

CABINET	AGENDA ITEM No. 6(b)
10 JULY 2012	PUBLIC REPORT

Cabinet Member(s) responsible:	Cllr Cereste, Leader of the Council and Cabinet Member for Growth, Strategic Planning, Economic Development, Business Engagement and Environment Capital	
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DELIVERY STRATEGY FOR SOUTH BANK AND SURROUNDING AREAS

R E C O M M E N D A T I O N S	
FROM : Head of Growth & Regeneration	Deadline date : <i>n/a</i>
<ol style="list-style-type: none"> 1. That the South Bank Opportunity Area (SBOA) is renamed as the Riverside Opportunity Area (ROA). 2. That the embankment and areas north of the river and Pleasure Fair Meadows car park are included within the ROA as shown in the plan at Appendix 1. 3. That Cabinet agree the proposed delivery strategy for ROA and the outline scope of development as detailed in the report. 4. That Cabinet delegate authority to the Head of Growth & Regeneration in consultation with the Leader of the Council and Cabinet Member for Growth, Strategic Planning, Economic Development, Business Engagement and Environment Capital, the Executive Director Strategic Resources and the Solicitor to the Council to procure a joint venture partner(s) to participate in a corporate joint venture with the council for the delivery of parts of the ROA including but not limited to Fletton Quays. 5. That Cabinet delegate authority to the Head of Growth & Regeneration in consultation with the Leader of the Council and Cabinet Member for Growth, Strategic Planning, Economic Development, Business Engagement and Environment Capital, the Executive Director Strategic Resources and the Solicitor to the Council to negotiate with the freeholders to acquire land and assets necessary to support the successful development of the ROA up to a limit of £3m, subject to due diligence and a viable business case; to be funded through: <ol style="list-style-type: none"> a. Up to £1m through the existing corporate Invest To Save budget in this financial year, for those assets where a clear Invest To Save business case can be demonstrated; and b. Up to £2m for other assets, for which Cabinet is asked to support a growth bid for the FY13/14 budget process. 6. That Cabinet support a growth bid in FY13/14 for £600k to cover the procurement and establishment of the Joint Venture. 	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Cabinet following a request from the Leader of the Council and Cabinet Member for Growth, Strategic Planning, Economic Development, Business Engagement and Environment Capital.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to consider the outcomes of the review of the options for delivery of the Riverside Opportunity Area and to agree the way forward.
- 2.2 This report is for Cabinet to consider under its Terms of Reference No. 3.2.3, to take a leading role in promoting the economic, environmental and social well-being of the area; and 3.2.7, to be responsible for the Council's overall budget and determine action required to ensure that the overall budget remains within the total cash limit.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	n/a
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4. RIVERSIDE DELIVERY STRATEGY

4.1 Background

The brownfield land known as the South Bank Opportunity Area (SBOA) in Peterborough is strategically located to the south of the city centre adjacent to a main access route to the city centre and alongside the River Nene. The council, through Cabinet, has previously committed to leading the regeneration of this site of around 17 hectares (42 acres) – see also section 9 – Background Documents. In particular Cabinet, at its meeting of 26th April 2004, agreed strategic objectives for the area:

1. To deliver the comprehensive regeneration of the South Bank site creating a high quality and lasting contribution to the success of the city centre
2. The provision of a significant element of residential accommodation, at a density appropriate to help sustain other uses, and with a mix which creates a socially and economically integrated community
 - to include a rich mix of other uses that fully respond to the location in the city centre, the river and riverside/parkside, the football ground and adjacent residential communities, including uses that create a significant number of new employment opportunities, such as offices, workspaces, leisure, cultural and small-scale retail uses
 - for the planning and design of the development to be of the highest quality, including respect for the setting (including cathedral views), high quality building and public spaces design, providing a safe environment, and sustainable design and construction measures
 - to ensure the site is accessible (by all modes of transport), provides an integrated network, and seeks to optimise the flow of traffic on London Road and around the city centre
 - the development of the South Bank will include explicit sustainable development measures and promote the dissemination of the experience of these measures to promoting their wider application for the city

