

SUBJECT:	CHARTERHOLME DELIVERY – EASTERN ACCESS & FIRST 52 HOMES (ONE@CHARTERHOLME)
DIRECTORATE:	MAJOR DEVELOPMENTS
REPORT AUTHOR:	JO WALKER – ASSISTANT DIRECTOR, WESTERN GROWTH CORRIDOR

1. Purpose of Report

- 1.1 To provide an update on the delivery of the Eastern Access, including the rail overbridge, and the agreements which are in place with Network Rail and Lincolnshire County Council.
- 1.2 To provide an update on the development of the first 52 homes and to set out options for the management of the residual public open spaces within this phase.
- 1.3 To outline the ongoing work with partners in relation to the detailed design of the site wide infrastructure and the prospective funding arrangements to support its delivery.

2. Eastern Access

- 2.1 In July 2024, conditional approval was granted by the Executive to progress with the delivery of the eastern site access from Tritton Road, with the works to include a vehicle and multi-user bridge oversailing the railway line.
- 2.2 This decision was subject to final approval of the technical designs and legal agreements being in place with Network Rail (NR) and Lincolnshire County Council (LCC) to set out the arrangements for the construction, adoption, maintenance and the granting of rights in respect of the resulting infrastructure.
- 2.3 At the time of the decision, negotiations were still underway with both NR and LCC in order to finalise a position in respect of future liability for costs, should the bridge require modifications to accommodate longer-term changes to the railway. The City Council was originally asked to indemnify both LCC and NR against any claim for future costs in perpetuity. A detailed risk assessment was carried out at the time and whilst the likelihood of a claim was considered to be very low (as a result of design mitigations, land ownership arrangements and further statutory controls), the potential magnitude, however unlikely, was still a significant concern.
- 2.4 A solution was brokered following further dialogue with LCC, such that the County Council agreed to accept this liability clause from the point of adoption, thereby limiting the City Council's exposure to this particular obligation, to the construction phase only.
- 2.5 As such, the City Council and Lincolnshire County Council were able to enter into their respective 'bridge agreements' with Network Rail to cover the arrangements for the construction and adoption of the resulting asset in September 2024.

- 2.6 For its part, the City Council has entered into an Outside Party Asset Protection Agreement (OPAPA) with Network Rail to cover the construction of the bridge structure and a small parcel of land to the west of the railway is being transferred from Network Rail to allow for the building of the bridge and associated drainage culvert. The OPAPA and the land transfer also covers the grant of rights across the airspace. An Option Agreement has also been agreed in outline to cover the arrangements for the building of future bridges as envisaged within the original planning consent for this scheme.
- 2.7 Lincolnshire County Council has entered into a Structures Agreement with Network Rail, which covers an obligation to adopt and maintain the bridge structure on completion of the bridge and associated maintenance period.
- 2.8 Having settled the position with LCC and NR, on 17th September 2024 the City Council was able to enter into contract with John Graham Construction Limited for the delivery of the bridge and access road. Works are now progressing at pace and to programme, for anticipated completion in March 2026.
- 2.9 Notable progress includes the completion of the haul route across the site; utilities diversions to the east of the railway/Tritton Road; bulk earthworks in building up the embankment to the east and west of the railway, and the installation of the RECO walls to form the bridge abutments east and west of the railway. Bridge beam fabrication is also underway to enable the installation of the bridge across the railway, under possession, from April 2024.
- 2.10 The City Council has also entered into a Section 278 Agreement with LCC which permits carriageway works to the existing highway at Tritton Road to form the bell-mouth and a new signalised junction to serve the site once housing development commences. Additional works to tie in with Tritton Road and Dixon Street junctions is also part of this scope of works.

