

Decision Pathway Report



PURPOSE: Key decision

MEETING: Cabinet

DATE: 06 November 2018

TITLE	Joint Development and Land Agreement for Engine Shed 2, Temple Square and Station Approach.		
Ward(s)	Lawrence Hill		
Author: Oliver Roberts	Job title: Project Manager		
Cabinet lead: Cllr Cheney	Executive Director lead: Colin Molton		
Proposal origin: BCC Staff			
Decision maker: Cabinet Member			
Decision forum: Cabinet			
Purpose of Report:			
<ol style="list-style-type: none"> 1. To receive updates on the status of decisions made at the Cabinet Meetings of 1st March 2016 and 6th September 2016, including the progress on entering a Joint Development and Land Agreement with Skanska UK and the acquisition of the Grosvenor Hotel. 2. To note the submission of a Full Business Case to the West of England Joint Committee in support of securing funding with a value of up to £4m to support the delivery of Engine Shed 2. 3. To review funding requirements to meet obligations under the Joint Development and Land Agreement with Skanska UK Ltd. 4. To review the option for the purchase of the Station Approach site, at Temple Meads from Skanska UK Ltd under the Joint Development and Land Agreement. 5. To seek authority to acquire land required for the Temple Square development by agreement and also to promote Compulsory Purchase Order(s) to acquire land if agreement with the current owners is believed to not be possible within a reasonable timeframe. 6. To approve the way forward including allocation of necessary funds 			
Evidence Base:			
<p>Engine Shed 2, Temple Gate and Station Approach are key regeneration sites within the Temple Quarter (all falling within the Enterprise Zone boundary.) Delivery of these key gateway sites is a Council priority and pace of delivery will be fundamental to contributing towards Enterprise Zone targets and in supporting the overall regeneration of Temple Meads.</p> <p>On 1 March 2016, Cabinet approved that the Council would enter into a joint development and land agreement with Skanska UK Limited relating to their land ownership at Temple Meads, and the Council's land ownership at the George & Railway and Temple Gate to achieve comprehensive regeneration and development of the land.</p> <p>On 1 March 2016, Cabinet further approved that the Strategic Director: Place be given delegated authority to approve purchase of the Grosvenor Hotel by negotiation at market value. If this could not be achieved within the timeframe judged necessary by officers to efficiently progress and support the wider regeneration project for the Temple Quarter area, a further report would be brought to Cabinet outlining the alternative options that the Council could consider in relation to acquiring the Grosvenor Hotel Site. These options are covered in this Cabinet Paper.</p> <p>On 6 September 2016, Cabinet approved that the Council would enter into an agreement for lease with Skanska subject to their development and completion of Engine Shed 2; and a sub-lease to an incubator manager for them to manage and operate Engine Shed 2. Lawyers are engaged on finalising the detailed agreements. Skanska have</p>			

committed significant resources to make strong progress with the project in advance of completing legal agreements, including securing full planning permission for Engine Shed 2 and outline permission for the Temple Square plots.

Development of Engine Shed 2 is proposed as the first phase of the overall project. Engine Shed 2 will deliver new office and incubator accommodation within the Enterprise Zone for small and medium sized businesses. This will support growth in key sectors, help drive business rates growth and deliver jobs within the Enterprise Zone in order to meet key Council commitments. To help the scheme come forward, Bristol City Council has secured outline agreement for £4m of Local Growth Fund round 2 (LGF2) funding from the LEP and Government to support its development. Discussion around the potential substitution of LGF2 for Economic Development Fund (EDF) or an alternative funding stream are taking place with the LEP as mitigation against programme delivery risks of not meeting the LGF2 spend deadline of March 2021. A Full Business Case for funding is being developed for submission to the West of England Joint Committee for approval, with a target date for review of 30th November 2018.

It is proposed to dispose of the George and Railway site at Temple Meads, and neighbouring car park, to Skanska. Skanska will provide or secure funding for the development and use their proven expertise to deliver the development project. Bristol City Council will lease the property from Skanska on a long term basis to secure the facility for the city; the Council will then lease the space to Science Research Foundation (SRF), part of the University of Bristol for the operation of Engine Shed 2.

