



Exeter Development Fund

1. Strategic Case



1.1 Introduction

This business case explores the costs, benefits and risks of a replicable, innovative concept design for a collaboratively owned, public sector infrastructure fund at a city region level (the “Fund”). The aim of the Fund is to combine public and private sector finance to transform the built environment, harness capital flows within the city and enable investment in infrastructure development in a way that delivers place-making aspirations without long term dependence on bids for Government grants.

The Fund will provide a single source of finance, deal flow and project management to procure and deliver the housing and infrastructure required for a city’s vision of place-making. It will lead the way in developing out the city, ultimately to then set the bar for all future developments. It will employ an end-to-end, fresh approach to procurement, with data driven, challenge-based processes that procure regulatory-compliant solutions and drive industry innovation and sustainability side by side.

Based on current blockwork plans, live data and cash flows for the delivery of c.10,000 homes, commercial property, public realm, industrial and municipal accommodation across multiple sites in Exeter, this business case has performed options appraisals on the most effective way to finance the required infrastructure, land acquisition and preparation. The Fund’s success delivers transformational change in urban developments and public sector revenue streams.

The benefits within this Parliamentary period alone are clear. By the end of this Parliamentary period, Government will have set up a municipally controlled, market leading and active development fund set to generate revenue for HM Treasury into perpetuity, delivers net zero cities and sets the benchmark for the UK development market for future Parliaments.

Bridging the gap between sustainable, truly environmentally responsible infrastructure solutions, UK emerging policy on sustainable place-making and investible business models is a constant challenge for governments and the markets. The problems are understood, as are many mitigating interventions, but financing and delivering the solutions at scale remain as-yet unresolved. Therefore, ‘effectiveness and success’ measurement, for the purposes of the Fund’s concept design in this business case, is manifested in addressing the attrition that exists between commerce, place-making, housing targets, sustainability and the UK carbon agenda.

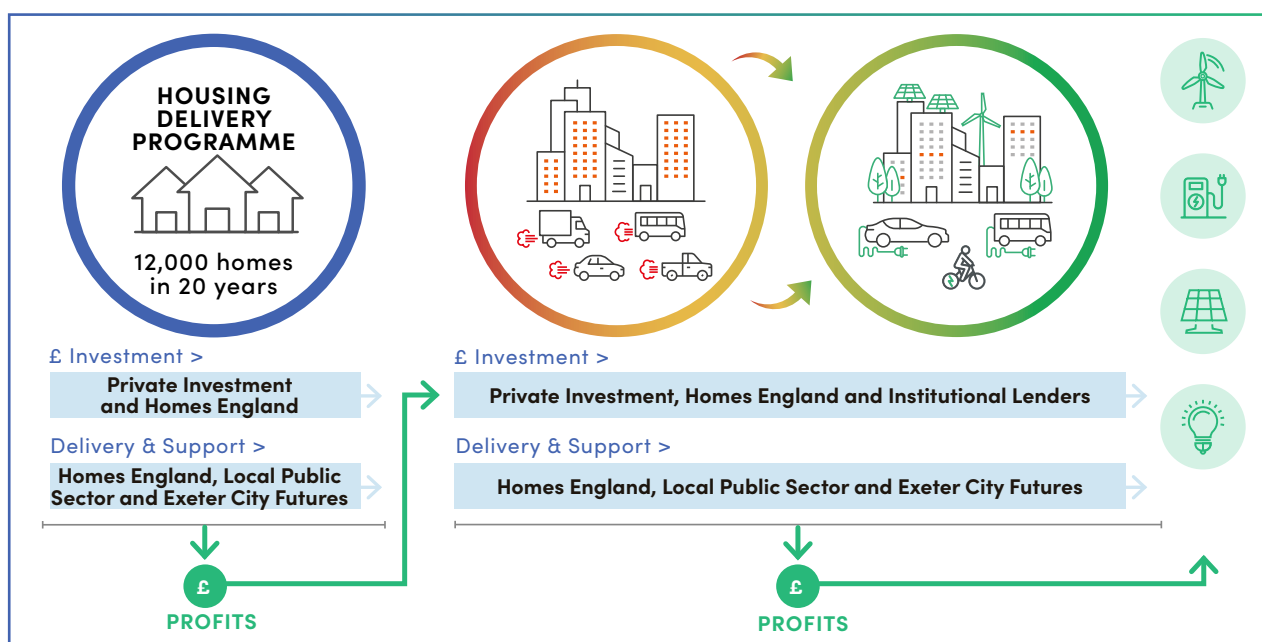


Figure 1.1 • Fund Infographic

This business case seeks a contribution from the public sector of c.31%-of-total-capital to team with the available private sector debt finance, within a Fund structure, in order to deliver on the city's capital program over the next 20 years.

