

North East Lincolnshire Council

Mitigation Report

Date of submission: 6th December 2023

Approved by SHIP Board

Section 1. Introduction

- 1.1)** The South Humber Gateway (SHG) is located on the south bank of the Humber estuary in northern Lincolnshire. Covering an area of approximately 1,000 hectares it represents one of the largest potential development areas in the UK. The area is immediately adjacent to the Humber Estuary which is recognised for its importance for wildlife at both national and international levels. The Humber Estuary is designated as a Special Area of Conservation, a Special Protection Area, a Ramsar site and a Site of Special Scientific Interest. These designations mean that great care is required when undertaking works which may result in negative impacts on the wildlife interest features of the Estuary.
- 1.2)** In recognition of its value for biodiversity the Humber Estuary has been designated for its national, European and international importance. The Humber Estuary and the populations of wild birds it supports are afforded special protection being designated at national and international levels.
- 1.3)** The development of all or most of the SHG area is considered likely to lead to a significant loss of this supporting terrestrial habitat and it is not possible to conclude that an adverse effect on the integrity of the SPA will be avoided. The Conservation of Habitats and Species Regulations 2017 require that appropriate mitigation must be provided to offset the loss of habitat used by SPA/Ramsar waterbirds. These mitigation measures must be in place prior to planning permission being supported.
- 1.4)** The Council will through delivery of the mitigation sites ensure that sufficient mitigation land is always in place to support the development of employment sites. This approach will ensure the balance of mitigation land to developed employment sites on the South Humber Bank always remains effectively "in credit".
- 1.5)** In all circumstances, developers within the area will be expected to provide a financial contribution towards the cost of strategic mitigation provision in lieu of on-site mitigation. This is based upon an equal cost for each developer based upon the land take, i.e. a cost per hectare (to one decimal place) of the development site.
- 1.6)** Planning legislation requires that responsibility for ensuring that the negative impact of development is appropriately mitigated rests with the developer. All development proposals within the Mitigation Zone will therefore be expected to contribute financially to the implementation of the Mitigation Strategy. This money will be used to support the securing of mitigation land and delivering future management and monitoring. Contributions are anticipated to be secured either through Unilateral Agreements or s106 agreements.

