

North Somerset Council

Report to the Council

Date of meeting: 10th January 2023

Subject of report: Castlewood redevelopment options including Commissioning Plan

Town or Parish: Clevedon

Member presenting: Cllr Ashley Cartman, Executive Member for Corporate Services

Key Decision: NO

Reason: Council Decision

1. Recommendations

1. To note the findings of the Outline Business Case as presented in this report and approve the preferred option of a residential-led redevelopment of the Castlewood site based on demolition of the existing building and replacement with newbuild homes and small-scale commercial development.
2. To approve the Commissioning Plan and associated actions as set out in paragraphs 3.68 – 3.72 for the selection of a developer to take forward the redevelopment of the site, in particular the choice of a Development Agreement as the preferred route to market, noting that further detail will be agreed by the Executive Member for Corporate Services through the approval of a Procurement Plan.
3. To approve the allocation of one-off revenue resources of £0.8m to fund costs associated with the preparation of a planning application, procurement of a development partner and resolution of covenants to enable the recommended route to delivery for the preferred option.
4. To note that further capital/revenue investment will be required to support delivery of the Accommodation Strategy and the transition out of Castlewood by North Somerset Council and its partners/tenants. This will be subject to future approvals/reports.
5. To capture further revenue savings of £858k per annum in the Council's Medium Term Financial Plan from 2026/27 onwards, reflecting the saving on revenue costs that will be achieved from the decommissioning of this building after the repayment of one-off costs. This is in addition to the £250k per annum already reflected in the Medium Term Financial Plan making the total saving £1.1m.

6. To delegate authority to the Section 151 Officer to authorise the submission and acceptance of funding bids (including to the Brownfield Land Release Fund) that will assist in the delivery of the re-development of the site as agreed above.

1. Summary of report

- 1.1 In February 2022, Council considered a report on the council's Accommodation Strategy and agreed:

“That the production of detailed options analysis and an associated development and delivery strategy for the Castlewood site be commissioned, and a further report be brought back to a future meeting of Council.”

- 1.2 In May 2022 Council considered a further report including a strategic outline business case and agreed to:

“(1) Transition out of Castlewood to remove it from the council's office requirement, and release it for development

(2) Develop a preferred way forward through progressing a package of technical, planning and development workstreams, alongside soft market testing and pre-planning engagement; and

(3) Delegate to the Section 151 officer, Director of Place and Head of Strategic Procurement, the commissioning, procurement and appointment of technical, planning and development workstreams, alongside soft market testing and preplanning engagement.”

- 1.3 This current report does not seek to revisit the decisions referred to above in relation to the council's transitioning out of Castlewood
- 1.4 As instructed, further work has been carried out to progress an Outline Business Case (OBC) to arrive at a preferred way forward for the development of the site. The conclusion of the OBC is to recommend that the preferred way forward is a residential-led redevelopment of the site based on the demolition of the existing building. It further recommends that the council takes action to address the restrictive covenants that exist within the title and recommends a delivery strategy including selection of a developer partner.
- 1.5 The preferred option of demolition and new build residential-led development results in a financial benefit of £6.5m (NPV) over a 10 year period, and outperforms other options in terms of both sustainability and placemaking. It provides an opportunity for an investment in an exemplary sustainable development that can help the council achieve its net zero carbon ambitions and provide much needed new homes (including affordable housing) for Clevedon and North Somerset as a whole. Options to retain the existing building either for purely commercial use or for a residential conversion perform poorly against financial, placemaking and sustainability criteria.
- 1.6 The report sets out proposals and an anticipated timeline for identifying a developer for the site (the “Commissioning Plan”). The proposed form of delivery would be a Development Agreement based on a Building Lease. The procurement process will be Public Contract Regulations 2015 compliant and due to its value will be

advertised and open to all potential bidders. It is expected to take the form of a two- or three-stage competitive tender.

2. Policy

- 2.1 The Council's Asset, Accommodation and Development Strategies were adopted on 23rd February 2021. Part of this work, the Strategic Asset Management Plan (SAMP), sets out a methodology for the council to consider whether assets within its estate are required for service delivery and whether they should be retained. The intention to progress the phased withdrawal from Castlewood was outlined in this document and later agreed by Council.
- 2.2 The Development Strategy element of the work identified opportunities for the council to promote its own land for residential, commercial and mixed-use development. As well as generating income to support the council's capital programme for infrastructure, the council's participation in projects can help address market failure, deliver good design, optimise affordable housing outcomes and reduce the carbon emissions of development.
- 2.3 Delivery of the recommended preferred option for a residential-led development would support the Corporate Plan priority of enabling "thriving and sustainable places", including through delivery of "a broad range of new homes to meet our growing need, with an emphasis on quality and affordability".
- 2.4 Recommendations on the form of re-development are informed by a detailed analysis and comparison of carbon emissions, in line with the council's commitment to becoming a net zero area by 2030.
- 2.5 The future of the Castlewood site has been subject to initial local engagement through the Clevedon Placemaking Strategy exercise and Development Sites consultation. There will be further opportunities for engagement as the redevelopment project progresses through planning and delivery.

