



LATE REPORTS AND SUPPLEMENTARY INFORMATION

Cabinet

Tuesday, 9 October 2007.

The following report and appendix were received too late to be included on the main agenda for this meeting and were marked 'to follow'. A further public report has now been produced for Agenda item 12. These are now enclosed, as follows:

| Agenda Item Number | Page | Title | Reason | Officer(s) Responsible |
|--------------------|---------|--|--|--|
| 7 | 1 - 2 | CAPITAL INVESTMENT STRATEGY UPDATE | | |
| | | <i>(Cabinet Member with Special Responsibility Councillor Roger Mace)</i> | Information received after the publication of the Agenda due to the Council meeting being held on 26 th September 2007. | Corporate Director (Finance and Performance) and Head of Financial Services. |
| 11 | 3 - 10 | FUNDING OF THE EMPLOYEE ESTABLISHMENT | | |
| | | <i>(Cabinet Member with Special Responsibility Councillor Roger Mace)</i> | Information received after the publication of the Agenda. | Chief Executive. |
| 12 | 11 - 22 | CAPITAL PROGRAMME - RECEIPTS | | |
| | | <i>(Cabinet Member with Special Responsibility Councillor Evelyn Archer)</i> | Production of an additional (public) report for the meeting requested by Members. | Corporate Director (Regeneration). |

Appendix CCapital Investment Strategy UpdateCouncil Minute Extract**68 Access to Services Review**

(Councillors Hanson, Langhorn and Redfern declared personal interests in the following item of business due to relatives working in council buildings)

Members considered a report on the outcome of the Access to Services Review which set out details of future accommodation options including proposals for homeworking and hot desking. The report also detailed the potential for property disposals resulting from the alternative options and the varying financial implications.

The recommendations set out in the report were moved by Councillor Mace and seconded by Councillor Bray with the exception of a revised recommendation (4) as follows:

'That should resolutions 1 and 2 be approved the Council agrees in principle to disposals of Council property that are no longer required for accommodating employees as the project progresses with each sale being subject to Cabinet approval.'

On being put to the vote, many Members voted for the proposition and 4 abstained, whereupon the Mayor declared the proposition carried.

Resolved:

- (1) That Council approves the principle of retaining and improving both Morecambe and Lancaster Town Halls as the main centres of office accommodation, and that this be included within the Council's draft Capital Investment Strategy for the period to 2012/13, to progress funding and affordability considerations.
- (2) That Officers be authorised to work up detailed schemes for all the work involved in improving and retaining the two Town Halls, for consideration through future years' budget processes.
- (3) That a project for implementing Home working and hot desking throughout the Council be commenced as part of the process of cultural change within the Authority, subject to estimated costs and funding being identified during the forthcoming budget process.
- (4) That Council agrees in principle to disposals of Council property that are no longer required for accommodating employees as the project progresses with each sale being subject to Cabinet approval.

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CAPITAL PROGRAMME - RECEIPTS 9th October 2007

Report of Corporate Director (Regeneration)

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|---|-------------------|-------------------------|-------------------------------------|
| PURPOSE OF REPORT | | | |
| To consider the current position with the required major receipts and to determine the course of action in relation to the three significant potential receipts that have the ability to support the capital programme. | | | |
| Key Decision | X | Non-Key Decision | Referral from Cabinet Member |
| Date Included in Forward Plan | 25 September 2007 | | |
| This report is to be considered in public | | | |

RECOMMENDATIONS OF COUNCILLOR ARCHER

- (1) That Cabinet accepts the offer from a developer for the land at Heysham Mossgate and updates the capital programme accordingly
- (2)
 - (a) That Cabinet approves the proposals to market the Council's land at Scotforth by way of a Development Agreement for a food store and that the results of the marketing exercise are reported back to Cabinet for approval.
 - (b) That the marketing prospectus for the land at Scotforth Road seeks to reward bids that minimise the carbon footprint of the development while still meeting the retail demand identified in the White Young Green report.
- (3) That Cabinet notes the potential for a capital receipt in the future from its interests relating to the Nightingale Hall Farm site but does not take any decisions that rely on the receipt until negotiations with the other interested parties are concluded.
- (4) That the Head of Financial Services updates the Capital Programme accordingly

