

CABINET

Heysham Gateway 6th December 2016

Joint Report of Chief Officers (Regeneration) and (Resources)

PURPOSE OF REPORT			
To consider and agree an overall strategy for the development of Heysham Gateway to guide future decisions affecting council assets in the area.			
Key Decision	X	Non-Key Decision	Referral from Cabinet Member
Date of notice of forthcoming key decision		7 th November 2016.	
This report is public			

RECOMMENDATIONS OF COUNCILLOR JANICE HANSON AND COUNCILLOR JAMES LEYSHON

- (1) That Cabinet agrees the development principles for Heysham Gateway (in line with Option A2 and as set out in paragraph 3.6) as the main guide for future Council decisions affecting the area.
- (2) That Officers be authorised to incorporate the agreed principles into a joint marketing prospectus for Heysham Gateway and to work with the other main stakeholders in promoting the area for high quality sustainable regeneration.
- (3) That Cabinet agrees to dispose of its land at Heysham Gateway (in line with option B2 and the principles at section 4.11) using the preliminary ground and ecology survey work to assess value and in support of this:
 - a. the City Council land shown edged in red on the plan attached (Appendix A) be declared surplus to requirements;
 - b. Cabinet authorises Officers to negotiate with interested parties and report back to Cabinet with the results of the negotiations on any parcel of relevant land owned by the City Council to obtain final approval for any disposal.

1.0 Introduction

- 1.1 The land around south Heysham and Middleton village is one of the district's key regeneration priority areas. Known as "**Heysham Gateway**" it contains large areas of vacant land (much of which is owned by either the City or County Council) which is suitable for redevelopment to capitalise on demand generated by the recent completion of the Bay Gateway. (See **Appendix A**).
- 1.2 Heysham Gateway contains infrastructure of national importance, namely the Port of Heysham and the two Nuclear Power Stations together with extensive energy installations. It also suffers from the physical after effects of large scale industrial processes that came to an end in the 1980s. Paradoxically, it also contains important wildlife habitats and provides many recreational opportunities for local residents.
- 1.3 A short history of the area is set out in **Appendix B**. This covers the period from the final closure of the large scale petrochemical and chemical industries that previously dominated the area in the 1980s and previous initiatives to improve the area such as Middleton Wood through to the present day with the opening of the Bay Gateway.
- 1.4 Given the importance of the area, and the challenges faced in realising its potential, agreeing clear principles for the future of Heysham Gateway and a strategic, comprehensive approach to its regeneration is absolutely critical. This is required to inform a range of decisions including planning, marketing / promotion and utilising land assets.
- 1.5 For the last five years or so, a great deal of work has taken place to gain a better understanding of the area. This has included site investigations, gauging levels of demand, qualifying infrastructure requirements and determining the best mix of uses in terms of physical regeneration and job creation. As part of this process, the Lancaster Regeneration Property Partnership has worked with the two councils and local stakeholders to obtain up-to-date market information and has undertaken extensive survey work to better understand possible constraints to development. This has enabled a vision for the area to be developed and tested in the light of known market and viability information.
- 1.6 At the same time, work has continued on the planning framework for Heysham Gateway. This will feed into the new Local Plan.
- 1.7 This report covers two main areas. Firstly, agreeing the overall principles for considering the development of Heysham Gateway and secondly, considering how best to utilise the council's assets in the area.

2.0 Policy Background

- 2.1 The strategic importance of Heysham Gateway was established in the Core Strategy (2008) which identified it as a "Regeneration Priority Area". This designation sought to upgrade the area whilst capitalising on its potential in the energy, environmental technology and port related sectors.
- 2.2 The Core Strategy is in the process of being updated and replaced by the new Local Plan. The consultation draft (which will be reported to full Council on 14th December) will take forward, update and develop the strategic approach to Heysham Gateway. It will contain a new vision for the area and provide more detailed policies on key sites / issues such as the Port and the Nuclear Power Stations. The Local Plan will, in turn, be supported by a detailed planning brief for the area. For information, the Planning Policies

Map as at October 2012 is attached at **Appendix C**.