How does it work?

The Fund will initially be capitalised by a mix of central government infrastructure budgets and the city's existing public sector assets.

Traditionally, public sector land assets suitable for development are cherry picked by private sector developers. Any developments are then designed for profit maximisation, and so often do not meet the needs of the city or deliver on place-making, infrastructure, or sustainability. With new homes in such high demand, the current delivery model results in low quality high volume housing.

As demonstrated in Figure 1.2 below, ECF's model seeks to capitalise on the city's wide range of property assets, across various public sector institutions, to control ownership of the financing for sustainable development, and therefore control of the outcomes of these developments. In this way the city can ensure delivery of climate ready, happy and healthy communities, that also generate returns to support public sector services.

The Fund will also ensure that development objectives are informed and guided through community engagement, and in this way all residents are able to influence the new communities delivered.

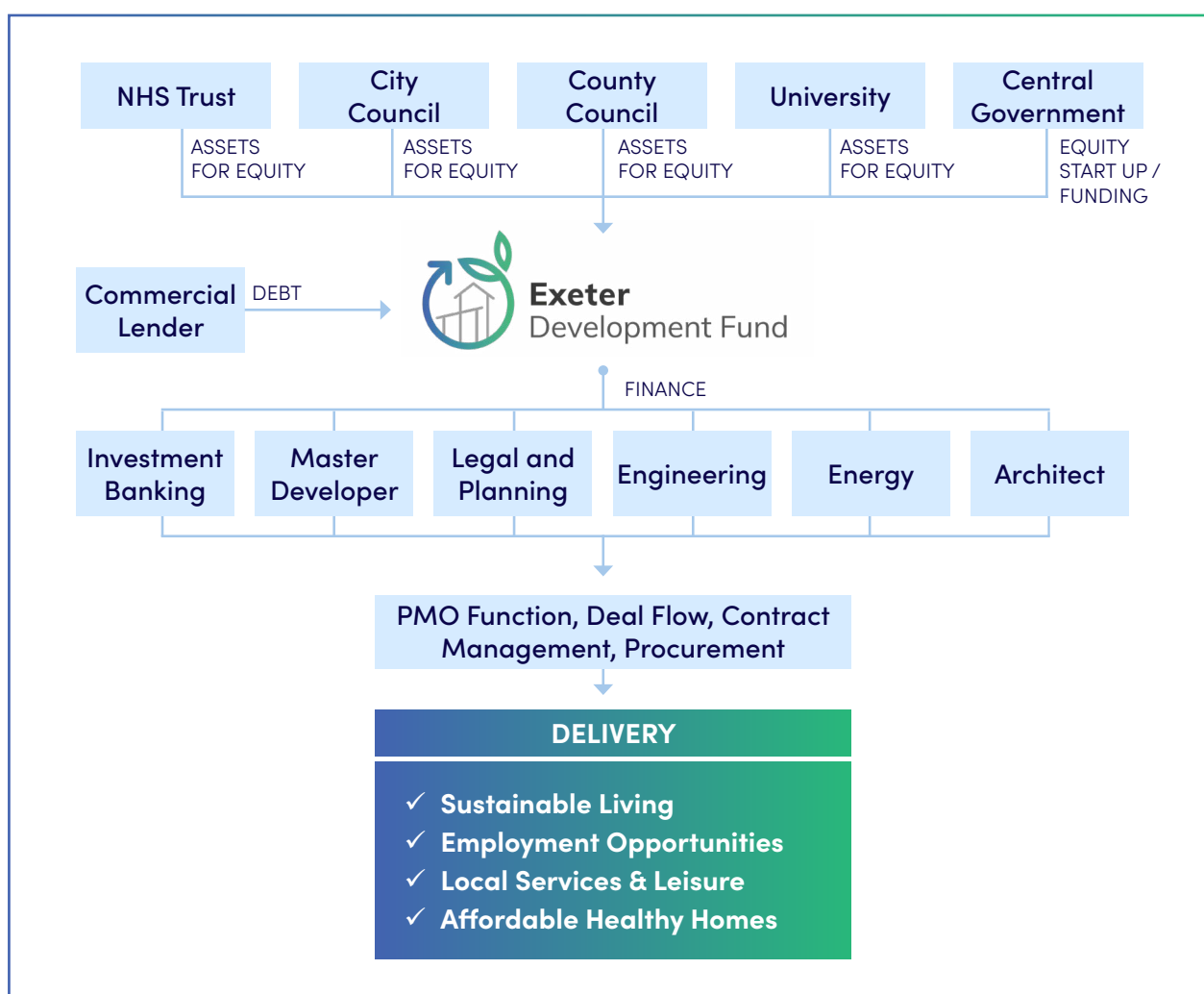


Figure 1.2 • Fund Structure

1.2 The Case for Change

1.2.1 Broader Context

As government develops its Levelling Up Strategy, local authorities have a unique opportunity to contribute and shape the future of the UK in this space through their own local strategic plans. This strategy will be key to ensuring that every part of the UK can prosper and that the government has the right policies to drive productivity and earning power. Embedded within that strategy is the principle idea that cities can hold the key and that they need to transform.

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

This rate of urbanisation presents many challenges which, left unsolved, will give rise to inequity, pollution and costly, sprawling development patterns. This limits the capability not only of our cities, but the people within them.

1.2.2 Place-making

To stimulate and sustain economic development, a city needs to be a vibrant place with a distinct identity and a heart. It needs to focus on attracting and retaining the most talented individuals by offering a fantastic quality of life in the very best kind of environment.

This place-making goal is essential to create the momentum and investment needed to grow sustainably, inclusively and equitably for citizens. The UK needs to deliver transformational change within its cities and build growth strategies focused on better financing, innovation, responsible planning and better use of data analytics. Many cities' emerging visions for the future recognise this.

1.2.3 The UK's Challenge

Traditional methods for the financing and delivery of housing and urban growth, led by the private sector developer market agendas, are not always sympathetic to the challenges of city plans. Profits made from development typically exit the city cash-flows rather than being available for reinvestment into optimising other infrastructure services. This leakage of value coupled with constraints on public sector capacity and the pace of public financing for infrastructure delivery presents an acute challenge for cities.

Without a significant change in the way they manage growth and development, Exeter and many other UK cities will be compromised in their attempts to deliver into the wider industrial strategy. The level of housing numbers required to meet population and growth targets will arguably lead to an urban sprawl which conflicts with the UK carbon agenda, road network constraints, neighbouring regions space aspirations, energy grid capacity and health and wellbeing.

