

**COMBINED STRATEGIC SCRUTINY AND CUSTOMER FOCUS SCRUTINY
COMMITTEES**

30 March 2022

Present:

Councillors Atkinson, Allcock, Denning, Hannaford, Jobson, Mitchell, K, Mitchell, M, Moore, J, Pearce, Sheldon, Sparkes, Sparling, Vizard and Warwick

Apologies:

Councillors Begley, Branston, Sills and Wardle

Also present:

Chief Executive & Growth Director, Democratic Services Team Leader and Democratic Services Officer (HB)

In attendance:

Councillor Bialyk	Leader
Councillor Harvey	Portfolio Holder City Management
Councillor Sutton	Portfolio Holder Net Zero Exeter 2030

Councillor D. Moore attending under Standing Order No. 20.

8 Appointment of Chair

RESOLVED that Councillor Denning be appointed Chair of the meeting.

9 Minutes

Subject to the amendment of the second resolution of Min. No. 7 to read “that a recommendation be made to the Executive and Council that Link Group include consideration of the climate impacts of investments and banking activity within their advice provided to Council”, the minutes of the meeting of the Combined Strategic Scrutiny and Customer Focus Scrutiny Committees held on 10 February 2022 were taken as read, approved and signed by the Chair as correct.

10 Declarations of Interest

No declarations of discloseable pecuniary interest by Members were made.

11 Exeter Development Fund

The Chair welcomed Roli Martin, Project Manager and Elaine Anning, Operations Director of Exeter City Futures and Gavin Bridge Director of Spatia to the meeting.

The Chief Executive & Growth Director introduced the proposed scrutiny process for the Exeter Development Fund. Members were asked to perform a critical friend role for the Council’s Executive in examining and highlighting the merits and risks associated with the City Development Fund ahead of the full Business Case being presented to the Executive for consideration later in 2022. It would help provide a

good understanding of the reasons that led to the exploration of an alternative approach to managing the task of delivering Liveable Exeter.

The current session would be the first of four and would examine why a different approach to business as usual may be required to deliver the Liveable Exeter Transformational Housing Programme and to work on a City Development Fund. The remaining sessions would cover the economic case for pursuing a City Development Fund, Governance and Risk, and finally, the Business Case in detail.

Roli Martin explained that, following Exeter's selection for the One Public Estate Programme as a Model City Development Fund, Exeter City Futures (ECF) had been tasked to lead in its delivery with the involvement of a range of public sector partners with the Net Zero 2030 ambitions embedded within the programme. It was the intention for the Development Fund to fit strategically with the Exeter Vision 2040 and the Council's corporate priorities.

Learning lessons from elsewhere: External witnesses

The Chief Executive & Growth Director spoke on behalf of Andy Wood, Service Lead – Growth, Development and Prosperity, East Devon District Council on the challenges of delivering the community aspirations for Cranbrook against the limitations of the current system. Presentation attached to the minutes.

The Chief Executive & Growth Director detailed the protracted timeline from the initial concept set out in 1991 with a vision to provide a self-contained community as an urban extension of the city with a full array of infrastructure through to the imminent adoption of the Cranbrook Development Plan Document in 2022. In spite of the roles of both the Devon Structure Plan and the East Devon Local Plan there had been significant shortcomings in achieving the original concept because of the lack of public sector controlled land and each phase of the town being brought forward within a commercially driven model.

The presentation set out what had been delivered including phase 1 affordable housing at 30%, the first 1,000 homes including 199 social rent properties and 101 shared ownership with 15% affordable housing in the expansion areas, seven retail units, a rail station and a country park. In spite of the recession, thousands of homes had been delivered, assisted by Homes England grant support. There remained infrastructure problems and the absence of a town centre was a significant issue. To help meet shortcomings, the Town Council precept was comparatively high.

The Chief Executive & Growth Director summarised the learning points from the Cranbrook experience:-

- need for a clarity of vision over a long period;
- local leadership to support community development including the Town and District Councils;
- continued financial support;
- importance of working with a range of external partners to ensure infrastructure delivery and also for health, education etc. issues to be addressed;
- a town builder rather than a commercial builder delivery model - many examples, such as Monkerton and Hill Barton in Exeter, where there is an absence of community facilities such as local shops;
- land ownership is critical to control the type of development and gear it towards the needs of the community;
- infrastructure led approach;

- a Master developer role such as the Duchy of Cornwall development in Dorchester;
- recognition that a mixed and balanced community is hard to achieve; and
- future proof, for example, the Cranbrook development possessed fibre connectivity to all properties.

Councillor D. Moore, having given notice under Standing Order No. 44, attended the meeting and spoke on this item. She asked the following questions, the responses to which are set out in italics.

Based on the learning from Cranbrook, why is private sector finance better than Public Works Loan Board (PWLB) especially given the direction of interest rates and inflation?

Response

It is only better in some scenarios. Where the whole programme can be funded by PWLB and Councils are prepared to take that financial obligation on, then PWLB is an ideal financing source given its low rate. However, the whole programme and local plan includes land, local infrastructure and net zero transformation that includes the whole public sector, all of whom do not have access to PWLB. The scale of ambition and the pace at which development needs to happen does not lend itself to a programme funded by PWLB alone. PWLB can be used to augment the overall finance package where possible. However, the process for releasing PWLB funding can be too siloed and piecemeal to serve the overall plan for the city and the Masterplanning/design/carbon-free transformation plan. Equally, the Fund overall needs to be able to compete for sites with the private sector development market (which does not have the same net zero ambitions for the city. Their ambitions typically start with profit first) and hence must have access to agile finance to manage that competitive environment. This is best served by large scale private finance from institutional investors.

Why is the inclusion of Council and other public sector assets necessary to underwrite this fund?

Response

Public sector assets have ultimately underwritten all city developments, either through historic sales into the private sector with the land lost forever, or through leveraging public assets to bring development forward. When developments go wrong, the quality and placemaking suffers and sustainability is dropped from the agenda in favour of ring fencing private equity and its profit in the process. Only when equity is owned by the public sector, whose ambition is quality, placemaking and sustainability as a priority, can the switch in outcomes be achieved. To ensure private sector equity is the base case structure, the Fund needs either cash or assets in exchange for that equity. In this case, the public sector land provides that exchange.

From your experience in Cranbrook please can you tell us the most important things you have learned about the role or framing of the Local Plan and any Master Planning to ensure infrastructure delivery?

The Chair read out the response below provided by Andy Wood.

Response

- *vision - setting an ambitious vision upfront is critical. Without this do not be surprised if you become part of someone else's vision;*
- *statutory policies and proposals are fundamental - in the first phases of Cranbrook the Masterplan and design codes were left to the developer consortium to produce. This did not work. It has taken East Devon District Council over five years to get to the point to be able to adopt a statutory Development Plan Document to guide the expansion of the town from 3,500 to circa 8,000 homes;*
- *viability and deliverability will be heavily scrutinised - it will feel that the cards are stacked against you in both respects. The Council had to come forward with a proposal for a revolving infrastructure fund or lose a further £9 million of infrastructure (or put another way at least another primary school) from its critical infrastructure list. The list had already been paired back considerably and these were not just nice to have items. The £9 million figure reflected the difference in the cost of capital to the public and the private sectors; and*
- *beyond planning - too much is expected of the planning system as a regulatory function. Policies and proposals will not necessarily implement themselves. Council's have to be tenacious and entrepreneurial to achieve challenging objectives. This includes securing investment which is critical to future place making.*

The following responses were given to Members' queries:-

- regarding impact on existing infrastructure, different challenges existed in terms of providing the necessary infrastructure for greenfield and brownfield sites. It would be necessary to build a community identity for the former, whereas Liveable Exeter sites, such as Marsh Barton and Water Lane, would benefit from existing infrastructure. The nearest existing community to Cranbrook is Rockbeare; and
- Section 106 Agreements were considered a better approach than CIL to delivering strategic infrastructure requirements.

