

Lancaster City Council | Report Cover Sheet

Meeting	Cabinet	Date	19.01.21		
Title	Canal Quarter, Lancaster: Use of Reserves – Progression of Detailed Masterplan Phase				
Report of	Director for Economic Growth and Regeneration				
Purpose of Report					
<p>The report considers the route and approach to implement the economic regeneration of key council land interests, particularly the area known as Cooper's Fields which is dominated by the Upper and Lower St. Leonard's Gate surface car parking and bounded by Lodge Street, Alfred Street, Seymour Street / Edward Street and St Leonards Gate. Cabinet is requested to approve the use of Reserve Funds to commission a full professional services master-planning team to deliver the next key phase of the Canal Quarter project.</p>					
Key Decision (Y/N)	Y	Date of Notice	09.11.20	Exempt (Y/N)	N

Report Summary

The Lancaster Canal Quarter Strategic Regeneration Framework (SRF) is undergoing the final stages of its progression through statutory consultation. Following this period, should there be no further substantive comments received or amendments required, the document will be adopted as planning policy.

Use of the council's key assets / land in the Canal Quarter will provide critical framing and supporting context for development activity across the area. Members considered an outline of this strategic approach to implementation at the Cabinet meeting in June 2020 and in the months following via the council's Capital Strategy Group. Reports covered the route for securing a preferred design team for key elements of the council's ownership, shaping key strategic elements which impact on all Canal Quarter development activity, and providing certainty to enable private investment to be harnessed and delivered.

There is now an onus on the council to drive forward economic regeneration initiatives as part of the pandemic recovery process. The high degree of Member / public and commercial interest (including from MCHLG and Homes England) and the complexity of addressing key issues raised through SRF consultation (such as car parking, traffic movement and integrating open space provision) means the progression of a detailed development masterplan is essential to make further progress.

Recommendations of Director for Economic Growth and Regeneration

- 1. Approval of up to £120K of the council's Canal Quarter Reserve for the management and progression of site investigations, surveys, development of a detailed masterplan, phased development delivery strategy, and feasibility appraisals for key areas of the Canal Quarter as outlined in the report.**

2. **Tender material is prepared by officers for issue.**
3. **Following completion of the procurement stage the recommended master-planning team is contracted and the work undertaken.**
4. **The work is supported by structured engagement with Cabinet, continued input from the existing community stakeholder group, and wider public consultation.**

Relationship to Policy Framework

The Canal Quarter site is a long-standing allocation within the Lancaster Local Plan and is identified via Policies ER4 and ER5 of the Lancaster District Core Strategy (adopted in 2008) and Policy SG5 of the Strategic Policies & Land Allocations DPD.

Conclusion of Impact Assessment(s) where applicable

Climate

Wellbeing & Social Value

Digital

Health & Safety

Equality

Community Safety

There are no Health & Safety, Equality and Diversity, Human Rights, Community Safety, HR implications arising from approval or reserves spend and a commitment to undertake initial work on the Coopers Fields site as outlined in the report.

In terms of the potential future development proposals the outcomes, impacts and issues will be explored and tested through the master-planning phase, adhering to the principles of the council's Local Plan and Canal Quarter SRF and taking into account any further objectives as defined by the council in its master-planning brief, particularly the need to respond to

Details of Consultation

The CQSRF has been subject to wide stakeholder and public consultation as outlined in the report. The development of the CQSRF complied with the terms of the city council's Statement of Community Involvement and directions on public participation. Development proposals created through the master-planning process will also be subject to input, consultation, and scrutiny by the existing stakeholder group and wider public.

Legal Implications

As a "High Value" procurement (that is over £100K across the lifetime of the project design development and implementation stages) either a formal open competitive invitation to tender, or appointment made via a pre-approved Framework is required (although the report notes that the latter is not considered to be an appropriate tender route in this instance).

The likely final contract value (particularly if there are any extensions required or further work required in addition to the main initial contract) means there is also a need for compliance with the UK's Public Contract Regulations 2015 (PCR2015) – the UK's interpretation of the EU's Procurement Directives which have in the past set out the legal framework for public procurement that applies when public authorities and utilities seek to acquire goods, services, civil engineering or building works above certain thresholds.

