

Report of the Director of City Development

Report to Scrutiny Board (Housing and Regeneration)

Date: 7th January 2014

Subject: East Leeds Extension & East Leeds Orbital Road

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| Are specific electoral Wards affected? If relevant, name(s) of Ward(s): | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Are there implications for equality and diversity and cohesion and integration? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Is the decision eligible for Call-In? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number: | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

Summary of main issues

This report provides details of the progress in development of the East Leeds Extension housing allocation and the infrastructure works that are required to support this.

It sets out the strategic context and the role for the area in delivering housing and economic growth and contributing to the Best City ambitions for Leeds. The report provides an overview of the area including the planning context, land ownership, current and emerging development proposals and the complex delivery environment for housing growth that these create.

There is a leading role for the Council in working with stakeholders across the area, including land owners and developers, to co-ordinate and enable a response to potential blockages and to create the conditions for delivery of new homes, schools, retail and community facilities, green spaces, sports and leisure facilities, transport and movement infrastructure. The report sets out the actions the Council has undertaken and will continue with to do this, with particular reference to the need for a new East Leeds Orbital Road (ELOR) to access the development land and to provide a strategic highway connection around the edge of the city that will relieve the existing network.

The report also provides an overview of the current funding position for ELOR and how the Council is seeking both public and private funding to help deliver this.

Recommendations

Members are asked to note the report and offer comment on the issues raised.

1. Purpose of this report

- 1.1 This report responds to a request from Scrutiny Board for an update on the East Leeds Extension and East Leeds Orbital Road.

2. Background information

- 2.1 At its November 2012 meeting Executive Board approved the Publication Draft of the Local Development Framework Core Strategy, which sets out the broad spatial and land use planning framework for the district (to 2028). Central to its preparation is the desire to plan for the people and places of Leeds in a sustainable way and to meet the needs of anticipated population growth through the allocation of land for 66,000 net new dwellings over the plan period.
- 2.2 The draft Core Strategy sets out a range of principles to support this, which include the need to link this growth to the creation of sustainable neighbourhoods and to work in partnership to facilitate delivery. It also sets out the need to develop brownfield and regeneration sites as part of the overall approach to housing growth.
- 2.3 The East Leeds Extension (ELE) was identified in the Unitary Development Plan Review in 2006, as a major area to the east of Leeds (225 hectares/560 acres) to meet demand for housing in the later phases of the plan's life. It was envisaged that the development would incorporate housing, employment, ancillary and green space uses and would only come forward if it could be demonstrated as sustainable.
- 2.4 The UDP also allocates 63.8 hectares (157 acres) of land for employment uses, as a key business park, at Austhorpe (Thorpe Park).
- 2.5 In June 2011 Executive Board agreed the principle of releasing Phase 2 and 3 UDP housing allocations in order to make up the shortfall of housing land in Leeds, following a series of planning appeals on greenfield sites. As a result it is now envisaged that 5-7,000 new homes could be built in this part of Leeds (including other adjacent housing allocations and permissions) over the coming years. This would make a significant contribution to the growth targets set out in the Publication Draft Core Strategy, alongside efforts to bring forward brownfield sites for development.
- 2.6 The ELE is the single largest opportunity in the city to deliver new high quality residential neighbourhoods on allocated green field housing land. It offers a spatial focus for the delivery of the Best City ambition, building in from the very earliest planning stages the aspirations to create a Child Friendly city, meet the needs of older people, enable positive public health outcomes and to deliver attractive and sustainable travel choices and ensure that development is achieved in a way that meets the growth needs of the city whilst complementing and improving the amenity of existing neighbourhoods.
- 2.7 The process of 'place-making' for the ELE will embrace the planning and delivery of new homes, schools, retail and community facilities, green spaces, sports and leisure facilities, transport and movement infrastructure. It will require co-ordination with a range of development interests across a number of land ownerships and over a period likely to span several years.

- 2.8 A new East Leeds Orbital Road (ELOR) is required as part of the policy associated with the original ELE UDP allocation, to stretch from the Outer Ring Road at Red Hall round the east side of Leeds to Thorpe Park joining a new Manston Lane Link Road (MLLR) where it would connect into the existing highway infrastructure and link to the M1 motorway. It would effectively become a new 4.3 mile (7km) route to provide the critical highway capacity to support all allocated and approved development in the East Leeds Extension and to relieve congestion on the existing network. It would also enable new public transport connections on the route itself, release capacity on existing networks and support the provision of Park and Ride and bus services.
- 2.9 The delivery of ELOR is critical to unlocking the development capacity of the East Leeds Extension and as such has become a focus of strategic planning for the area, including its cost, funding, scope, phasing in relationship to house building and responsibility for construction.