Gavin Bridge spoke as an experienced retail estate developer based in Bristol. He stated that he was familiar with the challenges of delivering place making, mixed used developments to a high environmental standard. He highlighted the following:-

- important to differentiate between house builders and developers. The former will focus solely on houses whilst the latter look to sustainable, mixed use developments incorporating a range of uses;
- the top six house building firms dominate greenfield developments and offer about seven housing types which are replicated throughout the country. They often meet the minimum requirements such as building regulations and seek to produce profits in the region of 20%;
- house builders rarely offer a range of tenure unlike developments brought forward by or with local authorities. The latter offer a place making approach and a custodial element to help generate a sense of community ownership aiming to provide a mix of high quality, mixed tenure sustainable homes;
- Spaita look to work with the public sector to seek creative solutions and a range of tenure types with not all properties for sale on the open market. It commits to a Master Plan approach and aims at bringing forward developments quickly;
- Spaita can offer greater flexibility with a willingness to develop on brownfield and city centre sites with uses such as retail, office, hotel, community facilities and

affordable housing included in the mix of solutions offered. Cinema and supermarkets options are generally for out of town locations;

- house builders can land bank and bring forward a development at their own pace, again to maximise profits;
- Spatia utilises institutional investors/pension funds, including where possible global funding solutions, to bring forward developments; and
- a development fund approach can enable profits achieved on certain sites being used to subsidise other developments in less affluent parts of a city and/or to bring forward infrastructure, thus combatting silo tendencies in cities.

The following responses were given to Members' queries:-

- a Master plan approach, allied to public sector land ownership, can set targets for sustainable developments which is becoming increasingly attractive to those fund managers seeking ethical investments;
- Spatia, like the Council, had brought forward Passivhaus solutions. Higher standards are set industry wide through Building Research Establishment Environmental Assessment Method (BREEAM), and District Heating Networks offer other sustainable solutions;
- different funding solutions from a variety of sources can be used at different times in a development;
- local authority involvement can bring a longer term place making premium and can facilitate brownfield developments;
- agree that the various housing solutions evolved throughout the last century and approaches this century have failed to involve communities. Engagement is increasingly seen as the preferred way forward. House builders who focus on profit maximisation often fail to engage on place making, infrastructure provision and the sustainable needs of communities;
- Spatia's preference is to work with public sector partners to maximise community benefits from their land ownerships;
- self-build is a further option to add into the mix;
- Homes England support not always the solution but can be encouraged to invest in brownfield developments; and
- consultation with communities is regarded as best practice with younger generation involvement through technology.

Strategic Business Case

Roli Martin, Project Manager Exeter City Futures, presented the strategic business case. Presentation attached to the minutes. He highlighted the following:-

- the case had emerged from UK Regional and City Ambitions as part of the Levelling Up White Paper and Government objectives of building back better with regard to Climate Change, Net Zero and COP26 as well as the Business, Energy and Industrial Strategy (BEIS) Plan for a Green Industrial Revolution;
- the Department for Levelling Up, Housing and Communities had set out a range of measures to revolutionise the planning industry to enshrine equality, beauty and sustainability in the heart of local decision-making;
- Exeter's ambitions included healthy active citizens, reduced congestion and enhanced mobility, building better housing and neighbourhoods, clean, sustainable urban growth, densification of communities and delivery of 15 minute neighbourhoods;
- vision in Exeter is to provide 12,000 homes in 20 years as part of the city's urban densification plans, delivered and supported through a combination of finance from public sector partners and institutional lenders and led by Exeter City

Futures. This is regarded as a necessary way forward as the private sector development market was not delivering in a way to align with the city's vision for the next two decades;

- challenges to the vision include the pace of delivery, influence of the private sector seeking quick delivery and profit maximisation, legislation versus ambition and urban sprawl;
- costs:-
 - land and preparation costs - £1,544,727,622;
 - construction costs - £3,270,822,822; and
 - total of £4,815,550,443;
- costs to be met through a sustainable finance development vehicle owned and controlled by the public sector with place making as the ultimate goal. The Fund would be professionally run by a Master developer with all profits kept within the fund and re-cycled back into city projects;
- public sector funding of viability gaps can be achieved through local infrastructure provision, Section 106 contributions and CIL and Net Zero policy costs; and
- the City Development Fund is proposed as an alternative to business as usual through joint ventures with private sector and Government agencies or outright sale of land.

The following responses were given to Members' queries:-

- meeting the Net Zero 2030 target will be challenging and will require the commitment of other city institutions such as the University and Hospital who face their own difficulties, particularly with supply chains. Liveable Exeter looks at alternative approaches to build, such as retrofitting as part of carbon neutral goals with the City Council's commitment evidenced by the St Sidwell's Point Leisure Centre;
- need to balance commercial returns against the delivery of the carbon agenda, health and well-being and social outcomes;
- in view of the high level of housing need, the intention is to provide the required homes as quickly as possible. There is money in the system but the entire Government UK budget for housing would be needed to deliver the whole Liveable Exeter project;
- the Development Fund rationale includes Government match funding for land purchase as an equity investment to achieve a dividend which is preferable to the Government grant aiding housing projects;
- institutional funders and pension funds are prepared to invest in brownfield sites;
- densification relates to social options such as living and working in the same neighbourhood and not to built structures. Developments will be urban design led with a range of building solutions;
- it will be a holistic approach across the city and will dovetail with the Local Plan;
- a key issue will be to engage with local communities with greater buy in anticipated from younger generations, such an example would be tasking Exeter College with a departmental art project to re-design the St. David's Station forecourt;
- the strategy, whether progressing or not, would hopefully disrupt the market and challenge the mind-set of the private sector to encourage the development of new, sustainable communities and desirable neighbourhoods to live and work;
- the Development Fund is new, innovative and backed by the One Public Estate, an approach which, if going forward, could be replicated nationwide; and

- the future will see a move away from the reliance on fossil fuels which will inevitably require different solutions. Spaces currently taken up by cars will be freed up for alternative use.

The Chair thanked Roli Martin, Elaine Anning and Gavin Bridge for their presentations and Members for their interesting and thought provoking questions.

In conclusion, the Chief Executive & Growth Director stated that the next session on the economic case would directly address viability issues.

