

## South West Exeter Housing Infrastructure Fund Project amendments

### Report of the Director of Climate Change, Environment and Transport

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Please note that the following recommendations are subject to consideration and determination by the Cabinet (and confirmation under the provisions of the Council's Constitution) before taking effect.

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#### 1) Recommendation

That the Cabinet be asked to:

- (a) approve the amendments to the HIF package of infrastructure for the removal of the electricity substation and enter into an associated Deed of Variation to the Grant Determination Agreement with Homes England
- (b) approve the acquisition of the full site as shown edged blue and green in Appendix 1 to facilitate construction of the Community Building and GP Surgery.
- (c) approve the transfer of the land edged in green in Appendix 1 to the NHS prior to occupation of the GP Surgery.
- (d) give delegated authority to the Director of Climate Change, Environment and Transport in consultation with the Cabinet Member for Climate Change, Environment and Transport and Local Member to remove the combined community building / GP surgery scheme from the HIF programme if, following further investigation, the scheme is not considered deliverable
- (e) approve Devon County Council to take ownership of the Community Building, and give delegated authority to the Director of Transformation and Business Services, in consultation with the Cabinet Member for Policy Corporate and Asset Management, to explore income opportunities to lease out space in the proposed Community Building and / or transfer the building to a suitable owner, to mitigate Devon County Council's ongoing financial liability

#### 2) Background and Progress

As set out in previous Cabinet reports on this project, South West Exeter is a strategic allocation of 2,500 dwellings and 21.5 hectares of employment land within the administrative areas of Teignbridge District Council and Exeter City Council. It is a complex site, with various constraints including a key arterial road (the A379) which bisects the development area, it is close to the Exe Estuary Special Protection Area, has difficult topography and is in multiple land ownerships.

Devon County Council was successful in its bid of £55.14 million to the Housing Infrastructure Fund (HIF) which enables the early delivery of the infrastructure to support the planned housing development at South West Exeter. HIF forward funds the delivery of infrastructure, enabling critical infrastructure to be delivered upfront, which provides certainty and can support accelerated housing delivery. In addition, funding can be

recovered from s.106 agreements and directly from developments and recycled for the delivery of future schemes, ensuring developers are still required to fund the infrastructure.

There has been positive progress in delivering several elements of the package, which has supported accelerated delivery of housing at South West Exeter. The infrastructure within the bid included:

- Four signal junctions on the A379 (2 completed, 1 on site, 1 tendered)
- Realignment of Chudleigh Road (tender complete and 'shovel-ready')
- Devon Hotel roundabout upgrade (completed in April 2024)
- Alphington enhancements (due to start on site in June 2024)
- School access road (Phase 1 completed)
- Pedestrian / cycle bridge (completed in January 2024)
- Suitable Alternative Natural Green Space (SANGS) (first parcels delivered and car parks open)
- New electricity substation (see section 4)
- Community building to include a GP surgery (tender complete and 'shovel-ready' - see section 5)
- Southern spine road (removed from the programme – see Cabinet report CET/24/2)

This report seeks formal approval to request Homes England to remove the substation from the HIF project as it is no longer deliverable within the funding timescales (see section 4). Although the plan is to proceed with the Community Building and GP surgery, the land ownership arrangements for the Community Building scheme have changed as explained in section 5. A map of the infrastructure delivered/proposed to be delivered by HIF can be viewed in Appendix 2.

### **3) Housing Infrastructure Fund Contract**

The original HIF Grant Determination Agreement has twice been extended, initially to December 2024 and then to March 2025. The delivery of some of the remaining schemes is no longer achievable by March 2025 due to planning delays and prerequisites to delivery which have been dependent on third parties. There has been close working with Homes England, who have been kept informed of the challenges on these projects, and a 12-month extension is being sought until March 2026 to enable the delivery of the remaining infrastructure.

A robust case needs to be presented to achieve this extension and having had positive engagement with Homes England throughout the funding programme, and with contractors lined up and ready to construct two of the remaining projects means that the Council is in a strong position to demonstrate certainty of completion by March 2026.

For extensions beyond March 2026, this would be a Treasury decision and there are significant risks with relying upon this. The approval process is more rigorous and complex and would disrupt progress on the remaining schemes which are 'shovel-ready'. Such an extension would also rely on changes to other Homes England delivery programmes to provide flexibility in their 2026/27 budget. Homes England will consider any extension request for the whole of the project but they will not provide partial approvals. This means that an urgent decision from Homes England is needed in June/July (following a Cabinet decision) in order to commence construction by the autumn and completion by March 2026.