3. Details

- 3.1 Further to the resolution of Council in February and May 2022, officers have worked with an appointed specialist consultancy team, led by PRP architects, to progress the production of the Outline Business Case to identify a preferred option and development and delivery strategy.
- 3.2 This work has included:
 - A review of the strategic objectives of the council and how they potentially fit with the objectives for this site.
 - Discussions with current tenants and other potential occupiers / developers to understand the likely appetite for the site both as it is currently configured and/or for re-development.
 - Site surveys and drafting and feasibility testing of potential development options, informed also by pre-application discussions with the local planning authority.
 - Sustainability appraisals of the shortlisted options, specifically a review of predicted whole-life carbon emissions of the development.
 - Financial modelling informed by market intelligence from Alder King.

- A review of restrictive legal covenants on the site and receipt of advice from Bevan Brittan on how to address these.
 - Consideration of delivery strategy, e.g. how the council might take the options forward.
- 3.3 The outcome of this work is the production of the detailed Outline Business Case (OBC), which is available to members on request as an exempt Background Paper.
- 3.4 The paragraphs below draw together a summary of the key issues and conclusions arising from the OBC.

Strategic case (review of strategic objectives)

- 3.5 This is broadly as set out in the policy section of this report (paragraphs 2.1 – 2.5 above).
- 3.6 The decision in May 2022 to move out of Castlewood was motivated by the objective of reducing the operational estate and capturing revenue savings, whilst the delivery of housing and/or employment on a brownfield site within a settlement boundary aligns with spatial planning goals and the aims of the council's Development Strategy.
- 3.7 Consideration of options for the future of the site were further driven by the council's objectives around sustainability and the ambition for North Somerset to achieve net zero carbon status by 2030, in particular by the high level of emissions from the existing building due to its inherently poor energy efficiency.

Case for change: consideration of continued operation as commercial premises

- 3.8 The council's decision to transition out of Castlewood does not in itself necessitate a change of use or re-development of the building. Consideration of continued use for wholly commercial purposes included the following:

(i) Discussions with existing partners/tenants:

- 3.9 Castlewood is currently occupied by council teams and several service partners including Sirona Health and Care, CCG, Police, Ambulance, Agilisys, Liberata, Somerset County Council and BANES. 47% of the office space is occupied by NSC teams and 53% by partners. The site can accommodate 700 – 900 desks, but post Covid-19, use of the building has reduced to as low as 100 per day (NSC staff and partners).
- 3.10 Early discussions have been held with partners to understand their future intentions for the occupation of the building and a number have indicated that they envisage their requirements reducing, irrespective of NSC decisions. This creates a risk to assumptions of future revenue income for the council's Medium Term Financial Plan.
- 3.11 Most of the tenancies are scheduled to end within the next 2 – 3 years, and/or include a flexible six-month break clause, however the agreements for the DWP (Job Centre Plus) and Police and Crime Commissioner extend to 2027 without options for termination. The DWP has indicated that due to their funding model they would not themselves be able to look for alternative accommodation until at least 2025, but if a space was fitted out to their specification they would 'in principle' be agreeable to a move, if it was cost neutral to them.

- 3.12 Several other partners / tenants expressed a wish or requirement to maintain small-scale 'touchdown' space and welfare facilities in the vicinity.
- 3.13 NSC has outsourced its Registrars service to Somerset County Council, who run a registration office from the Ground Floor of Castlewood. The council will need to provide alternative accommodation for SCC to house the Registration Office and serviced desks spaces if it were to be moved.
- 3.14 Taking account of these discussions, the cost of accelerating vacant possession to 2025 is estimated at £1.8m. This would be reduced if the date for vacant possession were moved to 2027, as partners/tenants would not need to be re-accommodated, however that would result in continuing the operation of the building for a further two years, potentially with fewer tenants, which would worsen the net revenue position described below.
- 3.15 An alternative would be to seek a phased re-development of the site, allowing continued occupancy by a number of partners from 2025 – 2027, while redevelopment proceeds on other parts of the site.

