

Report to: Cabinet
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Agenda item: 19

Subject: Long Lane Enhancement

Purpose of report: To provide an update on progress with the design of an enhancement scheme for Long Lane.
To set out an options analysis in terms of how to proceed.
To seek approval from Cabinet to borrow up to £3m against future ring fenced income to deliver the enhancement scheme.

Recommendation:

It is recommended that Cabinet:

- Note the progress with the design of a scheme to upgrade Long Lane
- Considers the options analysis of how to move forward
- Subject to confirmation of the final scheme design and the quantum of developer contributions being secured through a funding agreement, endorse Option 1 as the preferred way forward
- Recommend to Council the borrowing of up to £3m against ring fenced business rate income to implement the scheme and enter in to a funding agreement with Devon County Council to deliver this
- Approves a contribution of up to £5k towards the legal fees of those delivering the FAB project to progress the funding agreement prior to the final investment decision stage being reached
- Supports an investment of £5k to help provide match funding for a bid to DfT's Cycle Rail fund
- Gives delegated approval to the Chief Executive in consultation with the Leader and Strategic Leads for Finance and Governance & Licensing to agree the terms of and complete the funding agreement and any other necessary legal documentation to achieve the above recommendations.

Reason for recommendation:

Cabinet received a paper on the Enterprise Zone in April 2018. This sought approval for the principle of borrowing up to £8m against ring-fenced business rate income, with detailed approval for investing up to £3.4m for four specific projects. During the intervening period work has focused on the delivery of the approved projects, along with supporting the development of other opportunities. This has focused on

overcoming barriers to delivery and bringing forward catalytic investments.

The substandard nature of Long Lane and subsequent limitations to the capacity of the current highway network are a direct barrier to the delivery of Airpark, one of the four Enterprise Zone sites. The proposed enhancement will overcome this barrier and also secure a number of wider benefits including supporting enhanced public transport connectivity and the future growth of the Airport.

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Financial implications:

The report highlights the significant financial implications and associated risks. Option 1 is being recommended which has the main risk as highlighted in the report of a £670k planned contribution from the FAB project not being realised with the Council already committed to the cost of the scheme. The overall financial imperative of schemes approved from Enterprise Zone monies is that there is sufficient future business rates receipts which will payback all costs involved which is the case with this scheme, should the contribution from the FAB project not materialise and then this will have to be factored into the financial position reducing sums available for other projects coming forward.

Legal implications:

The principle of borrowing against future income is acceptable. While state aid advice has been procured by the Growth Point team, it will be necessary for the Council to satisfy itself that this project is legally compliant and moreover that appropriate legal documentation is in place in respect of the funding. In that regard the legal team will carry out appropriate due diligence in relation to this project (including reviewing the State Aid advice) and ensure that it is legally sound and that appropriate documentation is drawn up and entered into. While unusual the £5k contribution towards the legal costs of those delivering the FAB link project is permissible.

Equalities impact:

Low Impact

Potential impacts on equality will be managed through the Implementation Plan for the Enterprise Zone.

Risk:

High Risk

This paper details four main risks associated with the project and their potential mitigation. Of particular note is the risk that the France-Alderney-Britain (FAB) Connector project not proceed. This has been delayed due to Brexit and the need for approval from the French regulator. If the project does not proceed a capital contribution of £670k towards the scheme would not be forthcoming.

Set against this is the risk that if the enhancement scheme never proceeds no development can come forward at the Airpark site. Business Rate income from site is estimated at £10m over the remaining 23 years of the designation.

Links to background information:

- [Overview report – January 2016](#)
- [Cabinet Paper May 2016](#)

- [Cabinet Paper November 2016](#)
- [Cabinet Paper March 2017](#)
- [Cabinet Paper November 2017](#)
- [Cabinet Paper April 2018](#)

Link to Council Plan: Working in and funding this outstanding place.