The meeting commenced at 5.30 pm and closed at 7.28 pm

Chair

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Cranbrook: 10 years in

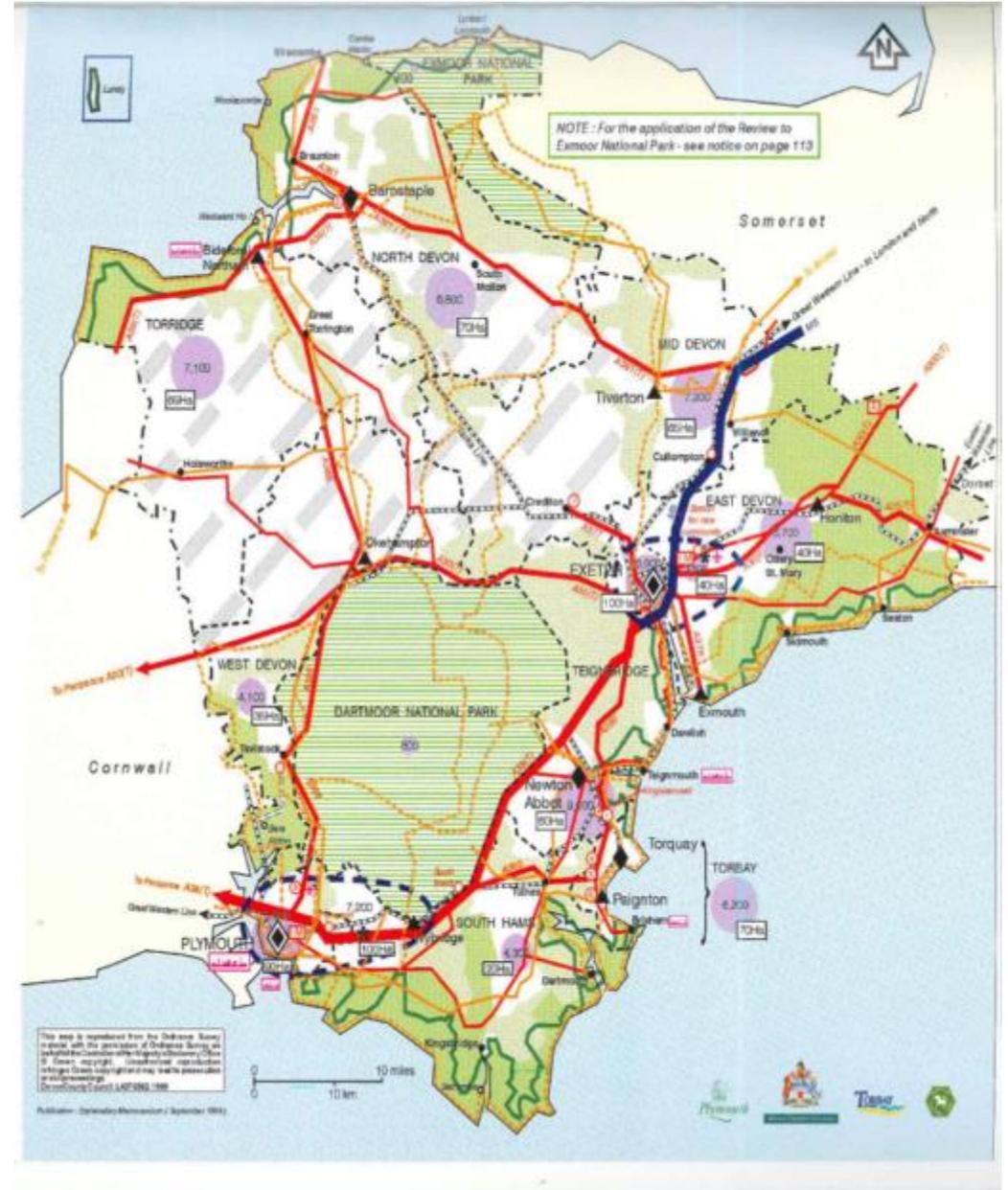
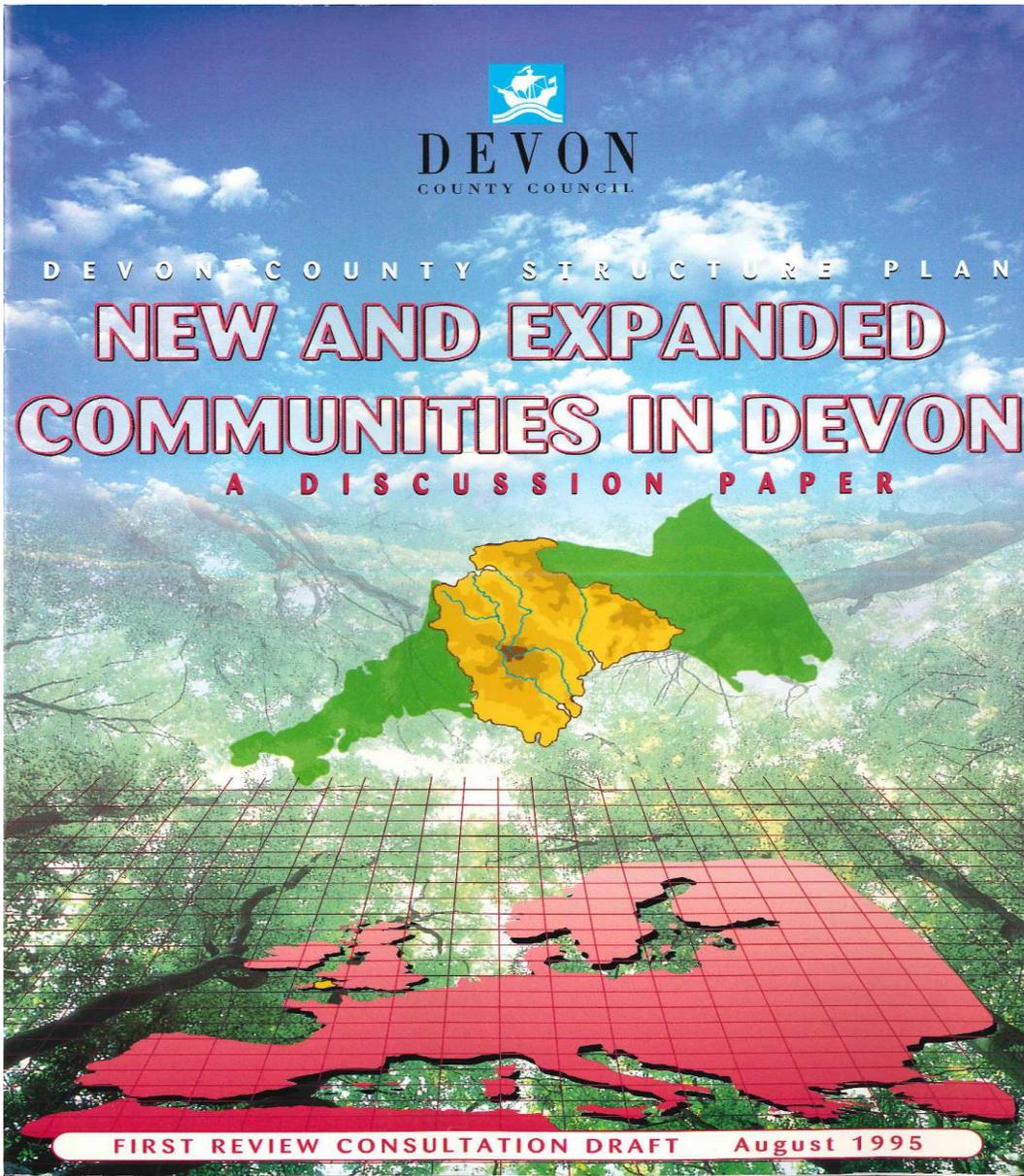
30th March 2022

An aerial photograph of a suburban town. The town is characterized by dense residential areas with red-tiled roofs, interspersed with green lawns and trees. The town is surrounded by a patchwork of green agricultural fields, some of which are divided by stone walls. A winding road or path is visible through the fields. The overall scene depicts a typical suburban development in a rural or semi-rural setting.

