



Classification:
Open

Decision Type:
Key

Report to:	Cabinet	Date: 01 June 2022
Subject:	Acquisition of Diocese Finance Board property interests within the Mill Gate Estate	
Report of	Leader and Cabinet Member for Strategic Growth	

Summary

On 22nd March 2022 Cabinet noted the intention of the Manchester Diocese Board of Finance to look to dispose of their property interests within the Mill Gate Estate. The Cabinet also approved delegation to commission an independent valuation of their interests.

This report makes the case for the acquisition of the diocese interests by the Council as part of the regeneration of Bury town centre following further work in respect of the above.

Background

The report is written in the context of the regeneration of Bury town centre as a whole and the aim to improve the lives of local people and the Bury economy.

The diocese ownership is a complex structure intertwined with further Council interests within the Mill Gate Estate.

The interests to be acquired are income generating and will provide a further income stream to the Council. By acquiring these interests, the Council will have much greater control of the future development of these areas within the wider Mill Gate Estate.

A potential barrier to development of the estate will be removed with this acquisition and therefore regeneration of the town centre will be somewhat less complex once master planning of the area is complete.

This report updates Members on the work carried out following the March Cabinet meeting where the Cabinet were made aware of the intention of the diocese to dispose of their interests within the Mill Gate Estate. Ongoing discussion with the diocese has continued and the parties have opted to receive independent valuation advice rather than a joint valuation. This will provide further comfort on valuation advice received.

Members are asked to note that subject to their approval to this report, and conclusion of the delegated due diligence the acquisition will take place prior to the next Cabinet meeting.

The commercial details of the proposed transaction are within the report at Part B of this agenda.

This proposed acquisition relates to the Council acquiring additional interests in the Mill Gate estate, as referenced in the report to Cabinet on 22nd March 2022.

Case for Acquisition

A comprehensive case for the Council to acquire the Mill Gate estate was set out in the report considered by Cabinet in November 2021 and was further set out in the final Cabinet report on 22 March 2022, to enter into the joint venture with Bruntwood and acquire the Mill Gate shopping centre. This acquisition further strengthens the Council's position and removes a potential barrier for redevelopment.

Acquisition price

Valuation advice has been provided by CBRE setting out the likely value of the acquisition. This report is essential to ensure that the Council is achieving value for money and responsible use of public money. This report sets out a range of valuations for the interests to be acquired based upon the rental income and future lease assumptions. Legal due diligence on title will be undertaken. The valuation advice is appended to Part B of this report.

Recommendation(s)

That Cabinet:

1. Approve the acquisition of the Manchester Diocese Board of Finance interests within the Mill Gate estate subject to approval of recommendation 2, the acquisition price being within the range set out in the Part B report and the advice set out in Appendix to the Part B report and subject to the carrying out of a formal red book valuation to provide assurance that the Council is achieving best value.
2. Delegate to the Executive Director of Place authority to complete due diligence and final negotiations with the Diocese and to agree the final terms of the transaction in line with the professional valuation advice set out in the Part B report and subject to recommendation 3 below.
3. Delegate final approval to the transaction to the Chief Executive following consultation with the Leader of the Council and Cabinet Member for Strategic Growth, the Monitoring Officer and the Section 151 Officer.
4. Instruct the Monitoring Officer to enter into and complete all necessary documents to give effect to the acquisition.

Reasons for recommendation(s)

1. To assist in facilitating the wider aspirations of regeneration of Bury town centre by securing further control over the Mill Gate Estate. To facilitate redevelopment opportunities within the masterplan for the estate.
2. To avoid the diocese interest being acquired by an 'income-investor' who could potentially look to retain the income in the long term and provide a barrier to redevelopment. This would not be insurmountable but would

delay the regeneration timescales and would certainly hold up proposals for redevelopment of the Mill Gate Estate.

3. To provide a further income stream to the Council by way of ground rent income payable under the interests to be acquired.

Alternative options considered and rejected

1. Council to not act and leave the matter to market forces. This option was rejected as if the diocese interests were to be purchased by a third party, they may not be motivated to facilitate redevelopment and could become a barrier to redevelopment of the wider Mill Gate estate.

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Links with the Corporate Priorities:

The regeneration of Bury Town Centre supports delivery of the Let's Do It strategy and the five themes that underpin the plan.

The five themes all have a correlation to how we design our Towns. As we move towards a future in urban areas where people travel less, buy more locally, work and access local services, we need vital and liveable neighbourhoods. This means the Council must think carefully about neighbourhoods and how they can be either built or re-designed to work well. The five themes are summarised below and how they link into the vision for Bury Town Centre.