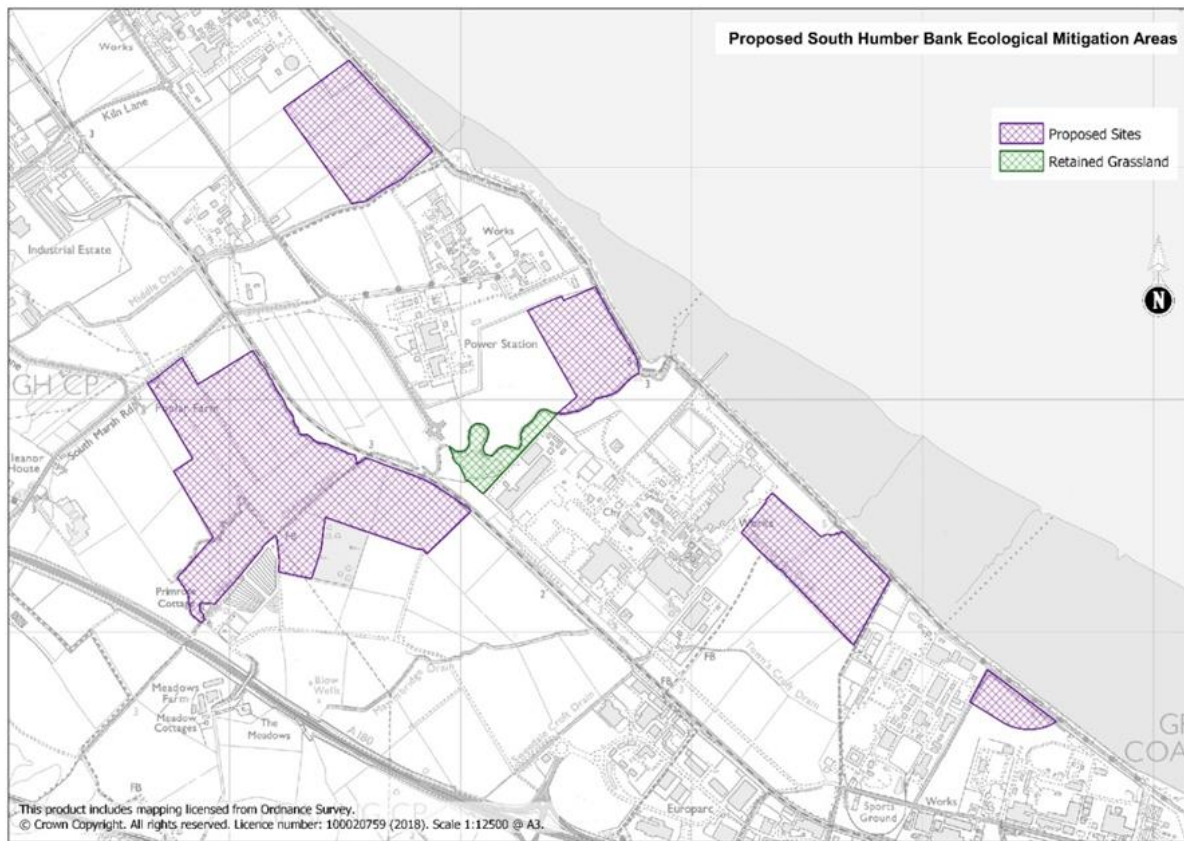


Figure 1 South Humber Bank Ecological Mitigation Sites

Section 2. Historic position

2.1) How was the current contribution was calculated?

Analysis of the Employment Land Review indicated that within the proposed Mitigation Zone, the total theoretical area of developable land equated to 481ha. This included all available land with some potential for future development. Prior to the implementation of the strategic approach initial estimates of future costs were set out, which are set out below;

A) Total cost of implementation of all sites.

- Habitat Creation £1,380,500
- Management £894,000
- Land Acquisition £3,296,000 - £4,560,000

B) Total land area with theoretical development potential 481ha

2.2) The contribution sought from developers was therefore based on the following equation:

Total cost of land / total land area with theoretical development potential.

The Council set a contribution figure of £11,580/ha (£4,685/acre) within the Local Plan Policy 9 Habitat Mitigation – South Humber Bank.

Section 3.

3.1) Delivery to date

Currently, (August 2023) two of the five identified mitigation sites have been developed by the council. The site on the former Tioxide development site has been delivered but does not form part of the strategic approach set out under the Local Plan policy. Development of this site was related to planning application DM/0304/17/FUL details provided in DM/0517/19/CND.

The two sites have been developed by the council. The Cress Marsh Site (a large element of the inland site) currently totals 39.9ha and was delivered in May 2020. The second site, Novartis Ings 20.23ha was delivered in August 2022.

Details of the actual costs related to the development of these sites is provided below:

3.2) Cress Marsh

- | | |
|--------------------|------------|
| • Land acquisition | £3,011,987 |
| • Construction | £1,207,000 |
| • Management | £38,938 |

Total £4,257,925

3.3) Novartis Ings

- | | |
|--------------------|------------|
| • Land acquisition | £131,750 |
| • Construction | £1,299,763 |
| • Management | - |

Total £1,431,513

The Total costs to date (August 2023) are therefore, £5,689,438.

The management cost shown for Cress Marsh is actual cost. There are no management costs recorded for Novartis Ings yet as it is a new site.

3.4) Costs broken down by area.

	Cress Marsh	Novartis Ings
Land acquisition	£ 3,011,987	£ 131,750
Construction	£ 1,207,000	£ 1,299,763
Management	£ 38,938	
Total gross cost	£ 4,257,925	£ 1,431,513
Habitat area (Ha)	£ 40	£ 21
Land cost/Ha	£ 75,300	£ 6,274
Construction/Ha	£ 30,175	£ 61,893
Management/Ha	£ 973	
Total cost/Ha	£ 106,448	£ 35,788

Section 4.