Commercially driven model

No public sector controlled land

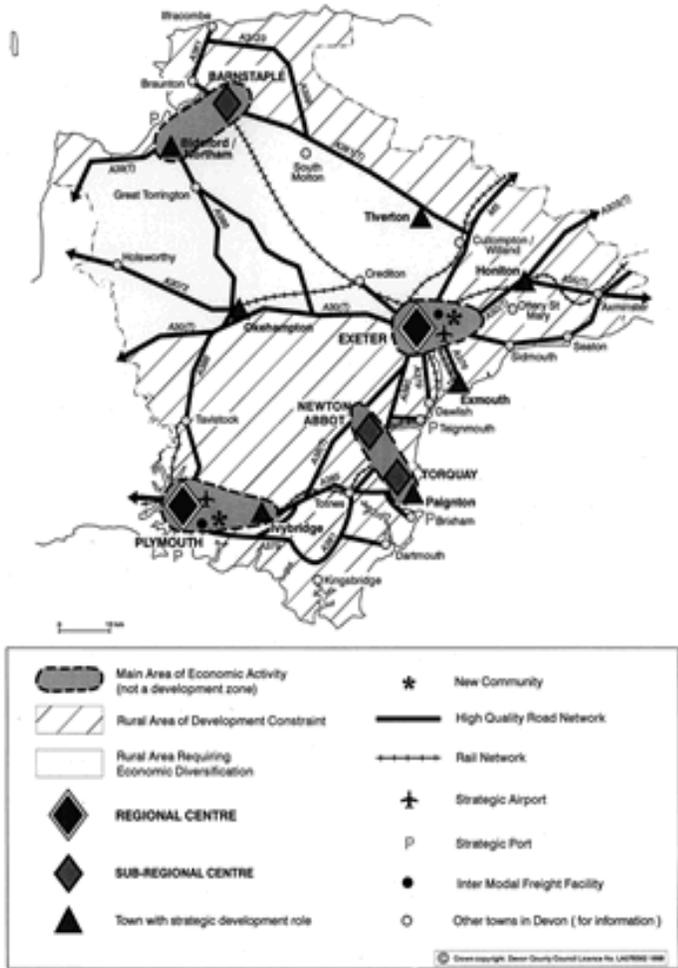
Is there market failure?





Vision for Cranbrook:

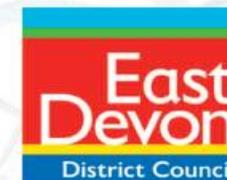
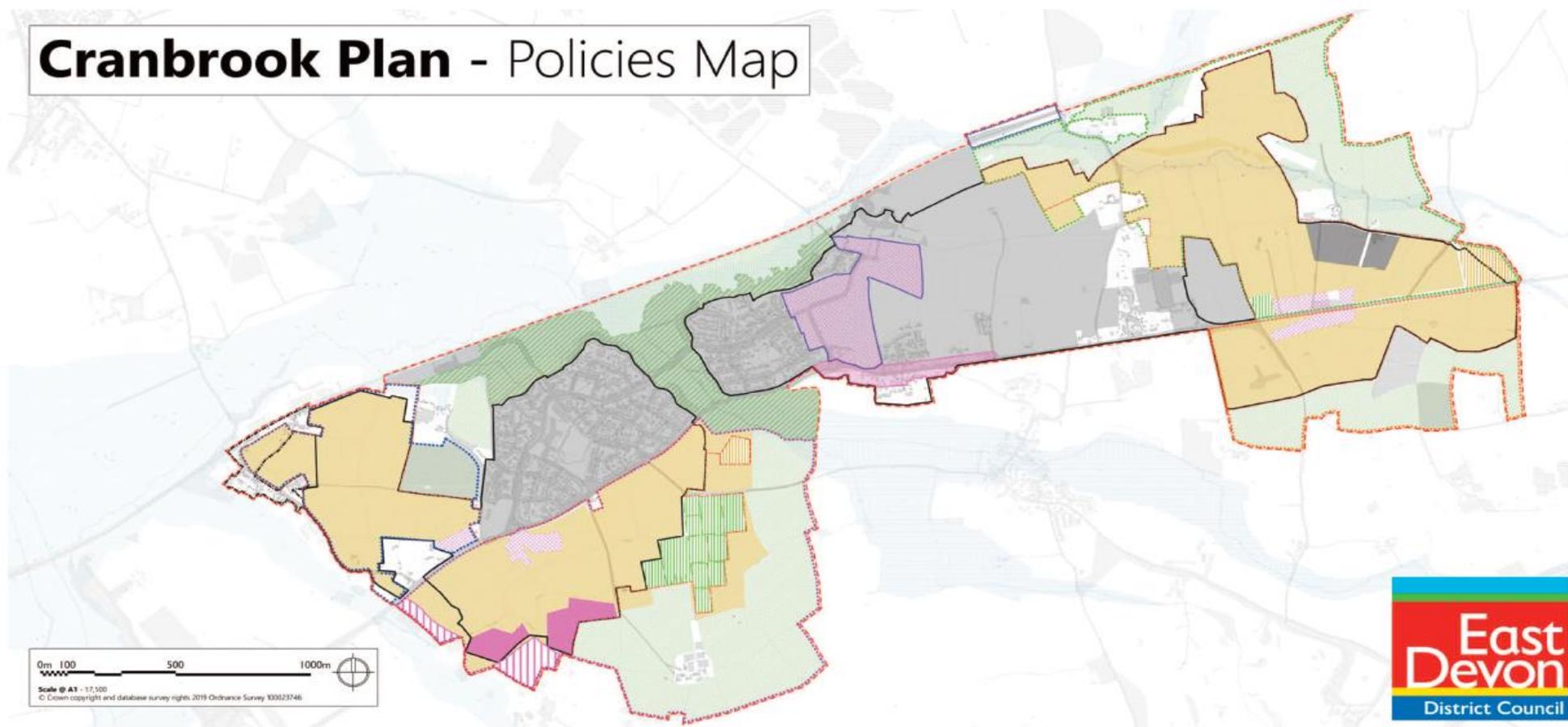
Sustainable, vibrant, attractive town which combines the rich urban fabric of historic Devon service centre or market town whilst meeting the needs of 21st Century lifestyles.