- 2.3 Running in tandem with the Local Plan process, the council is also preparing a Sustainable Economic Vision and Strategy to provide clarity on local priorities and a supporting Investment Framework focused on delivery. A draft report was discussed at the November meeting of the Overview and Scrutiny Committee which (amongst other things) confirmed Port Related Logistics and the Energy and Environmental uses as key sectors of the local economy.
- 2.4 The same Overview and Scrutiny Committee also considered a report on Heysham Gateway and had the benefit of useful contributions from representatives of the private sector, Lancashire County Council and local councillors. The Committee resolved that the following priorities be put forward to Cabinet for consideration:
- Provision of HGV parking
 - Opportunity to restructure White Lund Industrial Estate
 - Provision of employment opportunities
 - Consideration of leasing versus selling Council owned land within the Heysham Gateway
 - Provision of warehousing
 - Provision of affordable housing
 - The Heysham Gateway be marketed in collaboration with other land owners to provide a joined up comprehensive approach
- 2.5 Cabinet itself has recently been briefed informally on Heysham Gateway and had the benefit of a site visit in September. The Chief Officer (Regeneration and Planning) has also met with Peel Ports to discuss their medium and long term plans for the Port of Heysham and to ensure that the views of other stakeholders align properly with what the Port sees as its future growth potential.

3.0 Heysham Gateway Development Principles

- 3.1 With the above in mind, it is now the right time to consider how best to realise the potential of Heysham Gateway and to agree aspirational but realistic development principles for the area.
- 3.2 From discussions that have taken place over recent months, there is a consensus that in economic growth terms, priority should be given to employment development that is locally generated and creates jobs in areas such as manufacturing, power generation, research and development. That said, there is a realisation that the Port of Heysham is an asset of national importance. Therefore, development that supports its operation and growth also needs to be accommodated even if the direct jobs created by storage, servicing or logistical uses might be relatively low.
- 3.3 Furthermore, there is a recognition that renewable energy schemes may well prove to be a valuable income stream in the medium to longer term and the area could facilitate further schemes in due course.
- 3.4 At the same time, the opportunity exists to radically improve the local environment to benefit local residents and the ecological importance of the area. Addressing existing problems, principally local access, land drainage and remaining land contamination must be included in future plans for the area.

- 3.5 Finally, to fully realise this ambition, everyone with an interest in the area needs to be brought on-board and buy into the development principles. Investment decisions need to be co-ordinated to maximise their impact as should promotion and marketing activities.
- 3.6 With this in mind, the following development principles are proposed aimed at transforming Heysham Gateway into a high quality sustainable employment area which can fully realise the Port of Heysham's role as one of the UK's main ports for trade with the Irish Republic, Northern Ireland and the Isle of Man and capitalise on other key growth sectors.

Heysham Gateway will:

- a. Provide a range of sites to meet the needs of key growth sectors with priority given to job creation, energy generation, environmental technology and port related uses;***
 - b. To support this growth, development land will be made available, existing areas improved, infrastructure deficiencies addressed and a co-ordinated approach to development adopted;***
 - c. Undergo a radical transformation by removing dereliction and contamination and improving the local environment.***
- 3.7 Delivering Heysham Gateway will require pro-active action from all the main stakeholders in the area. The remainder of this report focuses on the city council's contribution to this process.

