

**Manchester City Council
Report for Resolution**

Report to: Executive – 29 July 2020

Subject: Northern Gateway: Progress Update & Housing Infrastructure Fund

Report of: Strategic Director, Growth and Development

Summary

The Northern Gateway initiative is seeking to deliver up to 15,000 new homes over a twenty-year period, spearheaded through a Joint Venture Partnership between the City Council and Far East Consortium International Limited.

This report provides an update on the successful outcome of the City Council's bid for £51.6m into the Government's Housing Infrastructure Fund Programme as well as providing detail on progress being made in finalising the Joint Venture's Initial Development Area Business Plan, which will seek to bring forward much needed new homes in the neighbourhoods of Collyhurst, New Cross and New Town.

Recommendations

The Executive is recommended:

1. To approve the Council entering into a Grant Determination Agreement with Homes England for the receipt of up to £51.6m Housing Infrastructure Fund grant to deliver major infrastructure in the Northern Gateway area, a high level summary of which is set out in the body of this report.
2. To delegate authority to the Strategic Director, Growth and Development, the Deputy Chief Executive and City Treasurer and the City Solicitor to finalise the terms of this Grant Determination Agreement to secure this funding.
3. To delegate authority to the City Solicitor to enter into and complete all necessary documents to give effect to the recommendations set out in i) and ii).
4. Subject to the finalisation of the Grant Determination Agreement, to approve a £51.6m increase to the Capital Budget to be expended on the delivery of infrastructure works that will facilitate the delivery of new homes.
5. To note overall progress being made towards the delivery of new homes as part of an Initial Development Area Business Plan in the neighbourhoods of Collyhurst, New Cross and New Town.
6. To note the approach being taken to identify and deliver social and economic benefits and the alignment with the broader piece of work being developed at

a North Manchester level with partners leading on plans for the North Manchester General Hospital site.

Wards Affected -

Piccadilly; Cheetham; Harpurhey; Miles Platting and Newton Heath

<p>Environmental Impact Assessment - the impact of the decisions proposed in this report on achieving the zero-carbon target for the city</p>
<p>Development proposals in Northern Gateway will build on the low-carbon principles of the Northern Gateway SRF and recognise that future development within the area will need to respond to the zero-carbon target and will be expected to move towards this aspiration through the active utilisation and deployment of leading building technologies.</p> <p>The planning of the Northern Gateway has been actively developed to facilitate the radical change in the current patterns of energy generation, distribution and use. New homes will be provided on brownfield sites that are well connected to the city centre and major public transport routes and promote the use of cycling and walking.</p>

Our Manchester Strategy outcomes	Contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The Northern Gateway will expand the City Centre in a northern direction establishing sustainable mixed-use neighbourhoods including new jobs and employment opportunities.
A highly skilled city: world class and home grown talent sustaining the city's economic success	The Northern Gateway will provide direct employment opportunities and also meet the demand for housing from residents who wish to live close to the skilled employment opportunities located in and around the Regional Centre.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Development of the Northern Gateway offers the potential to deliver on the objectives of the Manchester Residential Growth Strategy and meet the growing demand for high quality new housing in the city.
A liveable and low carbon city: a destination of choice to live, visit, work	The Northern Gateway development opportunities will support the delivery of new residential developments using state of the art technologies and low carbon construction methods.

A connected city: world class infrastructure and connectivity to drive growth	The master-planning of new neighbourhoods within the Northern Gateway will include traffic and transport planning, ensuring that various modes of transport (car, bus, rail, Metrolink, cycle, and walk) are provided for.
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Full details are in the body of the report, along with any implications for

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

There are no immediate revenue consequences associated with the approval of the Strategic Business Plan or the development of the initial Development Area Business Plan.

Financial Consequences – Capital

The entering into the Grant Determination Agreement with Homes England will secure £51.60m of additional capital grant funding and approval is sought to increase the the capital budget by this amount, over the next 4 years (2020/21 £3.48m, 2021/22 £20.39m, 2022/23 £19.46, 2023/24 £8.27m). The City Council will be able to claim grant monies monthly in arrears, subject to the successful achievement of scheduled performance milestones.