3. Charterholme and First 52 Homes

- 3.1 In addition to the bridge works, the City Council has now entered into a Development Agreement with Lindum Developments Limited for the delivery of the first 52 homes, following the Executive decision in July 2024 and final approval of the legal drafting and associated finances, in line with that decision.
- 3.2 Works have now commenced on site for the first phase of 19 homes, which are due to be completed in summer/autumn 2025 onwards.
- 3.3 In preparation for the marketing and sale of these first homes, the development site has now been rebranded with the launch of 'Charterholme' in December 2024. The first 52 homes will be known as 'One@Charterholme' for marketing purposes.
- 3.4 By way of further preparation, ahead of housing sales and the delivery of the development over the next 2-3 years, arrangements for the management of the residual green spaces and common areas also need to be determined.
- 3.5 Whilst this first phase can be dealt with on a discrete basis, it is important to consider this in the context of the wider site proposals for green space. Further common areas

and parkland spaces will be created within the future development parcels, in addition to the strategic 'Central Park' in the middle of the site. The design proposals for these spaces will be set out within a design code, with detailed proposals forming part of future planning applications (reserved matters). Whilst the detail therefore is still to be worked through, the principle of creating high quality spaces with a consistent and robust approach to management is accepted by the City Council and adjoining landowner, Lindum, in order to create an attractive place where people want to invest and live.

3.6 The options for phase 1 are broadly:

- to transfer the land into a Management Company, which will ultimately be managed independently of the Council, with costs recovered via a service charge on the new home-owners.
- to retain the land and to manage these spaces directly, utilising existing contractual arrangements or via the procurement of a separate managing agent. Again, the Council has the option of recovering the costs via a service charge.

3.7 At this stage, it is proposed that the Council retains the land. This allows for flexibility to embed the management of the first phase with any future management arrangement to ensure consistency across the development.

3.8 It is also proposed that a service charge is implemented in order to cover these costs. The application of a service charge is commonplace on new developments of this nature and is a mechanism to ensure that quality spaces are maintained. This is particularly important for this gateway site, to set the standards for future phases and given that this phase consists of 100% market homes. It is also considered appropriate to ensure a consistent approach to the funding arrangements for open spaces within the subsequent development parcels.

3.9 If the Council decides to recover the cost of providing services through a service charge, it would typically work as follows. The Council would retain ownership of the land in respect of which management services are to be provided and would not (for now) grant any derivative interest in it. Subject as below, it is not necessary to transfer the land to a separate management company. The services to be provided would include grounds maintenance and street lighting for the areas retained – note that the street lighting on the adopted highway will be the responsibility of Lincolnshire County Council, as highways authority.

3.10 Administration would be managed and co-ordinated through the Directorate of Major Developments (DMD) in conjunction with other Council services, or via the procurement of a managing agent.

3.11 The provision of management services as described in this report falls within the Council's general power of competence in the Localism Act 2011. Further, as a discretionary service the Council has powers to charge for such services under section 93 Local Government Act 2003. This is subject to the critical requirement that the level of income is restricted to the amount it costs to provide the services. The Council is not constrained as to how it calculates costs, so it can include the full cost of all aspects of service provision, for example the costs of providing the infrastructure

to provide the services. Further it is lawful to recover, for example, the ongoing costs of Officer time in managing a scheme.

- 3.12 Trading powers allow the Council to trade commercially – i.e. with a view to profit - but these powers must be exercised through a company. Before exercising the trading power, the Council would be required to prepare and approve a business case setting out the objectives of the business, the investment and other resources required to achieve the objectives, the risks the business might face, the financial results of the business and any other relevant outcomes. If the Council were to provide any resources to the company, such as accommodation, staff or services, it would have to recover the costs of these.

- 3.13 Given that Phase 1a includes only 52 homes, and so the requirement for management services is relatively small, Officers consider that creation of a company, with governance and audit requirements, is premature. However, if the service charge option is chosen, then depending on lived experience of delivery of management services Officers propose that the Council should retain this as a future possibility for service delivery to Phase 1a and to future stages of the overall development. Any such proposal would be subject to appropriate consultation, necessary authority and preparation of an appropriate business plan to include an evaluation of risk.

- 3.14 The Council's development partner for this first 52 homes, Lindum Developments Limited, is responsible for settling conveyancing documentation for plot sales. This includes obtaining estate layout approval from HM Land Registry. If the service charge option is selected, the standard plot sales documentation will include a mechanism for collection.

- 3.15 The estimated maintenance and management costs for the retained areas are in the region of £13,000, equating to an estimated charge per plot of £250 per annum. This level of service charge is in line with other developments of a similar scale.

