

Report

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Report to:	Community and Enterprise Resources Committee
Date of Meeting:	6 March 2018
Report by:	Michael McGlynn, Executive Director (Community and Enterprise Resources)

Subject:	Scottish Government Regeneration Capital Grant Fund – Update on Proposal to Create a Rural Development Centre
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1. Purpose of Report

1.1. The purpose of the report is to:-

- Seek approval to progress with the delivery of a Rural Development Centre following the successful application for funding from the Scottish Government Regeneration Capital Grant Fund (RCGF).

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the Head of Planning and Economic Development Services, in consultation with the Head of Administration and Legal Services, be authorised to conclude an agreement for lease and such other appropriate legal agreements with Arianna Properties Ltd (“Arianna”) to proceed with the investment of the RCGF grant to create business space to form a Rural Development Centre within the existing stone rotunda at Braidfute Retail Park, in line with the terms set out in section 4.8 of this report and on such other terms as are in the best interests of the Council.

3. Background

3.1. In October 2015, South Lanarkshire Council submitted an application to the Scottish Government’s RCGF to support the development of a Clydesdale Rural Development Centre in Lanark. The Council received the formal offer of grant on 19th May 2016 for £1m against a project cost of £2m, the remaining funds coming from grants.

3.2. The project submitted followed a community consultation, market appraisal and preparation of a detailed feasibility plan led by Lanark Lanimer Committee working with Lanark Community Development Trust, Healthy Valleys and South Lanarkshire Council. The original proposal undertook to purchase a derelict site (Alston’s Yard) on Ladyacre Rd and the building of new office accommodation, refitting an existing shed and creation of shared car parking for the centre and new park and ride parking (see Plan 1)

3.3. The project submitted had the following outputs:-

- ◆ Creation of 3 new jobs
- ◆ 6 FTE construction jobs
- ◆ 14 existing jobs supported (within Healthy Valleys)
- ◆ 200 training places supported for volunteer and community groups focused around health and wellbeing
- ◆ 1 building refurbished
- ◆ 312m² of new build business space created
- ◆ 812 m² building refurbished
- ◆ 0.207 Hectares derelict land remediated
- ◆ 3 community facilities for the Lanimer Committee through Lanimer Shed, Healthy Valleys, through offices and community space, and for Lanark Community Development Trust through the availability of SME support space.

3.4. During 2016, negotiations to purchase the site reached an impasse with a significant variation between the Council's independent valuation and owner's valuation. Having exhausted these discussions, it was clear the project could not be delivered on the Alston's Yard site by the end of financial year 2017/2018 as required under the funding from the Government. Therefore, there was a need to explore other options and identify alternative site/building, with this described in the following section.

4. **Current proposal**

- 4.1. In order to progress with the delivery of the project and secure the investment for the town, a new site/building for the delivery of the project had to be identified that would deliver on the project objectives set out in the original funding submission. In turn Council officers investigated a number of potential alternative sites/buildings and established that the Stone Rotunda building on the edge of the Braidfute Retail Park was the only option which could meet all the delivery criteria in the timescale required (see Plan 1).
- 4.2. The retail park, the site of the former Lanark Auction Market, and all the buildings that currently sit within it are owned by County Properties Group ("County Properties"), a privately owned developer/ investor. The planning permission for the retail park included a condition that the existing B listed building, a stone rotunda, should be retained for redevelopment.
- 4.3. A number of occupiers have shown interest in the building since the retail park was developed but to date the property, a well known and locally valued landmark, remains undeveloped despite it being let on a 125 year lease to Arianna Ltd. In 2004, Arianna obtained planning permission to carry out repairs and upgrade works to the rotunda building to form a restaurant. Due to market conditions and the substantial costs associated with the upgrading, the works have not been undertaken and the building remains vacant.
- 4.4. The rotunda site benefits from further areas of adjacent developable land and from the initial discussions with Arianna Ltd they were willing to explore options that would be suitable for the development of the community and business space consistent with the RCGF award. The proposal now is to renovate the rotunda, delivering office and community space along with car parking and associated landscaping.

