



CABINET – 22 OCTOBER 2019

EAST OF LUTTERWORTH STRATEGIC DEVELOPMENT AREA

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES, AND DIRECTOR OF ENVIRONMENT AND TRANSPORT

PART A

Purpose of the Report

1. The purpose of this report is to inform the Cabinet of progress with the delivery of the East of Lutterworth Strategic Development Area (SDA) project and to seek agreement for the allocation of additional resources considered necessary to support the planning application, pre-highway construction costs and work associated with the delivery options appraisal for the project.

Recommendations

2. It is recommended that additional funding of £4.62m is allocated for delivery of the East of Lutterworth SDA project, for work relating to the planning application, pre-highway construction costs and work associated with the delivery options appraisal for the project.

Reasons for Recommendation

3. To ensure that the delivery of the planning consent, commencement of highway works and the development of the delivery options appraisal are completed in time to ensure the Council complies with the terms of the Homes England Local Authority Accelerated Construction (LAAC) grant funding, which requires construction to start on the residential units by March 2021.

Timetable for Decisions (including Scrutiny)

4. Further reports to the Cabinet and to the Scrutiny Commission will be required regarding the funding and construction of the spine road through the development site as well as the wider delivery options for the SDA.
5. In November 2019, the delivery options appraisal will be presented to the Scrutiny Commission and the Cabinet (on 6 and 22 November respectively). Further reports and the timing of these will be subject to the decisions taken by the Cabinet in November.

6. In February 2020 a recommendation to enter Stage 2 of the Early Contractor Involvement (ECI) contract (setting out the substantial construction costs) will be presented to the Scrutiny Commission and the Cabinet.

Policy Framework and Previous Decisions

7. The Cabinet considered reports in May 2016 and March 2018 regarding the promotion and development of the East of Lutterworth SDA scheme, which was included in Harborough District Council's Local Plan, adopted in April 2018.
8. In February 2019 the Cabinet, inter alia, authorised the Director of Corporate Resources (following consultation with the Cabinet Lead Member) to acquire the necessary remaining land to deliver the SDA project subject to capital costs not exceeding £31m, plus a 10% contingency.
9. In March 2019 the Cabinet accepted a grant allocation of £14m from Homes England from its Local Authority Accelerated Construction Fund (£8m of which related to the East of Lutterworth SDA) and authorised the Director of Environment and Transport (following consultation with the Director of Corporate Resources, Director of Law and Governance, and Cabinet Lead Member for Resources) to enter into a contract and proceed with Stage 1 of that contract to allow ECI in the design and undertaking of preliminary works in respect of the proposed construction of the East of Lutterworth spine road and related infrastructure.
10. The County Council's Strategic Plan 2018-22, supported by the Enabling Growth Plan, sets out its objectives for the rationalisation and utilisation of its assets, maximisation of capital receipts, and facilitating the delivery of affordable and quality homes and building a strong economy, and generating economic growth.
11. The Corporate Asset Investment Fund Strategy for 2019 to 2023 (approved by the County Council on 20 February and amended in September 2019) includes the following aims:
 - (i) To support the objectives of the Council's MTFS [Medium Term Financial Strategy], generate an income, increase the Council's financial resilience and support delivery of frontline services;
 - (ii) To support the aims of the Council's Strategic Plan, in particular delivery of the objective of affordable and quality homes (i.e. ensuring the development provides a choice of quality homes that people can afford);
 - (iii) To support growth in the County and meet the aims of the Economic Growth Plan and the County-wide Local Industrial Strategy;
 - (iv) To manage risk by investing in diverse sectors and ensure a more diverse range of properties are available to meet the aims of economic development.

Resource Implications

12. As a consequence of an accelerated programme and external funding requirements, the existing authorised funds will be exceeded before the end of the financial year. Further funds are required to ensure the project can progress and to continue to meet the external funding timetable.
13. These funds total £4.62m and are required to allow the planning documents to be finalised, to progress the procurement strategy for the site and to allow highways to maintain the programme in order to commence works on site in April 2020.
14. These additional funds will be met from the reserve for future developments.

Circulation under the Local Issues Alert Procedure

15. A copy of this report will be circulated to Mr. B. L Pain CC (Bruntingthorpe division) and Mrs. R. Page CC (Lutterworth division).

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PART B

Background

16. The East of Lutterworth SDA extends to approximately 550 acres of land. The proposed scheme involves the development of up to 2,750 dwellings, 56 acres of employment land, 2 primary schools, a local centre, extensive open space and green infrastructure together with major highways work including the construction of a new spine road, a new motorway bridge and substantial off-site junction improvements.
17. The SDA is included in Harborough District Council's Local Plan, adopted on 30th April 2019.

