



Date of Meeting	29 <sup>th</sup> June 2021
Portfolio	Cabinet Member for Economy and Communications
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Public/Private Document	Public

## Neighbourhood Rochdale (Central Retail Park) development update

### Executive Summary

- 1.1 In February 2020 Cabinet considered a report relating to the proposed 'Neighbourhood Rochdale' housing development at Drake Street and Oldham Road (Central Retail Park). The proposal is to deliver a high quality residential scheme as a key component of the Station Gateway masterplan and to maintain the momentum of the on-going regeneration strategy for Rochdale town centre.
- 1.2 Cabinet agreed to provide funding for the detailed design of the scheme, to undertake site surveys, prepare reports and undertake a cost analysis and viability appraisal. It was also agreed to come back to Cabinet for an additional approval when the design had been progressed and a viability appraisal was complete.
- 1.3 Since the Cabinet report in February 2020, work on the design of the scheme (up to RIBA Stage 3) has been progressed and it is intended to submit the detailed planning application for the scheme in early July 2021. This current report seeks approval from Cabinet to the current designs and to the submission of the detailed planning application, subject to confirmation of the financial viability of the scheme as a whole.
- 1.4 In addition, £3.76m of 'Brownfield Land Funding' has recently been secured from the Greater Manchester Combined Authority to support the Neighbourhood Rochdale scheme. Approval from Cabinet is needed to accept this offer of funding.

## Recommendation

2. It is recommended that Cabinet agrees to:
- a) accept the £3.76m Brownfield Land Funding offer to support the residential development
  - b) the submission of the detailed planning application for the scheme.
  - c) endorse the RIBA Stage 3 designs of the scheme, subject to future confirmation of the financial viability of the scheme as a whole.
  - d) the Assistant Director (Legal, Governance & Workforce) be authorised to enter into any legal agreements necessary to give effect to this decision in consultation with the Cabinet member for Economy and the Director of Economy and the Director of Resources.

## Reason for Recommendation

3. In order to ensure timely delivery of Neighbourhood Rochdale, it is expedient to accept the GM Brownfield Land Funding and make progress on the scheme design.

Recommendation	Reason for Recommendation
Accept the GM Brownfield Land Funding	Approval will enable the additional external funding to be secured to support delivery of the scheme
Approve the submission of the planning application for the main contract	The submission of the planning application will allow the scheme to be progressed
Endorse the current the designs (currently at RIBA Stage 3), subject to future confirmation of the financial viability of the scheme as a whole	It was agreed in February 2020 to come back to Cabinet when the design had been progressed

## Key Points for Consideration

- 4.0 **Background**  
In February 2020 Cabinet agreed to provide funding for the detailed design of the scheme and to undertake site surveys, prepare reports and undertake a cost analysis and viability appraisal. It was also agreed to come back to Cabinet for an additional approval when the design had been progressed and a viability appraisal was complete.
- 4.1 **Progress since February**  
Since February 2020 work has continued to progress the scheme on a number of fronts
- Work on the design of the main scheme has progressed with the designs currently at RIBA Stage 3 (spatial co-ordination stage). This

design stage provides sufficient information for a detailed planning application to be submitted.

- The planning application for the main works is currently being prepared with a view for submission in early July 2021.
- Funding of £3.67m of 'Brownfield Land Funding' from Greater Manchester Combined Authority (GMCA) has been secured to support the scheme and a draft Grant Funding Agreement has been received.
- The scope of an initial enabling works contract is currently being reviewed.
- An initial cost plan and viability appraisal has been prepared and this is currently being reviewed and refined following completion of the RIBA Stage 3 design process.
- Initial engagement and public consultation on the scheme has been undertaken.
- The Council have appointed CBRE Ltd to review the scheme proposals and financial appraisal and to report on matters including overall financial viability, ongoing financial implications for the Council, predicted demand and reasonableness of underlying assumptions. This work will be reported to Cabinet in due course to support future decisions around progression of the scheme.