It is intended that land between 100 Temple Street, Engine Shed 2 and Temple Square, will be developed to create a new high quality area of public realm called Temple Square Plaza.

The proposed funding includes receipts from the sale of the George and Railway to Skanska for the Engine Shed 2 development; receipts from the future sale of the Temple Square plots and grant funding, via the West of England Joint Committee for Engine Shed 2. Allocation of £2.1m strategic Community Infrastructure Levy funds is requested to cover the costs of utility diversions required for the site assembly of the Temple Square plot. There are a number of costs to the Council associated with delivering the joint land and development agreement, which Cabinet are asked to approve the funding are summarised below:

- Acquisition of Grosvenor Hotel, by mutual agreement or Compulsory Purchase Order of this site and also unregistered land within the highway;
- Repayment of a grant supporting the purchase of the George and Railway hotel from the Homes and Communities Agency (HCA), now known as Homes England (HE);
- Engine Shed 2 fit out works;
- Works required for the site assembly of the Temple Square plot;
- Option for the purchase of the Station Approach site from Skanska ;
- Funding the establishment of meanwhile uses on Temple Square prior to redevelopment of this plot.
- Allowance for any adjacent public realm and landscaping works not undertaken by Skanska as part of the Engine Shed 2 and Temple Square developments.

Further details of the above requirements and costs are outlined within section 5 of Appendix A and detailed in full within the exempt Appendix J.

Cabinet Member Recommendations:

1. To authorise the Executive Director Growth and Regeneration, in consultation with the Deputy Mayor for Finance Governance & Performance, to progress Compulsory Purchase Order(s) for the comprehensive regeneration and development of the land shown edged red on the draft Order Map attached to this report as plan 2 of Appendix I; and itemised below:
 - a) unregistered land within the highway and
 - b) the Grosvenor Hotel should negotiations fail to deliver an acceptable resolution.The authorisation shall include the detailed recommendations for the progression of the Compulsory

Purchase Order(s) within Section 7 of Appendix A, which will be included on the recording form of the decision.

2. To approve a £4m budget on the Capital register for the Engine Shed 2 project, subject to confirmation of grant funding from the West of England Joint Committee.
3. To approve a £6.86m budget on the Capital register for the purposes of achieving the comprehensive regeneration and development of the Temple Square land, including adjacent public realm.
4. To approve the allocation of £2.1m of strategic Community Infrastructure Levy towards the cost of utilities diversion infrastructure required to bring forward the regeneration and development of the Temple Square land.
5. To authorise the Executive Director Growth and Regeneration, in consultation with the Deputy Mayor for Finance Governance & Performance, the Chief Financial Officer and the Monitoring Officer, to exercise the Option under the proposed Joint Development and Land Agreement with Skanska UK Ltd for the purchase of the Station Approach site based on an externally validated market valuation, for the purposes of the comprehensive regeneration of Temple Meads.

Corporate Strategy alignment:

The proposals align with a number of corporate priorities, including:

- Develop a diverse economy that offers opportunity to all;
- Make progress towards being the UK's best digitally connected city, and;
- Reduce social and economic isolation and help connect people to people, people to jobs and people to opportunity.

The proposals will also support the Council in meeting key Enterprise Zone commitments, including around business rates income and jobs delivery. The Council is committed to delivering 17,000 jobs within the (original) Enterprise Zone area by 2037.

Engine Shed has been named the best university business incubator in the world. The Bristol and Bath region is also the UK's only 'fast growing and globally significant tech cluster' by McKinsey and Co in 2015 and Engine Shed has been key in supporting this growth. Expanding the scale and scope of Engine Shed, as part of the wider regeneration that will be delivered in the Temple Quarter as part of the a joint development and land agreement, will deliver:

- growth of priority sectors including creative, digital, low carbon and cross cutting high tech industries, by providing incubation support and encouragement and space for collaboration within and between sectors;
- jobs and a high profile, high quality development focused on driving economic growth in the heart of the Temple Quarter, which is accessible and provides opportunity to all;
- ES2 will act as a multiplier for jobs and growth, attracting new occupiers wanting to locate nearby and provide a source of demand for space from businesses ready to leave the facility, because they have been incubated successfully and/or are moving to expand.