1.0 INTRODUCTION

- 1.1 The five year capital programme approved as part of the 2007/08 budget process relies on a number of sources of finance including the sale of some Council assets and land interests. This report updates members on three significant elements that could contribute to the funding of the programme, land at Heysham Mossgate, land at Scotforth and land and interests relating to the Nightingale Hall site. This report deals with each interest in turn.

2.0 LAND AT HEYSHAM MOSSGATE

- 2.1 Heysham Mossgate is a site that has been under development for some time providing housing to the south of Morecambe. The Council has the benefit of an option agreement that entitles it to sell a 1.55 hectares plot of land within this site and retain the proceeds of the sale. This site has recently been subject to a marketing exercise. The exercise produced no valid tenders but subsequently discussions have been held with a developer. These discussions are detailed in the exempt version of the report, as is the final offer from the developer. The final offer meets the target set in the capital programme.
- 2.2 The Council has the option of accepting the current offer which, following an extensive marketing exercise can be said to reflect current Market Value for the site under the current circumstances. This would require a review of phasing of capital works, and the cashflow needed to deliver the capital programme. Alternatively, it could seek to re-market the land in approximately 2 years which would probably achieve a more favourable receipt but this would be by no means certain in terms of outcome and would carry significant risks for the delivery of the capital programme.

3.0 LAND AT SCOTFORTH

- 3.1 The City Council is the owner of 5.466 acres of land at Scotforth Road, Lancaster. The land is shown edged black on the attached plan, and includes a belt of trees on the northern boundary, immediately to the rear of the properties on Rays Drive. In addition, the Council has the benefit of a restrictive covenant on the land immediately to the south. The covenant restricts the use of this land to hotel use only. At the present time, the City Council's land is let each year on annual grazing licences, the larger plot producing a small income during 2007. The land is not held for any operational purposes.

4.0 PROPOSAL DETAILS

- 4.1 In recent years the Council has been approached regarding the future of its land holdings at Scotforth Road, Lancaster. Most recently, the Council's land was included within proposals to construct the access to a residential scheme at Whinney Carr Farm situated to the west of the main line railway. This scheme failed as it was not possible to secure the necessary planning permission, even after an appeal process.
- 4.2 The Council has been approached directly by a food store operator who is already represented in the Lancaster district.

- 4.3 Recently, the ownership of the land to the south of that owned by the Council has changed, and the new owners have been considering its future potential. They have also spoken to officers about the potential for the development of a food store on their land or by utilising part of their land together with the land owned by the Council.
- 4.4 These new owners of the land have undertaken some “soft marketing” of their land by discussing the potential development of a food store with all the major operators and all have expressed an interest in developing the site.
- 4.5 The basis for their interest has been the lack of a food store offer in the south of the City area. With the exception of the small Booths store, there is no other food store provision that can be accessed without using the city centre one way system or crossing the River Lune to access the stores available on the north side of the river.
- 4.6 Initial traffic assessment modelling for the Canal Corridor scheme has shown that the levels of traffic using the one way system and crossing the river are consistently high, particularly during retail trade hours. The creation of a new store at the south of the city could give the opportunity to reduce the need to travel through the city centre therefore helping to reduce traffic congestion and the amount of miles travelled.

