

REPORT FOR DECISION



DECISION OF:	Cabinet
DATE:	16.10.19
SUBJECT:	Prestwich Way Forward Options
REPORT FROM:	<p>Councillor Eamonn O'Brien Cabinet Member Finance and Housing</p> <p>Councillor David Jones Leader of the Council, Cabinet Member for Economic Growth, Skills and Transport</p>
CONTACT OFFICER:	Paul Lakin - Director of Regeneration and Capital Growth Business, Growth & Infrastructure
TYPE OF DECISION:	<i>CABINET (KEY DECISION)</i>
FREEDOM OF INFORMATION/STATUS:	For publication
SUMMARY:	<p>This report proposes that the Council directly intervenes to ensure the delivery of a comprehensive regeneration scheme for Central Prestwich. The paper requests that the Council fund the pre-development costs of the scheme to secure delivery.</p>
OPTIONS & RECOMMENDED OPTION	<p>Cabinet is asked to:</p> <p>Endorse the option to directly deliver the Prestwich Urban Village programme and note the implications.</p> <ul style="list-style-type: none"> • That the Council becomes the master developer in order to deliver the regeneration of Prestwich Town Centre. • That the Chief Executive be authorised to conduct a procurement process to secure a development management partner. • That funding of up to £1.45m for pre development costs be approved met from the approved Capital Programme provision for growth projects.

IMPLICATIONS:	
Corporate Aims/Policy Framework:	Do the proposals accord with the Policy Framework? Yes
Statement by the S151 Officer: Financial Implications and Risk Considerations:	<p>A £250k allocation for the internal costs of managing the Prestwich scheme over the next two years and a £1.2m maximum sum required to appoint an independent Development Management service is available in the Council capital programme budget. These estimated costs are expected to reduce through the competitive tendering exercise and a number of external grants are being sought to contribute towards this scheme, so final net costs to the Council should be lower than stated in this report.</p> <p>It should be noted that, if the scheme does not progress beyond pre-development, these costs will fall against revenue rather than capital budgets, i.e. there is a risk to the Council's income and expenditure position. However, this risk is believed to be low because it is unlikely that the Council will not proceed with some development of Prestwich town centre.</p> <p>The proposal supports the objectives of economic regeneration and inclusive growth which, in turn, underpin the Medium Term Financial Plan.</p>
Equality/Diversity implications:	n/a
Considered by Monitoring Officer:	<p>Yes</p> <p>This is the initial report to ask for approval to progress the development of Prestwich. The specific legal implications are set out in the report and consideration will have to be given to the appropriate procurement route for appointment of a Development Manager. Further legal advice and assistance will be required through the progress of the scheme, if approved.</p>
Wards Affected:	St Mary's/Holyrood/Sedgley
Scrutiny Interest:	

TRACKING/PROCESS

DIRECTOR:

Joint Executive Team/CCMT	Cabinet Member/Chair	Ward Members (if necessary)	Partners
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	Briefed		
Paul Lakin	Councillor David Jones	Cllr Jane Black, Cllr Steve Wright, Cllr Alan Quinn, Cllr Richard Gold, Cllr Alan Quinn, Cllr Eamonn O'Brien	
Scrutiny Committee	Other Committee	Council	Comms

1.0 BACKGROUND

The Council has a long standing commitment to deliver a comprehensive regeneration programme in central Prestwich.

The need for regeneration is evidenced by the outmoded 1970's buildings in the heart of the town, namely the council owned Longfield Suite, the library and the privately owned Longfield retail centre. There are also other key parcels of land in the centre which when brought together offer the opportunity of comprehensive regeneration.

For the last 18-months the Council has been working with Muse Developments who have obtained an option to acquire the Longfield shopping centre, this has allowed them to explore the potential to bring forward a development scheme incorporating the retail site and the Council's ownerships. Muse have informed the Council that they wish to continue working on Prestwich Village but with their role being limited to acting as a development manager on behalf of the Council.

With a developer unable to fund a wholly commercial regeneration scheme it has become increasingly clear that if the Council is to see its ambitions for Prestwich delivered it will have to lead the regeneration. This a trend being seen both regionally and nationally, Councils are proactively using their access to cheap long-term capital to drive forward stalled regeneration schemes.

This report therefore proposes a new approach if we are to secure the regeneration of Prestwich town centre. A Council can potentially achieve a viable scheme when a commercial developer cannot. The principles of this approach are:

- The Council being prepared to borrow to invest in the scheme on the basis of its costs of borrowing being met from future income. Council investment will be via access to the Public Works Loan Board or Annuity Funding. The developers profit requirement has added to the challenges of viability and has been a contributing factor in the long delays the Prestwich Urban Village scheme has suffered from.
- By leading the regeneration process the Council can remove or reduce capital and revenue liabilities on its own estate by securing redevelopment
- The Council will directly benefit from additional financial uplift generated through Council tax and retained business rates.