- 1991** - Initial concept
- 1995** - Devon Structure Plan
- 2006** - East Devon Local Plan to 2016
- 2007** - Growth Point designation
- 2010** - OPP for 2,900 homes
- 2011** - RMs for 1,120 homes
- 2012** - Successful launch
First residents move in
- 2016** - East Devon Local Plan to 2031
- 2022** - Circa 2,700 occupations
Cranbrook Plan adoption
Live applications for circa 4,000 homes



Cranbrook Plan - Policies Map



Key

Strategic policies

- | | | |
|--|---|---|
| CB2 Bluehayes Expansion Area, including SANGS | CB3 CB4 Gypsy and Traveller allocations | CB8 Built Up Area Boundary of Broadclyst Station |
| CB3 Treasbeare Expansion Area, including SANGS | CB3 Employment land allocation | CB10 Land safeguarded for second station |
| CB4 Cobdens Expansion Area, including SANGS | CB3 CB4 Sports Pitches | CB14 Land safeguarded for energy use |
| CB5 Grange Expansion Area, including SANGS | CB4 Cobdens education land | CB15 Delivery of Suitable Alternative Natural Green Space |
| CB2 CB3 CB4 CB5 Non-specific use allocations | CB8 Built Up Area Boundary of Cranbrook | |

Non-strategic policies

- CB22 Cranbrook Town Centre
- CB23 Residential Development in the Town Centre and Neighbourhood centres
- CB24 London Road commercial and retail proposals

For information

- Flood Zone 2
- Existing Cranbrook outline permission
- Cranbrook Plan area
- Allocations boundary
- Cranbrook Country Park

What's been delivered so far?



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- 7 retail units (with post office counter)
- 3 play areas
- 2 schools
- Parsonage
- Community centre
- GP practice
- Rail station
- Bus service
- Co-bike dock
- Allotments
- Country Park
- Pub
- Playing pitches



The town with no centre: Will new town Cranbrook ever realise its potential and finally be completed?

Signs advertising the town centre still stand tall, but the land remains empty



Exclusive

Where is Cranbrook's town centre?

🕒 PUBLISHED: 12:31 23 July 2019 | UPDATED: 10:11 30 July 2019 | Beth Sharp



Cranbrook town centre site on Court Royal. Ref: mh:SO 19T1 8768. Picture: Terry Ife

Cranbrook was promised a town centre. But where is it?

10 year review: what are the lessons?

1. Clarity of vision
2. Local leadership
3. Sustained financial support
4. Beyond planning
5. Understand the delivery model
6. Control of land is key
7. Infrastructure-led approach
8. Importance of master developer role
9. Mixed and balanced communities are hard to achieve
10. Look forward and future proof

#5 Understand the delivery model

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House builders not town builders?

Stewardship model?



#6 Control of land



#7 Infrastructure-led approach

St Martin's Primary School
September 2012



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Cranbrook Education Campus
September 2015

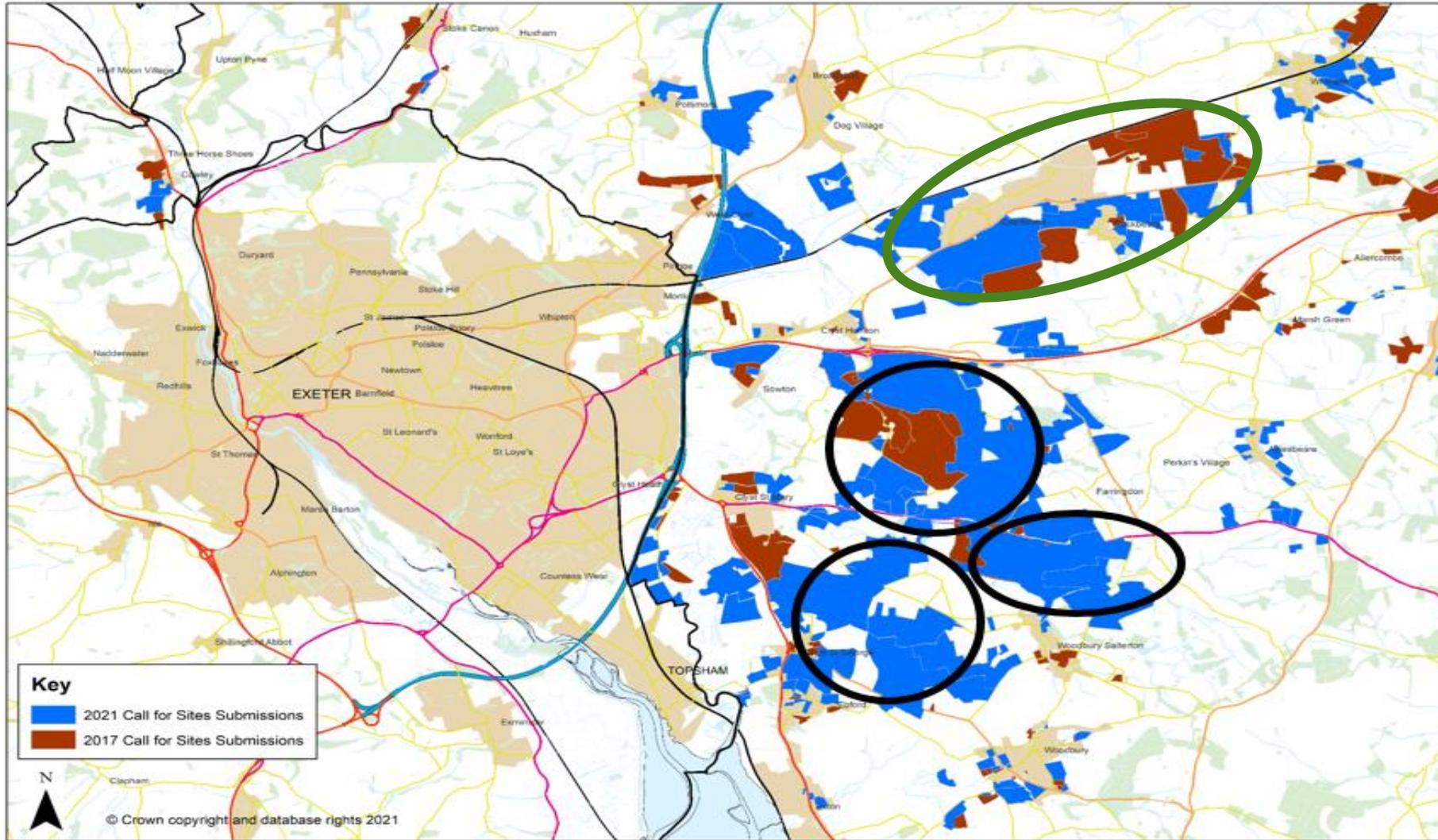
Is there market failure?

- Land acquisition
- Asset investment/endowment
- District heating investment – with social fund
- Local revolving infrastructure fund

