

Report to: EXECUTIVE CABINET

Date: 29 September 2021

Executive Member: Councillor Oliver Ryan – Executive Member (Finance and Economic Growth)

Reporting Officer: Jayne Traverse – Director of Growth
Gregg Stott – Assistant Director Investment, Development & Housing

Subject: ST. PETERSFIELD LEGACY AND FUTURES WORK

Report Summary: The report outlines the existing Legacy issues in St Petersfield which are primarily associated with St Petersfield Management Company. The report establishes the current position and goes on to suggest options for resolving the issues as well as a preferred option involving a surrender of the existing leases and re-granting new leases to tenants in the St Petersfield area. A service charge would be collected to ensure the maintenance and upkeep of the common areas.

Recommendations: That Executive Cabinet be recommended to :

- (i) Approve to enter into a new management agreement with St Petersfield tenants and to take control of the management of the estate going forward as set out in section 4;
- (ii) Approve the striking off of St Petersfield Management Company only once a new management agreement is in place;
- (iii) Approve to adopt the insurance liabilities for the common parts of the development area only when the St Petersfield Management Company has been struck off;
- (iv) If it is agreed that external provision in Estates and Legal is required to deliver the identified work, a contingency budget sum of £0.023m (as set out in section 5.18 and table 2) is allocated to cover the costs of Legal and Estates fees related to the surrendering of the existing leases and re-granting new leases to tenants. The sum will be allocated via the 2021/22 St Petersfield non recurrent revenue budget within the Growth Directorate as set out in table 4 section 8.1.
- (v) Approve the current estimated non-recovery of £0.014m in relation to void/undeveloped land service charge payments in 2021/22 as set out in section 5.19, table 3. This liability will reduce as land is developed and the responsibility for payment falls to the new occupants. The non-recovery will be financed via the 2021/22 St Petersfield non recurrent revenue budget within the Growth Directorate as set out in table 4 section 8.1. The liability from 2022/23 will need to be resourced via the Growth Directorate revenue budget with savings identified elsewhere within the budget until the area is fully developed.
- (vi) Approve expenditure of £0.010m (per section 4.3) to undertake technical and condition surveys. The budget will be allocated via the 2021/22 St Petersfield non recurrent

revenue budget within the Growth Directorate as set out in table 4 section 8.1. The surveys will inform details for the consideration of a future capital investment report together with the supporting robust business case that demonstrates the affordable financing arrangements for any investment required.

- (vii) Approval to accept and enter into any contract relating to works and services required as set out within this report on behalf of the Council;
- (viii) Approval for the Growth Directorate to manage the programme of works and services as set out within this report and to drawdown and incur all expenditure related to delivery of new management arrangement, obtaining such governance as required within the Council's financial and legal framework. On-going performance and reporting will be provided to the Strategic Planning and Capital Monitoring Directorate report
- (ix) Approve to procure (via STAR) Phase Two of the St Petersfield masterplan works (per section 7.3). The £0.127m is to be financed in equal proportions via the 2021/22 St Petersfield non recurrent revenue budget within the Growth Directorate and Evergreen 2 grant funding (£0.0635m via each funding source), section 8.1, table 4 refers.

Corporate Plan:

Key aims of Corporate Plan are to provide opportunities for people to fulfil their potential through work, skills and enterprise and to ensure modern infrastructure and a sustainable environment that works for all generations and future generations. The proposals outlined in this Report supports these aims in the areas of job creation and environmental sustainability.

This proposal supports the policy aims of the Council's Inclusive Growth Strategy 2021- 2026 as a Key Employment Site, the Council's growth priorities agreed at Council February 2020 and the emerging Places for Everyone at the Greater Manchester level.

Policy Implications:

The redevelopment of St Petersfield is intrinsically linked to the Legacy issues and the area is an integral part of the Eastern Growth Cluster and in the Borough's Inclusive Growth Strategy 2021- 2026. The areas delivery will contribute to improvements in job opportunities, workspace, local community, public realm and infrastructure.

St Petersfield is designated as an established employment area in the Tameside Unitary Development Plan and is covered under policy E3 of that document.

**Financial Implications:
(Authorised by the statutory
Section 151 Officer & Chief
Finance Officer)**

The report sets out details of legacy issues within the St Petersfield development Ashton-Under-Lyne.

There are a number of financial implications that Members need to consider relating to these issues, the majority of which will be financed via the existing 2021/22 St Petersfield non recurrent revenue budget within the Growth Directorate together with Evergreen 2 grant funding received via GMCA (section 8.1, table 4 refers).

Recommendation 9 requests approval of £0.127m to finance the procurement (via STAR) of Phase Two of the St Petersfield masterplan works (per section 4.3). This sum will be financed in equal proportions via the 2021/22 St Petersfield non recurrent revenue budget within the Growth Directorate together with Evergreen 2 grant funding (£0.0635m via each funding source) as set out in section 8.1, table 4. It is essential that procurement advice is sought via STAR and that Members have assurance that value for money has been realised within the procurement process and prior to award of contract. This will also require Section 151 officer assurance.