- 4.5. Consultation has taken place with colleagues in Estates and Legal Services to confirm that the Council is able to enter into an agreement of this nature in principle. This has included taking external legal counsel advice confirming the project is not considered State Aid. These discussions will continue as the details of these agreements are concluded.
- 4.6. Consultants engaged by Arianna Ltd have provided information in relation to the budget costs of the works, servicing and landscaping which indicates these can be achieved within the level of grant received from RCGF. Once fully costed and tendered, a fixed price contract will be agreed for the delivery of the Rural Development Centre project by Arianna Ltd. Arianna will agree to a maximum level of expenditure for the Council (not more than £800,000) available with any additional costs to be paid by Arianna. They have further agreed that the ongoing maintenance of the building fabric will be their responsibility with the Council and its tenants only liable for internal repairs.
- 4.7. The detailed terms of the agreement between the Council and Arianna Ltd are still to be finalised, however the principal terms would deal with the following matters:
- ◆ Arianna Ltd will grant a lease of 25 years to the Council who will sub-lease on to Healthy Valleys on the same terms
 - ◆ The annual rent will be £1 if asked
 - ◆ Internal repairing lease only which is passed to Healthy Valleys as part of the sub-lease
 - ◆ The Council will use the RCGF to fund the construction works for all exclusively occupied areas it intends to sub-let and an equitable share of common works (if any) required to deliver the proposals
 - ◆ Arianna Ltd will procure all appropriate agreements/consents with their landlords, County Properties
 - ◆ Arianna Ltd will procure and complete all works in a manner which complies with the Council's procurement requirements
 - ◆ The works will be procured under a fixed price contract
 - ◆ The Council will reimburse, from the RCGF money, Arianna the construction costs, based on formal valuations provided by the appropriate representative of the project team. All back up documentation will be provided by Arianna to the Council in relation to these costs
- 4.8. Completion of the legal agreements will be progressed through March 2018 on the terms above allowing the project to proceed.
- 4.9. To comply with the terms of the RCGF award, financial commitment to proceed is required by 31 March 2018 and, therefore, to facilitate this, the package of construction design and tender documentation is proceeding to deliver a tender award by the required date. Following the tender award, the construction project would then proceed through 2018 with the centre being open in spring 2019.
- 4.10. The changes to the site and the scale of investment has resulted in changes to the anticipated outputs. These have been accepted by the Scottish Government and the new project outputs are now:
- ◆ 4 FTE construction jobs
 - ◆ 14 existing jobs supported (within Healthy Valleys)
 - ◆ 200 training places supported for volunteer and community groups focused around health and wellbeing
 - ◆ Grade B listed building refurbished

- ◆ 250m² of new build business space created
- ◆ 0.207 Hectares disused land remediated
- ◆ 2 community facilities for the Healthy Valleys through offices and community space and for Lanark Community Development Trust through the availability of SME support space.

4.11. In conclusion, progressing the project on the above terms will deliver a new compact community and business space within rural South Lanarkshire, renovating a grade B listed building, securing jobs and training opportunities at no capital or revenue cost to the Council. This will secure existing jobs and provide a long term modern facility for Healthy Valleys.

5. Employee Implications

5.1. There are no employee implications in relation to this proposal.

6. Financial Implications

6.1. The estimated cost of developing the Rural Development Centre is £1.1m, £800,000 of which is covered by the award from the Scottish Government Regeneration Capital Grant Fund. The balance of the funding to refurbish the stone rotunda will be provided by Arianna.

6.2. Maintenance costs for the Rural Development Centre for the fabric of the building will be met by Arianna as the Council's landlord. The internal maintenance costs will be met by the Council's tenant, Healthy Valleys.

6.3. The project plan should ensure there is no capital or ongoing revenue costs to the Council.

6.4. The difficulty in securing the Alstons Yard site including the Lanimer shed and, therefore, the reduction in the overall value of the project from £2m to just over £1m, has, following negotiations with the Scottish Government, resulted in a decrease in grant that can be claimed from £1m to £800k. Officers of the Council will continue to work with the Lanimer Committee and local organisations to explore alternative solutions.

7. Other Implications

7.1. There is a risk that the structural condition of the stone rotunda could deteriorate further if the proposal as outlined about is not taken forward.

7.2. If we do not deliver this project within the timescales laid out, the RCGF funding will be lost and the project will not proceed.

7.3. There are no implications for sustainability in terms of the information contained within this report.

8. Employee Impact Assessment and Consultation Arrangements

8.1. Consultation has taken place with colleagues in Estates and Legal Services to ensure that the Council can enter into an agreement in principle.

8.2. Consultation has taken place with the grantor, the Scottish Government, to agree in principle the changes to the project.

8.3. This report does not introduce a new policy, function or strategy and, therefore, no impact assessment is required.

Michael McGlynn
Executive Director (Community and Enterprise Resources)

20 February 2018

Link(s) to Council Objectives/Values/Ambitions

- ◆ Improve the quality of life of everyone in South Lanarkshire
- ◆ Support the local economy by providing the right conditions for inclusive growth

Previous References

None

List of Background Papers

- ◆ Planning Approvals in relation to applications CL/03/0752 and CL/17/0045 for change of use to restaurant and subsequently restaurant and class 4 offices dated 15/6/2004 and 3/03/2017 respectively.

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

Iain Ross, Project Manager, Planning and Economic Development Services

iain.ross@southlanarkshire.gov.uk

01698 454 227