- 3.16 Conveyancing documentation would provide for the Council:

- to prepare a budget with an estimate of the annual charge, on an ongoing basis, to coincide with the Council's financial year. The budget would include a reserve and contingency element so as to fund any unforeseen issues and would be subject to inflationary increases;
- to recover an on-account payment to the end of the financial year as an interim payment as part of the sums due on completion;
- to collect service charge annually, with half-yearly payments due from plot owners;
- to charge interest and collection costs on overdue payments;
- to have the benefit of a restriction on individual plot titles such that a plot owner would require a certificate from the Council to dispose of their interest, in order to ensure a means for recovery of unpaid charges. This would be postponed to a purchase money mortgage, in accordance with mortgage lender requirements, and is common in structures of this nature;
- to roll forward any surplus or shortfall and to offset it against or charge it to the following year's budget;
- to have the ability to transfer the operation into a trading company, whether owned by the Council or not. Any such proposal would be subject to detailed

evaluation, business planning, and consultation with plot owners at the appropriate time;

- to establish a consultative committee for plot owners and residents to enable residents to have their say on how maintenance services are provided on an annual basis.

3.17 Any service charge arrangements would be transparent for plot owners. This is important to ensure that there is no trading profit (and therefore lawfulness), and also for reputational purposes – Officers are acutely aware of service charge sensitivities.

3.18 The above proposed arrangement is considered to be a fair and transparent way to manage the common areas to a high standard, retaining Council control and allowing for future flexibility as the development progresses, whilst providing certainty of exposure for homeowners.

3.19 A further report to Executive will be presented in due course to set out the site wide management arrangements, once the design and scope for the central green area is further developed and the design parameters for the development parcels has been crystalised, alongside the funding arrangements for the delivery of the site wide infrastructure.

4. Site Wide Proposals

4.1 As set out in previous reports, Officers are continuing to work with partners such as Homes England to seek to secure a further funding package to support the delivery of the wider site infrastructure such that the Council can maintain its role as master developer and deliver fully serviced housing sites to the market, for third party development or for the direct delivery of its own Council housing stock.

4.2 In support of this process, work is ongoing to progress the design of key infrastructure, such as the spine road, including the earthworks and drainage. Further work is ongoing on the masterplanning and the detailed design codes that will form the basis of our housing development requirements. Finally, technical support has been commissioned to advise on the highway and planning requirements and how these can be appropriately dealt with in a reasonable and proportionate way, without undermining our ability to deliver quality housing and place-making to create the Charterholme community.

4.3 It is expected that the designs for the proposed spine route will be ready for submission to the Local Planning Authority (LPA) by March 2025, following a collaborative design process over the past several months. An updated Drainage Strategy has also been completed and the wider masterplanning and design coding work is also expected to complete in March 2025. Officers are also working with appointed infrastructure contractor, John Graham Construction, to review the delivery plan for the eastern spine route and development platform, such that the Council would be able to proceed with delivery following completion of the bridge works and subject to securing the required capital grant to allow for the forward funding of this work, ahead of parcel/housing receipts.

4.4 In this regard, a full business case for funding is being prepared for completion this Spring, with a decision expected in Summer 2025. A further report will be tabled to

update on the design and funding proposals once there is more information to present.

5. Strategic Priorities

5.1 Let's drive inclusive economic growth

The proposals in this report will enable the development to progress and create further opportunities for housing growth, contributing directly and indirectly to the economic growth of the city.

The creation of the access to the east and the prospect of future funding will provide the opportunity to deliver a connecting spine route thereby opening up the full potential of the site and resulting opportunities to support sustainable economic growth.

5.2 Let's reduce all kinds of inequality

The development will bring a number of positive benefits in respect of reducing inequality and supporting inclusive growth through the provision of affordable housing, sustainable transport links and wider energy efficiency measures, employment opportunities and access to leisure and green spaces.

5.3 Let's deliver quality housing

The first 52 quality homes are underway. The delivery of the Eastern Access will directly open up the land within the ownership of the City Council and forming part of the Western Growth Corridor site. This will provide the opportunity for the delivery of a range of housing across all types and tenures to serve the needs of the City. The Council will be ensuring that a high quality of development is achieved, in line with its objectives and wider vision statement to create sustainable, inclusive communities.

