

MEETING:	CABINET
DATE:	24 SEPTEMBER 2009
TITLE OF REPORT:	NEW LIVESTOCK MARKET
PORTFOLIO AREA:	RESOURCES

CLASSIFICATION: Open

Wards Affected

County-wide.

Purpose

To agree the procurement and appointment of a contractor to construct a new livestock market and to approve the anticipated expenditure.

Key Decision

This is a Key Decision because:

it is likely to result in the Council incurring expenditure above agreed budgets for the service or function (shown as a line in the budget book) to which the decision relates but allowing for virements between budget heads and savings within budget heads of up to £500,000;

AND

it is likely to be significant in terms of its effect on communities living or working in Herefordshire in an area comprising one or more wards.

It was included in the Forward Plan.

Recommendations

THAT Cabinet:

- (a) approve the allocation of funding for the construction of a new livestock market and associated transportation improvements; and;**
- (b) Delegate authority to the Director of Regeneration to proceed with the procurement and appointment of a contractor to develop the new livestock market.**

Key Points Summary

- A new Livestock Market is important for the future of the agricultural economy in Herefordshire.

Further information on the subject of this report is available from
Geoff Hughes, Director of Regeneration on (01432) 260695.

- A site has been purchased off the Roman Road, north of Hereford for the construction of a new livestock market.
- The Planning Committee has considered a planning application for the new Livestock Market and, subject to further work and Government Office consideration, has agreed that it is minded to approve the application.
- It is proposed that the SCAPE framework agreement is used as the route to procure a contractor to construct the Livestock Market.
- Whilst some budget provision has already been made it is proposed that additional capital monies are allocated to fund the development of the new Livestock Market.

Alternative Options

- 1 Do nothing and leave the existing market where it is. This would not provide the agricultural sector with the modern up to date facilities required to support the industry for the future. This course of action would prevent the current site being redeveloped to support the retail and leisure offer in Hereford City Centre placing it at the centre of the county's strategy for economic regeneration.
- 2 To commence site search again and build a new market on an alternative site. This would result in considerable additional expenditure given that the council has already spent significant funds on acquiring the site at Stretton Sugwas and has completed a comprehensive assessment and consultation exercise which would need to be recommenced with significant delay to the project.

Reasons for Recommendations

- 3 The recommendations are proposed in order to enable the council to proceed with the construction of a new Livestock Market, in support of the economic strategy for the county.

Introduction and Background

- 4 A new livestock market is proposed to enable the existing livestock market to move from its current dilapidated seven acre city centre site in Hereford. A new livestock market will provide the county's farming industry with a modern, well-designed facility which will support the rural economy. A consequence of this will be to release prime development land for the city's new retail and leisure quarter. A project board and team are currently directing the project.
- 5 The justification, legal position and site option appraisal for the relocation of the livestock market was reported to Cabinet on the 21st December 2006 when Cabinet agreed the site and, in principal, the relocation of the Livestock Market.
- 6 A further report was submitted to Cabinet on 24th January 2008 and it was resolved that agreement be given to complete the purchase of the preferred site and amendments to the restrictive covenants on the site and that further work be undertaken on funding and procurement of the livestock market and seeking planning permission for its construction.

Key Considerations

- 7 The council's Corporate Plan includes a commitment to open a new Livestock Market between 2009 – 2011 to support one of the council's top priorities to provide the essential infrastructure for a successful economy, enabling sustainable prosperity for all. It is important

to note that agriculture represents 7% of the county's economy compared to 1% in the rest of the country. Herefordshire traditionally prides itself on being a prime livestock area and its farming heritage, which includes the world famous Hereford cattle breed, supports 25 per cent of our landscape of attractive pasture and rural way of life, as well as our £400 million a year tourism industry.

- 8 The new market will contain a 7,250-square-metre covered building with a sheep ring and cattle ring, with loading docks, over 300 car or car and trailer parking spaces, an additional 44 articulated or trailer lorry parking spaces and nine lorry wash stations. There will be offices, a café, welfare areas and toilets, with landscaped areas of decorative native trees, a wildflower meadow and wildlife conservation area. In addition, the site will have bio-security measures, effluent treatment and odour reduction systems. Room has been allocated for possible 'lairage' to keep animals overnight in the future, including covered holding pens, water points and feed bunkers.
- 9 Hereford Market Auctioneers (HMA) currently sub-let part of the existing market for the provision of a poultry market. They have indicated that they would be prepared to make a similar provision within the new market. Since this was an agreement reached between the poultry market operator and HMA and is not a specific condition of the current lease, the renewal of the provision is a matter for negotiation with HMA.
- 10 The previous Cabinet resolution proposed that the new livestock market could include a toll charge to farmers for animals passing through the market. This matter will be subject to negotiation as part of the lease negotiation with HMA.
- 11 The site is open, level and although away from main settlements, is easily accessed with good transport links for the delivery of livestock from the most used directions. A new access road junction will be constructed on the Roman Road and a new road built onto the site. Lights will be to highway standard with 'zero upward components' to cut down light pollution to the night sky.
- 12 The building, penning and livestock provision has been agreed in consultation with Herefordshire trading standards, animal welfare and DEFRA animal health representatives, as well as specialist livestock market consultants.
- 13 The site acquisition was completed on 21st March 2008. The amendments to the restrictive covenants were agreed with the Church Commissioners at the same time to allow the site to be used for agriculturally related activities.
- 14 The most timely and cost effective route to procure a contractor to develop the scheme is to make use of an existing local government framework agreement. The SCAPE framework agreement has been used to scope the costs of construction. An outline of the SCAPE framework is given in Appendix 1. The main benefit of this scheme is the guarantee of a capped construction cost. Preliminary negotiations with SCAPE, in conjunction with the Livestock Market Auctioneers have produced a saving in the order of £1,000,000 over the original design. Flexibilities within the framework have meant that we are examining further possible savings. Wilmott Dixon Construction Ltd are the current preferred contractor that will deliver the scheme within the framework.
- 15 Wilmott Dixon Construction Ltd have indicated that they have an approved list of Herefordshire based contractors who have been appointed based on a number of criteria including health and safety, quality, management and financial stability. Should Wilmott Dixon Construction Ltd be confirmed as the contractor they have indicated they will ensure that local companies are given the opportunity to tender for a range of work which could include but not limited to Concrete Production, Steelwork and Block/Brickwork. Wilmott Dixon have also