City Benefits:

Delivery of Engine Shed 2 (ES2), the redevelopment of Temple Gate and the purchase of Station Approach will demonstrate progress in a key area of change and development within the city, supporting Council ambitions to promote the redevelopment of the wider Temple Meads and Temple Quarter areas.

Significant city benefits will be delivered as an outcome of the long term economic growth driven by the ES2 project alongside the wider regeneration achieved through the joint development and land agreement. The development will have the potential to achieve high sustainability outcomes, based on design proposals and the excellent accessibility of the developments at the heart of the Temple Quarter and near to Temple Meads Station.

The ES2 Project includes proposals for working with schools and universities to deliver a sustainable flow of talent

into priority sectors, and to promote and support entry into the world of entrepreneurship by disadvantaged groups. Focus on incubators in Clean Energy and Social Innovation will help increase the gender diversity that we currently do not see within a purely high-tech environment.

Consultation Details:

This work has been discussed with key partners including the West of England Combined Authority (WECA), Homes England, stakeholders involved in Engine Shed, University of Bristol, Government departments and elected members. There has been publicity of proposals through the Temple Quarter newsletter and additional consultation was conducted by Skanska in support of the planning application they submitted for Engine Shed 2 and the outline application for the proposed Temple Square development. The item has not been presented before the scrutiny panel to date.

Revenue Cost	£1.6m	Source of Revenue Funding	Forecast future rental income from Engine Shed 2
Capital Cost	£17.5m	Source of Capital Funding	Grant/ prudential borrowing against receipts from land sales / Strategic CIL.
One off cost <input checked="" type="checkbox"/>	Ongoing cost <input checked="" type="checkbox"/>	Saving Proposal <input type="checkbox"/>	Income generation proposal <input checked="" type="checkbox"/>

Required information to be completed by Financial/Legal/ICT/ HR partners:

1. Finance Advice:

The report seeks authority to undertake a number of actions in order to progress the previously agreed Joint Delivery and Land Agreement with Skanska and facilitate the redevelopment of this part of the Temple Meads area.

The authority to progress the CPO of the Grosvenor Hotel site and adjacent land will complete the land assembly and enable disposal of the wider Temple Square site for redevelopment. The cost of the CPO and associated works, including highways diversion, landscaping and utilities (required as part of the SDLA), along with some expenditure to facilitate meanwhile use are assumed to be offset, in the longer term, by the capital receipt. It is anticipated that overall, there will be a net receipt generated by the proposal, should land assembly be successful.

The report seeks approval for inclusion within the capital programme of £6.86m, of which £2.1m is recommended to be funded through the reallocation of Community Infrastructure Levy receipts. Pending the delivery of the capital receipt for the site, the balance of £4.76m would need to be financed through prudential borrowing. This may require other schemes within the capital programme to be re-profiled to ensure that the MTFP resourcing principle of no additional net prudential borrowing is met. Subsequent disposal of the site will need to demonstrate best consideration.

Approval is also sought to incorporate into the capital programme £4m, subject to final approval of Local Growth Fund (LGF) grant from the West of England Joint Committee, to support development of the Engine Shed 2 on the current George and Railway site. This will support fit out and associated costs of the development. The main redevelopment, under the SDLA will be undertaken by Skanska following disposal of the site to them. The Council will then take on a long term head-lease for the Engine Shed 2 building. Detailed in appendix A to the report is the potential for seeking a substitution of Economic Development Fund (EDF) for the LGF due to delivery timescales. Should that be the case then it should be noted that up-front prudential borrowing would be required to finance the fit-out, pending completion of the scheme. Substitution of EDF is subject to a detailed business case submission to the West of England Joint Committee. It should also be noted that there is no guarantee that substituted LGF would be reallocated to alternative scheme(s) within the City.