The Council Plan identifies a range of activities to deliver economic growth – including developing ways to deliver economic benefits, promoting inward investment and working with the Heart of the South West Local Enterprise Partnership to deliver growth.

1. Introduction

- 1.1 Long Lane runs in an east/west direction to the south of Exeter Airport. It connects to the B3184 and provides the main point of access to the Airport, Flybe Hangar and Training Academy and the Airport Hotel. When travelling in an easterly direction the Lane quickly narrows to below the standard (6.5m) needed to accommodate the two way flow of HGV traffic. This includes substantial stretches of single carriageway. An aerial picture showing Long Lane is included at Appendix A.
- 1.2 Cabinet has received a series of papers on the Enterprise Zone (EZ) designation which went live in April 2017. Borrowing of up to £8m was approved in April 2018 to invest in projects that either overcame barriers to delivery or which have a catalytic impact in terms of accelerating investment.
- 1.3 In conjunction with Devon County Council, £80k of funding from the Enterprise Zone programme had been used to commission highway consultant Jacobs to progress the design of an enhancement scheme for Long Lane. There had been extensive engagement during the course of the past year with a wide range of partners and stakeholders to agree the design of the scheme.
- 1.4 The scheme design is now close to being finalised. The final outstanding issue concerns the addition of a roundabout at the eastern end of Car Park 1 at the Airport. This will facilitate the provision of a bus loop whereby buses will be able to both enter and exit the airport forecourt area from Long Lane, thereby also enhancing public transport accessibility for the Flybe Hangar and Training Academy, Airpark and the Airport Hotel. .

2. Why is the scheme required?

- 2.1 The Long Lane enhancement scheme is required to overcome a key barrier to the delivery of the Airpark scheme, namely the inadequate capacity of the current highway network. Without this no development at the 17 acre Airpark site can come forward.
- 2.2 In addition to this the scheme will also help to;
 - improve the approach to Exeter Airport as a major gateway to the region
 - improve pedestrian and cycling links and signage
 - facilitate enhanced public transport connectivity to the Airpark site, Flybe Hangar and Training Academy and the Airport Hotel
 - support wider investment, in particular the France-Alderney-Britain (FAB) connector project
 - enable prospective future development, including the expansion of the Airport, to come forward
- 2.3 In terms of the FAB project the proposed site of the convertor station is approximately 500m beyond the Airpark site. Whilst the actual operation of this facility will generate

minimal traffic, the construction phase, including the need to transport 7 x 500 tonne transformers, will require improvements to the Lane. A scheme comprising passing bays forms part of the conditions attached to the planning permission for this facility.

- 2.4 This is not the first time that efforts to improve the Lane have been made. Monies were secured in 2014 from the Regional Growth Fund to improve the B3184 and Long Lane. Due to the fact that the widening works for the Lane would have necessitated the closure of the road for a considerable period and that the diversionary route was lengthy (via Aylesbeare), the impact on local businesses was enough to mean that this scheme was undeliverable. Only the widening of the B3184 proceeded.
- 2.5 Crucially the enhancement scheme now includes a link between Long Lane and the Silverdown Lane which can act as a diversionary route and overcome the reason why the 2014 scheme failed.

3. What does the scheme comprise?

- 3.1 In order to ensure that the enhancement scheme has as wide support as possible a total of 6 meetings have been held with an extensive range of partners and stakeholders. As well as representatives of Airpark this has included the Airport, Flybe, Airport Hotel, FAB project, Highways England and the main landowners. A key principle that emerged at an early stage was the need to do 'one scheme once' – in other words to try to implement all elements of a preferred scheme in one go.
- 3.2 The overall scheme was broken down in to four constituent parts;
 - B3184 to Car Park 1
 - Long Lane 2014 scheme
 - Silverdown Lane link
 - Hotel junction to Harrier Court

A plan showing these sections and their associated cost is included at Appendix B.

