

Project Case

Single Assurance Framework



PROJECT CASE

The purpose of this document is to provide a simplified business case listing project detail, where a project is being delivered under a Programme Business Case.

A Project Case is only appropriate in the following circumstances:

- Project outputs and outcomes are covered by an existing approved Programme Business Case
- Deliverables and costs are in line with Programme averages (e.g. when measured in cost per unit deliverable)
- The cost of the project is under £5m

In other cases, the appropriate business case as set out in SAF should be followed. Contact the Programme Assurance and Appraisal team for advice.

To support better spending, investment decisions and better procurement, this Project Case should be written using West Midlands Combined Authority (WMCA) guidance. In addition, it is a requirement that all proposals for public funds submitted to WMCA are guided and based around the HM Treasury's Green Book and supporting information can be found [here](#).

PROJECT DETAIL			
Programme Name		Devolved Land Fund	
Project Name:		Stratford Gateway	
Directorate (if WMCA internal):		Housing, Property and Regeneration	
Organisation (if WMCA external):		Stratford-on-Avon District Council ("Applicant")	
GOVERNANCE			
If external to WMCA, when was this project approved by your internal governance?		N/A	
STAKEHOLDER INVOLVEMENT			
Provide the names of the following stakeholders who have been sighted on this business case prior to submission, note this is a mandatory requirement: Keepmoat Homes Ltd.			
Senior Responsible Owner (SRO):		Nigel Ford	
Programme SRO		Nigel Ford	
WMCA Executive Director:		John Godfrey	
Finance Lead:		Jo Snell	
Legal Representative:		Mark Nicholson	
Procurement Lead:		Victoria Taylor	
Other (i.e. HR / Health & Safety):		N/A	
VERSION CONTROL			
Version:	0.3	Date:	30/01/2024
PC Prepared by:	Anna Jones	Job Title:	Development Manager

FINANCE SUMMARY

Finance Summary	
Finance Item	PC (£)
Total Project Cost (includes land and profit):	Total: £29,596,115 £6,550,000 (WMCA – land acquisition) £2,450,000 (capitalised WMCA overhead costs) £20,596,115 (construction costs) ¹
WMCA Funding Required:	Total: £9,000,000 £6,550,000 (WMCA – land acquisition) £2,450,000 (capitalised WMCA overhead costs)
WMCA Funding Stream: Land Fund (LF)	Approx £50 million
Funds Secured:	
-	-
Funds Not Secured:	Total: £9,000,000
WMCA	£6,550,000 (WMCA – land acquisition) £2,450,000 (capitalised WMCA overhead costs)

¹ These construction costs of the 118 units have been estimated by Avison Young, and will be covered by the chosen development partner or developer after WMCA has agreed the Disposal Route



1 - STRATEGIC CASE

PROVIDING STRATEGIC FIT SUPPORTED BY A COMPELLING CASE FOR CHANGE

Approval Required

The purpose of this report is for WMCA to **APPROVE** investment of up to £9,000,000 as part of the Devolved Land Fund Programme to unlock the site at **Stratford Gateway, Arden Street, Stratford-upon-Avon** for a residentially led mixed-use unit.

Housing Property & Regeneration Investment Programme Business Case

The Housing Property & Regeneration Investment Programme Business Case, coupled with a suite of HPR policy and strategy programmes, underpins their approach to delivering the Aims & Objectives in the WMCA Corporate Strategy. This Programme sits under Aim 3 – ‘*Connect our communities by delivering transport and unlocking housing and regeneration schemes*’, though there are clear links to be made between the additional benefits HPR investment may secure and the Corporate Strategy’s wider Aims and Objectives.

The approach to achieving this aim is defined by High Level Deliverable 58 - ‘**Delivery of key requirements and output targets of Housing Deal & subsequent deals with HMG**’. These requirements and targets are included below:

1. Increase **housing supply** in the West Midlands
2. Increase and diversify **affordable** housing supply and access in West Midlands.
3. Unlock and release land for residential and commercial development.
4. Improve **quality** and design of homes.
5. Leverage **private sector investment** to boost housing growth.
6. Increase creation of good **jobs**.
7. Support the **regeneration** of town centres.
8. Drive **Advanced Methods of Construction** and zero carbon housing agendas.
9. Drive a **Brownfield** first approach.
10. Support **Levelling Up** objectives.

For the HPR Investment programme, projects must demonstrate delivery against the following essential and desirable criteria (schemes must deliver one or more of the following outputs):

- **Brownfield** land remediated
- New **homes** delivered



- New **commercial, retail** or **employment** space delivered

Investment will be made in schemes that can clearly demonstrate **all** of the following:

- Commitment to enhanced standards of **design and quality** as a contribution to wider placemaking
- Commitment to the use of **local labour** and local suppliers
- Minimum **20% affordable** must be delivered as part of residential schemes
- At public transport nodes, along **public transport** corridors and in town and city centres

WMCA will work with the applicant to identify opportunities to refine the investment proposition in order to achieve the maximum alignment with WMCA's 'Inclusive Growth objectives' including:

- Supporting the uptake of '**Advanced Methods of Construction**' and associated supply chains
- Improving **connectivity** and community **accessibility** by securing appropriate densities of development at public transport nodes and corridors and in town and city centres
- Increasing the number of **apprenticeships** offered, young people employed in construction, and the percentage of people receiving on-going training in the workplace

The proposed investment set out in the Project Case supports the delivery of the WMCA's Strategic Aims and Objectives, and the Programme Business Case for HPR Investment. The scheme will create **118 residential units**, including **20% affordable housing units**, support **regeneration** of Stratford town centre, and bring a currently vacant **Brownfield** site into use.