This is particularly critical for the Chudleigh Road realignment scheme, which involves substantial earthworks, which need to commence ahead of the 2024/25 winter months. As the following section of the report explains, there are no guarantees of delivery of the substation, even with an extended timescale, therefore it is preferable to just seek an extension to March 2026 for the remaining Chudleigh Road and Community Building/GP Surgery schemes.

#### **4) Electricity Substation**

Devon County Council (DCC) has worked closely with National Grid Electricity Distribution (NGED), formerly Western Power Distribution, to develop a scheme for a new electricity substation.

A consultation on potential sites was undertaken from 19<sup>th</sup> January 2021 to 1<sup>st</sup> March 2021. This sought views on three identified sites which it was considered met the necessary parameters as identified by NGED as well as seeking additional sites. The [Substation Public Consultation Report](#) and [Options Appraisal Report](#) include further detail on the consultation and assessment of sites.

Having assessed numerous potential sites for a substation, a preferred site was identified at Matford Home Farm. Technical work demonstrated that alternative sites were unsuitable for reasons including flooding, distance from the 132kV overhead line and access. A planning application was considered by Teignbridge District Council's Planning Committee on 16<sup>th</sup> April, and refused on the basis of significant harm to the character and appearance of the area and the amenity of both existing and future residents contrary to policies S1, S2 and SWE1 of the Teignbridge Local Plan 2013-2033 and the National Planning Policy Framework.

This refusal decision will potentially delay housing delivery as NGED has advised that there is insufficient capacity in the area to support proposed development not just in Teignbridge but also in Exeter and Mid Devon District Council areas. The need for additional electricity capacity in the area to support development was not considered to override the impacts of the substation by Teignbridge District Council in determining the planning application.

NGED has the ability to appeal the decision and would be required to do so within six months of the date of the decision notice (by 3<sup>rd</sup> November 2024). Given the additional timescales involved, the substation is no longer considered deliverable within the HIF timescales, even with a short extension, so it is recommended to remove the substation from the programme. The delivery of the substation will therefore revert to NGED with HIF funding no longer being available to support this part.

#### **5) Community Building including GP Surgery**

DCC has been working with Exminster Parish Council and the NHS/Ide Lane Surgery on proposals for the community building and surgery throughout the HIF project. Original proposals included larger buildings, which were reduced in scale due to cost constraints. A revised scheme was developed, which was considered deliverable within the funding available and on the land allocated by developers (see Appendix 1). This scheme received planning permission on 6<sup>th</sup> September 2023.

Exminster Parish Council (EPC), in its meeting on 2<sup>nd</sup> October 2023, resolved to take ownership of the community building, despite having identified a funding deficit for the operating costs of the building. Their ownership was subject to four conditions which were considered acceptable to TDC and DCC and were achievable.

Detailed design has since progressed with continued close working with stakeholders. A two-stage tender process has been completed and a preferred contractor has been identified with potential to commence construction towards the end of the summer, enabling delivery of the buildings before March 2026.

More recently, EPC has raised further concerns about operational and maintenance costs, and other details relating to design features and lack of parking. In response, Devon County Council and Teignbridge District Council have sought to address concerns, including confirming that Community Infrastructure Levy (CIL) funds, of which c.£8M are due to Exminster Parish Council, can be used towards supporting the operational costs of the building.

On 8<sup>th</sup> April 2024, Exminster Parish Council held an Extraordinary Parish Meeting solely in relation to South West Exeter, including a proposal to reverse the previous resolution to own the building. This decision was deferred to be reviewed again in six months whilst additional information was sought.

This uncertainty around the future ownership has led to DCC needing to urgently consider alternative options in order to enable Homes England to make a decision by June/July and not risk impacting on the wider infrastructure programme. This has included abandoning the entire Community Building and GP Surgery project or constructing the GP Surgery on its own. Due to the topographical constraints of the entire site, this would still require the earthworks and levelling of the land for future delivery of the Community Building. The alternative options are considered in more detail in section 6 of this report.