(ii) Interest from other potential occupants or buyers:

- 3.16 Soft market testing was conducted by Alder King from July to September 2022, gathering feedback and market intelligence on a range of development options for Castlewood.
- 3.17 Alder King engaged with 53 parties, from residential developers, housing associations, office, industrial mixed-use developers and potential office occupiers and hotel operators. The mix of those responding positively is shown below:

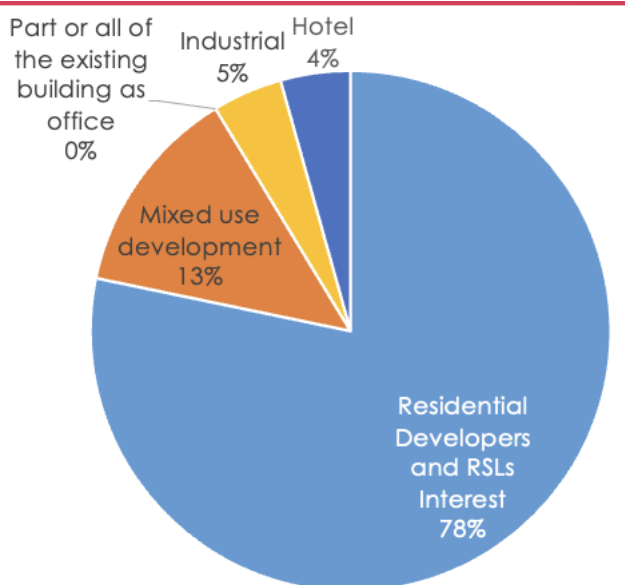


Figure 2.6. Soft market testing results

- 3.18 Results showed that there was very limited interest from parties for commercial development and no interest in the site from those actively seeking office accommodation. Among the commercial sector parties, only one hotel operator (of a

relatively budget nature targeting motorway traffic) and one industrial developer expressed interest in limited development on part of the site.

- 3.19 Levels of office take-up in Clevedon average around 1,000sqm per annum; Castlewood at 8,361sqm would take 8 – 9 years to occupy at such a rate. Commercial rents in the area are relatively low (£7.25 - £14 per sqft, equating to £78 - £151 per sqm) and even at full occupation would not cover the operational costs of the building.
- 3.20 A strong response and interest was achieved for a residential-led development from a range of residential developers, mixed-use developers and Registered Providers of Affordable Housing.

(iii) Costs and energy efficiency:

- 3.21 As detailed in previous reports, the operational costs of running Castlewood were £1.2m for 2020 – 2021 and £1.8m for 2021 – 2022. For 2023 – 24 they are forecast to be £2.3m. After taking account of income, the net running costs for 2023 – 2024 are forecast at £1.43m.
- 3.22 An Energy Management report published in 2021 reviewed all council-owned and operated sites. The report found that from Sept 2020 - Aug 2021, Castlewood contributed 19.4% of overall energy usage and 16.6% overall cost of the assets reviewed. The annual energy cost for Castlewood in 2023 – 2024 is forecast as £1.1m.
- 3.23 Significant capital investment estimated at a minimum of £3.8m is needed in the short-term to maintain building services, including statutory replacement of distribution boards, replacement of heating and water infrastructure and lift replacement. This does not include improving the energy efficiency of the existing services meaning that the buildings emissions will continue to be high unless significant additional investment is made. Retrofitting the building is technically difficult due to the building's structure. Due to new legal requirements, the building would need to be improved to EPC level C in order to be leased out to new tenants after 2025; this would be additional to the other costs in this section and require significant capital investment.
- 3.24 Occupiers expect a good level of fit out such as raised floors, LED lighting and Air Conditioning. An additional £15 per sq. ft. for a light touch redecoration of the building would total £1.4m.
- 3.25 In total, the council would have to invest an estimated £7.74m (including contingency, overheads & preliminaries) to bring the building up to a lettable standard (more to meet the EPC requirements).

(iv) Restrictive covenants

- 3.26 In considering options as to whether to maintain the site in its current use, or to pursue alternative development, the project team investigated legal covenants applicable to the site.
- 3.27 Fourteen restrictive covenants were identified, relating to:
- Rights to mines and minerals.

- Rights of light.
- Restrictions on use/prohibition or limitation on building, including restrictions on housing.
- Drainage rights.

3.28 Whilst some of the covenants are believed to have been expunged or to be unenforceable, they create a risk to any re-development of the site. Advice from Bevan Brittan is that the covenants can be resolved, however this is likely to require the council to play a more active role in the future development of the site. This topic is discussed further under delivery considerations below.

(v) Pre-application planning advice:

3.29 The Castlewood site is undesignated within the North Somerset Sites & Policies Plan. Formal pre-application advice was sought from North Somerset Council's planning team as to the acceptability of a re-development.