4.2 The SBOA is divided into a number of phases, as shown in the plan at Appendix 1:

1. Carbon Challenge (sustainable housing development)
2. Football stadium (redevelopment as community stadium)
3. Fletton Quays (riverside regeneration opportunity)
4. London Road allotments (future development possibility)

There has been significant progress in delivering the objectives set out in 2004: the first two phases (Carbon Challenge and the football stadium) are already underway. Therefore this proposed delivery strategy focuses on the best way to bring forward the Fletton Quays element as the third phase. This area has also seen major steps forward in terms of land assembly and site clearance; however the economic climate has prevented further progress to date. The fourth phase, London Road, is also included in the proposed delivery strategy so that it can be progressed as and when development opportunities arise, and the option to include further stages of phase 3, the football stadium is also allowed for.

4.3 The proposal is now to also include areas north of the river (known as north embankment) and Pleasure Fair Meadows as a fifth phase in the delivery strategy to allow for development where opportunities arise; hence the proposal to rename the development area as the Riverside Opportunity Area (ROA). The proposed extension of the opportunity area is identified in the plan at Appendix 1.

4.4 **Fletton Quays**

Fletton Quays is defined as the land bounded by the River Nene in the north, Frank Perkins Parkway in the east, the railway line to March in the south and Town Bridge in the west. As a riverside site it is considered to be an excellent development opportunity, but in the current economic climate it is essential to choose the correct delivery strategy in order to make best use of available development funding.

4.5 The site is expected to be developed as a mixed use scheme, probably including elements of residential, leisure, cultural and commercial uses. However the exact mix will depend on the market. Due to the strategic gateway nature of the site it is considered not likely to be suitable for a supermarket. Sustainable and comprehensive regeneration is sought as this will fulfil the corporate priority of delivering substantial and truly sustainable growth. Overall the objectives for the delivery strategy are:

- To create a deliverable scheme
- To avoid cherry-picking of parts of the site and the risk of landbanking
- To transform the utilities infrastructure requirements from being a cost burden to an investment opportunity and achieve returns to the public sector as a consequence
- To enable the council to assure the clean/green credentials of the scheme's utilities infrastructure and services
- To provide financial, governance and management architecture that give the best possible chance of using the lowest cost money throughout the scheme
- To provide the council with control based on the positive provision of equity (land), investment and capability (utilities) to augment the influence it has as Planning Authority.

4.6 **Site Preparation**

The Fletton Quays site is largely in the ownership of the council. The two exceptions to this are Whitworth Bros Ltd's mill (on the river at the eastern end of the site) and the Environment Agency's Aqua House (next to London Road at the western edge of the site). The former Matalan and B&Q plots have now been cleared and demolition of Bridge House is complete. This will make the site more marketable, helping to ensure the best regeneration scheme can be secured.

4.7 A set of technical studies on Fletton Quays have been commissioned to give certainty about the conditions of the site. This includes information about flood risk, contamination and ground stability. These studies will give potential developers clarity on the site constraints – if this is clear upfront then developers will not need to price for unknown risks and so development will be more viable.

