

Bath & North East Somerset Council

DECISION MAKER:	Cllr Warren, Leader of the Council Cllr Anketell-Jones, Cabinet Member for Economic Development Cllr Gerrish, Cabinet Member for Finance & Efficiency	
DECISION DATE:	On or after 23 May 2016	EXECUTIVE FORWARD PLAN REFERENCE:
		E 2838
TITLE:	Bath Quays Capital Approvals	
WARD:	Abbey	
AN OPEN PUBLIC ITEM		
List of attachments to this report: <ul style="list-style-type: none">• none		

1 THE ISSUE

The Bath Quays development programme comprises a suite of projects aimed at delivering comprehensive development across Bath Quays North and South. The February 2016 budget report, approved by Council, includes circa £58m of provisional funding for this project; this report seeks approval for £12.057m of this to become fully approved. The approvals sought are for:

- (1) Bath Quays Bridge;
- (2) Bath Quays North
 - a) Enabling Infrastructure;
 - b) Pioneer Office Investment Block and Car Park
 - c) Delivery Partner Procurement and
- (3) Bath Quays South via direct Council delivery

Subsequent approvals will be sought at future points as the scheme progresses.

2 RECOMMENDATION

2.1 To fully approve Capital Items for Bath Quays North totalling £12.057M identified within the Council's adopted Capital Programme (2016/17), comprising;

- (1) Bath Quays Bridge: £3.137m for Bath Quays Bridge within Bath's Enterprise Area and to the development and implementation of cycle schemes to

improve links between the Bath Quays Bridge, the Enterprise Area and other areas of Bath.

(2) Bath Quays North:

- i) £5.27m to fund enabling infrastructure on and off site. (£1.05m for the design element of Bath Quays infrastructure, £1.8m for construction of coach parking at Odd Down, £2.42m for construction of a replacement coach drop off and utility supplies).
- ii) £0.65m to fund design development of Bath Quays 'pioneer' office building and multi storey car park as a council investment asset.
- iii) £1m for delivery partner procurement, including set up of a delivery vehicle, for Bath Quays.

(3) Bath Quays South: £2m to fund design development, land acquisition and planning of Bath Quays South. for delivery of BMT headquarters as a tenant in a Council owned office building and to facilitate a serviced residential plot

2.2 To allocate £250k from the financial planning reserve to support short term revenue losses in the years before the project is able to generate income.

2.3 The Strategic Director for Place in consultation with the Leader, Cabinet Member for Sustainable Development and Strategic Director of Resources, with appropriate s151 review and sign off, is authorised to:

- (1) Progress enabling activities encompassing the re-provision of car and coach parking to replace Avon Street, demolitions, highway and strategic utility infrastructure, and related disposal activities in order to bring the site forward for the development of office and other mixed uses in line with the Enterprise Area Masterplan.
- (2) Develop the necessary business cases, submit and enter funding agreements with the West of England Local Enterprise Partnership (LEP) for Bath Quay's to utilise identified funding sources comprising Economic Development Funding, Revolving Infrastructure Funding and Local Growth Funding.

3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

3.1 The Bath Quays project has programme entry for infrastructure funding through the West of England LEP Economic Development Fund (EDF) of £25m, programme entry for Local Growth Fund (LGF) funding of £10m, and full approval, subject to DfT confirmation, of £3.1m of Cycle City Ambition Fund (2) (CCAF2) on Bath Quays Bridge and connecting infrastructure. Along with a provisional sum of up to £30m Council borrowing, these sums will fund the delivery of the Bath Quays Development and related infrastructure.