4.0 Use of Council Assets

- 4.1 During the last few years, through the Lancashire Regeneration Property Partnership (LRPP) both the City Council and Lancashire County Council have been exploring the development and disposal options for their joint landholdings off Imperial Road in Middleton, a key site within Heysham Gateway.
- 4.2 The overall site includes both City and County land totalling approximately 31.9 hectares (78.7 acres), of which 18.5 hectares (47.5 acres) is under the ownership of the City Council. A plan of the site identifying the ownership of both authorities is included at **Appendix A**. Most of the site is identified for employment development in the emerging Local Plan.
- 4.3 The LRPP engaged the services of CBRE to undertake a marketing exercise and provide valuation and planning support in evaluating the development options for the overall site. The site does suffer from a number of constraints as a result of its historic uses and the nature of the surrounding land. This has generated a degree of uncertainty and risk surrounding the abnormal infrastructure and remediation costs associated with developing the land. Efforts have been made to mitigate this risk and provide more certainty to potential developers through analysing existing information and the commissioning of various surveys to improve understanding of the site. These include:
- Ground conditions desktop study
 - Extended habitat ecological survey
 - Arboriculture constraints report
 - Utilities search
 - Transport scoping document

- 4.4 CBRE have been actively marketing the site since February 2014 and this, plus some localised soft market testing, has uncovered strong interest from the light industrial, waste to energy and roadside retail sectors in particular. The site's detachment from residential dwellings and its proximity to existing waste and electricity generation infrastructure, including grid access, makes it ideal for energy from waste facilities, which are often contentious in planning terms when residential areas are close-by.
- 4.5 Interest has also been received from several locally based companies wishing to relocate to the area to consolidate and expand their businesses. One of these refers to an urgent need to relocate and is therefore seeking an early decision on their enquiry.
- 4.6 In response to this interest, the LRPP submitted a Stage 1 report in June 2016 recommending that both councils work together to deliver a co-ordinated business park as potentially the first phase in regeneration of the wider industrial stock and council owned landholdings in the area (see background document).
- 4.7 The LRPP Stage 1 report arrived at the following four options:
- OPTION 1: Do nothing and sell now.
 - OPTION 2: Promote the site for light industrial, energy regeneration and roadside retail uses, de-risk the development process by undertaking preliminary ground and ecology survey work and sell plots on long leasehold or freehold basis.
 - OPTION 3: Promote the site for light industrial use, develop necessary infrastructure and undertake development on a design and build basis subject to securing pre-let / sales.
 - OPTION 4: Promote the site for light industrial use, develop necessary infrastructure and develop units on a speculative basis.
- 4.8 The Stage 1 Report identified further de-risking work and surveys to those already undertaken. However, this additional work is now judged to be unnecessary because based on current expressions of interest, each end user would require a different remediation solution and this would need to be reflected in the ultimate land values agreed for each plot. Furthermore, the survey findings already undertaken are clear in stating that there is no risk to health. In short therefore, there is no business case for taking a standard, whole-site approach to further remediation survey requirements.
- 4.9 With this in mind, the LRPP, supported by CBRE, consider that based on the current indications of remediation cost and the nature of the expressions of interest received to date, both the City and County Councils will be able to achieve a satisfactory market return through a modified Option 2 (to reflect the changes in survey requirements outlined above) thus mitigating their exposure to cost and risk. This recommendation has already been approved in principle by the LRPP Strategic Partnering Board on behalf of the County Council.
- 4.10 Given the current level of demand, the potential urgency surrounding one of the expressions of interest in particular and the importance of bringing this land forward in economic growth / regeneration terms, it is now necessary to determine the way forward.
- 4.11 Under any disposal plan, the basic principles behind the disposal of land

owned by the City Council and forming part of the Heysham Gateway would be as follows:

- All offers would be assessed in terms of best consideration and their synergy with any adopted development principles for Heysham Gateway (as currently proposed in section 3.6).
- Each plot would be sold on a long leasehold basis to allow both local authorities to retain some control over development of the site.
- An agreed (negotiated) fee of 5% of the sale price to cover the marketing and de-risking of the site would be payable to the LRPP on completion of each sale.
- Once heads of terms, site boundaries and other pertinent details for the proposed sale of each site were firmed up and provisionally agreed, Officers would return to Cabinet to obtain final approval for the disposal of each individual parcel of land.

