

## 3/13/1501/OP – SUPPLEMENTARY REPORT

An urban extension comprising 329 new dwellings (of a range of sizes, types and tenures, including affordable housing), including:

- a site for a one-form-entry primary school;
- public open and amenity space, together with associated landscaping;
- access, highways (including footpaths and cycleways), and parking; and
- drainage (including a foul water pumping station), utilities and service infrastructure works.

All matters are reserved for later approval except for Phase 1 (130 dwellings) and access for Phase 2 onwards.

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### **RECOMMENDATION:**

That, subject to the amendments to the Section 106 contributions detailed in this supplementary report and the amended **Essential Reference Paper ‘A’**, attached, planning permission be granted as recommended in the main Committee Report.

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### **1.0 Introduction**

1.1 Since the report on this application was prepared there has been further negotiation and clarification regarding the following matters:

- a) The Section 106 contributions towards social infrastructure and mitigation, summarised in revised **Essential Reference Paper ‘A’**, attached;
- b) The trigger points for Section 106 and Section 278 payments and works.

1.2 By way of background to the Section 106 heads of terms, this report begins with more information about the viability assessment.

### **2.0 Viability assessment**

2.1 The proposed development has been the subject of a viability review in order to assist the Council and the applicants to negotiate a package of financial contributions towards mitigating the development without setting them at such a level that development would be unlikely to proceed. The process of assessing viability is commercially sensitive and so the report prepared by the Council’s consultants, Level, is confidential. However the Committee will want to be assured that the position reached on viability is sound and represents the best that can

### 3/13/1501/FP

be achieved without preventing the development from being realised.

- 2.2 Level have examined the viability model put forward by the applicants' consultants, Turner Morum, and have queried some of the evidence and assumptions on which the model was based. As a result, there has been a considerable improvement in the amount of money available for Section 106 contributions. Despite this, although the affordable housing on Phase 1, for which full details have been submitted, is fully policy compliant, the overall proportion of affordable housing is less than the Council's policy target of 40% and the requests for other contributions cannot be fully met at this time.
- 2.3 The review of the modelling focussed on two high value inputs in particular – firstly, the cost estimates, both for infrastructure and dwellings, and secondly, the sales values of the dwellings, including affordable housing receipts. To help inform the process, the Council employed specialist cost consultants and local property valuers to assist Level review the figures coming forward from the applicants.
- 2.4 The applicant remodelled the scheme based upon higher property values. Turner Morum then stated that:
- ...the scheme shows a scheme deficit of £222,584 and is therefore technically non-viable. However, I can advise that my clients are prepared to accept the amount of deficit, simply as a commercial decision in order to see the scheme proceed and prevent further delays.*
- 2.5 After allowing for affordable housing at 22.5% across the site, the modelling had realised a Section 106 pool of £7,112,000. However, Countryside are now offering a sum of £7,682,000 which is more than £750,000 higher than their current viability position, (allowing for the deficit in the model of £222,584). In addition to the Section 106 contributions, Countryside have also confirmed that a land area of 1.2ha would be transferred for £1 to the County Council (this would be unfettered) to build a primary school on site.
- 2.6 In such circumstances it would be inadvisable for the Council to pursue the matter further at this time because, taken as a whole, the Section 106 package offered is reasonable, and the proposed viability review towards the end of Phase 1 (**Essential Reference Paper 'A'**, item 1) will be an early opportunity to examine the actual costs incurred, and to capture any current overestimate of costs in the revised modelling. Any increase in the pool of money then available for further Section 106 contributions would be allocated to a list of items of social infrastructure

### 3/13/1501/FP

or mitigation currently obtaining less funding than has been requested, including affordable housing. This is the same approach agreed for ASRs 1-4/SCA and embodied in the Consortium's Section 106 agreement.

#### **3.0 Highways mitigation**

3.1 The following paragraphs provide clarification regarding a number of matters in the main report and the HCC consultation response.

3.2 *Rye Street improvement works.* There is currently a contradiction: **Essential Reference Paper 'A'** attached to the main Committee report, item 9 states that the works would be completed before occupation of any dwelling on the site, but the Highways consultation response on page 7 says before the occupation of the 90<sup>th</sup> dwelling. The works will be implemented pursuant to a s.278 Agreement and the condition that the works will be implemented prior to the 90<sup>th</sup> occupation represents a practical understanding of the timeframe to design and obtain technical approval for the works together with their implementation. The full cost of the works, the design, payments for Highway Authority costs, the Contractor costs and the statutory undertakers costs will be borne in full by Countryside Properties and the figure of £840,000 represents a guideline estimate of those costs. There will be disruption to Rye Street as a result of the construction of the main roundabout access into ASR 5, which is a major intervention in the highway. It would be beneficial therefore that the timing of the construction of the roundabout coincides with the implementation of the Rye Street improvements so that disruption to local residents and the travelling public is limited to one set of roadworks. Furthermore, Councils are required to assist developers with the phasing of infrastructure works to improve viability.