The Project – Stratford Gateway, Arden St, Stratford-upon-Avon

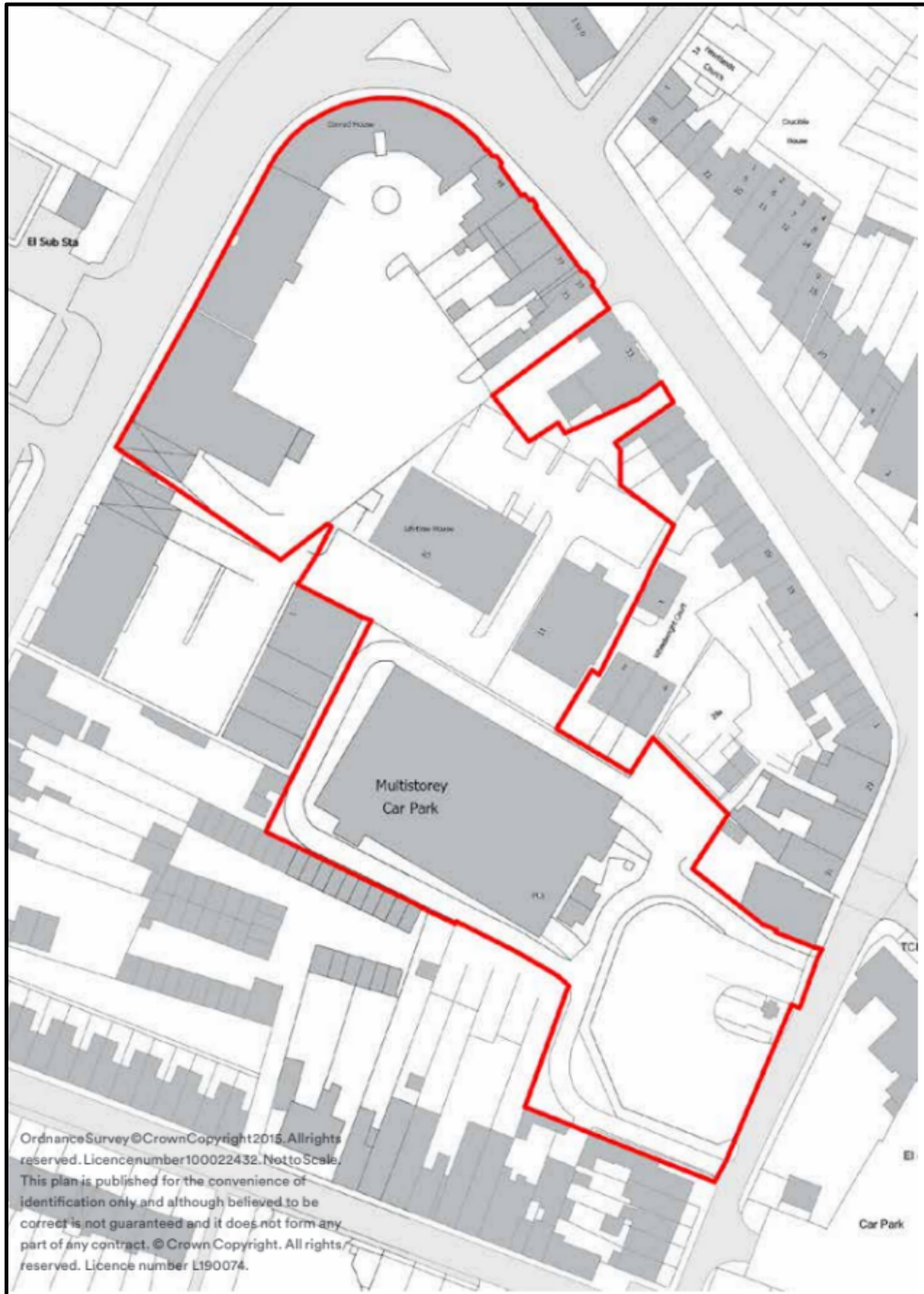
Stratford-on-Avon District Council ("Applicant") is seeking to unlock a **0.43 Ha** site as part of a **land assembly initiative** for a scheme called 'Stratford Gateway', situated at the North entrance to Stratford-upon-Avon town centre. The purpose of the wider scheme is to create a cultural quarter which will house a new World Shakespeare Centre, parking, commercial and residential units, as well as providing pedestrian and cyclist access through to the main town.

The identified wider 'Gateway' site comprises 13 land titles across 1.05 Ha in total, with the subject site comprising 8 of these titles across an area of **0.43 Ha**. Currently, these 8 titles are owned by a single landowner, and include three vacant office buildings and a terrace of five unoccupied, Grade II Listed residential units and a carpark which is currently available on daily rates to the general public. In their current state, the office buildings are unlettable and in need of extensive remediation and restoration,



whilst the Grade II Listed former residential units are dilapidated and currently uninhabitable. Such is the condition of the Grade II listed buildings that urgent intervention and regeneration is needed in order to prevent the properties from falling into further disrepair and becoming completely unsalvageable.

Figure 1: Site Map of the Wider Stratford Gateway Scheme



It is important to note that currently there are no plans for WMCA to assist with the acquisition of the other 5 titles required for the wider World Shakespeare Centre scheme as it will require significant funding for the development and subsequent

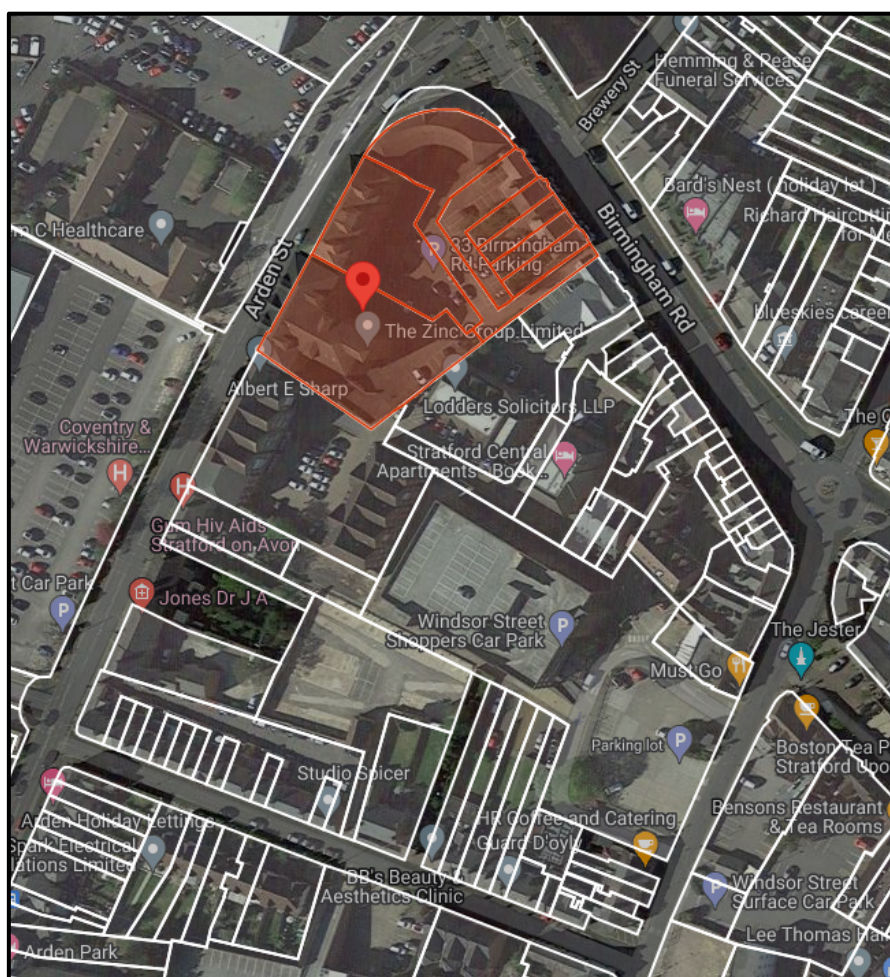


running costs which SDC have not yet secured. The outline plan for the scheme also does not include any residential units on the other titles, hence WMCA are only seeking to acquire the titles currently owned by Mr Warwick. The wider scheme has in essence been split into two separate but complementary schemes which can be developed individually.

