

North Somerset Council

REPORT TO THE COUNCIL

DATE OF MEETING: 14TH MAY 2019

SUBJECT OF REPORT: COMMISSIONING PLAN FOR APPOINTMENT OF A DEVELOPER IN RESPECT OF THE DEVELOPMENT OF THE FIRST PHASE OF THE COUNCIL'S LAND AT PARKLANDS VILLAGE, WESTON-SUPER-MARE

TOWN OR PARISH: WSM

MEMBER PRESENTING: EXECUTIVE MEMBER FOR HUMAN RESOURCES AND ASSET MANAGEMENT, CAPITAL PROGRAMME AND TRANSFORMATION PROGRAMME

KEY DECISION: NO

RECOMMENDATIONS

It is requested that the Parklands Village Developer (Phase 1) Commissioning Plan be approved to proceed.

1. SUMMARY OF REPORT

- 1.1. This report sets out the background to the Council's development land within Parklands Village, WSM, and seeks approval for this commissioning plan to procure a residential developer to bring the land forward.

2. POLICY

- .2.1. The Council's landholding at Parklands Village is identified for mixed use residential led development within the following planning policy documents:
- The Weston Villages Master Plan SPD
 - The Core Strategy
 - The Sites & Policies Plan – Site Allocations
- .2.2. The development of the land is also a key priority in the Council's Corporate plan and the Medium Term Financial Plan

3. DETAILS

Introduction

- 3.1 The Council owns approximately 34ha of land within the Parklands Village which is identified for residential led mixed-use development, as shown on the attached plan. The land forms part of the Weston Villages Master Plan SPD but is also subject to a site-specific Master Plan and an Outline Planning Permission granted in January 2018 for a mixed-use development of:
- 700 residential dwellings
 - 14,500sqm (gross) of office floorspace
 - A small retail unit (300sqm gross)
 - A 420-place primary school
 - Associated playing fields and open space
- 3.2 The site will be opened up for development upon completion of the North-South link road from the A371. This road is being delivered by the council and is already under construction with completion scheduled for October 2020.
- 3.3 Subsequent to securing outline planning permission the council has been awarded a grant of £9.861m from Homes England under the Local Authority Accelerated Construction (LAAC) Programme towards delivering a first phase of approximately 425 dwellings on approximately 14 ha of land from the overall approval for 700 dwellings on 34ha. The acceptance of this grant was approved in principle by Council on the 25 September 2018. The detailed terms are to be approved under delegated powers. The LAAC grant is to support local authorities to develop their land so that it can be disposed of for housing. The grant is designed to see homes built faster than the market would alone with the use of Modern Methods of Construction. The LAAC grant will fund the following:
- A contribution toward the cost to construct a North-South Spine Road to open up the development site - £5m
 - The cost to bring strategic infrastructure to the site boundary - £1.121m
 - A contribution toward surcharging and ground raising – £2.925m
 - A contribution toward electric overhead cable diversion - £0.585m
 - Allowance toward ecology costs and other fees - £0.230m
- 3.4 A key condition of accepting the grant will be delivering the above infrastructure works within agreed milestones with a view to speeding up the delivery of the dwellings.
- 3.5 Separate reports will be produced in respect of the council's delivery of the infrastructure works listed under section 3.3 above. This report deals with the commissioning of a developer to deliver the residential development after the completion of the infrastructure works.
- 3.6 The council's ambition is to bring this first phase of development forward through the appointment of a developer in order to start contributing toward its planning policies in a manner that is in line with the outline planning permission and the conditions of the LAAC grant whilst also meeting the design and quality standards achieved to date within the Parklands Village.

- 3.7 The current estimate of the land receipt that the Council would expect to receive from the eventual sale of the 14ha of land will be below the threshold requiring a Council decision but the cost to the developer of delivering the 425 dwellings with associated infrastructure is estimated to be in the region of £87m.
- 3.8 The Council has some minimum land receipt expectations within the MTFP which may be achieved by way of a single capital receipt, a phased capital receipt, future overage payments or some form of income generation over a longer period. Whichever basis is eventually approved the receipt will need to be balanced against the requirement for the appointed developer to deliver quality/good design, use Modern Methods of Construction as well as meeting the enhanced rates of delivery.

Contract Structure

- 3.9 To comply with the requirements of the LAAC grant agreement the Council will grant a Building Licence to the successful tenderer which will put in place a number of contractual arrangements including:
- Arrangements for approval of a Design Code for the development
 - Timeframe for Developer to obtain Reserved Matters Consent for the development
 - Anticipated start date (end 2021), minimum delivery rate (7.2 dwellings per month) and estimated completion date (end 2026)
 - Arrangements for use of Modern Methods of Construction
 - Arrangements for release of land and receipt of land value
- 3.10 There will also be a development agreement between the council and the developer.
- 3.11 The council will not pay the developer to deliver the housing, the developer will build the units and will make profit from selling them.
- 3.12 The contract term will be for the delivery of the whole of phase 1 which is estimated to complete by the end of 2026

