

**REPORT FROM: HOUSING, HEALTH AND ENGINEERING SERVICES
MANAGER**

TO: POLICY AND RESOURCES COMMITTEE

DATE: 21st JANUARY, 2021

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LOMESHAYE INDUSTRIAL ESTATE EXTENSION PHASE 1

PURPOSE OF REPORT

To provide an update on progress and to agree that land receipts are used to cover increased scheme costs.

RECOMMENDATIONS

The Committee is asked to:

- (1) Note progress with delivery of the scheme and the increased costs.
- (2) Note that a waiver of Standing Orders has been agreed to appoint Aptus to provide the new incoming services at a cost of £1,113,301.
- (3) Agree to ring fence land receipts within the Capital Programme to cover the increased costs of the scheme.

REASON FOR RECOMMENDATIONS

To keep the Committee informed of progress and to ensure that adequate infrastructure is put in place.

ISSUE

Background

1. Regular reports have been brought to the Committee on progress with the delivery of Lomeshaye Industrial Estate Extension Phase1.
2. Funding of £1.5m has been secured from Lancashire Enterprise Partnership (LEP) which is being matched by £1.5m from Lancashire County Council (LCC) to acquire the site and provide infrastructure to allow it to be developed for employment use. An additional £570k

has been secured from the European funded ESIF programme for Green and Blue Infrastructure. These works include the creation of new, and enhancements to existing, wetland and wildlife areas and the upgrading of existing footpaths along the river to bridleways.

Current position

Delivery of infrastructure works

3. Work has started on construction of the road. From previous site investigations we were aware that the ground conditions were poor but as more detailed design and investigation work was carried out it became apparent that additional works would be required along the length of the road to provide a stable base and ensure that LCC will adopt the road. The most cost effective and timely method of dealing with the ground conditions is through vibro-compaction. This will increase costs and has caused some delay to delivery. In order not to delay any development activity on site a temporary haul road has been constructed along the line of the new road which gives access to the area that is suitable for development.
4. In order to facilitate manufacturing uses on the site, and the skilled jobs that brings, there is a requirement for a higher level of electricity supply than would be required for other uses such as warehousing. We will be supplying 1.5kVA to the site, funded by the Council, with any additional requirement to be funded by the developers. Due to lack of available supply on the existing industrial estate the supply required has to come from around 2km away, which adds significantly to the cost.
5. The original tender figure received from Aptus, our multi-utility provider, for electricity, gas and water was £248,352. The revised quotation is £1,113,301. The majority of this cost is for the electricity supply, which has risen from £170,889 to £1,035,838. With developer contributions this results in a cost to the Council of £729,838 for the electricity and an overall cost of £807,301.
6. It has been necessary to place the order for the services quickly or there would have been a danger of losing our place in the queue for the additional power. This could have meant a wait of several months for another Point of Connection and even greater costs. This delay could have resulted in the ability to spend all the Growth Deal funding by the deadline of 31st March 2021 and potential loss of funding.
7. A waiver of Standing Orders has been agreed to appoint Aptus to provide the new incoming services at a cost of £1,113,301 with justification under CPR 5.2 b) and c)

b) that time limits required for tendering cannot be met for reasons of extreme urgency and which were unforeseen and unattributable to the Council;

c) that additional goods, works or services are required which, through unforeseen circumstances, were not included in the original contract and are strictly necessary for the completion of the Contract

Costs of the scheme

8. The overall funding we have for the scheme is £3.57m. We now anticipate that the overall costs for acquisition, CPO, infrastructure (including blue and green) and services will be around £4.09m, an increase of £520k. There are still some uncertainties both with the final infrastructure costs and also the CPO compensation payments, which is still being negotiated with some former owners. There is also still some contingency within the infrastructure budget.

9. It is always difficult to accurately cost a scheme such as this where estimates have to be produced to secure funding but then it can be at least 2 to 3 years before many of the costs need to be incurred. At the Public Inquiry into the CPO the Council stated that the land value could be used, if required, to fund any unavoidable additional costs. The Committee is now being asked to ring fence any land receipts from the scheme, to be used to fund the additional costs of the scheme. Any receipts not required for the scheme can be reallocated when the overall cost of the scheme is known.
10. It is a requirement of the LEP funding that all their £1.5m is spent by March 2021 and we are on target to achieve this. The LCC match funding can be slipped into next financial year. Some initial ESIF funded works have been undertaken in Lomeshaye Nature Reserve but most works will take place in 2021-22.

Disposal of land

11. Following previous approvals by the Committee Liberata Property Services have been negotiating with PEARL2 and Mr Heap on the value of the land to be disposed of and agreeing the exact land take for each of them. It has been agreed that the land receipt for the land being disposed of to PEARL2 will be £616k (land shown edged red in Appendix 1). This takes into account a range of abnormalities including former mine workings on that part of the site. PEARL2 are keen to conclude the sale in January as they have an end user who wishes to move onto the site by the end of 2021 and work will need to start on construction of their 90,000sq ft unit during January.
12. Negotiations are continuing on the land that is being looked at for sale to Mr Heap (land to the north of the PEARL2 land with approximate area shown white in Appendix 1). A land value per acre has been agreed but we are awaiting costs of abnormalities before agreeing the actual receipt.
13. The land value agreed so far with PEARL2 would be sufficient to cover the projected additional cost for delivering the scheme, but it would be prudent to ring fence all receipts at this stage
14. The developable land will be disposed of to each of the purchasers under a Development Agreement which will transfer obligations to achieve the outputs as required by the LEP and LCC. The outputs relevant to the purchasers of the land include construction and occupation of employment space, private sector match funding and creation/safeguarding of jobs. The terms of the Development Agreements are currently being negotiated.
15. The land that is not suitable for development will be retained by Pendle Council (area in green in Appendix 1).
16. It is a requirement of the ESIF funding that the improvements it is funding will be managed and maintained. We are exploring the potential for LCC to adopt and maintain the upgraded footpaths and bridleways, but that is not currently guaranteed. An estimate has been produced for the annual maintenance costs of the works and this indicates a maximum cost of £21k. It is intended that the cost of maintaining the works within the Phase 1 area will be funded by the purchasers as these works enhance the setting of their development. A mechanism for agreeing the split of costs is being negotiated.
17. For works that are outside the Phase 1 area, such as around Lomeshaye Nature Reserve, the costs will fall to the Council. It is estimated that this will cost a maximum of £10k a year and a growth bid will be submitted at an appropriate time.