3.30 Overall the advice was broadly supportive of a residential-led scheme, recognising pressures of housing supply and that the site is brownfield land within the existing settlement area of Clevedon.

3.31 Other key points included:

- A preference to see the proposals include some continued provision of employment floorspace on the site.
- A residential scheme should include a housing mix to reflect local housing needs, in particular family housing.
- At least 19% of future energy needs should be provided through decentralised, renewable and/or low carbon technologies.
- Development design must respond appropriately to context, including addressing the Tickenham Road frontage and giving consideration to impacts on the character and heritage and wider landscape including Clevedon Court.

3.32 Taking account of all of the points in the paragraphs above in relation to the consideration of continued commercial uses, the project team reached the following conclusions:

- Continued long-term occupation of the building by existing tenants is unlikely and unviable due to changing requirements post-Covid.
- Progressing a scheme with large provisions of commercial space would constitute a high financial risk for NSC, one for which there is limited evidence of demand and risk of long-term high vacancy rates.
- One-off costs relating to re-accommodating partners (where needed), and other costs of securing accelerated vacant possession are estimated at £1.8m.
- However the costs of maintaining and re-letting the building for commercial use are estimated at £7.74m (in addition to improvements to achieve required EPC levels), plus ongoing revenue expenditure.
- To maximise the benefits and enable development from 2025, a dedicated programme and resourcing to secure vacant possession and resolve restrictive covenants will be required.
- The interest of a number of NSC partners and services in retaining a degree of flexible commercial space for touchdown and welfare purposes – as well as the pre-application advice from North Somerset's planning team - indicates that the

inclusion of small-scale commercial space within a re-development could be of benefit.

Residential-led scenarios

3.33 Further to the conclusions of the initial phase of work above, the project team developed and tested two main options for a residential-led scheme:

- An option based on retaining and refurbishing the existing building to convert it into apartments, coupled with new-build development on the rest of the site.
- An option in which the existing building was demolished, creating a clear site for wholly new build development.

3.34 Both options included an element of small-scale commercial development of flexible use class.

3.35 It is important to note that the layouts and designs in the OBC have been developed for the purposes of feasibility testing and confirming a business case for development. The work to date will inform next steps through planning and procurement but does not represent a final scheme for the site.

3.36 Benefits and disadvantages of each scheme were considered under the following workstreams:

(i) Design and placemaking:

3.37 Options based on the retention of the existing building were by definition constrained by its presence. The conversion of the building would also require very significant works in order to ensure compliance with Building Regulations and space standards.

3.38 Demolition of the building and replacement with new build homes and commercial space would allow a 'clean slate' approach in which design could be developed to meet market and local needs.

3.39 Design development for both designs recognised the importance of the existing landscape and sought to maximise its benefits, including through better links to the adjacent river and improved provision of active travel links.

(ii) Sustainability:

3.40 Sustainability assessments were a key consideration in the testing of options. Carbon emissions were modelled in line with BEIS and RIBA guidance, taking account of embodied and operational carbon over a 60 year period.

3.41 "Embodied carbon" relates to the carbon emissions during the construction (and demolition) of a building. A key concern expressed early on was that the demolition of Castlewood and replacement with newbuild would create significant emissions compared to the option for refurbishment. However the conversion of the building would also require significant elements of demolition and rebuild, as referenced above, in equating to around 60% of the building being replaced.