3. Main issues

Land Ownership & Development Proposals

- 3.1 The land ownership and interests across and adjoining the ELE are complex - there are 37 individual parcels of land across 26 different ownerships, with a number of separate options for acquisition registered by developers. The area is best understood as five sections divided by the existing main routes through the area:

Section 1 – A6120 to A58 (Red Hall)

Section 2 – A58 to A64 (Northern Quadrant)

Section 3 – A64 to Barwick Road (Middle Quadrant)

Section 4 – Barwick Road to Leeds-York rail line (Southern Quadrant)

Section 5 – Leeds-York rail line to M1 (Thorpe Park)

- 3.2 An overview of the ELE and indicative route of the ELOR/MLLR is provided at Appendix 1. The report sets out below the land issues in each

Section 1 – Red Hall

- 3.3 At Section 1 of the ELE the Council owns 29 ha of land at Red Hall between the existing Outer Ring Road and the A58 Wetherby Road. Executive Board approved the relocation of parks services from Red Hall in May 2012. Work is underway to move the office functions to Farnley Hall (expected to be complete by mid-2014) and to open a new nursery at Whinmoor Grange, where it is also proposed that new sports pitches will be provided, in accordance with a planning statement approved by Executive Board in October 2012.
- 3.4 An outline development framework was approved for the Red Hall site by Executive Board in October 2013, with more detailed survey and feasibility work required to inform public consultation later in 2014 with a view to establishing a formal development brief for the site. This would support disposal and development from 2016 (and construction of the ELOR though the site) when it is anticipated that the operational facilities will be relocated.

Section 2 – Northern Quadrant

- 3.5 In Section 2 of the ELE, the Northern Quadrant consortium of landowners, led by Persimmon, submitted an outline planning application in June 2012 for the first phase of residential development on 101 ha, where they propose to build 2,000 houses together with a primary school, a local centre and associated open space. The application also includes details of the route of ELOR through this part of the allocation and related junctions on the A58 and A64.
- 3.6 The application was presented to City Plans Panel in December 2013 with a view to a determination in the final quarter of 2013/14. The consortium proposes to construct the A58 and A64 ELOR junctions up front to provide access to the site and enable development of the first phases of new homes, but would provide funding for the Council to construct the linking arms of ELOR through the site in a phased way triggered by a quantum of houses completed. The consortium would agree to the Council stepping in and delivering the road with public funds and developer contributions at any time prior to this.
- 3.7 There is a separate planning permission to Taylor Wimpey & Persimmon for 364 homes on the Grimes Dyke site off the A64 adjoining the Northern Quadrant, where work has started to form the access prior to house building. Development here can proceed without ELOR being in place.

Sections 3 & 4 – Middle & Southern Quadrants

- 3.8 In Sections 3 & 4 of the ELE, the Southern Quadrant, there are currently no proposals for development and land ownership is more fragmented. The Council owns 25 ha of land here, the majority in a single parcel on the northern side of the main Leeds-York railway line. Both Persimmon and Taylor Wimpey also have significant land holdings or options on land in this section.

Section 5 – Thorpe Park

- 3.9 To the south of this in Section 4 lies Thorpe Park where Scarborough Developments has detailed planning consent for up to 1.8m sq ft (167,000 sq m) of office development with complementary uses, together with a requirement to provide a new area of green park.
- 3.10 Approximately 600,000 sq ft (55,760 sq m) of this has been constructed and occupied. Up to 1m sq ft (92,900 sq m) can be built and occupied before a planning requirement is triggered to construct a new Manston Lane Link Road (MLLR), comprising improvements to Manston Lane itself, a new roundabout and a single-carriageway bridge over the railway line to connect the Barnbow area to the M1. No development can take place and be occupied over 1m sq ft unless the MLLR is built and has been opened to the public.

- 3.11 Scarborough Developments has an agreement with the Council under which the developer can request the construction of a bridge over the railway at its own cost, landing on the Council land to the north. This would be facilitated by an agreement between Network Rail and the Council that runs until the end of March 2015, providing the necessary rights to access its land and to commence the works. In practice, the timeframe for this agreement requires the bridge works to be brought forward as a first phase of the MLLR/ELOR.
- 3.12 Scarborough Developments has a revised masterplan for Thorpe Park to develop the remainder of the site for mixed retail, leisure and office uses. This outline planning application received Plans Panel approval in September and is awaiting issue of a decision notice, which is subject to a s106 agreement. As part of this revised approach to the site Scarborough Developments has also obtained detailed planning permission to construct the MLLR and bridge as a dual carriageway, together with land reserved for future widening, which would provide the route of ELOR over the main east coast rail line and through the business park to connect to the M1. This revised specification for the road through Thorpe Park would provide a fit with the requirements of ELOR through the other sections of the ELE.