Recommendation 4 requests approval of a professional fees contingency sum of £0.023m (section 5.18 and table 2 refers) to support the Estates and Legal work relating to the surrendering of the existing leases and re-granting of new leases to tenants. The sum will be allocated via the 2021/22 St Petersfield non recurrent revenue budget within the Growth Directorate as set out in table 4 section 8.1.

Recommendation 5 requests approval to finance the current estimated non-recovery of £0.014m in relation to void/undeveloped land service charge payments in 2021/22 as set out in section 5.19, table 3. It is noted that this liability will reduce as land is developed and the responsibility for payment falls to the new occupants. The non-recovery will be financed via the 2021/22 St Petersfield non recurrent revenue budget within the Growth Directorate as set out in table 4 section 8.1. The liability from 2022/23 will need to be resourced via the Growth Directorate revenue budget with savings identified elsewhere within the budget until the area is fully developed. It is therefore essential that vacant units are marketed at the earliest opportunity to cease the void units service charge liability on the Council's revenue budget. In addition it is also essential that all related liabilities are included in the service charge levied on tenants to ensure full cost recovery is applied.

Recommendation 6 requests approval of £0.010m (per section 4.3) to undertake technical and condition surveys. The budget will be allocated via the 2021/22 St Petersfield non recurrent revenue budget within the Growth Directorate as set out in table 4 section 8.1. It is again noted that the surveys will inform details for the consideration of a future capital investment report together with the supporting robust business case that demonstrates the affordable financing arrangements for any investment required.

Members are reminded that there is no additional capital funding available for further investment as the estimated current balance of £7.2m available to finance any new capital investment has already been considered and prioritised against new proposals in June 2021.

For reference sections 2.8 to 2.10 of the report provide details of the existing budget implications (within the Operations and Neighbourhoods Directorate) relating to the multi-story car park located within the development. Members should note that the car park will be subject to a review of existing parking arrangements across the borough, the outcome of which will be provided in a subsequent report at a later date.

**Legal Implications:
(Authorised by the Borough
Solicitor)**

It is advised that the Council continues to object to the striking off of the Management Company until the associated surrender and re-grant of leases have been agreed. The Management Company is a party to the leases so it would be more practical to have the Management Company enter into the surrender documents. The Council needs a clear view of how the current tenants and their common areas fit within the larger St Petersfield scheme, to ensure that any re-grant fits within the final scheme. A robust system of checks and measures will need to be put in place to ensure that the various directorates within the Council understand the scope of their roles within St Petersfield; and that works are carried in time and to budget.

Risk Management:

Risks associated with the work are set out at section 9.

Background Information:

The background papers relating to this report can be inspected by contacting Damien Cutting, Economic Growth Lead.



Telephone: 07989425566



e-mail: Damien.cutting@tameside.gov.uk

1. INTRODUCTION

- 1.1 The primary purpose of this report is to seek approval for the striking off of St Petersfield Management Company along with the establishment of a future approach to the management of the estate within the St. Petersfield development area and associated detail of works involved to carry out this task.
- 1.2 In order to ensure that St Petersfield fulfils its potential as being a location for high quality employment, innovation, design, tech and public realm, the Council are keen to progress with future aspirations associated with St Petersfield. This future work is underway and falls under the badge 'St Petersfield Futures'. Executive Cabinet approval was given on 28 April 2021 for the Council to procure a multidisciplinary consultant team to undertake a market appraisal and updated masterplan in the area. This report seeks approval to procure the Phase Two work in relation to the masterplan and delivery report for the area.
- 1.3 A budget of £0.020m was also approved in this report to ensure that measures were taken to improve the condition public realm in St Petersfield as an interim measure until a formal approach is taken to ensure the long term maintenance of the area to an appropriate standard.
- 1.4 Despite these St Petersfield Futures work priorities, in order to make meaningful progress in St Petersfield, there are a number of legacy issues that require resolution. If these legacy issues remain unresolved, progress could be inhibited and result in St Petersfield not fulfilling its potential and not delivering the economic, environmental and social improvements necessary for Ashton and the rest of the borough. It is therefore vital that the legacy issues are understood and resolved so as to lessen an impact of the Futures work.

2. BACKGROUND

- 2.1 On 26 March 2004, the Council entered into a development agreement with ASK Property Developments Limited. The development agreement related to the redevelopment of St. Petersfield in accordance with an agreed masterplan over a 10-year period.
- 2.2 The development was brought forward with other public sector partners - the former North West Development Agency (NWDA) and the former English Partnerships, now succeeded by the Department of Business Economy Innovation and Skills (BEIS) and the Homes and Communities Agency (HCA) respectively. The Council also entered into a funding agreement and a partnership agreement with these bodies.
- 2.3 The initial development phase delivered 32,359 sq.m of floorspace, with 0.75 hectares of public realm and infrastructure. The financial crisis of 2008 with its subsequent negative impact on the commercial national property market saw the development of St. Petersfield stall, with more than half of the scheme's proposed floor space undelivered. However, the St. Petersfield development was still successful in becoming Tameside's primary office location, offering the largest concentration of Grade A office space in the borough with the broadest range of floorplates.
- 2.4 The development agreement required the developer to set up a management company to take responsibility for the maintenance of the common parts, public realm and the future allocation of car parking within the development by virtue of several contractual agreements (**Appendix A**), having obligations under the Overriding Leases and Subleases.
- 2.5 On the 20 October 2005, the St. Petersfield Management Company Limited (company number 05597948) was incorporated, of which Ask Property Developments Limited owns 100% of its shares (one special share and 99 ordinary shares).

