

North Somerset Council

Report to the Executive

Date of Meeting: 23rd June 2021

**Subject of Report: Development Programme and Economic Strategy:
Business Case and Commissioning Plan for development of Weston
Business Quarter**

Town or Parish: Weston-super-Mare

**Officer/Member Presenting: Cllr. Mark Canniford, Executive Member for
Place and Economy**

Key Decision: Yes

Reason: value of contract will exceed £500,000

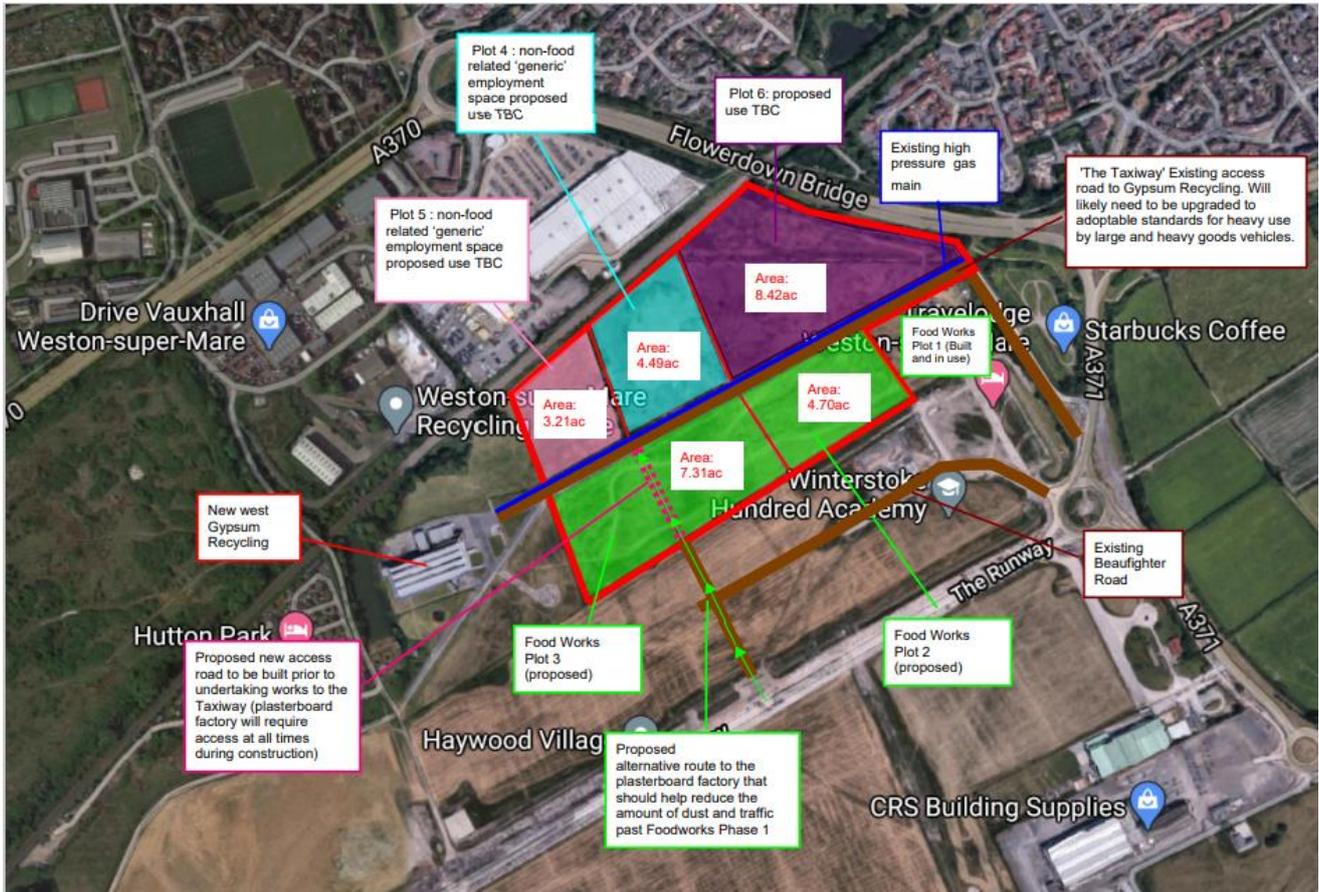
Recommendations

- 1) To note and retrospectively endorse the submission of an Outline Business Case (OBC) to the West of England Local Enterprise Partnership (LEP) for £11.1m funding to deliver infrastructure and servicing of plots at Weston Business Quarter (WBQ).
- 2) To approve the preparation by officers of a Full Business Case (FBC) for funding for the scheme and to delegate authority to the Executive Member for Place and Economy to approve the submission of the FBC once finalised, in consultation with the Director of Place and the Section 151 Officer.
- 3) To increase the council's revenue expenditure budget to reflect the costs associated with the preparation of the FBC and to draw down funding from the Driving Growth reserve.
- 4) To approve the proposed Commissioning Plan for the procurement of professional services and contractors to deliver the proposed infrastructure for this project. within the accounts.

1. Summary of report

- 1.1 This report sets out a business case for the delivery of infrastructure and servicing of plots to enable commercial land to come forward on land owned by North Somerset Council at the Weston Business Quarter (WBQ) in the Junction 21 Enterprise Area (J21EA). The site is a strategically important commercial location for North Somerset and since the completion of The Food Works^{SW} Innovation Centre in 2020 there has been an increase in investment interest.

- 1.2 The diagram below shows the site and the works proposed, with the red line indicating the area in NSC ownership:



- 1.3 An Outline Business Case (OBC) has been submitted to the West of England Local Enterprise Partnership (LEP) requesting funding of £11.1m to support this scheme. It is expected the funding would be sourced from the West of England Revolving Infrastructure Fund (RIF), which is interest-free forward-funding. The repayment of the funding would be through future land sales or lease income.
- 1.4 This report proposes the preparation of a Full Business Case for RIF funding, which is expected to be submitted early in 2022. It requests delegation of authority to the Executive Member for Placemaking and Economy to approve the final business case submission. The costs of preparing the Full Business Case are estimated at around £485k.
- 1.5 The report also requests approval of the proposed Commissioning Plan for the procurement of suppliers for professional services and for contractors to deliver the infrastructure and servicing of plots. It is proposed to use an existing framework for professional services. For the main works, it is proposed to undertake an open tender opportunity to access the wider civil engineering market and secure the most economically advantageous tender for the council. Delivery of utilities commissions would be sub-contracted to the main contractor but delivered by statutory providers.