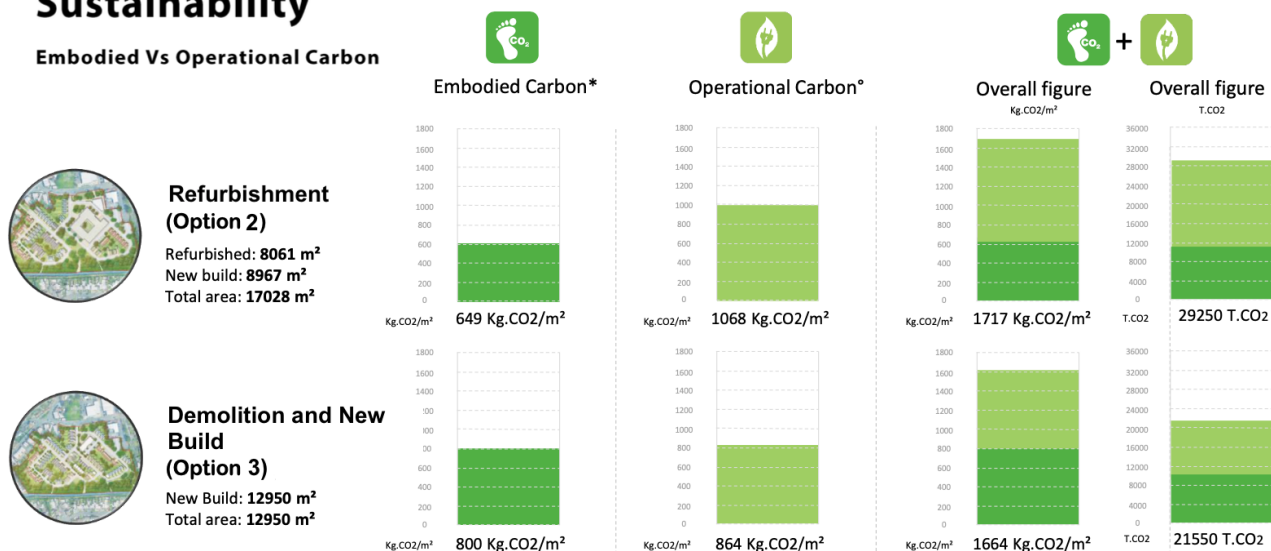
3.42 Overall, the embodied carbon calculation for the option based on conversion of the existing building (649 kg CO₂ per m²) remained lower than the option for demolition & newbuild (800 kg CO₂ per m²).

3.43 Operational carbon performance was significantly better for a new build option, due to the improved energy efficiency of wholly newbuild homes. Emissions for new build were calculated at 864 kg CO₂ per m² in comparison to 1068 kg CO₂ per m² for the option focused on conversion.

3.44 Across the 60 year lifecycle, considering both embodied carbon and operational carbon, the new build option is forecast to achieve a 36% reduction in CO₂ emissions. The option of retaining the building would generate an estimated 29,250 kg CO₂ emissions (1,717 Kg CO₂ per cubic meter), whereas full demolition and new build are forecast to generate 21,550 kg CO₂ emissions (1,664 Kg per cubic meter). This is illustrated in the diagram below:

Sustainability

Embodied Vs Operational Carbon



3.45 Both options performed significantly better than the option for retention and continuation of the building in its current commercial use.

3.46 To ensure a fair and 'industry standard' comparison between options, the above modelling assumed levels of energy efficiency in line with national requirements due to be introduced in 2025 (the "Future Homes" standard).

3.47 The council's Climate Change Action Plan and the emerging Local Plan for North Somerset aim that all new homes should be zero carbon or net carbon plus. Delivery of this higher standard has not been included in the business case modelling and may impact on the land value achieved. However there are a number of variables within any development scheme that can be adjusted, and officers will work with members with a view to finding solutions that maximise the overall sustainability (aiming for zero carbon) as part of finalising the specifications for the Procurement Plan.

(iii) Market interest and development viability:

3.48 By its nature, a scheme focused on the conversion of the existing building lends itself to a higher proportion of apartments and fewer houses.

3.49 Market feedback from Alder King was that this was a less attractive option to the market than a 'clear site' scheme which would allow a solution less focused on

apartments. In general there was a market preference for a site without the constraint of an existing building.

- 3.50 Development viability testing found that the conversion/apartment-led scenario performed less well financially, as apartments carry a proportionately higher build cost without an equivalent increase in sales values. Overall this option created a negative land value.
- 3.51 Viability testing of the newbuild scheme created a positive land value. Further detail is provided in the financial appendix to this report.
- 3.52 The delivery of new commercial space within either development option reduces the viability of development such that it is suppressing the forecast residual land value. Its inclusion within a development may manage planning risk and may derive local employment benefits but is not a commercially advantageous development strategy.
- 3.53 As stressed at the start of this section, the two schemes that were tested were hypothetical. In both cases densities could be increased or decreased and financial values could change, albeit the constraints of the existing building, of the costs/values of apartments versus houses, and the financial impacts of commercial elements would continue to apply.

(iv) Economic modelling:

- 3.54 Further Green Book compliant modelling was carried out on the options, testing wider economic benefits including for example Social Value and construction jobs.
- 3.55 This testing found a Benefit Cost Ratio (BCR) of 47.03% on Total Costs (including finance) for the wholly newbuild scheme, against a figure of 12.43% on the scheme based on conversion. Note that this is a technical calculation and should not be read as a cash equivalent to the return on investment.

(v) Conclusion on preferred residential option:

- 3.56 Based on the factors above, a residential-led scheme based on the demolition of the Castlewood office is recommended. This:
- Allows greater flexibility for design and placemaking to respond to local character, needs and demand.
 - Performs better in terms of carbon emissions than a model based on retention of the existing building.
 - Is more attractive to the market, more financially viable and therefore more deliverable.
 - Performs more strongly overall in calculations of Cost Benefit.