- 4.8 The two listed railway sheds on the site have been made weatherproof; however they will still require significant further work to convert them to a long term use. Various options for this are being explored with partners. Determining the future use of the railway sheds will be incorporated as a key part of the delivery strategy.
- 4.9 **Delivery Options**
There are a number of ways that the council could deliver Fletton Quays. These include variations on directly selling the site to a developer or appointing a joint venture partner. In order to ensure the best strategy is chosen for this site the council has explored the options with legal advisors Pinsent Masons and developed a recommendation on the strategy that best matches the council's needs, as detailed in the report attached at Appendix 2. It explains the options available to the council, in light of the current economic climate, and ranks them according to the council's objectives given at paragraph 4.5 above.
- 4.10 The recommended delivery strategy is to procure a joint venture partner to participate in a corporate joint venture with the council to deliver regeneration on Fletton Quays. This option would allow the council to fully participate in decision making processes over time. It is flexible enough to adapt to changes in internal and external circumstances. It would also create a true, transparent profit sharing arrangement. It can also deliver the sustainable infrastructure that is essential to the development of this gateway site. Finally, it would also have the ability to deliver other ROA phases as and when opportunities arise, as described in the following two paragraphs.
- 4.11 **Site Assembly**
As noted elsewhere in this report the site is not in 100% Council ownership. Whilst the acquisition of the outstanding sites is not essential their inclusion within the scope would make sense from a development perspective and ensure the comprehensive regeneration of the area.
- 4.12 In theory it is possible that it could be a task for the proposed joint venture to acquire these sites directly once established, but it is considered that completing site assembly in advance of forming the joint venture will give bidders greater confidence during the procurement process and thus increase the council's prospects of achieving the best value possible. Therefore the recommendation is to negotiate to acquire outstanding land assets subject to appropriate due diligence and a viable business case.
- 4.13 The proposed maximum budget in total for any outstanding assets is £3m, although it is anticipated that actual costs may be lower. This is made up of up to £1m on assets through the existing corporate Invest To Save budget in this financial year, and up to £2m for other assets, for which a growth bid will be submitted for the FY13/14 budget process. It should be noted that if acquisition is not possible in the short term then the option of the joint venture buying the sites at a later date, possibly with the assistance of the council's compulsory purchase powers, is not precluded.
- 4.14 **Football Stadium**
The first stage of redevelopment of the football stadium as a community stadium is already being brought forward under a separate project. However it is possible that the proposed delivery strategy will present good opportunities to bring future stages of the stadium redevelopment forward. The scope of proposed delivery strategy for the ROA will therefore allow for this option.
- 4.15 **London Road Allotments**
The former allotment site on London Road lay unused for a number of years before being brought back into use as the Green Backyard. However it has always been included within the South Bank Opportunity Area as a future development site. It is potentially attractive for development because of its excellent location on a key access route into the city, adjacent to other growth sites. It is considered prudent for it to be included within the scope of the overall delivery strategy proposals for the ROA so that opportunities can be followed up as and when they arise. Officers are separately working on options to relocate the Green

Backyard to ensure that this important community project can continue to make a positive contribution in the city.

4.16 **North Embankment**

The north embankment covers the entire area bounded by the river in the south and Rivergate, Bishops Road, Fengate and Frank Perkins Parkway to the north. With the exception of the combined court building it is entirely in council control. There are currently no specific proposals for this site, and the public open space element is considered a key asset for the city. However the surrounding facilities (Key Theatre, Lido, car parks, regional pool and athletics track) may have potential for development or expansion in the future. Therefore it is considered prudent for the whole north embankment area to be included in the additional fifth phase within the scope of the overall delivery strategy proposals for the ROA so that opportunities can be followed up as and when they arise.

4.17 **Pleasure Fair Meadows**

The car park at Pleasure Fair Meadows is also included within the additional proposed fifth phase as this allows the possibility of it also being included in the scope of the overall delivery strategy. This may be useful to support the development of viable bids. However any such proposals will be evaluated in the context of overall city car parking provision.

4.18 **Procurement**

The procurement of a joint venture partner will need to be under a formal European procurement process (known as 'OJEU' after the Official Journal of the European Union in which it must be advertised). The council has significant recent experience of carrying out OJEU procurement processes. This indicates a likely timescale of approximately 1 year to appoint a partner from the start of the process. More detail on expected timescales is set out in the report at Appendix 2.

4.19 The procurement process will require specialist advice to support the council's in-house teams in three areas:

- Legal – specialist advice on the legal structure of bids will be required. An advisor will be appointed through available frameworks
- Financial – specialist advice on the financial architecture of bids will be required. An advisor will be appointed through available frameworks
- Property – specialist advice on the property market and viability of bids will be required. An advisor will be appointed through available frameworks.

4.20 Although the focus of this delivery strategy is Fletton Quays it may be pertinent in the future for the proposed joint venture to work on other ROA sites, as described at paragraphs 4.14 to 4.17 above. Therefore the terms of the procurement of the joint venture partner will allow for this possibility.

4.21 It is proposed that the procurement process will be overseen by a Strategic Project Board consisting of senior officers and at least three Members. The Strategic Project Board will approve the short listing of bidders up to the final stage of dialogue, and will make a recommendation to Cabinet for the final selection of a preferred bidder.

4.22 The proposals for the area shown in Appendix 1 align with current planning policy for this area. Whilst further work is taking place to support the development of City Centre Development Plan Document the proposals are not anticipated to differ from existing policy.

