

AGENDA ITEM 5

AD-HOC RURAL, ECONOMIC & ENVIRONMENTAL AFFAIRS COMMITTEE

27th NOVEMBER 2014

REPORT OF STRATEGIC DIRECTOR (CM) AND CORPORATE PROPERTY OFFICER

CATTLE MARKET UPDATE: PHASE 1 – SECURING THE FUTURE

1.0 PURPOSE OF THE REPORT

- 1.1 To update the Committee on matters relating to the Cattle Market regeneration and rationalisation project and to consider the final Strategic Economic Plan (SEP) Bid, Business Case and to approve the funding package and submission of a planning application for Phase 1 – Securing the Future element of the project.

2.0 RECOMMENDATIONS

2.1 It is recommended that:-

- (a) Members note the detailed update on matters related to this project as set out in the report.
- (b) Members note that officers have submitted a bid for £3.5m to the Leicester and Leicestershire Enterprise Partnership (LLEP) in respect of the Cattle Market: Phase 1 – A copy of the bid is attached at exempt Appendix A.
- (c) Members provide any comments on and approve the Business Case at Appendix B for submission, as supported by Appendix B1, to the Policy, Finance and Administration Committee for inclusion in the Capital Programme as set out in para 5.1, subject to a successful funding bid.
- (d) Members request the Policy, Finance and Administration Committee to approve a supplementary estimate of up to £200,000 to enable the project to proceed to full planning and detailed preparation prior to any funding announcements. Delegated authority to be given to the Head of Central Services to determine the source of this funding as part of the year accounts closedown process.
- (e) Members note the liaison taking place with partners and interested parties as set out in the report.
- (f) Members approve the option 5 layout attached at exempt Appendix C to be prepared for submission to the Planning Authority and delegate authority to the Corporate Property Officer in consultation with the Strategic Director to finalise the detail prior to submission as advised by the Councils Project Managers and Contractors.
- (g) Members note the appointment of Bruton Knowles to negotiate the terms for the new 20 year lease to the operators for the Phase 1 area as previously approved by this committee.

3.0 KEY ISSUES: CATTLE MARKET

- 3.1 At this Committee in March 2014 members considered a detailed update on progress with this project in light of potential future funding opportunities, and in particular in respect of the need for the cattle market to be reconfigured/upgraded and a plan to be in place to secure the existing income levels, ensure prudent capital expenditure and also release parts of the existing site for alternative uses. The plan being to secure the cattle market at its existing location for at least the next 20 years. Members released an initial sum of money to take this project forward, this was matched by the LLEP to enable progression of the feasibility work and bid development. Project managers and a contractor were engaged following that meeting making use of the Scape East Midlands Property Alliance framework contract.

