:**

- The Town Board receives the necessary assurances concerning the flexibility of the proposals to accommodate the realisation of project risks and/or cost inflation above the forecast level.
- Clear timescales are agreed for when a full commitment to the development proposals can be made by the JV, and that appropriate mitigations / fall-back positions are considered.
- The applicant sets out options for managing the current forecast shortfall in funding (of £160,000) for Trafalgar House.
- The implications of any reallocation of funding (including the Relocation Fund) are fully considered ahead alongside any approval for a change request – including the implications on value for money, delivery of outputs, and existing business tenants at Pendle Rise.
- Timescales are agreed for the development of a more detailed development programme, to (i) provide assurance that funding is deliverable within the proposed timescales and (ii) to ensure that the implications of any potential delays can be considered at the earliest opportunity.
- A profile of match funding is provided by the applicant.

Project Cost Breakdown and Cost Assumptions

- 4.1 The total estimated costs of the proposed investments are £28.9 million, of which £13.3 million is sought from the Towns Fund. This is the largest allocation within the Nelson Towns Fund programme. The majority of costs (both total expenditure and Towns Fund) is for the redevelopment of Pendle Rise.
- 4.2 In addition to the three project elements, a further £350,000 has been identified to cover the costs of feasibility reports, CPOs, and other professional fees linked to the development of the proposals.

Funding Overview:

Component	Towns Fund Contribution	Total Cost
Pendle Rise	£22,080,853	£9,940,000
Trafalgar House	£1,777,938	£1,615,297
Relocation Properties	£4,667,500	£1,360,000
Fees	£350,000	£350,000
Total	£28,876,291	£13,265,297

Considering each element in turn:

Pendle Rise:

- The towns fund contribution will fund the enabling works for the development, comprising:
- **Acquisition and Compensation:** £6 million. This is based on a report by Liberata (2020) which has estimated the existing use value of Pendle Rise Shopping Centre, plus a 'generous' compensation allocation which acts as a holding assumption while information is gathered

from Section 16 notices (issued on 28th September). Evidence of the basis on which the compensation allowance has been estimated has not been provided and it is not possible to comment on their reasonableness.

- **Demolition / Remediation / Site Preparation:** £3.5 million. These costs are based on an Outline Costs Plan appended to the Business Case (Donald Lomax & Partners, September 2022). Underlying inflation assumptions are not specified in the report, however we note that an allowance of 2.75% has been included to cover tender price increases from August 2022 to May 2023. An allowance of 5% has been provided for contingency plus a further 5% for price design risk. While it is positive that the cost estimates are based on an independent cost report, we note that the allowance for cost inflation is below prevailing rates, and the Town Board should ensure that it is satisfied there is sufficient contingency or flexibility to allow for cost increases above this level.
- **Public Realm Improvements:** £440,000. Based on benchmark figures from the Accessible Nelson cost report of £404 per sqm and a total area improved of 1,000 sqm.
- Match funding for Pendle Rise will be from the PenBook Joint Venture and included the development costs of the proposed development, of £12,140,853. These are based on a development appraisal provided by Axis Property Consultancy in September 2022.

Trafalgar House

- Costs cover the demolition, remediation and conversion of Trafalgar House and total £1,777,938. Costs are based on an independent Outline Cost Plan provided by David Lomax & Partners (October 2022) and include an allowance of 5% for project contingency and 5% for price design risk. An additional 4% allowance has been included to uplift costs to 2023 Q4.

Relocation Properties

- The cost associated with the acquisition of properties for relocating businesses are based on internal modelling by Pendle Borough Council. It is assumed that 2,600 sqm of improved retail space would be provided.
- The high-level assumptions underpinning the cost estimates have been shared with ekosgen for review in this appraisal. While the basis on which the costs have been estimated is clear, it is not possible to comment on the reasonableness of the assumptions based on the information provided.

Professional Fees

- While it is unclear why these costs have been separated out, we understand that these are the costs associated with preparing the acquisition of Pendle Rise. It is an 'estimated cost' and the basis on which it has been estimated is unclear.

4.3 Overall, the breakdown of costs is clear and can be attributed to the relevant elements. However, it should be recognised that costs are based on relatively early-stage estimates and include some benchmark or high-level estimates. While this reflects the stage of development of the proposals, the Town Board and PBC as the accountable body should be satisfied that the costs include sufficient contingency and that there is sufficient flexibility in the proposals to mitigate the financial risks. The Financial Case would also benefit if a breakdown of spend by element were provided.

