

Lancaster City Council | Report Cover Sheet

Meeting	Cabinet	Date	8 June 2021
Title	URGENT BUSINESS: South Lancaster Growth Catalyst - Housing Infrastructure Fund - Principles Agreement with Lancashire County Council – Delivering Bailrigg Garden Village		
Report of	Director for Economic Growth & Regeneration		
Purpose of the Report: Cabinet to Approve the Principles Agreement			
Reason for urgency: Any further delay in approving the decision to enter into the Principles Agreement with Lancashire County Council, would imperil the £140M Housing Infrastructure Funding for South Lancaster Growth Corridor; and also the wider Grant Determination Agreement between Lancashire County Council and Homes England.			
Key Decision (Y/N)	N	Exempt (N) public report/exempt appendix	

Report Summary

Lancashire County Council submitted a Housing Infrastructure Fund (HIF) application to support a programme of infrastructure works totalling £261m known as the South Lancaster Growth Catalyst Programme in March 2019. This was undertaken and submitted in partnership with Lancaster City Council. In March 2020 £140m was provisionally allocated by Government in the 2020 Budget to part fund this work and support new development in south Lancaster. Due to delays in government decision making, impacted by Brexit, delayed Planning Inspector's report and latterly the pandemic, it has been necessary for Lancashire County Council to make a formal application to Homes England (HE) requesting an extension of time to the programme. This was granted in March 2021.

Lancashire County Council as the Accountable body for the SLGC signed a Grant Determination Agreement (GDA) with Homes England, which was completed on the 31 March 2021 and secured the £140m.

The GDA contains several key milestones that need to be achieved throughout the delivery programme for wider Catalyst Programme and beyond that are funded directly by the £140m and the wider £260M project. Two of these milestones stipulate that Lancashire County Council and Lancaster City Council enter into a Principles Agreement by the end of June 2021 to be followed by a legally binding Partnership Agreement to be signed by 31 August 2021. The Principles Agreement sets out the broad parameters for the more detailed and legally binding Partnership Agreement that will manage the delivery of the unfunded elements of the SLGC, via the planning system through the collection of s.106 developer contributions.

This report summarises the broad terms of the Principles Agreement (Appendix 1) between Lancashire County Council (LCC) and Lancaster City Council (LaCC). Once the Principles Agreement is approved, the GDA will become live and the £140m begin to be will be released enabling the implementation of strategic infrastructure to deliver the South Lancaster Growth Catalyst, which includes Bailrigg Garden Village.

Recommendations

To agree the key tenets of the Principles Agreement in advance working towards the completion of a Partnership Agreement programmed to be signed by 30th August 2021

Relationship to Policy Framework

The District of Lancaster Highways & Transport Masterplan Oct 2016
 The Lancaster District Local Plan July 2020
 Lancaster South Area Action Plan Development Plan Document

Bailrigg Garden Village is one of the 14 UK designated Garden Village projects	
Conclusion of Impact Assessment(s), where applicable	
Climate Low carbon design and development objectives to be incorporated within the Garden Village Design Code	Wellbeing & Social Value to be incorporated into the Garden Village Design Code
Digital to be incorporated as part of the Garden village Design Code	Health & Safety No issues at this stage
Equality to be incorporated as part of the Garden Village Design Code	Community Safety No issues at this stage
Details of Consultation	
The portfolio holder has been consulted.	
Legal Implications	
Legal services have reviewed and amended the draft Principles Agreement and are satisfied with the contents.	
Financial Implications	
There are no direct financial implications arising from this report	
Other Resource or Risk Implications	
Section 151 Officer's Comments	
The s151 Officer is satisfied that the Principles Agreement is not legally binding and so does not have any implications under the Council's Budget and Policy Framework.	
As we move to the next stage more detailed work and close examination of the Partnership Agreement needs to be undertaken to ensure that the Council is not incurring any additional financial risk, or where risks are identified that we fully understand the magnitude and mitigate those risks where appropriate in accordance with the Council's Budget and Policy Framework and decision making process.	
Monitoring Officer's Comments	
At this stage the Monitoring Officer is satisfied that no legally binding commitments are to be made which would take this decision outside of the Budget & Policy Framework. The Leader is able to discharge executive functions such as this. The Principles Agreement will now form the basis for a more detailed Partnership Agreement which will be subject to further governance processes.	
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Links to Background Papers	
None	

1.0 Introduction

This report sets out the background and context to the successful Lancashire County Council Housing Infrastructure Fund (HIF) application and, seeks authority to enter into a Principles Agreement with Lancashire County Council. This is a non-legally binding agreement setting out the broad principles of how the unfunded elements of wider South Lancaster Growth Catalyst costs (£98M) will be recovered by Lancaster City Council.

