

South West Exeter Housing Infrastructure Fund Bid

Report of the Head of Planning, Transportation and Environment

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.

Recommendation: That Cabinet:

- (a) **approves the proposal to submit a bid to the Housing Infrastructure Fund, administered by the Ministry of Housing, Communities and Local Government, to assist in delivering infrastructure to support development at South West Exeter;**
- (b) **delegates authority to the Head of Planning, Transportation and Environment in consultation with the Cabinet Member for Infrastructure, Development and Waste to agree the final contents of the submission;**
- (c) **approves the proposal to enter into a legal agreement with developers and land owners to secure appropriate repayment of the Housing Infrastructure Fund to the County Council;**
- (d) **agrees to progress negotiations with the Education and Skills Funding Agency to deliver a new all through school. This will require planning permission and the acquisition of land.**

1. Summary

This report follows a successful Expression of Interest that was submitted to the Ministry of Housing, Communities and Local Government (MHCLG) in September 2017 for funding from the Housing Infrastructure Fund (HIF). The bid was for funding towards infrastructure to support development at South West Exeter. The Expression of Interest identified a package of infrastructure totalling £44.7 million. Devon County Council was advised in March 2018 that it had been successful with the Expression of Interest and was invited to submit a full bid. This report seeks approval to proceed with submitting a full bid to the MHCLG. Three submission deadlines have been provided between September 2018 and March 2019. It is proposed to submit the bid for the 10 September 2018 deadline.

2. Background/Introduction

South West Exeter

South West Exeter is a strategic allocation of 2,500 dwellings and 5 hectares of employment on the edge of Exeter, which spans two administrative areas – Teignbridge District Council and Exeter City Council. The Teignbridge Local Plan allocates land for 2,000 dwellings and the Exeter Core Strategy allocates land for 500 dwellings. The development has taken a number of years to come to fruition, having first been identified as an area of search for development in the Regional Spatial Strategy, which was produced in draft in 2006, before being included in adopted local planning policy. In addition to the adopted planning policy, there are masterplans supporting the development at South West Exeter which provide additional information on how the development is expected to come forward.

SW Exeter is a complex site. The development straddles a key arterial road (the A379), is close to the Exe Estuary Special Protection Area requiring additional mitigation and has multiple land ownerships. It requires a significant amount of infrastructure to enable the development to come forward, much of which is needed early, and involves coordination to minimise disruption.

The authorities are working together to bring development forward. Planning applications have been submitted for over 2,400 dwellings and 20ha of employment. Applications for 230 dwellings and 20ha employment have received planning permission and applications for 1,570 dwellings have committee resolutions to grant permission. Although applications for development have been submitted and there is interest from developers, the challenges to bring development forward, particularly the upfront costs, remain.

Opportunities for the delivery of infrastructure have been pursued and a Free School was approved for South West Exeter in wave 11 of the Free School Programme. This is for an all-through school which will include primary, secondary and nursery provision on the site. The school will benefit both the development at South West Exeter and in terms of the secondary provision, will also meet a future basic need for secondary places in the city and provide places to support wider development in the area. The proposed HIF bid would help to bring the Free School forward by servicing the school site.

Housing Infrastructure Fund

The HIF is a government capital grant scheme of £4.8 billion which has been identified to support the delivery of infrastructure related to the building of new homes. There are two streams to the HIF – marginal viability funding and forward funding.

The marginal viability stream allowed lower tier authorities to bid for up to £10 million to unlock development which was constrained due to marginal viability. These submissions were full bids. Successful marginal viability bids were announced in February 2018, subject to a due diligence process.

The forward funding stream was for higher tier authorities and allowed bids of up to £250 million. This was aimed at the early infrastructure costs of development which may not be affordable by development prior to receipts from housing delivery. This stream is a two-stage process comprised of an Expression of Interest to be followed by a full submission. The SW Exeter submission relates to the forward funding stream. The forward funding stream allows authorities to recoup funding back from development. Once this is received, authorities may recycle the funding to enable further schemes to be delivered. The funding is not intended to increase developers' profits. It is intended that the county council would deliver the infrastructure and as such funding would not be directly provided to developers.

Prior to the submission of the Expression of Interest, all parties involved in the HIF submission signed a Memorandum of Understanding. This provided commitment from developers and landowners to work together and, in very general terms, secure repayment of funding.

A successful HIF bid and the school approved under the Government's Free School Programme will enable the provision of the required infrastructure to unlock the potential of the South West Exeter allocation and have a positive impact on housing delivery.

