

**NEWCASTLE-UNDER-LYME BOROUGH COUNCIL**

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

**18 March 2025**

**Report Title:** Contract Award for Astley Place

**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 partially demolished Astley Place project in Newcastle Town Centre, and to make recommendations to Council to enable the project to progress through the construction phases of the projects.</p>			
<p><b><u>Recommendation</u></b></p> <p>That Cabinet:</p> <ol style="list-style-type: none"> <li>1. Notes the progress made to date by Capital&amp;Centric on the partially demolished Astley Place project in Newcastle Town Centre.</li> <li>2. Recommend that Council:               <ol style="list-style-type: none"> <li>a. Approve expenditure of up to (either £18,213,758 in total or £16,111,895 minus costs already approved) to complete the Astley Place scheme to practical completion in readiness for occupation;</li> <li>b. 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, subject to planning approval, to enable the appointment of Capital&amp;Centric under a Development Services Agreements (DSA) for the development of the scheme through a direct award under the Pagabo Development Management Framework;</li> <li>c. 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 the legal agreement for the 'buy back' of the schemes by Capital&amp;Centric upon completion of the developments.</li> <li>d. Authorise the Deputy Chief Executive, in consultation with the Portfolio Holder for Finance, Town Centres and Growth to progress the legal agreements with Homes England to accept a grant as a subsidy for the development and become the accountable body for the grant, subject to Homes England approving the grant.</li> </ol> </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 on Astley Place.

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.

## **1. Background**

- 1.1 As reported to previous Cabinet meetings, the Council has secured Future High Street Funding and Town Deal Funding 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. This work has now concluded with the scheme being considered at a special meeting in April for planning permission, a contractor priced project budget and a programme for completion of the works.
- 1.2 Again, as reported previously but repeated for completeness and clarity, the process being followed with Capital&Centric having completed their initial development proposals (RIBA Stage 2) and subsequently the RIBA Stage 3 and 4 works of the scheme design and costs for each of the sites.
- 1.3 If the Council is satisfied with the RIBA Stage 4 works, as summarised in this report, and in the attached Appendix, the Council would then use the Pagabo Framework to appoint Capital&Centric through a development agreement to:
  - Manage the procurement and delivery of the main construction works to Astley Place, the former Midway Car Park and the residential / aparthotel works on The Ryecroft, all subject to individual Council approvals.
  - Agree a 'buy back' agreement with the Council, in that the Council will fund the build of each development but after Practical Completion Capital&Centric will purchase the individual developments for a value that is either the total cost of developing the scheme or the market value of the created asset, whichever is higher.
- 1.4 This incremental approach has been used successfully by the Council on both the Kidsgrove Sports Centre refurbishment and on the construction of the new Castle Car Park. Crucially, it enables the Council to take a phased approach to the developments, with cost certainty secured before progressing to the next stage. We are now at the final stage of development and will be securing construction works with this report.

## **2. Update**

### **Astley Place – Update on Current Position**

- 2.1 Partial demolition works to the former shopping centre commenced in October 2024 and were completed in early February 2025. The frame has been exposed and cut back to suit the final design of the new development.

- 2.2 Capital&Centric have managed the partial demolition of the former shopping centre that is 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.
- 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. It is now anticipated that the new music venue will be incorporated into the ground floor of the new development, alongside the commercial eating and drinking units that will occupy the ground floor of the whole development.
- 2.4 The design has now been set (See Appendix A) for the provision of modern apartments for young professionals, down sizers and families with the following apartment mix:
- 33 one bed apartments
  - 9 two bed apartments
  - 11,148 sq.ft. of commercial space
  - 3,046sqft music venue
  - A 500sqft resident amenity lounge and roof terrace will be provided at the site but further resident amenity space will be provided in the Midway development and will be made available for residents of this building.
- 2.5 The development costs for the redevelopment of the former shopping centre are estimated at £18,213,758 excluding grant and interest but including land value with a project timeline of 22 months to completion of the final scheme. A breakdown of the costs and the funding sources are set out later in this report.
- 2.6 A planning application for the site has been submitted and will be subject to approval at the planning committee, that will consider all Town Centre developments that are subject of this report, at a special meeting in April 2025.

### Cost and Funding Considerations

- 2.7 A summary of the costs supplied by Capital&Centric to complete the three town centre developments is set out below for completeness:

Site	Construction Contract	Project Construction Period
Midway Carpark	£37,518,885	26 months
Astley Place	£18,213,758	22 months
Ryecroft – Housing and Aparthotel	£34,444,256	38 months
<b>Total*</b>	<b>£90,176,899**</b>	

\*See financial section below for budgetary information

\*\*Excludes grants and interest costs but includes land value

- 2.8 The above projects will be funded by external borrowing and potentially a grant from Homes England. Further information is provided in the finance section below.