On balance, the preferred option is for DCC to acquire both the Community Building and GP Surgery site and continue with construction of both the Community Building and GP Surgery. This would take advantage of the available funding and ensure that a facility is delivered for the benefit of the community at an early stage of its development. It would support the place-making aspects required for a new community and would complement the nearby Matford Brook Academy with improved walking and cycling linkages. This decision means the costs of maintenance and operation fall on the County Council, (see section 9) however, there is scope to generate income to mitigate the Council's ongoing liability through rental or leasing the space for community use and potentially co-location of public services.

There is potential for a future transfer of the building, e.g. to the local parish council, should a suitable owner be identified and the Council will continue discussions with Exminster Parish Council. It is anticipated that the GP Surgery would be owned by the NHS, although as this requires a legal agreement, it is proposed that DCC will initially acquire the whole site from the developer to avoid any delays which may impact the delivery of the scheme. The site for the GP Surgery would be transferred or leased to the NHS at a later date and the principle of this approach has been discussed with the NHS during the development of the scheme. It is proposed that DCC would own the car park serving both buildings;

however, it is anticipated that there will be a contribution towards the maintenance of the car park from the NHS. For a car park of 29 spaces, the annual cost would be minimal.

## **6) Options / Alternatives**

### *Electricity Sub Station*

An alternative option is to request a longer extension to the HIF funding to seek resolution of the substation; however, it is not possible to provide certainty of when this scheme could be delivered, particularly as it requires planning permission and land acquisition. As described above, this is also a more complex process with approval from the Treasury necessary. These are significant risks and would require a longer approval process, which increases the risk to other schemes including the community building and Chudleigh Road scheme which have contractors in a position to deliver by March 2026.

### *Community Building / GP Surgery*

An option to remove the Community Building and GP Surgery in its entirety from the HIF project was considered as there will be revenue cost implications for Devon County Council in owning and maintaining the Community Building asset. If it was not delivered through the HIF project, the Community Building and GP Surgery would instead be funded in the longer term through s106 at a later stage of development. This has uncertainties associated with it, with costs potentially increasing. Although developer contributions are payable to TDC in phases, there is no obligation for them to deliver the Community Building. As the nearby surgeries in Alphington and Exminster are on constrained sites with limited or no option for expansion, it is likely to impact on both existing and future residents' access to GP services. If both projects are removed from the HIF programme, it means that the amount of recoverable HIF funding available for reinvestment in future Devon capital infrastructure projects will be reduced by approximately £5.5m.

A further option was to solely deliver the GP Surgery, however the earthworks, drainage and levelling of land would also need completing for the future delivery of the Community Building. Not constructing the building would reduce DCC's ongoing financial liability; however, there would potentially be insurmountable challenges in constructing the building once the GP surgery is operational, and due to the topographical and geological constraints of the site. Such constraints would require a retaining wall of c. 3.6m height constructing, separating two hard-standing slabs as platforms for the lower and first floors of the Community Building. This would likely require extensive security measures to limit access and prevent any potential injury to members of the public. It would also create a negative visual impact in a prominent location within the development. There would be some revenue implications with DCC owning the land and needing to maintain the security of the site in the period until it is developed. As described, there is a risk that the Community Building cannot be constructed once the GP Surgery is operational. There are also financial implications for DCC of only proceeding with the GP Surgery, with the amount of recoverable HIF funding available for reinvestment in future Devon capital infrastructure projects reduced by approximately £4.3m.

There are risks with all three options; however abandoning both projects is not considered acceptable when there is an urgent need for additional GP capacity in the neighbouring communities. Just delivering the surgery could leave the County Council with a liability in terms of vacant land requiring extensive security measures, a visual impact on the landscape and potentially no guarantee of a building coming forward in the future due to constructability challenges once the surgery is operational.

As these facilities were part of the original HIF infrastructure list, the preferred option is therefore to deliver both buildings, which will give certainty of vital community facilities supporting placemaking at an early stage of the South West Exeter development. This would also mean being able to recover £5.5m of HIF funding through future s106 payments, which could be reinvested in other Devon infrastructure projects. While there is an ongoing revenue cost to Devon County Council associated with taking on the Community Building, income generating opportunities will be explored to mitigate and minimise these costs. Completion by March 2026 is challenging and dependent on Cabinet and Homes England decisions and potential financial implications of this are considered in section 9.

## 7) Consultations and Engagement

The preferred scheme for the substation was subject to consultation as part of its planning applications.

