

North Somerset Council

Report to the Executive

Date of meeting: 7th December 2022

Subject of report: Delivery and disposal options for land owned by North Somerset Council at the Weston Business Quarter

Town or Parish: Weston-super-Mare

Member presenting: Cllr. Ash Cartman, Executive Member for Corporate Services

Key Decision: Yes

Reason: financial threshold above £500k

Recommendations

- To note the change in circumstances and proposed change of approach to the development of North Somerset Council owned land at the Weston Business Quarter.
- To delegate authority, for a maximum period of 18 months from the date of this meeting, to the Executive Member for Corporate Services, in consultation with the Executive Member for Placemaking & Economy and the Section 151 Officer, to finalise and approve the disposal of council-owned land at the Weston Business Quarter in line with the parameters set out in Appendix A.

1. Summary of report

- 1.1 This report sets out the actions that have taken place following the Executive decision of 23rd June 2021 (decision EXE 30) in respect of the Weston Business Quarter (WBQ). It summarises the conclusions of that work and recommends progressing a disposal to a potential investor.

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”.
- 2.3 The proposals supports commitments in the North Somerset Economic Strategy relating to low-carbon inward investment, strategic employment sites, and the Junction 21 Enterprise Area (now renamed as the Weston Enterprise Area).
- 2.3 The site is allocated for commercial development in the adopted Local Plan, with the exception of Plot 6 which is allocated for a potential Park & Ride site.

3. Details

Background

- 3.1 Actions detailed in this report were pursued in line with the following previous decisions:
- Executive report, 23rd June 2021: Business Case and Commissioning Plan for development of Weston Business Quarter, including retrospective approval of funding bid.
 - Director decisions DP21, 25th June 2021 and DP437, 2nd March 2022: appointment of Jones Lang Lasalle for the provision of commercial advice; additional advice on disposal negotiations.
 - Director decision DP241, 14th Oct 2021: appointment of Atkins for the delivery of design, survey and cost estimates for the development of a Full Business Case.
 - In addition, Atkins were commissioned to seek an alternative site for park & ride provision (Director Decision DP437, 2nd March 2022), in recognition of the importance of the WBQ site as a strategic employment location.
- 3.2 In July 2021, the West of England Local Enterprise Partnership approved the council's Outline Business Case for £11.1m Revolving Infrastructure Funding (RIF). Subject to the further approval of a Full Business Case (FBC), the money would be available to deliver infrastructure and servicing of plots at the Weston Business Quarter (WBQ). Importantly, the funding would be forward funding rather than grant, and its repayment must be underwritten by NSC.
- 3.3 Further to the decisions and approvals detailed above, work on the delivery of infrastructure and servicing of plots has been completed to RIBA stage 2. This included the preparation of more detailed cost estimates and the provision of soft market testing and viability advice from JLL.
- 3.4 Detail on the findings of Atkins and JLL is provided in exempt Appendix A to this report. It provides commercial information that would be of assistance to any third party seeking to acquire the whole or part of WBQ, therefore it is essential that the information is kept confidential.
- 3.5 In summary, key findings are that the costs have increased to a level beyond the £11.1m RIF funding that is available, and that a traditional development appraisal based on servicing and selling plots / buildings does not provide confidence in being able to generate a sufficient return on this investment to be able to repay the funding to the LEP. This suggests that there is currently too much risk on the council to progress any further with the development of the Full Business Case.
- 3.6 A report from Atkins on the Park & Ride designation has been received and shared with Highway Services and Planning officers. The proposed removal of this designation has been included in the Draft Preferred Options consultation paper for the Local Plan 2023 to 2038.

Major enquiry for purchase of land at Weston Business Quarter (WBQ)

- 3.7 The Council's Economy Team has received a positive inquiry for the acquisition of part of the council's land at the WBQ. The potential purchaser has indicated that they wish to acquire the whole of WBQ, excluding plot 6 (partly as a response to NSC's

desire to retain plot 6 for other potential priorities of its own, as set out in paragraph 3.13).

