

North Somerset Council

Report to the Council

Date of meeting: 9 January 2024

Subject of report: Development Programme prioritisation and delivery, including revisions to Commissioning Plans for Weston-super-Mare and Castlewood development sites

Town or Parish: All

Member presenting: Cllr. Mark Canniford, Executive Member for Development and Commercial Programme

Key Decision: N/A

Reason: This is not an Executive decision.

Recommendations

1. To note the updates on delivery of the Council's Development Strategy, including progress at Parklands Phase 1, Weston-super-Mare and The Uplands, Nailsea.
2. To endorse the proposed prioritisation of development sites as outlined in paragraphs 3.6 – 3.12.
3. To approve the revisions to the Commissioning Plans for the Dolphin Square and Walliscote Place sites in Weston-super-Mare and Castlewood site in Clevedon as set out in paragraphs 3.16 to 3.49 and noting the draft specifications for the sites as set out at Appendix A.
4. To endorse the commissioning of Aequus Construction Limited (via Bath & North East Somerset Council) to carry out Stage 1 and potentially Stage 2 development management for the Dolphin Square, Walliscote Place and Castlewood sites, noting that the formal decisions for award of contract of these stages of work are of a level that will be made under delegated Executive Member and/or Officer powers.
5. To approve the associated budget virements to increase the council's gross expenditure budget to recognise the additional expenditure for stage 1 and 2 and an equivalent increase to the gross income budget to recognise the funding from reserves as outlined in paragraph 5.6.
6. To delegate authority to the Director of Corporate Services (Section 151 Officer), in consultation with relevant Executive Members to approve the submission of funding bids to any value to support development proposals on the sites discussed in this report, should such opportunities arise.

1. Summary of report

- 1.1 This report provides an update on delivery of North Somerset Council's Development Strategy as approved by Council in February 2019 and further reported in November 2022.
- 1.2 Further to the Development Sites consultation held in 2022 (see www.n-somerset.gov.uk/nscsites), the election of a new administration, and changes in

economic context, the report makes recommendations as to the future programme of development sites to be delivered and how these should be prioritised.

- 1.3 In response to the need to make progress on the highest priority sites, the report recommends changes to the previously approved Commissioning Strategies for delivery of development at the Dolphin Square and Walliscote Place sites in Weston-super-Mare and Castlewood site in Clevedon. This includes a recommendation to commission development management and delivery through Bath & North East Somerset Council and their local authority owned development company, Aequus Construction Limited (ACL).

2. Policy

- 2.1 This report and its recommendations support delivery of the Corporate Plan priority of creating a Thriving and Sustainable Place. In particular it progresses actions around affordable housing and high quality and sustainable housing. It is in line with the Council's Development Strategy as adopted in February 2021.

3. Details

Background and progress on delivery of Development Strategy

- 3.1 In February 2021, the Council adopted a Development Strategy for the delivery of homes and employment on land in its ownership. This included the following four objectives:
 - To provide homes and jobs that meet the needs of our communities – current and future – while helping deliver government targets for housing supply.
 - To offer better quality and more sustainable developments.
 - To deliver sites that the market won't, including difficult brownfield land and employment sites.
 - To generate funding to help deliver other priorities, such as investing in schools, transport links and leisure facilities.
- 3.2 To date, two development sites have been brought forward:
 - 425 homes at Parklands Village in Weston. This includes 30% affordable housing (compared to 12 – 13% on adjacent sites) and 30% net zero homes, with all other homes seeing at least a 70% reduction in carbon emissions compared to standard housing. The first showhome was launched by our development partner, Keepmoat at the end of November 2023.
 - 52 homes at The Uplands in Nailsea. These homes are high quality design and meet flagship Passivhaus standards. 40% of the homes will be affordable, with an above policy level of adaptable and accessible housing, including a small number of bungalows. Our development partner, Stonewood Homes, started on site in Summer 2023 and the first homes will be available in 2024.
- 3.3 The Development Strategy is not limited to housing and at sites such as Weston Business Quarter the council is focused on employment delivery.
- 3.4 The progress outlined above demonstrates that the council, through control of development on land that it owns, can deliver high quality homes with positive

outcomes for residents and communities. In addition, the current sites are generating c. £15m in capital receipts which will be used to help fund delivery of other capital priority projects. The developments will also contribute to infrastructure and services through S106 contributions and the Community Infrastructure Levy (CIL).

Prioritisation of further sites for delivery following public consultation

- 3.5 In Spring / Summer 2022, a public consultation was held about sites owned by the council deemed potentially suitable for development. Full details of the consultation and outcomes are available at www.n-somerset.gov.uk/nscsites.
- 3.6 The consultation found support for the following sites and a recommendation was agreed by Council to promote them and bring them forward for development, with a focus on maximising affordable housing and sustainability / low carbon development:
- Weston Town Centre sites.
 - Parklands Village phases 2 & 3.
 - Castlewood, Clevedon.
- 3.7 The sites in paragraph 3.6 will be the top priorities for officer action. Paragraphs 3.16 to 3.49 of this report set out the next steps in taking the sites forward.
- 3.8 The remaining sites from the consultation have been reviewed by Executive Members. They have expressed a preference to prioritise development on brownfield sites, and/or at sites where local ward members have expressed support for development. These sites will be the next priority for officer action, and are:
- Oldmixon Recreation Ground, Weston: this site is strongly supported by local ward members who wish to see a partial development of the site to deliver affordable housing and if possible to facilitate investment in community facilities.
 - Hangstone Quarry, Clevedon: this is a relatively small brownfield site near Clevedon town centre, currently occupied by a hand car wash and some parking. There is local interest in the site for affordable and/or community-led housing.
- 3.9 Subject to the outcomes of the ongoing Local Plan process, further work will also be carried out to assess options for the re-development and/or disposal of the Grange Farm site in Hutton.
- 3.10 The following sites are not deemed priorities and will not be pro-actively pursued over the next 3 years. However in the event that a proposal comes forward from a third party (for example a Registered Provider of Affordable Housing, or a Community-Led Housing Group), this position will be re-considered and potentially the sites may be taken forward, subject to the necessary formal decisions and consents:
- Churchill Avenue, Clevedon.
 - Fryth Way, Nailsea.
 - Hutton Moor, Weston-super-Mare.
 - West Leigh, Backwell.