- 2.6 Under the lease granted for delivered schemes, an estate service charge is payable for the repair and maintenance of common parts. The management company is also responsible for recovering the costs for the mandatory services from the service charge paid by the tenants. The Council, as land owners of the undeveloped plots, has also contributed to the estate service charge in respect of void space in previous years. The most recent payment being made in 2016/17, a sum of £0.020m. The Council has no other obligations, role or responsibility relating to the management of the area, other than under the Council's statutory duties where adopted highway exists.
- 2.7 Following incorporation, the St Petersfield Management Company Limited entered into a contract with a services company, Jolivet Asset Management Ltd (company number 0769230), now named JPM Real Estate Management Limited to undertake the services relating to the common parts.
- 2.8 In 2014, the 240-bay Dale Street multi-story car park (MSCP) was developed in St Petersfield. The MSCP was part of the original development agreement with Ask, however whilst Ask were willing to deliver this element of the scheme, they were not willing to contribute to the costs. Therefore the MSCP was developed directly by the Council. The MSCP is currently managed by Ashton Pioneer Homes and is occupied by the Ministry of Justice (MoJ) (44 spaces) and the Pennine Care NHS Foundation Trust (169 spaces at £250 per parking bay). The £250 charge is an Outer Zone Parking Pass Charge. However, the MSCP is secured and under cover, therefore it is considered a higher rate would be justified that would help cover the costs associated with the management agreement. As the land was given to the Council for a peppercorn amount in order to deliver the MSCP, the lease states that the MoJ do not pay any rent for the MSCP.
- 2.9 Including the costs of the management agreement with Ashton Pioneer Homes (APH) and the lower market rate paid by the Pennine Care NHS Foundation Trust for their spaces, the MSCP currently operates at a net loss to the Council. In 2020/21, the costs of maintaining and operating the car park were £0.070m. The MSCP generates a yearly income of approximately £0.042m (solely from the contract with Pennine Primary Care NHS Trust). This equated to a net cost to the Council of £0.028m. For reference the 2021/22 net expenditure budget for the car park is £0.034m and is within the Operations and Neighbourhoods Directorate of the Council.
- 2.10 A number of options are being considered to ensure that the MSCP is able to operate in a financially sustainable way to the Council and a separate car parks review report by the Operations and Neighbourhoods Directorate at a later date will include these options and recommend a preferred option in relation to the management of the of the MSCP.

3. CURRENT POSITION

- 3.1 The Development Agreement with Ask Developments Ltd lapsed in 2014 and the company that was party to the Council in the formation of the St Petersfield Management Company (St Petersfield Management Company) with the Council was dissolved on 31 August 2017. However, this company was a subsidiary company and Ask Property Management still exists, as does St Petersfield Management Company, which remains responsible for the maintenance of the common parts of the St. Petersfield area. The St Petersfield Management Company has failed to sufficiently manage the maintenance of the area, nor has it discharged the outstanding invoices due to JPM Real Estate Management Limited. Equally it has also failed to liaise with the tenants, and collect the service charge for a number of years. Ongoing discussions between Council officers and representatives from Ask have taken place over the years and the Council have formally written to the St Petersfield Management Company outlining their responsibilities in respect of maintenance of the common areas.