3. Proposal

The Expression of Interest identified a list of infrastructure that was proposed to be included in a bid to the HIF. Since the submission of the Expression of Interest to the HIF, further discussions have taken place with developers. This has identified the benefit of undertaking foul drainage works alongside the works to the A379 to minimise disruption as well as supporting the servicing of the school site. The inclusion of this is being considered for the final submission.

The table below identifies the infrastructure which it is expected will be included in the final submission for the HIF bid. This table of infrastructure is the culmination of considerable work undertaken to identify the necessary infrastructure and the scale and size of this infrastructure so that it is suitable to support the proposed development.

| Infrastructure | Cost |
|---|---------------|
| Pedestrian/cycle bridge to provide a crossing of the A379, serving the school and community facilities | £2.5m |
| Servicing of school site to enable delivery of the approved Free School | £2m |
| Electricity upgrade – new primary sub-station to provide additional capacity to accommodate the residential and employment development | £2m |
| Contributions towards Marsh Barton Rail Station to complete its funding package | £2m |
| Three new signal junctions on the A379 and associated widening over 1.5km highway | £10m |
| Southern spine road through multiple landownerships to unlock all parcels south of the A379 and provide an early public transport corridor | £12m |
| Capacity upgrade to 'Devon Hotel' roundabout on the A379 to deliver sufficient capacity for development and maintain access to large development site | £2.5m |
| Realignment of Chudleigh Road and new signal junction to address a safety concern and unlock development to the north of the A379 | £6m |
| Provision of foul drainage along the A379 | £2m |
| Alphington Village enhancements to mitigate the impact on the existing community | £0.5m |
| New access roundabout on the A379 to unlock a new employment site | £2.5m |
| Suitable Alternative Natural Green Space (SANGS) to mitigate the impact on the Exe Estuary | £2.7m |
| Total | £46.7m |

Further work is currently being undertaken to progress design and more detailed cost estimates for the various elements proposed to be included in the final submission. It is expected that final submissions will need to closely align with Expressions of Interest and advice will be sought on whether additional infrastructure items can be added to the submission. Any risks associated with overspends are expected to rest with the County

Council and the developers. Suitable allowances for risk, contingency and phasing will therefore be included in the cost estimates to minimise this risk. Following completion of the design work, which is expected to be by the end of July, a decision will need to be made as to the final contents of the HIF submission. If necessary, infrastructure will be prioritised, as it may not be possible to include all elements in the final submission. Developers have been involved throughout the process and invited to identify any exceptional infrastructure, which has not resulted in further infrastructure being identified. It is therefore not expected that further infrastructure will be included in the full submission which has not previously been identified in the Expression of Interest.

4. Consultation and Stakeholder Engagement

Consultation regarding the proposed development at South West Exeter and the infrastructure to support it has taken place at a number of stages.

Consultation was undertaken at the Local Plan Stage on the allocation of development in this location. This was undertaken by both Teignbridge District Council and Exeter City Council. In addition to public consultation, the Local Plans were subject to examination by an independent Planning Inspector. Following the adoption of the Local Plans, further work was undertaken by the city and district councils through the production and consultation of a Development Brief for the development within Exeter and a Development Framework for the development within Teignbridge. These documents provide further detail on the infrastructure that is proposed to be provided at South West Exeter.

Consultation has been undertaken as part of the planning application process for the development. At this stage, more detail is known about the exact infrastructure that is to be delivered such as the junction layouts. Given the scale and strategic nature of the development, decisions are expected to be made by committee.

5. Financial Considerations

HIF funding is capital grant to the Local Authority. It is expected that the County Council will be able to draw down the funding in line with spend. This reduces the risk of forward funding the scheme.

There are considerable benefits to a successful HIF bid. HIF funding is a grant to the Local Authority. The guidance is clear that it is expected that the funding is not intended to increase the profits of developers or landowners by the delivery of infrastructure to support an otherwise viable scheme. Instead it is proposed that funding will help support the upfront cost of infrastructure delivery, with funding to be repaid by developers as the development comes forward. The repayment of funding could be through a direct financial payment or an alternative is for a land contribution of an equivalent value. Funding is therefore expected to be repaid to Local Authorities, which are then able to recycle the money with the expectation that this is used to unlock further schemes and other development sites. The benefit to the county council is therefore greater than the sum which is included in the full submission.

Recognising these wider benefits, work is being undertaken to inform costs estimates and production of documents to inform the full submission following the format of an Outline Business Case. This has been funded by a combination of National Productivity Investment Fund and Local Transport Plan funding.

The bid would also secure a Free School by delivering a serviced site. This is a significant benefit in terms of funding and experience has demonstrated that education-led development has high delivery rates.

6. Environmental Impact Considerations

Planning applications for the development, which includes consideration of the infrastructure that is needed to support it, have been supported by Environmental Statements. In addition, the Local Plans which included the development and reference to the infrastructure required to support it were supported by a Strategic Environmental Assessment.