Planning Application

18. The County Council submitted the planning application for the SDA to Harborough District Council on 27 February 2019 and determination of the application is now expected by the end of January 2020.
19. The original delivery programme timetable was based on determination of the planning application by September 2019. This has been subject to some delay, not unusual in relation to major applications, in particular due to the need to supply more detailed highways information and for this then to be referred by the Planning Authority (Harborough District Council) to the statutory consultees for further consideration and comment.
20. The delay to planning determination has increased risks to the design, ECI, contract award and mobilisation. Work is now underway to manage this additional risk. Any additional costs will be reported to the Cabinet in February 2020.

Budget

Planning

21. In February 2019 the Cabinet was advised that planning, promotion and other related costs to progress the scheme through the planning process had increased to approximately £1.5m (the previous estimate having been £600,000 to £700,000). These additional costs related primarily to fees for consultants engaged to progress planning, design, ecology, archaeology and infrastructure matters.
22. The current planning budget is expected to be exceeded by a further £120,000 due to additional survey works and technical appraisals that have arisen in respect of the additional planning and transport assessment work.

Development Delivery

23. Additional funding is required for fees relating to the initial delivery stage of the project. This includes costs associated with the delivery options appraisal which is exploring a range of different approaches and assessing their suitability for this project. Other extra costs relate to designing the first phase development platforms, establishing the design code, providing a utilities strategy and legal support.
24. The indicative budget for this work up to December 2020 is £1m.

Highway Delivery

25. A significant element of the East of Lutterworth SDA is the spine road that runs through the development site, connecting with the A4304 (just east of M1 junction 20) and to the A426 (just north of Lutterworth). In March, the Cabinet authorised the Director of Environment and Transport to enter into and complete Stage 1 of a contract allowing for ECI in the design and undertaking of preliminary works on the road and related infrastructure. It was estimated that the ECI and related costs would total £1.5m up to end November 2019 when a further report on the SDA would approve further required budget linked to the construction of the spine road.
26. The £1.5m has been spent more quickly than originally anticipated, mainly due to an accelerated programme, extension of the scope and associated surveys. To take the project through to March 2020 and the potential start on site in April 2020 a further £1.5m for fees will be required, covering project management, design and ECI costs.
27. In addition pre-construction costs, namely £2m, will be required for early site clearance, surveys and utility diversion requirements. Utility diversions may be potentially required to start immediately after planning approval and prior to the Cabinet meeting in February 2020 (and will now not form part of the Stage 2 construction contract award), as such this cost and risk is included at this stage. A detailed programme for utility diversion works is currently being reviewed and agreed.
28. A further report will be submitted in February 2020 on the cost and financing of the spine road construction (Stage 2). It is expected the outcome of the Housing Infrastructure Fund (HIF) bid will be known by this time.

Summary of additional funding requested

29. The following summarises the additional costs set out in this paper:

Planning fees	£0.12m
Development Delivery fees	£1.00m
Highways - fees	£1.50m
Highways - pre-construction	£2.00m
Total	£4.62m

Delivery Options Appraisal

30. Specialist consultants are advising the County Council and assessing a range of delivery options which include:-
- Option 1 - Land Disposal with Planning Permission
 - Option 2 - Self Development
 - Option 3 - Joint Venture Partnership
31. The outcome of this assessment will be reported to the Scrutiny Commission on 6 November 2019 and to Cabinet on 22 November 2019, giving details of the soft market testing and an appraisal of the options available to the Council for the delivery of the SDA.

Conclusion

32. The Lutterworth East development project has seen substantial progress over the last 12 months. It is close to securing a planning approval, work has commenced on the delivery of the project both in terms of the construction of new housing and commercial units and also the new highway. Funds are required to ensure the progress continues.

Equality and Human Rights Implications

33. There are no Equality or Human Rights Implications directly arising from this report.

Environmental Implications

34. A full Environmental Impact Assessment was submitted as part of the Planning Application for the East of Lutterworth SDA.

Risk Assessment

35. This is a large and complex project that requires upfront investment in order to generate future financial returns. The risks relate to the size of the financial obligations which the Council could potentially commit to. These will include consultancy fees, infrastructure design costs, funding, timing commitments and partnership agreements. Inevitably all of these bring a degree of risk.
36. Appropriate governance arrangements have been put in place to continually monitor the project. A Growth Delivery Board is chaired by the Chief Executive and updates are also regularly provided to the Corporate Asset Investment Fund Advisory Board.

Background Papers

Minutes of the Cabinet meeting held on 8 February 2019
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=5600>

Report to the Cabinet on 29 March 2019 “East of Lutterworth Strategic Development Area - Homes England Funding and Early Contractor Involvement”

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=5601>

Report to the Cabinet on 13 September 2019 ” Corporate Asset Investment Fund Annual Performance Report 2018-19 and Strategy Update for 2019 to 2023.

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=5605>

Leicestershire County Council Strategic Plan 2018-22

<https://www.leicestershire.gov.uk/about-the-council/council-plans/the-strategic-plan>

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