Total cost = £70m

Phase 1 affordable housing = 30%

Expansion areas = 15%





Thank you



Andy Wood
Service Lead

Growth, Development and Prosperity
East Devon District Council



Exeter Development Fund

30 March 2022

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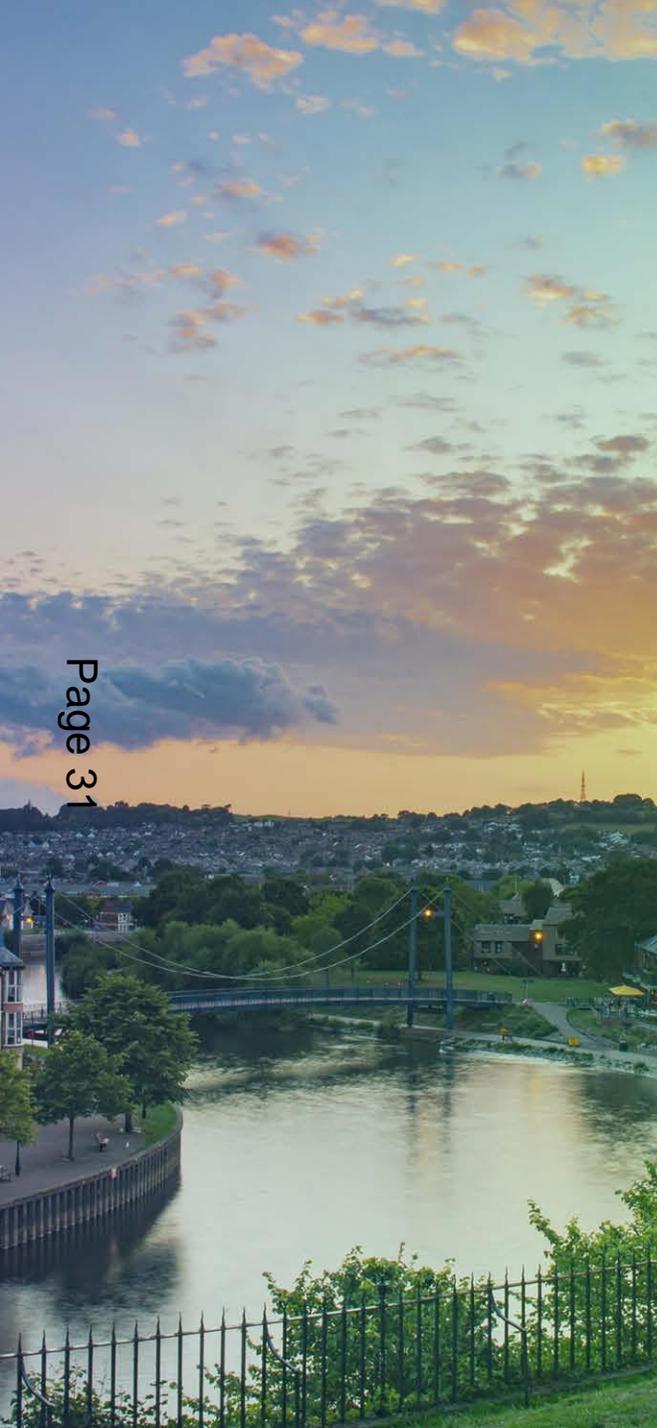
06 Challenges to the Vision

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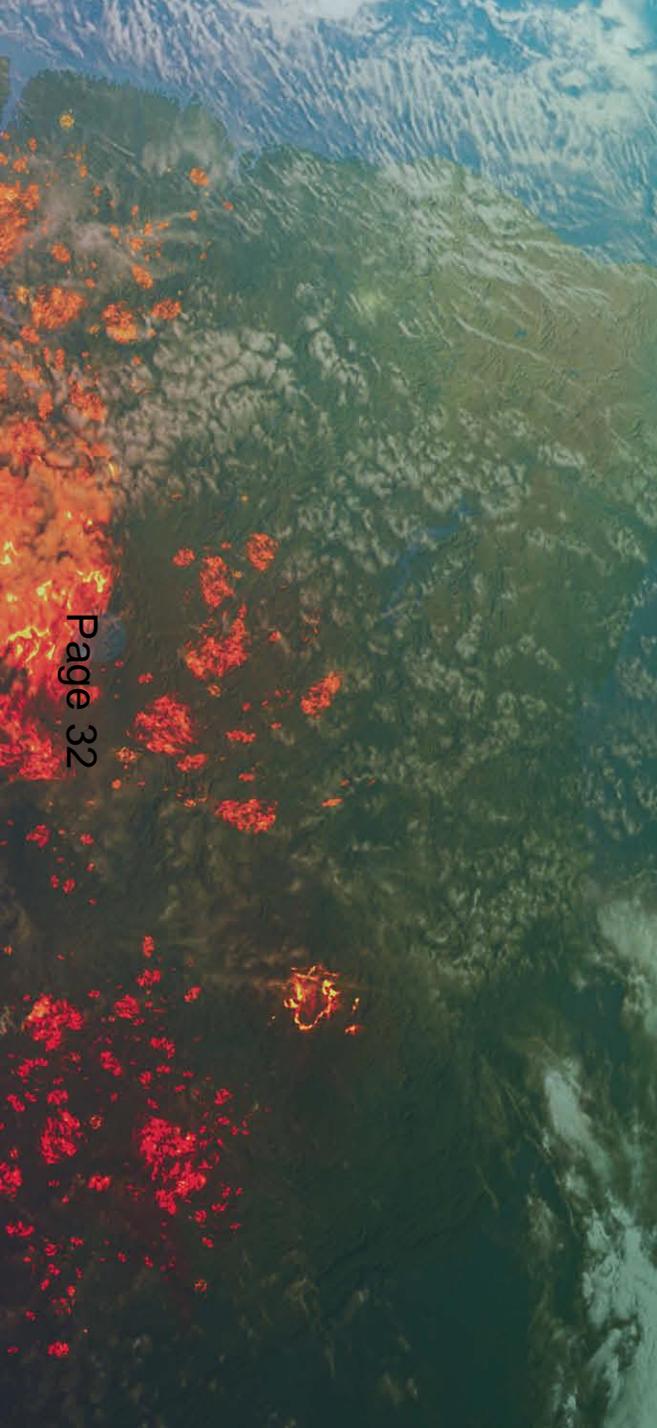
10 Achieving Growth: Options



Introduction



Exeter Development Fund



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➤ UK Regional & City Ambitions

- Levelling Up White Paper
- Climate Change, Net Zero & COP26
- Central Gov't Objectives: Build Back Better
- BEIS Plan for a Green Industrial Revolution
- Department for Transport



➤ UK Regional & City Ambitions

➤ DLUHC

set out a range of measures to revolutionise the planning industry to enshrine quality, beauty and sustainability in the heart of **local decision-making** across the country from city centres to rural villages.

Exeter's Ambition

By 2050, 66% of the world's population is expected to be living in cities.