There is often a lack of shared understanding of the impact of peripheral housing and business growth on the fabric and functioning of the city and its future attractiveness to citizens, academics and businesses. This is one of the key challenges that stand in the way of delivering on the place-making aspirations inherent in the UK's Industrial strategy.

Equally, a challenge remains from a financing perspective. In typical development projects, there exists a fundamental mismatch between the purpose and outcome of short term capital and the long-term agenda of a city. In the rented sector, for example, short term capital is obtained for the build phase of a development program which does not often deliver on the city's long-term aspirations. Then longer-term mortgage finance is brought in after the damage is done. A comprehensive 'finance first' solution is needed to better serve the overall plan.

1.2.4 Exeter City Context

Exeter was named by the Centre for Cities as the city with the fastest growing population in the UK. The economic region is prospering, with an annual GVA growth of 3.4% for the last 15 years, and the local development framework outlines ambitious plans for growth. Hosting the largest cluster of digital economy activity south west of Bristol, the city's population is among the best trained in the UK.

The city has a high level of educational attainment and several excellent education institutions that include 2 TEF Gold rated educational establishments (University of Exeter and Exeter College) and one of only two specialist maths schools in the UK (Ofsted rated outstanding at first appraisal).

To meet this growth and potential the Greater Exeter region is set to deliver up to 50,000 houses over the next 20 years, 12,000 of which are required within the city itself to promote regional growth and as part of the city's urban densification plans. This will see approximately £10bn of private money and £2bn of public funds invested in the region.

Based on current trends, much of this new housing will be delivered on green field sites around the city, exploiting existing trunk road infrastructure and, unless innovative solutions are found, will bring increased pressure on affordable housing, the transport network, employment and the environment. This can lead to planning blockages and development shrinkage, thus leaving land value trapped.

1.2.5 Exeter's Challenges to Delivering the Vision

Exeter faces huge challenges in respect of its increasing population, expanding university and increasing the magnetism for large scale business investment.

The city strives to be seen as one of the world's most sustainable cities and a fore-runner in innovative transport and place-making. In doing so it has set out a bold vision for the future that aligns with the UK industrial strategy. For 2021, the city has set out three strategic priority areas to be addressed over the next two decades:

- ✓ Healthy active citizens
- ✓ Reduced congestion and enhanced mobility
- ✓ Building better housing and neighbourhoods

To achieve this, huge investment is required into the billions of pounds, on new public mobility solutions, dense unit housing, new energy networks, city centre remodelling and new transport infrastructure that connects jobs to housing in the Greater Exeter region.