- 4.2 Greater Manchester Combined Authority (GMCA) have confirmed that £3.76m has been made available under the Brownfield Land Fund to support the residential development at Neighbourhood Rochdale. This funding is the same funding stream which has already contributed £3.42m towards the Upperbanks (Rochdale Riverside Phase 2) scheme in Rochdale town centre (approval to accept this £3.42m for Upperbanks was approved by Cabinet in October 2020).
- 4.3 A formal offer of funding has been received by the Council along with the draft Grant Funding Agreement (GFA). The terms of the funding offer and Grant Funding Agreement are currently being reviewed (they are very similar to the terms of the GFA recently completed in respect of Rochdale Riverside Phase 2, approved by Cabinet in October 2020). As with the Rochdale Riverside Phase 2 GFA, the GFA for Neighbourhood Rochdale includes spend deadlines and milestones which will need to be met, and clawback provisions in the event that the scheme fails to progress to the build stage. Once the agreement has been formally reviewed and the terms of the offer are considered acceptable, it is recommended that Cabinet delegate authority to the Director of Economy and Chief Finance Officer in consultation with the Portfolio Holder for Finance & Corporate to accept the formal grant funding offer, and to the Chief Finance Officer to sign the Grant Funding Agreement between Rochdale Council and the GMCA.
- 4.4 Members should note that GMCA Brownfield Fund has also been awarded to a number of other proposed residential schemes in the borough, including £3.68m at British Vita in Middleton and £1.68m at Dunlop Works, Royle Road, Castleton.
- 4.5 In addition to the grant funding offer, work has been progressed on the design of the scheme. The design has been progressed up to RIBA Stage 3,

which provides sufficient information for a detailed planning application to be submitted. In line with the Cabinet resolution in February 2020, it is now an appropriate stage for Cabinet to be updated on the current iteration of the design. Members should note that the Council has recently appointed external independent consultants (CBRE Ltd) to provide an overview of the scheme. Alongside a review of financial elements as described above, this includes a review of the overall project structure & assumptions, along with a high level review of the design. The external consultants have confirmed that the designs undertaken to date, being at RIBA Stage 3 with technical design still to be undertaken, demonstrate that *'The proposal for Neighbourhood, Rochdale presents a great opportunity to create a high quality new residential area. The Design response to the site shows a considered approach to providing quality homes in Rochdale town centre and addresses the need for a good mix of accommodation providing both starter homes through to large family homes.'*

*The provision of shared, green amenity space should help to engender a community and benefit the health and wellbeing of the residents. Some thought will have to be made regarding the developed design and management of these spaces so to make them both economically and socially viable, but the inclusion of such spaces is very positive.*

*The design could be amended to increase density and improve commercial returns, but this would be at the detriment to the social benefits of the current proposal and if the intention is to create a sustainable neighbourhood, this should be avoided.*

*The design proposals do demonstrate some 'green' credentials, such as living roofs. Through the developed design process further thought should be given to the environmental and sustainability of the development.*

*Overall, this is a good proposal that demonstrates the desire to create an interesting and sustainable community within the town'*

- 4.6 It is also intended to submit the full planning application for the scheme in early July 2021, and Cabinet are asked therefore to approve the submission of the planning application (the cost of submitting the planning application are covered under the existing scheme budget, funded by the existing Council capital programme).
- 4.7 As set out in the report to Cabinet in February 2020, it is still necessary to come back to Cabinet at a future date when the viability appraisal/independent review is complete. The progress on the RIBA Stage 3 design has allowed an initial cost plans and viability appraisals to be prepared and this is currently being reviewed and refined in conjunction with the project team. In addition, the scheme will continue to be subject to finance, legal, commercial and tax due diligence, and as set out in the 'next steps' section below, it is proposed to come back to Cabinet later in 2021 and in early 2022 to seek approval to the enabling works contract, funding arrangements and delivery structure, along with the viability appraisal, once these have been confirmed.