The HIF will deliver new physical infrastructure (roads, public transport improvements and M6, J33 upgrade) to support housing development in new and established communities, support ambitious local authorities wanting to accelerate their plans for housing growth and enable local authorities to recycle any recovered HIF to support other locally important infrastructure growth priorities.

Following a formal Housing Infrastructure Fund application assessment process, the Government confirmed a £140m allocation to the Lancaster Catalyst within the Spring Budget 2020, a full 12 months after the submission of the county council's proposals.

The broad policy aims and project ideas set out in the original HIF application were progressed into concept design options in order to assess viability, strategic fit, deliverability within tight programming requiring all Housing Infrastructure Fund to be spent by 31 March 2024 and provide a rough order of magnitude costs to inform the Business Case.

Given the scale and ambition of the Catalyst, the delay between application and formal announcement, the significant further delay caused by the timing of the Inspector's report into the Local Plan, Covid-9 pandemic and extended work to build on the original desktop studies and surveys impacted on the overall project timescales. A review of the Catalyst explored the extent to which elements could be spent by the Homes England deadline of March 2024, the county council's revised delivery programmes showed that the main piece of infrastructure, the reconfiguration of the Junction 33 of the M6, would not be complete until July 2027.

The county council met with partners and Homes England to develop a clear rationale and recommend to HM Treasury via the Ministry for Housing, Communities and Local Government that an extension of time to 2027, which was granted in March 2021.

On 14th January 2021, Lancashire County Council approved the following:

- (i) To enter into a Grant Funding Agreement with Homes England to receive the £140m Housing Infrastructure grant.
- (ii) Agree to the integrated package of highway and transport interventions as part of the Housing Infrastructure Funding.
- (iii) Agree to act as the Accountable Body for the Housing Infrastructure Fund Grant.
- (iv) Authorise Officers to finalise and arrange for the execution of the Grant Determination Agreement to receive the £140m Housing Infrastructure Fund, subject to agreement of acceptable principles around co-operation and delivery between local partners.
- (v) Approve the principle of providing 50% of the local contribution up to a maximum of £4.6m to be funded utilising Integrated Transport Block grant funding over 15 years and agree a cash flow facility to a maximum of £55m with repayment to include all relevant interest.
- (vi) Agree to commission Network Rail to undertake a feasibility and options development exercise (via the Governance for Rail Investment Process 1, 2 and 3 Stages) for the crossing of the West Coast Main Line to provide access to Bailrigg Garden Village and that Officers on behalf of the County Council to enter into a Services Agreement with Network Rail for these purposes.

2.0 Financial Model and Principles

The principal document that will guide and govern the relationship between the county council and Homes England is the Grant Determination Agreement (GDA) and which will constitute a formal contract between the parties.

The GDA comes with certain conditions, specifically around the delivery of the wider Catalyst Programme beyond that funded by the £140m. This will be managed through a Partnership Agreement between Lancashire County Council and Lancaster City Council. This Partnership Agreement will cover funding of all the infrastructure and utilising anticipated developer contributions to repay cash flowed items.

The proposed package of highways and transport proposals to be delivered in South Lancaster is set out in Table 1 and it includes the works to be funded by HIF.