- 3.11 Following the public consultation on development sites, the council's Eastermead Farm site at Banwell and the Youngwood Lane site at Nailsea were recommended for further engagement and/or consideration through the Local Plan process. The sites are not currently proposed as Local Plan allocations and will not be pursued for development at the current time. This position will be reviewed if there are changes in the Local Plan following consultation / examination or if they are included in future iterations of Local Plans.
- 3.12 The Downside site at Portishead is proposed to be removed from the development programme. This is a small site with restricted access which was subject to significant local opposition. There is a proposal from Portishead Town Council to incorporate it with adjacent land to create a new green space / ecology area within the town centre. Officers will pursue discussions on the transfer of the land to the Town Council, subject to statutory best value considerations.
- 3.13 The recommendations above would enable delivery of c. 1,000 homes on the sites identified as priorities, alongside commercial development and community facilities. The cumulative financial value that will be generated for NSC (excluding the Weston Town Centre sites but including Parklands phase 2) is estimated at around £10m.
- 3.14 The value of the Weston Town Centre sites is negative and these sites are likely to require subsidy to be progressed. Additional commentary is provided later in this report.
- 3.15 The sites removed from the programme or identified as low priority represent around 250 potential homes and hold a cumulative financial value of around £10m.

Commissioning Plan for Weston Town Centre and Castlewood sites

- 3.16 Commissioning Plans for Weston Town Centre and Castlewood sites were approved by Full Council in February 2022 and January 2023 respectively. Links to the original reports are provided at the end of this paper.
- 3.17 The Commissioning Plans in both cases recommended an open procurement process to select a Development Partner. This would have involved developers competing to offer the best balance of price (land payment to NSC) and meeting of NSC specifications. The developers would fund the development and build out under license, with land transferring to them once the homes and other properties were built to the required standards. This option was felt to offer a reasonable level of control for NSC whilst also securing a strong land receipt and minimising risk.
- 3.18 In the case of the Weston sites, it was recommended that the developer would secure the required planning consents; in the case of Castlewood this was still to be explored, as restrictions around covenants on the site meant there could be advantages in NSC securing planning in advance of disposal.
- 3.19 In relation to the Weston sites, procurement materials were drafted and were ready to be launched in autumn 2022. Due to economic turbulence, NSC was advised to put the process on hold, as these already challenging sites were deemed unlikely to attract bidders at such a time.
- 3.20 A review of the Commissioning Plans and overall delivery routes has been held during the summer/autumn of 2023. Following this consideration, it is recommended that the council work with Bath & North East Somerset Council (B&NES) and the

development company, Aequus Construction Limited (ACL), which is owned by B&NES, to deliver development on the Weston Town Centre and Castlewood sites.

- 3.21 ACL is a wholly owned and, for B&NES procurements, Teckal compliant local authority development company controlled by Bath & North East Somerset (B&NES) Council.
- 3.22 ACL have demonstrated their ability to deliver high quality developments both in the B&NES area and in South Gloucestershire (through contractual arrangements with B&NES and South Gloucestershire Council).
- 3.23 Procurement Regulations allow public contracting authorities to co-operate with one another to perform public functions. This would allow NSC to co-operate with B&NES in the delivery of functions and in turn allow B&NES to commission services from its Teckal company on behalf of NSC.
- 3.24 The ACL model of delivery comprises three stages, as detailed below.

Stage 1: Initial business case: ACL is commissioned by B&NES on behalf of NSC to deliver an initial business case. Although referred to as 'initial', this is a detailed piece of work through to RIBA stage 2 including a wide range of surveys, appraisals and cost reports.

Stage 2: Full business case including planning: ACL is commissioned (via B&NES) to take the sites through full planning, draw up full financial reports and procure a constructor.

Stage 3: Delivery and disposal: the site is disposed of to ACL who deliver development under a sales and overage agreement. This means that NSC is paid for the land and secures a share of any profit above the baseline forecast.

- 3.25 At the end of each of stages 1 or 2, NSC can, if it chooses, withdraw from working with B&NES and ACL, and will retain ownership of any materials and consents secured (for example will be able to use the planning consent and any associated designs).
- 3.26 At stage 3, NSC will have the option, subject to compliance with subsidy control rules, to provide short-term commercial development loans to support the delivery of the scheme(s). This would require a further report to council, and would involve NSC providing a loan to ACL to build out the development(s). The loan would be paid back by ACL to NSC at a commercial rate of interest. This arrangement holds a financial advantage for NSC, as we would expect to be able to borrow the funding from the Public Works Loan Board (PWLB), which offers a more favourable rate of interest – thereby providing immediate revenue returns to NSC.
- 3.27 Alternatively, if NSC is unable to invest in delivery, ACL can seek other funders for the projects.
- 3.28 Advantages of the B&NES and ACL model are that:
 - NSC retains a good level of control over the specifications for the schemes, and can withdraw at the end of stages 1 or 2 if dissatisfied with proposals.
 - NSC can work directly with B&NES in co-operation on the delivery of a public function (delivery of housing) and B&NES can directly commission its Teckal

compliant company to undertake provision of services for stages 1 and 2, without a need for an extended and expensive procurement process.