4.1) Comments on Delivery to date

The costs outlined above clearly show a significant increase from those originally estimated before implementation. They also highlight the disparity in costs between the two sites that have now been constructed.

4.2) Land Acquisition

The largest difference is the cost of land acquisition. This can be partly explained by the fact that over half of the Novartis Ings site was gifted to the council by Novartis as a legacy to their 50 years as a large local employer. The balance of Novartis Ings was purchased at the equivalent agricultural value at that time of £21k/Ha.

The Cress Marsh land was transacted at a higher cost as it was essential in enabling other projects and in meeting programme deadlines.

4.3) Construction

Construction costs per hectare at Novartis were twice that at Cress Marsh. There are two main reasons for this.

- a) Since Cress Marsh was tendered for in 2018 the cost construction materials increased significantly.
- b) The pumping station at Novartis Ings was moved over 500m upstream from the sea-wall outlet to ensure that no future leachate would contaminate the water source.

4.4) Management

The costs shown for Cress Marsh are the actual costs for 12 months. The Novartis site is recently completed and as, yet no actual management costs have been provided.

Section 5. Adjustments

5.1) Grant Funding

The original mitigation strategy referred to future funding that had been secured from the Greater Lincolnshire Local Economic Partnership (GLLEP) as part of the government Local Growth Fund (LGF) initiative. However, this was not factored into the initial cost plan. It is appropriate therefore to make certain adjustments to reflect the true cost. There was also funding from the European Development Fund to consider.

1. GLLEP £2,000,000

2. ERDF £1,236,600

Total Received: **£3,236,600**

5.2) Link Road

A further adjustment needs to be made to recognise potential contribution losses. This addresses contributions that would have been paid by a developer, but which will not be received.

When the council developed the South Humber Bank Link Road (Energy Park Way) land was required to implement the scheme. Under the mitigation approach land was required to be drawn down from the mitigation pot to offset the land taken and this would normally have resulted in a payment. In this case, as this was a council scheme no payment was made, but an allowance of £47,478 needs to be included.

As a guide the land taken from greenfield land was approximately 50% of the total site area, as the new road in part followed the route of an existing highway. Therefore 4.1ha would be subject to the contribution, which would have required a payment of £47,478.

5.3) Total Adjustments

Total adjustments therefore amount to £3,284,078 when these two elements are combined.

Section 6.

6.1) Future Cost Estimates

Construction costs

Actual and Estimated Future construction cost calculations

Mitigation Site	Tot Ha's	Actual/Est	Actual/Est Co	Cost/Ha £k	
Cress Marsh (CM)	40	Actual	£ 1,207,000	£ 30,175	
SRSE (adj to CM)	21	Est	£ 1,130,478	£ 54,751	
Tronox (adj to CM)	9	Est	£ 487,657	£ 54,751	
Novartis Ings	21	Actual	£ 1,299,763	£ 61,893	
RWE	13	Est	£ 881,486	£ 65,978	
Cristal (Main Site)	21	Est	£ 1,130,486	£ 54,751	
			£ 6,136,871		
		RWE	£ 150,000	Additional pumping station cost	
			£ 731,486	base cost at £54.75k/ac	
	-		£ 881,486	Total cost	

- 6.2)** The actual cost of construction at Cress Marsh, including the work to improve access to water, was just over £30k/Ha. However, by the time Novartis was completed in 2023 construction costs had significantly increased. In addition specialist pumping arrangements added another £150k to the overall cost. The resulting cost was £61.9k/Ha.
- 6.3)** If the one-off cost of £150,000 is removed from the Novartis Ings total the base cost for construction is £54.7k/Ha which has been used to estimate the costs of the remaining sites. The RWE mitigation site also needs an upgraded pumping system so this has been added to the basic cost of construction.