The city has one of the slowest peak-time traffic speeds but also a growing and successful uptake in rail, bus and cycling options, with one of the highest walk/cycle-to-work populations.

To deliver growth within the city, a holistic view is needed that approaches development of housing, transport and energy under a shared place-making goal.

1.2.6 Ownership, Control and Strategy: The Private Sector Agenda

The private sector development market is not delivering for Exeter in a way that aligns with the vision for the city in the next two decades.

Understandably, large scale developers tend to select projects based on profitability rather than, say, the Carbon agenda, Health and Wellbeing metrics or social outcomes that benefit the long-term prosperity of the city. Property developers' short term accountability to their shareholders has a greater motivational premium than the accountability to the citizens of the Exeter.

This divergence means that sites that could deliver sustainable place-making aligned with emerging UK policy objectives are typically picked off by developers and designed for profits alone.

The city is at risk of missing an opportunity for real transformation and growth if all developments are left to the private sector without adequate public sector control over outcomes through the right partnership structure. The challenge remains as to how retain more control over the financing and strategy for the city's infrastructure, in order to work with the private sector on outcome-focused projects.

Furthermore, large-scale developers operating in the city can produce profits in the region of 20% on capital spend. Typically, the profit from these developments leaves the city to pay shareholders external to Exeter. This means that large chunks of value uplift are leaving the region and are lost. The challenge for the city is how to ensure more value is retained within the city and delivered on projects with the right quality.



Exeter City Council's strategic plan is to work with local partners to address the city's strategic housing provision over the next 20 years. A challenge for the city is how to deliver housing within the existing municipal boundaries (involving costly, complex build sites) and build them in a sustainable way.

The Council recognises that the traditional mode of development has over promised and under delivered. Breaking this cycle and delivering to quality standards, whilst raising the funding necessary was a challenge. The current model does not work and, as such a new, sound strategy was needed.

How can Exeter fund a new program to new standards and quality? The public sector in Exeter has previously driven improvements in development values but seen none of the financial benefits.

How could Exeter capture the value uplift and retain this within the public purse? Oxford and Cambridge are examples of big investment from central government, but Exeter has historically missed out as waiting for the whole region to take shape to attract investment will not happen within the short to medium term.

The Fund model concept chimes as a way of delivering the long term vision to meet the city's issues and match with members' aspirations, since the market is not delivering. ECC already has its own development company, which delivers high quality homes in "places" and the Fund concept fits well with this. The Council recognises the need to plug the big viability gap with a credible option for delivery of our homes as communities. The Fund is a viable option, amongst other more traditional interventions, to address that challenge.



Karime Hassan • Exeter City Council Chief Executive and Growth Director



1.2.7 Exeter Strategic Fit

This business case explores the costs, benefits and risks of a replicable, innovative design concept for a collaboratively owned, public sector infrastructure fund at a city region level. To that end, the Fund structure seeks to be shaped to fit any city region. However, its conceptual application to a city region for testing purposes requires a head start. That head start exists in Exeter's own strategic plan for housing over the next 20 years: [Liveable Exeter](#).

This represents a preselected package of priority sites, owned by a mixture of Exeter's public sector institutions and the private sector within the city on which the city has conducted significant design work for the provision of 12,000 homes and communities:

Exeter has a vision for growth as a connected city region consisting of thriving linked communities set within an exceptional environmental setting. This clear vision represents a commitment to strengthen neighbourhoods; create new communities; invest in sustainable transport; and deliver the infrastructure needed to attract investment and improve quality of life.

The realisation of this vision for the city and surrounding region is dependent on the continued success of the city of Exeter. Successful cities ensure the wellbeing and prosperity of their communities and act as a focus to jobs, leisure, culture and shopping. To stay successful, cities must have a clear plan for how they will respond to, and take advantage of, major changes in technology, social expectations and the environment.

Successful cities are people places. 'Business as usual' planning and development processes on their own will not be enough to ensure Exeter can achieve its potential and give all its citizens the chance to live the best possible lives. As the Liveable Exeter programme brings together the strands of the clear vision that the City has for the transformational change that is needed to benefit the people and businesses of the city. These strands include:

- ✓ **commitment to becoming a carbon neutral city by 2030;**
- ✓ **becoming an active and accessible city;**
- ✓ **Exeter's UNESCO City of Literature status and weaving culture into the heart of the city's development and building 12,000 new homes for the city by 2040.**

The Liveable Exeter programme represents nothing less than an ambitious and long-term renewal of the city's fabric to meet people's needs for homes, jobs and services in the 21st century.