- 3.2 The Council has received correspondence from JPM Real Estate Management Limited pursuing payment of invoices for the provision of the Services for the sum of £0.020m. The Council has no direct contractual relationship with the service company and the payment of the invoices remains the responsibility of the St Petersfield Management Company. However, it is acknowledged that the Council made a total of 7 payments between 2015 and 2017 totalling £0.041m to JPM relating to void service charges for undeveloped plots. More recently, St Petersfield Management Company (via the Council) has received correspondence from debt collection company, BPO Collections (on behalf of SSE Business) who have been appointed to collect an outstanding balance of £271.75. The Council are not aware of any other outstanding payments.
- 3.3 In an endeavour to ensure that St Petersfield Management Company will discharge the invoice to JPM Real Estate Management Limited, the Council's Legal Team wrote to the company on 21 April 2021, however, the Council received no response. The Council's Legal team has confirmed that payment of any outstanding invoices is the sole responsibility of St Petersfield Management Company, therefore there is no liability on the Council to pay outstanding invoices in the St Petersfield area relating to maintenance and upkeep of common areas. Ideally, St Petersfield Management Company would remain a party to agreement until the Council have been able to surrender the leases and re-grant new leases to existing tenants. This could be undertaken without St Petersfield Management Company still being in place but would possibly mean more work and expense to the Council. Therefore, the Council intend to continue to object to Companies House for the striking off of St Petersfield Management Company until new leases have been granted to tenants.
- 3.4 ASK Property Developments Limited wish to exit from the St Petersfield Management Company and have applied for striking off from Companies House on a number of occasions. Due to the fact there remains a number of unresolved issues in relation to the St Petersfield Management Company, the Council has repeatedly, and successfully, objected to the striking off. The most recent attempt (and successful Council objection) at striking off was in May 2021 which has now been deferred until 2 November 2021.
- 3.5 Once St Petersfield Management Company Limited has been struck off and no management company exist, there will still remain a requirement for maintenance and operation of the common parts and public realm as well as the allocation of car parking which is essential given the identification of surface level car parking as development sites in the St Petersfield Futures work that is underway. As landowner, the future liability in regards to maintenance and upkeep of the commons areas will default to the Council. It is therefore essential that a new agreement including roles, responsibilities, and liabilities is established with tenants in the St Petersfield area to maintain the common parts of the development area and to safe guard the quality of this area for future development opportunities in St Petersfield.
- 3.6 In order for the Council to take over the management responsibilities of the St Petersfield area, a variation or surrender and re-grant to each of the tenant leases shall be required which shall address the tenant obligations in relation to the failure of the management company, and enable a new management agreement and service specification to be executed. Being mindful of the likelihood of eventual striking off of the management company, a review has been undertaken to determine the extent of ownership/titles including adopted areas and public realm within the red line development area.
- 3.7 On 10 July 2021, a letter was issued to tenants in the area advising them that the Council are currently considering the future development opportunities of the area and are looking to engage with existing tenants as a consultee. The letter also advised that the Council is examining all leasing arrangements and is looking to consider how all parties (Council and tenants) might work together to ensure the success of St Petersfield moving forward.
- 3.8 Each service area within the Council shall need a clear understanding of the demise, assets and specification that shall transition into their remit upon the agreed date of intervention.

The service lines that shall gain additional responsibilities shall mainly include Facilities Management, Highways & Transport, Operations & Greenspace and Insurance. Some of these additional responsibilities will be carried out without an additional cost to the service, however, budgets shall need to be identified and agreed to enable some of these services to carry out the new requirements such as the upkeep of the common areas. The levy of a service charge under a new agreement between the Council and occupants will be used to finance these additional responsibilities.

- 3.9 A St Petersfield Steering Group comprising senior members of staff in the relevant service areas has been established and meets on a monthly basis in order to discuss how to resolve these legacy issues.

Insurance Liabilities

- 3.10 As previously noted, the Council currently has no responsibility to maintain the common parts of the St. Petersfield development area, however the responsibility and liability to maintain the area in a safe and responsible manner will default to the land owner (the Council) once the St Petersfield Management Company has been struck of the Companies House register.
- 3.11 Until the St Petersfield Management Company is struck off, and as an interim measure only, maintenance/site checks have been undertaken by the Council and sites are secured where appropriate with health and safety measures implemented. It is anticipated that regular maintenance shall be undertaken once the long term management arrangements for the area have been agreed. The Council should be mindful of not inadvertently accepting responsibility (including claims or liabilities) by maintaining any land where the authority have no obligation to do so. However, the Council also has a duty of care to employees and third parties as part of any property/land owning activities to ensure they do not sustain any injury/damage in this regard, from any hazards. It will be prudent to maintain a record of any checks and retain this, so if any issues arise in the future i.e. claims, the Council can demonstrate it has acted as reasonably as possible in the circumstances and complied with any obligations.
- 3.12 In the options presented in Section 5 of this report, it is proposed that the Council does not take on any historic liabilities held by St Petersfield Management Company. In order to do this, it is essential that the current condition of the area is ascertained and documented. Additional survey work and due diligence reports are required to determine the extent of works necessary to bring the area back up to an appropriate standard.
- 3.13 The Council are not obliged to provide its Insurers or brokers with a list of land/sites, which the Council own/acquire as part of its business activities. As a rule of thumb, anything within the boundaries of Tameside should be included as part of our insurance arrangements, subject of course to any policy terms/conditions/exclusions. Therefore, it is not anticipated that the proposals identified in this report shall impact the Council's premium. That said, the Council are obliged to disclose any material facts so, for example, if any hazardous activities were being carried out on land which we own or are responsible for, which may pose an increased liability risk, then an Insurer would want to know about this. At time of writing this report, there are no known outstanding claims in the St Petersfield area.