4.4 We also note that PBC are in the process of obtaining VAT advice, which may impact on the preferred model of delivery. PBC should confirm when this advice will be made available (in the clarification process it was noted that this would be at the end of November) and confirm whether: (i) this will only impact on the preferred model of delivery, or (ii) whether there is any potential impact on scheme costs.

Funding Sources and Certainty

4.5 The contribution of towns fund to each element is set out in the table above. In relation to match funding:

- Pendle Rise:** PenBrook Joint Venture will contribute £12.14 million to the development of Pendle Rise. These are the standard development costs and, it should be noted, that these contributions are not net of GDV and profit arising from the development. In relation to funding certainty, the business case notes that *'final investment decisions will be made by the PenBrook Board when individual schemes have been progressed further and costs are more defined. Both partners are aware of the cost plans and viability reports received to date and are committed to progressing the scheme. As such, the Board have agreed to incur costs for architects and cost consultants to facilitate progress of the scheme.'* As set out in the Commercial Case, the JV has been formally contracted and the company registered at Companies House in June 2022.
- Trafalgar House:** There is currently a funding gap of £160,000 for the proposed works at Trafalgar House, which represents the difference between the current cost plan and the total available funding. As a condition of funding, PBC should set out the process it will adopt to secure funding and potential mitigations should this not be possible within the available timescales.
- Relocation Properties:** A £3.31 million match funding contribution is required for the acquisition and refurbishment of properties for the relocation of existing businesses. This element of the project will be managed by managed by the PenBrook JV, with the final investment decision on property acquisitions made by the JV. In light of this, a condition of funding should be the confirmation of timescales by which such assurances will be made that this element will be delivered, alongside evidence of potential mitigations.

4.6 It is also noted in the Business Case that the relocation properties element could potentially act as contingency funding for the wider programme. While this potential flexibility may be helpful in managing risk, we note that there may be implications on relocated businesses and any reallocation of funding between elements should be with the agreement of the Town Board. It should also be confirmed whether this would require a change request to DLUHC – particularly if it has the potential to impact on project outputs.

4.7 The proposed profile of Towns Fund investment is set out below. We note that almost £9 million has been allocated to 2024/25, with a further £2.9 million in 2025/26. In light of this, the project should be monitored carefully for potential delay and slippage beyond March 2026, in order that effective mitigations can be identified.

4.8 It should also be highlighted that, in response to our clarification questions, it was noted that *'The Town Deal funded element is due to complete by December 2024'*. This does not align with the profile set out below and should be clarified ahead of a funding decision being provided.

Towns Fund Profile						
	Year 1	Year 2	Year 3	Year 4	Year 5	Total
	2021/22	2022/23	2023/24	2024/25	2025/26	
Revitalised Nelson (CDEL)	0	150,000	1,315,000	8,950,297	2,850,000	13,265,297

4.9 A profile of match funding has not been provided in the business case and will be required for the Summary Submissions and monitoring returns to DLUHC. These should therefore be provided as a condition ahead of final approval by the Town Board.

5 Commercial Case

Key Points

- Planning permission is required for both the Pendle Rise and Trafalgar House elements, and may be required for the Relocation Fund element, depending on the nature of properties acquired. The Pendle Rise application is due for submission in December 2022.
- Further dependencies include the potential requirement to CPO the existing Pendle Rise site – with works currently ongoing.
- The Town Board should therefore recognise the potential risks associated with these external dependencies.
- Pendle Borough Council have procured PenBrook Joint Venture to oversee the development, however delivery arrangements will require further consideration. For example: there are currently two options under consideration for the delivery of Pendle Rise relating to whether PenBrook JV or PBC will undertake the Towns Fund enabling works; the role of the JV in delivering Trafalgar House is unclear from the Business Case, and the role of the JV in implementing and operating the Relocation Fund is to be determined.
- In relation to the Relocation Fund, further information should be provided in relation to how this fund will operate – including the basis on which potential properties will be identified and acquired, how their suitability for potential tenants will be determined, and how it will be ensured that acquisitions are based on a fair market value (which is likely to be a requirement to demonstrate compliance with Subsidy Control).
- The applicant has stated that the redevelopment proposals have been tested with retailers / occupiers who have expressed an interest in becoming future tenants, however the business case would benefit from a more formal demand assessment which can be independently verified. Given this, the Town Board should be satisfied that the development proposals are based on a sufficiently robust market assessment which will result in a viable development proposal.
- Subsidy Control has not been provided at this time as it is necessary to first confirm the delivery model for Pendle Rise.

