

**Appendix 1**

**Report to CABINET**

**Report on – Oldham Town Centre Master Plan  
and Delivery Options**

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and Enterprise

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**10<sup>th</sup> July 2017**

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**Reason for Decision**

To seek Cabinet approval to progress a formal exercise on options for the preferred route to market to deliver the redevelopment of the town centre in the context of Members 2035 regeneration vision.

## **Executive Summary**

Cabinet has recently commenced an exercise considering their “2035” regeneration vision for Oldham in the context of the future major redevelopment opportunity within Oldham Town Centre, the major projects portfolio, and the Greater Manchester Spatial Framework challenge facing Oldham. The 2035 regeneration vision is centred on:

- A vibrant borough where people want to relocate to live;
- An economy where businesses want to invest, with high skilled residents they can employ;
- Thriving town centres where residents want to live and spend time with excellent cultural and shopping facilities;
- A redeveloped night time economy with enhanced attractions for all and recognised as a destination across the City Region;
- Ambitious town centre schemes with housing, schools and neighbourhood regeneration reflecting of the needs of our communities;
- New developments that feature high quality design as standard with sustainability at its core.

Part of this exercise involved consideration of a substantial master planning exercise on the town centre prepared over the last 12 months. Members recognised the substantial contribution that advancing the town centre redevelopment opportunities would make to delivery of the emerging 2035 vision. At the same time Members recognised that a sophisticated approach to risk sharing with the private sector should be explored to avoid the substantial risks to the Council of self-development and the attendant costs this would present to the Council’s capital programme.

Cabinet agreed to spend additional time during summer 2017 finalising this vision, and also for officers to undertake further detailed preparatory work on how a new opportunity might be delivered/ presented to market to advance the town centre redevelopment opportunity.

Officers and external advisors have considered a range of delivery arrangements and specialist development and investment vehicles that could potentially be used to deliver major development, ranging from contract based agreements to independent legal entities. The options available to the Council include:

- Council self-development;
- A Council wholly owned delivery vehicle;
- Joint Venture Vehicles/ Partnerships;
- Development Agreements.

Further investment in a due diligence and market testing exercise is now required in order to determine the best option for the Council and to progress the delivery of the masterplan. As part of that due diligence, the Council will need to consider any implications an option may have in relation to compliance with the Council’s Constitution, Public Contracts Regulations 2015, State Aid principles and the Land and Property Protocols including s.123 Local Government Act 1972 best consideration obligations in relation to the sale of publicly owned land.

## **Recommendation**

That Cabinet:

- Endorses in principle the Town Centre Masterplan (Appendix A);
- Approves that officers progress a formal exercise to consider options for the preferred route to market to deliver the redevelopment of the town centre in the context of Members 2035 regeneration vision in order to report the outcomes of this exercise to Cabinet by late 2017;

- Approves an initial revenue allocation of £200k representing a fees budget for this next stage of work;
- Authorises further recommendations as outlined in Part B of the report.

Cabinet – Part A

10<sup>th</sup> July 2017

## **Report on – Oldham Town Centre Master Plan and Delivery Options**

### **1.0 Town Centre Regeneration**

In March 2016, Leach Rhodes Walker (LRW) were commissioned to prepare a masterplan for the North of the Town Centre, which centered on the significant areas of publicly owned land in the town centre;

- Civic Centre, including the Queen Elizabeth Hall;
- Tommyfield market site;
- Former leisure centre site;
- Former Magistrates Courts; and
- Police Station.

Much of the sites identified by LRW are either under-utilised or contain buildings that are coming to the end of their economic life. The masterplan aims to build on the significant investment by the Council and other partners in the last few years, and to assist in the delivery of Members' emerging 2035 regeneration vision for Oldham. The masterplan proposes a significant redevelopment of the area over a 10 to 15 year period.

There are also a number of privately owned sites that could come forward for development. These sites are identified on the plan in Appendix A.