Table 1 – HIF Packages and Funding Contributions

Works	Description	Cost (£m)	HIF funds (£m)	Local Match (£m)	Other grants (£m)	Developer Balance ¹ (£m)
Strategic Highways Works	1. Reconfiguration of M6 Junction 33 2. A new 2.5km highway connection running parallel to the M6 from junction 33, northwards to connect South Lancaster directly to the strategic road network, bypassing the village of Galgate. The new connection will link into an improved Hazelrigg Lane, immediately to the south of Lancaster University	£105.1	£74.3	£0	£0	£30.8
Bailrigg Garden Village Works	1. New 2km spine road opening up greenfield land for the development of Bailrigg Garden Village including a new road underpass of the West Coast Main Line. Works to WCML and A6 tie in and a bridge across the canal. 2. Strategic utilities	£65.7	£65.7	£0	£0	£0
Bus Rapid Transit and City Centre Gyratory scheme and South Lancaster Park and Ride	1. Highways capacity is to be reprioritised to provide a South Lancaster - City Centre - Morecambe - Heysham public transport corridor. This will prioritise bus travel and address capacity problems on the existing transport network from the development of South Lancaster. This will include significant remodelling of the city centre gyratory improving accessibility for walkers and cyclists	£27.4	£0	£6.2	£0	£21.2
Cycle Superhighway South Lancaster	1. City Centre active transport route connecting Bailrigg Garden Village, Health Innovation Campus, and University with the City Centre.	£5.8	£0	£3	£0.8	£2
Bridge over Lancaster Canal	Second bridge to provide access to South Lancaster Growth Area	£3	£0	£0	£0	£3

Works	Description	Cost (£m)	HIF funds (£m)	Local Match (£m)	Other grants (£m)	Developer Balance ¹ (£m)
Education	1. 2 new primary schools 2. 1 new secondary school	£33	£0	£0	£13.2	£19.8
Health	1. Expanding GP provision at the university and Galgate	£14	£0	£0	£0	£14
Interest cost of cashflow facility	Interest costs related to the forward funding of the non-HIF infrastructure	£7.2	£0	£0	£0	£7.2
Total		£261.2	£140	£9.2	£14	£98

To assist delivery of infrastructure Lancashire County Council are forward funding works to enable the works to be completed, however this will be subsequently recovered via developer contributions from the housing sites

The Balance (£98M) is to be met by recovering s106 developer contributions through the planning process. The balance includes the non-HIF items to be cash flowed via Lancashire County Council at £55m plus interest to bridge the gap between the timing of infrastructure development and the timing for recovery of developer contributions via S106 agreements.

It is these principles that underpin the HIF Financial Model and are the basis of the attached non-legally binding Principles Agreement. On the approval to proceed with Principles Agreement, it is proposed that Lancaster City Council will work with Lancashire County Council, to formulate the detailed terms of the main Partnership Agreement between the two councils. This includes the detailed processes relating to the delivery of the Catalyst Programme and the management and recovery of the funding contributions and related risks.

Timeline & Conclusion

- County Cabinet Paper February 2021 recommending procurement exercise for development & construction of M6 J33 reconfiguration and Link road, Bailrigg Garden Village Spine Road
- County council sign GDA March 2021
- City Council approve principles of Partnership Agreement June 2021
- County Council scoping and design work to commence April/May 2021
- Governance Structures established to manage the programme delivery and risks
- Appointment of Network Rail design team to conduct feasibility study due April 2021
- County & City Councils sign Partnership Agreement August 2021
- Full Partnership Agreement in place August 2021
- HIF infrastructure Project Completion Date c. 2027 see Appendix II
- JTP masterplanning work complete March/April 2021

- Work starts on Design Code April 2021
- Area Action Plan preparation commenced – consultation & adoption programmed 2023
- Early housing releases potential 2022/23

3.0 Options and Options Analysis (including risk assessment)

Options Analysis
<p>Advantages: The Housing Infrastructure Fund unlocks government investment worth £140m to Lancaster District and enables Local Plan and South Lancaster Growth Catalyst objectives to be met. The infrastructure investment will deliver the Bailrigg Garden Village project and create new places and neighbourhoods for the benefit of people and communities in South Lancaster.</p>
<p>Disadvantages: There are no economic disadvantages in delivering the South Lancaster Growth Catalyst Programme.</p>
<p>Risks: Failure to enter into a Principles Agreement with Lancashire County Council will result in reputational damage to Lancaster City Council as it is unlikely that the HIF fund will be allocated by Homes England and there are potential wider strategic implications that could be affected by such a decision.</p>

4.0. Officer Preferred Option (and comments)

4.1 The officer preferred option is to recommend entering into a Principles Agreement with Lancashire County Council by the latest 30 June 2021, following approval by Cabinet .

Appendix I – Principles Agreement