- The land price paid to NSC at stage 3 would be assessed through an independent Red Book Valuation, meaning that the appropriate best consideration will be paid.
- If NSC at stage 3 decides to proceed, this guarantees their delivery; ACL do not land bank sites. Overall, the ACL proposal offers a rapid route to delivery compared to other options.
- The work to be carried out by B&NES and ACL will help to de-risk the sites, even if NSC decides later to take them to the open market, and helps to move them forward at a time when the development market remains uncertain.
- The profit level taken by ACL as developer through this council partnership is 15%, which is lower than the 20 – 30% taken by private sector developers, helping to improve site viability and land price.

3.29 The primary risk and disadvantage with the B&NES and ACL model is that stages 1 and 2 must be funded upfront by NSC. In addition, if NSC decided to provide development loan funding for stage 3, this would require the commitment of a large amount of short-term borrowing.

3.30 Due to the extent of costs and risks involved and the challenging viability of the Weston sites, it is recommended at this stage that only two of the Weston town centre sites are pursued, specifically Walliscote Place (the former police station site) and Dolphin Square. The Locking Road and Sunnyside Road sites will remain in their current use whilst these initial two sites are moved forward.

3.31 Costs and timelines for the sites in scope for Stages 1 and 2 are as follows:

Stage	Walliscote Place and Dolphin Square, Weston	Castlewood, Clevedon	Duration
Stage 1: Initial Business Case	£213k (confirmed, fixed fee)	£200k (confirmed, fixed fee)	12 weeks: can start immediately once authorised.
Stage 2: Full business case, planning & procurement	£300 – 350k (estimate)	£300 - 350k (estimate)	c. 4 – 6 months, dependent on planning etc.

3.32 The costs above are offset by savings on procurement processes for developer selection, including officer time savings. Subject to the planning process, viability, and any physical constraints, the timeline should allow a start on the sites in 2025.

3.33 The Castlewood Commissioning Plan agreed in January 2023 included an allocation of £800k to progress procurement and planning for the re-development of the site. In addition, NSC has secured £170k Local Housing Capacity Fund via the West of England Partnership to help fund procurement support, market advice and legal advice of the three locations.

3.34 The money identified in paragraph 3.33 is sufficient to allow the completion of Stage 1 on all sites, and should be sufficient to fund a significant proportion of Stage 2

costs. The residual funding required (estimated at £43k) will be sourced from development allocations within the council's Driving Growth reserve.

- 3.35 The formal decisions to procure B&NES for Stage 1 and 2 work, accept ACL as B&NES's delivery sub-contractor, and authorise the associated costs, fall within the delegated authority of the Director of Place, however Council is requested to endorse the proposed approach.
- 3.36 In the event that NSC decides to provide development loan funding for the construction of the sites, the estimated facility would be around £20 – 25m. This will be a significant undertaking and require a further Council decision. The funding would be loaned to ACL and paid back at a commercial rate of interest, which may yield revenue financial benefits for NSC.
- 3.37 In addition to any financial benefits from the development loan, ACL would pay NSC a land receipt for the sites. In the case of Castlewood, financial modelling forecasts a positive receipt, which was detailed in the exempt papers to the Business Case report of January 2023.
- 3.38 In the case of the Weston Town Centre sites, the development viability remains significantly negative and it is unlikely that NSC will receive any land receipt.
- 3.39 NSC and ACL will work together to reduce the deficit on the Weston sites and to bring the sites to a cost neutral position. This will include seeking grant funding from government bodies and affordable housing providers. However there remains a possibility that NSC may need to subsidise the sites to enable them to move forward, and that the council may not recoup the funding that it puts in to fund the Stage 1 and 2 work. An update will be provided at the end of Stage 1, and it may be that a decision is recommended at that point that either or both of the sites are unviable to be progressed further. This would further be considered as part of the Stage 3 decision on whether to fund the delivery of the sites.
- 3.40 Governance for working with B&NES and ACL would include monthly project officer meetings, quarterly more senior-level meetings, and the option for a representative of NSC to sit as an observer on the ACL Board (in the case of South Gloucestershire this was the Leader of the Council). Briefings will be provided to members at appropriate points in the process, including through Scrutiny & Policy Panels.
- 3.41 B&NES and ACL in designing and delivering the development would work to NSC's specifications. Proposed briefs are attached at Appendix A, but include for all sites:
 - An emphasis on high quality of design and placemaking, particularly on more visible street frontages and in regard to the heritage environment.
 - A starting position of policy compliance in terms of affordable housing provision, although higher levels will be targeted.
 - A minimum sustainability standard of AECB CarbonLite, or higher if this can be viably achieved.
 - A requirement for compliance with Nationally Described Space Standards.
- 3.42 Public sector grant may be required to meet/exceed policy minimums for affordable housing. For Castlewood a level of at least 40% will be targeted (including grant-assisted units). At Weston Town Centre, viable delivery of sites may be most achievable by working with Registered Providers and Homes England to bring

forward affordable-led schemes with levels of affordable housing exceeding 50%; this would include shared ownership as well as rental products.