- 3.3 It should be recognised that the proposed scheme includes elements of enhancement that are above and beyond the minimum necessary to unlock the proposed developments in terms of vehicular access. For example the Silverdown Lane link has been designed as a two way link rather than a single carriageway in order to facilitate bus circulation as well as enhancing cycling infrastructure. This necessarily entails additional cost.
- 3.4 Equally the stretch of Lane from the Flybe Academy junction to Harrier Court has been designed to be widened to 6.5m to accommodate the two way flow of HGV traffic along its length. Again this is above and beyond what is needed to accommodate the traffic associated with the construction phase of the FAB project (a scheme of passing bays) alone. There is, therefore, a significant element of future proofing allowed for in the scheme. This will help to facilitate future development including expansion of the Airport and additional airside development going forward.

4. Co-Bikes

- 4.1 The County Council has agreed a scheme to roll out the network of electric Co-bike docks which are currently operational in Exeter to the Enterprise Zone area. There is an opportunity to support a bid to round 5 of the DfT's Cycle Rail fund to further augment this. A £5k contribution would help to deliver a 'super dock' of 20 bikes at Cranbrook station. Alongside the wider roll out of further docks, for example at the Science Park and Skypark, this investment would help to enhance connectivity with rail services. It is part of the recommendations of this paper that a £5k contribution to this bid is approved.

5. Funding mechanism

- 5.1 The key ingredients of the expected funding mechanism are as follows;
- EDDC borrows the necessary monies to forward fund the improvements through the Enterprise Zone programme and enters in to a legal agreement with DCC to deliver the scheme. DCC would then be responsible for commissioning a contractor(s) to deliver the scheme.
 - Contributions towards the scheme costs are secured from relevant developers through a funding agreement based on the LEP's Growing Places fund. This is subject to detailed trigger points (in terms of payments) being agreed and a satisfactory State Aid assessment being completed
 - Business rate income in conjunction with developer obligations is used to recoup the funds
- 5.2 The individual components of the scheme have been tendered through the Devon Minor Works Framework. With allowance for elements such as stats diversions, supervision and risk the costs of the cheapest tenders sum to a total of £2.990m.

6. Value for money

- 6.1 A key consideration in delivering the enhancement scheme and crafting the associated investment proposal has been value for money. This particularly relates to the ability to secure contributions from developments that will benefit from the upgraded scheme. As a matter of principle it is important that developers mitigate the impact of their development.
- 6.2 Negotiations have been undertaken with the main developer parties (AD Land as the owners of the Airpark site and the FAB Projects) in order to agree a methodology to secure proportionate contributions in this respect. A starting point has been the Community Infrastructure Levy Regulations which sets out the following principles;
- necessary to make the development acceptable in planning terms
 - directly related to the development
 - and fairly and reasonably related in scale and kind
- 6.3 The lack of a single common denominator (e.g. floorspace) has meant that it has been difficult to define a truly scientific methodology by which to apportion costs between the different developments. Nonetheless it was an important part of the overall approach that contributions should be secured from the two developments that are broadly proportional to the costs that would have to be incurred if they were to be delivered in isolation i.e. in the scenario that there was no wider enhancement scheme.
- 6.4 As well as value for money considerations this is important from a State Aid perspective. To remain State Aid compliant a developer cannot be released from a legitimate planning obligation or receive a selective benefit. Equally contributions can only be secured towards the upgraded scheme before the improvements are actually made. In other words there is no legally enforceable rebate mechanism for securing contributions retrospectively.
- 6.5 There has been extensive negotiations to agree contributions towards the scheme. The proposed figures are;
- | | |
|-------------|-------|
| Airpark | £300k |
| FAB project | £670k |
- 6.6 The precise timing and scheduling of payments (including trigger points and long stop dates) still need to be confirmed and enshrined within a bespoke funding agreement. It

should also be highlighted that the contribution from the FAB project is dependent upon the project proceeding. As this has been delayed by the Brexit process and is dependent upon approval of the French regulator and final investment approval, the project currently has an embargo on incurring further fees which is expected to last for 12 months. Subsequently this presents an issue in terms of progressing the funding agreement. To overcome this it is a specific recommendation of this paper that a contribution of up to £5k is made towards the legal fees that might be incurred by those progressing the FAB project in finalising the agreement in advance of the Final Investment Decision for the project being made. This will allow the contribution towards the enhancement scheme to be secured prior to the scheme being implemented.