St. Petersfield Vision

- 3.14 The area of St. Petersfield, at the west end of Ashton Town Centre forms a key gateway into the Town Centre and will continue to create a high quality commercial-led mixed use environment, that has provided Ashton with its first town centre business park.
- 3.15 As set out in the Tameside Inclusive Growth Strategy (2021), St Petersfield provides a clear opportunity for Tameside to create a modern, tailored development that can provide a hub for the growth of the digital, creative and tech sector in the borough. The installation of a Dark Fibre network into the area, and the completion of a data centre in Ashton Old Baths, ensures digital connectivity to match that available in Media City. As part of the Eastern Growth

Cluster, and coupled with its location on the edge of Ashton Town Centre, with transport links to Manchester and Leeds digital hubs, this strategic connectivity means the area can help Tameside take advantage of the growth of an industry that GM is already at the forefront of.

- 3.16 Whilst there has been an impact on demand for office space and increase in remote working during the COVID-19 pandemic, recent market review studies undertaken as part of the St Petersfield Futures work, have identified a continued demand for offices and meeting space, as part of well-designed, flexible development with high levels of physical and digital connectivity.
- 3.17 The vision for St. Petersfield has been subject to a number of iterations since development of the area stalled with the financial crash of 2008. Reviews of the initial masterplan were undertaken in 2011 and 2013, with more space in the development area proposed for residential use. These previous iterations have been used to inform the most recent masterplan work taking into account the changing economic, social and environmental climate.
- 3.18 Following approval at Executive Cabinet on 28 April 2021, a multi-disciplinary consultant team has been appointed to prepare a masterplan (building on previous work carried out), and updated market appraisal in order to determine the demand for certain types of uses in the area. A development prospectus is also being prepared for two of the plots in the masterplan area that can be delivered in the short/medium term. The work is developing a vision for the area which would appeal to the city region's fast growing Digital, Creative and Tech Sector, utilising the boroughs newly installed dark fibre network. The next stage of this work will enable additional work to be carried out for the remaining plots in the area. **Appendix B** shows the masterplan boundary that the consultants are working to.
- 3.19 At the same Executive Cabinet meeting £0.020m was approved from the Growth Directorate budget to carry out intermediate improvement works in the area until the future management of the area is determined.

4. ST PETERSFIELD LEGACY - NEXT STEPS

Management Agreement and Tenancies

- 4.1 There is an assumption that internal Council officers will need to undertake a number of tasks in this regard:
- A full review of the existing tenancy agreements is underway;
 - Review the maintenance and service charge agreement(s) and specification and draft new terms of an agreement;
 - Liaise with tenants on the proposed terms;
 - Enter into a new agreement with tenants in order to collect a service charge and take control of the management of the estate.

Maintenance and Services

- 4.2 Officers have identified several technical and condition surveys that are required within the red line of the development area to assess the condition of above ground areas, and assess where possible below ground conditions, particularly in areas which may draw concern. The condition of the common areas will assist officers in understanding the extent of additional works required.
- 4.3 An estimated one-off cost of £0.010m is required in order to commission a number of technical and condition surveys to ensure that hard standing, services and infrastructure does not require immediate works, and to assemble a capital programme plan for all the works required within the realm. The surveys will be funded from the existing 2021/22 St Petersfield non recurrent revenue budget within the Growth Directorate and will inform a future report of potential investment together with the supporting robust business case that demonstrates

the affordable financing arrangements.

- 4.4 As discussed earlier in this report, car parking charges for the MSCP are linked to the service charges and current lease arrangements of some existing tenants in the St Petersfield area. Action is required to ensure the MSCP runs as a viable and financially sustainable asset for the Council. A number of options are currently being considered and involve a review of the existing management agreement with Ashton Pioneer Homes, current arrangements with the Pennine Care NHS Foundation Trust and Ministry of Justice, and the future management of the MSCP to ensure that any remaining spaces can be leased to nearby businesses and generate additional income. A preferred option will be recommended to the Executive Cabinet at a later date from the Council's Operations and Neighbourhoods Directorate.

5. MANAGEMENT AGREEMENT, TENANCIES AND SERVICES OPTIONS

Option 1 – Do nothing

- 5.1 Do nothing is not considered a suitable option. Once the St Petersfield Management Company is struck off and ceases to exist, the likelihood is the default expectation will be for the Council to not only maintain the area, but also to undertake Management duties and responsibilities.
- 5.2 This option would also have implications for the delivery and implementation of the work associated with St Petersfield Future project.

Option 2 – Council to adopt the temporary management and responsibility for the St. Petersfield common areas once the Management Company is struck-off, and to procure a new management company

- 5.3 Temporary responsibility and liability may complicate negotiations for an agreement with a new management company. The result of this is that negotiations are likely to become protracted. The question of value for money must also be considered, particularly if the Council's various in-house service areas are already capable of undertaking these duties.
- 5.4 This option does not keep the management control within Council's remit, and as such could impact on the Council's ambitions for the St Petersfield Futures project.