Route to delivery

- 3.57 Key considerations in determining a route to delivery include the following:
- Actions required to resolve restrictive covenants.
 - Choice of available delivery models, taking account of:
 - Commercial and procurement regulations.
 - NSC view on balance of control of the development outcome versus risk (particularly financial risk).

- Market appetite & response to risk.
- Planning strategy.
- Programme.

(i) Actions required to resolve restrictive covenants

- 3.58 Advice from Bevan Brittan is that the restrictive covenants could be resolved through a process of appropriation and use of powers under Section 203 of the Housing and Planning Act 2016.
- 3.59 Appropriation is a process whereby the council changes the purpose for which it holds land, following a review of the balance of needs for the existing and proposed purposes. The council has carried out similar exercises in relation to other land which it holds.
- 3.60 Section 203 of the Housing and Planning Act 2016 contains powers for persons to override easements and other rights in relation to the development or use of land. In effect, the rights are converted into rights for compensation in line with a statutory compensation code. These powers are not restricted to local authorities and are increasingly being used where a regeneration or development scheme is affected by historic and complex title issues. In the case of Castlewood, any compensation is thought likely to be nominal.
- 3.61 In the view of Bevan Brittan, the appropriation process and use of Section 203 powers requires first that planning consent should be secured for the site. This is to provide clarity on the purpose of the appropriation and as to any level of compensation required.
- 3.62 Planning could be secured by a third party (e.g. by a developer through a 'subject to planning' disposal or as part of a Development Agreement), but to avoid challenge to the council's appropriation decision and use of Section 203 powers, the development would need to be built out in a way that addressed the needs on which the appropriation decision was based. This means that the developer would need to deliver either the scheme that had gained planning consent, or a scheme close to that in terms of the benefits it delivered (if, as an example, the appropriation decision was based on provision of housing for families, but a developer chose instead to deliver housing exclusively for older people, this could undermine the legal basis on which the decisions and development were based). For this reason it would be advisable for the council to have some ongoing control over the development post-planning.

(ii) Delivery models:

- 3.63 In determining its preferred delivery model, the council will need to consider the level of control it needs and wishes to maintain over the final product at the site, balanced against the level of financial exposure and risk that it is able to take on.
- 3.64 The options available are summarised below:

(a) Commercial disposal:

This is in effect a straightforward land sale.

NSC would be required to secure “best consideration” as required by the Local Government Act 1972 for land disposals by local authorities.

The council would be limited in the conditions it could apply to such a sale, so would have little control over the development once sold, other than through planning.

Clawback arrangements could be included, as could a time limit on the commencement of development.

Due to the need for appropriation, the sale would need to be subject to planning (with appropriation after the developer has secured planning consent), alternatively, NSC would need to secure planning prior to sale.

This option would minimise further expenditure by NSC (depending on whether it funds the planning application) and the risks of construction would sit wholly with the purchaser.

However, as set out in paragraph 3.62, the lack of control over delivery post-disposal could risk challenge to the use of appropriation and Section 203 powers.

The risks around covenants may limit the land receipt that may be achieved.

(b) Procurement of development partner through contractual Joint Venture:

This is the model that the council has used for its land at Parklands and Uplands, as it has been deemed to offer a good balance of control and risk.

The council specifies its desired outcomes in relation to the site and carries out a procurement exercise to secure a development industry partner.

The partner pays NSC for the land and is required to carry out the development in line with the specifications required through the procurement and embedded in contractual Development Agreements. The development partner finances the development and carries the associated risks.

The level of detail specified by NSC can be as simple or detailed as the council chooses, but must be agreed in advance and stated in the procurement documents. The key specifications cannot later be varied.

In general, a higher level of specification will lead to less market interest and a lower financial receipt.

The main disadvantage of this option, in comparison to a commercial disposal, is in the cost of procurement (in addition to planning costs). However it should minimise the risks in relation to challenge on appropriation and use of Section 203 powers.

(c) Corporate Joint Venture:

This model entails setting up a joint company with a development partner, selected through a procurement process.

Development details are not specified in advance, instead the partners work together to develop and deliver the project to a set of company objectives.

The partners each contribute towards the required investment, and share risks and profits according to their equity shares. Typically a local authority will simply contribute land.

A difficulty with this model is that it is complex, time-consuming and expensive to set up, and for that reason is mainly used for much larger developments (not usually less than 1,000 homes). The market of partners willing to invest in a Corporate Joint Venture for this site on its own may be very limited.

The level of control by the council would minimise risk to challenge on appropriation and use of Section 203 powers.