Brexit has complicated the procurement position for high-value contracts post- 1st January 2021 and the rules which will govern large contract procurement for public bodies are still unclear. The Government has prepared draft Public Contract Regulations 2020, which will replace PCR2015. This is very similar to PCR2015 but with references to EU removed and UK added. The most recent tender update notes that at the end of the transition period, amendments to the Regulations in relation to the withdrawal of the UK from the EU will come into force. This means that for procurements which are launched after 11 pm on 31 December 2020, will be required to publish notices on FTS instead of OJEU/TED.

However, regardless of the specific process detail that may emerge, the procurement route will meet any defined high value procurement directive, be it within the context of a process resembling the PCR2015 or otherwise.

The key point is that the value of the services involved requires the council to consider the relevant “open” tender procedure rules, and the tendering authority cannot limit the tender to specific parties.

The tender process will include for scoring against social value criteria alongside the regular model of assessing competitive tenders on both quality and price. However, the council must first adopt a corporate policy into its wider procurement rules setting out its specific measurable criteria by which officers can develop the social value requirement of bidders. It is essential that in a high value procurement, and one likely to be subject to supra-national procurement rules and national bidding interest, that objective criteria is included in the process to ensure the final contract award can withstand any potential legal challenge/scrutiny.

Financial Implications

Authorisation levels for both revenue expenditure and use of the Council's reserves are as follows

- Up to £25K - Director/Relevant Portfolio Holder
- Over £25K - Majority of Portfolio Holder, Director, Leader, Cabinet Member for Finance, Chief Executive after consideration of advice from S151
- Over £100K – Cabinet

The value of the expenditure outlined in this report is above the Cabinet reporting threshold and the fees accrued will ultimately be of “high value” in the context of the council’s procurement rules.

On conclusion of the procurement phase the design team will be appointed and design ideas will be delivered to a point where proposals can be considered for investment through the Capital Strategy/Cabinet protocols outlined in the council’s emerging Capital Investment Strategy.

The Canal Quarter currently has budget allocation from two reserves; the first being the original allocations from 17/18 and 18/19 on the Canal Quarter reserves code that has a balance of £69K with committed expenditure in year of £54K.

The second is part of the councils Invest to Save reserve approved as part of last year’s 2020/21 budget process, and has a balance of £124K in current year plus £150K in 2021/22

It is recommended that, to simplify the monitoring of spend, the balance of the Canal Quarter reserve is utilised first and cleared to nil during current year.

The table below shows the remaining balances once recently approved, committed, expenditure is considered, showing a balance of £114K in current year. The request for £120K is not expected to be fully committed in year therefore enough funds are available to accommodate the request over this and next financial year.

Once approved, the General Fund Revenue budgets will be updated accordingly.

	2020/21	2021/22	Total
Reserves balance	£,000	£,000	£,000
Canal Qtr Reserve	69,100	0	69,100
Invest to Save	123,900	150,000	273,900
Total Reserves	193,000	150,000	343,000
Approved spend			
Project Officer Extension	53,700	0	53,700
Feasibility Heron Works	25,000	0	25,000
Total Approved Spend	78,700	0	78,700
Remaining Balance	114,300	150,000	264,300

Other Resource or Risk Implications	
Human Resources: The main staffing resource on the council side to support progression of the proposal will be officers from the Economic Growth and Regeneration service.	
Information Services: No direct Information Service implications based on approving reserves spend.	
Property: No Property Services implications based on approving reserves spend.	
Open Spaces: No Open Space implications based on approving reserves spend	
Section 151 Officer's Comments	
The Section 151 Officer has been consulted and has no further comments	
Monitoring Officer's Comments	
The Monitoring Officer has been consulted and has no further comments	
Contact Officer	Paul Rogers
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Links to Background Papers	
Pre-approval in Cabinet Report	

