

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**CORPORATE LEADERSHIP TEAM'S
REPORT TO CABINET**

12 November 2024

Report Title: Contract Award for York Place

Submitted by: Deputy Chief Executive

Portfolios: Finance, Town Centres and Growth, and One Council, People and Partnerships

Ward(s) affected: Town

<u>Purpose of the Report</u>	<u>Key Decision</u>	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
<p>To provide Cabinet with an update on the progress made by Capital&Centric on York Place in Newcastle Town Centre, and to make recommendations to Council to enable the projects to progress to the next stage.</p>			
<p><u>Recommendation</u></p> <p>That Cabinet:</p> <ol style="list-style-type: none"> Notes the progress made to date by Capital&Centric on the York Place project in Newcastle Town Centre; Approve expenditure of up to £836,843 to develop the scheme to the end of RIBA Stage 4, for construction drawings, tender of a contractor, programme and agreement of a final project costs for the build out of the scheme to completion (subject to a separate Council approval at a future date); Authorise the Deputy Chief Executive, in consultation with the Portfolio Holder for Finance, Town Centres and Growth, and Portfolio Holder for One Council, People and Partnerships to progress legal agreements to enable the appointment of Capital&Centric under a Pre-Development Services Agreement (PDSA) for the development of the scheme through a direct award under the Pagabo Development Management Framework; Note that the future submission of a separate Council Report for the final authorisation to award a construction contract for the build out of the scheme. 			
<p><u>Reasons</u></p> <p>The Council has been developing plans for several key sites across the Town Centre of Newcastle-under-Lyme as part of the Future High Street Fund and Town Deal Fund.</p> <p>This report enables progress to be made on York Place.</p> <p>Each of the individual town centre regeneration projects that have been subject to previous reports and approvals are now being taken through individual approval routes to allow the breakdown of projects into specific approvals / projects with stand-alone approvals as each project will eventually</p>			

be purchased by a Special Purpose Vehicle company as a stand-alone asset within Capital&Centric, as per their over-riding business model.

1. **Background**

- 1.1 As reported to previous Cabinet meetings, the Council has secured Future High Street Fund and Town Deal Fund for the re-development of several key regeneration sites across the Town Centre. In September 2023 the Council appointed Capital&Centric to undertake feasibility studies for the re-development of the former York Place Shopping Centre and agreed in February 2024 that they would :-
- Develop the scheme design and costs for York Place site to RIBA Stage 3, under an individual Pre-Development Services Agreement.
 - Manage the procurement and delivery of the re-development works at York Place including stripping out and retaining the concrete frame to suit the design for the overall scheme, again under an individual Pre-Development Services Agreement, which is now underway and will be complete shortly.
 - Submit a cost for the next stage of the design and cost development – that of RIBA Stage 4, for construction drawings, tender of a contractor, programme and agreement of a final project costs for the build out of the scheme to completion, for a subsequent Council approval to move to full build out.
- 1.2 This incremental approach enables the Council to take a phased approach to the development, with cost certainty secured before progressing to the next stage.
- 1.3 This report deals only with updating on progress to date across the site and securing commitment to progressing to RIBA Stage 4 designs and costs for York Place.

2. **Update**

Update on Current Position

- 2.1 All of the tenants vacated the shopping centre by the end of February 2024 as planned. Some asbestos removal and survey work was undertaken in the months that followed whilst a demolition scope of works was drawn up and a price for the works sought through Capital&Centric.
- 2.2 Capital&Centric have agreed to appoint AW Demolition to undertake the strip out and partial demolition works which began in October 2024 and are due to be complete by February 2025. As previously reported the works are based upon the principles of retaining as much of the existing concrete frame as possible and re-engineering the structure for commercial and residential purposes. The costs associated with this work were included in the budget for the project as agreed at Council in February 2024.
- 2.3 Discussions have been continuing with Joules Brewery for the live music venue adjacent to The Bulls Head Pub and Capital&Centric have been investigating how this element of the scheme can be incorporated.
- 2.4 Capital&Centric have held a consultation event in Newcastle which covered all of the three sites that they are working on, York Place, Ryecroft and The Midway, which was very well attended and had mainly positive feedback from. A further event is being held with businesses who might potentially want to lease space within the commercial elements of the development. Again, this was well attended and had positive feedback.