5.4 Let's enhance our remarkable place

The area for development has a high-quality environment and some very special attributes in terms of existing quality landscape, views of the historic area and the biodiversity of the natural environment that will be utilised to create a quality community environment. The detailed development proposals for both the infrastructure and subsequent housing development will be required to take account of these assets and to seek to preserve key landscape features and to enhance biodiversity across the site.

The proposal for the first 52 homes will safeguard the quality of the environment at this gateway site to set the standards for the subsequent development.

5.5 Let's address the challenge of climate change

The vision for Charterholme is to deliver a high quality, sustainable development which seeks to address the challenge of climate change in terms of the overall scheme design and its constituent parts – housing layout and built form, energy, biodiversity, transport and construction methodology.

In respect of the Eastern Access, the value engineering and design process is seeking to improve the overall design, to reduce the quantum of material to be used and to seek to source this sustainably. The opportunities identified to date will realise a 50% reduction in fill material, with greater potential still to be explored leading to significant carbon (and cost) efficiencies. A sustainability report assessment is being carried out to compare the previously-approved bridge solution to the current proposal.

In respect of the first phase of housing, a sustainability report has been provided which demonstrates that the proposals will deliver a scheme which will produce 87% less carbon than a standard building regulation compliant scheme. The proposals will go further than this, exceeding the proposed Future Homes Standard for development.

This demonstrates the Council's commitment to leading the way in the delivery of a new standard of housing, which is differentiated from the existing market offer and a positive and significant step towards the delivery of net zero development.

6. Organisational Impacts

6.1 Finance (including whole life costs where applicable)

First 52 Homes

Projected costs for the management of the retained spaces are in the region of £13k per annum. These costs should be set out within a service charge schedule and apportioned and recovered from the new property owners. A separate earmarked reserve will be established to roll forward any surplus or shortfall arising each year, as a result there should be no impact on the Council's revenue budgets.

Based on the potential Council Tax banding of the first 52 homes, the projected additional Council Tax revenue is estimated to be c £13k p.a (this is the City Council's share only). While this would fund the cost of delivering the management services, the Council's Medium Term Financial Strategy is based on assumptions of growth in housing numbers and Council Tax each year, as a result an element of the c£13k p.a. is already built into the budget forecasts and is not additional resource.

Applying a service charge for the management of the retained spaces will therefore ensure that the Council is able to recharge the additional costs it will incur.

Network Rail Land/Rights

The funding for the main bridge rights and land transfer was detailed in the report to Executive on 22nd July 2024. There are no further financial implications arising as a result of this report.

6.2 Legal Implications including Procurement Rules

The provision of management services as described in this Report falls within the Council's general power of competence in the Localism Act 2011. Further, as a discretionary service the Council has powers to charge for such services under section 93 Local Government Act 2003. This is subject to the critical requirement that

the level of income is restricted to the amount it costs to provide the services. The Council is not constrained as to how it calculates costs, so it can include the full cost of all aspects of service provision, for example the costs of providing the infrastructure to provide the services. Further it is lawful to recover, for example, the ongoing costs of Officer time in managing a scheme. The proposal is cost-neutral to the Council, and the scheme would be self-sustaining on an ongoing basis.

6.3 Equality, Diversity and Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out its day-to-day work, in shaping policy, delivering services and in relation to its own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities

The detailed design process for the bridges, homes and wider site masterplanning has and will continue to have due regard to the above objectives, in conjunction with the wider legislation which must be adhered to in connection with the design and delivery of highway and development projects.

Additionally, the implementation of a service charge has been considered in respect of the level of affordability, commensurate with other, similar private sector schemes and in order to ensure VfM and transparency.

6.4 Human Resources

A combination of internal Officers and specialist external advice has been procured to support the delivery of the scheme. Further resources will be required to deliver the wider scheme, which will be subject to future funding decisions as noted in this report.

6.5 Land, Property and Accommodation

First 52 Homes

The land which is not to be conveyed as part of the 52 plot sales, and which sits outside of the limits of adoption by the Local Highways Authority/Water Authority, is proposed to be retained and maintained by the Council, with costs recovered under service charge.