Extract from [Liveable Exeter Vision](#)

Exeter is also a successful test bed. It is uniquely placed to foster fresh approaches along with promoting and sharing learning. The city already enjoys many of the positives associated with aspirational city living, with healthy commerce and educational centres primed for innovation and investment. Exeter City and the Greater Exeter area attract a wide range of successful developer projects.

Its location, demographic and financial opportunities already demonstrate that developers, businesses and investors recognise the region as having potential that converts. However, as we approach a decision point forced by the growing divide of beneficiaries of that investment, congestion, population, energy and housing pressures, it is clear an alternative model for investment and delivery needs to be explored.

The basic economics of the existing investment and development environment in Exeter mean that the city may be missing out on more quality, improved growth and higher end benefits that a more cohesive development approach would bring. The city recognises this opportunity and is making an intervention now.

1.3 Introduction to Exeter City Futures

Exeter City Futures (ECF) is a joint-venture Community Interest Company between:

- Exeter City Council
- Royal Devon and Exeter NHS Foundation Trust
- Exeter College
- University of Exeter
- Devon County Council
- Global City Futures

ECF has now been tasked with managing the urbanisation challenges of the city and ensure a collaborative governance structure is in place to deliver housing densification, data-driven and digital entrepreneurial platforms and innovative transition in sustainable, renewable transport and energy infrastructure. It is with this mandate that ECF has led this business case.