The masterplanning exercise shows at this stage only potential indicative future configurations of these buildings and sites, and precise configurations and delivery phasing would be the subject of future reports to Cabinet.

### **2.0 Other Opportunity Sites**

As noted above there are other potential windfall sites that could come forward as part of the longer term redevelopment of the Town Centre;

- Land owned by Atherton Estates on Rock Street, which is adjacent to the Council-owned Bradshaw Street car park and Coliseum which is due to close in early 2020 as part of their relocation to the a new building on Union Street. This area would allow a link through to Yorkshire Street and Prince's Gate at Mumps;
- Henshaw House and Mecca Bingo building and car park on King Street;
- There is also the opportunity to work with Kennedy Wilson, the owners of Spindles Town Square Shopping Centre, to maximise the benefits for the town centre.

The transfer of key town centre sites, such as the former leisure centre and magistrates courts into a JV vehicle, would also allow the Council through the JV to control the future uses of the sites. Future educational uses and considerations will also be incorporated into

the town centre plans given the known pressures on secondary school place planning in particular.

### **3.0 Civic Centre Back-log Maintenance**

A backlog maintenance programme (BMP) has been identified as being required to deal with outstanding backlog maintenance issues, which if deferred or left will ultimately result in future increased costs, possible consequential damage and liabilities to the property estate. £590K of Priority 1 works (high priority) have been identified for the civic centre for the 2017/ 18 period.

Should the Council decide that the long-term plan was to continue to occupy the Civic Centre and retain current levels of occupational use for the next 20 years, the buildings constructed at various times in the early 1960's / 1970's would be circa 70 years old, thereby requiring a significant planned maintenance programme for building element replacements, which would be in the region of £20m.

In addition to the planned maintenance requirements, the current revenue maintenance costs (current spend at circa £250,000 per annum) will also have to be considered. Revenue costs which would evidently increase subject to the timing of the implementation of the Planned Maintenance Programme.

In addition to the aforementioned maintenance costs, there are also operational / running costs that need to be considered (i.e. rates, utilities, cleaning, insurance, grounds maintenance etc.), that currently have a Corporate Landlord budget of circa £3m per annum, inclusive of the aforementioned maintenance requirements.

The Corporate Landlord estimates that the operational, refurbishment, and maintenance costs that have been associated with the Civic Centre since 2010 to date, together with estimated costs of continued occupancy for a further 20 years is in the region of £87m. The figures do not take account of the requirement to refurbish the Council Chamber.

There could potentially be significant savings to be made on operating costs by consolidating additional Council services in new accommodation.

A number of authorities have rationalised and replaced costly existing assets that have reached the end of their lifespan. Examples include:

- Rochdale Council – a new £50m, 16,500sqft municipal office building that houses council offices, a library and customer service centre was completed in 2013.
- Tameside Council – as part of a £76m redevelopment of the town centre, the council is expected to spend around £13m on its new eco-friendly premises, around £2 million less than what it would have had to spend to refurbish its existing offices. Around £1.5 million will be saved in running costs every year, according to the council.
- Harrogate Borough Council – a new civic headquarters is being built and will include office space, civic space and customer service centre which will see a lot more council services operating from a single site rather than across several locations within the town. This is being delivered so that the council will be able to provide a better service to reduce running costs and maximise staff efficiency. It has been estimated that the Council will save in the region of £1million a year in operating costs.

Oldham's Working Smarter With Assets (WSWA) programme successfully rationalized the Council's office estate from 13 buildings to 4, namely the Civic and Southlink core sites. This strategy was driven by the Council's (historic) contractual commitment to long leases at Southlink without an option to break and a preference at that time to retain the Civic and consolidate occupation.

The opportunity arose to review within the context of wider One Public Estate principles, the potential civic centre backlog maintenance and running costs pressures, and is one of the reasons for the consideration of redevelopment of the civic centre as one of the major projects that could be advanced via a new JV opportunity. The assumption in the masterplan is that this would be brought forward on a multi-agency model to further rationalise accommodation requirement and future costs, and consideration is being given to appropriate governance to oversee the multi-agency negotiation this would require, as part of the One Public Estate framework across Greater Manchester.