Ongoing engagement with stakeholders has taken place for the Community Building and GP Surgery. This has included monthly meetings with Exminster Parish Council, NHS and Ide Lane Surgery since September 2021. In addition to this, meetings on specific issues have taken place as required with the stakeholders and most recently DCC attended a meeting with Exminster Parish Council representatives on 25<sup>th</sup> March 2024, prior to the Extraordinary Parish Council Meeting.

## 8) Strategic Plan

The South West Exeter HIF project is well aligned to several of the Strategic Plan priorities. The table below summarises how the proposals align with the Strategic Plan actions according to a seven-point scale, whereby -3 represents a large negative impact and +3 represents a large positive impact.

Strategic Plan Priority	Strategic Plan Action	Alignment
<b>Responding to the climate emergency</b>	Support a green recovery from COVID-19	-2 (Moderate negative)
	Prioritise sustainable travel and transport.	+2 (Moderate positive)
	Encourage sustainable lifestyles.	+1 (Minor positive)
<b>Support sustainable economic recovery</b>	Secure investment in transport infrastructure.	+2 (Moderate positive)
	Maintain and, where necessary, improve our highway network and improve sustainable transport options.	+2 (Moderate positive)

<b>Improving health and wellbeing</b>	Give people greater opportunities for walking and cycling to increase their physical activity.	+2 (Moderate positive)
	Improve mental health by improving access to mental health and wellbeing services and strengthening support for young people at risk of emotional or mental health problems	+3 (Large positive)
<b>Helping communities to be safe, connected and resilient</b>	Enable a range of transport options, including public transport.	+1 (Minor positive)

## 9) Financial Considerations

The HIF funding is a capital grant to the Local Authority, with DCC able to draw down the funding in arrears on a monthly basis. As of 7th May 2024, claims have been made for approximately £17.6m. Funding agreements will need to be entered into with Teignbridge District Council and the NHS to recover s.106 funding towards the community building and GP surgery.

The operational costs for the first 5 years are expected to be c.£300,000, based on current operational costs for a similar size community building at c.£60,000 per annum. Such costs include cleaning, utilities (water / electricity), refuse and premises maintenance and will be offset by renting or leasing out space in the building for community use. Should the premises remain unoccupied, this cost could be as high as £70,000 per annum to include for additional security costs. In order to minimise the ongoing financial liability to DCC, officers will continue conversations with the parish council and will work with partner organisations including Teignbridge District Council, the NHS and education partnerships to seek a longer-term solution for the ownership and operation of the community building. Options will be explored for leasing all or part of the community building in accordance with the planning restrictions for community use, which may include co-location of public services.

Subject to Homes England's approval, it is proposed that the funding for the substation is retained within the HIF project. This would ensure an appropriate risk allowance for the delivery of the remaining schemes.

Assuming that this is approved by Homes England, the position is estimated to appear as follows : -

Financial Year	£000
Prior years actual costs	20,351
Projected 2024/25	21,010
Projected 2025/26	13,779
<b>Total</b>	<b>55,140</b>

Removing the substation from the project would impact the amount of funding to be recovered, which can be spent on future projects. The total amount of recovered funding is

expected to be £31.8m. Not to pursue the GP Surgery and Community Building would also reduce the amount of recoverable funding by approximately £5.5m that could otherwise be used on other Devon infrastructure projects. Recovered funding that has been allocated so far is to the A382 scheme and Cranbrook Community Building, with a total value of £8.55m. This excludes the approvals to apply recovered funding to the district heating network and substation, which are no longer to be delivered.

As set out above, an extension is being requested to March 2026. The remaining schemes, excluding the electricity substation, are considered deliverable within this timescale. Should unexpected issues be encountered on site, it may be necessary to use s.106 funding to meet spend beyond March 2026. It should be noted that this is a fallback position. There is sufficient s.106 funding expected to address this, with much of the higher value works, such as earthworks, undertaken in the earlier stages of the programme.

## **10) Legal Considerations**

Prior to the delivery of the Community Building and GP Surgery, DCC will need to agree the transfer of the land or enter into a licence agreement with the landowner. This will allow the works to take place on the land, with the buildings to pass onto DCC on completion.