1.0 Introduction

- 1.1 At its 9 June 2020 meeting Cabinet considered a report on the Draft Lancaster Canal Quarter Strategic Regeneration Framework (SRF) statutory consultation process, and noted the amendments accepted by officers as a "final" version for adoption as a Supplementary Planning Document (SPD). At the meeting Cabinet requested a further round of Member consultation and input to be considered by officers prior to completion of the statutory consultation process. Officers are undertaking further amendments to the document in response to this input. Specific technical amendments have also been required in response to the Government's recent changes to Use Class definitions and the resolution of national legal challenges against these changes.
- 1.2 On completion of these amendments, and subject to portfolio holder agreement, this revised "final" version of the document will become the council's formal publication version and issued for a further six -week period, with comments invited. Following this period, should there be no substantive reason to return to Cabinet to discuss amendments, the document will be adopted as planning policy.

- 1.3 The document will be used to support and guide developers in addressing the council's related strategic policies contained within the adopted Lancaster District Local Plan. An SPD's role is to help applicants shape and make successful planning applications, while the overarching planning priorities for an area (infrastructure requirements, housing needs, measures for adapting to climate change and so on) are the preserve of the Local Plan.
- 1.4 The SPD does not prevent any development sponsor "going further" or exceeding the requirements of policy in pursuit of their own development objectives. An SPD is not a panacea to address all issues pertaining to the ultimate form of a development or define an individual development sponsor's final masterplan or implementation strategy for their own land interests. Individual site promoters, including the council, will develop detailed schemes to achieve a wide range of objectives and needs, informed by decisions made in many other policy or business arenas.
- 1.5 However, the SPD provides an important strategic foundation for considering the next stages of detailed development, shape, and form. The June Cabinet report outlined some tentative next steps in progressing viable regeneration development proposals and an outline phasing/delivery alongside the key approvals required to undertake the next stages of work on this important regeneration scheme.

2.0 Background

- 2.1 Significant challenges exist in the Canal Quarter area, including (but not limited to): important national and local historic buildings / heritage interest; areas of severe dereliction/contamination; high design quality demands; planning/building envelope constraints; transport, car parking and topography issues; need for extensive new infrastructure and creative solutions to the site's connectivity with the existing centre; relatively low and depressed commercial/residential property values with rising construction costs; and fragmented site ownership.
- 2.2 Individual Canal Quarter development proposals will need to be progressed, to some extent, in an iterative fashion - being both informed by (top down) and also informing (bottom up) discussions/decisions on strategic matters – particularly how individual sites and proposals respond to the implications of the county council's Movement Strategy currently under public consultation.
- 2.3 The Canal Quarter can be broken down into four main areas of proprietary land interests (land ownership plan in **Appendix 1**) which are also analogous to the character areas noted in the CQSRF (**Appendix 2**). Progress on each major area of interest is as follows:
- a) **Stonewell Courtyards (comprising the Stonewall "nose" and Brewery Complex):** The assets in this area are owned by an entity called Lanmara Developments Ltd. Originally this company vehicle was under joint control of directors associated with the Preston based Worthington Property Group and Revcap Ltd, a London based investment firm. Since the demise of Worthington Property Group in late 2019, directors of Revcap Ltd. have sole control of the entity. Revcap Ltd have appointed their partner Riverstone Developments to

progress their interests. A positive initial meeting between officers and Riverstone took place earlier last year which focussed on the emerging CQSRF, the company's aspirations and likely approach to the site. Officers are anticipating a submission of initial proposal options through the council's planning pre-application process.

There is a clear opportunity for integrating the council's key areas of interest with the developer's proposals, particularly in relation to the interface with the Dukes Theatre, and working with the developer to bring forward a proposition that meets the requirements and context set out in the CQSRF.

b) *Ropewalks (Heron Works/Edward Street car parks):* The developer Maple Grove / Eric Wright has a long-standing optioned interest in the site and has made an initial approach to work with the council jointly on a regeneration /development scheme. A sum of £25K has been agreed from the Canal Quarter Reserve to jointly fund initial site investigations and development proposals around the optioned third-party site and the council's neighbouring land interests

c) *Coopers Fields (main area of council owned surface car parking and canal interface):* Members will be aware from previous reports and discussions that the way the council's land here is used will provide critical framing and supporting context for all development activity across the Canal Quarter. The council's approach here will resolve some of the key issues raised in the Canal Quarter SRF consultation. It will:

- Help define the north-south development axis and integrate the major third-party land parcels /proposals.
- Influence the west-east development axis, particularly the canal-side development interface and the treatment of major open space opportunities.
- Set the strategic approach to car parking and traffic movement within and through the site.
- Provide an exemplar approach to meeting the demands and challenges presented in the CQSRF.

d) *Moor Lane Mills South (area of council owned mill buildings / car parks):* The area is dominated by the council owned Moor Lane Mills currently let to NHS and Oxford archaeology and a number of surface-level car parking, some of which performs well in terms of revenue generation. The CQSRF sees commercial development combined with residential uses but any detailed proposals for the area can respond flexibly to market conditions. The area is not a priority in terms of the issues needing to be addressed elsewhere across the Canal Quarter. However, there is a need for the council to consider phased development opportunities and alternative use options here.

3.0 Proposal

3.1 To ensure the opportunities for all the aforementioned land parcels / interests are optimised the council needs to retain a high degree of control and influence over the design, development and implementation of its own key land/assets and give a strategic steer. Detailed proposals will need to have regard to all aspects ordinarily

associated with a major regeneration / development proposal such as:

- The final preferred use-mix and place-making strategy.
- Viability and certainty in the delivery and investment strategy.
- The relationship to important national and local historic buildings / heritage interest such as the Grand Theatre, and ongoing user interests such as the Musicians Co-op and Dukes Theatre.
- Design quality and other policy demands of the CQSRF including resolution of the relationship of development to the canal and open space matters.
- Approach to movement, transport, car parking and other technical site matters.
- The site's connectivity with the existing centre and relationship to other development parcels within and outside the Canal Quarter boundary.

3.2 To deliver a vibrant and viable mixed-use development that meets a wide range of council objectives the following will be required

- A clear brief, setting out the council's ambitions and detailed master-planning requirements.
- The appointment of a high-quality council-led master-planning team (comprising architects/urban design), transport, structural engineering, and cost consulting expertise) to fulfil the brief, and who may be retained throughout the masterplan project/proposal period (and beyond if required).
- The development of feasible scheme options and phasing for the council's own land assets and which also provide enough detail to help officers support the emerging private sector development interest, including defining potential joint venture and partnering opportunities.
- The need and requirement for transparency in decision making and continuing stakeholder / community engagement.

3.3 The CQSRF can be regarded as providing a sound basis for informing a detailed master-planning design brief, with its content having been informed by wide and detailed community consultation. However, it is clear the council wishes to go "above and beyond" the baseline requirements for energy efficiency, sustainability and design quality currently able to be expressed in a statutory Supplementary Planning Document sitting within the constraints of the approved Local Plan policy.

3.4 The council's declaration of a Climate Emergency demands that the appointed team is at the forefront of sustainable development approaches and related place-making challenges and opportunities. Officers will ensure the brief places a high degree of emphasis on technical competencies and delivery of high quality and sustainable development, neighbourhoods, and place-making.

3.5 Recent experience on the master-planning exercise for Bailrigg Garden Village shows that an estimated cost of £120K should be enough to accommodate the council's initial requirements.

High Value Procurement

- 3.6 The potential level of fees means the contract sits within the definition of “High Value Services” which need to be tendered on open basis according to the council’s procurement rules. Depending on the outcome of the master-planning exercise the team may also be retained to undertake further work on individual sites or defined phase proposals (subject also to further agreement and funding approval). This could eventually take the contract fees into an area where compliance would ordinarily have been required with all relevant UK national and supra-national procurement rules the council, as a public purchasing authority, may be subject to post- 1st January 2021 (**refer to Legal Implications**).
- 3.7 These procurement rules can efficiently be met through conducting “mini-competitions” to pre-selected lists of suppliers under so-called “Framework Agreements”. These are arrangements where service providers have been pre-selected in accordance with national UK procurement rules by a public body such as Homes England. Framework agreements remove much of the onerous upfront work of securing high-value contracts while ensuring a high degree of baseline quality and price certainty from suppliers.
- 3.8 However, Frameworks can offer only a narrow range of suppliers – often the “usual suspects” of major national firms with bidding teams capable of meeting the onerous and lengthy staged requirements of appearing as an approved supplier on a Framework list. Using approved Frameworks can mean clients miss out on more innovative thinking from smaller and more agile and creative practices. The legal status of many Frameworks for use by public bodies post 1st January 2021 is also currently unclear.