Recommendation:

The case is suitable for investment subject to the following specific conditions being met:

- Milestones are agreed for confirming the proposed delivery model for each element.
- Further evidence is provided concerning the operation of the Relocation Fund.
- The Town Board is satisfied that sufficient evidence is provided in relation to future occupier demand, and if necessary an approach is agreed for more formally considering potential demand.
- Release of funding is dependent on the receipt of satisfactory legal advice concerning Subsidy Control.

Required Permissions

- 5.1 Planning consent and building regulations will be required for the redevelopment of Pendle Rise and Trafalgar House. Depending on the nature of acquired properties for the relocation element and the necessary refurbishment works, it is possible that planning consent would be required for these elements as well.
- 5.2 A letter has been provided from the Pendle Borough Council Planning Department confirming their intention to work with the Revitalising Nelson project team / Penbrook Developments to support the delivery of Pendle Rise and secure the best outcome for the Trafalgar House site, however any consents would be subject to detailed design work and a formal planning application.
- 5.3 The Pendle Rise planning application is due for submission in December 2022 with a planning determination in April 2023.
- 5.4 For Trafalgar House, the planning application preparation, submission and approval is expected to be delivered in Q2 and Q3 of 2023/24, however precise milestones have not been provided at this stage.
- 5.5 Until Planning Permission is confirmed, this will clearly present a significant delivery risk, however it is positive that a planning application for the most significant element is due for submission in December 2022. The potential for any delay to planning decision being achieved in April 2023 should be closely monitored.

Further Dependencies

- 5.6 In addition to planning permission, the potential for a CPO is another significant dependency affecting delivery. The business case states that it is likely that CPO will be required, and the project programme has been developed on this basis. Pendle Council's Housing Health & Engineering Services will oversee these works, drawing on external legal advice, and we understand that PBC have agreed initial steps to prepare a CPO whilst negotiations with the landowner continue.
- 5.7 It is positive that such preparations are underway, however the Town Board should recognise the potential risks associated with this external dependency.

Procurement and Contractual Arrangements

- 5.8 The redevelopment of Pendle Rise will be delivered through a Penbrook JV – a joint venture between Pendle Borough Council and Brookhouse Group Limited.
- 5.9 The selection of Brookhouse Group Limited was through a competitive procurement process. Two bidders were considered at the Supplier Selection Questionnaire stage and were invited to progress to the ITT stage. Only one bid was received by the deadline, however the business case notes that *'even though Brookhouse were the only organisation that submitted a stage 2 tender in response to the ITT, the evaluation and clarification answers were of a satisfactory level for the panel to agree they should be appointed.'* On this basis PBC awarded the joint venture contract.
- 5.10 The JV will manage both the redevelopment of Pendle Rise and the acquisition and relocation of properties for displaced tenants. However, at this stage there are two options for delivery, with the final decision being dependent on the receipt of VAT advice. These include:
 - PBC may acquire the site, deliver the enabling works funded by the Towns Fund, and then sell the site to the JV for redevelopment.

- The JV acquiring the site and delivering all elements, with Towns Fund providing gap funding for the enabling works.
- 5.11 As this will impact on which bodies are responsible for delivering the Towns Fund proposals for Pendle Rise, this should be confirmed prior to a Grant Offer Letter being issued and ideally ahead of Town Board approval. We understand that VAT advice is expected by the end of November, so this would align with the decision-making milestones.
- 5.12 It is assumed that the redevelopment of Trafalgar House will be managed by PBC, however this should be confirmed – and is considered more within the Management Case.
- 5.13 For the Relocation Fund, it would be helpful if further information could be provided on how this element would operate and, for example, the basis on which potential premises would be identified and acquired.

Ownership and Management

- 5.14 The business case notes that the assets proposed for the redeveloped Pendle Rise site and Relocation Properties will be owned and managed by the PenBrook Joint Venture. Trafalgar House is currently owned by Pendle Borough Council and the ownership arrangements for the final use are to be determined – the site may either be retained or transferred into the JV.