3.2 The financial approval sought are summarised below:

Project	Value £m	Financial Years	Funding Source	Risk

Bath Quays Bridge	3.137	2016/17 to 2017/18	CCAF2 subject to final DfT confirmation	Grant time limited to Mar 18; planning not yet secured, although positive pre-application discussions undertaken CRT rights to bridge navigation to be secured although principles established
Enabling Infrastructure: Design	1.05	2016/17	SSB to be replaced by grant (EDF/LGF) as business cases approved	Revenue reversion risk of c£700k if scheme does not go ahead (considered low risk) Planning not yet secured
Enabling Infrastructure: Odd Down Coach Park	1.8 subject to EDF/LGF approval	2016/17 to 2017/18	EDF/LGF grant, subject to full business case grant approval	Outline planning gained for EDF business case therefore low risk
Enabling Infrastructure: Replacement Coach Drop off and Utility Supplies	2.42 subject to EDF/LGF approval	2016/17 to 2017/18	EDF/LGF grant, subject to full business case grant approval	Outline planning gained for EDF business case therefore low risk
Pioneer Office Investment Block and Car Park: Design	0.65	2016/17	SSB to be replaced by grant (EDF/LGF) as business cases approved	Revenue Reversion Risk if scheme does not go ahead (considered low risk) Planning not yet secured
Delivery Partner Procurement	1.0	2016/17 to 2017/18	SSB	Revenue Reversion Risk if scheme, or this element of it does not go ahead
Bath Quays South	2.0	2016/17 to 2017/18	SSB to be replaced by capital receipt as worst case scenario. Otherwise a combination of EDF grant subject to full	There is not considered to be a significant revenue reversion risk as the assumption is that work carried out will add value to the land which will be realised in any future disposal

			business case grant approval/capital receipt/retain as SSB funded through the Bath Quays model	should the current proposal not proceed
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3.3 The next steps for further budget approvals are:

- (1) Bath Quays Bridge: No further approval required for bridge completion
- (2) Enabling Infrastructure: Approval of EDF business cases and grant approvals then further formal decision for next stages of development.
- (3) Pioneer Office Investment Block and Car Park: Approval of Business Case and grant approval then further formal decision for next stages of development.
- (4) Delivery Partner Procurement: Selection of Delivery Partner with appropriate formal decision making and sign offs prior to entering contracts.
- (5) Bath Quays South: Further formal decision for next stages of development.

3.4 The financial objective of the scheme is to maximise revenue returns by:

- Growing business rates; full development of the enabled site is forecast to increase Business Rates yields by c£1.4m per annum, or in the region of £25m to 2038. Under the City Region Deal, the Council retains its normal share of such growth and receives additional payments for the relief of associated demographic and service pressures. The remainder is pooled in the EDF for reinvestment in the enabling infrastructure.
- Increasing income with the aim of this increase to be £1.2m pa by 2019/20
- Maintaining car parking income at current levels of £1.45m pa for the relevant sites and
- Mitigating losses due to loss of parking income and borrowing charges during the development phase, the value of which will vary depending on the structure of the final business case, but estimated to be up to c£6m.

3.5 Overarching financial risks associated with the scheme as a whole include the ability to engage a developer who can deliver the financial, economic and regeneration outputs required by the business case within the timeframe of the strategic review. There is an assumption within the financial model that funding provided by the developer during the developer delivery phase is deemed revenue; this is subject to confirmation through external professional advice. Project slippage due to a variety of reasons including gaining planning approvals is also a key financial risk as this will delay the timing of income.

3.6 The Bath Quays financial model aims to identify all known revenue consequences of the project. This includes cost of borrowing and other loss of income (eg coach parking income) in the financial years before the project generates revenue via an agreement with the developer and subsequently through lease related income streams. In order to manage this shortfall, the project requires revenue support of £125k pa for 2 years to be funded from the financial planning reserve.

3.7 VAT and option to tax implications are being considered at each stage of the project to optimise the project and the Council's financial position.

4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

4.1 The scheme is being delivered in compliance with policy and the Council's statutory requirements including planning and highways. Engagement is sought throughout the process with statutory officers.

5 THE REPORT

5.1 The Bath Quays project elements considered in this report are:

- (1) Bath Quays Bridge and
- (2) Bath Quays North
 - a) Enabling Infrastructure
 - b) Pioneer Office Investment Block and Car Park
 - c) Delivery Partner Procurement

Bath Quays Bridge will be central to the Quays' concept and will offer a new pedestrian link between Bath Quays North and Bath Quays South, connecting the former Newark Works buildings in to the heart of the city. An outline design for the bridge has already been developed with the winning design selected through an international design competition. Further detailed design will commence soon and this budget approval will fund the bridge construction and contribute to the development and implementation of cycle schemes to improve links between the Bath Quays Bridge, the Enterprise Area and other areas of Bath.