Healthy Communities: The redevelopment of the Mill Gate Estate provides options for providing new community infrastructure including adult learning, civic facilities and other health related services will be a true connection to the community. The implementation of active travel, walking and cycling routes connecting people with local amenities and increasing the availability of public open space will enable the community in Bury Town Centre and surrounding suburban to reconnect and thrive. This acquisition will assist in facilitating the redevelopment.

Carbon neutral: We need to use every opportunity to ensure that development in Bury Town Centre on our land is carbon neutral and prioritises active travel.

Inclusion: making sure that everyone's voice is heard, this will absolutely be a focus through the Consultation of the regeneration work.

Digital first: the full fibre roll out has enabled access to faster speeds and future-proofed infrastructure. This presents an excellent opportunity for the businesses and community with Bury Town Centre being the ideal location to cultivate new business growth, encourage start up SMEs, promote digital growth, and deliver tech enabled employment space.

Inclusive Growth: the regeneration scheme at the Mill Gate in Bury Town Centre will include investment in physical infrastructure (roads, cycle ways and public transport); creating more flexible and innovative/digital workspaces to encourage more businesses to open and remain in Bury; to ensure residents have the best chance to access good jobs.

Equality Impact and Considerations:

1. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:
2. A public authority must, in the exercise of its functions, have due regard to the need to -
 - a. eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under this Act.
 - b. advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
 - c. foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
3. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services.
4. If proposals are brought forward to Cabinet in due course for comprehensive redevelopment, a full resident and wider community engagement strategy will be included.
5. Our Corporate Plan 2022/23 sets out key themes, principles, and deliverables to support the Borough of Bury as it recovers from the local impact of the Covid-19 pandemic and builds a better and brighter future for our population, communities, and businesses.

Environmental Impact and Considerations:

1. Bury Town Centre is a highly sustainable location, with a major transport interchange which links to the 100-station Manchester Metrolink system, the town centre is also a major bus hub for north Greater Manchester and contains significant cycling and walking infrastructure.

2. The Mill Gate estate occupies a 15.2-acre brownfield site in the centre of the town. This presents the opportunity to introduce a significant residential capacity in the heart of a highly sustainable town-centre, one which is not car-dependent.
3. The Shopping Centre itself is of a certain age and the opportunity for refurbishment and redevelopment will enable the estate to reduce its carbon footprint over time.
4. The Council has a pledged to be Zero Carbon by 2038. We will be mindful of this when redeveloping the Mill Gate Estate.

Assessment and Mitigation of Risk:

Risk / opportunity	Mitigation
Risk: Consideration of acquisition	Council has received external valuation and strategic advice on the acquisition that supports assessment of value for money.
Risk: Borrowing risk	Any Council lending is secured against the asset.
Risk: Development risk	Development opportunities will be identified based on local planning policies. This acquisition reduces development risk for the wider Mill Gate proposals

Legal Implications:

This report presents a further stage in the acquisition of interests in and connected with the Mill Gate Centre. Legal advice and support has been provided throughout and will be important going forward. This has been specifically provided for in that the Monitoring Officer will have oversight of the process of completion.

The recommendations provide for the necessary ongoing due diligence and other aspects together with appropriate governance and delegations to finalise this matter.

Financial Implications:

The Council already owns an interest and proportion of the freehold title of the Mill Gate Estate along with the Diocese for which both parties receive an annual income. This transaction would see the Council acquiring the Diocese share and therefore owning the full title. The ground rents do achieve an annual income,

which subject to the final value paid will either contribute to or cover the annual costs of borrowing.

CBRE have provided professional advice in terms of a range for the valuation, which can be used as part of the negotiations. However, a red book valuation will be commissioned to inform the final price to be agreed to ensure value for money is achieved on behalf of the Council.

Funding for the acquisition will be required to be added to the capital programme for 2022/23 as this acquisition was not planned at the time of budget setting in February 2022.

Background papers:

Please list any background documents to this report and include a hyperlink where possible.

Report to Cabinet 17th November 2021 – Acquisition of the Mill Gate estate Bury

(<https://councildecisions.bury.gov.uk/documents/s29158/Acquisition%20of%20the%20Millgate%20Estate%20Bury%20part%20A%20report.pdf>)

Report to Cabinet 22nd March 2022 - Approval of Town Centre Regeneration joint venture with Bruntwood and acquisition of the Mill Gate estate

(<https://councildecisions.bury.gov.uk/documents/s31018/Part%20A%20Millgate%20Estate%20Cabinet%20Report%20Mar%202022%201%20-%20Final%20Version.pdf>)

Please include a glossary of terms, abbreviations and acronyms used in this report.

Term	Meaning
JV	Joint venture