Separate to this, the land will need to be transferred from the existing landowner to DCC. This is allowed for within a section 106 agreement for the site, with the land to transfer for £1. Following the completion of the GP Surgery, it is intended to transfer the GP Surgery to the NHS prior to its occupation. An alternative is to enter into a lease with the NHS. The Community Building is intended to remain in the ownership of DCC, although options for its future transfer will be considered should a suitable future owner be identified. In the meantime, it will seek to maximise use of the building for community uses and Devon County Council public services.

## **11) Environmental Impact Considerations (Including Climate Change, Sustainability and Socio-economic)**

The removal of the substation from the HIF project is expected to impact the delivery of climate change aims, including achieving net zero. The county council has sought to mitigate the impact of the substation to enable planning permission to be granted and undertook a robust site selection process, with the involvement of key stakeholders, in advance of submitting a planning application. It has not been possible to secure planning permission and the timescale constraints mean it is not possible to pursue a planning appeal. There remains a need to deliver the substation and it is expected this will now be delivered by NGED.

In relation to the Community Building and GP Surgery, this is expected to provide health and wellbeing as well as social benefits for the community and avoid capacity constraints on existing facilities.

## **12) Equality Considerations**

Where relevant, in coming to a decision the Equality Act 2010 Public Sector Equality Duty requires decision makers to give due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;



- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding

in relation to the protected characteristics (age, disability, gender reassignment, marriage and civil partnership (for employment), pregnancy and maternity, race/ethnicity, religion or belief, sex and sexual orientation). This Council also treats care experience as if it were a protected characteristic.

A decision maker may also consider other relevant factors such as caring responsibilities, rural isolation or socio-economic disadvantage.

In progressing this particular scheme / proposal, an Impact Assessment has been prepared which has been circulated separately to Cabinet Members and also is available on the Council's website at [South West Exeter Housing Infrastructure Fund \(HIF\) - Impact Assessment \(devon.gov.uk\)](https://www.devon.gov.uk/impact-assessment).

Members will need to consider the Impact Assessment for the purposes of this item / meeting.

Whilst the changes will involve some infrastructure not being delivered, the remaining infrastructure will support the South West Exeter development. The aim to deliver the Community Building and GP Surgery will foster positive relations in the community and enable participation in activities and services by people with a variety of needs. Access to local healthcare facilities will also be enhanced, supporting the most vulnerable in the local communities.

### **13) Risk Management Considerations**

This proposal has been assessed and all necessary safeguards or action have been taken to safeguard the Council's position. A risk register is in place for the project which is reviewed and updated monthly in line with Project Board meetings. An appropriate level of contingency is included to mitigate the financial risk of the proposals.

This proposal considers the risks regarding the whole HIF project. Progressing with the proposals as set out in this report allows the remaining infrastructure to be delivered by March 2026, subject to Homes England approval. Of particular consideration is the impact on the Chudleigh Road scheme, which is a high value scheme and presents a financial risk to DCC if HIF funding is not available to deliver it. The proposals allow for its delivery with a 12-month extension to the funding availability period.

Both the Chudleigh Road and Community Building schemes require legal agreements / licences to be in place prior to the delivery of the schemes. These have been drafted and shared with the relevant parties. Delay in signing these agreements could impact the delivery of the schemes.

Sections 6 and 9 highlight the financial, operational and reputational risks associated with the various options for the Community Building and, on balance, delivering both the GP Surgery and Community Building is the preferred option. Delivering a GP Surgery to

address capacity issues is a high priority and a new community building would support place-making at South West Exeter, complementing adjacent uses including Matford Brook Academy. While there is a financial liability for DCC taking on ownership of the Community Building, officers will seek to minimise this through exploring income generation options to rent or lease space to offset the operational costs. There is also the financial benefits in delivering both schemes as it will enable recovery of c.£5.5m HIF funding for reinvestment in other DCC capital infrastructure projects.

Should further information suggest that the Community Building and GP Surgery not be deliverable within the timescales, it may be necessary to remove the scheme from the HIF programme to minimise the risk to DCC regarding the delivery of the remaining infrastructure, specifically Chudleigh Road. At this stage, the benefit of delivery of the Community Building and GP surgery is considered sufficient to pursue this option.