Manston Lane Development Sites

- 3.13 Alongside the ELE, at the former Vickers tank factory in Barnbow, a first phase of development of 121 units is currently underway by Bellway Homes, the remainder of the site currently being in the ownership of Zurich Financial Services. There is also planning approval for Ben Bailey Homes to develop 138 new homes on the adjoining former Optare factory site. There is potential for development of around 620 further homes on the remainder of the two sites (879 in total), subject to the completion of the MLLR and further planning applications

Leeds City Council's Role

- 3.14 The ELOR, together with the MLLR would be a major piece of road infrastructure for the city with multiple land and stakeholder interests involved in its delivery.
- 3.15 Although there is a complex planning and delivery background to this, its construction would unlock significant development within and adjoining the ELE to assist the city in meeting its housing growth requirements and to support employment generating activities. Alongside this will be important considerations for social infrastructure such as schools, health facilities, older people's accommodation and green space.
- 3.16 It is evident that incremental development pressure is building in the ELE area, which could lead to a piecemeal delivery of the necessary infrastructure. This may not promote the proper sustainable planning of the ELE as a strategic growth point in the city's development.
- 3.17 The development of the ELE requires a whole-Council approach to working with landowners, stakeholders and communities across the area. As well as the scope for new housing, the area has potential to assist in the delivery of Child Friendly City aspirations and to embed core principles supporting the public health agenda by reducing traffic congestion on the existing ring road and in particular in Cross Gates.

- 3.18 In January 2013 Executive Board approved the principle of the Council taking a leading role in the delivery of the East Leeds Orbital Road and other infrastructure requirements and to formally engage with the landowners about the delivery process for this.
- 3.19 An officer Project Board has been established chaired by the Director of City Development, to co-ordinate the Council's approach to the ELE and to the ELOR/MLLR and to manage the required cross-service inputs.
- 3.20 Strategic relationships have been developed with the main house builders with interests in the area and dialogue is on-going with all land owners to establish their aspirations and how the Council can play an enabling and co-ordinating role in bringing forward the necessary infrastructure to support development. The Council is mindful of the need to maintain a due separation of its Local Planning Authority and commercial functions in managing engagement with all these interests.
- 3.21 The Council will also have a role in ensuring that community infrastructure to support housing development is provided in the right locations and at the right times. This will require clear strategy for the provision of green space, local retail, health and active recreation, new school places, public transport facilities and for pedestrian and cycle routes. Provision of such facilities or contributions to these will be secured through the planning process.
- 3.22 Proposals in the current planning application for the Northern Quadrant include a range of new facilities, with a local centre, site for a new primary school, green space and movement strategy all incorporated. There will also be a contribution to the provision of new secondary school places. The overall requirement of all new development in the ELE will be for contributions and potentially land for primary and secondary school provision as the forecast demand for places for children in new families moving into the area will exceed existing and planned capacity.

ELOR Feasibility & Planning

- 3.23 Although feasibility studies have previously been commissioned by third party development interests over recent years, there is a need for an objective and up to date highways engineering assessment of the scope of the road, informed by current traffic modelling and development forecasts.
- 3.24 In March 2013 a feasibility study was commissioned by the Council to establish an outline scope for ELOR, a preferred route alignment, indicative cost and potential programme for delivery.
- 3.25 This work was completed in September 2013 and reported to Executive Board in October. It establishes the need for ELOR to be a dual carriageway at any section along the route of ELOR, to have a design speed of 50mph and to limit junctions to its intersections with existing main routes. The study also provided a suitable highway alignment between the A6120 outer ring road and Manston Lane, based on national and local highways standards and guidance, to tie in with the road infrastructure proposed within the Thorpe Park master plan. The plans showing this route are at Appendix 2.