Option 3 – The Council to permanently adopt all future management and responsibility for the St Petersfield common areas. Once this has been achieved, to allow the striking off of the St Petersfield Management Company (Preferred Option)

Immediate interim position

- 5.5 As previously noted in this report, the Council has the option of applying to Companies House for the 'striking off' of the St Petersfield Management Company. If this was to happen, the tenants will need to be consulted as to the best way to achieve the necessary amendments to remove the management company from the leases.
- 5.6 A surrender and re-grant may have tax (Stamp Duty) implications for the tenants. There may also be implications for the tenant's accounts; and if the tenants have charged the properties then lender approval/consent will be required. The cleanest way to achieve the desired result and given the leases contain multiple instances of provisions which aren't now fit for purpose, would be a surrender and re-grant. The striking off of the management company wouldn't in and of itself revert service charge provisions back to the Council. The Council's Estates team have already begun to have conversations with the tenants in respect of their future ambitions and advising that their lease will likely be surrendered and re-grant.
- 5.7 There are also sub-leases to Tameside College and CCG which reference the Management Company as a party to the lease. If the St Petersfield Management Company was struck off,

this will not affect the sub-leases other than to the extent that there would be no entity to fulfil the management company's functions under the lease.

- 5.8 By taking on the responsibility for the maintenance and services, upkeep of roads and public realm, ongoing street scape services and car parks would enable the Council to take control of the future provision of the site to ensure that service charges are collected and are put to use in providing a high quality public realm that meets the requirements and needs of existing and future tenants. The £0.020m approved (at Executive Cabinet 28 April 2021) for the area will ensure that interim works are carried out in the above areas until the service charge is levied and a cost neutral approach is implemented.

Maintenance and Services

- 5.9 There are broadly four areas for consideration:
1. Restoration of roads and public realm back to its specified grade;
 2. Ongoing Streetscape services and maintenance of common areas;
 3. Car parking;
 4. Other property interests previously excluded from the initial agreements in part or in full such as the multi-storey car park.

Restoration of roads and public realm

- 5.10 Observations from site visits undertaken by Council services agree that the ground materials and infrastructure show little evidence of effective maintenance since its initial installation and a capital sum is required to restore the roads and public realm back to its specified grade. These items include but are not limited to:

- Road resurfacing
- Pot hole repair
- Reinstatement of block paving
- Restoration of cracked slabs and tiles
- Restoration of cracked bollards and anti-vehicle measures
- Restoration of bike racks and shelters
- Restoration of street furniture and benches
- Replacement and CCTV cameras and any required corresponding bureau upgrade
- Replacement of street lights
- Reinstatement or removal of water features
- Reinstatement or removal of flag staffs, hoardings and features
- Any repairs required to drains, underground infrastructure, conducting media and electrical services

- 5.11 It is envisaged that a capital sum (subject to condition and technical surveys) is required in order to carry out the above works. A further report will be presented for consideration in due course once the surveys have been carried out and the related works required have been developed.

- 5.12 A level of work may be required following the immediate transition, however it would be expected that some works can be scheduled over time and costs may be recovered from future developments within the area. However, a capital sum will be required in order to carry out works to bring the area back to an acceptable standard and create the required environment to attract investment. Condition surveys will inform the amount of capital funding required which will be accompanied with a supporting robust business case that demonstrates the affordable financing arrangements.

Ongoing Streetscape services

- 5.13 Ongoing Streetscape services are required to keep public realm clean and tidy and in good repair. These services include but are not limited to:
- Soft landscaping services
 - Hard landscape cleaning

- External bin collections
- Road and pedestrian gritting
- Maintenance and servicing of water features (should they be reinstated)
- Maintenance and servicing of street lighting
- Maintenance and servicing of CCTV
- Maintenance and servicing all other street furniture such as benches
- Servicing of any oil Interceptors should they exist

5.14 A specification would need to be produced and agreed by the tenants; however an indicative annual revenue cost of £0.023m (net of VAT) per annum is envisaged. Table 1 provides an analysis of likely revenue cost required in order to cover the costs associated with the upkeep and maintenance of the common areas in the St Petersfield development area. The revenue costs will inform the required service charge to be calculated and will be apportioned to each tenant based on the floor space occupied by the tenant.

Table 1: Estimated Service Charge Related Expenditure (2021/22 Estimated)

Service	2021/22 Estimate £	Services included
Security	8,160	CCTV maintenance for the site, to include adhoc repairs to CCTV infrastructure and monitoring.
Health & Safety	4,590	The cost for the Health & Safety Audit and Facilities Manager costs
Landscaping / Estate Maintenance	5,100	Fortnightly landscaping service and regular litter picking.
Planned Preventive Maintenance	4,080	General repairs to the hard surfaces within the public realm
Electricity	1,020	The cost for the electricity supply throughout the site
Total	22,950	

Car Parking

5.15 The car parks within the St Petersfield area have been operated and maintained in line with other car parks across the borough. It is anticipated that a higher grade maintenance specification be adopted in line with specification for the rest of the public realm.

5.16 Car parking charges will be an addition to the service charge collected. At present, the Pennine Care NHS Foundation Trust are paying below market value of the car parking spaces (approximately half) although this is not a specification of the lease agreement. As part of the negotiations with tenants in respect of a new lease arrangement, a car parking charge will need to be agreed in line with the market value in the area and consistent with charges across the Borough. This will not apply to the MoJ as the lease states that they will not be liable to pay rent for the MSCP.

