

**NEWCASTLE-UNDER-LYME BOROUGH COUNCIL**

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

**12 November 2024**

**Report Title:** Contract Award for Ryecroft

**Submitted by:** Deputy Chief Executive

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

**Ward(s) affected:** Town

<b><u>Purpose of the Report</u></b>	<b><u>Key Decision</u></b>	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
<p>To provide Cabinet with an update on the progress made by Capital&amp;Centric on The Ryecroft project in Newcastle Town Centre, and to make recommendations to Council to enable the projects to progress to the next stage.</p>			
<p><b><u>Recommendation</u></b></p> <p>That Cabinet:</p> <ol style="list-style-type: none"> <li>Notes the progress made to date by Capital&amp;Centric on the Ryecroft project in Newcastle Town Centre;</li> <li>Approve expenditure of up to £748,329 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);</li> <li>Approve expenditure of up to £174,920 to develop the Aspire element of the wider 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);</li> <li>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&amp;Centric under a Pre-Development Services Agreement (PDSA) for the development of the two schemes through a direct award under the Pagabo Development Management Framework;</li> <li>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 sale of a portion of the site to Aspire Housing for their residential development (site boundaries and sale price to be determined through the next stage of design development), and reclaim the monies spend on this section of the site, namely £541,258;</li> <li>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.</li> </ol>			

## **Reasons**

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.

This report enables progress to be made at Ryecroft site.

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 be purchased by a Special Purpose Vehicle company as a stand-alone asset within Capital&Centric, as per their over-riding business model. In the case of the Aspire element of the scheme, at the point of contract award to Capital&Centric for the build out (a separate Council approval) then Aspire Housing would purchase their element of the site, reimburse the Council for fees paid up to that date and then contract directly with Capital&Centric for the build out phase.

## **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 Ryecroft and agreed in February 2024 that they would:-
  - Develop the scheme design and costs for The Midway Car Park site to RIBA Stage 3, under an individual Pre-Development Services Agreement.
  - 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 wider site and securing commitment to progressing to RIBA Stage 4 designs and costs for The Ryecroft site, namely the development of residential units and a hotel or an aparthotel along Merrial Street and the Aspire housing development integrated into the overall scheme between the McCarthy Stone and new Castle Car Park developments.

## **2. Update**

### **Update on Current Position**

- 2.1 In January 2024 foundation works commenced on the new Castle Car Park, through the construction contract with Morgan Sindall, signed in 2023. Works will be complete in late 2024.
- 2.2 In July 2024 the Council sold a portion of the site to McCarthy and Stone for the development of an over 55-year-old residential apartment block. A planning application will be submitted shortly with works expected to commence works in 2025.
- 2.3 Work on the hotel continues through the design development of the wider scheme with Capital&Centric and design consultants have fed into developing the design for this element of the site.

- 2.4 Discussions have also been progressing with Aspire Housing and their aspirations for residential units on the site to sit alongside the other elements of the site. It has been agreed that Capital&Centric will be undertaking this work alongside the Council and other works so the designs, public realm and approach will be consistent across the wider site. Capital&Centric will contract with Aspire directly and that the land required for this will be sold by the Council to Aspire to allow them to enter into this development / construction agreement. All fees and costs incurred by the Council for this element of the development will be reimbursed by Aspire at the same time as the land sale agreement is completed, to allow a back-to-back contract between Aspire and Capital&Centric for the build out stages of their section of the site.
- 2.5 The costs for taking the Council element of the project to RIBA Stage 4 (the final design and construction costs confirmation) are estimated at £748,329 with a project timeline of 6 months to submit the final package with tendered prices and a full design and programme, and for the same stage and level of information for the Aspire element is estimated at £174,920 with a project timeline of 6 months. A total of £923,249.
- 2.6 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.
- 2.7 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.
- 2.8 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**

- 2.9 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.
- 2.10 As highlighted in the September 2023 Cabinet report 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 - Once feasibility is assessed then the scheme design and costs will be developed for each of the three sites to RIBA Stage 3 under a new Pre-Development Services Agreement will be entered into for each project –

these agreements will include obtaining planning permission and establishing a cost envelope for each site.

- Stage 3 - Upon receipt and approval of the fully costed RIBA Stage 3 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.

2.12 Subject to this Cabinet report being approved the Council would progress to step 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 £748,329 for the Council element and a further £174,920 for the Aspire element (to be reimbursed) – a total of £923,249.

2.13 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 later in 2024.

### 3 **Proposal**

#### 3.1 That Cabinet:

- Notes the progress made to date by Capital&Centric on the Ryecroft project in Newcastle Town Centre;
- Approve expenditure of up to £748,329 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);
- Approve expenditure of up to £174,920 to develop the Aspire element of the wider 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 two schemes through a direct award under the Pagabo Development Management Framework;
- 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 sale of a portion of the site to Aspire Housing for their residential development (site boundaries and sale price to be determined through the next stage of design development), and reclaim the monies spend on this section of the site, namely £541,258;
- 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**

<b>Site</b>	<b>Pre- Application Gateway 1 (£)</b>	<b>Planning Submission Gateway 2 (£)</b>	<b>Pre Contract Submission Gateway 3 (£)</b>	<b>Total Costs (£)</b>
Ryecroft Aspire – Housing	40,000	326,338	174,920	541,258
Ryecroft Hotel/Residential	41,500	522,759	748,329	1,312,588
<b>Total Cost</b>	<b>81,500</b>	<b>849,097</b>	<b>923,249</b>	<b>1,853,846</b>

- 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 the Ryecroft site is shown in the above table (Pre-application / Gateway 1 £81,500). The actual spend for this stage amounted to £63,053.

- 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 £849,097 with the actual spend amounting to £734,474.
- 8.3 The RIBA 4 (Gateway 3) Stage works cover two projects on the Ryecroft Site, these are the Aspire Housing residential scheme and the hotel / aparthotel including Capital&Centric commercial proposals.
- 8.4 The Aspire Housing residential scheme will involve the delivery of 41 homes. It is anticipated that an agreement will be made for Capital&Centric to enter into a forward funding agreement with Aspire Housing. The costs of £174,920 to fund the final design and construction cost confirmation will be refunded to the Council from Aspire Housing. Once planning permission is obtained then Aspire Housing contract directly with Capital&Centric resulting in no further costs to the Council. In addition Aspire Housing will pay the Council a capital receipt for the acquisition of the land as previously agreed with them in the Heads of Terms.
- 8.5 The hotel/residential including Capital&Centric commercial proposals will cost £748,329 and will be funded through the Future High Street Fund as detailed in the table below and the refund from Aspire for the pre-development and design costs. Further developments of this design are required but early indications commercial space, 130 homes and 110 key hotel or aparthotel with associated amenity area.

### Funding of RIBA 4 (Gateway 3) Stage

- 8.6 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
<b>Total</b>	<b>11,048,260</b>	<b>10,454,827</b>	<b>593,433</b>

## 9 Major Risks & Mitigation

- 9.1 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.
- 9.2 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.

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

13.6 June 2023 Cabinet approval for procurement of Hotel Brand and Design and Build Contractor

13.7 June 2023 Cabinet award of contract for Castle Multi Storey Car Park

13.8 September 2023 Cabinet approval for Town Centre Regeneration Feasibility Studies

13.9 6 February 2024 Cabinet approval for Town Centre Regeneration Update

13.10 14 February 2024 Council approval for Town Centre Regeneration Update

## 14 List of Appendices

14.1 None.

15 **Background Papers**

15.1 None