5.0 Details of Consultation

- 5.1 Consultation has taken place with Lancashire County Council and the Overview and Scrutiny Committee and the parties directly involved in these proposals. Ward Councillors have been advised of the proposals and any comments will be fed into the Cabinet meeting.

6.0 Options and Options Analysis (including risk assessment)

6.1 Heysham Gateway Development Principles

	Option A1: Do not agree development principles for the area and deal with enquiries on a reactive basis	Option A2: Agree principles for Heysham Gateway (as set out in section 3.6) as the main guide for future Council decisions affecting the area (planning policy, site development, marketing and funding bids etc)	Option A3: Develop an alternative set of principles for Heysham Gateway
Advantages	Provides maximum flexibility and allows for the widest possible range of potential end uses.	Provides certainty and guidance for planning, development, land disposal and infrastructure decisions. Provides opportunity to co-ordinate development with environmental improvements. Provides vehicle for bringing on board partners and stakeholders to jointly promote regeneration of Heysham Gateway.	Could widen the range of uses deemed appropriate for the site and provide more flexibility in terms of utilising assets.

Disadvantages	Does not provide guidance or certainty for potential developers and the local community. No real basis for determining development proposals / land disposals. Makes marketing the area and attracting investment and/or grant funding more difficult. Difficult to co-ordinate investment in infrastructure.	Would limit the type of uses deemed appropriate for the area and potentially miss out on investment. Restricts options for land disposals.	Would require more time and could delay planning and land decisions. Would create period of uncertainty. Difficult to market area without clear agreed principles.
Risks	Increase possibility of proposals for inappropriate uses. Would prejudice opportunity to promote a comprehensive redevelopment of the area including environmental improvements.	May not be possible to get all parties to agree principles. Decisions could be delayed and opportunities lost if this is not secured quickly. May restrict options for land disposals with associated risks in achieving best consideration.	Risks losing momentum and potentially urgent enquiries / offers. Could also restrict options for land disposals with associated risks in achieving best consideration.

6.2 Use of council assets at the Heysham Gateway

	Option B1: Do nothing further – continue to hold land for the time being	Option B2: Dispose of land drawing on principles at section 4.11, using the preliminary ground and ecology survey work to assess value.	Option B3: Look to develop necessary infrastructure and undertake development on a design and build basis subject to securing pre-let / sales	Option B4: Look to develop necessary infrastructure and develop units on a speculative basis
Advantages	Retains the site in Council ownership – could be some other (currently unforeseeable) use found at a later date.	Brings an underutilised asset back into use Delivers a capital receipt with knock on savings for revenue budget Regeneration	Aims to bring an underutilised asset back into use Should deliver capital receipt / revenue savings. Regeneration and job creation / retention.	Aims to bring an underutilised asset back into use Should deliver capital receipts / revenue savings. Regeneration and job creation / retention.

		<p>and job creation / retention</p> <p>De-risking contributes to obtaining best consideration</p> <p>A long lease would retain some limited control over the site.</p>	Retains a high level of control over the design of the development	Retains a high level of control over the design of the development
Disadvantages	<p>Retains the ongoing management costs of this currently underutilised asset.</p> <p>Would miss the opportunity to deliver a timely capital receipt with knock on savings for revenue budget</p>	Loss of full control over site.	<p>Higher level of initial investment required – may prevent other investment priorities.</p> <p>Requires further appraisal and would take much longer to implement.</p> <p>Very uncertain financial outcome.</p>	<p>Much higher level of initial investment required – may prevent other investment opportunities.</p> <p>Requirements further appraisal and would take much longer to implement.</p> <p>Very uncertain financial outcome.</p>
Risks	Could be seen a missed opportunity by not taking advantage of the publicity and increased demand created by the completion of the M6 link road.	<p>Risk in finding the balance between the levels of up-front investment in de-risking (survey work) required to obtain best consideration for a particular plot.</p> <p>In the future potentially there could potentially be greater opportunity for the land – missed opportunity.</p>	<p>Potentially less attractive to those who would wish to develop the site themselves.</p> <p>Higher financial risk exposure – though potentially lost opportunity to reap greater financial benefits.</p> <p>Harder to deliver – skills and capacity risk.</p>	<p>Potentially less attractive to those who would wish to develop the site themselves</p> <p>Lack of demand for the units provided – with resulting in much higher financial risk exposure.</p> <p>Harder to deliver – skills and capacity risk.</p>