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

- Northern Gateway Strategic Business Plan and First Phase Development Area, Executive 12 February 2020
- Delivering Manchester's Affordable Homes to 2025, Executive, 11 September 2019
- Strategic Acquisitions in the Northern Gateway, Executive, 26 June 2019
- Northern Gateway: Implementation and Delivery, Executive, 13 February 2019
- Northern Gateway Strategic Regeneration Framework, Executive, 13 February 2019
- Residential Growth Strategy: Action Plan Update, Economy Scrutiny Committee, 9 January 2019
- Manchester's Affordable Housing Strategy - Proposed New Affordable Housing Policies for The Council, Executive, 12 December 2018
- Northern Gateway Draft Strategic Regeneration Framework Update, Executive, 25 July 2018
- The Northern Gateway - Progress Update, Executive, 7 March 2018
- The Northern Gateway – Driving Forward Residential Growth, Executive, 8 March 2017
- Northern Gateway – Driving Forward Residential Growth on the Northern Edge of the City Centre, Executive, 9 September 2015

1.0 Introduction

- 1.1 In April 2017 the City Council entered into a Joint Venture Partnership (JV) with Far East Consortium International Limited (FEC) to deliver the residential led redevelopment of the adjacent neighbourhoods of Lower Irk Valley, New Cross and Collyhurst, on the north eastern edge of the City Centre, which have the capacity to provide circa 15,000 new homes over the next 20 years.
- 1.2 Following an extensive public consultation exercise that was undertaken during the autumn of 2018, the Executive meeting of February 2019 approved the Northern Gateway Strategic Regeneration Framework (SRF) as a means of guiding and coordinating development activity undertaken by the JV partnership and other third party agencies within the area.
- 1.3 The February 2020 meeting of Executive approved a Strategic Business Plan for the JV that set out details of how delivery would be brought forward, which also included details of the bid for an allocation of Housing Infrastructure Fund that had been submitted to Government and the anticipated Initial Development Area Business Plan that would include proposals for c1,000 new homes.

2.0 Unlocking the Opportunity – Housing Infrastructure Fund

- 2.1 As stated above, the Northern Gateway has the potential to deliver circa 15,000 new homes over the next 20 years: this equates to 28% of the entire City of Manchester target as set by the draft Greater Manchester Spatial Framework (GMSF), within an expanse of 155 hectares of brownfield land that is situated no further than 1.5 miles from the city centre at its northern most point.
- 2.2 This is predicated, however, on the ability of the JV partnership to address and overcome a series of significant challenges in the transformation of a long forgotten part of the city in the Lower Irk Valley. This is an area characterised by:
 - fragmented land ownership;
 - historic railway structures and the legacy of former industrial land uses;
 - barriers to development presented by gaps in the provision of key physical infrastructure such as power and other utilities;
 - areas prone to flood risk;
 - a varied and challenging topography with limited/no highway access and permeability issues; and
 - disconnected and insular sites caused by historic uses and a lack of development in the intervening decades.
- 2.3 In 2017 the UK Government announced the creation of the Housing Infrastructure Fund (HIF), with a total national funding pot of £5.5 billion split between the Marginal Viability Fund and Forward Fund - the latter being targeted at large-scale growth opportunities and the need for up-front investment in infrastructure.

- 2.4 In March 2019 the Executive delegated authority to the Deputy Chief Executive and City Treasurer and the Strategic Director of Growth and Development to finalise and submit an Application and detailed Business Case to Government seeking £51.6m of HIF funding for the Northern Gateway initiative to unlock circa 5,500 new homes within the Red Bank and New Town neighbourhoods of the Northern Gateway (Appendix 1).
- 2.5 The success of this funding bid was announced by Government as part of the March 2020 Budget. The HIF scheme will seek to address a series of up-front infrastructure requirements, including:
- The assembly of key land interests to facilitate access to the otherwise land-locked 10.2 hectare former Network Rail Carriage Sidings site at Red Bank;
 - Land remediation and earthworks to prepare sites for development;
 - New road access, footpaths and cycleways;
 - Investment in utility networks (most notably electricity but also potable water and investment in Sustainable Urban Drainage systems);
 - Works to address flood risk and reduce the extent of land classed as within Flood Zone 2); and,
 - A first phase of the green infrastructure (the creation of a City River Park that will link to existing green space at Angel Meadow, just outside the city centre and at Sandhills in Collyhurst).
- 2.6 Over the past few weeks officers have been engaged in discussions with Homes England to understand the terms and conditions through which the HIF funding will actually be made available to the City Council in advance of entering into a formal and legally binding Grant Determination Agreement (GDA) between the City Council and Homes England. A high level summary of key points to notes is set out below: -

Performance Milestones & Contractual Obligations

- 2.7 Homes England have confirmed that once the GDA has been entered into the City Council will be able to claim for expenditure defrayed monthly in arrears subject to the successful delivery of the scheme against pre-agreed performance milestones. These milestones will relate to the delivery of the infrastructure works themselves (such as achieving planning and any other necessary consents required for the works, starts on site for each of the key workstreams set out above and practical completion on a phased basis of the schedule of works set out in the Business Case and Delivery Plan updates provided by the City Council etc.) and the provision of information that establishes future delivery arrangements for homes that will be facilitated by the works undertaken. A detailed delivery programme and cash-flow has been drawn up to underpin the performance monitoring / grant claiming process.