- 3.43 The environmental standard targeted by ACL is the AECB CarbonLite standard, details of which can be found at: <https://aecb.net/>. This standard aims to deliver high-performance buildings using widely available technology, reducing overall CO2 emissions by 70% compared to the UK average. The AECB standard is recommended as a minimum for the schemes, but officers will work with ACL to explore options to further improve performance. The AECB is a partner organisation to the PassivHaus Institute and Trust.
- 3.44 To enable the projects to succeed, the specifications are recommended to remain relatively high-level. This allows ACL, working with NSC, to develop a 'product' that will work both practically and commercially within the overall parameters.
- 3.45 The Stage 1 commission and programme includes an allowance for one set of re-designs. Any additional changes would incur additional cost and delay, therefore it is important to agree the specifications upfront and as far as possible to avoid repeated change thereafter.
- 3.46 Council is asked to endorse the draft specifications for the sites, as attached at Appendix A. The final version, incorporating any amendments, will be agreed by the Director of Place in consultation with relevant Executive Members as part of the formal commission to B&NES/ACL for the Stage 1 work.
- 3.47 At the end of Stage 1 and prior to commissioning Stage 2, a further formal decision will be required to authorise that we proceed. Depending on the financial value, this is expected to be taken by the Director of Place, Section 151 Officer or Executive Member, and there will be consultation with relevant Executive Members and local ward members.
- 3.48 Property & Projects Team Officers are working with colleagues across Adult and Childrens' Services to determine whether the Weston and Castlewood sites could include specialist or supported housing provision such as homes for care leavers or key workers. This will be discussed further with ACL and Executive Members and if appropriate included in the final specifications for the schemes. It is not anticipated that such inclusions would require significant change to the design specifications.
- 3.49 The use of the B&NES and ACL model does not determine future options for the ownership and management of properties once constructed. Executive Members have expressed interest as to whether the sites could be taken back into NSC ownership and rented in order to provide a long-term revenue income. This can be modelled as part of the development work and recommendations made in due course if this is a route that is found to have benefits.

Delivery of other priority sites

- 3.47 Paragraphs 3.6 and 3.8 identified further sites to be prioritised for delivery within the next few years.
- 3.48 Parklands Village Phase 2 comprises a further 275 homes, employment area, primary school and community facilities that have already secured outline planning consent. The Commissioning Plan for Weston sites approved in February 2022 agreed that this should be taken forward through an open procurement and

Development Agreement with a private sector partner. At present it is not proposed to amend this approval.

- 3.49 Parklands Phase 3 would represent a potential intensification and/or expansion of the land currently identified for development, subject to planning. It is not expected to come forward until after phase 2 is underway.
- 3.50 At Oldmixon Recreation Ground, NSC has been approached by a local development management company who represent an adjacent landowner and who have offered their services to develop a joint masterplan, secure planning and identify a developer, with a view to this providing 100% affordable housing. The value of the development management commission is expected to fall within the delegated powers of officers, in consultation with relevant Executive and local ward members and taking account of procurement considerations.
- 3.51 Hangstone Quarry in Clevedon is currently in use for a hand carwash and parking under leases that run to 2027/28. As the end of these leases approach, officers propose to work with affordable housing providers and community-led housing groups to explore options for delivery of 100% affordable and/or self-build homes on this site. Formal recommendations will be taken for decision in due course.
- 3.52 The residual Weston Town Centre sites (Locking Road car park and Sunnyside Road) will remain in their current uses for the time-being. Through car-parking and short-term leases, these are generating a small amount of ongoing revenue which can assist with council revenue budgets. As the B&NES/ACL work progresses, options will be reviewed as to whether these can also be brought forward for development in a similar manner.

4. Consultation

- 4.1 A public consultation on the programme of development sites was held in 2022. The consultation, outcomes and subsequent council report can be found at www.n-somerset.gov.uk/nscsites.
- 4.2 The consultation found support for the re-development of the Castlewood and Weston Town Centre sites. Reference is made to other consultation findings at relevant parts of this report.
- 4.3 Updates on the development programme and early discussion of changes to Commissioning Plans were considered by the Place, Economy and Planning Policy and Scrutiny Panel and the Transport, Climate and Communities Policy and Scrutiny Panel in November 2023.
- 4.4 The Scrutiny Panels asked questions about the different options for delivery, which are discussed in the Options section of this report below. Panels expressed their wish to remain involved in discussions on the development of the sites and in particular emphasised the importance of keeping local ward members updated and engaged. This will be taken into account, however as set out in paragraphs 3.44 and 3.45, it will be important to avoid over-specification of design detail and/or repeated changes to designs (noting also that all sites will be subject to normal planning controls).

5. Financial implications

Costs

- 5.1 Costs of the B&NES/ACL stage 1 and 2 works are set out in paragraph 3.31, with an estimated total cost of £1.013m. In addition, there may be costs in relation to legal fees and commercial advice. The latter are not expected to exceed £50k and will be funded from resources held within the councils Driving Growth reserve.
- 5.2 In the event that NSC opts to provide development loan funding for the construction of the Walliscote Place, Dolphin Square and Castlewood sites, this is expected to require borrowing in the realm of £20 – 25m. A Full Council decision would be required to authorise this borrowing prior to the scheme progressing to Stage 3.
- 5.3 Delivery of the other future sites identified to be progressed (Oldmixon Recreation Ground, Hangstone Quarry, Parklands phases 2 and 3 and the residual Weston Town Centre sites) will require further resource. Business cases and resourcing of this work will be the subject of further reports and decisions.