5.0 PLANNING ISSUES

- 5.1 The site is currently allocated on white land with no specific use allocated in the Local Plan. The site had previously been proposed as a major extension of Lancaster to encompass residential expansion and a range of ancillary uses, but as indicated in paragraph 2.1 was rejected at public inquiry stage, following which no alternative use was put forward for the site. The Council ownership is directly adjacent to established residential development to the north and east, and is bordered by the railway line to the west and the A6 to the east.
- 5.2 The development of this site for a food store would currently be a departure from the Local Plan and would require a number of detailed tests to be passed before any support could be given in planning terms. Recent retail capacity work for the Local Development Framework suggests that there is a need for a further food store in South Lancaster, but any search for a site would need to be carried out sequentially, considering first land within district centres, or other brownfield sites.
- 5.3 The current Local Plan and the core strategy of the new Local Development Framework both reflect national and regional policy in relation to retail provision. In essence, the emphasis is for urban concentration and retail development within established retail centres. Exceptions to the retail hierarchy and to concentration in established centres can be considered if:
- This can accommodate demonstrable need
 - The proposal is well related to public transport
 - The proposal is related to existing (or proposed) residential areas
 - The site can pass a sequential test to demonstrate that it is the most suitable site closest to the existing centre

These tests are designed to protect existing centres.

5.4 In preparation for the development of the Local Development Framework, the successor to the Local Plan, a retail study of the district was commissioned. The study reported in February 2006 and looked at the whole district and all aspects of retailing and is designed to inform the development of new retail policy. The study is lengthy and can be accessed through the Council's website under the *Forward Plans* section. In relation to food shopping, the study highlighted some key trends which should inform further decisions about trading locations :

- The spend on food within the defined centres was low compared to out-of-town provision
- 72% of all food shopping trips were made to either Morrisons, ASDA or Sainsbury's, with Morrisons being the dominant provider
- The study showed that since the last survey, the town centres had lost market share while the out-of-town stores had gained market share
- In terms of the analysis of future demand, the study concluded :

"..... the Council should consider the potential to accommodate a medium to large sized foodstore in Lancaster up to 2011 with the potential of a further foodstore between 2011 and 2016. However, the strategic positioning of the store will need to be carefully considered as, at the moment, the main food destinations are located to the north of the river which has accessibility issues with a large proportion of the district's population."

5.5 General planning advice has been given to interested parties which makes it clear that the development of this site would be a departure and would involve complex considerations placing the onus on applicants to prove that there was (a) a clearly identified need for a store in this location, and (b) that it would be sustainable and the only alternative after assessing other sites in the area.

5.6 If a Greenfield site were chosen there would have to be other significant benefits to justify its use. These for example might be improvements to a quality bus network, the design of a zero carbon rated building, or even the establishment of a park and ride facility on the site. It is also material to consider that one operator, Booths, control the land at the Hala traffic junction where essential improvements to traffic flows would have to be made to cope with additional traffic movements to and from such a store. All these factors would, of course have to be balanced against the arguments that the store would not be in a town or district centre, and would be developed on a green field.

6.0 PROPERTY DISPOSAL

6.1 National and local food retailers are aware of the conclusion of the White Young Green report and regularly monitor opportunities for growth. The Council has also been approached by the adjacent land owner to the south of our site to see if we would dispose of the site or consider a joint venture. The Council's site is the smaller of the two but as the plan indicates, is closer to the core of Lancaster.

