

STRATEGY AND RESOURCES COMMITTEE

4 MARCH 2021

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Report Title	REDEVELOPMENT OF BRIMSCOMBE PORT			
Purpose of Report	To seek approval to procure a developer partner for the redevelopment of Brimscombe Port.			
Decision(s)	<p>Strategy and Resources Committee RESOLVES to:</p> <p>1) Delegate authority to the Head of Property Services to:</p> <p>i. commence the procurement of a developer partner for Brimscombe Port using the competitive dialogue procedure with the final selection of the partner to be presented to Committee for approval at the completion of the process.</p> <p>ii. in consultation with the Strategic Director of Resources and Chair and Vice Chair of this committee to:</p> <p>a. proceed when necessary with the demolition of buildings on the site prior to a partner being selected, subject to planning conditions being met, for any of the reasons set out in section 3.23 of this report.</p> <p>b. enter into grant terms and conditions and other documentation as necessary in respect of the Land Release Fund if awarded to the Council.</p> <p>2) Note the agreed amendments to the funding conditions with Homes England</p>			
Consultation and Feedback	The Ward Councillor is the Chairman of the Project Board. Brimscombe and Thrupp Parish Council has approved the Output Specification and the design of the infrastructure for the planning application. Stroud Valleys Canal Company has approved the design of the infrastructure.			
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Options	The Council could choose to not proceed with the procurement of a partner at this stage.			
Appendices	Appendix 1 – Key Milestones Appendix 2 – Member Involvement in Procurement			
Implications (further details at the end of the report)	Financial	Legal	Equality	Environmental
	Yes	Yes	Yes	Yes

1. INTRODUCTION / BACKGROUND

- 1.1 One of the Council's key corporate priorities is the redevelopment of Brimscombe Port, the destination at the eastern end of the canal with a vision to deliver a sustainable new residential-led mixed use community that meets the needs of both existing and future residents. By responding to the site's unique characteristics with innovative and inspiring design, the Council aspires to create an exemplar scheme that integrates with the existing surroundings and expands upon the site's constraints and opportunities to enhance the residents' daily lives. The scheme will respond to the district's post-COVID economic recovery strategy and its ambition to be carbon neutral by 2030.
- 1.2 The redevelopment of the Port has been the subject of various reports to this Committee over the last few years as the Council has proceeded to de risk the site to deliver a viable opportunity to the market and maximise the interest from potential partners.
- 1.3 With delegated authority to grant planning permission given on the 23 February 2021 for the key infrastructure to take the site out of the flood plain, by the reinstatement of the canal and basin, this report is to seek approval to take the next important step to procure a developer partner to work alongside the Council to progress the redevelopment of the Port.

2. PREVIOUS APPROVALS

- 2.1 Over the last three years, members of the Strategy and Resources Committee have approved the approach to the delivery of the project and the key documentation for the tender process, as follows:

12 April 2018

- Approved a further allocation of capital funding of £1.6 m towards the infrastructure costs to give developers confidence in bidding to redevelop the site.
- Agreement to continue with the redevelopment of the Port and deliver the outputs of a canal, basin, homes, jobs and a community centre by obtaining planning permission for all of the infrastructure, including the road and bridge works, but at this stage to fund the infrastructure for the Port only (Phase 1).

4 October 2018

- Approved the delivery strategy for the redevelopment of Brimscombe Port by means of seeking a development partner/s subject to a further report to Committee;
- Authorised the submission of a detailed planning application for the infrastructure for phase 1 and 2 of the redevelopment of the Port (Submitted 12 July 2019);
- Delegated authority to agree amended terms for the £2m loan from Homes England (proposed revisions agreed by Homes England in September 2020)

11 July 2019

- Approved the Output Specification (sets out our vision for the site), the Value for Money Protocol and the Commercial Principles Paper for the procurement of a development partner;
- Delegated authority given to make minor amendments to these documents prior to finalising the documents for the launch of the procurement process.