indicated that both in terms of their direct needs and sub-contractor requirements they would be looking to recruit local labour where possible.

- 16 The council's Planning Committee considered the planning application for the new livestock market on Friday, 3rd July 2009 and were minded to approve the application subject to detailed design work being carried out on the landscaping scheme and the site access road. It was also agreed that the application would be referred to Government Office West Midlands to consider whether or not a call in was required. It is anticipated that it will be several weeks before all these issues are resolved.

Community Impact

- 17 The proposals to build a new Livestock Market are consistent with the Community Strategy and its commitment to support economic development and enterprise in the county by investing in key infrastructure to support the local economy. The market has been developed in consultation with HMA and the National Farmers Union who are the key users of the development. There has been significant community consultation over a number of years with regard to the selection of the site and the proposals to relocate the market. The provision of a new livestock market will ensure ongoing continuity of local supply in the local food chain.

Financial Implications

CAPITAL IMPLICATIONS

- 17 The cost of developing the site (building and infrastructure) is currently estimated at £7.1 million.
- 18 As part of the original Cabinet decision and as a condition of the application it has been agreed that a number of traffic improvements and transport schemes on the surrounding road network be added to the work required to develop the site. These are likely to cost in the order of £530,000. The final figure will be confirmed subject to a separate tender process.
- 19 A total of £7.7m has been identified for allocation to the project from capital receipts reserves. It may be possible to drive further savings from the capital costs through value engineering with the contractor, however if this is not possible it may be necessary to make a further bid to the capital programme particularly for the required transport improvements.
- 20 Work will continue with the contractor throughout the term of the contract to drive down costs further. The appointment of independent assessors to confirm value for money is also being explored.

REVENUE IMPLICATIONS

- 21 It is anticipated that a full repairing lease will be negotiated with HMA in respect of the whole site so there will be no ongoing maintenance costs to be borne to the council.
- 22 As a result of the process of agreeing the Hereford Markets Act 2003 an agreement was reached with the HMA, dated 28th April 2004, which states that the council will grant a lease for Herefords livestock market to the Livestock Market Auctioneers for 25 years, with a 5 year operational rent review. The current rental under the terms of the existing lease of the current livestock market is based on a percentage of gross turnover with a minimum rental figure.
- 23 The Council will grant a new lease after negotiations with HMA. The lease will be for 25 years, subject to a 5-yearly review of the rent. Heads of Terms on the new lease will be concluded after confirmation of planning approval and prior to the letting of the construction contract and lease negotiations will conclude prior to occupation.

Legal Implications

- 24 The legal position in respect of the council's responsibility to provide a new Livestock Market is set out in the previous Cabinet report of 21st December 2006. This includes the provisions of the historic charters, case law and the Hereford Markets Act 2003. The council also has legal obligations in respect of its lease arrangements with the Hereford Market Auctioneers which are dealt with above.

Risk Management

- 25 Consideration should be given to;
- a. Planning permission. At this stage it is not possible to confirm that planning permission will be secured. Whilst the Planning Committee have indicated they are minded to approve Government Office West Midlands have still to consider the position of call in. Further work is currently underway on landscaping and junction arrangements which will address issues raised by the Committee. Independent legal advice has been sought on the planning position and appropriate action has been taken to minimise the possible risk of call in or a successful judicial review.
 - b. Cost overrun – when dealing with large capital projects there is always some risk of some unforeseen circumstances which could have a financial implication. The use of the SCAPE framework agreement will mitigate the risk of cost overruns as will the introduction of some budget for contingency as per industry standards.
 - c. Water extraction licence – The operation of the livestock market requires significant quantities of water. An application to the Environment Agency for a water extraction licence has been submitted and is currently under consideration. A trial bore hole has been dug and other sources of water including harvesting of rainwater from the roof and car parks are being explored.
 - d. If the development is not able to proceed, the livestock market cannot relocate and the ESG development will not proceed. The risks to the Livestock Market project and their mitigation is set out above.

Consultees

- 26 ESG Herefordshire Ltd
- 27 Herefordshire Market Auctioneers.

Appendices

- 28 Appendix 1 – Summary of SCAPE framework.

Background Papers

- None identified.