Funding

- 5.4 The Stage 1 and 2 work will be funded from the following sources:
 - £800k allocation held within the Castlewood Redevelopment reserve.
 - £170k Housing Capacity Fund.
 - £43k allocation held within the Driving Growth reserve.
- 5.5 Any additional costs such as legal fees will be met from the Driving Growth reserve; these are not expected to exceed £50,000 and will be separately authorised through delegated authority if they are required.
- 5.6 It is anticipated that Stage 1 will be completed in the 2023/24 financial year and Stage 2 will be completed in the 2024/25 financial year. Recommendation 5 of this report therefore seeks authorisation to increase the gross revenue expenditure budget in by £413k in 2023/24 and £600k in 2024/25. The equivalent increase will be made to the council's gross income budget to recognise the funding from reserves.
- 5.7 The funding in 5.4 represents an investment, which NSC should normally be able to recoup from land receipts. There is a risk in the case of the Weston Town Centre sites that the limited viability of the developments may mean that this money cannot be recouped.
- 5.8 NSC is in receipt of £1m One Public Estate Land Release Fund (LRF) monies to fund capital works at Walliscote Place to facilitate delivery of the site. The deadline for expenditure and release of land is March 2024. Officers are in discussion with government funders to see if this deadline can be extended. Evidence of an agreed and achievable route to delivery will assist in these discussions.
- 5.9 NSC in the Council report of 15th February 2021 approved an allocation of £693,493 from the approved capital programme for Social Housing Grants (KAH201) to be made available through the procurement process to the successful bidder to support the provision of affordable housing and/or enhanced sustainability measures at the Weston Town Centre developments. The continued use of this funding to support the

sites will be considered in due course as part of decision-making on whether to proceed with the Stage 3 ACL commission (site delivery).

- 5.10 Officers will seek opportunities for additional funding to support the delivery of sites, including grant funding for affordable housing from Homes England and Registered Providers of Affordable Housing. A round of Brownfield Land Release Funding has recently been announced and is being reviewed as a potential opportunity to assist with site costs. Previous reports have approved delegated authority to apply for such funding; this is requested to be reconfirmed in the recommendations of this report.

Income

- 5.11 Potential income from the Weston Town Centre and Castlewood would take three forms:
- Capital receipt: the amount paid to the council for the land.
 - Overage: in the event that the sites perform financially better than forecast, NSC would share in the surplus that is generated.
 - Interest: if NSC chooses to invest directly in the delivery of the schemes, this would take the form of a loan to ACL, which would be paid back at commercial rates of interest and may yield a net benefit to the council.
- 5.12 The Castlewood site is expected to provide a positive capital receipt for the council to invest in other priority projects.
- 5.13 The Weston Town Centre sites have negative viability and are not expected to generate a capital receipt. The aim of officers working with B&NES/ACL and partners such as Homes England will be to reach a position at which the Weston sites are as close as possible to cost neutral. This is likely to require grant from government or its agencies, including grant to increase the proportion of affordable homes on the sites.
- 5.14 Income from the Oldmixon Recreation Ground, Hangstone Quarry and residual Weston Town Centre sites is expected to be minimal. The Parklands phase 2 and 3 sites should generate significant positive receipts.

6. Legal powers and implications

- 6.1 The Public Contract Regulations 2015 provide exemptions from the procurement regimes in the case of public to public contracts where contracting authorities co-operate with one another to perform a public function. They also allow the direct award of contracts for delivery of services between a contracting authority and a separate body (usually a company) that is controlled by the contracting authority.
- 6.2 These exemptions are contained in Regulation 12 of the Regulations and the first will allow NSC and B&NES to co-operate in the delivery of their housing functions and the second will allow B&NES to directly commission the Stage 1 and 2 services referenced throughout this report to support the co-operation function.
- 6.3 Should NSC opt to proceed with Stage 3 for any projects it will at that point contract directly with Aequus on the land disposal and delivery under a sale and overage agreement which, provided the Council is not procuring works but allowing development to Aequus's design, will not be a procurement, as disposals are not covered by the procurement regulations.

6.4 The Stage 3 disposal of land to Aequus will be informed by an independent Red Book Valuation ensuring that best consideration is paid. The Local Government Act 1972 s123 allows a disposal of property on such terms as the council determines, provided that best consideration reasonably obtainable, usually market value, is achieved.

7. Climate Change and environmental implications

7.1 An objective of the Development Strategy of bringing forward development on NSC-owned land is to offer better quality and more sustainable developments.

7.2 As reported in paragraph 3.2, this has to date included securing 125 net zero homes at Parklands phase 1, and the delivery of 100% Passivhaus certified homes at the Uplands site in Nailsea.

7.3 As set out in the draft specifications at Appendix A, the council through its work with B&NES/ACL will seek to maximise the environmental sustainability of the Weston and Castlewood developments. The minimum environmental standard targeted by ACL is the AECB CarbonLite standard, details of which can be found at: <https://aecb.net/>. The AECB is a partner organisation to the PassivHaus Institute and Trust.

7.4 The Weston sites are in a highly sustainable location close to the train station and local facilities, however their limited viability will mean that the delivery of the highest levels of sustainability will be very challenging, unless further additional subsidy can be secured. This will be considered throughout the process and included in funding applications where possible.