#### **4.0 Strategic Investment Framework**

The Council adopted its *Strategic Investment Framework* (SIF) in summer 2016. The purpose of this is to direct investment and development activity in the short to medium term. The SIF provides a single document expressing Oldham's economic and investment ambitions, setting out the vision and objectives for the borough and the priorities for action. It outlines the challenges facing Oldham and its role in the City Region, along with the opportunities to deliver significant economic and social benefits through well targeted investment. The redevelopment /regeneration of the Town Centre is a key element in the regeneration of the wider Borough, and would directly support achievement of the SIF objectives.

The development of the Town Centre, through the creation of a joint venture vehicle, should enhance our ability to deliver the ambitions of the SIF in terms of the delivery of regeneration projects and the creation of jobs associated with those projects. A new delivery vehicle could enable the following objectives to be met:

- To deliver growth through:
  - new and improved housing;
  - town centre development;
  - enhanced use of the Council's property portfolio;
- To retain a long term stake and control in development of the Council's land,
- Achieve a long term financial return;
- In partnership with the private sector, catalyse delivery of financially challenging schemes;
- To secure wider social and economic benefits in areas affected, including community facilities, skills and training, health improvement or crime reduction for the benefit of Existing residents; and
- Incorporate other public and private land belonging to other stakeholders into development sites.

Following the initial positive response from soft market testing at MIPIM 2017, further meetings with developers/ soft market testing will be undertaken in the forthcoming months. An appraisal of market and demand will be undertaken and guidance provided by specialist advisors as part of the due diligence process. Appointment of these advisors will be required and procured accordingly, with the fee included with the £200k revenue allocation request.

## **5.0 Planning Considerations**

The Oldham town centre masterplan comes at an important time in the planning process for Oldham Council. The authority is in the process of refreshing its statutory local plan, and discussions at a Greater Manchester level on the GM Spatial Framework are continuing. Within these, and with a particular focus on the Local Plan, the Council must be mindful of its statutory planning responsibilities and the need for any future development proposals to be assessed against this plan and its test of objectively assessed need for development in the borough.

At this stage the masterplan sets out a series of outline concepts for potential development and zoning across the town centre. It does not have the status of a statutory document, or for that matter a planning application; rather it acts as a guide to potential for future development options Members and the development community may wish to consider, which in due course would be subject to the normal rigour of the planning process.

Within this, important considerations for Members may include more explicitly zoning the town centre in order to prioritise particular end uses in particular geographic areas of Oldham, alongside design/quality standards and massing considerations. The route to achieve these objectives will be via the adopted Local Plan which will describe the objectives Members wish to achieve for borough-wide development and regeneration, which will be supported by a number of studies/masterplans which will reflect the evidence on which the Local Plan is based.

It is important to note that approval of the masterplan does not entail or oblige the Cabinet or the Planning Committee in any way to deliver the precise outline of potential development set out in the masterplan, and is a very different decision to the future adoption of the Local Plan which will determine development constraints in Oldham. Members are instead being asked to approve an overarching vision for development in the Town Centre which may guide their consideration of future site specific studies and planning applications, which in due course will be subject to the planning process. In that sense, approval of the masterplan should not be considered binding in relation to the exact pattern of future development or the nature of subsequent planning applications, but is an important decision in communicating an initial vision for future development potential in Oldham.

## **6.0 Inclusive Growth and Economic Benefit**

The town centre masterplanning and redevelopment opportunity potentially offers a significant contribution to Members' 2035 regeneration vision and also to the local and Greater Manchester "inclusive growth" agenda. In the context of the unique scale of the development opportunity represented by this scheme in the GM context, the above benefits would provide a major contribution over time to the delivery of the inclusive growth agenda for Oldham residents.