(d) Direct delivery:

NSC could choose to deliver development at Castlewood itself, or through an arms-length development company.

This would allow it full control over delivery and would secure a financial return in terms of profit as well as land value.

The council would hold all of the financial risk, requiring borrowing in the range of £30 – 50m which would not be repaid until homes were sold or otherwise occupied.

Significant revenue resource in the form of staff and consultant time and expertise would be required.

Risks around appropriation and use of Section 203 powers would be minimised.

(iii) Decision on whether to secure planning consent:

3.65 Based on the above, there are a number of factors suggesting benefits to NSC in securing planning consent prior to disposal of the site:

- The process of appropriating the site and use of Section 203 powers to resolve restrictive covenants would be simplified.
- The site would be de-risked for potential developers, which would increase its attractiveness to the market and subsequent land value.
- Depending on the choice of delivery model, a planning consent could be helpful in specifying the requirements to be delivered by the eventual developer.

3.66 The key factor against securing planning consent is cost, as estimated in the finance section of this report and in the appended OBC. It is possible that NSC may be able through a Development Agreement to require a development partner to prepare and submit the planning application and to cover the costs. However that investment by the developer would be at risk until such time as the council appropriated the land and resolved the restrictive covenants. For this reason and to remain commercially attractive, the Development Agreement would need to include a provision that the council would underwrite planning costs and refund the developer if it in due course decided against the appropriation.

3.67 If planning is secured by the council itself, it is recommended that this should be at Outline level, rather than Full, and should be relatively limited in the detail it contains. This is because a detailed level planning consent can be viewed by the market as

overly restrictive and less attractive; it also involves additional cost and resource to prepare.

- 3.68 Some developers prefer a site with no planning consent (and no associated restrictions), provided there is confidence in its deliverability. A positive pre-application report and clear decisions from the local authority can be helpful in this regard, however the restrictive covenants on this site would still be likely to be seen as a significant risk to prospective development partners.

(iv) Recommendations on route to delivery

- 3.69 Based on the above, it is recommended that NSC moves forward to secure an Outline Planning application for the site and to identify a development partner by way of a Development Agreement (contractual Joint Venture). This option provides a good balance of control and risk both for the Council and for any future developer, in particular by providing a route to certainty on resolution of covenants. The timeline for such actions tallies with the time required to ensure vacant possession of the site, with a target start date of 2025.
- 3.70 As suggested in paragraph 3.66, officers will further explore the option of a Development Agreement through which the development partner secures planning consent. NSC would need to underwrite planning costs in order for this option to be attractive to the market.
- 3.71 Detailed criteria for the selection of a development partner would be established through the Procurement Plan for the site.

Programme

- 3.72 Due to the requirements for vacating the site of NSC services and partners, securing planning, resolving covenants and carrying out procurement processes, a start on site is unlikely to be achievable before 2025.
- 3.73 The presence of DWP and police tenancies until 2027 may require a phased delivery between 2025 – 2027, if those services cannot be relocated.
- 3.74 Mobilisation, site preparation and construction works would be likely to take around two years from commencement to completion.

4. Consultation

- 4.1 Market consultation has included the soft market testing detailed above.
- 4.2 Wider community engagement has included meetings with Clevedon Town Council's planning committee, stakeholder workshops through work on the Clevedon Placemaking Strategy, and the public consultation on Development Strategy Sites. The outcomes of these consultations broadly supported a residential-led re-development of the site and emphasised the need for the provision of good quality affordable housing.
- 4.3 A joint session of the Place and PCOM Policy and Scrutiny Panels was held on 17th November 2022 to discuss the re-development options. Key points of discussion included the need to ensure the maximum sustainability of development, a

recognition of the need for affordable housing in Clevedon, and consideration as to whether the council could take on the direct delivery of the site.

5. Financial implications

- 5.1 Information on the financial implications of this decision are contained within exempt Appendix A. The reason for the exemption of the report from publication is because it contains commercially sensitive information which could compromise future procurement and/or disposal processes.
- 5.2 The preferred option recommended in this report, if approved by Council, is forecast to result in a positive financial benefit of £6.5m (Net Present Value), based on mid-range cost scenarios. This compares to negative figures of minus £4.6m NPV for an option based on conversion of the existing building to residential, and minus £22.5m NPV for the option of retaining the building in its current use and renting it out as a commercial property.
- 5.3 Recommendation 3 of this report requests revenue funding of £0.8m for the financial years 2023/24 and 2024/25. This funding will enable the project to progress through the preparation of a planning application, procurement of a development partner and resolution of covenants. Officers will seek to reduce costs where possible.