- 3.2 Since that time the officer team tasked with taking forward this project have been preparing further detail in order to be able to submit a robust bid to the LLEP and the Department for Business, Innovation and Skills (BIS) and to prepare for a planning submission. The main areas of work have been as follows:
- Consideration of different layouts for the car parking and constraints on the proposed building;
 - Review of the procurement methodology and procurement strategy report;
 - Outline costings for the project;
 - Confirmation of the sizing of the proposed building;
 - Detailed investigations including: archaeology, traffic, site investigations and drainage, ecology;
 - Continued liaison with Partners: MMMP, Town Estate, HCA, Planning Authority;
 - Title and land related matters.
 - Refinement of the business case including required economic outputs aided by recommended experts in this area.
- 3.3 The key outcomes from the Phase One of the project will be:
- Protecting and safeguarding the livestock market on the current site for the next 20 years
 - A new Cattle Shed that complies with current Department for Environment ,Food and Rural Affairs (Defra) regulations and allows the market to continue to operate;
 - Avoiding expenditure of potentially up to £1million on patch up repairs to an asset that has reached the end of its useful life
 - Unlocking the potential of the southern 'opportunity area' through demolition and infrastructure works and better use of space on site
 - Releasing a parcel of land on the northern section of the cattle market site.
 - Securing the long-term future of this key asset and vital component in the rural economy within Leicestershire and the wider East Midlands;
 - A reconfigured site providing enhanced division between livestock and visitors, resulting in better safety and improved flows across and into the site;
 - Enhanced traffic flow around the site resulting in improved safety;
 - A new 20 year lease agreement on the livestock market with the market partners
- 3.4 The funding for the feasibility work to date is speculative and at risk until such time as significant capital funding is secured to bring this project forward, this is being proposed in the bid for £3.5 million from the LLEP as part of a SEP bidding process. All indications and advice from the LLEP and others is that the economic case, viability and ability to spend are extremely important in any bidding process. Officers have been working with consultants to ensure that the most viable bid possible is ready for LLEP and BIS consideration as part of this funding round in accordance with members wishes. Letters of support for the scheme have been sought from interested parties. The detailed bid for funding as attached at exempt Appendix A has now been submitted to the LLEP for their consideration and detailed feedback and a verbal update will be provided at the meeting on this process. Members are also requested to comment on and approve the Business Case at B for submission to PFA Committee including a capital contribution as set out in paragraph 5.1 and exempt schedule D1.
- 3.5 In order to proceed to the next stage of this project which is the submission of a Planning application in line with the exempt Appendix C layout (subject to change as a result of the investigations currently underway) and detailed design through to capital project initiation on confirmation of the funding application, members are requested to approve an additional budget of £200k. If the project does not progress into a full capital build then this cost will need to be met from the Corporate Priorities Reserve as a revenue cost. Should the project commence by the time of compiling the year end accounts then this cost can be capitalised and met from Capital Receipts. As such delegated authority to the Head of Central Services to modify the funding sources at the year-end is requested. The full detail of the bid is set out in the exempt Appendix A and building costings at exempt Appendix D2. Capitalisation of salaries against this project will also be undertaken in accordance with CIPFA accounting requirements.

- 3.6 Bruton Knowles, specialist rural Chartered Surveyors, have been appointed to negotiate and advise the Council upon the best possible terms of the lease for the livestock market. The use of the site as a livestock market will not give maximum financial returns compared with alternative uses; however it will achieve other objectives for the site, by securing the future of the livestock market on this site, potentially releasing a northern section of the site for alternative use and also rationalising the footprint in the southern section to release 1.7 hectares for Phase 2 -an area of opportunity for a food, drink and rural economy hub.
- 3.7 The re-development proposals do not include re-surfacing of the trailer / lorry park or the concrete surfaced wash down area, these areas are in reasonable condition and will receive patch repairs as necessary. On the southern section a car parking area will be stone finish so that options remain open for Phase 2.
- 3.8 Key Next Steps:
- Submission of the full bid to LLEP and BIS including Business Case and Economic Impact Assessment supported by Amion;
 - Dialogue with LLEP and BIS on bid submission;
 - Finalisation of site surveys, contractor review and consideration of any impact on site layout;
 - Submission of planning application in early 2015, most likely to be outline followed by a detailed submission;
 - More detailed cost plan to be provided in January 2015.
 - Engagement with LLEP around additional revenue funding to support project proceeding to full planning stage and detailed preparation prior to any funding announcements
 - Further development of Phase 2 concept – A Food, Drink and Rural Economy Hub.
 - Negotiate and agree Heads of Terms with the operator.

4.0 POLICY AND CORPORATE IMPLICATIONS

- 4.1 The Cattle Market is an important asset for the town, rural areas and region, attracting businesses and visitors from all over the country and it is vital that the Council continues with its investment into the market to enable it to modernise and meet customer expectations. This is strongly supported by the economic impact assessment work that has been undertaken for the project as part of the bid submission process.
- 4.2 It is important to have an overarching plan for the next 20 years for this site and there is a clear need for improved access and development of a 'shop front' for the site. The Cattle Markets future operational requirements need to ensure efficient modern management and it also has to compliment the town centre. It is recognised that the site should not be used for intensified retail purposes that conflict with the town centre, rather the development should help to attract additional footfall and aid longer stays to the town, boost the town and rural economy as well as creating more jobs.
- 4.3 On 30th October 2013 this committee approved the Councils Growth Plan so that it might be submitted to the LLEP. As part of this plan the Cattle Market and Food Enterprise Centre were included as key strategic projects for the Council. Both projects were put forward for consideration of inclusion in the LLEP's Strategic Economic Plan (SEP). Since that time the LLEP has requested that the business case for Phase 1 be revised and submitted for consideration by BIS.