17 December 2019

- Approved the Supplier Questionnaire (SQ) questions and the Tender Evaluation Matrix;
- Delegated authority to make minor amendments to these documents;
- Approved the procurement of a contractor for the infrastructure for phase 1 of the project and to transfer the package over to the development partner to coordinate, manage and deliver.

3. CURRENT POSITION

Planning

- 3.1 Delegated authority to grant planning permission was given by Development Control Committee (DCC) on the 23 February 2021 for the demolition of units 1, 2a, 2b, 3, 4 and the Port House on the Brimscombe Port Business Park and units, 1, 2, 3, 4a, 4b, 6, 7 and 8 on the Industrial Estate, to enable the construction of the infrastructure for the future redevelopment of the Port. This includes the reinstatement of the canal from Bourne Mill to Goughs Orchard lock and a new basin, a new access road off the A419 and bridge works on Brimscombe Hill to enable a canal and river crossing. (S.19/1502/FUL)
- 3.2 At the same meeting DCC Members resolved to grant listed building consent for the demolition of the modern industrial buildings attached to Port Mill and the demolition of the Port House, which, whilst not listed in its own right, sits within the curtilage of Port Mill and therefore is a curtilage listed building and hence needed consent. (S.19/1503/LBC)
- 3.3 The design of the infrastructure is the result of close liaison by the Council's engineers (Atkins) with GCC Highways and the Environment Agency to deliver a scheme that addresses the various constraints across the site and, fundamentally, takes the site out of the flood plain to enable development to take place. It is also the result of consultation with Brimscombe and Thrupp Parish Council and Stroud Valleys Canal Company (SVCC). SVCC has formally approved the design and will become the owner of the reinstated canal and basin, once this has been completed.

Appraisal and funding

- 3.4 As the scheme has been de risked, various appraisals and soft market testing has taken place to assess both the viability of the scheme at each stage and to assess the appetite of the market to the opportunity.
- 3.5 **Funding:** The appraisal has been updated again in February including refreshed sale values. The appraisal includes the following public investment:

Table 1: Current investment

Source	Investment	Expenditure to 2021/22
SDC Capital	£2.6m	
HE Loan	£2.0m	
*SDC Revenue to end of 2020/21	£0.275m	
Total investment	£4.875m	
Less expenditure		£1.440m
Public Investment available		£3.435m

* *Revenue funding has decreased since the commercial values paper was approved due to essential work and modernisation of the Port Mill. A cautious approach has been taken and no further income is assumed in the current funding estimates.*

3.6 The Council has also bid through the One Public Estate programme (via One Glos.) to the first phase of the Land Release Fund (LRF) for a grant of £776K. The outcome of this funding was not known at the time of drafting this report, but may have been announced by the Committee date. This would further assist with the viability of the site and create confidence by enabling the Council to contribute a total of £4.2m.

Table 2: Investment available with successful LRF bid

Investment available (Table 1)		£3.435m
LRF	£0.776m	
Total Investment	£5.651m	
Less Expenditure		£1.440m
Available Public Investment		£4.211m

3.7 **Appraisal (Gleeds):** The updated sales values have resulted in a net increase in the gross development value of the redevelopment proposals, which is positive news. Whilst the values of the houses have reduced overall the flat values have increased with the commercial values down overall and retail space understandably performing poorly due to the pandemic.

3.8 The values are not immune from sensitivity as the long term impact of the pandemic on the economy, jobs, affordability etc. are all considerations.

3.9 With regard to construction costs, there has been little if any build cost / tender price inflation since the last review. The future is very difficult to predict. In the medium term, costs are projected to rise, largely as a result of the impact of Brexit on labour and materials costs. To the extent there is an economic slowdown, this may soften pricing. However, if there is a continuation of infrastructure funding / levelling up, this demand could outstrip supply, hardening prices. The costs have not therefore been increased from the appraisal carried out in Sept 2019 but do include a 10% contingency.

3.10 The Design and Build contract that is to be procured for the infrastructure for phase 1 will firm up this element of the costs.