- 2.5 Detailed designs and façade treatments were also shown and explained to a design review panel as part of the planning application process which was encouraged by the design, scale of development and philosophy of the regeneration aspirations.
- 2.6 The planning application for the development was submitted in October 2024 and is due to be considered by the Planning Committee later in the year. If approved then the scheme can proceed.
- 2.7 The costs for taking the project to RIBA Stage 4 (the final design and construction costs confirmation) are estimated at £836,843 with a project timeline of 6 months to submit the final package with tendered prices and a full design and programme.
- 2.8 As highlighted in previous Cabinet reports but worth reiterating here again, Capital&Centric are a social impact property developer who pride themselves on the design quality of their developments. Their model of retaining assets beyond completion ensures that they have a vested interest in the long-term success of the development with a focus on the experience of the end user, aspirational placemaking and creating developments which are an asset to the community.
- 2.9 Their approach, whereby they retain ownership and management of the developments once completed has a significant positive impact for the Council in terms of both financial and operational risk.
- 2.10 This model requires only short-term financing by the Council, rather than long term borrowing. This reduces interest costs from c.40 years to 2-3 years; the model also removes the need for the Council to fund Minimum Revenue Provision (MRP), which is in effect the “capital repayment” element of PWLB borrowing as the asset would transfer ownership once complete and shifts the ongoing risk of maintaining occupancy of the finished development away from the Council and onto the operator.

Next Steps

- 2.11 As previously highlighted, but again worthwhile reiterating here, whilst the Capital&Centric model envisages taking developments through to completion and then purchasing the completed development and assuming the lead role in managing the operation of the development, there are a series of gateways controlled by the Council through which the projects must pass to ensure their viability. These gateways will be pre-agreed and form part of the Pagabo Pre-Development Services Agreement. Further Cabinet and Council approval will be required to progress to the next stage of the process (detailed design and procurement) and the delivery stage of each project. At each gateway an updated business plan will be presented for each scheme including updated costs and a delivery programme.
- 2.12 As highlighted in the September 2023 and February 2024 Cabinet reports the gateways through which schemes must pass to assure their viability were listed but it is worth noting them here again for clarity of where the Council currently sits and what is still to be commissioned / undertaken.
 - Stage 2 - Feasibility was assessed as viable and we progressed to developing the scheme design and costs to RIBA Stage 3 under a new Pre-Development Services Agreement – which will include obtaining planning permission and establishing a cost envelope for each site. This also included the management of the procurement and delivery of re-development works at York Place including stripping out and retaining the concrete frame to suit the design for the overall scheme, again under an individual Pre-Development Services Agreement.

- Stage 3 – (The subject of this Cabinet Report) Upon receipt and approval of the fully costed RIBA Stage 4 designs and costs along with the receipt of planning permission, the Council would then determine whether to enter into a further contract for the construction and marketing works on each site.
 - Stage 4 – Once a fixed price has been received and agreed, we will seek further approval from Full Council to progress to the delivery stage of the project.
- 2.14 Subject to this Cabinet report being approved the Council would progress to stage 3 and incur the expenses for full construction drawings, a fully tendered construction contract, programme of works and a planning approval. As highlighted above the costs for this element of the work is £836,843.
- 2.15 The final decision on whether or not to commit to borrow and develop is then taken before the final Stage 4 and would be subject to a subsequent Council approval, after the submission of Stage 4 (RIBA 4) designs and costs.

3. Proposal

3.1 That Cabinet:

- Notes the progress made to date by Capital&Centric on the York Place project in Newcastle Town Centre;
- Approve expenditure of up to £836,843 to develop the scheme to the end of RIBA Stage 4, for construction drawings, tender of a contractor, programme and agreement of a final project costs for the build out of the scheme to completion (subject to a separate Council approval at a future date);
- Authorise the Deputy Chief Executive, in consultation with the Portfolio Holder for Finance, Town Centres and Growth, and Portfolio Holder for One Council, People and Partnerships to progress legal agreements to enable the appointment of Capital&Centric under a Pre-Development Services Agreement (PDSA) for the development of the scheme through a direct award under the Pagabo Development Management Framework;
- Note that the future submission of a separate Council Report for the final authorisation to award a construction contract for the build out of the scheme.

4. Reasons for the Proposed Solution

- 4.1 The decision will enable the project to progress as per the programme agreed with Government and the Future High Street Fund awards and commitments and get York Place underway.
- 4.2 To use this Government funding opportunity to support delivery of Council Plan objectives.
- 4.3 To uplift the status of Newcastle Town Centre as the heart of economic, social and community life in the Borough.
- 4.4 Bring a national developer to Newcastle to assist in the transformational programme of regeneration that is being undertaken.

5. Options Considered

5.1 The report above highlights the options that have been considered in some detail.

6. Legal and Statutory Implications

6.1 Section 2(1) of the Local Government Act 2000 permits local authorities to do anything they consider likely to promote or improve the economic, social and environmental well-being of their area. That would include actions to deliver the Future High Street Fund and Town Deal Fund programme for Newcastle Town Centre.