- 6.2 Should the Council determine that it is appropriate to market the land at Scotforth Road, it is suggested that in accordance with the Corporate Property Strategy, the land should be offered for sale by way of a Development Agreement. In this way the Council would be able to have an element of control over the development, by being part of the process to ensure that it is developed to the standards and timescales agreed. Through this process the Council could ask through a marketing exercise for developers to compete on the basis of a maximum allowable size, a limited range of goods, sustainability and environmental impact as well as price for the land.
- 6.3 The alternative is to undertake a straight forward sale of the land and allow a purchaser to determine how any development takes place, provided that it is in line with relevant planning requirements.
- 6.4 Should the Development Agreement process be approved, the Council would be in a position to take an active role in issues such as design. Currently, the major food store operators are at the forefront of sustainable development with their latest developments specialising in renewable energy, recycling and energy efficient building design.
- 6.5 A note of caution should be raised here for members to carefully consider. The larger food retailers now normally include significant elements of non food sales, which would not currently be acceptable in planning terms in this location. Notwithstanding the terms of any planning consent applied for (food only) there would always be a danger of extension and alteration desired in the future. A formal development agreement and the use of covenants and ransom strips would also need to be used to exercise controls additional to the planning process, to ensure that all that is possible can be done to restrain an operator, if one of the bigger companies were chosen.
- 6.6 The Council's capital programme reflects a potential capital receipt from land at South Lancaster in the year 2008/09. The disposal of the land at Scotforth Road for this purpose would at least achieve this receipt, depending of course on the precise proposals put forward.

7.0 LAND AND INTERESTS AT NIGHTINGALE HALL FARM SITE

- 7.1 Members will be aware that the controversial industrial process that used to take place at Nightingale Hall Farm was subject to a fire in 2005 and ceased operation early in 2006. The joint owners of the site subsequently sought and gained an outline planning permission for housing on the site. Development of the site for housing met the Councils objectives of removing the animal rendering operation that had for many years caused residents problems with odour emissions.
- 7.2 The Council owns adjoining land and also has a number of restrictive covenants on the Nightingale Hall Farm site. The Council also has a view that to access the site for development would require permission to cross Council owned land, this is not disputed by the site owners. Taken together, these issues could amount to a significant financial interest in the site if it is developed.
- 7.3 Taking forward the development of the site is not in the hands of the Council. Negotiations regarding the access arrangements, the potential for a joint marketing exercise with Nightingale Hall Farm and the Councils land interests are being pursued but by no means certain of reaching a conclusion.

- 7.4 Officers will continue to work with the joint owners with the aim of bringing back firm options for Cabinet to consider but at this stage it would be unwise to place any reliance on a receipt from the site supporting the capital programme in the immediate future.

8.0 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)

8.1 Land at Heysham Mossgate

- 8.2 Option 1 – Accept the current offer from the developer. Although the phasing of the payment would require a review of work phasing and cash flow to support the capital programme there is no alternative offer to develop at this stage.

- 8.3 Option 2 – Refuse the current offer and seek to re-market the site at some time in the future. This option would mean a major review of capital works in the programme that are funded by receipts and would have no certainty of achieving a higher sum when tendered again.

8.4 Land at Scotforth

- 8.5 Option 1 – Offer the Council's land for sale by way of a Development Agreement for the development of a food store. Development of the site, should Cabinet agree to a disposal, would be subject to a satisfactory planning approval being achieved. This option would enable the demand for such a facility to be met and would enable the Council to receive a capital receipt for land that currently has no alternative, operational use for the Council. This option would involve the loss of a small annual income.

- 8.6 Option 2 would be to offer the land for sale by private treaty for the development of a food store. Whilst still enabling the demand to be met as in option 1, the Council would not be in a position to exert any control over the form of the development, except through the planning process. This option would also involve the loss of a small annual income. Development of the site, should Cabinet agree to a disposal, would be subject to a satisfactory planning approval being achieved.

- 8.7 Option 3 - Do nothing. This option would not offer the Council an opportunity to obtain a capital receipt for land that currently has no operational use. In addition, because of the demand for such a food store facility, it is inevitable that the adjoining land owner would put forward similar proposals and therefore be in a position to receive the capital receipt. The Council's land would remain for small scale grazing in the immediate future.

8.8 Land and interests at Nightingale Hall Farm

- 8.9 Option 1 – To continue with the negotiations aimed at achieving a significant receipt subject to Cabinet agreement to any terms that can be agreed with the site owners.

- 8.10 Option 2 – To withdraw from discussions with the site owners and await developments. This would be hard to justify given the Council's interests in the site and the potential from working jointly with the site owners on a larger scheme.