Market Demand

- 5.15 The Business Case provides strong evidence concerning the impact of the existing Pendle Rise Shopping Centre on Nelson Town Centre.
- 5.16 In addition, in response to our clarification questions the applicant has stated that 'Referencing the response at Point 1, the JV has worked with stakeholders including the Town Deal Board to establish a format for the redeveloped scheme. That scheme has been tested with retailer/occupiers who have expressed interest in becoming future tenants. The design has then been scrutinised by external professionals, Cost Consultants, Architects, Highway Engineers and the Retail Agents advising the JV. The entire process has been market focused to ensure the commercial success of the redevelopment plans.' While it is positive that this work has been completed, it should be noted that this has not been provided as a supporting appendix to the business case and has not been reviewed to inform this appraisal.
- 5.17 Given this, the Town Board should be satisfied that the development proposals are based on a sufficiently robust market assessment which will result in a viable development proposal. Otherwise there is a risk that the proposals will not come forward on the basis proposed, even with the enabling works.

Subsidy Control

Subsidy control has not been provided at this state as the advice requires confirmation of the proposed delivery model for Pendle Rise. However, confirmation that the proposals are compliant with relevant legislation should be identified as a condition of funding. The applicant should also provide timescales for securing this advice.

6 Management Case

Key Points

- The project is at a relatively early stage of development, and this is reflected in the information provided in the Management Case. The Town Board should therefore confirm early-stage project development milestones, in order that progress can be monitored, and greater confidence can be provided in relation to scheme delivery.
- The overarching project delivery team is clearly set out and evidence of relevant experience is provided. One officer named in the business case is known to have recently departed the council and PBC should confirm that it is sufficient internal resource to deliver the proposals.
- Roles and responsibilities between the council and PenBrook JV should be more clearly set out for each element.
- The delivery programme is set out at a relatively high level and milestones should be confirmed for when a more fully developed programme can be shared.
- Further information should be provided on the management and operation of the Relocation Fund, which at present is described in relatively broad terms.
- The Risk Register identifies the key strategic risks but should be more fully developed. This includes consideration of the potential mitigations and fall backs.
- Specifically, a number of dependencies are identified including the potential CPO of Pendle Rise, the relocation of existing tenants, and planning permission for Pendle Rise and Trafalgar House. These should be more formally considered in the delivery programme and risk register with more fully developed mitigations and fall-back positions identified.
- We also note that some key risks are excluded from the risk register and should be more formally considered.

Recommendation:

As noted for the Financial Case, the elements of the Management Case are presented at a high level, reflecting the relatively early stage of the proposals. In light of this, milestones should be agreed for the development and circulation of more detailed information as it becomes available to provide assurance in relation to delivery. With this in mind, **the case is considered as being suitable for investment subject to the following conditions:**

- Early-stage development milestones are agreed for elements of the management case, including a detailed delivery programme and risk register, and consideration of external project dependencies.
- Roles and responsibilities (specifically between PBC and PenBrook JV) for each element should be confirmed.
- Further detail should be provided in relation to the management and operation of the Relocation Fund.

- 6.1 The project is at a relatively early stage of development, and this is reflected in the Management Case. While the level of information provided sets out the delivery and management arrangements at a high level, some delivery arrangements are to be determined. Therefore, while we consider the project as being suitable to proceed at this stage, we would recommend that a

timetable is agreed for the development of a detailed delivery programme in order that early-stage progress can be monitored and risks to delivery identified at the earliest opportunity.

Project Management Arrangements and Capacity

- 6.2 Overall delivery will be overseen by the Revitalising Nelson Project Delivery Team, whose roles and responsibilities are clearly identified in the Management Case. Organisational experience in relation to property acquisition, CPO, and working with JVs is also clearly set out in the business case.
- 6.3 The Management Case also provides an organisational structure for the various element of the project. This includes a named Project Manager and Project Lead. We note that the named Project Lead is no longer employed by PBC, and it should be confirmed that there is sufficient capacity within the organisation to delivery this project – ideally with an alternative named lead.
- 6.4 It would also be helpful if the roles and responsibilities of the various groups and individuals identified in the Management Case (e.g. the Project Manager, Project Lead, Penbrook Boar, Penbrook Working Group, Development Team and CPC Project Team) could be set out for each element of the project, as this is not entirely clear from the business case. For example, Figure 7.2 suggests that Penbrook will agree to acquire Trafalgar House and to undertake refurbishment and development, however this does not appear to be 100% consistent with the Commercial Case which suggest that a decision around acquisition has not been agreed.