6.4) Actual and estimated Management/Monitoring costs

Mitigation Site	Tot Ha	Actual/Estimate	Actual/Est cost/site	Cost/Ha	Years spread	Total Estimated cost
Cress Marsh	40	Actual	£ 38,938	£ 973	20	£ 778,760
SRSE	21	Est	£ 16,518	£ 800	20	£ 330,364
Cristal (Cress Beds)	9	Est	£ 7,126	£ 800	20	£ 142,510
NOVARTIS INGS	21	Est	£ 20,433	£ 973	20	£ 408,660
RWE	13	Est	£ 13,000	£ 973	20	£ 259,992
Cristal (Main Site)	21	Est	£ 20,090	£ 973	20	£ 401,806
			£ 116,105			£ 2,322,092
			per annum			

- 6.5)** The actual documented cost of managing the Cress Marsh site for 2020/21 was £39,938. This gives a figure of £973/Ha which has been used to estimate the other mitigation sites. As SRSE and Cristal are adjacent to Cress March the basic rate has been reduced due to economies of scale and proximity.
- 6.6)** There will be increased training costs for the first two years as NELC staff gain knowledge and experience through working with an external consultant. This will be offset by efficiency savings in later years.

- 6.7)** The mitigation approach makes a generic assumption that the sites will be maintained for a minimum of 20 years which gives an overall management cost of £2.3m for the remainder of the scheme.
- 6.8)** These costs are worked out over a 20yr period but the sites will have to be managed in perpetuity and the management costs kept under review and revisited.

6.9) Actual and estimated land assembly costs

Mitigation Site	Tot Ha	Actual/Estimate	Actual/Est cost/site	Cost/Ha
Cress Marsh	40	Actual	£ 3,011,987	£ 75,300
SRSE	21	Est	£ 510,000	£ 24,700
Cristal (Cress Beds)	9	Est	£ 220,000	£ 24,700
NOVARTIS INGS	21	Actual	£ 131,750	£ 6,274
RWE	13	Est	£ 330,000	£ 24,700
Cristal (Main Site)	21	Est	£ 510,000	£ 24,700
			£ 4,713,737	

- 6.10)** As explained above, Cress Marsh land assembly costs were significantly above the agricultural market value at that time. The cost per hectare of Novartis Ings was impacted by the donation of the land by Novartis. The balance of this site was acquired at agricultural market value.

The cost of acquiring the remainder of the sites is presumed to be at agricultural market value.

6.11) Total actual and estimated costs

Mitigation Site	Total Land Assembly	Total Construction	Total Management	Total costs
Cress Marsh	3,011,987	£ 1,207,000	£ 778,760	£ 4,997,747
SRSE	510,000	£ 1,130,478	£ 330,364	£ 1,970,843
Cristal (Cress Beds)	220,000	£ 487,657	£ 142,510	£ 850,167
NOVARTIS INGS	131,750	£ 1,299,763	£ 408,660	£ 1,840,173
RWE	330,000	£ 881,486	£ 259,992	£ 1,471,478
Cristal (Main Site)	510,000	£ 1,130,486	£ 401,806	£ 2,042,292
	£ 4,713,737	£ 6,136,871	£ 2,322,092	£ 13,172,700

Section 7.

7.1) Conclusion

Based on the figures above the new net S106 calculation is as follows.

	£	4,713,737	Land assembly
	£	6,136,871	Construction cost
	£	2,322,092	Management
	£	13,172,700	Total scheme
less	£	2,000,000	LEP funding - received
	£	1,236,600	ERDF - received
	£	47,478	Link Rd adjustment
	£	3,284,078	Total Funding
	£	9,888,622	Nett Total Scheme cost
		481	ha of development land
	£	20,558.47	New cost/ha
	£	9,058.47	difference
		44%	increase.

Based on the above the calculated S106 charge should be £9,888,622/481ha = £20,588.

The increased cost needs to be weighed against the known benefits of the scheme. These are

- Increased planning certainty in terms of land mitigation requirements
- Known cost up-front versus unknown cost of surveys and mitigations land/construction costs.
- Significant reduction in planning process as no bird surveys required.

Further work may be needed to compare the proposed new costs to a 'no-scheme' scenario for different sized investment examples. In addition, it may be beneficial to benchmark the proposed new cost against other regional offering from a competitor perspective.