4.23 The option of bringing the council's Energy Services Company (ESCO) into the arrangements in a structured way will also be allowed for in the procurement. This may assist in particular in delivering two of the aims outlined at paragraph 4.5 above:

- To transform the utilities infrastructure requirements from being a cost burden to an investment opportunity and achieve returns to the public sector as a consequence

- To enable the council to assure the clean/green credentials of the scheme's utilities infrastructure and services.

5. CONSULTATION

The following groups will be briefed in advance of Cabinet and their comments reported to Cabinet at the meeting:

- Ward Councillors
- Neighbourhood Committee chairs
- Chair of Sustainable Growth & Environment Capital Scrutiny Committee and group leads for that committee

6. ANTICIPATED OUTCOMES

The anticipated outcome is that the Head of Growth & Regeneration will be able to progress the delivery of regeneration on the South Bank, now to be extended known as the Riverside Opportunity Area, according to the agreed delivery strategy, including in particular through the creation of a joint venture vehicle via an OJEU procurement and completion of land assembly through acquisition of the remaining sites.

7. REASONS FOR RECOMMENDATIONS

The recommendations are made to enable the delivery of regeneration on the South Bank area of Peterborough, now to be extended known as the Riverside Opportunity Area. It is considered that without these steps it will not be possible to deliver timely and comprehensive regeneration on this key city centre site.

8. ALTERNATIVE OPTIONS CONSIDERED

The alternative options are considered in the report at Appendix 2 and the reasons that these alternatives are not being taken forward are given.

9. IMPLICATIONS

The implications of the project have been considered as follows:

- Financial:
 - a) Project costs: an initial budget of £925k is available from existing budgets for the procurement and establishment of the JV; however it is proposed that a growth bid for £600k is made during the FY13/14 budget process. This will support the establishment of the JV through additional risk mitigation, which may include (but not be limited to) site preparation work such as further investigatory studies, land remediation and flood risk mitigation.
 - b) Site assembly: Cabinet is requested to support the acquisition of remaining land assets in the area up to a value of £3m. This will consist of up to £1m on assets through the existing corporate Invest To Save budget in this financial year, and up to £2m for other assets, for which a growth bid will be submitted for the FY13/14 budget process.
- Legal: the process anticipated fulfils all legal requirements
- Corporate Priorities: the aim of the delivery strategy is to help realise the corporate priority of delivering substantial and truly sustainable growth
- Environment Capital: the objectives of the delivery strategy at 4.5 above encompass ensuring the scheme has good green credentials including sustainable utilities infrastructure
- Property: advisors are to be appointed as described above

- Procurement: internal advice will be sought to support the expected OJEU procurement
- Cross-Service Implications: the planning team is developing its policy regarding the city centre and is aware of the proposed delivery strategy. This link will be maintained through the procurement process to ensure developing bids are appropriate in general terms, without compromising the statutory position of the council as planning authority
- Risk Assessment: the report at Appendix 2 contains an initial risk assessment with mitigation measures. Once the delivery strategy is approved a more detailed risk register will be developed alongside the procurement programme.

10. BACKGROUND DOCUMENTS

Previous reports and decisions regarding the South Bank area:

19/05/2011	Acquisition of Freehold Interest in the land and buildings known as the Engine Sheds on Fletton Quays, South Bank - MAY11/CMDN/050 ref:475	Cabinet Member Decision
05/03/2010	Carbon Challenge - Option Agreement and Collaboration Agreement MAR10/CMDN/023 ref:274	Cabinet Member Decision
06/05/2009	Affordable Housing Grant Funding for Southbank Phase 1 – Carbon Challenge site ref:159	Cabinet Member Decision
25/07/2008	Delivering Sustainable Development - Southbank Phase 1 - Carbon Challenge Site	Cabinet Member Decision
05/12/2005	South Bank Development	Cabinet
26/04/2004	South Bank Development (Ref. KD/11/06/2003)	Cabinet
16/07/2003	South Bank Development - Progress Report	Cabinet
16/09/2002	Peterborough South Bank Partnership (Ref. KD/02/06/2002)	Cabinet

Appendix 1 – South Bank plan

Appendix 2 – Options Appraisal report