IMPLICATIONS

Policy: None directly arising from this report

Financial: The increased costs can be funded through the land receipts generated on the site

Legal: None directly arising from this report

Risk Management: If the additional funding is not provided the scheme cannot be delivered as originally planned

Health and Safety: None directly arising from this report

Sustainability: None directly arising from this report.

Community Safety: None directly arising from this report

Equality and Diversity: None directly arising from this report

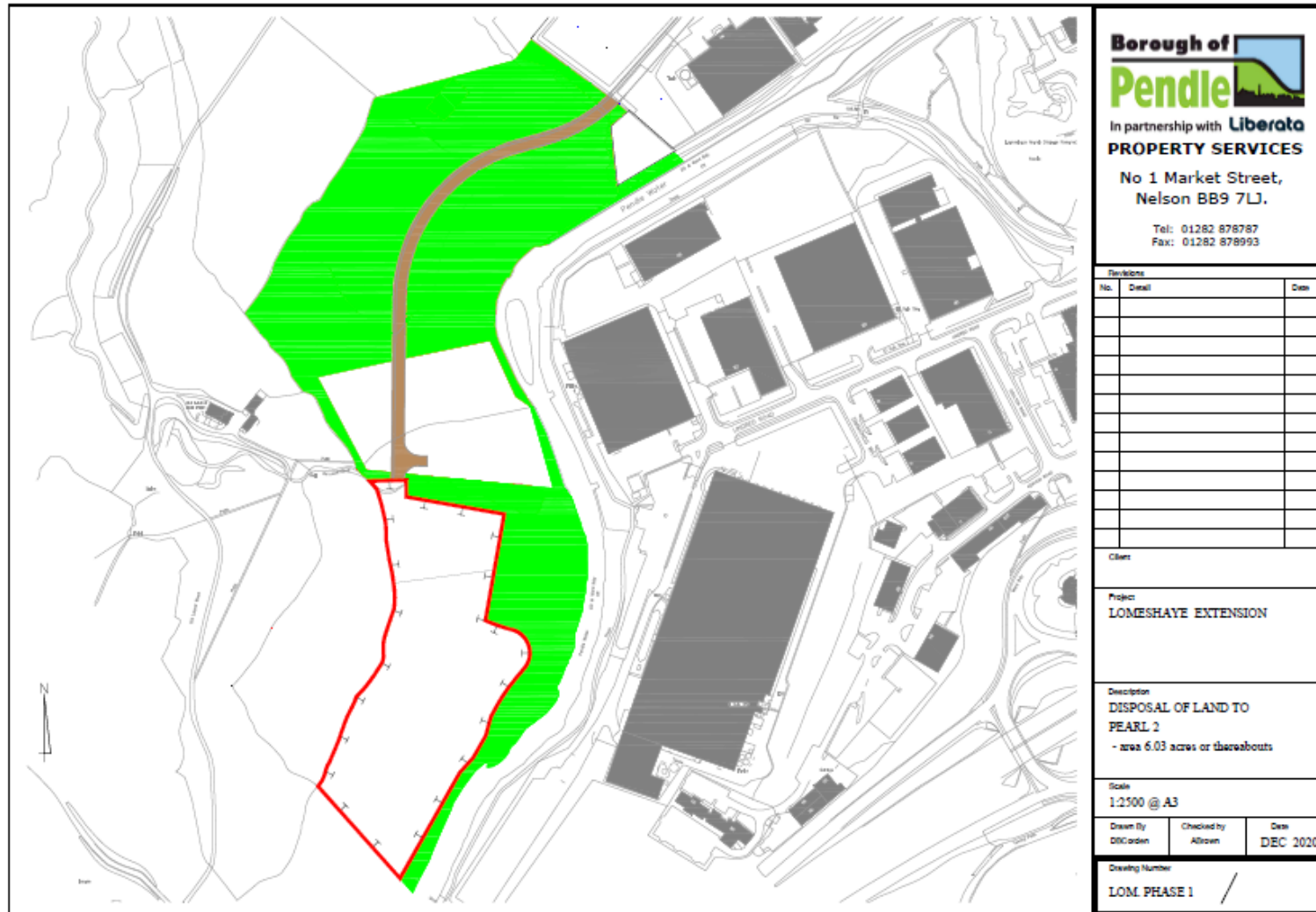
APPENDICES

Appendix 1 – Indicative Site Plan

LIST OF BACKGROUND PAPERS

Previous reports to Policy & Resources Committee

INDICATIVE SITE PLAN



Area edged red to be disposed of to PEARL2
 Adjoining white area under negotiation
 Area coloured green to be retained by Pendle Council
 New road being constructed coloured brown