3.11 The updated appraisal currently shows the scheme is viable and may deliver a positive value of £1 million on the viability. The appraisal is to assess the current viability of the site. The Council is not planning at this stage to carry out the infrastructure itself (other than potentially, the demolition). If costs increase the risk is around the assessment of the viability by developers and how far the investment that the Council is putting into the project will contribute towards the infrastructure costs for phase 1. This will become apparent once final bids are submitted.

3.12 With regard to the risks to the Council, as the Commercial Principles Paper sets out, the Council is willing to:

- Invest its landholding into a partnership and receive a return on its investment. This return can be re-cycled into future phases or go towards paying off the HE loan, depending on HE's view at the time;
- Invest the secured public sector funding into the partnership;

- Share development risk where appropriate with bidders in so far as this is limited to the value of the Council's land investment.

3.13 The risks of increased costs and reduced sales values rests with the developer.

3.14 The programme shows that the site will not be developed for two years due to the time to procure a partner and for the detailed planning application to be submitted for the redevelopment. Values and costs will change in this time and it will be for the developer to assess the market at that stage and reflect it in their bid.

Homes England - Loan Agreement

3.15 The Loan agreement entered into in 2015 is based on Homes England's standard terms but with the project definitions and milestones tailored to this specific development. It was important to redefine the project to SDC's phase 1, rather than retain a commitment to deliver all of the infrastructure including the new bridge and canal /river cross-over which adds £5m to the viability gap. The milestones also needed to reflect the current programme.

3.16 These changes have been agreed and approved by HE, summarised below, and the loan agreement needs to be formally varied to reflect these. They also include the offer of assistance to SDC in taking the development forward.

- a) To vary the Milestones in the 2015 Funding Agreement (now in default) relating to the regeneration of Brimscombe Port for 150 homes, associated canal and infrastructure works in order to facilitate the delivery of the scheme.
- b) To vary the Outputs in the 2015 Funding Agreement to reduce abnormal costs associated with the scheme. This will include the omission of the new road bridge as this is not required to facilitate the development.
- c) Homes England to provide support to Stroud District Council on the tender process for the essential infrastructure to ensure value for money and the best opportunity for future repayment of the principal sum and any overage.
- d) Homes England to engage in the developer procurement process being run by Stroud District Council to maximise the potential commercial return from the development and therefore securing repayment of the principal sum and any overage.
- e) Introduce an obligation within the Funding Agreement for Stroud District Council to secure best consideration for the site recognising bids will need to be compliant with planning policy and based on deliverable schemes.

Programme

3.17 Attached at Appendix 1 are the key milestones for the project together with the long stop dates for the Homes England and LRF funding, should the Council be successful with its bid for the latter.

3.18 This demonstrates the need to proceed with the project as proposed to comply with these long stop dates or risk having the funding withdrawn.

Procurement

3.19 As approved by Members, the procurement process for the selection of a developer partner is to follow the Competitive Dialogue route. Competitive Dialogue is a public-sector tendering option that allows for bidders to develop alternative proposals in response to a client's outline requirements. Only when their proposals are developed to sufficient detail are tenderers invited to submit competitive bids. The aims are to increase value by

encouraging innovation and to maintain competitive pressure in bidding for complex contracts.

- 3.20 As the programme shows, the process will take approximately 9 months to conclude and a further report will be presented to Members to seek approval to the selected partner.
- 3.21 At Appendix 2 is a paper that sets out how members are involved in the procurement process. This was presented to Investment and Development Panel on the 2 September 2019 and is a useful reminder for members of the process that is proposed to be followed.
- 3.22 The Government is currently consulting on changes to the procurement rules following Brexit but it is not expected that this process will change, albeit that the UK's new "Find a Tender" service for publishing contract notices will go live on 1 January 2021, replacing the Official Journal of the European Union. The UK joined the WTO Agreement Government Procurement on the 1 January 2021 opening up tender opportunities across 48 countries.