The Applicant has been in discussions with the current landowner for several years prior to approaching WMCA to assist with the acquisition of the titles. Based on a RICS Red Book valuation conducted by Avison Young (AY) in April 2023 which determined the Existing Use Value of the Site to be £6.55 million, the Applicant is seeking WMCA investment of £9,000,000. This gross investment will include the site acquisition cost of £6.55 million, as well as additional financial support of £2.45 million relating to the following:

- Holding Costs for a Maximum of 5 years
- Legal advice
- Surveys and Valuations
- Costs of obtaining planning consent
- Procurement support
- Sales and marketing costs
- WMCA Overhead.

Figure 2: Location Map of Subject Titles for WMCA Acquisition



Stratford-on-Avon District Council commissioned Corstorphine & Wright to undertake scheme designs to support the production of a **Supplementary Planning Document** and had the **Masterplan for the site approved at cabinet in October 2023**.

Table 1: Composition of the Project, by Property Type

Unit Type	Open Market	Affordable	Total Units
1 bedroom apartment	48	15	63
2 bedroom apartment	37	9	46
1 bedroom unit in Grade II conversion	9	-	9
Total	94	24	118

Value for money

The housing units are being claimed by WMCA directly. Based on the initial gross investment of £9 million, the intervention rate is £76,271 per unit. However, it is proposed that WMCA will either sell the scheme with the benefit of planning consent, or procure a developer on the basis of WMCA receiving an 86% share of the proceeds of the scheme's post-completion sale².

Assuming that WMCA sells the scheme for Best Consideration (as per the Local Government Act 1972), it is anticipated that WMCA will receive £6,220,749, as outlined within AY's Scheme Valuation conducted in September 2023. Based on this net WMCA investment figure of £2.8 million, the updated intervention rate is £23,553. It is argued that this intervention rate is subject to uplift based upon the nature of the investment, and the involvement of five dilapidated Grade II Listed buildings.

It should be noted that any capital receipts from disposal of Combined Authority owned assets should be returned as Corporate Funds; therefore, the decision around allocating such capital receipts sits with the S151 officer and in the absence of any such reallocation to the Housing Fund, the intervention rate will remain at £76,271. It should be noted that this is significantly higher than the average intervention rate for the Land Fund.

If the S151 officer were to approve the reallocation of the capital receipt to the Housing Fund, it should, also, be noted that the timing of any capital receipt may impact on the ability to re-use these funds for other applications, as there may be insufficient time to turn these funds around.

Market Failure

Without WMCA grant, the development and regeneration of the Arden Street site will not proceed, as the Applicant highlights the need for WMCA intervention to acquire the titles and preserve the opportunity. Some of the associated market failures include:

- **Co-ordination failure** – despite the obtainable benefits of bringing a number of derelict and dilapidated buildings back into productive use, a lack of co-ordination between the current landowner and other relevant agents is preventing a socially desirable activity from taking place. Therefore, WMCA intervention is needed to acquire the site and enable the subject site to be brought back into productive use.
- **Risk and uncertainty**

² This relates to the proposed overage agreement in place between the WMCA and the current landowner. Full details of this agreement are outlined within the Commercial Case.

- In its current condition, the site is at risk of being sold as individual titles, thus inhibiting the development of the proposed scheme. The Grade II Listed buildings currently face the risk of deterioration beyond the state of remediation and restoration, and thus require urgent intervention.
- Over the past decade, the landowner has sought a purchaser to acquire the titles and develop the site as a holistic scheme. Due to the buildings being Grade II Listed, as well as the location and composition of the site, no developer interest has materialised. If WMCA do not intervene and acquire the titles, there is a real risk the landowner may sell each title individually, thus inhibiting the development of a cohesive scheme.
- **Negative externalities** – the subject site is comprised of vacant and dilapidated buildings in need of varying levels of repair and restoration to be brought back into productive use. Without WMCA intervention and acquisition, an important opportunity for redevelopment may be lost. If the site remains vacant and continues to fall into disrepair, the site may have a negative impact on the regeneration of the wider Stratford gateway site.

Consequently, to alleviate the market failures currently preventing this project from proceeding, WMCA grant investment is requested to allow for the acquisition of the site, and the subsequent development of 118 new housing units.

Due Diligence

Avison Young RICS (AY) were appointed by WMCA to lead a comprehensive due diligence, and undertake valuations of the site and proposed schemes (April 2023). The findings of this valuation, used to inform the magnitude of WMCA investment are outlined below:

- **Existing Use Value (EUV)** – The combined aggregate value of the properties is £6,550,000 and considers the current market demand for office space and the current conditions of the properties. The valuation is broken down into its composite parts below:
 - Conrad House – Vacant Office Building £879,060
 - Apex House - Vacant Office Building £2,615,250
 - Elizabeth Place - Vacant Office Building £1,595,200
 - Car Park - £425,000.
 - Wellington Terrace - 5 Grade II former residential buildings £1,035,300
- **Scheme Value** – Value of proposed scheme assumes that the site receives planning consent for the demolition of the existing office buildings to create a development of 109 new-build apartments with 2,127 sqm of commercial space on the ground floor, and the conversion of the terrace of five Grade II Listed

buildings into 9 apartments. It also includes 20% Affordable Housing provision - £6,220,749.

The AY Development Appraisal for the proposed scheme identifies that the site's EUV remains higher than the Scheme Value. This is due the inclusion of 20% affordable housing provision and the requirement for the scheme to adhere to the design principles outlined in the Supplementary Planning Document by SDC. This provides further rationale for WMCA intervention to assist with the acquisition of the site, and ensure that planning consent is in place for a viable scheme which replicates the design principles outlined within the initial Supplementary Planning Document (SPD).

Recommendation(s) for Action

As Development Manager, I would recommend this project to be taken forward for SAF review and consideration for:

- A.** Investment of up to **£9,000,000** to acquire the subject site, thus unlocking a 0.43 Ha brownfield site at Arden Street, Stratford-upon-Avon and supporting the delivery of 118 housing units.