- The Council will apply public grant funding into the scheme

This approach will make a difference to the financial bottom line of the development scheme. This approach is in line with current practice where increasingly Local Authorities across England and Wales have been taking the lead on funding and promoting major regeneration schemes.

1.0 Proposal

To deliver the above approach this paper proposes that the Council becomes the master-developer for Prestwich.

The role of a master-developer is to assemble a site by securing all the land interests. It must then design the scheme and secure planning permission. It must fund the site infrastructure, public realm and other costs associated with creating a development platform.

A master-developer will then recover the costs by selling the individual development plots it has created, or it can take the option of delivering a plot directly, by reserving a plot for the new civic facilities. This gives the Council more control over the type and nature of development delivered. This is important to enable the Council to deliver a scheme which meets the aspirations and desires of Prestwich residents.

Through a master developer approach the Council can effectively phase development. Creating value from a first phase and then benefitting from stronger financial returns in later phases, as the positive changes in the area drive land and property values.

The biggest drawback for a Council in performing the role of master-developer is the lack of in-house skills to design and work-up and implement a commercial development programme. This is why it is proposed to procure external expertise by securing a skilled and expert development management partner.

2.0 ISSUES

2.1 Costs associated with the Pre-Development Phase

During the pre-development phase detailed cost estimates to implement the first phase of development will be completed (architectural plans, outline planning, design works, public realm and plot layouts). It is planned that the second phase will involve considerable private sector investment.

The pre-development costs and fees are provided as estimates (and laid out in the Chief Finance Officers comments at the front of this report), the final cost will be established through a tendering process.

At the end of the pre-development phase the Council will have a full and detailed business case and will be able to demonstrate some early commercial interest in the scheme, at which point a decision on whether to commit the Council to invest in the public infrastructure and potentially elements of the scheme can be taken. It is expected that the pre-development phase will take in the region of six months once the appointment of a development management company has been made.

2.2 Costs associated with assembling the site

The Council has incurred the cost of acquiring a key plot at 458 Bury New Road and if the scheme is to proceed we will also need to acquire the lease for the Longfield Retail centre for which a price will need to be agreed. In addition to the development manager fees the Council will need some external advisory support on the drafting of legal agreements and in financially profiling the scheme.

All other key land interests are under the control of key public partners, the Council, TfGM and NHS properties. This is a strong position for any Council to be in when promoting a large regeneration scheme.

2.3 Costs associated with internal Project management

The Council has made provision for a permanent project manager and will capitalise the costs of other staff who are directly working on the scheme. There will be some other costs that cannot be applied into a Development Management Agreement which budget will be needed, such as independent legal advice.

2.4 Legal Implications

To secure the land required for the scheme the Council must acquire the remaining lease on the Longfield shopping centre from Hollins Murray Group. The Council are the freeholders.

As the master developer it will fall upon the Council to negotiate the acquisition of the centre. To progress this the Council has retained external agents to undertake an independent valuation, this will be used as the basis of a negotiation with the owners.

Whilst the Council ultimately has potential recourse to CPO powers our objective is to seek to complete an agreement through negotiation.

2.5 Risks

The Council has no risk free options if we wish to see the regeneration of Prestwich centre.

There are very substantial costs and drawbacks with maintaining the existing Longfield Centre and Suite, including the fact that the Council has a long backlog of capital-works for the suite and is losing significant revenue funding on its ongoing operation. Our outline building assessment shows the Centre requiring c£1m of backlogged maintenance works simply to continue in its current format, this investment would be irrecoverable as the centre is already operating at an annual revenue loss to the Council.

The master developer route represents the lowest risk approach the Council can take as it limits the Councils exposure to the costs of preparing the site, undertaking all the project development planning and funding the general infrastructure. Under this approach, the Council does not have to fund all the significant new buildings, as 'development options' would transfer risks across large parts of the scheme to the private sector.

This route is not risk free. Ultimately the main risk in acting as a master-developer is strongly tied to the economic vitality and prospects of Prestwich Town Centre. However Prestwich, with its robust property values, strong local dining and evening economy, strong community and outstanding connectivity is considered a relatively low-risk location.

Whilst this reduces the risk of the Council not receiving a return equivalent to its investment, it cannot entirely remove the risk.

3.0 CONCLUSION

In conclusion the Council must intervene if it is to secure the regeneration of Prestwich Town Centre. It is therefore recommended that:

- The Council becomes the master developer in order to deliver the regeneration of Prestwich Town Centre
- The Chief Executive be authorised to conduct a procurement process to secure a development management partner.
- Funding of up to £1.45m for pre development costs be approved and met from the approved Capital Programme provision for growth projects.

List of Background Papers:-

JET Paper – 19th August 2019

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