## **Cost impact of the Capital&Centric Model**

- 2.9 As highlighted in previous Cabinet reports and worth reiterating again here, 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.
- 2.10 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.
- 2.11 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 the project is launched) and shifts the ongoing risk of maintaining occupancy of the finished development away from the Council and onto the operator.

## **Next Steps**

- 2.12 The Capital&Centric model that the Council has been working with envisages taking developments through to completion and (project launch,) then purchasing the completed development and assuming the lead role in managing the operation of the development. There have been a series of gateways controlled by the Council through which the projects have passed to ensure viability. A further and final Cabinet and Council approval will be required to progress to the next stage of the process (procurement of a construction company to complete the works for occupation). At each gateway an updated business plan has been presented for each scheme including updated costs and a delivery programme. The final business plans for the scheme is attached in Appendix A.
- 2.13 At this currently approved stage the commitment to Capital&Centric extends only to developing the schemes up obtaining a full planning approval, the programme of construction and the construction budget. The submitted plans / proposals for the scheme that is being considered by this Cabinet report are the result of this stage and have been assessed and subject to the approval will be accepted and used as the basis of the final award for construction.
- 2.14 Subject to this Cabinet report being approved at Full Council the Council would progress to the construction stages of the scheme.
- 2.15 A critical part of this final stage is the model which involves Capital&Centric purchasing the end development is highly significant in terms of the Council’s borrowing for the three schemes. Rather than borrowing over, say, a 40 year period, during which the Council would need to both pay interest and capital, the Council’s borrowing would only be for, approximately, the duration of the build, as any loan and associated interest would be repaid upon sale of the asset. This minimises the financial impact on the Council’s General Fund Revenue Account of the schemes for the Council. This would be covered in a legal ‘buy back’ agreement and would be signed at the same time as the development agreements for the construction of the schemes. If this ‘buy back’ agreement is not agreed or signed the construction agreements would not be signed, thus avoiding the risk of agreeing the ‘buy back’ once the funding commitments are made for the final construction stages.

- 2.16 Presently Capital&Centric are in discussions with Homes England regarding a grant from their BIL Programme to subsidise some of the costs of the project. This is based upon viability and financial pressures that the development costs versus value are currently presenting. The aim of the development is to drive the value up via increased rental demand, increasing rental values. The grant covers the viability gap between costs and value – it is the aim of the grant to cover these shortfalls. Homes England are progressing their assessment for the grant and are due to finalise their decision in the next few months. Homes England have requested that the grant is assigned to the Council and the Council become the accountable body for the grant, as the Council will be the property / land owner during the construction phases.

### **3. Proposal**

#### 3.1 That Cabinet:

- Notes the progress made to date by Capital&Centric on the partially demolished Astley Place project in Newcastle Town Centre.

#### 3.2 Recommend that Council:

- Approve expenditure of up to £18,213,758 excluding interest costs and grant but including land value to complete the Astley Place scheme to practical completion in readiness for occupation;
- 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, subject to planning approval, to enable the appointment of Capital&Centric under a Development Services Agreements (DSA) for the development of the scheme 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 the legal agreement for the 'buy back' of the schemes by Capital&Centric upon completion of the developments.
- Authorise the Deputy Chief Executive, in consultation with the Portfolio Holder for Finance, Town Centres and Growth to progress the legal agreements with Homes England to accept a grant as a subsidy for the development and become the accountable body for the grant, subject to Homes England approving the grant.

### **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 Astley Place (formerly 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 (£)	Construction Costs £	Total Costs (£)
Astley Place	90,000	1,175,020	836,843	16,111,895	18,213,758
<b>Total Cost</b>	<b>90,000</b>	<b>1,175,020</b>	<b>836,843</b>	<b>16,111,895</b>	<b>18,213,758</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 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 As of the February 2025 draw down, a total of £1,298,762 has been expended on the project. The remaining balance of £713,101 is currently forecasted to be expended prior to the end of Gateway 3.

8.4 The total development costs for the project excluding grant and interest is £18,213,758 meaning a balance of £16,111,895 is to be approved for Gateway 4. A breakdown of the total costs are included in Appendix A.

## 9. Major Risks & Mitigation

9.1 The proposed re-development of Astley 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**

*We will make investment to diversify our income and think entrepreneurially.*

The development seeks to ensure that the Council is using its assets effectively and that investment is made in the Town Centre that deliver good quality and modern environments for businesses and residents.

**One Digital Council**

*We will develop and implement a digital approach which makes it easy for all residents and businesses to engage with the Council, with our customers at the heart of every interaction.*

The Council will seek to utilise technological developments in these investment's and that there are options available to customers where possible.

**One Green Council**

*We will deliver on our commitments to a net zero future and make all decisions with sustainability as a driving principle.*

As part of the Council's Sustainability agenda the developments will deliver against the zero carbon standards to support this.

**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.
- 13.12 12 November 2024 Cabinet approval for completion of RIBA Stage 4 works.

**14. List of Appendices**

14.1 Capital&Centric Astley Place Business Case.

**15. Background Papers**

15.1 None.