The above recommendation is subject to the completion of a **Funding Agreement**, and a detailed risk register to the approval of the WMCA Executive Director of Housing Property & Regeneration.

Policy Alignment

Policy Alignment Table	
Policy	Relevance
WMCA Aims and Objectives: Unlocking the potential of the West Midlands – this document sets out the WMCA's vision to create a more prosperous and better-connected West Midlands which is fairer, greener and healthier.	The project will contribute to this strategy through Aim 3: 'Connect our communities by delivering transport and unlocking housing and regeneration schemes'. In addition to the delivery of 118 housing units, it is important to note that 20% of these units will be provided at an affordable price which will ensure everyone has the opportunity to benefit and promote inclusive economic growth.
Plan for Growth - The West Midlands Plan for Growth sets the path to returning to its pre-pandemic trajectory, spreading opportunity and jobs across the region and helping level-up the UK.	By unlocking a brownfield site, this project aligns with the region's positioning at the vanguard of regenerating brownfield land.
West Midlands Design Charter – this is part of the region's ambition to encourage creative	Across the residential development scheme, this project will strive to ensure that the 12 principles

design and innovation to flourish, as it builds a future that delivers inclusive growth for all communities.	across the 6 themes underpin both the design and implementation phases.
West Midlands Investment Prospectus 2023 – following on from the 2023 Devolution deal, this prospectus sets out the region can continue as a ‘pioneer’ in creating a greener, inclusive economy that all residents and businesses can benefit from.	This project will enable the region to remain as a national leader in terms of brownfield regeneration, whilst also aligning with the affordable housing theme which has emerged within the region. By ensuring 20% of the units remain affordable, the project also represents a new example of affordable housing delivery, which has been identified as one of five cluster investment opportunities.

Land Fund

The project is applying for funding from the **Land Fund (LF)**, comprised of approximately £50 million of grant funding from central government. The fund is to be used for brownfield land and/or vacant buildings with change of use to residential use only (must be net new homes). It is worth noting that funding is not to be used for other forms of floorspace unless incidental to a residential scheme.

For the Land Fund:

- Projects are Green Book compliant with a **BCR floor of 1.5**, and should seek the best possible VfM opportunities.
- Projects must have an evidenced **market failure** with WMCA being the ‘funder of last resort’.
- Projects must demonstrate that they could not happen without the financial support of the Land Fund.
- Funding should be deployed via a new bespoke SCF which WMCA will produce, and will be agreed with Government before any funding is deployed (part of the required assurance to HM Government).
- Councils must either have an **up-to-date Local Plan** in place, or an agreed plan for getting a Local Plan in place. This applies to the whole WMCA area (constituent and non-constituent).
- Adequate progress must be made against the **spend profile and key delivery milestones**, as well as against **key local plan milestones**.
- Homes brought forward will start on site by **31 March 2025**. Additionally, projects should aim to include:
 - Increased delivery of affordable housing across a range of tenures.



- Enhanced connectivity by increasing housing supply along public transport corridors and where employment is concentrated supporting MMC, housing innovation and enhanced quality standards.

Inclusive Growth Framework

The WMCA's **Inclusive Growth Framework** translates inclusive growth from an intellectual concept to into a reality that can be put into practice to build a fairer, greener and better-connected region. The Stratford Gateway project is closely aligned with the fundamentals of the strategy including:

- **Climate resilience** – the project's unlocking of a currently vacant and dilapidated brownfield site and bringing the site back into productive use for housing redevelopment offers a more environmentally-conscious approach to increasing the supply of (affordable) housing, specifically within the Stratford-on-Avon area.
- **Affordable and safe places** – approximately 20% of the provided housing units will be affordable for local people, which equates to 24 affordable units. The site is situated in a mixed-use area, with residential, education, leisure and industrial properties all in the immediate vicinity.
- **Health and wellbeing** – the project will eradicate a number of the negative externalities associated with dilapidated and vacant brownfield sites. In addition, the new housing units will be designed to comply with all relevant safety standards and will be at an improved quality than existing stock.

Additionally:

- The scheme involves the restoration of five Grade II Listed terraced, formerly residential units.

The project objective is to develop a **residentially-led** mixed-use scheme, which will deliver **118 mixed tenure housing units** and circa 2,127 sq. metres of commercial space. WMCA are seeking to acquire the 8 subject titles in a single acquisition and support the redevelopment of the site, which could then form part of the wider World Shakespeare Centre scheme. WMCA will be taking on the role of development promoter to deliver a viable scheme with planning grant to the market.



2 - ECONOMIC CASE

MAXIMISING PUBLIC VALUE TO SOCIETY THROUGH THE SELECTION OF THE OPTIMAL COMBINATION OF SCOPE, COSTS AND OUTCOMES

2.1 PROJECT SPENDING OBJECTIVES AND ALIGNMENT TO PROGRAMME

Project Objectives

The redevelopment of the site at Arden St, Stratford-upon-Avon is aligned to the overall objectives of the Land Fund and will provide 118 new residential units, 20% of which will be affordable.

As noted in the Strategic Case, this project supports the delivery of the WMCA's Strategic Aims and Objectives, and the Programme Business Case for HPR Investment. In particular, this project will support delivery of the following aims:

- Increase **housing supply** in the West Midlands
- Increase and diversify affordable housing supply and access in West Midlands
- Unlock and **release land for residential** and commercial development
- Drive a **Brownfield first** approach
- Support **Levelling Up** objectives

SMART Objectives

1. Complete the **acquisition** of the site by **September 2024**.
2. Chosen **Disposal Route** to be agreed upon by **February 2026**.
3. Obtain **planning consent**, de-risking a vacant brownfield site spanning 0.43 Ha, which will be delivered to the market for a residentially led mixed-use development between now and **March 2031**.
4. Increase Housing Supply, specifically in the Stratford-upon-Avon area, by unlocking a site to deliver **118 housing units** by **March 2031**.

Project Objectives and Contribution					
#	Objective	Target	Project Contribution	Project Outputs	Alignment to WMCA Aims & Objectives
1	WMCA Objective: Acquire the 8 subject titles in a single acquisition, thus bringing 0.43 Ha of brownfield land back into productive use.	<ul style="list-style-type: none"> Acquire the subject site De-risk and remediate the currently vacant brownfield site Support the development of the 118 mixed tenure housing units 	£9,000,000	<ul style="list-style-type: none"> 0.43 ha of remediated Brownfield site brought back into productive use 118 mixed tenure housing units 	Connect our communities by delivering transport and unlocking housing and regeneration schemes
	Applicant/Project Objective: Deliver 118 housing units as part of the wider mixed-use Stratford Gateway scheme.	<ul style="list-style-type: none"> Obtain the required Planning Consent 118 housing units 2,127 sq. metres commercial space 	-	<ul style="list-style-type: none"> 115 housing units, including 24 affordable units 2,127 sq. metres commercial space 	Connect our communities by delivering transport and unlocking housing and regeneration schemes

2.2 KEY RISKS

The main risks associated with the achievement of the project's objectives are specified below, as well as the proposed counter measures for avoidance, mitigation, and management.