Tenancies/ Demolition of units

- 3.23 All of the remaining tenancies of the buildings required to be demolished, to facilitate the infrastructure works, expire at the end of June 2021. This is to provide the Council with the maximum flexibility in progressing the redevelopment. It may be necessary for the Council to procure the first stage of the works and demolish empty units on the site to:
- avoid further delays once a development partner is procured;
 - reduce NNDR/ security costs etc. which will eat into the management account and limit the ability for the Council to accrue any more surpluses;
 - enable the installation of car charging points to improve the ongoing management and desirability of the Mill for current and prospective tenants;
 - reduce the risk of anti-social behaviour and improve the aesthetics of the site (as units continue to deteriorate, some being at end of life);
 - give the council the option of proceeding with the infrastructure works as a worst case scenario if a developer partner isn't procured.
- 3.24 Many of the businesses on site have had to close due to COVID -19 restrictions. The council has extended tenancies for as long as practicable, without prejudicing its ability to regain possession of the units and continues to support tenants both whilst on site, through rent holidays, and to relocate.

4. CONCLUSION

- 4.1 The Council's (most recent) journey to this point, began in 2015 with the successful bid to Homes England for funding. It has committed significant capital sums and officer and member time to the project to de-risk the site since that date, working with key stakeholders and the local community to unlock the site for development. The successful design of the key infrastructure for the site and this section of the canal, and securing planning permission will be a huge leap forward.
- 4.2 The recent update to the viability testing is very positive, in spite of the pandemic. Whilst the future is particularly uncertain, the confidence and interest of government funders in this site, the council's determination to unlock its potential and the continuing informal approaches from developers is such that officers recommend that the council now proceeds to market the site to procure a developer partner.

5. IMPLICATIONS

5.1 Financial Implications

The decision in this report is in line with previously agreed funding levels and the capital programme in the Budget Setting report at Council on 25 February.

The amended agreement with Homes England is very positive, and allows the continued use of the £2m loan towards the project.

Unfortunately, there has been a reduction in revenue income from the Brimscombe Port site, predominantly loss of rental income relating to the Covid-19 pandemic. This is not currently expected to materially impact on the viability of the development, but should be reviewed regularly.

The overall financial position will need to be monitored closely by the project board through the next stages of the project.

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5.2 Legal Implications

The proposed competitive dialogue procurement process will require careful management to ensure compliance with the requirements of the Public Contracts Regulations 2015 and it may be necessary to seek specialist legal support.

Legal advice will be available on any terms and conditions in respect of the Land Release Fund if awarded to the Council.

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5.3 Equality Implications

An EqIA has been carried out and confirms that some protected groups could be negatively impacted from the loss of some of the businesses and social enterprises currently occupying the site if they can not, or do not wish to, find alternative premises. This is being mitigated by the council supporting these tenants through the pandemic and to find suitable alternative premises locally. Also by allowing tenants to remain on site for as long as possible without jeopardising the redevelopment programme. The Output Specification for the site (development brief) includes the provision of a new social enterprise centre, commercial and retail space, affordable homes, a reinstated canal and basin with towpath and de culverted river; providing new opportunities for outdoor recreation, social enterprises and employment on the site.

5.4 Environmental Implications

- The greatest proportion of carbon emissions for Stroud District, in common with elsewhere, is the built environment. The key challenge on delivering our 2030 Carbon Neutral commitment is that about 85% of these built environment emissions are in private control. By taking the partnership approach to the delivery of the redevelopment of the Port, the Council will remain in control and, whilst acknowledging that the

demolition and construction will have an impact, we can ensure that the scheme responds to its commitments.

- The redevelopment, as set out clearly in the Output Specification, is to deliver an exemplar scheme with high levels of energy efficiency that exceed the Council's current Local Plan and will be in line with the proposals set out in the draft Local Plan. Building with Nature accreditation is a requirement for the scheme.
- The Environmental Statement (ES) that has been published as part of the planning application demonstrates that overall there are no significant adverse effects which will result from the proposed development. The approach undertaken as part of the ES and subsequent ES Addendum has led to the inclusion of a number of mitigation measures which have accounted for the likely impacts associated with proposed development and reduced their respective effects to within acceptable levels.
- The planning conditions ensure that ecology, contamination and flood risk are addressed as part of the infrastructure works.