Proposed Masterplan Team Procurement Route

- 3.9 The proposal is therefore to procure the master-planning team via an open competitive tender. The tender will proceed through the following stages:

Phase 1:

A “backward facing” phase, investigating and scoring bidders’ critical technical competencies and track record. This will involve

- Advertising an initial open expression of interest (Eoi) with a competition brief
- Evaluation of responses to the Eoi.
- Selection of a shortlist (usually requiring a minimum of 5 bidders for UK high-value threshold and/or other supra-national competitive tender purposes)

Phase 2:

The “forward” facing phase concentrating on the master-planning project to be delivered and which of the short-listed parties/proposals best meets the council’s aspirations and demands of the CQSRF.

- More detailed design brief issued to the shortlist of bidders
- Submission of tender returns
- Evaluation
- Appointment of preferred team for the agreed staged fee and ongoing work subject to future agreement and funding.

3.10 The tender process will include for scoring against the council’s social value criteria, which will be assessed alongside the regular model of scoring competitive tenders on both quality and price.

4.0 Options and Options Analysis (including risk assessment)

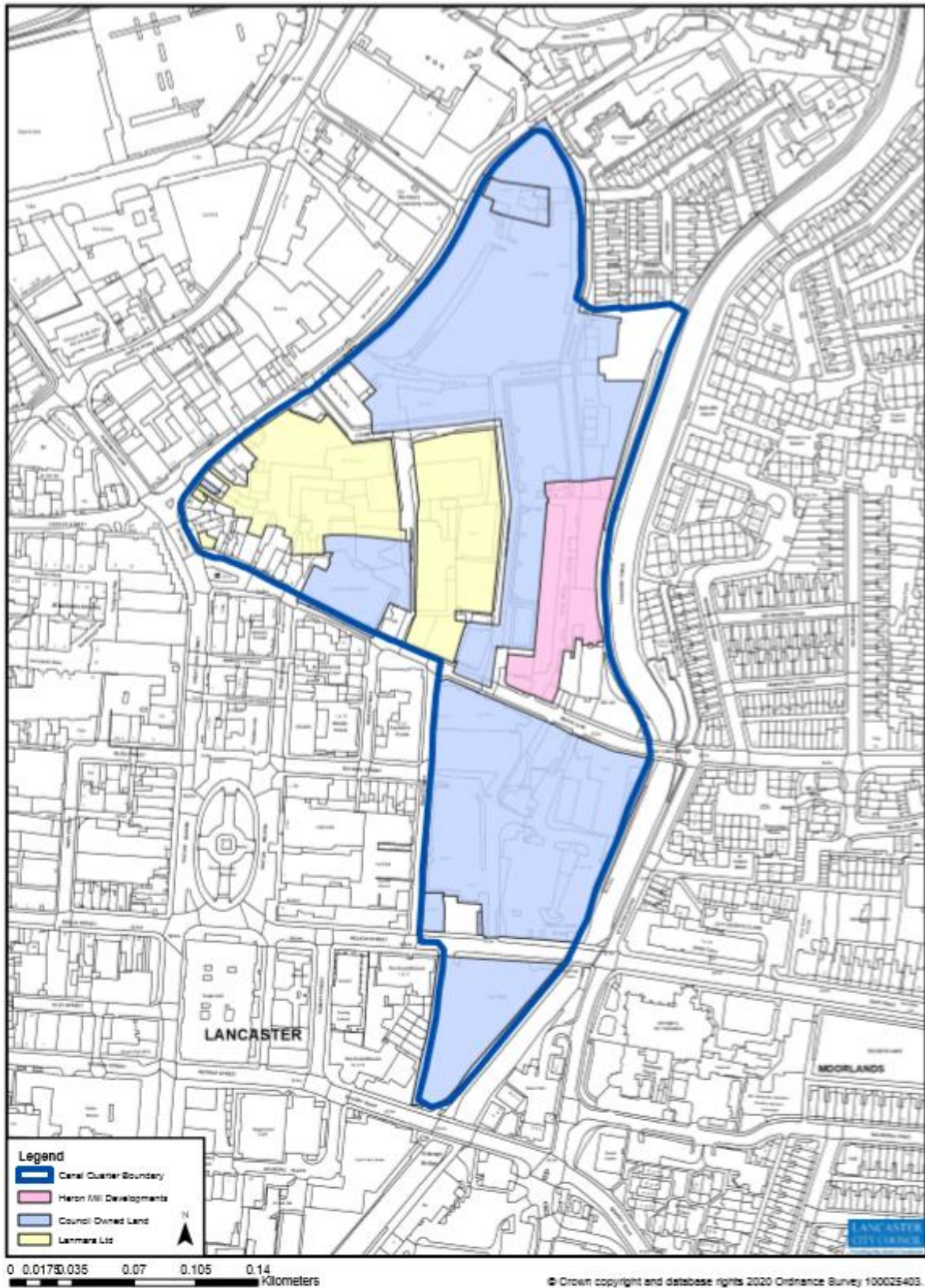
4.1 The options considered are as follows:

	Option 1: Approve £120K to procure a master-planning team through an existing Framework Agreement to progress the council’s preferred masterplan/development solution	Option 2: Approve £120K to procure a master-planning team through open competitive tender to progress the council’s preferred masterplan/development solution
Advantages	<p>Officers are experienced in progressing UK directive compliant tenders via Frameworks to appoint masterplan/design teams for projects.</p> <p>Use of a pre-approved UK directive compliant Framework will reduce the administrative burden on officers in managing a legally compliant tender process.</p>	<p>Greater likelihood of securing a high-quality team and detailed design solution for the project.</p> <p>Greater “reach” in securing interest from a range of design practices.</p> <p>Enables a wider range of national and international practices to participate.</p>
Dis-advantages	<p>“Reach” of the council’s tender may not be wide enough to secure innovative thinking or creative solutions from smaller firms if a Framework is used.</p>	<p>Officer resource commitment would be higher particularly under an open competition with an element of negotiation/dialogue.</p>
Risks / Mitigation	<p>A quality design team would be appointed who progress a feasible masterplan / design solution to meet the council’s and community’s objectives as expressed through the CQSRF.</p> <p>The risks are therefore around whether the Framework route delivers the best possible range of expertise.</p>	<p>Officers are experienced in securing design teams to the requirements of UK public procurement law.</p> <p>While the demands on officer time will be higher, a wider range of national and international practices will be able to participate.</p>

5.0 Officer Preferred Option (and comments)

- 5.1 Option 2 is the preferred option. There is an onus on the council to drive forward economic regeneration initiatives as part of the pandemic recovery process. The high degree of Member, public and commercial interest (including from MCHLG and Homes England) and the complexity of addressing key issues raised through CQSRF consultation (such as car parking, traffic movement and integrating open space provision) means the progression of a detailed development masterplan is essential to make further progress.
- 5.2 The funds for the detailed work will be sourced from the Canal Quarter Reserve (agreed under the Outcome-Based Budgeting process of as part of the Regeneration Development Reserve) and split over the current financial year and early part of next financial year (**refer to Financial Implications**).
- 5.3 Following completion of the procurement stage the recommended master-planning team will be contracted and the work undertaken. However, the work will be supported by structured engagement with Cabinet, continued input from the existing community stakeholder group, and wider public consultation.
- 5.4 On conclusion of the work a report will be made to Cabinet to consider the next stages and approval of any funding from the Canal Quarter Reserve required to progress the masterplan/design ideas to investment readiness through the protocols outlined in the council's emerging Capital Investment Strategy.

Canal Quarter Land Ownerships



Canal Quarter Character Areas (Defined in the Strategic Regeneration Framework)