The information provided within the below table aligns with this project's Risk Register and Issue Log, which also contains the Applicant's Control Strategy. This Risk Register can be found in full within Appendix 3.

ID	Risk	Risk Owner	Mitigation
1	Project costs exceed proposed budget.	WMCA	A contingency item of approximately 2% of the project's overall budget has been included.
2	Planning risk associated with not achieving the desired planning outcome.	WMCA	WMCA will adhere to the design principles set out in the SPD and masterplan produced by SDC, and will work closely with the LPA and externally appointed planning consultants.

3	Unable to procure a suitable developer for the scheme.	WMCA	WMCA will take advice from external consultants and monitor market demand and deliverability.
4	A change in the housing targets and requirements through political change.	WMCA	Sufficient resource to be granted to the development of the Project Case, ensuring required housing targets are met.
5	WMCA and landowner are unable to agree contractual terms for acquisition.	WMCA	HoTs for the acquisition have already been agreed with the Landowner, however should he pull out of the sale then WMCA will support the Applicant in pursuing a CPO for the sites' acquisition to ensure site is secured.
6	Applicant is forced to take CPO action against the landowner.	WMCA/ Applicant	HoTs for the acquisition have already been agreed with the Landowner. However, WMCA have already commissioned a CPO valuation for the site (£7m) and in the unlikely event that the Landowner pulls out of the deal or refuses to sell the site then IB approval to acquire at CPO value would be sought to try and mitigate the legal process of enforcement. WMCA have agreed if this route is necessary then SDC will undertake CPO with WMCA's professional and financial support.

In summary this project bears a **“moderate to high degree”** of risk for the WMCA. Therefore, adequate mitigatory measures have been carefully established.

2.3 VALUE FOR MONEY ASSESSMENT

The table below aims to provide decision-makers with a summative VfM assessment.

Value for Money Assessment Summary

Value for Money Assessment	
Social Benefits and Costs	<p>Outputs: 0.43 Ha of brownfield land brought back into productive use for the delivery of 118 Housing Units</p> <p>Economic benefits: £7,494,797</p> <ul style="list-style-type: none"> (i) Land value uplift: £7,428,014 (ii) Affordable Housing: £66,783
Whole-Life public sector costs of preferred option (£m)	WMCA cost³: £3,271,158
Value for Money judgement	<p>BCR⁴ = 2.29</p> <p>This is above BCR threshold of 1.5 and is considered to be “High” value for money based upon government guidance⁵</p>

Benefit Cost Ratio

AMION Consulting has calculated a Benefit Cost Ratio (BCR) for the WMCA’s investment to support the delivery of the Stratford Gateway project.

The assessment of economic benefits for this scheme has been undertaken in full compliance with the latest **HM Treasury Green Book** (2022) and relevant Departmental guidance, such as the Department for Levelling Up, Housing and Communities (DLUHC).

As set out within the DLUHC Appraisal Guide (2023), projects should be appraised based on a BCR. As the name suggests, this is a ratio of the present value of benefits over the present value of costs and represents how much benefit in £s could be supported by £1 of public investment. BCRs are widely used in governmental appraisals and are the recommended VFM metric in both the HM Treasury’s Green Book and DCLG’s Appraisal Guide. All relevant costs and benefits which may arise from an intervention should be valued and included in social CBA unless it is not proportionate to do so. The priority costs and benefits to quantify are those likely to be decisive in determining the differences between alternative options.

³ This is an “economic cost” which includes “Optimism Bias”. This figure also takes into account WMCA’s potential receipt from sale of the site.

⁴ $BCR = 2.29 = (7,428,014 + 66,783) / 3,271,158$

⁵ DLUHC Appraisal Guide classes a BCR between 2 and 4 as ‘High’ value for money



When calculating the BCR:

- future costs and benefits should be adjusted for inflation to 'real' base year prices. The base year should be the first year of the proposal
- future costs and benefits should be discounted by the Social Time Preference Rate (STPR) to provide the present value
- All capital spending proposals may be ranked according to their BCR, and the ranking then adjusted to reflect unquantifiable and unmonetized factors and risks.

Land value uplift

The principal benefit is from land value uplift. Government appraisal guidance from the DLUHC and HM Treasury, identifies that the value to society of a given intervention can be measured by the “**land value uplift**” from the proposed development.

The methodology applied within this Business Case uses land value uplift estimates on a per dwelling and per hectare basis and multiplies this by the expected number of net additional dwellings forecast to be delivered. This methodology involves the analysis of changes in land values, which reflect the economic efficiency benefits of converting land into a more productive use.

Affordable Housing

Additional economic benefits also derive from the provision of affordable housing units. The DLUHC Appraisal Guide and Homes England guidance identifies that there are a number of benefits associated with additional affordable housing units beyond the private benefit captured as part of the land value uplift. These include potential health impacts and the fiscal savings from reduced health care costs.

In order to calculate this impact for the housing programme, an annual value of £125 in 2016/17 prices (£152 in 2023 prices) has been applied for each new affordable unit within the development schedule based on DLUHC guidance. This impact has been assumed to persist for the length of the appraisal period and discounted to determine the NPV of health benefits.