9.0 OFFICER PREFERRED OPTION (AND COMMENTS)

- 9.1 Option 1 is the preferred option in all three cases for the reasons stated above. If the Council is to deliver its capital programme particularly in relation to necessary repairs to its own buildings it needs to identify and achieve capital receipts that amount to £6 million over the next five years.
- 9.2 Alternatively, the Council could reduce the capital programme to such a level that funding from capital receipts is not required. While the Council runs a large capital programme, much of it is externally funded and the funding would not be available for other uses. The significant element of the capital programme that falls to the Council's own funds is for building repair and refurbishment. The current repair costs in the programme reflect the necessary amount of works required in order to keep the operational buildings open.
- 9.3 A further alternative could be to explore other ways of financing the capital programme. The use of prudential borrowing would be open to the Council, but this would in turn create significant revenue pressures over an extended period of time to meet the costs of borrowing at a time when the Council is already seeking to find savings in the revenue budget.

RELATIONSHIP TO POLICY FRAMEWORK

The Corporate Plan does place a priority on the capital receipts programme (at KPI 1.4) to generate £3.488m by Sept 2007 and a further £1.823m to be confirmed by March 2008.

In addition, the Corporate Property Strategy identifies the need to use the Council's assets to meet the Council's corporate priorities.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

The report indicates that development of the sites could provide the opportunity to create sustainable developments reflected through design, use and associated transport issues.

FINANCIAL IMPLICATIONS

The funding of the current Approved Capital Programme is dependent on major Capital Receipts of £6 million, of which almost £2 million is required in 2007-08. If this is not achieved, then a choice will have to be made between:

- (a) a substantial reduction in the size and scope of the Council-funded Programme, with a number of important schemes being either postponed, curtailed or cancelled, and
- (b) funding additional amounts from Prudential Borrowing, requiring an estimated increase of £1.80, or 1.13%, in the basic amount of Council Tax, for every £1m borrowed.

The recommended option in respect of the land at Heysham Mossgate would represent a significant contribution. While there is the possibility of a larger receipt in future, the present

proposal has the benefit of certainty. Expenditure has already been identified which is expected to slip into 2008-09, so the revised phasing of the payment does not create any funding difficulty. If the receipt is secured on the basis described, then the 2007-08 Capital Programme will be fully funded.

In respect of the land at Scotforth Road, the receipt which might be generated has the potential to largely secure the funding of the Council's planned programme of investment over the next five years. While there are other possible receipts, there are none that currently seem to have the same potential.

At present, the land brings in a small annual rental from grazing licences.

In respect of the land at the Nightingale Hall Farm site, because negotiations remain at a relatively early stage, it is not possible to offer further comment on the likelihood, timing or amount of any Capital Receipt or its implications for the Capital Programme.

SECTION 151 OFFICER'S COMMENTS

The Deputy Section 151 Officer has been consulted and has no further comments to add. The Section 151 Officer will be attending the meeting.

LEGAL IMPLICATIONS

Legal Services have been consulted and have no comments on these proposals, but will be responsible for producing any necessary documentation to support the delivery of capital receipts if the preferred Option 1 is chosen in respect of the Heysham Mossgate and Scotforth land.

MONITORING OFFICER'S COMMENTS

The Deputy Monitoring Officer has been consulted and has no comments to add.

BACKGROUND PAPERS

There are no background papers.

Contact Officer: Graham Cox
Telephone: 01524 582504
E-mail: gcox@lancaster.gov.uk



This Is For Identification Purposes Only

Property Services
 Town Hall
 Lancaster LA1 1PJ
 Telephone: (01524) 582967

Title: Land At Mossgate, Heysham.