Project Dependencies

- 6.5 There are a number of dependencies concerning the delivery of this project. These include:
- The acquisition of Pendle Rise Shopping Centre – through negotiation or CPO.
 - The relocation of existing tenants within the shopping centre (to be delivered through a standalone element of this project).
 - Planning permission for Pendle Rise and Trafalgar House. It should be noted that Trafalgar House is in a Conservation Area which may place restrictions on the nature of development that can occur.
- 6.6 Each dependency is considered within the delivery programme. While none are considered to be barriers to delivery at this stage, progress to securing their resolution and the potential for delay should be closely monitored.

Delivery Programme

- 6.7 A relatively high-level programme is provided in the Business Case. A more detailed programme is provided as Appendix D, however this is still considered to be relatively high level given the scale of proposed investment. While this may reflect the stage of project development, a timetable should be agreed for the development of a more detailed programme for each element of the project, including detail of the design and build programmes.
- 6.8 Key milestones are set out below.

Milestone	End Date
Pendle Rise: submission of planning application	December 2022
Pendle Rise: Planning determination	April 2023
Trafalgar House: design work complete	April 2023
Pendle Rise: CPO decision (if required)	March 2024

Milestone	End Date
Trafalgar House: Procurement of contractors	December 2023
Trafalgar House: Works commence	March 2024
Pendle Rise: Procurement of contractors	March 2024
Pendle Rise: Works commence on site	July 2024
Trafalgar House: Works complete	April 2025
Pendle Rise: Public realm works commence	July 2025
Pendle Rise: Works complete	End of December 2025

- 6.9 As noted above, the programme does not appear to be consistent with the statement that '*The Town Deal funded element is due to complete by December 2024*' and should be clarified. (For example, it is our understanding that all Public Realm works will be funded by Towns Fund.
- 6.10 Given that the scheme is scheduled for delivery by December 2025, this allows 3 months of potential delay for the delivery of the scheme within the Towns Fund programme period. It would be helpful to understand what potential contingency there is within the current programme (i.e. within the Pendle Rise works).
- 6.11 No phasing has been provided for the relocation fund, which is assumed to operate on a rolling basis, however in line with our comments in the commercial case, it would be helpful if further detail could be provided on how this will operate and the corresponding milestones for developing and implementing the fund (recognising that activity will then be on a reactive basis as suitable properties become available).

Risk Management

- 6.12 A Risk Register setting out 8 risks is appended to the Business Case. While this does capture the main strategic risks (e.g. acquisition, planning permission, cost inflation, etc.), we would expect a more detailed consideration of risks for a project of this scale with three standalone elements.
- 6.13 Given this, we recommend that an update is provided to the Town Board on detailed project risks as a condition of funding. These should be specific to each element of the scheme and based on a risk review workshop, in line with Better Business Case guidance.
- 6.14 We note that 'insufficient demand from occupiers' is identified as a risk – and while this is considered from the perspective of the centre once constructed, the potential impact of the JV deciding not to proceed should the development proposals be considered unviable following detailed design should be considered. Potential options for rescoping the proposals to ensure that a viable proposition can be identified should be considered.
- 6.15 Drawing on experience of Towns Fund programmes elsewhere in the country, we would also recommend that detailed consideration is given to cost inflation, including the potential impact on the scope and scale of proposals. We note that the relocation fund is identified as providing potential mitigation against cost pressures, however the implications on project deliver – if this delays the relocation of existing tenants should be more clearly set out.
- 6.16 The Appraisal Sub Group have also noted that the following risks should be considered or considered more fully:
- Mitigation if the CPO is required but not achieved
 - Planning risk associated with the conservation setting for Trafalgar House
 - Commercial Viability of Pendle Rise
 - Delays to works

- Businesses do not wish to relocate
- JV collapse
- Outputs not achieved.

Monitoring and Evaluation

6.17 A benefits realisation plan has been developed to set out the expected benefits of the Project and the way in which these benefits will be planned for, tracked by the responsible owner, and realised through scheme implementation. The Monitoring & Evaluation Plan describes the data that will be collected to check progress in delivering the scheme's benefits, and how it will be assessed to show that the projects have fully delivered the anticipated benefits.