BCR Modelling Assumptions

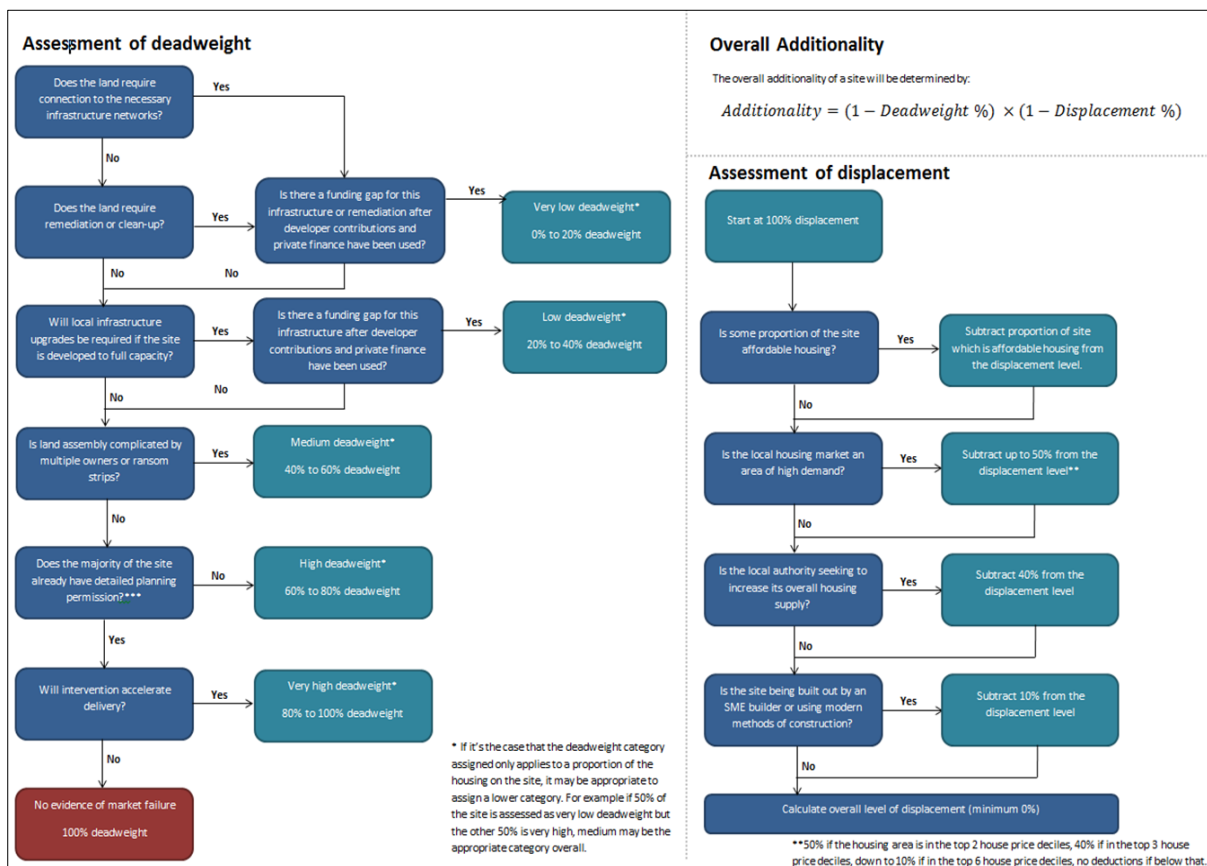
The BCR has been undertaken in full compliance with the latest HM Treasury Green Book (2022) and DLUHC Appraisal Guide.

Specific assumptions include:



- **Additionality Factor: 75%.** This has been calculated using the DLUHC's Additionality Flowchart (see overleaf) and Homes England's latest Displacement Model.
- **Optimism Bias: 37%.** This has been assessed using HMT Guidance and the Optimism Bias (OB) Mitigation Model from the Supplementary Green Book Guidance. As the intervention is located on brownfield land, the costs relate to 'non-standard building' schemes with a maximum OB of 51%. Once mitigation has been applied based on the knowledge of the scheme and the model from the Supplementary Green Book Guidance, the OB applied to costs is 37%.
- **Discount Rate: 3.5%.** Based on Green Book Social Time Preference Rate.

Additionality Summary



2.4 OPTIONS ANALYSIS AND APPRAISAL

Please identify a minimum of 4 options and complete a shortlisting exercise within the table below; options must include 'BAU/Do Nothing' and 'Do Minimum'.

Options Analysis					
Option Label	Business as Usual (baseline)	Do-Minimum Option	Preferred Way Forward (if not Do-Minimum)	More ambitious preferred way forward	Less ambitious preferred way forward
Description of Option	Site is not acquired, thus preventing a coherent development scheme from being delivered.	WMCA offers gap funding to support the acquisition and redevelopment.	Contractual terms for site acquisition are agreed, allowing 0.43 Ha to be brought back into productive use through the delivery of 118 units.	Additional titles and properties within the wider development site are also acquired.	Not all of the properties within the subject site are acquired.
BCR	N/A	N/A	2.29	N/A	N/A
Significant Quantified but unmonetizable benefits	"Missed opportunity" for regeneration.	"Missed opportunity" and fails to address co-ordination failures.	Remediation of 0.43 Ha brownfield land and 118 housing units.	Exceeds scope requirements of project, representing poor use of public money.	Sub-optimal use of resources, and would fail to meet objectives.
Significant unquantifiable benefits	N/A	N/A	Removal of blight; economic renewal	N/A	N/A
Meets Objectives (Y/N)	No	No	Yes	No	No
Shortlisted (S) / Rejected (R)	R	R	S	R	R

2.5 OUTPUTS AND BENEFITS

The below table sets out to demonstrate how this project will contribute to each of the outputs and benefits in the Programme Business Case. This table should list each of the outputs and benefits listed in the Programme Business Case and show the percentage contribution made by this project.

After disposal of the site to an appropriate development partner, WMCA's Development Manager will make quarterly contact with the developer to monitor progress and housing output. Once the development is completed and occupied, WMCA will commission an Economic consultant to undertake an assessment of economic benefit resulting from the scheme including housing output, occupancy, and job creation. This is expected to be in early 2029, if not before.

Outputs and Benefits					
#	Output (O) / Benefit (B)	Description	Programme Level	Project Level	Project Contribution (%)
1	(O)	118 housing units: 94 for open market sale and 24 affordable units	The WMCA grant is circa 30% of the total cost of the project.	The WMCA grant is circa 30% of the total cost of the project.	100%
2	(O)	Minimum 20% affordable must be delivered as part of residential schemes	24 affordable units will be delivered, equating to 20% of total units.	24 affordable units will be delivered, equating to 20% of total units.	100%
3	(O)	Brownfield Land remediated and brought back into use for residential development	0.43 ha	0.43 ha	100%
4	(B)	New commercial floorspace, which will create jobs within the region.	2,127 sq. metres	2,127 sq. metres	100%



5	(B)	Commitment to enhanced standards of design and quality as a contribution to wider placemaking	A completed high-quality development that sits as part of the wider Stratford Gateway regeneration project.	A completed high-quality development that sits as part of the wider Stratford Gateway regeneration project.	100%.
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3 COMMERCIAL CASE

COMMERCIALLY VIABLE AND ATTRACTIVE TO THE SUPPLY SIDE

3.1 PROJECT ARRANGEMENTS

Site Information

The subject site, which extends across 0.43 Ha, is comprised of:

Three office buildings being acquired

- Conrad House
- Elizabeth House
- Apex House

Name of Building	Area (sq. metres)
Conrad House	601
Elizabeth House	1,619
Apex House	926
Total	3,147

Five traditional, Grade II Listed Victorian terraced houses (known as Wellington Terrace).