6.7 One final consideration relates to the Airport. It is proposed that the new roundabout at the eastern end of the scheme falls within the scope of the scheme. This will enable buses to travel in both directions along Long Lane whilst still accessing the Airport forecourt area. The Rigby Group have confirmed that match funding will be made available to invest in the adjacent service roads within the Airport forecourt area to support this. Compliance with airport safeguarding measures will be necessary for safety and security purposes. Part of the land is also let to Flybe and their cooperation will be required to deliver the improvements the Airport need to carry out.

7. Options assessment

7.1 Good progress has been made towards agreeing an overall scheme to upgrade and enhance Long Lane. It is considered that there are three main options in terms of how to proceed in terms of the funding and delivery of these works. These are set out below;

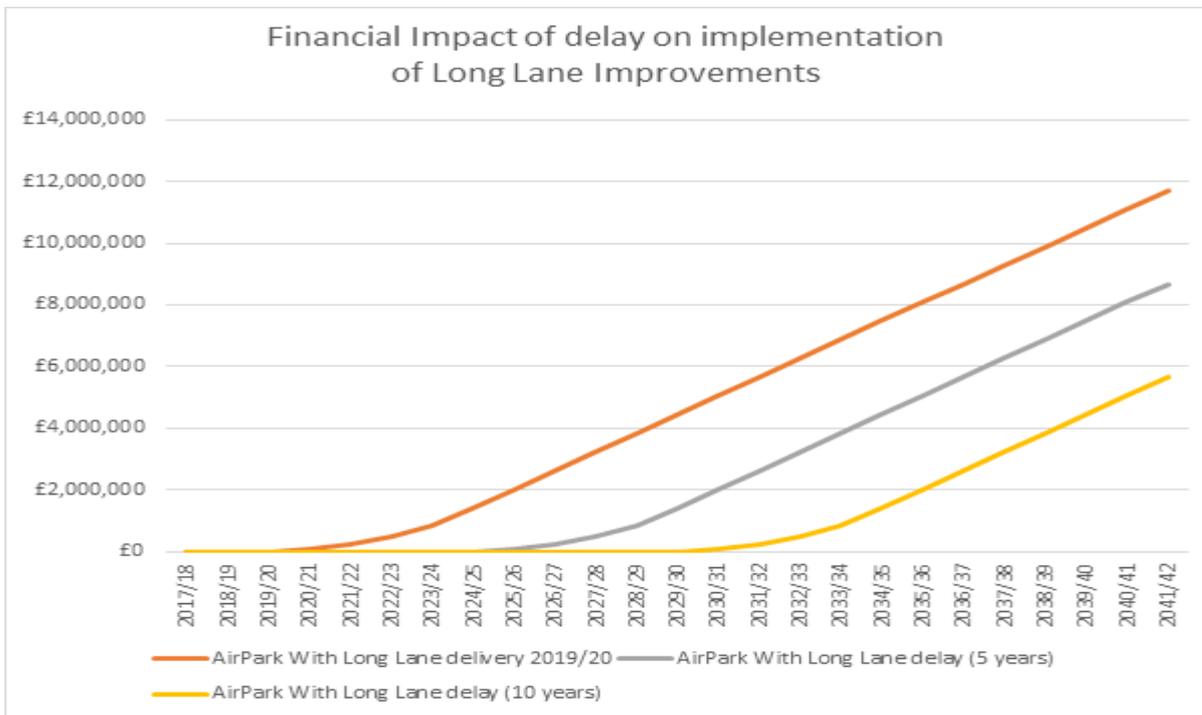
1) Implement the full scheme now

The earliest the scheme could commence is the summer of this year and would take approximately 6 months to complete. This would provide the earliest means of the unlocking the Airpark site. This would also offer a number of wider benefits, not least in terms supporting both the Airport and Flybe at a critical time in their history. Set against this is value for money. A contribution of £300k can be secured from Airpark and £670k from the FAB project but these are contingent upon these development projects being realised.

2) Delay implementation of the full scheme until such time as confirmation has been received that the FAB project is proceeding

7.2 This option would entail a minimum of a 12 month delay with knock on implications for the Airpark site. It would though enable greater certainty in terms of securing the £670k contribution towards the scheme from the FAB project. There is always the associated risk that the project never gets final investment approval and that the 12 month delay would have been nugatory.

The impact of a delay to the project on the collection of business rate income is set out below;



On average every year of delay will cost circa £420,000 of lost business rate income

3) Implement a reduced scheme now

7.3 The minimum scheme necessary to unlock the Airpark site would entail the widening of the initial stretch of Long Lane and the delivery of the Silverdown Lane link at an estimated cost of circa £1.4m. Subject to securing a proportionate contribution to these works from the Airpark site these scheme could then be progressed and potentially completed by the end of 2019. However there would be no ability to secure a contribution from the FAB Project and further works would be required if this scheme were to progress or, in the event that it didn't, to support the future growth of the Airport. There is also the risk that key landowners will no longer cooperate with the implementation of the scheme as the potential to unlock strategic development land is diminished.