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

- 5.1 The gross capital sum for inclusion in the capital programme is £5.5m. The proposed funding allocation for this will be £3.5m from the LLEP and £2m from Capital Receipts. Given the constraints over the use of the Capital Receipts it is preferable where possible to use this as the initial source of funding leaving the more flexible Corporate Priorities

Reserve for other corporate projects. The completed business case is attached at Appendix B1.

5.2 The estimated position on capital receipts is as follows:

| | £m |
|--|--------------|
| Estimated Unallocated Balance 31.3.15 | 3.438 |
| Cattle Market Request for Funding | 2.000 |
| Potential Capitalisation of Fees | 0.200 |
| Potential Leisure Vision Requirement | 0.550 |
| Total Estimated Capital Programme Requests 2015/16 | <u>0.600</u> |
| Potential Balance as at 31.3.16 | 0.088 |

This does not allow for any potential spend on urgent items, or transformation projects where further bids are likely. In addition there will be capital programme bids that will need to be funded post 31.3.16. Further land disposals in the future could help address this position.

5.3 The total cost of progressing the project to reach planning application stage is estimated to be £300k of which MBC has already secured £50k from the LEP Growing Place fund and members have already committed £50k to this project. Therefore a further £200k funding is required although officers are also seeking further grant funding from the LLEP which if successful would reduce this requirement.

5.4 Staffing support to this project will be provided from the Central Services team with support from the Economic Development Officer as appropriate with oversight from the Strategic Director and staffing costs will be capitalised as appropriate once the project becomes a fully funded capital project. A detailed financial schedule is attached at Appendix D1 – exempt. As such capitalisation of salaries will be undertaken as appropriate.

5.5 During the development there is the potential for loss of income from the Cattle Market car park and on Livestock auctions while the works are completed. Sensitivity analysis has been undertaken on the potential impact with the prudent expectation being a loss of £27k based on a 50% loss on car park income and 12.5% on livestock auctions during this period. This is split over 2 financial years (£18k in 2015/16 and £9k in 2016/17) and at this point these haven't been factored into the future budget estimates due to the grant funding position. If these costs come to fruition we will look to manage them within the overall budget set.

5.6 With regards to the agreement with the Cattle Market Partners specialist advice from external Chartered Surveyors Bruton Knowles who have extensive experience of dealing with livestock markets has been procured and this process is currently underway.

5.7 Some land may be freed up to the north of the site (approx. 1.02 hectares the majority freehold and 0.098 hectares long leasehold) as part of these proposals and this will be considered in more detail in due course. Should the bid be successful and the current plans proceed it is hoped that replacement car parking will be provided at the southern end of the site.

6.0 LEGAL IMPLICATIONS

6.1 Legal advice will be sought where necessary and any specific legal matters brought to members attention as required.

6.2 Members are aware that the abattoir site was obtained with the assistance of grant funding monies from East Midland Development Agency (now Homes and Communities Agency) which requires a development plan for the site to be in place and delivered within agreed timescales.

6.3 At the request of the LLEP specific State aid advice has been requested and provided by specialist lawyers in this regard and the necessary actions are being undertaken accordingly.

6.4 The Town Estate owns the freehold of part of the site and the Council has a long lease, legal advice has been previously been obtained on any implications in relation to the

intended re-development and officers are also liaising closely with representatives from the Town estate on this project.

7.0 COMMUNITY SAFETY

7.1 There are several safety issues to consider at the cattle market, separation of the livestock markets with other businesses, including those with food and drink. The surfaces of the car parks and access ways are old and deteriorating and require constant patching and attention.