6. Legal powers and implications

- 6.1 Under the Local Government Act 1972, a council has the powers to manage, develop and dispose of its assets as it sees fit, subject to acquiring best value in the case of any disposal and in accordance with any relevant statutory process triggered by such decisions.
- 6.2 Decisions related to the future repurposing of the Castlewood site will need to progress in line with local government legislation, financial regulations and Contract Standing Orders, in line with the Council's Constitution.
- 6.3 Delivery of the site will require resolution of legal covenants. This is discussed in Section 3 above.
- 6.4 This report is written from the perspective of the council's role as a landowner. The commentary and decisions in this paper do not prejudice any future decisions of NSC in its role as Local Planning Authority. Planning permission will be required for a change of use or redevelopment of the site.

7. Climate Change and environmental implications

- 7.1 Climate change and environmental implications of the preferred redevelopment and delivery options have been considered as part of preparing the options analysis and are set out in detail in Section 3 and within the OBC report.

8. Risk management

- 8.1 The risks of the different redevelopment options are considered in Section 3 and within the OBC as part of the options analysis and will be monitored as part of the ongoing development and delivery strategy. In summary, the highest ranked risks are as follows:

Risk & impacts	Mitigation
Recommended preferred option is not the optimum solution for Castlewood site.	<ul style="list-style-type: none"> • Outline Business Case informed by detailed assessments and specialist advice, as detailed in this report.
Restrictive covenants impact on ability to change current use of site and/or to attract development partner.	<ul style="list-style-type: none"> • Specialist legal advice has informed recommended route to delivery incl. resolution of covenants. • Proposed route allows for covenants to be resolved prior to disposal and/or allows for underwriting of planning costs of development partner.
Planning consent refused.	<ul style="list-style-type: none"> • Specialist support to be appointed. • Early & ongoing liaison with planning team through pre-application advice and Planning Performance Agreement.
Site unattractive to market / change in market conditions, resulting in failure to secure development partner.	<ul style="list-style-type: none"> • Ongoing market advice and engagement from specialist consultants. • Planning consent to be Outline level.
Delay in securing vacant possession of site: NSC or partners cannot be re-located within required timescales.	<ul style="list-style-type: none"> • Funding and management of NSC accommodation strategy. • Ongoing discussions with partners to negotiate end of tenancies and/or alternative accommodation. • Potential for phased approach to delivery of development.
Cost increases or other issues with development delivery post-procurement.	<ul style="list-style-type: none"> • Development Agreement places risk with development partner rather than NSC. • Planning consent and developer procurement to be informed by specialist market advice.

9 Equality implications

- 9.1 A Stage 1 Equality Impact Assessment for a residential-led re-development of the Castlewood site is appended to this report.
- 9.2 Impacts of the proposed re-development are broadly neutral or positive in relation to individuals and/or groups with protected characteristics. The most significant (and positive) impact would be the expected provision of affordable and accessible housing to meet the needs of people on a low income and disabled people.
- 9.3 In enabling the re-development of the site, some limited negative impacts may arise from ending the tenancies of partners, as this may change the way in which their services are provided. These impacts would be likely to be greatest for those with less access to private travel and/or digital connectivity, including those on a low

income, potentially older and younger people, and disabled people. The council will seek to mitigate these impacts through discussion with tenants/partners to ensure continued provision of appropriate access to services and facilities. Some impacts would be likely to arise irrespective of council decisions, as many partners are already considering reducing their presence at Castlewood.

- 9.4 The EIA does not consider issues relating to the transitioning of NSC services from Castlewood, as these have been considered in previous council reports.

10. Corporate implications

- 10.1 The OBC for this site has required input and support from a wide range of council teams, including planning, property, legal and finance.

11. Options considered

- 11.1 The options considered, including the preferred option, are detailed above. Further information is available in the Outline Business Case background paper, which is available to members on request.

Authors:

Alex Hearn, Assistant Director Placemaking and Growth
Jenny Ford, Head of Development & Placemaking
Martin O' Neill, Development Programme Manager
Jo Jones, Finance Business Partner (Place)

Appendices:

Appendix A (exempt): Financial information
Appendix B: Stage 1 Equality Impact Assessment

Background papers:

The Outline Business Case and supporting documentation is available to members on request.

Report to Full Council, 15th February 2022: Accommodation Strategy Update: <https://n-somerset.moderngov.co.uk/documents/s3106/22%20Accommodation%20Strategy%20Update.pdf>

Report to Full Council, 10th May 2022: Accommodation Strategy Update: <https://n-somerset.moderngov.co.uk/documents/s3380/28%20Accommodation%20Strategy%20Update%20Report.pdf>