- 1.6 The procurement for professional services is proposed to be carried out from June – August 2021 and for the works from April – August 2022. Awards of contracts would be reported in line with contract standing orders.

2. Policy

- 2.1 This proposal supports the Corporate Plan objective of creating a Thriving and Sustainable Place, in particular the priority of creating “an attractive and vibrant place for business investment and sustainable growth”. It also supports the commitments in the Economic Plan to directly invest and seek investment to help the creation of jobs at J21EA.
- 2.2 The site is allocated for commercial development in the adopted Local Plan. It was included in the list of potential sites in the Development Strategy adopted by council in February 2021.

3. Details

Weston Business Quarter

- 3.1 This report seeks authority to proceed with proposals to bring forward commercial plots at the Weston Business Quarter (WBQ), a key site within the Junction 21 Enterprise Area (J21EA).
- 3.2 Significant commercial development has already taken place on the southern part of the land owned by Persimmon Homes, creating an estimated 550 jobs across a host of knowledge-intensive technology, media, telecoms, and manufacturing businesses including SafeLab and QED Advanced systems.
- 3.3 This report proposes to bring forward commercial plots on the northern part of the land which comprises c. 30 acres in the ownership of North Somerset Council.
- 3.4 The opening of The Food Works^{SW} in May 2020 on the eastern corner of the council land has stimulated significant interest and premise enquiries from the food and drink sector, and the provision of serviced plots would help meet this demand.
- 3.5 Business units at The Food Works^{SW} are already at full occupancy. In addition, businesses are growing out of space at The Hive (managed workspace located on adjacent land in the ownership of Persimmon), with former tenants already moving to Worle Business Park and the WestOne scheme or being lost from North Somerset to Sedgemoor District.
- 3.6 The proposals will:
 - Respond to known investor and developer demand.
 - Give commercial developers the certainty and confidence to include Weston Business Quarter within development options appraisals.
 - Retain existing businesses with growth potential in the region.
 - Further encourage the rapid growth and clustering of food and drink businesses catalysed by the opening of The Food Works^{SW}
 - Create jobs and help to address economic inequalities present in nearby areas of deprivation.
 - Support the wider revisioning work proposed for J21EA which seeks to articulate clear purpose for the enterprise area in the West of England, support lead generation for inward investment, encourage investor engagement and activity and support sector specific investment activities. This commitment by the Council to bringing plots forward will both deliver jobs needed as a critical part of