7.2 The Community Safety Partnership has indicated a desire to relocate CCTV cameras which are an integral part of the Town Centre CCTV arrangements and officers are seeking to incorporate these changes as part of the process.

8.0 EQUALITIES

8.1 Access issues for people with disabilities will be an important consideration for any future improvement plans and consultation with a local access group on development plans will be part of the process.

9.0 RISKS

9.1 The cattle market is subject to certain unique risk factors, for example livestock diseases, changes in legislation, changes in market conditions and it can also be adversely impacted by extreme weather conditions which are considered when reviewing long term options for the site. Due to these risks the Cattle Market project has been included on the Corporate Risk Register to reflect the critical nature of the risk of being unable to deliver the cattle market project in accordance with agreed objectives, timescales and budget. Some of the key consequences of failing to deliver this project could be:

- Lost opportunity to regenerate a significant asset and free up land for alternative uses
- Loss of potential for business support, employment and incubation.
- Reliance on current visitor offer when other market towns are improving their offer.
- Degradation in asset.
- Running down of Cattle Market and consequential impact on the Town Centre.
- Loss of income
- Potential to trigger clawback provisions on the abattoir grant funding received from EMDA.
- Abortive costs

One of the key counter measures of addressing the consequences outlined above is preparing the scheme so that it is ready for initiation at short notice should funding become available. This will be achieved through the additional £200k project funding requested.

9.2 An area of concern for the project is in respect of drainage. The site has extensive drainage needs and a large numbers of drains. This is being explored in some detail in order to enable the best solution to be arrived at. In addition the opportunity is being taken to address some current issues with existing drainage as part of the project.

9.3 Key Risks associated with the Livestock Market Project – Phase 1.

Probability
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| Very High A | | | | | <table border="1"> <thead> <tr> <th>Risk No.</th> <th>Description</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Grant funding – Timing & extent of funding award, abortive costs</td> </tr> <tr> <td>2</td> <td>Building whilst Livestock facilities open and its impact on the business.</td> </tr> <tr> <td>3</td> <td>Disease break out effects business operations resulting in loss of income</td> </tr> <tr> <td>4</td> <td>Planning and Statutory Consents may not allow preferred construction.</td> </tr> <tr> <td>5</td> <td>Unexpected costs from build (including drainage works)</td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> </tbody> </table> | Risk No. | Description | 1 | Grant funding – Timing & extent of funding award, abortive costs | 2 | Building whilst Livestock facilities open and its impact on the business. | 3 | Disease break out effects business operations resulting in loss of income | 4 | Planning and Statutory Consents may not allow preferred construction. | 5 | Unexpected costs from build (including drainage works) | | | | |
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| Significant C | | | 3, 5, | | | | | | | | | | | | | | | | | | |
| Low D | | | 4 | | | | | | | | | | | | | | | | | | |
| Very Low E | | | | | | | | | | | | | | | | | | | | | |
| Almost Impossible F | | | | | | | | | | | | | | | | | | | | | |
| | IV Negligible | III Marginal | II Critical | I Catastrophic | | | | | | | | | | | | | | | | | |

9.4 The key risks of development of the Livestock Market Phase 1 project are set out in the table above. A Risk Log will be maintained during the project where the risks will be set out in detail.

10.0 CLIMATE CHANGE

10.1 Extreme weather conditions can and often will impact on the activity at the cattle market.

11.0 CONSULTATION

11.1 Consultation with partners including market partners, Town Estate, NFU Melton and other stakeholders will continue to be an important aspect of the project.

12.0 WARDS AFFECTED

12.1 All wards are affected.

Contact Officer: David Blanchard

Date: 19th November 2014

Appendices: Appendix A - Bid submission- Exempt
 Appendix B1 – MBC Business Case
 Appendix B2– Amion Supporting Statement Exempt
 Appendix C – Option 5 layout Exempt
 Appendix D1 - Detailed financial schedule. Exempt
 Appendix D2 – Project Costs Pick Everard Exempt

Background Papers:

Reference: X: Ctte,Council & SubCttes/