

Report to	Audit Committee
From	Business, Growth & Infrastructure
Risk Reference	CR15
Risk Description	Regeneration & Development
Recommendation	For analysis and discussion

Key Potential Impacts

1. Northern Gateway - failure to grasp opportunity presented by the largest regeneration project to impact this part of the country.
2. Challenges faced in driving inclusive growth within the region, impacted by a slow housing market and accessing up to date planning policies.
3. Rising construction inflation and interest rate shifts increasing cost of delivering town centre regeneration and housing programmes

1. Northern Gateway

Background

The Northern Gateway is a site that is included with the Places for Everyone Development Plan. The site provides a significant opportunity to be of a transformative scale and of national and international significance.

It is proposed that the site has the capacity to deliver 1,200,000 square metres of employment floorspace, including the opportunity to incorporate a significant element of advanced manufacturing. Given the scale of the site, it will have the ability to attract inward investment into the area as well as stimulating an opportunity for existing businesses to expand and grow without having to leave the Borough.

The site will be supported by significant investment in transport, including public transport and highways. Likewise, the opportunity will be supported by partnership arrangements between businesses and educational institutions to ensure that training support is in place to enable local residents to access the thousands of jobs that the site is estimated to create (including high-skilled employment opportunities). These supporting workstreams are important to connecting our residents to the employment opportunities.

Current Position

The Places for Everyone (PfE) Development Plan Document was submitted to the Secretary of State for examination on 14 February 2022 and is now the subject of an independent examination, conducted by the Planning Inspectorate.

The formal hearing sessions are currently in progress and are expected to conclude in March 2023.

It is too early to anticipate the conclusions of the Planning Inspectorate – who's role is to either find the plan sound or unsound (with or without modifications).

It is already known that modifications to the submitted plan have been put forward, so providing the Planning Inspectorate find the plan sound with modifications there would need to be a further round of consultation before the plan could be adopted.

Assuming that the plan is sound on this basis, it is currently anticipated that the PfE will be adopted in Winter 2023

Levelling Up projects

The impact of inflation on construction material and labour costs has been a growing concern for a significant period. Prices are being affected by numerous forces including a shortage of skilled labour, high demand following the relaxation of covid restrictions, supply chain issues and increased energy costs (influenced by the war in Europe). The impact of increased energy costs has caused a 31% in construction material price over the last 12 months alone.

Cost plans developed for the Council's two Levelling Up Fund (LUF) projects in Bury and Radcliffe were developed to include estimates for future cost inflation; however, they were baselined before the Ukraine war and therefore did not include the impact of the recent energy price increases.

Both construction projects operate robust value management processes which target value for money in relation to design packages/logistics across each phase of the project life cycle alongside the maximisation of social value. This activity has been especially important in keeping cost increases due to materials and labour to a minimum, whilst maintaining project scope and LUF outcome requirements. The project team has also developed numerous value engineering options which have adjusted the scope of construction activity/design outputs to reduce cost. This activity is delivered through the external professional team and overseen via the Council's Major Projects Service, with governance / oversight from the Council's Regeneration Board. The Council also uses external consultants/bodies to carry out project assurance activity on each project to ensure appropriate due diligence.

The Council has utilised an integrated system of procurement to take advantage of contractor expertise throughout the design process. This has ensured that 'build-ability' is maximised, and construction logistics and safety are considered throughout the project. In line with best practice, the Council has utilised Pre-Construction Services agreements alongside a suite of industry standard contracts to manage construction and consultant activity in line with competitive procurement/framework processes.

The Council's Major Projects team monitor project progress on a day-to-day basis and report project progress to the Regeneration Board on a monthly basis through defined management products. These cover design progress, cost reporting/forecasting alongside stakeholder communication management.

Both the Bury Flexihall and Radcliffe Hub projects are currently approaching the completion of the penultimate stage of design (Stage 3 of the RIBA Plan of Works [Spatial Co-ordination]). Value engineering activity is still progressing at pace. Project cost reports will be presented to the Regeneration Board along with design, sustainability, and other outputs in December 2022. The risk that projects will exceed the current funding envelope cannot be ruled out at this stage and there is a high probability that either additional capital or scope reduction will be required.

Maximising funding opportunities to increase resources and capacity

A full review and monitoring of internal and external funding streams is in progress.

Additional UKSPF (UK Shared Prosperity Fund) funding has been secured to support delivery of Place projects and add value to LUF projects. Invitations to apply for additional UKSPF funding to support business support and skills are expected to be announced shortly.

Successful implementation of the team/service re-structure with realignment of services and savings of £250k

The Council has appointed two officers at Assistant Director Level to oversee Economic Development/Inclusive Growth activity and Major Project Delivery and Commercial Property Management.

Work has already been delivered to strengthen and enhance the Council's Accelerated Land Disposal Programme (ALDP), through the implementation of new governance and project management structures. The Land & Property Service expect to bring in approximately £23m in capital receipts through strategic disposals over the next 6 years, with the majority in the next three financial years. This activity is now linked closely with the Brownfield Housing Fund programme operated by the Housing and Major Projects Services. Disposals approved by the Council this year alone will lead to the creation of over 850 homes and 13,000ft² of commercial floorspace.

A detailed plan for transformation of the Council's Land and Property Service has now been completed and is now being implemented. In addition to the ALDP, the Council is now progressing options to enhance commercial income from its property assets alongside ICT improvements to enhance productivity.