7 Conclusions and Recommendations

Conclusions

Strategic Case

- 7.1 The project is aligned with local and national policy objectives and supports objectives outlined in the Nelson Town Investment Plan.
- 7.2 The business case demonstrates the current underperformance of Nelson as a business and residential destination, with underutilised and vacant properties in the town centre reinforcing perceptions of long-term decline.
- 7.3 The challenges posed by existing provision within the town – including the issues associated with the existing Pendle Rise centre (e.g. poor amenity and severance impacting on perceptions of the town) is clearly set out.
- 7.4 Stakeholder engagement has been used to demonstrate low satisfaction with the area currently and support for increased commercial options.
- 7.5 The business case articulates the potential outcomes of repurposing high-profile, underused and long-term vacant buildings back into use for commercial purposes, and provision of a Relocation Fund.

The case as set out is suitable for investment, however, we note that the business case could be strengthened if further evidence could be demonstrated concerning the potential demand for space from existing and potential occupiers.

Economic Case

- 7.6 The economic case provides a comprehensive set of alternative options.
- 7.7 While only one option is shortlisted, the basis for its selection is clear. However, the value for money recommendations would be strengthened if the preferred option BCR could be compared to alternative, deliverable options.
- 7.8 The project is expected to deliver acceptable value for money, with a BCR of 1.5. This is based on the consideration of direct employment and the associated GVA benefits, improvements to local residential and commercial land values, and crime reduction.
- 7.9 We consider the assessment to be in line with the Green Book and are satisfied with the value for money recommendation. However, we do not that the implications on value for money of any future amendments to the scope of proposed investments should be considered.

We consider the case as suitable for investment.

Financial Case

- 7.10 £13.3 million is sought from the Towns Funds towards a £28.9 million investment programme, making Revitalised Nelson the largest single project within the Nelson Towns Fund programme. The largest element is for Pendle Rise (£9.9 million Towns Fund and £22.1 million overall).
- 7.11 Costs for the enabling works at Pendle Rise and the redevelopment of Trafalgar House are based on an independent Outline Cost Plan. Other costs are based on benchmark values or high-level estimates.

- 7.12 Allowances for inflation are provided by an independent cost consultant. However, they are below prevailing inflation rates.
- 7.13 It is therefore reasonable to assume that costs may change significantly as detailed design work is carried out and the Town Board should be satisfied that there is sufficient flexibility and/or contingency within the proposals to allow for an affordable scheme to be delivered.
- 7.14 Advice on VAT is being sought and this may impact on the preferred delivery model for Pendle Rise. The outcome of this advice, and any implications on delivery, should be shared at the earliest opportunity.
- 7.15 Match funding will largely be provided by the PenBrook Joint Venture, which will contribute £12.14 million to the development of Pendle Rise and £3.31 million to the relocation fund. However, it is noted that the final investment decision will be made once individual schemes are further developed and costs are more defined. Timescales for this decision-making process should be clearly set out and the implications considered more fully – including in the risk assessment, in order that appropriate mitigations can be identified.
- 7.16 If there is any amendment to the scheme proposals arising from cost inflation or the detailed assessment of viability, the impact on overall scheme value for money should inform any final approval decision by the Town Board.
- 7.17 There is a £160,000 funding gap for Pendle Rise. As a condition of funding, PBC should set out the process it will adopt to secure funding and potential mitigations should this not be possible within the available timescales.
- 7.18 The potential to use the Relocation Fund as contingency for the wider scheme is identified in the financial case. While this may introduce welcome flexibility in the investment proposals, in addition to considering the implications on scheme value for money, the implications for existing tenant businesses at Pendle Rise should be fully considered before the relocation of this funding is approved.
- 7.19 Almost £9 million of Towns Fund investment is allocated to the penultimate year of the programme, with completion planned for December 2025. The implications of any delay to delivery should be carefully considered. The Towns Fund funding profile should also be clarified in light of the comment that 'the Town Deal funded element is due to complete by December 2024.
- 7.20 A profile of match funding has not been provided in the business case and will be required for the Summary Submissions and monitoring returns to DLUHC. These should therefore be provided as a condition ahead of final approval by the Town Board.

Given the scale of investment, the Financial Case is set out at a relatively high level, recognising the relatively early stage of development of the proposals. In light of the comments above, **we consider that the case is suitable for investment subject to specific conditions being met.**

Commercial Case

- 7.21 Planning permission is required for both the Pendle Rise and Trafalgar House elements, and may be required for the Relocation Fund element, depending on the nature of properties acquired. The Pendle Rise application is due for submission in December 2022.
- 7.22 Further dependencies include the potential requirement to CPO the existing Pendle Rise site – with works currently ongoing.