Network Rail Land/Rights

As reported in July, the Council is acquiring a small parcel of land from Network Rail to allow for the bridge construction and the culverting of an existing ditch. Additionally, Network Rail have granted the Council 'air rights' across the railway for this bridge.

6.6 Corporate Health and Safety Implications

A Health & Safety assessment has been undertaken in respect of the contractor selection process, to ensure compliance with the Council's Control of Contractors procedure.

A Principal Designer (PD) has been appointed in respect of the homes and also the Eastern Access to ensure compliance with Construction Design & Management (CDM) Regulations 2015.

7. Risk Implications

- 7.1 A risk register is in place for the delivery of the Eastern Access and the first 52 homes, where the Council is leading delivery, which includes:

Financial – ability to deliver the project within budget:

Early contractor engagement is underway to review design and value engineering opportunities, there is a fully costed risk process and risk register in place with key risks such as weather and ground transferred to the contractor. Further risks are mitigated through the enabling works package. Contingency allowances and arrangements are in place for the deferral of fees to provide a further contingency buffer. Future funding opportunities are being pursued to allow for wider risk management. Land value uplift (to the HRA) arising from the delivery of the bridge provides further mitigation.

Financial – funding and risk of claw-back:

Regular dialogue and monitoring with DfT; discussion and understanding of need to undertake early work to determine deliverability; agreement to principle of flexibility and redistribution of match funding between financial years so that LUF funding is utilised first; approval of the change in scope to remove the footbridge (for now).

Financial – funding and risk of non-payment of partner contributions

The Council currently has a Parent Company Guarantee in place with Lindum Group to mitigate risks under the development agreement for the first 52 homes and bridge works.

Financial – liability for future costs in respect of the maintenance period or future requirements from Network Rail

The Council has transferred risks as far as possible within the contract for works and via the Structure Agreement between LCC and NR to mitigate risks as far as possible.

Programme – ability to deliver the project to programme:

Utilising compliant framework for procurement, early contractor engagement to establish feasibility and deliverability, detailed programming, contract provisions to reduce client risk, fully costed risk register and programming contingency to allow for some float, early assessment and booking of key dates relating to possessions over the railway.

Resource – capacity and expertise to deliver:

Experienced, specialist civils contractor to lead on design and build basis, external project manager/cost consultant to oversee, support client and provide due diligence;. Support from internal qualified and experienced Solicitor on all legals, an internal

experienced Construction Manager on operational aspects, and appropriate supervision throughout.

Key risks and mitigations in respect of the delivery of the Phase 1a Homes include:

Scheme viability and ability to fund/finance – phasing the scheme, option not to continue beyond phase 1 in the event of market failure;

Funding clawback – Council has drawn down full Local Authority Accelerated Construction funding allowance and is in regular dialogue with Homes England as part of the ongoing monitoring requirement to discuss changes to the delivery programme;

Scheme delay/increase in costs – full review of cost provisions, including inflationary allowances; fixing costs/programme parameters to reduce risk to the Council; dedicated project manager/QS, contract provisions and contingencies;

Market conditions impacting house prices and land value return – delivery mechanisms to share risk/return, control of build-out programme, phasing and contract provisions;

A further risk to the overall delivery is the Site wide viability - whereby costs exceed the projected returns that can be derived from the site as a whole. This is on the basis of the additional, significant infrastructure and abnormal costs, coupled with a market down-turn which is depressing current values. The key mitigation is to continue pursuing additional external funds in combination with reducing risk through the design development process to increase the potential commercial return in addition to affordable housing delivery, in collaboration with strategic partners, particularly Homes England.

8. Recommendations

- 8.1 To note the progress with the delivery of the Eastern Access and the provisions that have been agreed to assist in managing the longer-term risks for the Council.
- 8.2 To approve the proposals for the management of the retained areas in respect of the first 52 homes, namely that these are retained by the Council and a service charge is levied as set out within this report.
- 8.3 To note the work towards a potential future funding package to support accelerated delivery.

Is this a key decision?

Yes

Do the exempt information categories apply?

No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?

No

How many appendices does the report contain?

None

List of Background Papers:

Lead Officer:

Kate Ellis – Strategic Director of Major Development
Email address: kate.ellis@lincoln.gov.uk