## **7.0 One Public Estate**

One Public Estate (OPE) is an initiative delivered in partnership by the Cabinet Office Government Property Unit (GPU) and the Local Government Association (LGA). It provides practical and technical support and funding to councils to deliver ambitious property-focused programmes in collaboration with central government and other public sector partners.

OPE partnerships across the country have shown the value of working together across the public sector and taking a strategic approach to asset management. At its heart, the programme is about getting more from public sector assets collectively; whether that's catalyzing major service transformation such as health and social care integration and benefits reform, unlocking land for new homes and commercial space, or creating new opportunities to save on running costs or generate income. This is encompassed in four core objectives:

- Creating economic growth (new homes and jobs);
- More integrated, customer-focused services;
- Generating capital receipts;
- Reducing running costs.

The GM OPE programme is a fundamental part of Oldham Council's approach to joint working with Government in order to develop a place-based approach to driving inclusive economic growth and promoting the independence of residents across the conurbation.

The Council's approach to OPE provides a means through which all public agencies are engaged in ensuring the public sector collectively makes best use of publicly owned land and property assets to meet wider strategic objectives. This coordinated approach to public land and property is a key part of the Council's approach to land supply, site assembly, and collaboration with the private sector to unlock development at sufficient scale and pace to deliver Oldham's overall ambition.

## **8.0 Delivery options**

There are a number of delivery options open to the Council in delivering the masterplan, which can be summarised as follows:

- Council self-development;
- Council wholly owned vehicle;
- Joint Venture Vehicles/ Partnerships;
- Development Agreements.

The relative advantages and disadvantages of each will be considered by officers and the councils advisors over the next few months and report back to Cabinet with preferred option in the Autumn.

## **9.0 Procurement Methodology**

As the primary aim of the Council would be to secure a delivery partner (s) to undertake the development (to include all design, planning and delivery on the ground) and for as long as the Public Authorities in the UK remain bound by EU procurement law, the Council would be required to follow an EU approved procurement route(s).

The type of procedure to be used (Open; Restricted; Competitive with negotiation; Competitive dialogue; and Innovation partnership) would need to be considered alongside the Council's preferred delivery arrangement. Considerations would include whether this would involve a single delivery partner, or a multi partner route for individual sites within the

masterplan area and/or whether the Council wishes to directly deliver some elements (e.g. new council offices).

For the selection of a single partner with overall delivery responsibility, where the specification for the delivery objectives involves broad parameters (e.g. to deliver up to 4 office buildings with an aggregate size of between x and y sq m, high quality public realm, not less than y residential units ...etc), Competitive Dialogue would be the most appropriate route.

In order to minimise the risk of successful challenge through for example, failure to follow procedural regulations, the process must be carefully managed. In order to mitigate this risk, officers would work with Eversheds and their property advisors to establish a clear and detailed work plan with clear objectives established prior to commencing the procurement process.

Previous property advice is that a single partner approach brings significant advantages particularly in relation to control, management and overall ownership of the masterplan proposals. The approach further enables a longer term view to be taken where delivery prospects will be enhanced through the ability to take a balanced approach to overall viability rather than a piece meal arrangement where scope for cross funding is more difficult and carries greater State Aid risk.

## **10.0 Delivery Arrangements**

Given the comprehensive nature of the proposals and in particular the benefits to preserving continuity of use and occupation whilst new buildings are delivered, this would favour the appointment of a single partner to take responsibility for further Masterplanning work and to manage the delivery of the entire scheme as a comprehensive project. This single party approach brings a number of additional advantages including:-

- Streamlined procurement, management/control and communication with the Council.
- The ability to achieve economies of scale in contractor procurement.
- Ability to deal with access infrastructure and services on a holistic basis.
- Returns from more profitable elements of the overall scheme can be reinvested to cross fund those which are less viable.
- Best consideration requirements are likely to be more straightforward dealing with a disposal to a single party where a comprehensive approach is being taken.
- Appointment of a single partner with overall responsibility can be structured so as to permit sub-contracts with developers for certain elements where broader expertise/skills may be needed, for example in the delivery of the residential accommodation.
- Allows the benefits of growth and improvement in values over the course of the overall development – “betterment” to be captured and reinvested.
- Scale of development proposed is more likely to favour/appeal to larger delivery organisations with financial and staff resources and with a track record in delivering similar comprehensive schemes