Scale : 1:1250

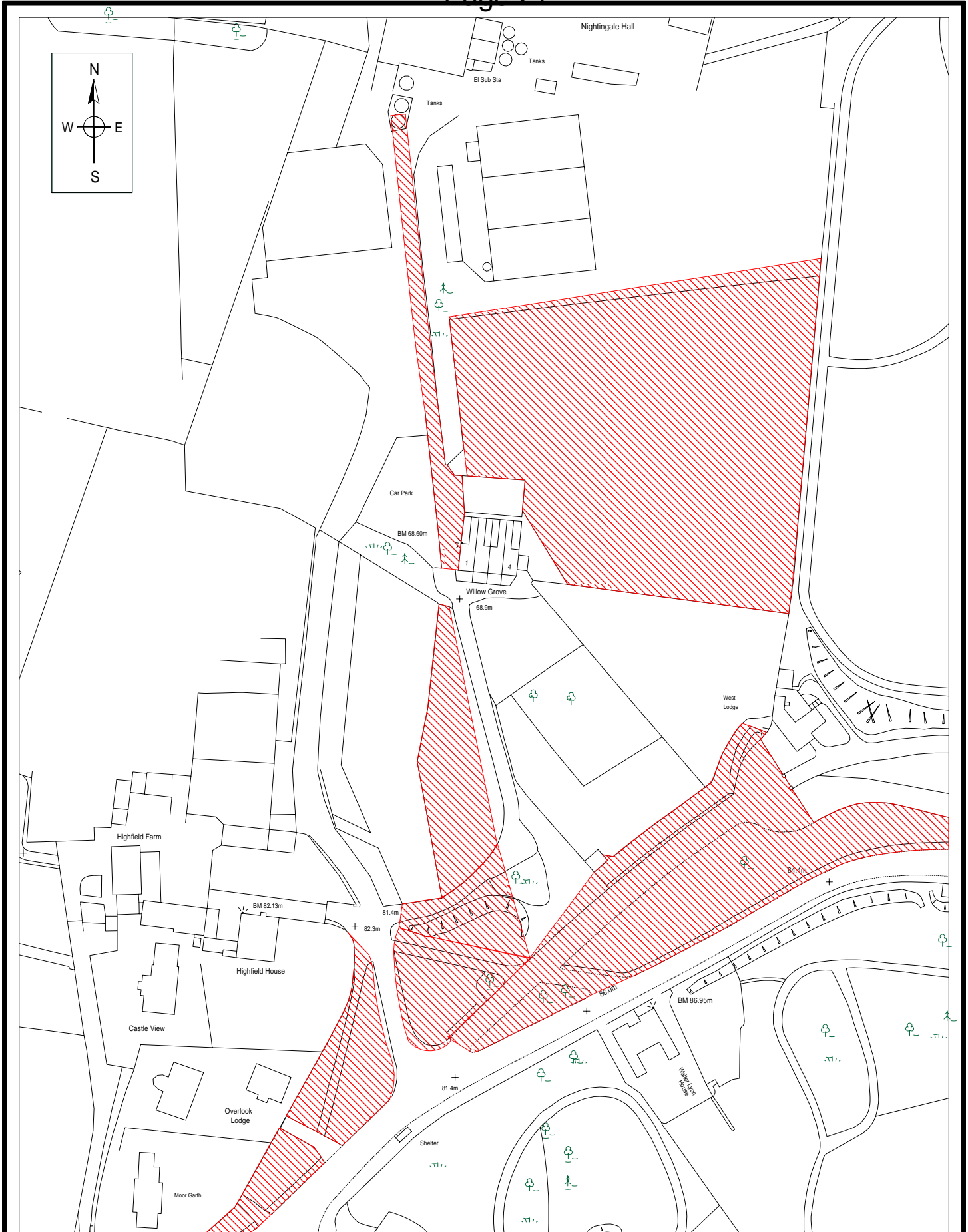
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Property Services
Town Hall
Lancaster LA1 1PJ
Telephone: (01524) 582967

Title: City Council Land Ownership.

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Date : 4/10/2007

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