It is therefore considered that the environmental impacts of this scheme have been considered. There will be a need to consider the detailed impacts of individual elements, which will be undertaken through detailed design.

7. Equality Considerations

Where relevant to the 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, taking account of age, disability, race/ethnicity (includes Gypsies and Travellers), gender and gender identity, religion and belief, sexual orientation, pregnant women/ new and breastfeeding mothers, marriage/civil partnership status
- incoming to a decision, a decision maker may also consider other relevant factors such as caring responsibilities, rural isolation or socio-economic disadvantage.

This may be achieved, for example, through completing a full Equality Impact Needs Assessment/Impact Assessment or other form of options/project management appraisal that achieves the same objective.

As this project is at bid stage, the potential opportunities as a result of delivery are subject to change. Equality benefits that could result from aspects that have been confirmed subject to a successful bid include:

- Supporting the delivery of a new all-through Free School which would provide adequate school spaces within the vicinity of the development, reducing the need to travel for education and providing further choice of provision.
- Provision of a range of additional homes in the area including affordable housing and Gypsy and Traveller provision.
- The delivery of significant green space which would provide an environmental net gain on delivery.
- The provision of a bridge which would provide safe, accessible crossing for residents, pupils and visitors.
- Well-connected pedestrian and cycle routes through the development which would be accessible to the disabled, encourage sustainable modes of transport and assist in reducing air pollution.

8. Legal Considerations

Negotiations are taking place with developers to produce a legal agreement to recover the HIF grant. This type of agreement has been used by government organisations previously, demonstrating precedent that funding can be recouped from development as housing is delivered.

The County Council is working with the Education and Skills Funding Agency to secure the school site for the approved Free School. This may require a legal agreement to ensure delivery of infrastructure within appropriate timescales to secure the transfer of the school site.

9. Risk Management Considerations

The scheme is dependent on an agreement being reached with the developers and landowners, which will enable land to be made available and a repayment mechanism to be secured. If this agreement is not forthcoming, or is only partially agreed, funding may not be awarded. In this situation, the County Council would not deliver the scheme.

The scheme is subject to the normal engineering and assessment risks. All risk management considerations will be considered when detailed scheme designs are produced. Key risks are:

- Land ownership issues delaying progress
- Increase in cost of the scheme
- Unexpected technical constraints
- Delays in the planning process
- No or reduced award of funding.

10. Public Health Impact

The infrastructure is proposed to support sustainable development at South West Exeter. As part of this there will be the provision of sustainable transport which will encourage active travel and have the potential for a public health benefit. The early delivery of the infrastructure will ensure that sustainable opportunities are provided to the earliest occupants of the development. This includes a pedestrian/cycle bridge across the A379 providing access between the two parts of the development as well as directly to the school site. The southern spine road will allow for an early public transport link through the development.

11. Options/Alternatives

Options for South West Exeter have been considered throughout the development process. A Masterplan was originally prepared by LDA Design. This was informed by a Transport Access Strategy (2011). The Transport Access Strategy considered different transport options to support the development including options for the treatment of A379 as well as the form junctions would need to take to provide the required capacity.

The Local Plans for the allocation identified the infrastructure that is required to support the development. This has been further refined, with additional detail provided, through the adoption of a Development Brief and Development Framework for the area. This includes agreeing the location of the school and efficiencies of locating the provision on a single site and the need for a pedestrian / cycle bridge to provide a safe crossing of the A379 for a large volume of users.

Given the significant amount of consideration that had been given to the infrastructure required to serve development at South West Exeter, the infrastructure included within the submission is considered to be the 'preferred option', being the culmination of testing of various options until this point.

12. Reason for Recommendation/Conclusion

In order to achieve funding for the scheme, a submission to the HIF will need to be made. There are currently no alternative funding opportunities available. Submitting the bid at the earliest opportunity would allow an earlier decision to be made on the funding and reduce any further delay to development coming forward.

The deadline date is before the next Cabinet date and as such it is not possible to present Cabinet with the final contents of the bid prior to submission. It is therefore recommended that authority is delegated to the Head of Planning, Transportation and Environment in consultation with the Cabinet Member for Infrastructure, Development and Waste to agree the final contents of the bid.

Dave Black
Head of Planning, Transportation and Environment

Electoral Divisions: Alphington & Cowick; Exminster & Haldon

Cabinet Member for Infrastructure, Development and Waste: Councillor Andrea Davis

Chief Officer for Communities, Public Health, Environment and Prosperity: Dr Virginia Pearson

Local Government Act 1972: List of Background Papers

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| Background Paper | Date | File Reference |
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