## **11.0 Costs**

A provisional sum of £200K is assumed to progress a formal exercise on options for the preferred route to market to deliver the redevelopment of the town centre in the context of Members 2035 regeneration vision. This is for services including specialist legal, property agent and surveyor advice. These fees will be a charge against the Economy, Skills and Neighbourhoods budget and will be met either from within existing resources or a transfer from the Regeneration reserve.

Approval is therefore sought for a fee budget of £200k to progress the next phase of work.

A bid is currently under way through the sixth round of One Public Estate funding for up to £250k. Any monies successfully gained through this bid may contribute to the analysis and design of a new combined authority Civic Centre rather than the procurement of the JV itself.

## **12.0 Due Diligence**

Due diligence will be undertaken by the Council officers with the assistance of procured necessary advisors. This will be undertaken to assess the viability of the masterplan as well as the options for delivery. It is envisaged this process will be completed by early Autumn 2017 enabling a final report recommending a preferred route to market to be brought to Cabinet in late 2017.

## **13.0 Governance**

Once the option for delivery is agreed, a new governance structure will be established. Prior to this, the process of due diligence and internal Council Governance practices will be overseen by the Major Projects Board, chaired by the Director of Economy and Skills. There will also be reporting via Capital Investment Programme Board and the Leaders portfolio meeting as appropriate.

## **14.0 Best Consideration and State Aid**

The procurement would need to ensure that the requirements of the delivery partner (s) are aligned with the Council's Statutory (s123 Local Government Act 1972) best consideration obligations in relation to the sale of publicly owned land and the appraisal of each option will involve a careful review (both legal and commercial) of this aspect.

Appraisal of State Aid issues will be undertaken and guidance provided by specialist legal advisors as part of the due diligence process. Appointment of these advisors will be required and procured accordingly.

## **15.0 A wider GM Joint Venture Vehicle**

Should a JV be the chosen option, it would be possible to establish it such that other GM authorities would be permitted to participate. Letters of support were received from the following during the soft market testing of the proposed Prince's gate Co-investment vehicle in 2015:

- Greater Manchester Combined Authority
- Greater Manchester Police
- Wigan Council
- Rochdale Council
- Trafford Council
- Oldham College

- GM Fire Authority
- GM Ambulance Service

The complexity of the project, including from a procurement perspective, would increase where a Joint Venture has a wider public sector scope. At this stage the primary purpose of any procurement exercise would be to deliver Members 2035 regeneration vision for Oldham, but wider GM relationships with a JV (if the preferred option) should not be ruled out where this may prove to be in Oldham's long term strategic and/or development interest.

## **16.0 Consultation**

None.

## **17.0 Financial Implications**

The due diligence exercise to develop the proposals for the Town Centre Joint Venture Development/Delivery Vehicle is expected to require an initial revenue allocation of £200k. This can be met from within the Town Centre Investment Strategy Reserve which has a current balance of £580k.

The due diligence, along with soft market testing, will determine the most appropriate structure or structures to take forward the 2035 regeneration vision for the town centre. The exercise will scope the exact mix of sites/assets to include in the vehicle and if self-development is appropriate for any of the proposed sites. The exact nature of the vehicle will also need to be determined, having regard to the advantages and disadvantages as detailed in section 12.

Detailed costings of the developments and cashflow projections of the schemes, once operational, will need to be worked up and analysed to ensure that the proposals are sufficiently robust and profitable to enable the Council to meet both the MEOP test requirements and ensure interest from potential development partners.