## **14) Summary**

Approval of the recommendation in this report will allow the delivery of the remaining infrastructure. It is necessary to remove the substation to allow the deliverable schemes to progress, supporting the housing delivery. Whilst the removal of the substation has the potential to delay housing delivery as well as the transition to net zero, it can no longer be delivered within the HIF timescales and seeking a longer extension has the potential to delay other infrastructure delivery. Various options have been considered for the Community Building, with the ownership by DCC considered to be the most appropriate option for the wider community benefit in terms of place-making and addressing existing capacity issues within local GP practices.

### **Meg Booth**

Director of Climate Change, Environment and Transport

**Electoral Divisions:** Alphington & Cowick; Exminster & Haldon

Cabinet Member for Climate Change, Environment and Transport: Councillor Andrea Davis

## **Local Government Act 1972: List of background papers**

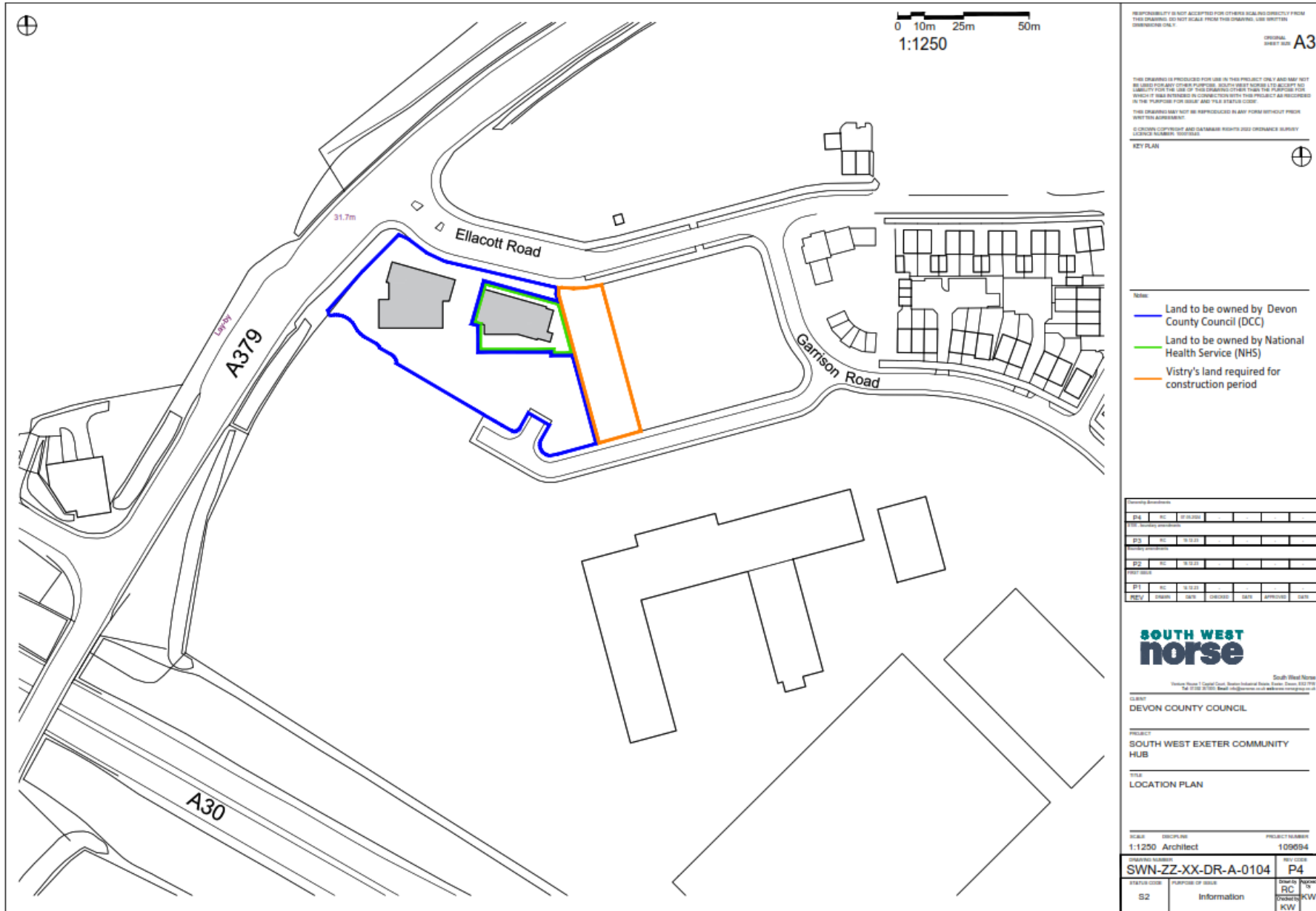
Nil

### **Contact for enquiries:**

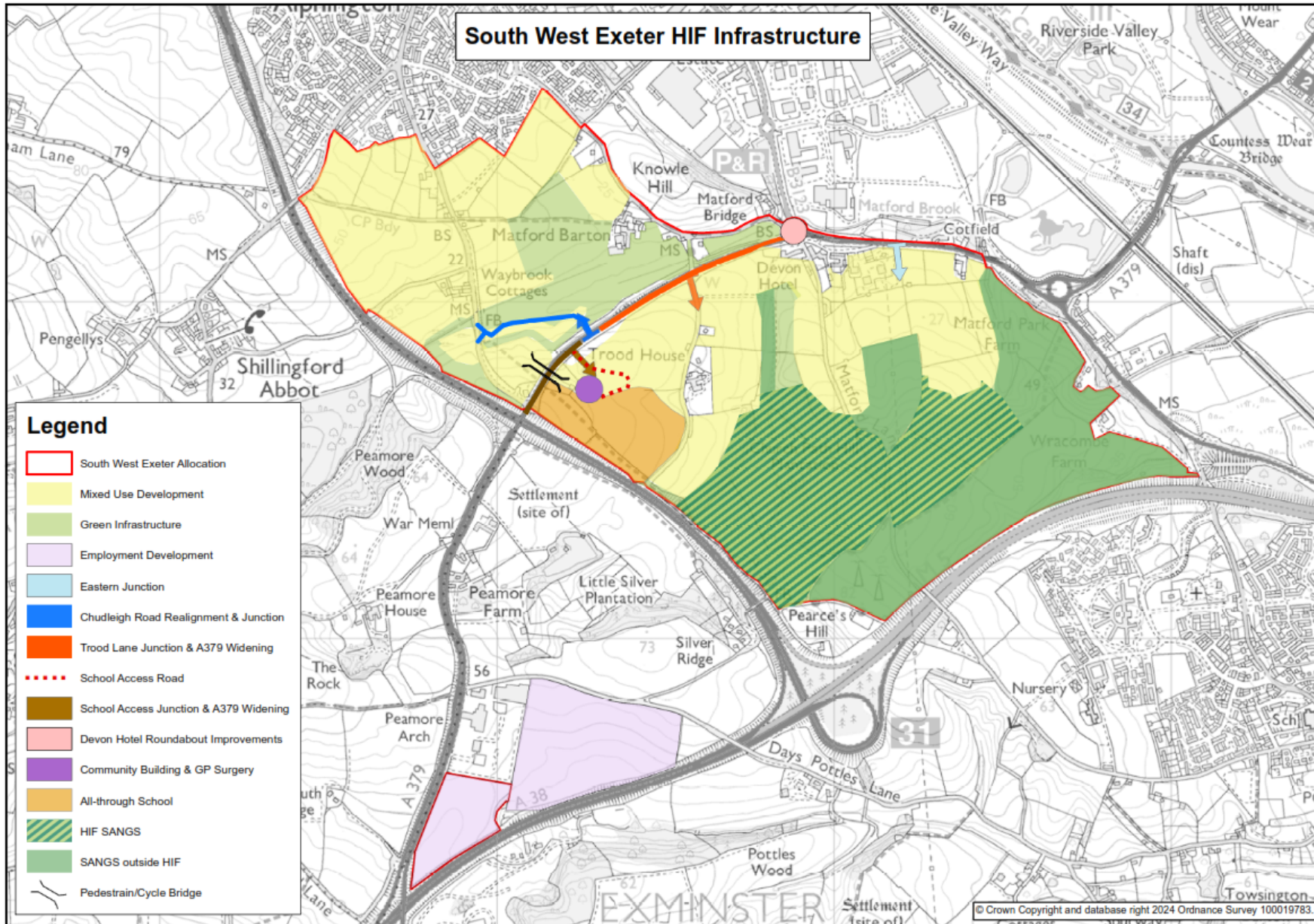
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APPENDIX 1 to CET/24/39 : COMMUNITY BUILDING LAND ACQUISITION PLAN



**APPENDIX 2 CET/24/39 : SOUTH WEST EXETER HIF INFRASTRUCTURE MAP**