Within recent site valuations, AY has confirmed that they have been provided with the Land Registry plans of the Title Boundaries. In addition, AY has confirmed that the five former residential units at Wellington Terrace are in the ownership of Trudson (Wellington) Ltd., that Apex House is owned by Valhalla Ltd., and that the remaining properties are owned by Thorngreen Ltd. Whilst each interest would have to be negotiated separately unless otherwise agreed, the common controlling element for each of these companies is Mr **Peter Warwick**.

Acquisition Process

Stratford-on-Avon District Council has been in long-standing contact with the current landowner regarding a potential acquisition of the site prior to seeking WMCA support. Therefore, it is currently WMCA's intention to continue negotiations with the landowner and reach an agreement for the contractual acquisition of the site. This expectation that an agreement will be reached warrants the inclusion of the site's **Existing Use Value** as the primary value of WMCA intervention.

At this stage, ongoing negotiations with the landowner for the purchase of the relevant titles include an agreement on **overage**. It has been agreed that WMCA and the landowner will split any uplift in value as a result of planning gain on a 50/50 basis, which will be calculated having deducted the costs associated with achieving the

required planning consents. Essentially, this means the difference between initial purchase price and updated value with the benefit of planning consent, minus the costs of achieving the required consent will be split equally between WMCA and the landowner. It is proposed that the trigger for this overage agreement will be upon the material implementation of the planning approval. This means that WMCA will be in capital receipt of any uplift in value achieved, thus not requiring WMCA grant funding or accounting costs to be included within the overage sum. This overage clause will be valid for 20 years, and the landowner will only be able to receive an overage sum once and not into perpetuity.

Heads of Terms for the acquisition have been agreed with the current landowner however, prior to these being agreed, WMCA commissioned Avison Young RICS in November 2023 to conduct a valuation of the subject site within the context of a Compulsory Purchase Order (CPO) acquisition. The updated valuation advice outlines a total acquisition cost of approximately **£7,000,000**, with the inclusion of a Basic Loss Payment and disturbance in the form of professional fees. In the unlikely event the landowner decides to pull out of the sale, a CPO acquisition may become a necessity, WMCA would seek Investment Board (IB) approval for the acquisition to take place at CPO value to try and mitigate the legal process of enforcement. It has been agreed that if such a CPO acquisition is necessary, then Stratford-on-Avon District Council will undertake the acquisition, with the professional and financial support of WMCA.

Extent of WMCA Involvement

After the subject site has been acquired, it is WMCA's intention to work collaboratively with the Applicant to unlock the site for development by obtaining planning consent in line with the principles of the Supplementary Planning Document. Subject to market conditions, WMCA will either seek to procure a developer to deliver the proposed scheme or will opt to sell the site via open market, with the additional benefit of planning consent having been granted. WMCA and the Applicant have agreed that the CA will retain the site until it has been disposed of to a developer/purchaser. However, this agreement raised a series of questions regarding professional and financial responsibilities for each party across this potential holding period. Therefore, a Collaboration Agreement will be established, with the terms having been agreed in relation to the following issues:

- Respective obligations of the Applicant and WMCA
- Holding costs
- Planning applications
- Procurement of a development partner
- Design principles
- Key project milestones and dates.

The following table summarises a number of key dates and milestones which will influence the acquisition of the site and subsequent activity related to the wider Stratford Gateway scheme:

Details	Dates
Investment Panel for Collaboration Agreement between Applicant and WMCA	January 2024
Investment Board for Collaboration Agreement between Applicant and WMCA	February 2024
Investment Panel for Site Acquisition	February 2024
Investment Board for Site Acquisition	March 2024
Site Acquisition to be Completed	September 2024
Scheme Designs to be Completed	June 2024 – December 2024
Planning Application	January 2025 – January 2026
Decision on Disposal Route to be made (Open Market Sale or Development Partner Procurement)	February 2026 – March 2026
Disposal to a Developer (if applicable)	March 2027 – December 2028

Procurement Process

Should the procurement of an appropriate development partner become a requirement as the project unfolds, the procurement will be conducted in line with the requirements of the Applicant and the WMCA's formal processes.

Grant Drawdown and Conditions

At this stage of the project's development, it is envisaged that a WMCA lump sum contribution of £6,550,000 will be required to enable the acquisition of the subject site which sits at the heart of the wider Stratford Gateway regeneration project. Subject to the completion of a FA and a detailed risk register to the approval of the WMCA Executive Director of HP&R, the current project milestones suggest that this funding may be drawn down before September 2024.

In addition to the above, additional WMCA financial support of approximately £2.45m has been requested to encompass a holding period of up to 5 years, as well a number of additional forecasted costs. It is expected that this additional WMCA support will be drawn down across the duration of the proposed holding period, until a decision is made regarding the preferred Disposal Route.

Estimated Grant Drawdown		
Phase / Delivery Milestone	Amount	Projected Date
Acquisition of Site	£6,550,000	September 2024
Site Acquisition through until Decision on Disposal Route	£2,450,000	September 2024 – February 2026

Project Expenditure	Budget (£9m total)
Acquisition (based on EUV)	£6,550,000
Other completion costs (incl. Stamp Duty, Legal fees etc.)	£576,000
Valuations and Site Surveys	£20,000
External Advice (incl. expenditure to date)	£198,000
Holding Costs (5 years maximum, excl. Business Rates as being covered by SDC)	£1,000,000
WMCA Overhead Costs (incl. expenditure to date)	£200,000
Feasibility Study / Scheme Designs	£100,000
Legal Advice (post-acquisition, scheme / developer procurement related)	£60,000
Planning gain (excl. pre-app consultations which SDC will be providing as part of the Collaboration Agreement)	£108,000
Contingency / Misc	£188,000



Subsidy Control

Section 12 of the Subsidy Control Act 2022 imposes a requirement on WMCA to:

- (i) Consider the Subsidy Control principles before deciding to give a subsidy
- (ii) To refrain from giving a subsidy if WMCA is of the view that the subsidy is inconsistent with the Subsidy Control principles.

In summary, the proposed subsidy is consistent with the Subsidy Control principles.