The Council will need to set up the Delivery Vehicle in line with the wider context of the Council and Greater Manchester Strategic Investment Framework and other initiatives, such as One Public Estate to ensure that it is in an optimal position to obtain any available grant funding to support the development of the scheme. Such as the current application for £250k One Public Estate funding for the proposed Civic Centre replacement.

(James Postle)

## **18.0 Legal Services Comments**

There are a wide range of powers which the Council can rely on to support the delivery of its plans and to take this decision.

Any land/property transactions will be carried out in accordance with the Council's Land and Property Protocols.

Any procurements/contracts conducted/entered into must be compliant with the Council's Contract Procedure Rules and EU Regulations.

External legal support will be obtained as and where necessary to supplement in-house advice and will dovetail with financial and other professional advice.

Legal Officers will be closely involved in the review of the options available to the Council, supported by specialist external legal advisors as and when required, and will ensure that full consideration is given to compliance with the Council's Constitution (in particular the Land and Property Protocols and the Contract Procedure Rules) Public Contract Regulations 2015, state aid principles and section 123 Local Government Act 1972.

The exemption from publication is justified on the category stated in the report.

(Rebecca Boyle/ Amanda Topham)

## **19.0 Co-operative Agenda**

This report is intended to build upon Oldham's Council's Corporate Plan "Delivering a Cooperative Oldham" (updated 2013) and in particular one of its key objectives – 'A productive place to invest, where business and enterprise thrive'.

There are 4 key work programmes within the Corporate Plan that will help achieve this objective:

- Invest in Oldham
- Get Oldham working
- Destination Oldham
- Campaigning Oldham

The recommendations contained within this report are intended to make a significant contribution to the Corporate Plan and the key work programmes listed above.

## **20.0 Human Resources Comments**

Not applicable.

## **21.0 Risk Assessments**

As the preferred solution is developed it will be necessary to assess both the benefits and risks. This will require an on-going process to manage future risk within the programme management arrangements.

(Mark Stenson)

## **22.0 IT Implications**

None envisaged

## **23.0 Property Implications**

As stated in the main body of text, a new combined Civic Centre would provide more efficient space and services as well as significantly reducing the operation costs currently associated with the existing Civic Centre buildings and QE Hall.

## **24.0 Regeneration Comments**

All Regeneration comments are picked up in the body of the report

## **25.0 Corporate Property Comments**

As noted within the report, public sector governance structures are being developed to support delivery of the proposals, most particularly regarding scoping of accommodation and location requirements of all partner organisations, ensuring smaller footprint, and flexible shared space. Respective timescales of each organisation are currently being developed and aligned. Feasibility work is required regarding the nature and extent of revenue savings to be generated to ‘the public purse’ resulting from the proposals.

Governance arrangements will also establish a collaborative brief to manage partners’ expectations and buy-in to the overall vision from stakeholders.

(Cath Conroy – Head of Asset Management & Estates)

## **26.0 Procurement Implications**

Strategic Sourcing and Strategic Relationship Management note the recommendations of the report.

As detailed in Section 3.0 of the report, the role of HF must be aligned to the most commercially viable and sustainable option for the delivery of Hotel Oldham.

In accordance with EU legislation and procurement law any subsequent sourcing activity, where applicable, must be compliant with the Public Contracts Regulations 2015 and the Contract Procedure Rules.

Section 12.0 details the delivery options and the proposed provision of £200,000 to set up a JV/Development agreement. It seems prudent to ensure that prior to the development of such an agreement, a strategic review of the financial investment required for each of the preferred delivery options is undertaken. This would inform any commercial reviews of the Town Centre re-development strategy.

(Nicola Wadley, Interim Head of Strategic Sourcing)

## **27.0 Environmental and Health & Safety Implications**

None

## **28.0 Equality, community cohesion and crime implications**

None.

## **29.0 Equality Impact Assessment Completed?**

No

**30.0 Key Decision**

Yes

**31.0 Key Decision Reference**

ECEN-24-15

**32.0 Background Papers**

None

**33.0 Appendices**

Appendix A – Town Centre Masterplan, June 2017.