Other Property Interests

5.17 Other property interests sit within the St Petersfield demise that were not part of the original development agreement and are able to benefit from the high specification public realm. These include but are not limited to a solicitor's, the Courts, the MSCP which is leased in part to Pennine Care NHS Foundation Trust, Network Connect, the Ministry of Justice and Ashton Old Baths. Some of these properties have independencies with the area and further work is required to ensure that the Council's interest is protected and are not inadvertently subsidising other organisations with services that they should otherwise be funding by themselves. These discussions with land/property owners have already started to be picked

up as part of the St Petersfield Futures work and will continue in order to establish a position of these land/property owners.

Council Provisions

- 5.18 Ongoing discussions are taking place with colleagues in Legal and Estates to understand whether the required works can be delivered using internal officers. However, if Council services are unable to deliver the required works internally, there may be a requirement to procure the assistance of external resource. As a contingency, approval is requested for the provision of the services to be adopted (table 2) and the associated budget necessary is allocated as stated in section 8.1 table 4. The estimates in table 2 are based on internal costs which may vary slightly if required to procure externally.

Table 2: Provision and costs of services necessary to deliver the recommendations of this report

Item	Non-Recurrent Revenue Requirement £'m	Annual Revenue Requirement £'m	One-Off Capital Requirements and business case affordability £'m	Comments
Legal Work	0.020	None	None	Fees may vary depending on complexity of work involved
Estates	0.003	None	None	Estimated that each lease re-grant will take approximately 8 hours on the provision that each tenant accepts the proposal put forward by the Council. If negotiations are protracted, the fee will increase.
Infrastructure, Assets & Public Realm	0.010	None	TBC	One off revenue payment for condition and technical surveys. Capital cost required will be determined by outcomes of surveys.
Other Properties/Misc.	TBC	None	None	Subject to negotiation. Sponsor? Occupants not obliged to contribute.
Total	0.033	0	TBC	

- 5.19 As landowner, the Council is liable for the payment of service charges related to undeveloped plots. As previously stated, the Council paid some invoices relating to void charges between 2015 and 2017 but no payments have been made since. Table 3 below outlines the estimated annual service charges for each tenant will be liable.

Table 3 – Service charge apportionment to tenants in St Petersfield. Calculation based on % land area occupied (Estimated 2020/21).

Tenant	Occupied land %	Annual Charge (£)
Pennine Care NHS	10.72	2,460
Pennine Care	10.12	2,323
Bury Tameside	13.07	3,000
Tameside College	2.07	475
Bury Tameside	4.33	994
Void/Undeveloped Land (Council liability)	59.69*	13,698
Total	100.00	22,950

*likely to reduce as vacant land is developed

- 5.20 Under the existing management agreement, the Council is liable for service charge payments to St Petersfield Management Company in respect of undeveloped (void) land. The estimated annual cost to the Council based on the status quo would be £0.014m per annum per table 3. This liability will decrease as vacant plots are developed and the service charge becomes the responsibility of the new occupants. The Council would need to absorb this liability within the existing Growth Directorate revenue budget. There will be no service charge liability for the Council once the site is fully developed.

Insurance

- 5.21 It is recommended that the Council adopts the full repair and maintenance responsibilities for the highway (which isn't already adopted) and common areas from the point in time at which the St Petersfield Management Company is struck off and ceases to exist. It is also recommended that the Council does not accept any historical/ legacy liabilities.
- 5.22 Insurance and liability extends to the land in which a Council owned building sits and whilst the Council is not required to declare its land assets, for good order, the Council will notify its insurers in this regard but will not receive any formal documentation as verification for this notification or issue an endorsement to specify this particular location.

6. LONG TERM POSITION

Long Term Stewardship of St Petersfield Development Area

- 6.1 Option 3 ensures that responsibilities and liabilities are clear and understood by all parties to the agreement in the long term. As the Council is the landowner and already undertakes such activities (repair and maintenance, street lighting) as part of its everyday duties, it is best placed to undertake these services in a timely and responsive manner. There is further benefit in that the Council will retain control of the long term stewardship of the completed areas, but also be in the preferred position of being able to extend the agreement, or adopt similar principles to future new buildings as they come online with new tenants.
- 6.2 The Council has longer term ambitions linked to the development proposals identified in the St Petersfield Futures work. It is absolutely vital that the Legacy issues outlined in this report are resolved to ensure that St Petersfield is an attractive place to secure development opportunities and to fulfil its potential as a place of digital, cultural, technical and creative excellence that stands out above the competition.
- 6.3 It is recommended that the Council applies for striking off and enters into a new management agreement with the existing tenants. This will enable the Council to adopt the full responsibility for the repair, maintenance and operation of the St. Petersfield development area including service charge collection, which it envisaged will in turn pay for activities undertaken by respective Council service areas.
- 6.4 The Council are liable for the void/undeveloped land in St Petersfield, which will mean that there is a financial liability on the Council until the vacant land is developed.
- 6.5 Officers will seek approval in a subsequent report with a supporting robust business case

that demonstrates financial affordability in relation to the capital related works required in order to bring the public realm areas back up to a high standard.