- 3.8 The potential purchaser is a substantial manufacturing company based within the south-west of England and wishing to expand its presence in the region. The company's brand is recognised internationally for its high-end market products. It is anticipated that company will in its first phase bring 80 new jobs to Weston, with further plans to expand the business in the future.
- 3.9 This type of investor works from a different financial model than a traditional development proposal. This is because their business case is based on the long-term future of their business, rather than on the development and sale of land. They are therefore likely to be able to make the site viable, within those terms.
- 3.10 In view of this significant investment enquiry, and the difficulties for the council in pursuing the development of the site itself, it is recommended that negotiations with the potential investor continue and that authority be delegated to the Executive Member for Corporate Services to finalise a disposal of the site to this or any other future potential purchaser. Information on the value of the site, negotiating approach and proposed Heads of Terms are provided in Appendix A.
- 3.11 The delegation of authority is suggested to be limited to a maximum of 18 months. If a disposal is not reached within that time period, a further report will be required prior to further action.
- 3.12 In the event that the current discussions are unsuccessful, it is proposed that additional marketing of the site would take place with a view to securing a disposal to another party within the same parameters.
- 3.13 The retention of plot 6 by the council would ensure that the land is available for any future expansion / phase 2 of the Foodworks innovation centre already located adjacent to this land (or for any other use identified as a priority for the council). A key aspect of the negotiation with the potential investor will be to ensure that necessary access and wayleave rights are maintained for this plot.

4. Consultation

- 4.1 The allocation of the Weston Business Quarter for employment purposes and the principle of seeking investment have been consulted upon via various council generated reports and plans, including the North Somerset Economic Strategy and Sites and Allocations Plan.
- 4.2 The discussions on the potential of this site are commercially sensitive and confidential, however the Executive Member has been kept advised of progress. Reference to the potential direction of travel has been made in development programme briefings to Place and PCOM panels.
- 4.3 Through its soft marketing exercise, JLL has canvassed potential developers and interested occupants of the Business Quarter.

5. Financial implications

- 5.1 Financial implications are detailed and discussed in Appendix A.

6. Legal powers and implications

- 6.1 The Local Government Act 1972 gives the council power to dispose of land held by it in any manner it wishes provided the council achieves the best consideration that can possibly be obtained.
- 6.2 This proposal is for a commercial disposal of the land rather than a procurement exercise for its development. A commercial disposal is recommended as the most efficient and effective way to enable the current investment interest to come forward; however limits the conditions that the council can place on the disposal.

7. Climate change and environmental implications

- 7.1 The expected purchaser of the site has a good track record in relation to sustainability and has expressed their ambition of a zero carbon development, including on-site renewables. However the nature of a commercial disposal is that the council is unable to specify this requirement and will have to rely on the planning system to assess and ensure the sustainability of proposals as they come forward.

8. Risk management

- 8.1 Not being able to reach agreement on the disposal of the site: in the event that the current discussions fall through, consideration will be given to marketing the site to other potential owner-occupiers, however there remains a risk that in the current economic climate the council may not be able to dispose of the site. The council would have to take a view on these risks and its short- and medium-term response.
- 8.2 By moving to an option of disposal, the council would lose the opportunity of RIF funding from the LEP: whilst the council is now unlikely to pursue this route, officers will discuss with LEP colleagues whether the funding can be kept on hold until such time as a deal is concluded.
- 8.3 The price achieved is insufficient to cover costs incurred to date and/or to generate any return to invest in future priorities: the council is being supported by specialist consultants and will seek to avoid this eventuality. The final decision on disposal will require Executive Member approval in conjunction with the Section 151 Officer.
- 8.4 The sale of the site does not result in development, as the purchaser's proposals stall or are abandoned / an alternative development comes forward which is less acceptable: the suggested Heads of Terms include a buy-back provision after four years, however any commercial disposal holds these risks.

9. Equality implications

- 9.1 The proposed sale of part of the Business Quarter has very limited direct or indirect equality or diversity implications.
- 9.2 The South Ward area in Weston is close to the site and is within the 5% most deprived areas nationally. The successful sale to the interested party could bring added employment to Weston through the construction work and through the long-term creation of employment opportunities.

9.3 The planning application by the interested party will need to comply with the requirements of the Local Plan and other planning policies, which have been subject to EIA assessments.

10. Corporate implications

10.1 Work on this project is led by the Economy, Development and Major Projects Teams, with support from finance and legal colleagues.

11. Options considered

11.1 As detailed above and in Appendix A, various options have been considered for this site, however the recommended disposal is considered to be best option available.

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Appendices:

Appendix A (EXEMPT): development appraisals and negotiating position

Background papers:

Executive report, 23rd June 2021: Business Case and Commissioning Plan for development of Weston Business Quarter, including retrospective approval of funding bid.