- 7.23 The Town Board should therefore recognise the potential risks associated with these external dependencies.
- 7.24 Pendle Borough Council have procured PenBrook Joint Venture to oversee the development, however delivery arrangements will require further consideration. For example: there are currently two options under consideration for the delivery of Pendle Rise relating to whether PenBrook JV or PBC will undertake the Towns Fund enabling works; the role of the JV in delivering Trafalgar House is unclear from the Business Case, and the role of the JV in implementing and operating the Relocation Fund is to be determined.
- 7.25 In relation to the Relocation Fund, further information should be provided in relation to how this fund will operate – including the basis on which potential properties will be identified and acquired, how their suitability for potential tenants will be determined, and how it will be ensured that acquisitions are based on a fair market value (which is likely to be a requirement to demonstrate compliance with Subsidy Control).
- 7.26 The applicant has stated that the redevelopment proposals have been tested with retailers / occupiers who have expressed an interest in becoming future tenants, however the business case would benefit from a more formal demand assessment which can be independently verified. Given this, the Town Board should be satisfied that the development proposals are based on a sufficiently robust market assessment which will result in a viable development proposal.
- 7.27 Subsidy Control has not been provided at this time as it is necessary to first confirm the delivery model for Pendle Rise.

The case is suitable for investment subject to the following specific conditions being met.

Management Case

- 7.28 The project is at a relatively early stage of development, and this is reflected in the information provided in the Management Case. The Town Board should therefore confirm early-stage project development milestones, in order that progress can be monitored, and greater confidence can be provided in relation to scheme delivery.
- 7.29 The overarching project delivery team is clearly set out and evidence of relevant experience is provided. One officer named in the business case is known to have recently departed the council and PBC should confirm that it is sufficient internal resource to deliver the proposals.
- 7.30 Roles and responsibilities between the council and PenBrook JV should be more clearly set out for each element.
- 7.31 The delivery programme is set out at a relatively high level and milestones should be confirmed for when a more fully developed programme can be shared.
- 7.32 Further information should be provided on the management and operation of the Relocation Fund, which at present is described in relatively broad terms.
- 7.33 The Risk Register identifies the key strategic risks but should be more fully developed. This includes consideration of the potential mitigations and fall backs.
- 7.34 Specifically, a number of dependencies are identified including the potential CPO of Pendle Rise, the relocation of existing tenants, and planning permission for Pendle Rise and Trafalgar House. These should be more formally considered in the delivery programme and risk register with more fully developed mitigations and fall-back positions identified.

7.35 We also note that some key risks are excluded from the risk register and should be more formally considered.

As noted for the Financial Case, the elements of the Management Case are presented at a high level, reflecting the relatively early stage of the proposals. In light of this, milestones should be agreed for the development and circulation of more detailed information as it becomes available to provide assurance in relation to delivery. With this in mind, **the case is considered as being suitable for investment subject to conditions.**

Recommendation

The Revitalised Nelson project is recommended for approval for a Town Deal allocation of £13,265,297 subject to the following conditions:

- The Town Board receives the necessary assurances concerning the flexibility of the proposals to accommodate the realisation of project risks and/or cost inflation above the forecast level.
- Clear timescales are agreed for when a full commitment to the development proposals can be made by the JV, and that appropriate mitigations / fall-back positions are considered.
- The applicant sets out options for managing the current forecast shortfall in funding (of £160,000) for Trafalgar House.
- The implications of any reallocation of funding (including the Relocation Fund) are fully considered ahead alongside any approval for a change request – including the implications on value for money, delivery of outputs, and existing business tenants at Pendle Rise.
- Timescales are agreed for the development of a more detailed development programme, to (i) provide assurance that funding is deliverable within the proposed timescales and (ii) to ensure that the implications of any potential delays can be considered at the earliest opportunity.
- A profile of match funding is provided by the applicant.
- Milestones are agreed for confirming the proposed delivery model for each element.
- The Town Board is satisfied that sufficient evidence is provided in relation to future occupier demand, and if necessary, an approach is agreed for more formally considering potential demand.
- Release of funding is dependent on the receipt of satisfactory legal advice concerning Subsidy Control.
- Early-stage development milestones are agreed for elements of the management case, including a detailed delivery programme and risk register, and consideration of external project dependencies.
- Roles and responsibilities (specifically between PBC and PenBrook JV) for each element should be confirmed.
- Further detail should be provided in relation to the management and operation of the Relocation Fund.