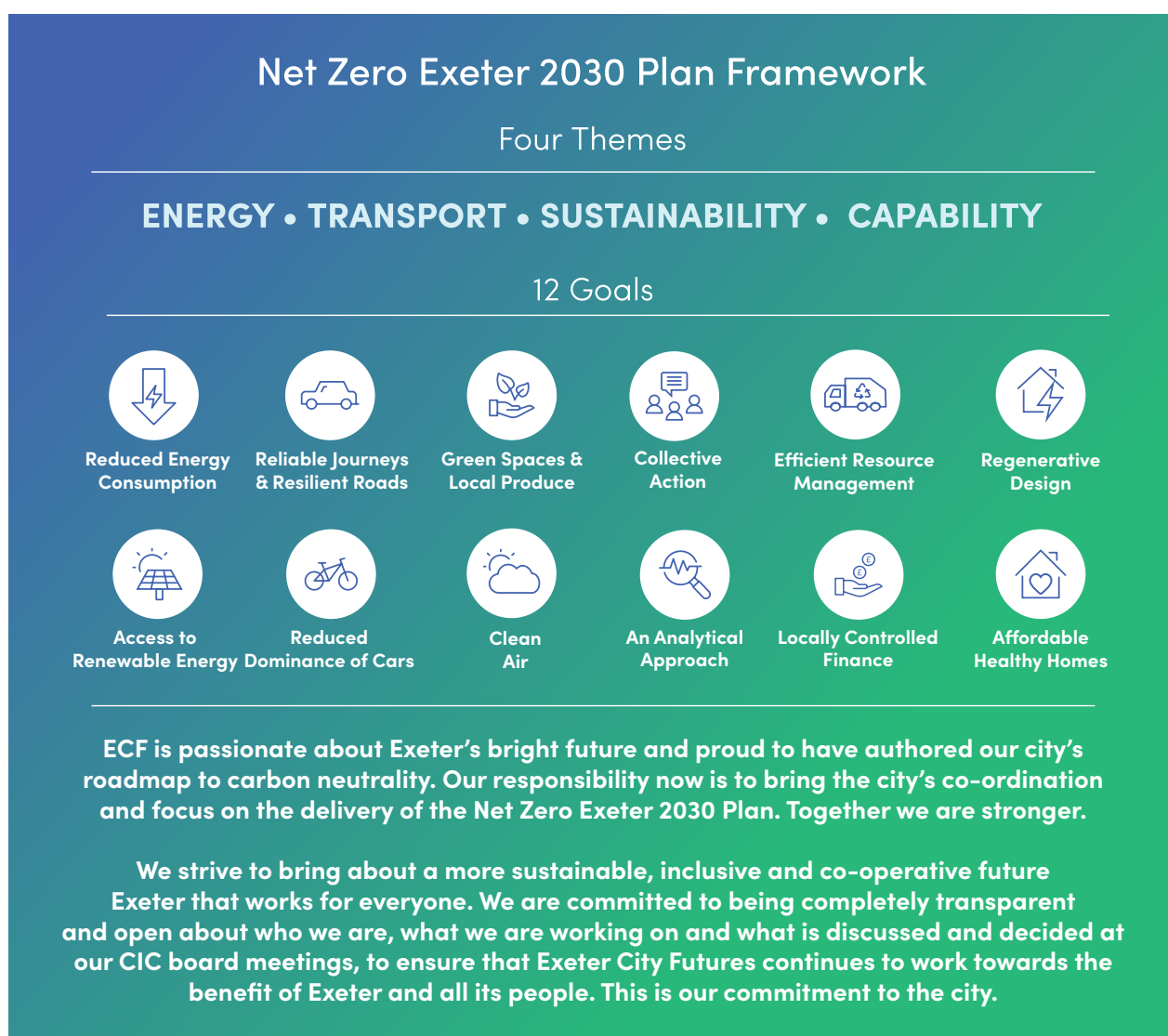


Figure 1.3 • Exeter City Futures Framework

1.4 One Public Estate

1.4.1 Funding Award and Scope of Work

One Public Estate (OPE) has sponsored this business case, following ECF's application for £200k of funding made to OPE in January 2019 on behalf of the ECF board and the city.

The funding was awarded through the OPE partnership agreement with DCC and Torbay. Back-to-back agreements were put in place to draw funding down from DCC, as budget holders, to ECF as work progressed, aligned with quarterly reporting to OPE.

Since funding award, ECF and OPE have formed a working partnership, with regular updates and workshops being carried out to appraise the sponsor team of detailed progress and stakeholder engagement. A list of these sessions and workshops is contained in Appendix XX.

The OPE funding was delivered under the following work streams:

Work Stream 1: Real Estate Consultancy

To undertake a high-level development appraisal of each of the 9 Liveable Exeter sites. The purpose of this exercise was to demonstrate the high-level viability of each site and identify the extent of any viability gap. The appraisals also provided the required inputs for the strategic financial model being prepared to demonstrate the overall feasibility of the Fund.

Provision of high-level property data to support the development of a financial model to project the financial position of the Exeter Development Fund and assess its financial feasibility. The data was provided on a city-wide basis with a particular focus on the 9 transformational projects identified in the Liveable Exeter document produced by Exeter City Council.

Work Stream 2: Financial Consultancy

Work Package 1: Funding & Financing Feasibility Study

- Facilitation of workshops to define and qualitatively assess a range of commercial and financial structuring options for the Exeter Development Fund. The options included a range of equity and debt financing structures and consider the relative merits of public sector vs. private sector sources of financing. The workshops were used to short list (2 to 3) structuring options to be taken forward for further quantitative analysis as part of the financial modelling work stream. The option short listing was conducted based on an agreed set of evaluation criteria.

Work Package 2: Financial Model

- Development of a deliverable financial model to project the financial position of the Exeter Development Fund and assess its financial feasibility.

Work Package 3: Debt Financing 'Teaser'

- Production of a short teaser pack (5 to 6 slides) to be used to support conversations with potential providers of debt finance to the Exeter Development Fund. This is expected to draw on information and analysis from the Feasibility Study and Financial Model.

Work Stream 3: Business Case and Project Management Consultancy

- Working with Real Estate and Financial consultants to conduct workshops, aggregate data and deliverables. Manage project timelines and sponsor communications.
- Engagement with the lender market to establish a set of financing assumptions with which to govern the debt and equity mix in the Fund, borrowing rates, security implications and conditions.
- Aggregate a full set of assumptions for robustness testing with external advisors.
- Financial structure options appraisal versus a 'business as usual' case.
- Drafting of the Business case/investment prospectus for presentation to government and the investment market, building on the results of the financial modelling and feasibility exercises.

1.4.2 Timetable

The proposed timetable for the completion of Stage 1 Proof of Concept was initially December 2020. However, due to the impact of the Covid pandemic, and the associated delays as a result of homeworking to abide by lockdown restrictions across all the consultant teams, this completion date has been extended to December 2021.

The key milestones in competing this are:

- Work Stream 1 Real Estate Consultancy – August 2020
- Work Stream 2 Financial Consultancy – January 2021
- Work Stream 3: Business Case and Project Management Consultancy – December 2021

1.4.3 OPE Context

The OPE programme is an established national programme delivered in partnership by the Local Government Association (LGA) and the Office of Government Property (OGP) within the Cabinet Office.