4 FINANCIAL CASE

AFFORDABLE AND FUNDABLE OVER TIME

4.1 CAPITAL AND REVENUE FUNDING STATEMENT

Costs		
	Status (<i>Secured / Not Secured</i>)	£M
Gross Costs	Costs of full project delivery. WMCA are providing £9m of support.	29.596
Revenue	No revenue. Outputs of project are 118 units upon remediated brownfield land. Project costs will be capital funded once approved.	0
Capital	WMCA element (£6.55m land acquisition & further costs of £2.45m). – Not secured.	9.000
	Developer/purchaser estimated construction costs – Not secured.	20.596
Development Funding	-	0
Total	Total costs for project delivery that make up 'Gross Costs' line above.	29.596

Funding				
Funder	Amount	% of Total	Status (<i>Secured / Not Secured</i>)	Details of Funding Status / Timing / Conditions etc.
WMCA	Total: £9,000,000	30.4%	Not secured.	Initial £6.55m to be paid to allow for the acquisition of the site, with remaining £2.45m to cover an array of costs over the holding period until a decision is made regarding Disposal Route. All WMCA costs to be capitalised on REFCUS basis.
	£6,550,000 (WMCA – land acquisition)			
	£2,450,000 (capitalised WMCA overhead costs)			
Developer/purchaser estimated build costs	£20,596,115	69.6%	Not secured.	To be confirmed upon decision of Disposal Route.
Total	£29,596,115	100%		

4.2 CASHFLOW

The cashflow table below sets out the capitalised expenditure.

Cashflow				
Year (fiscal)	23/24	24/25	25/26	Total
Income (£)				£26,816,864
Revenue	0	0	0	0
Capital – WMCA Land Receipt	0	0	£6,220,749	£6,220,749
Capital – Developer/purchaser	0	0	£20,596,115	£20,596,115
Expenditure (£)				£29,596,115
Revenue	0	0	0	0
Capital – WMCA Land Acquisition	0	£6,550,000	0	£6,550,000
Capital – Other WMCA Costs	0	£1,225,000	£1,225,000	£2,450,000
Capital – Developer/purchaser	0	0	£20,596,115	£20,596,115
Net position-				-£2,779,251

Notes:

1. The WMCA Land Receipt value of £6,220,749 is consistent with AY's Completed Scheme Valuation as part of the Development Appraisal – September 2023. It is also acknowledged that the sale of the site may take place later than the above cashflow suggests.
2. The 'Other WMCA Costs' of £2.45m have been quantified based on a 'worst-case scenario' of a maximum holding period of 5 years. Within this cashflow, it has been assumed that these costs will span across the period until the chosen Disposal Route has been agreed.
3. It is recognized that developer/purchaser capital expenditure will extend beyond 2025/26 and is contingent upon WMCA's chosen Disposal Route.
4. The differential between the site's EUV (as well as other WMCA costs) and the calculated value of the completed scheme represents the forecasted net loss associated with this project.

Site Remediation and Gross Cost per Housing Unit

Total Site Area (acres)	0.43 ha
Land Remediated (acres)	0.43 ha
Housing Capacity (units)	118 units
WMCA Investment (Gross)	£9,000,000
WMCA Investment (Net) ⁶	£2,779,251
Net cost per housing unit	£23,552.97

The analysis conducted within the Business Case has been underpinned by a series of reports and assessments conducted by Avison Young (AY). The involvement of AY extends to the following:

- Full **development appraisal** review
- Calculation of **land valuations across a number of different contexts** including EUV, in case of a CPO and a completed scheme.

Costs and Receipts

WMCA recovers costs incurred as the grant administration body for its devolved Housing and Land Funds, including costs related to administration, assurance, appraisal and monitoring expenses required to evaluate, approve, implement and monitor its investments from application to output delivery and completion.

In the case of this project, budgetary adjustments have been made to include the following:

- Holding Costs for a Maximum of 5 years
- Legal advice
- Surveys and Valuations
- Costs of obtaining planning consent
- Procurement support
- Sales and marketing costs.

⁶ Net investment subtracts the anticipated land receipts of £6,220,749 from WMCA gross investment of £9,000,000.

5 MANAGEMENT CASE

CAN BE DELIVERED SUCCESSFULLY BY THE ORGANISATION AND ITS PARTNERS

5.1 MANAGEMENT AND GOVERNANCE

Project Governance

Before the acquisition of the subject site is set to be completed in September 2024, WMCA intends on ensuring the details of the project and WMCA's proposed involvement are reviewed through a number of rigorous internal control procedures. The dates of these internal meetings are as follows:

- Investment Panel for Acquisition – **February 2024**
- Investment Board for Acquisition – **March 2024**

Further project governance mechanisms and agreements are either in place, or scheduled to be in place relating to overage between the landowner and WMCA, and collaboration between WMCA and Stratford-on-Avon District Council. The full details of these relevant agreements have been outlined within the Commercial Case.

In addition to the above, a Funding Agreement and adequate risk management processes will need to be approved by the Executive Director of the HP&R Investment Programme, prior to any WMCA financial support being drawn down.

This requirement is particularly prevalent as WMCA investment of £6,550,000 is requested as a lump sum investment, and would be drawn down prior to a number of key milestones being reached. For example, the acquisition of the site is proposed to take place prior to advanced scheme designs being completed, and also prior to full planning consent being granted. Similarly, a high proportion of the proposed WMCA investment is anticipated to be required before a decision is made on the agreed Disposal Route.

Change Control

Should the date's provided within the indicative schedule be subject to any notable disruption or delay, or any other issues arise, then WMCA's **Change Control** process would need to be engaged. This will comprise completion of a change request template by the Project Officer, and then submitted to the Sites Pipeline panel for consideration and approval. We would only expect to engage WMCA's Change Control process if movement of more than -10% occurs either within the programme or outputs.

Project Team

- Nigel Ford – **Senior Responsible Owner (SRO)**
- Nigel Ford – **Programme SRO**
- John Godfrey – **WMCA Executive Director**
- Jo Snell – **Finance Lead**
- Mark Nicholson – **Legal Representative**
- Victoria Taylor – **Procurement Lead**
- Anna Jones – **Development Manager**

5.2 PROJECT SCHEDULE FOR DELIVERY

Details	Dates
Investment Panel for Collaboration Agreement between Applicant and WMCA	January 2024
Investment Board for Collaboration Agreement between Applicant and WMCA	February 2024
Investment Panel for Site Acquisition	February 2024
Investment Board for Site Acquisition	March 2024
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Disposal to a Developer (if applicable)	March 2027 – December 2028

MANDATORY APPENDICES REQUIRED FOR THIS PC

The following documents must be appended to this PC:

Appendix	Provided (Y/N)
Benefits Realisation Plan and Benefits Register	Y
Risk Register and Issue Log	Y
Spend and Project Schedule	Y