8. Risk management

8.1 Key risks and proposed mitigation in relation to the Castlewood, Walliscote Place and Dolphin Square sites are summarised below:

Risks	Potential impacts	Mitigation
Work carried out by B&NES/ACL is unsatisfactory, for example poor or unacceptable design.	<ul style="list-style-type: none"> - Decision not to continue working with B&NES/ACL after stages 1 or 2. - Abortive costs and officer time. - Failure to secure planning. - Member/public dissatisfaction. - Delays in delivery. 	<ul style="list-style-type: none"> - Proposed specifications for B&NES/ACL commission. - Allowance for 1 x re-design in Stage 1 commission. - Shared governance, including NSC observer role on board of ACL. - Communication of constraints and how proposals respond to these. - NSC will retain ownership/use of surveys etc to use in alternative delivery options if required.
Sites prove financially unviable to deliver. This is a	Unable to deliver sites without subsidy / unable to deliver sites to required specifications.	<ul style="list-style-type: none"> - Work with B&NES/ACL will include early viability assessments, and reviews throughout the process, so that design & development work is financially informed and viability

Risks	Potential impacts	Mitigation
particular risk for the Weston sites.		<p>maximised within the constraints of the agreed specifications. ACL has built up experience from other sites to inform this.</p> <ul style="list-style-type: none"> - Discussions have commenced with Homes England and RPs to explore options for grant funding, including options focused on increasing the levels of affordable homes. - Bids will be made for other government grants where possible, including the Brownfield Land Release Fund.
Legal challenge to delivery mechanisms / disposal of land.	Work is halted, incurring delays and abortive costs.	<ul style="list-style-type: none"> - Proposals in this report have been informed by legal advice. - Model for commissioning of B&NES/ACL is based on experience of South Gloucestershire Council.
Failure to secure planning consent.	Delay to delivery / unable to deliver sites.	<ul style="list-style-type: none"> - Weston sites are allocated in existing Local Plan. - Pre-application advice has been secured on the Castlewood site and is broadly supportive of development. - B&NES/ACL design work will include early and ongoing engagement with planning and consultee teams.
Community opposition to proposals.	<ul style="list-style-type: none"> - Delay to delivery / unable to deliver. - Reputational damage. 	<ul style="list-style-type: none"> - Consultation found support for the development of the priority sites. - NSC and B&NES/ACL teams to engage with local ward members and communities to identify and mitigate issues where possible.
Other factors prevent delivery of sites, e.g. contamination or flood risk.	Delay to delivery / additional costs / unable to deliver sites.	<ul style="list-style-type: none"> - A number of initial surveys have been carried out on sites to assess risks. B&NES/ACL will carry out further work early in commission to identify and mitigate any key issues that might prevent delivery. - Brownfield LRF funding of £1m already secured to assist with remediation / groundworks at Walliscote Place.
Increase in B&NES/ACL Stage 1 & 2 fees.	Sites unable to progress without additional resource.	<ul style="list-style-type: none"> - Stage 1 has been procured and is a confirmed fixed fee. - Stage 2 will be subject to further decision-making after completion of

Risks	Potential impacts	Mitigation
		phase 1. ACL will carry out a competitive process to commission the design/delivery teams for this work.
Collapse of ACL and/or companies procured by ACL to carry out work / construction.	Delay to delivery / additional costs / unable to deliver sites.	<ul style="list-style-type: none"> - This is a risk with any commission/procurement, however ACL's status as a local authority owned company provides additional safeguards in terms of governance and oversight. - ACL has established reserves from successful project delivery. It works with national delivery partners with appropriate guarantees and bonds in place. - NSC will own the materials/plans produced by ACL, which would enable them to work with alternative providers to take the sites forward if necessary.
Legal covenants on sites and/or requirements for appropriation prevent delivery of development.	Delay to delivery / additional costs / unable to deliver sites.	<ul style="list-style-type: none"> - Legal advice taken as part of previous business case reports on these sites. - ACL aware of covenants and appropriation requirements and will work with NSC to resolve.
Sites once delivered are unattractive to the market and remain unsold.	Later phases of sites are delayed/not delivered. Homes remain empty after construction.	<ul style="list-style-type: none"> - ACL process will include market advice to ensure proposals are saleable. - Regular liaison with RPs to explore options for increased delivery of affordable housing as part of schemes. - ACL holds capital risk if homes are not sold; land receipt is paid to NSC regardless of sales.

8.2 Individual risk assessments will be prepared for other sites as they come forward.

9. Equality implications

9.1 Stage 1 Equality Impact Assessments (EIAs) have been carried out previously as part of the Development Sites consultation work and as part of the business case for the Castlewood site.

9.2 The EIAs found that moderate to high positive impacts could be delivered through the development programme, as a result of an improved supply of good quality, sustainable and affordable homes. This would have benefits (including health and

wellbeing benefits) for a wide range of people, but in particular for those who are eligible for affordable, low-cost or specialist housing, including those on a low income, younger people seeking to enter the housing market, older people, care leavers and victims of domestic abuse.

- 9.3 Potential negative impacts of a moderate level identified related to the potential loss of open space and or community amenity resulting from the development of sites. This could have a particular impact on those who are suffering from mental health issues and for those with less opportunity or ability to travel further afield to other open spaces, for example those who are disabled, older and younger people, and those on a low income.
- 9.4 The contents of this report impact on the EIA assessments in the following manner:
- The prioritisation of brownfield sites helps to mitigate against the negative impacts of loss of open space and community amenity.
 - Measures to accelerate delivery of the Weston Town Centre and Castlewood sites help in achieving the positive benefits that have been identified.
 - The deprioritisation of a number of greenfield sites reduces the positive impacts but also mitigates against the negative impacts.
- 9.5 Due to the moderate impacts identified (both positive and negative), stage 2 EIAs will be required for individual sites as they come forward.
- 9.6 For the Castlewood and Weston Town Centre sites, B&NES/ACL will work with NSC to maximise positive benefits (such as provision of affordable and specialist housing) and to mitigate against negative impacts. Stage 2 EIAs will be prepared as part of the business case work and will be considered prior to the Stage 3 decision on delivery.
- 9.7 Planning applications for all sites will be required 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 The delivery of development sites has implications for a wide range of council teams including Property & Projects, Procurement, Finance, Legal, Planning and Housing.
- 10.2 Governance of the Development Strategy and the delivery of sites is overseen by the Council's Corporate Property & Assets Board and the Capital Planning, Projects and Programme Board.