Eligible Period for Expenditure

- 2.8 Despite considerable delays in the assessment and announcement of successful applications by Government caused by the General Election and other factors, the eligible period for project implementation and expenditure has a fixed deadline of 31 March 2024 and Homes England has confirmed that HM Treasury will not agree any extensions to this deadline. The City Council's original implementation programme was based upon a funding award being approved by September 2019 in line with guidance provided.
- 2.9 The delays encountered to date mean that the period in which works can be delivered will be much more compressed and as a result Officers are reviewing the scheduled programme of works to establish design, procurement and delivery arrangements that can achieve delivery of works and expenditure within the eligible period as well as establishing key risks and mitigation strategies.

Governance and Oversight

- 2.10 The compressed period for delivery, plus the ongoing impact of the COVID-19 pandemic on the construction and civil engineering sector, means that there will be a degree of risk associated with contracting the programme of works and there being a tail of activity and expenditure that will occur after 31 March 2024.
- 2.11 An internal Programme Board has been established to oversee the ongoing negotiations with Homes England made up of representatives from Housing and Residential Growth, Legal, Finance and Capital Programmes. Key risks and mitigating actions will be reported and where necessary escalated to the Capital Strategy Board to ensure that robust governance and oversight arrangements are in place for the HIF programme.

Entering into the GDA and Release of Budget

- 2.12 It is currently envisaged that the City Council will be in a position to enter into the GDA within the next few weeks. In order to ensure delivery of infrastructure works within the eligible expenditure period, and to provide a much needed stimulus to the civil engineering and construction sectors in the current economic situation, the intention is to commence the procurement processes for project / contract delivery and design oversight as soon as possible, so that progress is maintained in advance of the GDA being finalised. The investment business case will be completed once the review of the delivery programme and procurement arrangements as set out above have been finalised in the coming weeks. The business case will be used to satisfy the internal approval processes, and these will be sought in a manner that will facilitate the earliest possible start of the HIF programme in order to mitigate risk.

3.0 Progress with the Initial Development Area Business Plan

- 3.1 The report to the Executive meeting of 12 February 2020 that sought approval for the Joint Venture's Strategic Business Plan also set out details of the

development schemes that will make up the Initial Development Area Business Plan; namely:

- Addington Street in New Cross (now renamed New Cross Central), where a planning consent for the delivery of 81 apartments and town houses has been obtained, including a Section 106 contribution towards off-site affordable housing.
 - The former Angelgate site in New Town (now renamed Victoria Riverside) where a planning application for 634 apartments and town houses has been submitted and is pending determination;
 - Collyhurst Phase 1 (Collyhurst Village and Collyhurst South), where it is proposed that approximately 300 new homes will be delivered;
- 3.2 The total number of homes to be delivered within the Initial Development Area is anticipated to be approximately 1,000, with the intention being that 20% will be affordable. The homes will be a mixture of type and tenure, with the majority of homes being provided as open market for sale. The Development Area will provide a mix of one, two, three and four bed properties in the form of apartments, maisonettes and houses including townhouses.
- 3.3 The Joint Venture is also seeking to deliver significant public realm and open space improvements within these proposals together with the best possible low / zero carbon credentials from an in-use perspective, all of which impact on the individual scheme and overall Development Area viability. At present, the costs of construction are also seeing significant increases as a result of the Covid-19 pandemic, so the Development Area Business Plan remains to be finally fixed and the overall level of affordable housing that will be delivered is still subject to confirmation and will be reported to a future meeting of the Executive.

Progress Update relating to Collyhurst Phase 1

- 3.4 The Executive has previously agreed that the regeneration of Collyhurst would be progressed through an initial phase of development of approximately 300 homes, comprising a mix of houses and mid-rise apartments and including up to 130 new social rent homes.
- 3.5 The intention is that a mix of Council and open market sale homes will be brought forward on previously cleared sites in Collyhurst Village (Harpurhey ward), together with a smaller, purely social rent development of approximately 30 homes on cleared sites in South Collyhurst (Miles Platting and Newton Heath ward). The development of social housing will also provide an opportunity to remodel part of Collyhurst Village and deliver the first phase of the New Collyhurst Village Park, a significant and important step in delivery of the Northern Gateway SRF. This will involve the demolition and re-provision of 29 existing homes and 1 commercial unit.
- 3.6 Council officers, working closely with FEC colleagues and the appointed architects (Buttress) are taking forward the design process for these development proposals, and local resident consultation is underway, with an

ambition to submit a planning application for the development in late summer 2020. The resident consultation commenced in February 2020, with the intention of holding further face to face workshops and events over subsequent months. However, the onset of Covid-19 has required a different approach to consultation in order to maintain progress, and ensure that the Council is in a position to maximise opportunities to secure available government funding and contribute to the much needed economic stimulus for the City.