Exeter's Ambition



Healthy
active
citizens



Reduced
congestion
and enhanced
mobility



Building better
housing and
neighbourhoods



Growth Ambition in Exeter



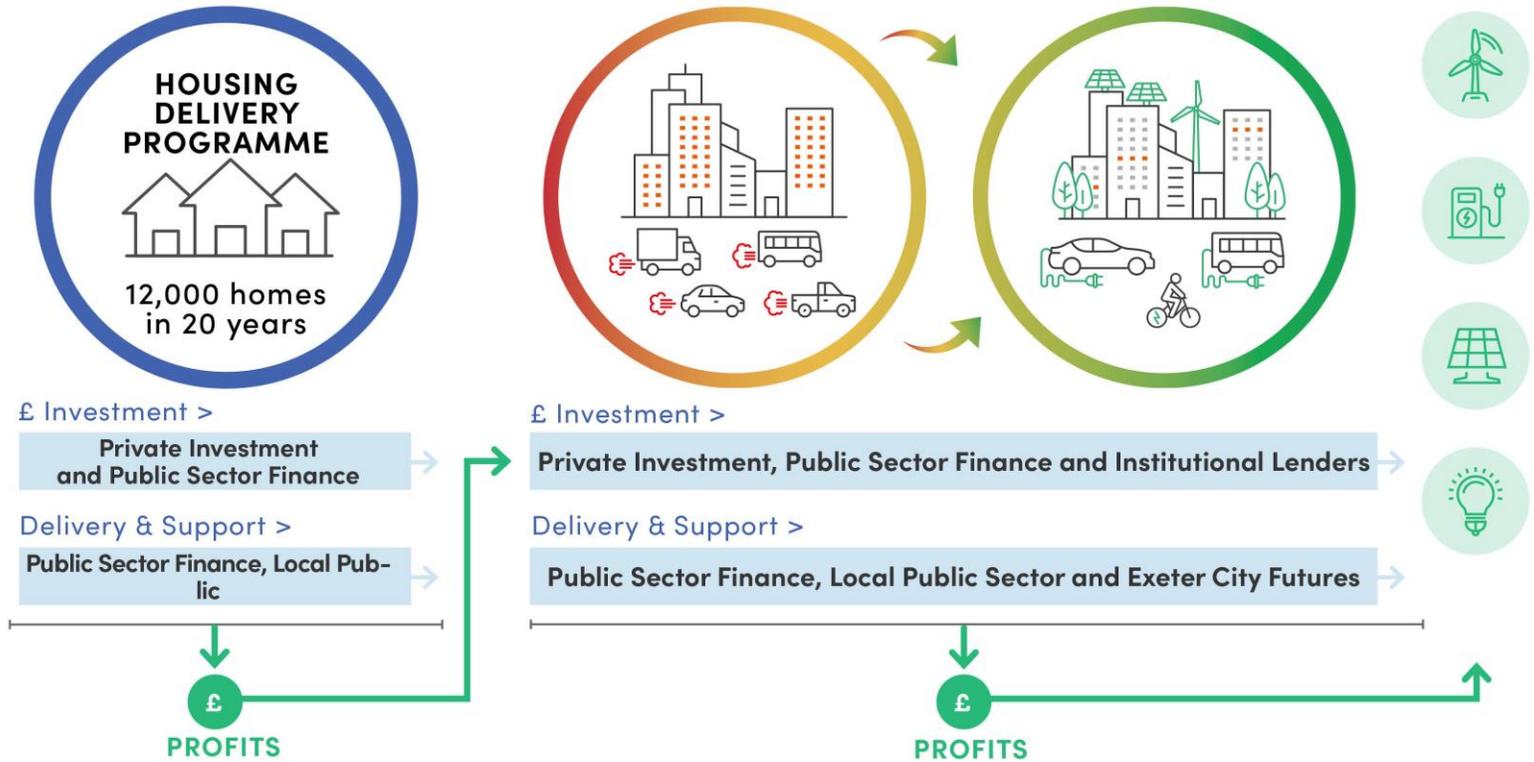
What does clean, sustainable, urban growth look like?



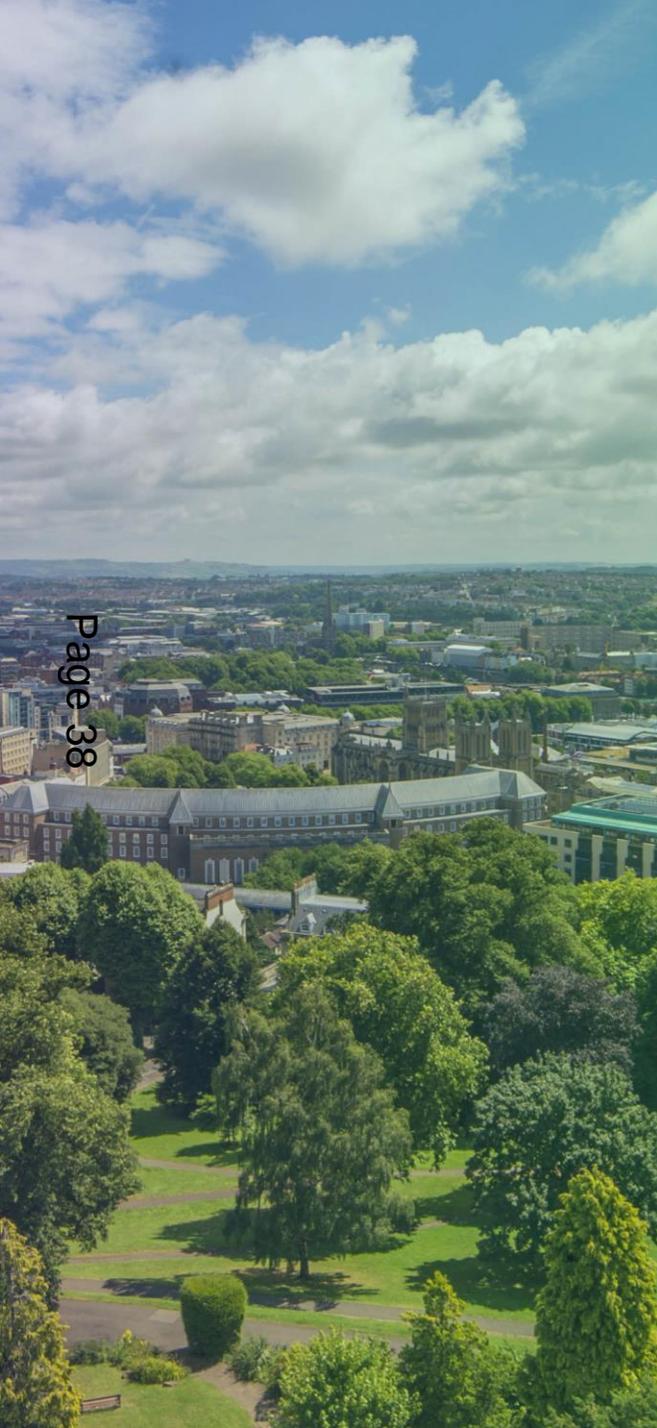
What comprises densification of communities and delivery of 15 min neighbourhoods?