7.4 Ultimately none of the three options set out above is completely satisfactory. Each has its own drawbacks and disadvantages. On balance, and weighing up various factors including addressing the uncertainty created by Brexit and the potential for short term shocks to the local economy, it is recommended that Option1 is pursued. As set out in the recommendations this is subject to confirmation of the final scheme design and the quantum and timing of developer contributions being confirmed.

8. Project appraisal

8.1 A project appraisal has been commissioned for the Long Lane enhancement works. This concludes that the investment offers very good value for money, with a Net Present Value of more than £150m over 20 years and an Economic Benefit to Cost ratio of 83 if the full £970k of private sector contributions are forthcoming or 63 if the lower amount is secured.

9. State Aid Assessment

9.1 A State Aid assessment has been commissioned from Ashfords. This confirms that the proposal is State Aid compliant.

10. Risks

There are four main risks associated with the proposals;

- 1) Scheme programme and costs – total scheme costs are estimated to be just below £3m in line with the tenders received through the Devon Minor Works framework. A detailed delivery programme needs to be worked up including mitigating associated risks of cost overruns etc. The works will need to start with the Silverdown Lane link in order to provide the diversionary route. Works to Long Lane itself will need to avoid the busy summer period
- 2) Funding package – whilst contributions totalling £970k have been agreed a formal funding agreement, including trigger points for payment, has yet to be concluded. This will need to be the subject of further negotiation.
- 3) Progression of the FAB project – this is a major infrastructure project which will cost circa £1bn to deliver. Regulatory approval has been delayed by the uncertainties associated with Brexit and ultimately may never proceed.
- 4) Landowner consent – the scheme has progressed on the basis that there is no allowance in the budget for land acquisition. This is on the understanding that all of the landowners should ultimately benefit from the enhanced scheme. Whilst negotiations have progressed well to date, legal confirmation and sign up from landowners has yet to be finally secured. Ultimately this may not be forthcoming, particularly if the scaled back scheme is pursued.

Conclusion

The Long Lane enhancement scheme is a vital infrastructure improvement that is needed to unlock development at the Airpark site as well as to secure a wider set benefits. This paper sets out an investment proposition for how this scheme can be funded and delivered.