6.2 Pre-construction services agreements (PCSA) are used to appoint a design and build contractor to carry out services before entering into a formal building contract. A PCSA is sometimes referred to as a pre-construction agreement (PCA) and is used in two stage tendering to obtain further design input, buildability/technical advice and detailed costs information from a prospective contractor. This is a formal agreement to provide the specified services/works and is not a letter of intent.

7. Equality Impact Assessment

7.1 The nature of the project is intended to seek benefits for all people who use the town centre and to support the economic and social health of Newcastle Town Centre as a destination.

8. Financial and Resource Implications

Cost Summary

Site	Pre- Application Gateway 1 (£)	Planning Submission Gateway 2 (£)	Pre Contract Submission Gateway 3 (£)	Total Costs (£)
York Place	90,000	1,175,020	836,843	2,101,863
Total Cost	90,000	1,175,020	836,843	2,101,863

8.1 Approval was given at the Cabinet meeting on 19 September 2023 to spend up to £256,500 with Capital&Centric to develop plans and business cases for the Ryecroft site, York Place and Midway Car Park. This budget in relation to York Place is shown in the above table (Pre-application / Gateway 1 £90,000). The actual spend for this stage amounted to £86,636.

8.2 The Gateway 2 stage was to commission works to take the regeneration projects to the next stage (Planning Submission / Gateway 2) for which approval was given at Full Council on 14 February 2024. The works covered the development plans up to and including the submission of the planning applications. The budget for completing this stage was £1,175,020 with the actual spend amounting to £1,124,973.

8.3 The RIBA 4 (Gateway 3) Stage costs cover the final design and construction costs. Part of these works will be funded through the Future High Street Fund (£90,528) with the remaining balance being funded via the capital programme. £16m has been included in the capital programme for the estimated development costs of York Place.

Funding of RIBA 4 (Gateway 3) Stage

8.4 The table below summaries the Future High Street Fund allocations and expenditure up to 22 October 2024:-

Project	FHSF allocation (inc contingency) (£)	Spend as at 15/01/24 (£)	Balance remaining (£)
Ryecroft Site	3,756,191	3,449,238	306,953
MSCP Development	3,500,000	3,500,000	0
York Place (Purchase, relocation and re-development)	3,015,218	2,924,690	90,528
Stone public realm	321,251	125,992	195,259
Market Stalls	75,600	75,574	26
Programme Management	380,000	379,333	667
Total	11,048,260	10,454,827	593,433

9. Major Risks & Mitigation

- 9.1 The proposed re-development of York Place is in a densely occupied town centre location and therefore will require careful management throughout the contract.
- 9.2 The potential for multiple re-development and / or construction projects being undertaken in a short period of time in the town centre could impact negatively on the enjoyment of the town amenities by users and will need careful messaging and monitoring. Each stakeholder will be able to assist with this.
- 9.3 The inflationary pressures and the cost of borrowing is a risk to the delivery of all of the schemes and each needs to be planned carefully to minimise the effects of each prior to the start or award of any contract. Construction inflationary pressures are now easing but are still a consideration.
- 9.4 Each scheme / project will have a dedicated risk register for the potential risks of each scheme from the feasibility stage to the construction phases.

10. UN Sustainable Development Goals (UNSDG)

- 10.1 Newcastle Town Centre is a highly accessible location, encouraging greater use of its land and assets enhances its role as a centre for services, leisure, retail and living and its connection to local residents. Furthermore this project is intended to enable the redevelopment of an underused retail complex that is in a poor state of repair and currently blocks good connectivity between the Ryecroft site and Ironmarket / High Street, bringing with it sustainability improvements, regeneration and economic benefits as well as in that respect, the project supports the realisation of the following UNSDG objectives:-



11. One Council

Please confirm that consideration has been given to the following programmes of work:

One Commercial Council

One Digital Council

One Green Council

12. Key Decision Information

12.1 This is a Key Decision.

13. Earlier Cabinet/Committee Resolutions

13.1 October 2019, Cabinet concerning development of the second stage FHSF bid and procurement of consultancy support.

13.2 December 2019, Economy Environment & Place Overview and Scrutiny Committee Town Centre Funding Update (information item).

13.3 July 2020, Cabinet concerning approval for submission of bid into MHCLG (now DLUHC).

13.4 April 2021 Cabinet accepting FHSF Grant monies and grant conditions.

13.5 December 2021 Cabinet purchase of York place Newcastle under Lyme.

13.6 March 2022 Cabinet award of contract for design and build contractor

13.7 January 2023 Cabinet progress report on the York Place project

13.8 June 2023 Cabinet award of contract for the demolition of York Place

13.9 September 2023 Cabinet approval for Town Centre Regeneration Feasibility Studies

13.10 6 February 2024 Cabinet approval for Town Centre Regeneration Update

13.11 14 February 2024 Council approval for Town Centre Regeneration Update

14. List of Appendices

14.1 None.

15. Background Papers

15.1 None.