#### 4.8 **Next steps**

Subject to Cabinet approval to this report, the immediate next steps to progress the scheme will be to:

- complete the GMCA Brownfield Land Grant Funding Agreement
- submit the detailed planning application
- progress the design to RIBA Stage 4 (technical design)
- review the scope and programme of the enabling works and site remediation package

#### 4.9 Subject to progress on the above, it is proposed to come back to Cabinet in Autumn 2021 to seek approval to:

- agree costs and funding of the enabling works (funded by the GMCA Brownfield Land fund)
- procure the contractor to undertake enabling works
- commence the enabling works and remediation on site

#### 4.10 It is then proposed to bring a further report to Cabinet in late 2021 or early 2022 to deal with the following:

- outcome of the finance, legal, commercial and tax due diligence/independent review
- the preferred funding and delivery route for the main scheme
- funding of the main works contract
- procurement of contractor to undertake main contract
- the commercial appraisal (cost/values) and cash flow
- the outcome of the review by external consultants

#### 4.11 **Alternatives Considered**

<i>Alternative option</i>	<i>Reason to why the option has been discounted</i>
Delay approval of the current RIBA Stage 3 design	This would put the public sector funding potentially available at risk as the Brownfield Land funding is subject to a deadline. It would ultimately delay the delivery of the main development scheme.
Delay submission of the planning application	This would put the public sector funding potentially available at risk and result in unnecessary delays
Not accept the Brownfield Land Funding	The project would lose key public sector funding needed to support the development of the scheme.
Do Nothing	This would result in the site remaining vacant and leaves the Council with a liability in an area which needs intervention

## Costs and Budget Summary

- 5.1 In February 2020 Cabinet gave approval to fund the design costs of the proposed scheme, estimated at £2.8m, and funded from existing capital approvals (£2m Town Centre Residential Strategy, £0.8m Property Growth Fund). This committed funding is being utilised to undertake the design of the scheme (RIBA Stages 3 & 4) and to fund the submission of the planning application. There will be no additional costs to the Council from the submission of the planning application.
- 5.2 There will be no additional costs incurred by the Council as a result of accepting the GMCA Brownfield Land external funding. The project is managed by the RDA, the cost of which is fully funded through the Council's capital programme, via the allocations as detailed above.
- 5.3 Subject to Cabinet approval in Autumn 2021, it is proposed to utilise the GMCA Brownfield Land funding to undertake the enabling works on site. The scope of the enabling works will be aligned to the amount of Brownfield Land funding available to ensure there will no additional costs to the Council.
- 5.4 Members should note that current appraisals indicate a significant viability gap (where estimated development costs exceed the likely development value on completion) in relation to the proposed scheme. The reduction of this viability gap will be a key consideration in the due diligence work referenced above and the independent review of the scheme. A revised assessment of this position as a result of this work will form part of future reports to Cabinet concerning this scheme, together with the estimated ongoing financial implications for the Council should the scheme go ahead.

## Risk and Policy Implications

6. Key risks and mitigations associated with this report are identified below;

Risk	Implications / Mitigation
Cabinet declines to accept the Brownfield Land funding offer	Funding needs to be found from elsewhere or the viability gap of the scheme increases
Delay in accepting the funding offer means spend cannot be achieved by funding deadline	Cabinet agree to accept grant offer, with prompt signing of legal Grant Funding Agreement
Delays to programme mean full amount of grant not claimed by funding deadline	Prompt signing of legal Grant Funding Agreement giving maximum time to spend grant
Clawback of grant if outputs not delivered	The draft Grant Funding Agreement contains an agreed list of outputs and timetable for their delivery. These will be constructed to ensure that they are realistic and achievable, to minimise the chance of grant clawback.

The costs of the enabling works contract exceed the level of Brownfield Land funding available	The scope of the enabling works contract will be specifically designed to match the Brownfield Land funding offer
Cabinet decides to delay the submission of the planning application	This would put the public sector funding potentially available at risk and result in delays to the project delivery and the wider Station Gateway programme
Noting the significant viability gap based on current appraisals, the site may not be developed after the enabling works	The enabling works will create a 'shovel ready' site and will help future proof the site and add value by making it more developable

### Consultation

- 7.1 The Neighbourhood Rochdale scheme has been subject to public consultation, led by the contractor. The most recent consultation with members of the public and Council members took place in May 2021.

Background Papers	Place of Inspection
February 2020 Cabinet Report	Committee Services
Specification and/or plans RIBA Stage 3 designs of the scheme	Committee Services

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