economic recovery as well as provide a clear statement about how important the enterprise area is for particular sectors, growing businesses and tackling deprivation.

- 3.7 The West of England City Deal model predicts that the Weston Business Quarter has the potential to create some 1,700 jobs and c.£140m GVA by 2036, as well as business rates of around £65m business rates by 2036. The plots in scope for this funding will contribute 760 jobs to this total and deliver £6.6m business rates in a location which will benefit some of the most deprived communities in England.
- 3.8 The preparation of proposals for the site is being supported by specialist consultants, who are updating advice on the level and nature of demand for this location and on how the works proposed can best optimise the attractiveness of the site to the market.

Infrastructure proposals and funding source

- 3.9 An Outline Business Case (OBC) has been submitted to the West of England Local Enterprise Partnership (LEP) seeking funding from the West of England Revolving Infrastructure Fund (RIF) to deliver infrastructure and servicing for plots across the remainder of the council-owned land. The decision on the OBC is expected in July. Early feedback from LEP officers has been positive.
- 3.10 Capital costs are estimated at £10.9m, including:
- Utility servicing.
 - Upgrading the existing access road.
 - A new road to connect the existing access road to the access road to other plots road.
 - Road spurs to each plot.
 - Opening of existing rhyne (drainage channel), and relocation of a rhyne that subdivides one of the largest plots.
 - Undertake survey to assess condition and feasibility of realignment of services into combined utilities corridor.
 - Surcharge ground level to mitigate future flood level.
 - Professional fees.
 - Risk.
- 3.11 The OBC also includes a request for £150k revenue funding to cover the costs of site management and security, marketing and disposals over the course of five years once the site is serviced.
- 3.12 If successful, the bid to the RIF will provide interest-free forward-funding of these costs. The Council would be required to repay the funding, and it is expected that this will be achieved through land sales or rentals on the sites. The specialist market advice that has been commissioned will inform work to ensure that demand levels and land values will be sufficient to meet the costs incurred.
- 3.13 Any surplus income after repayment of costs would be available to NSC to fund other capital projects, however it is not expected that the scheme will generate significant receipts.

- 3.14 The next stage will be the preparation of a Full Business Case (FBC). The requirements of an FBC are significant. They include demonstrating:
- A compelling strategic and economic case, including evidence of market demand.
 - Confirmed deliverability and costs. This includes having secured planning consent and having completed detailed technical design work and assessments to have a good level of certainty on costs.
 - Expected timeline for repayment of RIF, with evidence to support that this can be achieved.
- 3.15 The costs of preparing the FBC are estimated at c. £485k, to be funded from an allocation within the Driving Growth reserve. To avoid delay to the programme, it is proposed that officers commence preparation of the FBC in advance of the OBC approval, which is expected in July, but could potentially be later. Close contact will be retained with officers from the LEP so as to identify and mitigate any risks that the project will be rejected, and if necessary, work on the FBC will be suspended until solutions are found.
- 3.16 The FBC is expected to be submitted to the LEP in January 2022 for a final decision in April 2022. Authority is requested to delegate authority to the Executive Member for Place and Economy to approve the submission of the FBC.