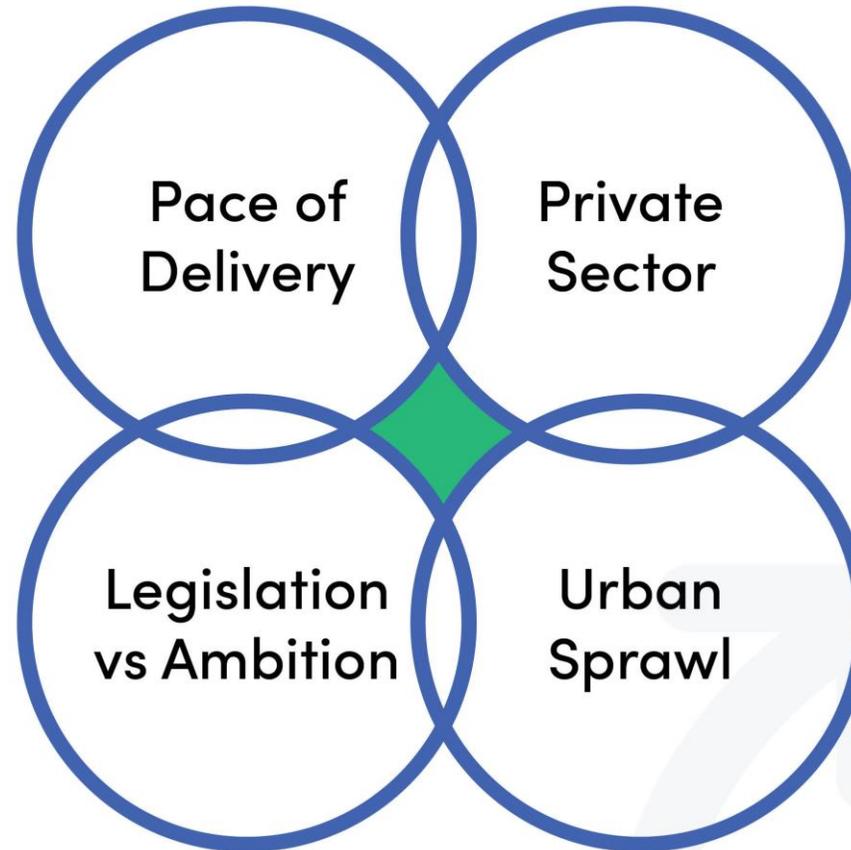
➤ Conceptual Vision in Exeter



Clean Growth: Leveraging Property for Transport and Energy Transition



➤ Challenges to the Vision





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➤ Costs of Growth

➤ Total Land & Preparation Costs

£1,544,727,622

➤ Total Construction Costs

£3,270,822,822

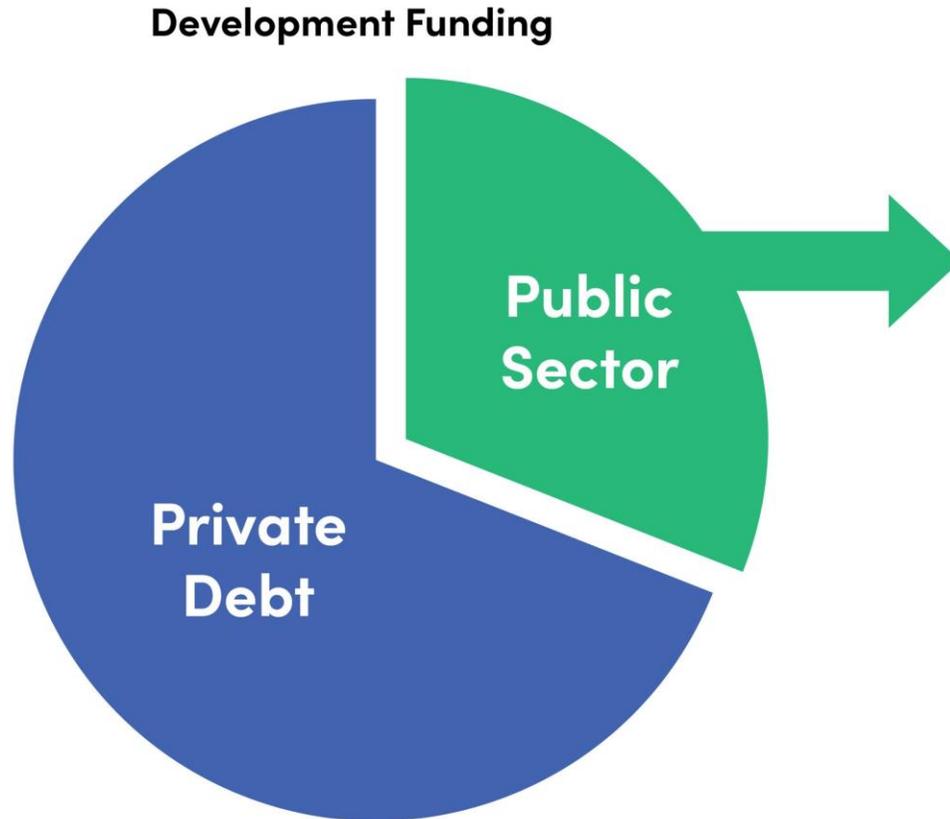
Total Cost: £4,815,550,443



➤ Meeting the Cost of Growth

- Publicly Owned
- Impact Driven
- Professionally Run
- Locally Retained Profits

➤ BAU on Viability



Viability Gap Funding:

1. Local infrastructure
2. S106 Contributions/CIL
3. Net Zero policy cost



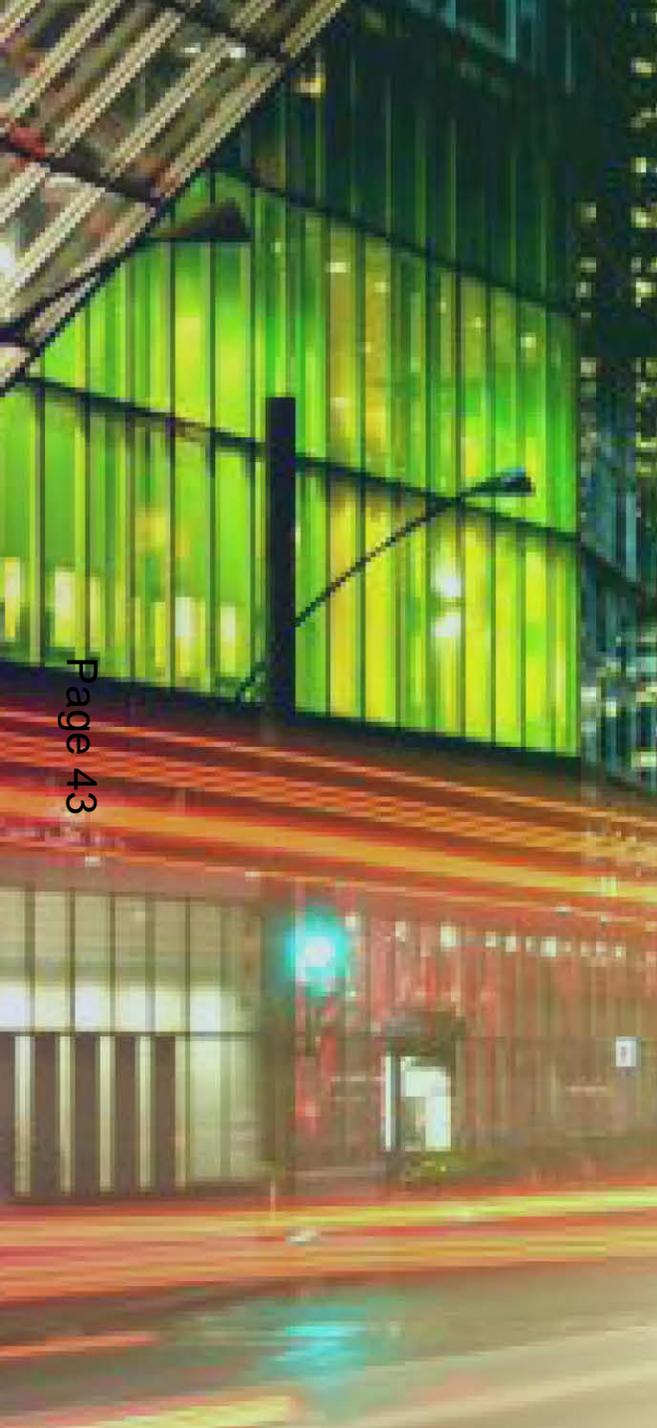
Achieving Growth: Options



How can we as a group/city region meet the costs of the required growth?



How do we best work with private investors and developers to leverage finance and leading edge skillsets?



➤ **Achieving Growth: Options**

- Selling land outright
- BAU – Joint ventures with private sector and govt agencies and variations thereon
- Development Fund