- 3.7 The necessity for social distancing has meant that face to face workshops with those residents that volunteered through the initial stages of the consultation have been replaced with briefing packs and an opportunity for telephone discussion in order to ascertain views on initial layout proposals. It is intended that as the designs are further developed, wider community consultation will be continued with a focus on web based engagement supported by postal and telephone based exchange of information. Engagement with the existing Collyhurst community is hugely important and as the infection control measures associated with Covid-19 change, the consultation methodology is being kept under review and the approach agreed with the Executive Member for Housing and Regeneration in consultation with Local Members.
- 3.8 As stated above the development of social housing will provide an opportunity to remodel part of Collyhurst Village. It is proposed that a proportion of the new homes will be used to relocate the residents and a business from 29 existing homes and one commercial premise.
- 3.9 As part of the resident consultation process, contact has been made with residents and the business owner affected by the proposal. Generally, the proposal was positively received, on the basis that residents will be able to move into the new homes, and provided with the appropriate discretionary home loss and disturbance compensation. A Housing Needs Assessment for the Council tenants has also been undertaken by Northwards Housing and the outcome will be factored into the design process to ensure that suitable properties are available, in terms of size and type.
- 3.10 As set out in the February 2020 Executive report, the new homes in South Collyhurst will be prioritised for residents displaced by previous demolition activity who wish to return to the area. The additional remaining dwellings in both Collyhurst Village and South Collyhurst will need to be the subject of a specific Lettings Policy, to be reported to a future meeting of the Executive. There may be an opportunity to explore the possibility of making the additional new homes available to existing Collyhurst residents who wish to downsize in order to make more efficient use of stock.
- 3.11 Situated within the 29 residential properties are 6 former Council homes purchased through Right to Buy and one privately owned flat above the privately owned shop. It is intended that owner-occupiers will be provided an opportunity to purchase one of the new open market sale properties from FEC. In order to assist eligible owner-occupiers, financial assistance will be made available through the Councils Relocation Assistance Policy. Where affected

properties are currently occupied by private tenants, an opportunity will be provided to relocate into a new Council home within the development.

- 3.12 Furthermore, the development in Collyhurst Village will be designed to include a commercial premises located on the ground floor of a Council apartment block. This will provide an opportunity for the existing business owner to relocate within the development subject to the agreement of appropriate commercial terms.
- 3.13 The acquisition of these properties and relocation of the residents is an essential component in the delivery of the scheme. As such, although every effort will be made to support occupants and owners in order to reach agreement, it may be necessary for the Council to consider the use of compulsory purchase powers to facilitate completion of the scheme. Officers will consider the case for a Compulsory Purchase Order (CPO) and if necessary and considered in the public interest will bring a report to a future meeting of the Executive, once a planning approval is in place for the development.
- 3.14 A further report will be brought to Executive setting out the final detail of the Phase 1 proposal once the design and resident consultation process has concluded and scheme costs are firmed up. The delivery of new homes for social rent in Collyhurst remains a priority objective within the Housing Revenue Account (HRA) investment programme (Revenue Contribution to Capital Outlay or RCCO). In order to maximise the benefit of this available HRA investment, it will be necessary to supplement the budget with Shared Ownership and Affordable Housing Programme (SOAHP) funding which is controlled by Homes England.
- 3.15 Homes England are aware of the Council's intention to make a bid for SOAHP funding to assist with scheme costs, and this will be submitted once scheme costs are confirmed and a timetable for the planning application for the scheme is fixed.

FEC Seeking to Appoint a Registered Provider Partner

- 3.16 It should be noted that FEC intends to appoint a Registered Provider (RP) to deliver affordable housing as part of schemes on land that it owns within the Red Bank and New Town neighbourhoods. FEC have therefore appointed Avison Young to act as agent on their behalf to run an independent process to identify an RP with strong management credentials, significant investment capacity and a robust approach to leveraging grant funding to assist with project viability. A process of national, market engagement will commence in August for a circa 8-week period to understand market appetite and identify potential suitable partners. This will be followed by a more detailed disposal and procurement process. The process will be flexible in order to allow for one single entity or a consortium of providers if it can be demonstrated that this is in the projects' best interests and its clear how they would work together on lettings, housing management and local community/stakeholder management. As part of this procurement process, FEC will identify an RP to deliver the

shared ownership homes proposed at the Victoria Riverside site. The outcome of this process will be reported to a future meeting of the Executive.