Commissioning Plan

Professional Services

- 3.17 Development of the Full Business Case, including preparation of planning application and support during the construction phase, will require the appointment of an external supplier to undertake the following core duties:
- Project Management services including commercial and design advice;
 - Quantity surveying and principal designer duties;
 - On-site surveys and desktop studies;
 - Utility, energy and sustainability services;
 - Geo-environmental engineering services;
 - Flood risk and civil engineering services;
 - Masterplanning and lead designer
- 3.18 This will be a two-stage appointment, linked to and dependent upon phasing. Stage 1 will comprise surveys, planning consent, preparation of technical designs and preparation for procurement of contractor, taking the scheme up to Full Business Case submission at an estimated cost of £485k. Stage 2, covering procurement and delivery, will include project management, design and Employers Agent and is estimated at £482k. Subject to the detailed FBC requirements and available budgets, some elements of these tasks may move between stages.
- 3.19 It is proposed to utilise the existing WECA professional services framework to access suppliers who can provide the range of services required by the project.

Construction Services

- 3.20 The physical delivery of infrastructure and servicing works will require the appointment of an appropriately experienced civil engineering contractor. The scope of the works will cover:
- Road construction including all associated earthworks, drainage and lighting;
 - Ground level modifications including raising levels, drainage and site clearance;
 - Foul drainage;
 - Utility works including electricity, gas, water telecoms.
- 3.21 The value of the construction work is currently estimated at £9.8m.
- 3.22 It is proposed to undertake an open tender opportunity to access the wider civil engineering market and secure the most economically advantageous tender for the council. Delivery of utilities commissions would be sub-contracted to the main contractor but delivered by statutory providers.

Programme

- 3.23 The timetable of the expected procurements is as follows:
- Approval of Commissioning and Procurement Plans: June 2021.
 - Brief and specifications issued to WECA professional services framework providers: June 2021.
 - Professional services quotes received (stage 1 and 2): July 2021.
 - Appointment of professional supplier at stage 1: August 2021.
 - Submission of FBC to LEP: January 2022.
 - LEP decision on FBC: April 2022.
 - Tender to contractors: April 2022.
 - Professional supplier stage 2 appointment: April 2022.
 - Receipt of tender returns: June 2022.
 - Appointment of tenderer: August 2022.
 - Start on site: September 2022.
- 3.24 Works are expected to take 12 - 18 months to complete, although some plots may be ready in advance of that timescale.
- 3.25 As this is an infrastructure contract, the evaluation of bids will focus on technical compliance, programme management and price. A Procurement Plan will be prepared for both supplier opportunities, for which authority is delegated to the Executive Member.

4. Consultation

- 4.1 This site has been allocated in Local Plans for commercial development for at least 10 years and has been subject to the public consultation associated with those plans.
- 4.2 The preparation of an FBC requires a planning application for the proposals, which will trigger further statutory consultations.

- 4.3 The scheme is being supported by specialist advice from who are testing the level and nature of market demand. This includes consulting with existing and potential tenants for the NSC-owned land.
- 4.4 The principle of seeking investment to generate jobs at J21EA has recently been consulted on via the development of a new Economic Plan. This was circulated to a wide range of businesses, business representative groups and resident representative groups. The commitment has full support from the North Somerset Economy Group which oversees the delivery and strategic direction of the Economic Plan.
- 4.5 A session of the Partnerships, Corporate Organisation & Overview Management, Policy & Scrutiny Panel is due to consider and discuss the overall Development Programme in July. A separate session on the Junction 21 Enterprise Area objectives and delivery will be held with the Place Policy and Scrutiny panel.

5. Financial implications

Costs and funding sources

- 5.1 The total costs of the scheme, including design and development and preparation of Full Business Case, are estimated at £11.1m, plus officer time. This estimate comprises:

Cost heading	Total projected eligible expenditure
Construction works, incl. prelims, OH&P and inflation	£8,325,000
Local Authority fees	£203,000
Professional fees incl. surveys, planning and Ground Investigation	£967,000
Risk contingency	£1,432,000
Revenue: site management, marketing and disposals	£150,000
Total	£11,077,000

- 5.2 An Outline Business Case (OBC) has been submitted to the West of England Revolving Infrastructure Fund (RIF) to meet the costs of the scheme.
- 5.3 The estimated costs to FBC are £485,000 and will initially be met from an allocation within the Driving Growth Reserve, which means that the council's revenue expenditure budget will need to be increased by this sum, with a corresponding increase in the income budget to cover the funding coming from reserves.
- 5.4 In the light of early positive comment from LEP officers, it is proposed that FBC preparation commences in advance of OBC formal approval, noting that these costs are incurred at the council's expense, so as to avoid delay to the overall programme. If the FBC is successful, the majority of costs can be recouped from the RIF, excepting some small sums (expected to be less than £50k) which are not eligible as capital costs, for example any legal fees.
- 5.5 The nature of RIF is that it provides interest-free forward-funding which must be repaid in due course. At Weston Business Quarter it is proposed that the costs are repaid through the sale or lease of the commercial plots that result. Specialist advice

has been commissioned to advise on this point and to ensure that sufficient income can be generated to be able to meet repayment requirements.