NOTE: The four options above have changed compared to those described in the Stage 1 Report (paragraph 4.7). For example, 'Do nothing and sell now' is no longer an option on account of the de-risking work that has already taken place in conjunction with the County Council and has therefore been replaced with the 'Do nothing further' option.

7.0 Officer Preferred Option (and comments)

- 7.1 With regards to the development principles for Heysham Gateway the Officer preferred option is to approve Option A2 i.e. to agree development principles for Heysham Gateway as the main guide for future Council decisions affecting the area, as this presents an informed and clear way forward, drawing on the views of other key stakeholders. If approved, Cabinet is requested to authorise Officers to incorporate the agreed principles into a joint marketing prospectus for Heysham Gateway and to work with the other main stakeholders in promoting the area for high quality sustainable regeneration.
- 7.2 With regards to the use of council assets the Officer preferred option is to approve Option B2, i.e. to dispose of land in line with the principles at section 4.11, using the preliminary ground and ecology survey work to assess value. If approved, Cabinet is requested to recognise that land is surplus to its own operational requirements. In terms of the other options, it is considered that there is little point in simply holding on to the land (option B1). In terms of Options B3 and B4, as referred to in paragraph 4.9, these options are not considered to be worth the risk, and this has already been accepted in principle by the County Council.
- 7.3 Officers consider their preferred options would provide a clear guide for future strategic development of the Heysham Gateway site, achieving financial benefits from disposal through long leasehold but still retaining some limited control over its current landholdings.

8.0 Conclusion

- 8.1 This report puts forward development principles for Heysham Gateway which, if agreed, provide the basis for actions in the immediate future by the Council, its partners and other stakeholders seeking to capitalise in a sustainable way on the opportunities presented by the opening of the Bay Gateway. Beyond these and building on the effects of inward investments both on development sites, and within the Port itself, work will continue on formulating an ambitious and high profile vision for Heysham Gateway over the next decade.

RELATIONSHIP TO POLICY FRAMEWORK

Sustainable Economic Growth is one of the Council's four priorities as set out in the Corporate Plan.

Heysham Gateway is identified as a Regeneration Priority in the Core Strategy and emerging Local Plan.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)

This report raises no significant implications.

LEGAL IMPLICATIONS

The Council's Legal Services will deal with any necessary legal documentation should it be decided to proceed with any disposals. The legal section will also look at governance arrangements with the County Council to clarify roles/responsibilities/decision making in respect of the future development of the site.

FINANCIAL IMPLICATIONS

Any capital receipt received from the sale of City Council land would be in addition to that already budgeted for within the financing of the current capital programme. Under current financial strategy, such capital receipts are to be used to reduce the Council's Capital Financing Requirement, thereby achieving ongoing revenue budget savings.

Future reports would provide detailed proposals regarding any sale but as a guide, it is expected that the Council's landholdings are currently worth around £450K. This is before consideration of any fees payable in connection with any disposal.

In terms of the wider financial benefits of developing the site, any business rates generated by qualifying renewable energy schemes would be wholly retained by the authority granting planning approval. Any other new business rates income would be shared between the Government, City Council, County Council and Fire Authority. At this point in time it is not possible to quantify this potential additional income.

OTHER RESOURCE IMPLICATIONS**Human Resources/ Information Services:**

None

Property/Open Spaces:

These have been covered within the report, as appropriate.

SECTION 151 OFFICER'S COMMENTS

The s151 has contributed to this report, which is in part in her name (as Chief Officer for Resources).

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

Lancaster District Core Strategy 2008

LRPP Stage 1 Report – exempt from publication

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