Furthermore should final approval of the LGF or EDF not be forthcoming then alternative financing would need to be sought or financed in full from prudential borrowing. The Council will therefore bear the financial risk (approximately £150k per annum), and may not be possible to recover this from sub-lease of the facility. The updated draft capital programme will be submitted to Council for approval on the 19th February 2019.

It is anticipated that the capital receipt for the site will be required for repayment to Homes England who funded the initial acquisition of the site.

It is intended that Engine Shed 2 be leased to the Science Research Foundation. There is a risk that residual costs fall as a charge to the Council, and these will need to be factored into future financial planning. Furthermore there will be a need to ensure the lease arrangements do not breach state-aid rules.

Authority is also sought to negotiate the purchase of the Station Approach site which is seen as a key element of the wider regeneration, and ensure that future development of the site aligns with emerging masterplanning. This will need to be incorporated into the capital programme, to be considered as part of the 2019/20 budget process, along with funding arrangements. Whilst it is anticipated that there are currently sufficient capital contingencies within the capital programme over the MTFP period, these will need to be reviewed in light of other agreed and emerging priorities.

Finance Business Partner: Chris Holme, Interim Head of Finance. Date of Advice: 26/10/2018

2. Legal Advice:

Advice on the potential acquisition by CPO of land known as Bristol Temple Circus, including the Grosvenor Hotel, was sought from Counsel. This states that the CPO should be made under section 226(1) (a) of the Town and Country Planning Act 1990 to facilitate development or redevelopment of the CPO land and, if new rights need to be created over the CPO land, section 13 of the Local Government (Miscellaneous Provisions) Act 1976. To comply with statutory and policy requirements, the design and functional relationship between the Grosvenor Hotel site and the wider scheme need to be demonstrated and its anticipated benefits. At this stage Counsel does not foresee any difficulty in meeting these legal requirements and justification.

As ever, reasonable steps should be taken to seek to secure land by negotiation before exercising CPO powers. The council must continue to review its state aid obligations during the project.

Equalities

The Public Sector Equality duty requires the decision maker to consider the need to promote equality for persons with “protected characteristics” and to have due regard to the need to i) eliminate discrimination, harassment, and victimisation; ii) advance equality of opportunity; and iii) foster good relations between persons who share a relevant protected characteristic and those who do not share it.

The Equalities Impact Check/Assessment (as set out at Appendix E to this Report) is designed to assess whether there are any barriers in place that may prevent people with a protected characteristic using a service or benefiting from a policy. The decision maker must take into consideration the information in the assessment before taking the decision.

A decision can be made where there is a negative impact if it is clear that it is necessary, it is not possible to reduce or remove the negative impact by looking at alternatives and the means by which the aim of the decision is being implemented is both necessary and appropriate.

Legal Team Leader: Gillian Dawson, Legal Services. Date of advice: 26/10/2018

3. Implications on ICT:

There are no direct IT implications in the proposals laid out in this paper.

ICT Team Leader: Ian Gale, Head of IT. Date of advice 17.08.2018

4. HR Advice:

Management of this project is currently resourced on an interim basis. If the recommendations are approved, this arrangement may need to be strengthened.

HR Partner: James Brereton (People & Culture Manager), 21st August 2018

EDM Sign-off	Colin Molton	1 st August 2018
Cabinet Member sign-off	Cllr Craig Cheney	20 th August 2018
CLB Sign-off	Colin Molton	21 st August 2018

For Key Decisions - Mayor's Office sign-off	Mayor's Office	3rd September 2018
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Appendix A – Further essential background / detail on the proposal	YES
Appendix B – Details of consultation carried out - internal and external	NO
Appendix C – Summary of any engagement with scrutiny	NO
Appendix D – Risk assessment	YES
Appendix E – Equalities screening / impact assessment of proposal	YES
Appendix F – Eco-impact screening/ impact assessment of proposal	YES
Appendix G – Financial Advice	NO
Appendix H – Legal Advice	NO
Appendix I – Combined Background papers	Site Plans
Appendix J – Exempt Information Exempt and not for publication by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (Information relating to the financial or business affairs of any particular person (including the authority holding that information))	YES
Appendix K – HR advice	NO
Appendix L – ICT	NO