- 5.6 Any surplus income after repayment of costs would be available to NSC to fund other capital projects, however due to the relative modest values of commercial land it is not expected that the scheme will generate significant receipts.
- 5.7 Future business rates from the land are estimated at approximately £6.6m over the period to 2036.

Authorisation requirements

- 5.8 The value of the construction works for this scheme are estimated at £8.3m. The following approvals are required in taking forward the proposals:
 - Approval of Commissioning Plan: Executive, 23rd June 2021.
 - Approval of Procurement Plan: Executive Member, advised by Director and Head of Strategic Procurement.
 - Award of Professional Services contract: Director approval, August 2021.
 - Award of works contract: Director approval, August 2022.

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.
- 6.2 The procurement process will be compliant with the Public Contract Regulations 2015.
- 6.3 The procurement process will be compliant with the Public Services (Social Value Act) 2012 by ensuring it seeks additional social value during the tender process.
- 6.4 If successful in securing RIF, the council will be bound by the terms of the funding, including requirement for repayment of the forward funds.

7. Climate change and environmental implications

- 7.1 The Weston Business Quarter site is a brownfield site in a sustainable location. It is located within the urban area of Weston-super-Mare, and is well connected, being 2.4 miles from Worle Station by car, but only 2.1 miles by bike, mostly routed along a flat, well-maintained and direct cycle route that is mostly segregated from traffic. A new, mainstream bus service has recently been established with a bus stop located approximately 300m or a 2-minute walk from the council-owned land. Service frequency currently is every 2 hours, but this is expected to grow as further housing and commercial developments come forward to increase demand.
- 7.2 The detail of infrastructure and service delivery is being worked up, but a key objective is to minimise climate impacts, for example in the choice of materials. This will build on recent experience from the nearby Banwell bypass scheme, which we are seeking to make as close to net zero carbon as possible.

- 7.3 NSC planning policies required that new commercial buildings at the site meet BREEAM Excellent standards, and deliver 15% of their energy requirement through renewables or low carbon energy sources. Marketing strategies will seek to target environmentally friendly sectors and investors, for example, local food producers and manufacturers of sustainable forms of MMC housing.

8. Risk management

- 8.1 Key risks and mitigations are as follows:

Risk	Mitigation
Outline Business Case is rejected by the LEP	In the event that the OBC is rejected, officers will discuss options with finance colleagues to determine whether other funding options are available. Work on the Full Business Case may if necessary be suspended until a resolution can be found.
Preparation of Full Business Case and procurement processes are delayed or unachievable, which delays the delivery of the scheme and potentially leads to a loss of investment interest.	Close monitoring of progress. Any potential for delay will need to be communicated to funders and potential investment interest. If necessary, the FBC can be submitted at a later date. Bids can be made at any stage, with decisions on a quarterly basis.
Procurement process unsuccessful in securing a contractor willing to take on the work within time and budget.	An open procurement process is proposed so as to maximise the range of potential bidders. Soft market testing will be carried out in advance of procurement process if believed necessary in order to establish interest, however the contract should be relatively straightforward and therefore is felt likely to achieve a range of bids. Increases in cost or extensions to programme would need to be reviewed with the Major Projects Team. If necessary, elements of the scheme may be descoped or set aside to be delivered at a later stage.
Market advice suggests a lack of realistic interest in the site and/or that land values will be insufficient to cover RIF repayments.	Advice is being provided by specialist consultants. The team is aware that commercial land values are modest, therefore this will be kept under close review. If necessary, elements of the scheme may be descoped to reduce costs, or set aside to be delivered at a later stage.
Market circumstances change post-completion, leading to a	This will be kept under close review. If necessary, discussions will be held with the

Risk	Mitigation
loss of demand for the site and insufficient income to meet repayment requirements.	LEP as to a re-profiling of repayments. This has been agreed on other RIF schemes but should be viewed as a last resort.
Staff resource is inadequate to support process.	Consultants supporting process. Monitoring/management of staff time and priorities.