Timeline

- 3.13 The outline timeline for the procurement of a developer through a Competitive Procedure with Negotiation is:

| Activity | Timescale |
|---|---------------------------|
| Commissioning Plan approval by Full Council | 14-May-2019 |
| Commissioning of a marketing agent to assist with land disposal & procurement | Spring/Summer 2019 |
| Developer Market engagement | Summer 2019 |
| Procurement for Developer | Autumn 2019 – Spring 2020 |

4. CONSULTATION

- 4.1 The council plans to appoint professional property consultants/marketing agents to advise and assist the Council through the procurement process for the appointment of a developer, including early market engagement, preparation of tender documentation, tender evaluation and any subsequent management of the appointed developer.
- 4.2 Market engagement will take place in advance of finalising the procurement plan and publishing the OJEU Notice.

5. FINANCIAL IMPLICATIONS

- 5.1 The total development costs to be met by the developer are estimated at circa £87m with the land value to be payable to the Council based on market value at the time of transfer. This receipt will not be received until at least the start of development and may be phased over a period of time to increase the total received.
- 5.2 The cost to the Council to run the procurement exercise will be funded from a £200,000 allowance included within the LAAC grant.

6. LEGAL POWERS AND IMPLICATIONS

- 6.1 The Local Government Act 1972 gives the Council the power to dispose of land held by it in any manner it wishes provided that the council achieves the best consideration that can reasonably be obtained. The Secretary of State has issued a general consent for disposals of land under S123 which allows a local authority to dispose of land at less than best consideration if it considers that the disposal will contribute to the promotion or improvement of the economic, social or environmental well-being of its area provided that the extent of the undervalue is no more than £2m.
- 6.2 Transactions comprising solely land acquisition or disposal are not covered by Public Contract Regulations 2015, however because this is a more complex arrangement with a development agreement between the council and developer, the Public Contract Regulations 2015 will be followed. This is because the developer will be building works (i.e. the housing units) to the council's specification (MMC).

7. RISK MANAGEMENT

The following risks and their mitigation are identified:

- 7.1 The invitation to and the award of the tender is delayed: Whilst a delay itself will not impact the project, it will have an impact on achieving the timelines agreed with Homes England as part of the LAAC grant. If delays to the timelines are known sufficiently ahead they can be discussed with Homes England.
- 7.2 No, or insufficient, interest from developers following the invitation to tender. Whilst the risk can be overcome by undertaking soft market testing/expressions of interest the impact would be in respect of delivery timelines.

- 7.3 Reserve Matters consent and start of development not being achieved within the agreed timelines. This will be mitigated by strict contract management/monitoring once the developer is appointed.
- 7.4 The eventual expected land receipt is less than anticipated as a result of market conditions impacting on build costs and/or sales values with a resultant negative impact on the MTFP. This risk will be mitigated by close contract management/monitoring once the developer is appointed

8. EQUALITY IMPLICATIONS

- 8.1 Not necessary at this stage but part of the evaluation of tenders will review the bidders approach to equality, diversity and inclusion

9. CORPORATE IMPLICATIONS

The proposal provides numerous benefits that contribute towards the council’s corporate outcomes of: Prosperity and Opportunity, Health and Wellbeing and Quality Places.

| Prosperity and opportunity | Health and wellbeing | Quality places |
|--|---|--|
| <ul style="list-style-type: none"> ● Drive growth in the North Somerset economy and local jobs. ● Ensure that all our town centres are thriving. ● Enable young people to fulfil their potential. ● Ensure that all our communities share in prosperity and employment growth. | <ul style="list-style-type: none"> ● Enable residents to make healthy choices and promote active lifestyles which reduce ill-health and increase independence. ● Support families to give their children the best start in life. ● Commission or provide quality health and care services, which deliver dignity, safety and choice. | <ul style="list-style-type: none"> ● Enable sustainable housing growth which protects our natural and built environment and the special character of our villages. ● Build and sustain great places to live and visit - vibrant, accessible and safe. ● Empower people to contribute to their community and communities to provide their own solutions. |

10. OPTIONS CONSIDERED

- 10.1 Use of the Homes England Delivery Partner Panel 3 (DPP3). This Framework can be used by the council, however, the timesaving from using it is not considered to be significant whereas being tied to a limited number of pre-approved developers is considered to be restrictive.
- 10.2 Following a Competitive Procedure with negotiation tender process will not restrict the council as all developers who may wish to submit bids will be able to. It will also allow a negotiation period for the council to be able to negotiate with bidders to clarify any issues.

It is recommended that a developer be procured through a tender process.

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BACKGROUND PAPERS

Weston Villages Master Plan SPD
Site Specific Master Plan
Outline Planning Permission 16/P/2758/RG4
Report to Council dated 25 September 2018 approving the principle of accepting the LAAC Grant
Executive Member Decision Sheet approving final acceptance of the LAAC grant
Local Authority Accelerated Construction Grant Agreement