4.0 Economic and Social Benefits Strategy

- 4.1 As highlighted in this, and in previous reports to Executive, the residential-led Northern Gateway development and renewal programme presents a major opportunity to deliver a holistic place-based programme of inclusive growth. In addition to the Northern Gateway, there are plans for significant Government investment into the North Manchester General Hospital site in Crumpsall.
- 4.2 Taken together, with the right governance and strategic links to Central Government and its key bodies, these major North Manchester health and residential growth initiatives have the potential to deliver social, economic and health benefits to the residents of North Manchester, and the wider city region, reversing the current scenario of high levels of deprivation, high dependency on public services and poor health outcomes where these wards rank amongst the worst in the country in terms of mortality rates. By considering these sites within the broader context of North Manchester, they can be connected to the surrounding neighbourhoods, supporting a thriving community as part of an inclusive economy whilst also addressing the city's zero carbon 2038 target.
- 4.3 Chaired by the Council's Director of Inclusive Economy, officers from the City Council and partners leading on the North Manchester General Hospital proposition are working collaboratively to agree the strategic priorities, based on the evidence available and in accord with the strategic objectives of the city, that will form the basis of a North Manchester Inclusive Growth Strategy which wraps around both of these major physical regeneration initiatives.
- 4.4 For Northern Gateway specifically, officers are working closely with FEC to establish a framework through which the Northern Gateway can deliver social benefits aligned to this wider North Manchester strategy. Opportunities are currently being explored along the key themes of: education, employment and skills; health and well-being; and community resilience, with zero carbon being a cross-cutting theme underpinning all activity.

5.0 Contributing to a Zero-Carbon City

- 5.1 The Joint Venture's Strategic Business Plan, and subsequent Development Area Business Plan, will build on the low-carbon principles of the Northern Gateway SRF which recognises that future development within the area will need to respond to the zero-carbon target and will be expected to move towards this aspiration through the active utilisation and deployment of leading building technologies.
- 5.2 The planning of the Northern Gateway has been actively developed to facilitate the radical change in the current patterns of energy generation, distribution and use.

6.0 Contributing to the Our Manchester Strategy

(a) A thriving and sustainable city

- 6.1 The Northern Gateway will expand the City Centre in a northern direction establishing sustainable mixed-use neighbourhoods including new jobs and employment opportunities.

(b) A highly skilled city

- 6.2 The Northern Gateway will provide direct employment opportunities and also meet the demand for housing from residents who wish to live close to the skilled employment opportunities located in and around the Regional Centre.

(c) A progressive and equitable city

- 6.3 Development of the Northern Gateway offers the potential to deliver on the objectives of the Manchester Residential Growth Strategy and meet the growing demand for high quality new housing in the city.

(d) A liveable and low carbon city

- 6.4 The Northern Gateway development opportunities will support the delivery of new residential developments using state of the art technologies and low carbon construction methods.

(e) A connected city

- 6.5 The master-planning of new neighbourhoods within the Northern Gateway will include traffic and transport planning ensuring that various modes of transport (car, bus, rail, Metrolink, cycle, and walk) are provided for.

7.0 Key Policies and Considerations

(a) Equal Opportunities

- 7.1 A key aim of the Northern Gateway is to deliver residential led development providing a significant number of high quality homes and alongside commercial development. This will both meet increasing levels of demand for housing within the regional hub and create new City Centre employment opportunities.

(b) Risk Management

- 7.2 The Northern Gateway programme will continue to be progressed in accordance with existing internal governance arrangements and within the legal framework of the Northern Gateway Joint Venture. If successful in securing the Housing Infrastructure Fund funding the Council's existing Capital Approval process will be followed in full with any additional governance and

accountability structures developed in accordance with the Council's risk management framework.

(c) Legal Considerations

- 7.3 Legal Services is working closely with the project team to provide legal advice on all aspects of the Northern Gateway Project, including in respect of the terms of the Grant Determination Agreement and delivery of the Initial Development Area. Legal Services will continue to support and advise the team on all aspects of this project to facilitate delivery and ensure compliance with all relevant legislation, regulations and contractual terms.

Appendix 1: HIF Infrastructure Area (Redline boundary set within context of wider Northern Gateway area)

