

**REPORT FROM: HEAD OF ECONOMIC GROWTH**

**TO: EXECUTIVE**

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## **LOMESHAYE INDUSTRIAL ESTATE EXTENSION**

### **PURPOSE OF REPORT**

To provide an update on progress and the current financial position.

### **RECOMMENDATIONS**

That the Executive agree an additional commitment of £140,287 be financed from the capital program towards the completion of the scheme.

### **REASONS FOR RECOMMENDATIONS**

To ensure that the Lomeshaye scheme delivers the intended outcomes without incurring time delays due to budget constraints.

## **ISSUE**

### **Background**

1. Regular reports have been brought to the Executive on progress with the delivery of Lomeshaye Industrial Estate Extension Phase 1.
2. Funding of £1.5m was secured from Lancashire Enterprise Partnership (LEP), 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.
3. An additional £543,000 was secured from the European funded ESIF programme for Green and Blue Infrastructure. These works included 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**

4. The new estate road has been constructed to adoptable standards. Pendle's Legal Team are dealing with LCC's Legal Team in respect of the Section 38 Agreement to get the road adopted.
5. Extra costs were incurred in regards to the road construction, as a result of having to construct a temporary haul road to facilitate the potential construction of Unit 1 (Limitless Digital) by a specified end date, having to install vibro stone columns to provide a stable foundation for the road, having to install a vehicle restraint system as an LCC requirement, inflation of construction materials cost during Covid, and having to provide a deep stone foundation for the new road culvert due to very poor ground conditions.
6. There are some minor finishing off works on the road which cannot be completed until the final service connections are made to Unit 2 (Heap Developments aka Lancashire Steel).
7. In order to facilitate manufacturing uses on the site (now or in the future), and the skilled jobs that brings, there was a requirement for a higher level of electricity supply than would be required for other uses such as warehousing. Utilities supply has been built into the infrastructure for the site, funded by the Council.
8. Originally, due to the lack of available electricity supply on the existing industrial estate, the supply required had to come from around 2km away, which added significantly to the cost.
9. A waiver of Standing Orders was originally agreed, for the appointment of Aptus with justification under Corporate Procurement Regulations (CPR) 5.2. which provides for exemptions where the usual time limits for tendering cannot be met due to urgency and unforeseen circumstances.
10. Standing Orders were waived due to a number of reasons:
  - The time pressure being put on the scheme through PEARL looking to accommodate a potential Client in Unit 1 by a specified end date.
  - The time limit in respect of Electricity North West's Point of Connection to ensure the required power to site.
  - The lack of valid tenders returned in respect of the service provision contract.
11. The final contract figure agreed with Aptus, for electricity, gas, and water was £1,050,697 (the Council received a £306,000 contribution from PEARL 2 towards these costs meaning that the liability to the council was reduced to £744,697). Much of this cost was for the electricity supply.
12. As the work started on site variations were then required which increased the cost above its original contract value by a further £272,000. Bringing the contract total to £1,017,000

### **Costs of the scheme**

13. The overall funding for the Lomeshaye Phase 1 development was £3.54m. This was to build a site extension inclusive of 2,500KVA of electrical power and access road infrastructure.
14. Phase 1 of the site originally required 2,000KVA but this was later reduced to 500KVA due to the changes in the tenancy.

15. Phase 2 - Heap Developments built their own separate building on the site, with the agreement that they could connect to the infrastructure. There is a contribution from Heap Developments for an upgrade from the original substation, from 500KVA, to 1,000 KVA and are contributing £20,000 for the variation.
16. Heap Developments do not need to contribute to the cost of the wider infrastructure works generally as this was not part of the contract. The agreement for Heap Developments was for PBC to provide services to edge of site.
17. In addition to the £3.54m budget, the project has available £761,500 of receipts from the sale of land, a £306,000 contribution from PEARL 2. The total funding available for the project is £4.61m.
18. The anticipated overall costs for acquisition, CPO, infrastructure (including blue and green) and services will be around £4.76m.
19. There are still some uncertainties both with the final infrastructure costs and also the CPO compensation payments, which are still being negotiated with some former site owners.
20. The net position of income against expenditure leaves a cost to the council of £106,146.
21. In addition, there is a cost of £34,000, to the council, in relation to the Phase 2 of the Lomehaye extension plans, which is now cancelled.
22. This additional total cost of £140,287 (including contingency) will need to be committed through the existing capital program.
23. Final costs for remedial road works are estimations at the point of the report and are not finalised.
24. There are negotiations taking place with Aptus to determine whether PBC can expect some funds to be returned for the electrical reinforcement works to upgrade the system which will then be adopted by another party.

### **Progress on remainder of site development**

25. The phase 2 of the scheme (Heap Developments) is estimated to complete by December 2024.

## **IMPLICATIONS**

**Policy:** None directly arising from this report

**Financial:** There is a call on Council reserves to fund the project to completion.

**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**

Financial breakdown.