7. ST PETERSFIELD PHASE TWO PROCUREMENT

7.1 Phase One of the St Petersfield masterplan is underway. A multi-disciplinary team led by LDA Design have been appointed to prepare a masterplan for the St Petersfield area. The brief asked the consultant team to carry out the following:

- A study reviewing the deliverability of Grade A office development in the area considering both short and long-term delivery and identifying a quantum that is deliverable within these timescales.
- A Delivery Options Report for each development parcel considering short- and long-term possibilities.
- Feasibility works to bring St Petersfield development to the market including the delivery of two plots, factoring in RIBA Stage 2 design work, cost plans and a Development Prospectus to assist with bringing the plots to market.

7.2 The Council secured Evergreen Grant Funding of £0.127m to part fund a development prospectus and feasibility works to assist with bringing the St Petersfield development to the market. The Grant was match funded by an additional £0.127m via the Growth Directorate revenue budget (table 4, Section 8.1 of the report refers). Approval to undertake this procurement was given at Executive Cabinet, 28 April 2021.

7.3 Officers are seeking approval to undertake Phase Two of the masterplan in St Petersfield and to utilise the remaining £0.127 grant funding in order to complete the masterplanning works. The brief is currently being finalised by the Growth Directorate, however, it is proposed that the brief will ask consultants to provide expertise in developing Phase 1 proposals into workable, viable and deliverable projects. Phase 2 will build on work undertaken by LDA Design and their consultant team by carrying out the following tasks:

- **Task 1: RIBA Stage 2 Development for commercial buildings on a further three plots (to be determined)** - Design development of up to three commercial buildings up to end of RIBA Stage 2 with associated cost plan and risk assessments, sufficient for the submission of a detailed planning application.
- **Task 2: Details Open Space and Public Realm design work the common areas in the St Petersfield area.** Landscape design with associated cost plan and risk assessment with sufficient detail to enable delivery
- **Task 3 – Delivery Strategy** – a robust delivery strategy for each plot that will assist with ensuring viable options for delivery are considered in detail.

7.4 The delivery of the tasks set out above will bring more certainty to St Petersfield and lead to a more holistic delivery of the development area. The programme will be managed and monitored by the Director of Growth.

7.5 Due to the multi-phase nature of the consultancy to be undertaken, guidance will be taken from STAR Procurement to explore the best options to ensure value for money is realised. At this point it is envisaged that in order to maximise efficiency, gain economies of scale and minimise the staff time involved in project management, the best route would be to procure one consultant to manage the production of all the relevant documents and reports outlined in the recommendations.

8. ST PETERSFIELD REVENUE BUDGET – 2021/22

- 8.1 Table 4 provides a summary of the non-recurrent revenue budget and Evergreen 2 grant funding available within the Growth Directorate for 2021/22 to support the St Petersfield development together with details of the existing and proposed commitments.

Table 4

	Council – Non Recurrent	Evergreen	Total	
	£'m	£'m	£'m	Approval
Available Budget	0.200	0.127	0.327	
Funding Commitments				
Phase One Masterplan - Development Prospectus and Feasibility Works	0.063	0.064	0.127	Exec Cabinet 28/04/21
Interim Public Realm	0.020	0.000	0.020	Exec Cabinet 28/04/21
Phase Two Masterplan - Detailed Design and Delivery Strategy	0.064	0.063	0.127	Pending - Section 4.3 Refers
Technical Surveys	0.010	0.000	0.010	Pending – Table 2 Refers
Contingency Provision For Professional Fees	0.023	0.000	0.023	Pending – Table 2 Refers
Service Charge - Void Units	0.014	0.000	0.014	Pending – Table 3 Refers
Total	0.194	0.127	0.321	
Remaining Balance	0.006	0.000	0.006	

9. RISK MANAGEMENT

- 9.1 The main risks associated with the delivery of the St Petersfield Legacy and Futures recommendations have been identified in the table below.

Risk Area	Detail	RAG Rating	Mitigation	RAG Rating
Procurement	Lack of capacity in the consultancy sector to undertake the St Petersfield Future work.	Yellow	Early engagement with STaR procurement to understand the most appropriate procurement routes.	Green
Financial	Insufficient budget to ensure that condition surveys are able to be carried out.	Yellow	Budget identified within report on advice from Operations and Neighbourhoods based on similar pieces of work carried out.	Green
Financial	Insufficient budget to contribute to the Council's liability for	Red	Coverage identified for first year. The non-recovery will be financed via the 2021/22	Yellow

	void spaces in the area.		St Petersfield non recurrent revenue budget within the Growth Directorate as set out in table 4 section 8.1. A development prospectus is being prepared as part of the Futures work and will focus on marketing of vacant plots	
Programme	Lack of resource capacity to undertake workstreams in line with expectations.		Internal resource has been identified to meet expectations of the programme.	

10. RECOMMENDATIONS

10.1 As set out at the front of the report.