11. Options considered

- 11.1 Other options for the delivery of Weston Town Centre and Castlewood sites were detailed in the previous Business Case / Commissioning Plan reports for those sites, links to which are provided at the end of this report. Reasons for the revisions to recommendations in favour of working with B&NES/ACL are provided in section 3 of this report.
- 11.2 Other options considered included:

- Whether NSC could set up its own development company similar to ACL. This remains a possibility, however requires significant upfront resourcing and would cause unacceptable further delay to delivery. The success of such companies requires a significant and consistent pipeline of viable development delivery, which we may struggle to deliver from NSC's current asset holdings.
- Whether NSC could become a full partner within ACL / with B&NES, in order to further increase the financial return to NSC. This would be complex, costly and time-consuming to achieve, so is not recommended as a short-term option for these sites, however may be explored further for the long-term.
- Revisiting other options such as a corporate Joint Venture with a private sector investors, potentially including build to rent investors with NSC underwriting the future rental income. This was tested in terms of financial viability but continued to prove challenging. It would take time to establish, would not guarantee full control over delivery, and would bring risk.
- Accessing / working through other development management companies, including others owned by local authorities. This was considered and conversations were held with other companies, however the B&NES/ACL model was felt to be a positive 'fit' in terms of the financial and legal model and in having a demonstrable track record of delivery within the West of England area.

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Appendices:

Appendix A: Draft specifications for Walliscote Place, Dolphin Square and Castlewood sites.

Background papers:

- Asset, Accommodation and Development Strategies, February 2021: <https://n-somerset.moderngov.co.uk/documents/s780/22%20Asset%20Accommodation%20and%20Development%20Strategies.pdf>
- Business case and Commissioning Plan for Castlewood site, January 2023: <https://n-somerset.moderngov.co.uk/documents/s4161/08%20Castlewood%20Council%20report%20FINAL.pdf>
- Commissioning Plan for development of sites in Weston-super-Mare, February 2022: <https://n-somerset.moderngov.co.uk/documents/s3105/21%20Development%20Programme%20-Commissioning%20Plan.pdf>
- Outcomes of consultation on further development sites (including link to November 2022 Council report): www.n-somerset.gov.uk/nscsites.

DRAFT SPECIFICATIONS FOR WESTON TOWN CENTRE AND CASTLEWOOD SITES

Introductory notes

The following specifications are proposed to form the basis of the brief to B&NES and Aequus Construction Limited (ACL) in designing and delivering the Castlewood and Weston Town Centre sites.

To enable the projects to succeed, the specifications are recommended to remain relatively high-level. This should allow B&NES/ACL to develop a 'product' that will work both practically and commercially within the overall parameters.

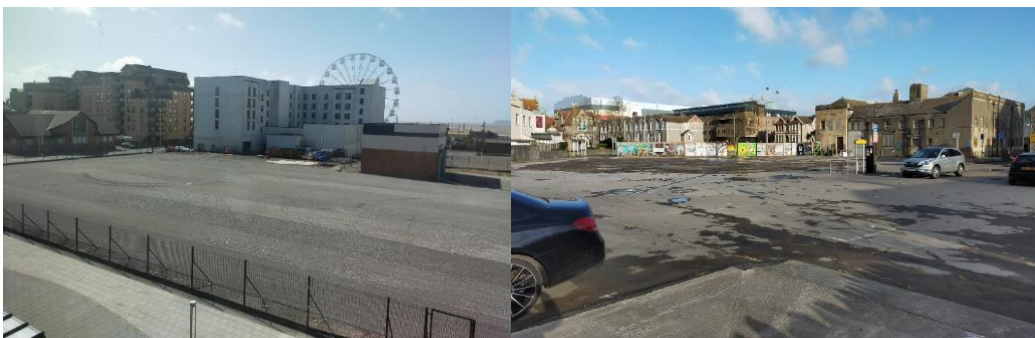
The Stage 1 commission to B&NES/ACL will include an allowance for one set of re-designs. Any additional amendments will incur additional cost and delay, therefore it is important to agree the specifications upfront and as far as possible to avoid change thereafter.

Council is asked to endorse these draft specifications. The final version, incorporating any amendments, will be agreed by the Section 151 Officer in consultation with relevant Executive Members as part of the formal commission to B&NES/ACL.

These specifications relate to the design and construction of the developments; they do not preclude further discussion of future models of ownership and occupancy.

The specifications are to be issued in the council's role as landowner; they are separate and additional to the requirements of the Local Planning Authority.

Weston Town Centre sites: Walliscote Place and Dolphin Square



Land to be included in this commission is shown in the plan below:



The commission excludes the Magistrates Court, Walliscote East car park, Roselawn and Central Chambers buildings.