9. Equality implications

Have you undertaken an Equalities Impact Assessment? No

9.1 The delivery of site infrastructure and servicing through this project is not expected to have significant direct impacts on equality and diversity. A full EIA will be drawn up as part of detailed project delivery proposals to inform the Full Business Case.

9.2 Examples of factors to be taken into consideration in developing the scheme include:

- Infrastructure, including roads and crossings, will be designed in line with national standards and best practice to ensure accessible to all.
- Contracts will include Social Value requirements. It is anticipated that this will include actions to positively address inequalities.
- The South Ward area in Weston is close to the site and is within the 5% most deprived areas nationally. NSC's Economy Team is leading work with other teams across the council and partners to tackle these inequalities and to link residents with potential opportunities at the business quarter site.

9.3 The planning application for this site will comply with the requirements of the Local Plan and other planning policies, which have been subject to EIA assessments.

9.4 The procurement of a professional services and works will include a requirement for the appointed parties to ensure compliance with Equalities legislation.

10. Corporate implications

10.1 This proposal supports the Corporate Plan objective of creating a Thriving and Sustainable Place, in particular "an attractive and vibrant place for business investment and sustainable growth".

10.2 A project team has been set up to oversee the development of the scheme, led by the Economy Team as Client and supported by the Major Project Team. Representatives from Development and Finance Teams also attend.

11. Options considered

11.1 The preferred option for this site is to use RIF funding to pay for infrastructure and servicing of commercial plots, which will then be sold or leased to interested investors looking for land. This option is preferred in delivering the benefits described above but maintaining the risks to the council at a reasonable level.

11.2 Other options considered and rejected are listed below.

- 11.3 To do nothing, or to seek to sell the site without prior investment in infrastructure and services: this has been rejected as the site is a strategic location for commercial investment and without intervention there is a significant risk that development will not come forward, or will come forward more slowly than is desired. The council's long-term financial plans and the West of England City Deal both rely on long-term business rate income from this site.
- 11.4 To seek a Joint Venture partner who will invest capital and resources to bring forward the land on NSC's behalf: this was pursued in part by Persimmon with a reasonable degree of success on privately owned land to the south of the council site. However, even in that scenario, Persimmon first serviced the land to make plots attractive (a S106 obligation, effectively cross-subsidised by their adjacent housing sites). The relative modest values achievable for commercial land mean that a solely market-based proposition including servicing of plots is unlikely to be viable.
- 11.5 To deliver speculative industrial / office premises on the site as well as servicing plots: this option may be pursued to a limited extent once plots are serviced, if there is a specialist form of commercial development required (for example, a Foodworks phase 2 development). However, this would significantly increase the financial exposure and risk of the council and at present is not believed necessary due to the existing interest in the site from potential investors. A speculative build-out could also inadvertently restrict interest, if the premises constructed are not in line with what an investor is looking for – the servicing of plots offers better flexibility.
- 11.6 To partially deliver the site, e.g. to bring forward a limited number of initial plots and wait to see how well these succeed in the market prior to developing the rest of the site. A full servicing of the site as a single phase of work is preferred as this brings economies of scale and avoids further delay to interested investors. However a partial or phased solution may be re-considered as a fallback in the event that costs increase beyond what is felt can be afforded at the present time.
- 11.7 To fund the costs of the work from NSC borrowing rather than from the RIF. This option may be considered if the RIF application is unsuccessful, however the RIF is preferred as it provides interest-free forward-funding and therefore reduces overall costs.

Author:

Jane Harrison, Head of Economy

Appendices:

N/a

Background papers:

Council report on Asset, Accommodation and Development Strategies, Feb 2021:
<https://apps.n-somerset.gov.uk/Meetings/ByCommittee/15/2020/100>

North Somerset Economic Plan: <https://www.n-somerset.gov.uk/sites/default/files/2021-03/29981%20Economic%20Plan%20ACC.pdf>

Junction 21 Enterprise Area: <http://www.j21.co.uk/>