- 3.26 The feasibility work provides a total estimated cost of £74.5m for construction of the preferred route from the outer ring road at Red Hall to the M1. This is based on 2013 prices and would be subject to assumed inflation of 3% per annum up to construction date. It includes an 'optimism bias' of 45% on top of unit costs – equating to £23m of the estimate – to reflect risks associated with matters that may be unknown at this stage such as site conditions, detailed design, agreed procurement route, phasing or programme.
- 3.27 The estimate is also based upon the assumption that the road would be constructed as a single project by a single agency and therefore incorporates some economies of scale. The consultant sets out the following indicative programme to progress beyond the feasibility study:
- Sept 2014 – Stage 2 scheme validation
 - March 2016 – Stage 3 scheme assessment
 - May 2016 – Planning application
 - Dec 2016 – Statutory Orders published
 - March 2018 – Works start on site
 - Early 2020 – Scheme opening
- 3.28 The effect of the assumed inflation rate would increase the estimated out-turn cost at that date to around £91.5m, though it would be expected that the optimism bias and its impact on the estimate could be reduced over time as greater scheme certainty is achieved and areas of risk can be closed or mitigated.
- 3.29 To move forward from this feasibility stage the Council has applied for £1.31m from METRO's project development fund which has been established to support the forthcoming West Yorkshire Transport Fund. This will support the necessary scheme validation, site and ground surveys, design and planning work to enable a planning application to be prepared for the full route. This funding will be provided in tranches and an initial £350,000 has been made available to cover the feasibility work and other initial tasks to the end of the current financial year. Further tranches will be drawn down during 2014/15 to enable the survey and design works to progress.
- 3.30 Although it is possible there will be a planning approval in place for the section of ELOR through the Northern Quadrant, progress towards a planning approval for the full route will be essential to offer certainty to all interested parties, support land assembly for the delivery of the road and to support external funding bids.
- 3.31 This work will also help identify the extent to which any sections of the road can be delivered in discrete sections or phases.

ELOR Funding

- 3.32 In April 2013 an Expression of Interest was submitted by the Council, with the support of the principal development interests and land owners in the ELE, to the HCA's Local Infrastructure Fund for £15.7m of potential loan or equity funds towards the costs of ELOR across all sections of the ELE. This bid was not successful in competition against schemes elsewhere in the country that are much further advanced in their ability to deliver, but it was given reserve project status should further funds become available.
- 3.33 In his Autumn Statement on 4th December the Chancellor of the Exchequer announced that the ELOR would be moved from reserve status into active consideration for funding.
- 3.34 A process of due diligence is now underway with the HCA assessing the various aspects of the bid, working with all of the relevant development interests. It is expected that the scope for funding will be assessed and confirmed by the end of the current financial year, with an expectation of significant spend before the end of the current Comprehensive Spending Review period (March 2015) and a start to the delivery of housing outputs.
- 3.35 The principle issues to be worked through in the due diligence will be the level of planning and delivery certainty across the whole of the ELE, the ability to deliver spend and housing outputs by March 2015, the willingness of landowners to proactively re-engage and/or lead in this process (particularly as there was previously a government expectation that bids be private sector-lead) and the terms on which funding could be offered, which may not be commercially attractive to the developers or be better than prudential rates that the Council could secure.
- 3.36 Following the agreement of the Leeds City Region local authorities this year, work is now underway to establish a new Combined Authority, through which a new West Yorkshire Transport Fund (WYTF) will become operational later in 2014, with the aim to establish a £1bn funding pot to support strategic schemes across the city region.
- 3.37 The provisional WYTF programme has £50m earmarked to ELOR, based on an assumed £100m scheme cost. It is not yet clear if the grant would remain at the same amount or would be offered at the same 50% rate of a reduced overall scheme cost (the feasibility estimate for ELOR excluding the Thorpe Park & Manston Lane sections is £49m at 2013 prices). The Council's emerging financial modelling will assume two scenarios to reflect this.
- 3.38 The Council is also currently preparing its input into the Leeds City Region Strategic Economic Plan, which will be the Local Enterprise Partnership's bid into the Local Growth Fund, a £2bn fund for 2015/16 open to national competition to all LEPs. As a priority pipeline project it is anticipated that the East Leeds Extension/East Leeds Orbital Road will form part of the Strategic Economic Plan, which is to be submitted to government in draft in December and finally submitted in March 2014.