5.2 Bath Quays enabling infrastructure – Bath Quays North comprises an active car park and coach drop-off facility. It is also bounded by an active traffic gyratory. These represent significant barriers to the redevelopment of the site and this therefore requires that the council undertakes enabling works to release the site for development. Much of these works will be completed through the Bath Quays Waterside project which will re-route traffic around the site and create a new riverside, but further works will be required to prepare the site for development. The approval of the £5.27m will allow the project team to proceed with further enabling works and relocate the Avon Street coach drop-off, releasing the existing coach drop off site for redevelopment. Pioneer Office Investment Block and Car Park – As an investment asset and to mitigate any potential revenue reductions associated with revised Coach park operations, the Council is proposing to direct-deliver a 'pioneer' office block at Bath Quays North. This office block would allow the council to deliver office accommodation in to the

market early and will be designed to appeal to smaller occupiers who are currently struggling to secure suitable and affordable accommodation within the city on appropriate lease terms. The Council also proposes to direct deliver a multi storey car park adjacent to the Pioneer Office Block; this will provide early replacement of future lost parking spaces at Avon Street.

5.3 The project team has, identified that the most appropriate mechanism for delivering the Bath Quays North project would be through a Joint Venture (JV) partnership with a private sector development/investment partner. This route will allow the Council to share development risks, secure the required outcomes and will allow the Council to benefit from a private sector partners expertise, financing and commerciality. The private sector partner will need to be procured through an OJEU compliant process. This budget would reach the point of contracting with a developer.

5.4 The Council had already decided (E2680) to dispose of Bath Quays South. As a result of the positive progress the Council has made on progressing infrastructure to enable the site, the Council will now progress to deliver the full regeneration of Bath Quays South comprising:

- creative workspace
- BMT office headquarters as a Council asset
- Residential building plot
- Completion of river wall, bridge and public realm

6 RATIONALE

6.1 As part of the City Deal agreement the LEP and the WofE Authorities have set out their growth ambitions. It is anticipated that the EZ and EAs will deliver in excess of 60,000 new jobs by 2030 with the Bath City Riverside EA expected to contribute up to 9,000 jobs. Delivery will be closely monitored by Government who have required interim targets to be set : by 2018/19 it is expected that 1,700 new jobs will have been created in the Bath City Riverside EA and bringing forward Innovation Quay is critical to meeting that target.

6.2 These projects facilitate delivery of the above targets.

7 OTHER OPTIONS CONSIDERED

7.1 Various options for the delivery of the Quays' programme have been considered and have focused on potential routes for delivering development on Bath Quays North. Options considered have included;

- (1) Do nothing – this would involve leaving the site in its current state. This is not a viable option as it would not realise the Council's wider ranging strategic ambitions for the site and would not represent an appropriate use of such a strategic property asset.
- (2) Open market freehold disposal – the option for the council to dispose of the freehold of the Bath Quays North site on the open market was considered and discounted early in the options evaluation. The decision not to progress this option was based on an understanding that the Council would be unable to guarantee the timing and form of development on the Quays and could not ensure the delivery of business rates and job creation. Freehold disposal was

also viewed not to offer the Council an opportunity to participate in delivery, thereby maximising its potential capital and revenue incomes.

- (3) Direct delivery – wholesale direct delivery of the Bath Quays North site was considered, but has been discounted on the basis that it would expose the Council to significant Capital investment and risk at a point when the Council is already facing significant financial pressures. Direct delivery was also viewed to remove the possibility for the private sector to contribute expertise and for the Council to benefit from this expertise.

8 CONSULTATION

- 8.1 This report has been prepared in consultation with the Leader of the Council, the Cabinet Member for Economic Development, Cabinet Member for Finance and Efficiency, Section 151 and Monitoring Officers, the Strategic Directors for Place and Resources and Divisional Director for Community Regeneration.

9 RISK MANAGEMENT

- 9.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

Contact person	Simon Martin 01225 477407
Background papers	<ul style="list-style-type: none">• Cabinet decision E2680• Budget report February 2016
Please contact the report author if you need to access this report in an alternative format	