Proposed specifications are as follows:

Criteria	Parameters
Height / density / numbers	<p>The capacity of sites should be maximised as appropriate to the locations and within the constraints of what the market can deliver (and/or what is required by Registered Providers of Affordable Housing).</p> <p>The council as landowner supports higher-rise development at Dolphin Square but does not require this, provided there is a sensible relationship to neighbouring sites and the building line along the seafront as a whole.</p>
Design quality	<p>High quality of design and placemaking is important, particularly on more visible street frontages.</p> <p>The starting point for design parameters should be as set out in the Weston Town Centre SPD, unless otherwise stated here or agreed through further discussion.</p> <p>The council expects high quality and contextual design and placemaking encompassing urban design, landscape, architecture and selection of materials. Key considerations are relationships to the surrounding area and good quality materials suitable for their environments (render or timber cladding should be avoided in marine environments). The inclusion of urban green spaces encouraged.</p> <p>The sites have challenging constraints with which to work (including the substation at Dolphin Square), and the design teams must positively engage with these to result in successful forms of development.</p> <p>Developers will be required to engage with the West of England Design Panel and to have schemes reviewed at appropriate points within the programme.</p>
Heritage	<p>The Dolphin Square and Walliscote Place sites are within the Great Weston Conservation Area and High Street Heritage Action Zone (HAZ). Any development will need to properly reflect the heritage of the surrounding area.</p>
Housing mix and affordable housing	<p>The council wishes to maximise levels of affordable housing at these sites. The starting point should be policy compliance, however it is recognised that this may be challenging and that grant input is likely to be required.</p> <p>Intermediate tenures for rent and sale would be welcomed and may aid absorption of product to support delivery at pace. Any active elderly and student accommodation must be use class C3.</p>

Criteria	Parameters
	<p>The council is exploring the needs for supported and specialist housing and may require that some of the housing is designed and reserved to meet these needs.</p> <p>Appropriate inclusion/integration of commercial and/or community uses is encouraged where practical and viable.</p>
Sustainability	The council has declared a climate emergency and wishes to seek the highest standards possible at these locations. AECB CarbonLite Standard is the minimum requirement.
Space standards	Proposals to be at least compliant with national standards.
Parking standards	<p>Parking standards should be compliant with planning policies applicable to this location, noting Principle 4 of the Parking Standards SPD, which states that:</p> <p><i>“the council will be supportive of low-car development in highly sustainable locations, well served by public and active modes of travel.”</i></p> <p>Measures to enable and promote sustainable alternatives to private car use are encouraged.</p> <p>The marketing of schemes to future residents must set clear expectations as to what is provided in terms of parking and alternative travel options.</p>
Use of MMC	The use of MMC is encouraged, where this enhances quality, speed of development and inherent energy efficiency and sustainability.
Programme and deliverability	Proposals must be deliverable, informed by realistic programming and market and financial evidence.

Castlewood site, Clevedon

Land to be included within this commission is as shown below:



In January 2023, Full Council approved 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.*”

Council also agreed to the establishment of a member working group to “*inform the development of the Outline Planning Application and the Procurement Plan.... Establish the key priorities for the redevelopment of the Castlewood site taking into account environmental, social, and financial considerations as well as the latest evidence and best practice.*”

This working group was established and met several times in early 2023. Preferences expressed by the group included 40% affordable housing, a ‘beacon development’ level of design, and Passivhaus standard, with less priority given to the inclusion of commercial development. However these recommendations did not progress to formal Procurement Plan stage.

In creating a brief for B&NES/ACL, it is recommended that requirements retain the essence of the aspirations listed above, but encompass a greater degree of flexibility to enable further exploration and testing of what is possible to be achieved. Suggested specifications are as follows:

Criteria	Parameters
Height / density / numbers	<p>The capacity of the site should be maximised as appropriate to the location and within the constraints of what the market can deliver (and/or what is required by Registered Providers of Affordable Housing).</p> <p>The council as landowner supports higher-rise development but does not require this, provided there is a sensible relationship to neighbouring sites and building lines.</p>
Design quality	<p>High quality of design and placemaking is important, particularly on more visible street frontages.</p> <p>The council expects high quality and contextual design and placemaking encompassing urban design, landscape, architecture and selection of materials. Key considerations are relationships to surrounding area and good quality materials suitable for their environments (render or timber cladding should be avoided in marine environments). The inclusion of urban green spaces will be encouraged.</p> <p>Developers will be required to engage with the West of England Design Panel and to have schemes reviewed at appropriate points within the programme.</p>
Heritage	<p>The Castlewood site is not within a formal Conservation Area but would be expected to have regard to its surrounding context. In particular, consideration must be had to the Grade I Listed Clevedon Court and its Grade II* Listed park and garden.</p>

Criteria	Parameters
Housing mix and affordable housing	<p>The council wishes to maximise levels of affordable housing at this site. The starting point should be policy compliance, however proposals should target a higher level, ideally at least 40% (including grant-funded units).</p> <p>Intermediate tenures for rent and sale would be welcomed and may aid absorption of product to support delivery at pace. Any active elderly and student accommodation must be use class C3.</p> <p>The council is exploring the needs for supported and specialist housing and may require that some of the housing is designed and reserved to meet these needs.</p>
Inclusion of commercial development	<p>Proposals should include an appropriate element of commercial development to meet planning and economic requirements. These should be developed to at least Outline Planning level, but are not expected to be physically delivered as part of the B&NES/ACL commission, unless there is clear and viable demand.</p>
Sustainability	<p>The council has declared a climate emergency and wishes seek the highest standards possible at these locations. AECB CarbonLite Standard is the minimum requirement.</p>
Space standards	<p>Proposals to be at least compliant with national standards.</p>
Parking standards	<p>Parking standards should be compliant with planning policies applicable to this location.</p> <p>Measures to enable and promote sustainable alternatives to private car use are encouraged.</p> <p>The marketing of schemes to future residents must set clear expectations as to what is provided in terms of parking and alternative travel options.</p>
Use of MMC	<p>The use of MMC is encouraged, where this enhances quality, speed of development and inherent energy efficiency and sustainability.</p>
Programme and deliverability	<p>Proposals must be deliverable, informed by realistic programming and market and financial evidence.</p>