ELOR - Financial Modelling & Developer Contributions

- 3.39 Officers have been in discussions with the developers of the Northern Quadrant over the basis of a developer's contribution to ELOR through that part of the East Leeds Extension, which would form part of a s106 agreement.
- 3.40 In simple terms, in knowing the likely full cost of each section of ELOR, a per dwelling financial contribution can be derived from the total likely development capacity for each quadrant of the ELE.
- 3.41 Work is ongoing to develop a financial model for the delivery of ELOR, which assumes this approach to developer contributions in each section as a starting point but also that there will be several scenarios where public funding could be available either in the form of grant (eg through the WYTF) or through loan/equity that requires a commercial return (eg through the Local Infrastructure Fund).
- 3.42 The financial modelling will enable the Council to identify how these public funds could be brought to bear in an efficient and equitable way across the whole route of ELOR, to ensure developer contributions are maximised whilst fairly reflecting the costs of borrowing and cash flow or the benefits of any grant in each section.
- 3.43 The model will include a number of sensitivities and flexibilities to enable agreed principles to be reached with all developers. The model will cover two broad scenarios – ELOR being built as a single project and ELOR being built in phased sections – and will be varied with different assumptions around funding mix and timescale for recovery of costs through developer contributions, to show the overall cost of delivery in each case.
- 3.44 It may also be the case that a viability test will need be applied to ensure the developers' contributions, when considered with other planning and infrastructure requirements, do not affect viability or commercially inhibit development. Equally it will be necessary to ensure that any public funding contribution does not become a subsidy to development or substitute any planning gain that would ordinarily be obtained through s106 or CIL.
- 3.45 Discussions have taken place with the Northern Quadrant consortium regarding this approach in respect of the first planning application that has come forward, but other principle landowners are now being engaged with a view to shaping a potential accord on these matters and agreeing how developer contributions may be secured under a strategic approach over the full ELE area.

4.0 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 There has been no specific consultation on this report, which presents information for discussion by the Scrutiny Board.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 There has been no specific Equality Impact screening undertaken for this report, which presents details of activities already undertaken and screened.

4.3 Council Policies and City Priorities

4.3.1 The ELE and ELOR are included within the allocations and policies of the Unitary Development Plan. The ELE will be retained as a housing allocation in the Local Development Framework.

4.3.2 The delivery of this housing and the related infrastructure relate very strongly to the Vision for Leeds to 2030, which states that the city will be prosperous and sustainable, with a strong local economy driving sustainable economic growth and sufficient housing to meet the needs of the community.

4.3.3 The Leeds City Council Business Plan to 2015 includes the aspiration to provide clear, accountable civic leadership that unites public, private and third sector partners to deliver better outcomes for people in Leeds. This report sets out further details on how the Council can play this role in relation to delivery of the ELE.

4.3.4 The Business Plan also has specific priorities for City Development to create the environment for partnership working, to identify strategies to support the delivery of new housing and to create a safe and efficient transport network, all of which would be progressed through the ELE/ELOR. The approaches set out in this report will also assist in delivering the Council's Child Friendly City aspirations by enabling a co-ordinated approach to the provision of new homes, open spaces, schools, transport and traffic to ensure the needs of children and young people are considered in the very early stages of planning.

4.4 Resources and Value for Money

4.4.1 There are no specific resource implications related to this report, which presents information for discussion by the Scrutiny Board.

4.5 Legal Implications, Access to Information and Call In

4.5.1 There are no specific legal implications related to this report, which presents information for discussion by the Scrutiny Board.

4.6 Risk Management

4.6.1 There are no specific risks related to this report.

5. Conclusions

5.1 The East Leeds Extension is a significant opportunity for both Leeds and the City Region. It is the single largest opportunity in the city to deliver new high quality residential neighbourhoods with a range of integrated community facilities on allocated green field housing land, where the Best City ambitions can be embedded at an early stage. The delivery environment for the East Leeds Extension is however complex and requires the co-ordination of a range of land, property, commercial and planning matters.

5.2 The Council is taking a leading role in this, in particular co-ordinating work with all stakeholders to bring forward the delivery of a new East Leeds Orbital Road as crucial infrastructure to support the development of up to 7,000 new homes within and adjoining the allocation, which would bring related investment in new neighbourhood and community facilities. The Council is doing this by:

- land and legal agreements put in place to enable construction of the Manston Lane Link Road and Thorpe Park sections of ELOR;
- developing proposals for its own land holdings at Red Hall and the section of ELOR through this;
- completing up-to-date feasibility and assessment of the scope for ELOR through the full length of the ELE, establishing an outline cost and programme;
- engaging with all landowners about their development aspirations and how the ELOR could be delivered;
- leading on funding discussions with developers and with public funding sources and establishing financial modelling through which the costs and funding could ultimately be agreed and managed with all stakeholders.

5.3 The Council is also now taking forward the detailed technical and design work required to move the ELOR project on from feasibility to planning application stage.

6. Recommendations

6.1 Members are asked to note the report and offer comment on the issues raised.

7. Background documents¹

7.1 There are no unpublished background documents.

¹The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.