3.3 *Travel plan.* The total cost of the travel plan and associated bus subsidy in HCC's consultation response is £545,400, broken down as follows:

a) Public transport subsidy	£390,000
b) Travel passes	£95,400
c) Traffic monitoring mitigation	£50,000
d) HCC traffic monitoring cost	£10,000

3.4 In the heads of terms set out in **Essential Reference Paper 'A'**, item 10, the costs total £535,400 made up as follows:

a) Public transport subsidy	£390,000
b) Travel passes	£95,400
c) Travel coordinator, marketing, etc	£50,000

### 3/13/1501/FP

- 3.5 The differences are due to late arriving information and clarification regarding these matters. In para. 3.3(c) the sum of £50,000 is for mitigation if traffic from the site exceeds targets derived from the traffic modelling and it would be used to fund additional travel passes in order to influence residents' choices about travel, or another project that directly influences the decision to use the bus, cycle or walk. The provision mirrors the traffic monitoring provision in the Section 106 agreement for ASRs 1-4/SCA. The monitoring cost reimbursement to HCC of £10,000 in para. 3.3(d) is directly linked.
- 3.6 The sum of £50,000 in para. 3.4(c) for a travel coordinator, marketing and administration is necessary to ensure that the travel planning is adopted by new residents over a five year period, and Countryside have now confirmed that the cost will be absorbed by them without drawing on the Section 106 funding.
- 3.7 HCC has confirmed that the public transport subsidy is the gap between the cost of running the service and an estimate of the likely income from fares. If free passes are taken up there will be a reduction in fare income and the sum of £95,400 is an estimate to compensate the bus company for that. The two sums may not in practice be spent in full, but they are a linked provision. It is therefore recommended that the public transport subsidy is reduced by £10,000 to fund the traffic monitoring item at para. 3.3(d) to keep within the overall sum for highways mitigation in **Essential Reference Paper 'A'** attached to the main Committee report, which has been updated accordingly.

#### **4.0 Other contributions**

- 4.1 In the context of the viability assessment it is not possible to fully fund all of the contributions requested by service providers. It is proposed that the main principle to follow is that funding should be focussed on areas where there is a high level of public concern regarding the impact of BSN on local service provision and where there is good evidence of the need for mitigation. That would suggest that priority areas should be highways mitigation, education, and health. However, other services contribute to the overall sustainability of the proposals and are policy requirements on the part of the three local councils and should also receive funding, though not necessarily at the requested level at this time. The heads of terms in **Essential Reference Paper 'A'** attached to the main Committee report have therefore been revised accordingly and are now shown in **Essential Reference Paper 'A'** attached to this report, but again the Committee is reminded that the review of the viability of the development will create the opportunity to top up the Section 106 contributions if the review is favourable.

### 3/13/1501/FP

- 4.2 *Sport, item 20.* Para. 8.4.12 of the main report states that a calculation using the Council's SPD tool kit indicates a sum of £485,265 would be an appropriate contribution to off-site sports facilities to cater for the demand from ASR 5. However, in circumstances where the viability assessment has capped at £7,682,000 the money available for contributions to social infrastructure a reduction of 10% in the sports contribution will bring the table of contributions into balance, with the prospect of topping up the sports contribution at the time of the viability reassessment.
- 4.3 *Health Centre, item 25.* Para. 8.4.3 of the main report and paras. 2.31-2.35 of **Essential Reference Paper 'C1'** attached to the main report, which sets out the consultation replies from the NHS, make the case for a contribution towards the set up costs of the proposed new health centre in one of the neighbourhood centres in BSN. That project is currently in negotiation. The NHS have requested a contribution of £204,373, their calculation being based on the cost of building new floor space for GPs pro rata to the population of the new development, which they estimate to be 790 on the basis of 2.4 persons per household.
- 4.4 However, Countryside have calculated a different sum based on their own more detailed estimate of the numbers of dwellings of different sizes likely to be built across the site, and the Council's table of the occupation level of homes of different sizes. This projects a population of only 663 people at ASR 5 and, again taking into account NHS build costs, they have offered £171,518 towards the health centre. As a more accurate way of assessing the population this could be considered more compliant with Regulation 122 than the broad brush 2.4 pph. It has been used to help calculate the Section 106 education contributions.
- 4.5 In view of the viability constraint on Section 106 funding it is proposed that the Countryside methodology is accepted, with the Section 106 agreement ensuring that the final payment reflects the actual mix of dwellings built on the site.

### **5.0 Conclusion**

- 5.1 This report underlines that the viability assessment of the proposed development has capped the funding available for social infrastructure and other mitigation to a level below what is required to meet policy requirements in full, despite the applicants offering a Section 106 package which is more than £750,000 above their current viability position. It underlines that viability assessment is not a science but an iterative process that arrives at an agreed position regarding the

### **3/13/1501/FP**

funding available for Section 106 requirements in a context in which small percentage changes to the sales values and costs actually realised could make a considerable positive or negative difference to the viability of the development.

- 5.2 This means that the Committee must make choices as to where the funding is directed to make the development as sustainable as possible, reflecting the concerns of local people and the evidence about the impact of the development on various service areas. The revised **Essential Reference Paper 'A'** attached to this report is recommended as a way of achieving the correct balance, bearing in mind the future opportunity for a review of the viability of the development based on actual sales receipts and costs.