1.4.4 How OPE Works

OPE provides practical and technical support and funding to councils to deliver ambitious property-focused programmes in collaboration with central government and other public sector partners.

OPE partnerships across the country have shown the value of working together across the public sector and taking a strategic approach to asset management. At its heart, the programme is about getting more from our collective assets – whether that is catalysing major service transformation such as health and social care integration and benefits reform; unlocking land for new homes and commercial space; or creating new opportunities to save on running costs or generate income. This is encompassed in three core objectives:

- Creating economic growth (new homes and jobs)
- Delivering more integrated, customer-focused services
- Generating efficiencies, through capital receipts and reduced running costs

By 2019-20 the programme is now set to generate 44,000 jobs, releasing land for 25,000 homes, raising £615 million in capital receipts from sales, and cutting running costs by £158 million. In 2017 OPE expanded its partnership to include the Department for Levelling Up, Housing and Communities (DLUHC) new Land Release Fund (LRF), a fund which supports councils to delivery of new homes on their land. Together OPE and LRF will create a wider support package to unlock more surplus public land and property to support housing delivery.

1.4.5 The Essentials

- Asset mapping
- Generating ideas; a shared vision shaping for public sector assets
- Bringing public sector partners together
- Establishing an appropriate partnership with senior buy-in
- Seed funding and ongoing professional support
- Establishing a vision and programme of work for your partnership.

1.4.6 Partnership Support

- Funding
- Regional support from LGA and OGP
- Access across central government
- Sharing OPE best practice and case studies
- Opportunities workshops to develop your programme of work
- Support to change policy to assist local delivery
- Technical support on benchmarking and data.

1.4.7 Alignment of the Exeter Development Fund to Existing OPE Policies & Strategies

Maximising Value in the delivery process: public sector assets and development projects:

The public sector in Exeter has many assets and strategic sites operating in relative silos and, hence, less efficiently than if pooled together. If these assets and sites were brought together under a single development program and fund structure, the aggregate asset pool would create greater financial power and borrowing capacity to deliver larger scale developments at pace and in-house.

- **The Fund aims to foster a pooled asset approach, based around strong public sector partnerships, which can maximise and optimise returns.**

Publicly financed developments are subject to restrictive planning and procurement procedures that deliver projects too slowly to both compete with the private sector agility and deliver the bold targets the Council has set out in its vision to 2040. A more ambitious aggregate approach is needed.

- **The Fund aims to operate under a pre-agreed set of objectives and frameworks so as to disrupt the market and operate with the agility akin to a private sector investment fund, thereby expediting delivery, economic growth and subsequent capital receipts to partners.**

Silo developments tend to result in high top and tail costs. Too much of the development of value in a typical project is lost to financial and legal advisers, refinancing costs mid project and other 'on-costs' associated with the pre-project due diligence within the public sector operating frameworks. This happens repeatedly and on a project by project basis. A pooled approach to the city's developments would reduce top and tail costs and deliver more returns for the city.

- **The Fund aims to finance and deliver projects through a single aperture and framework, thereby generating efficiencies alongside a more integrated service.**

1.5 Project & Investment Objectives, Scope & Timetable

1.5.1 Finance-led Development Solution: Key Principles

Recognising the opportunities inherent in aggregated asset pooling, ambitious framework developments and city-controlled exposure to development risk and reward, and following consultation with ECF board members and the city's leaders, it was agreed that any future finance-led development solution for the city would have the following (and shown in Figure 1.4) key principles that govern its outcomes and objectives:

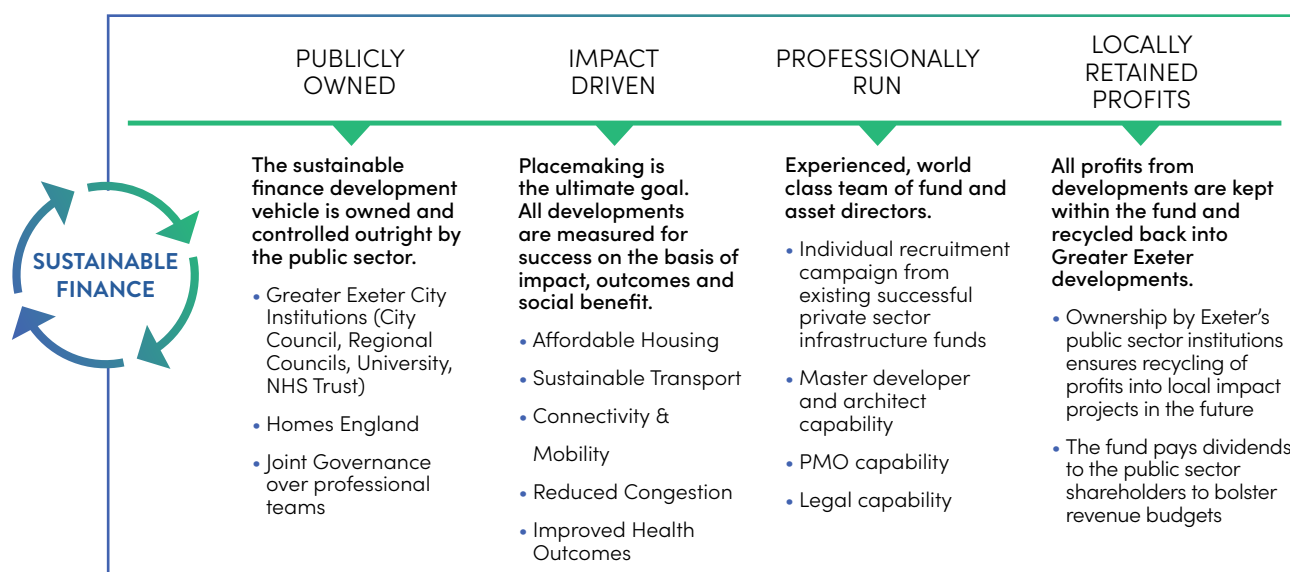


Figure 1.4 • Key Principles

- **Publicly owned;** the solution must ensure that the financing of projects is publicly owned. Only by ensuring overall control in the public sector can the city guarantee the outcomes of developments on a piecemeal basis
- **Professionally run;** the solution must have the right team of experienced directors that have tried and tested success in turning a profit on urban developments. Recognising that this is not the core skill set of many public sector organisations, a recruitment campaign may be necessary and the right team needs to be built.
- **Impact Driven;** having recognised the deficiencies in the current system and in the urban development market, the solution must ensure it carries out developments to an agreed, impact-driven agenda, and one that drives place-making. While some projects have traditional profit making characteristics, others will be purely for social impact, such as cycle pathway infrastructure, walkways, social housing etc.
- **Locally retained profits;** all excess profits from projects are retained in the city and re-invested into the city's ongoing place-making programme.

Recognising this steer from local leaders, the objectives of Fund in this business case have been shaped around these four key principles.

1.5.2 Project Objectives

In light of the challenges inherent in the UK and Exeter's development programme documented in [Sections 1.2.3 and 1.2.5](#), and in light of OPE's strategic objectives themselves, high-level programme objectives at funding application stage were identified and agreed with stakeholders.

These are set out below:

- ✓ To develop a replicable financial model that optimises public sector assets for housing and infrastructure.
- ✓ A portfolio approach to urban development that brings together public sector partners to maximise economic growth and efficiencies while providing ongoing, tangible stewardship of community assets and facilities.
- ✓ Disrupting the market to accelerate the scale and pace of the development of new sustainable communities and desirable neighbourhoods to live and work.
- ✓ To enable a built environment that ensures the city's Net Zero objectives.
- ✓ Protect public sector land assets from disposal.
- ✓ Build market leading development capability within the local public sector.

1.5.3 Project Scope

Liveable Exeter presents the ideal test bed for the Fund concept, as discussed in Section 1.2.7. These sites, excluding Marsh Barton and Sandy Gate, already have existing block plans as prepared for Exeter City Council ("ECC") by their design consultants, LDA Design Limited. Figure 1.5 shows the location of the nine sites within the city.



Figure 1.5
Location of nine Liveable Exeter sites

1.5.4 Sites

The Liveable Exeter Programme (see Appendix XX), is made up of the following sites included within the scope of this business case.

East Gate

East Gate (Figure 6) comprises land and property either side of the Paris Street and Heavitree Road corridors to the east of the City Centre including the former bus & coach station redevelopment site (and perimeter blocks in Sidwell Street and Paris Street) known as 'CityPoint'; the Civic Centre; Eaton House (Guinness Trust) and the 'Pyramids' swimming pool; Clarendon House and the 'Triangle' surface car park (270 spaces); and the former Heavitree police and ambulance stations.

A new 'Passivhaus' multi-level swimming pool leisure complex and a replacement bus station are currently under construction on part of the CityPoint site, and the next phase will incorporate replacement civic offices, which will release the existing Civic Centre and 'Pyramids' swimming pool sites for redevelopment.

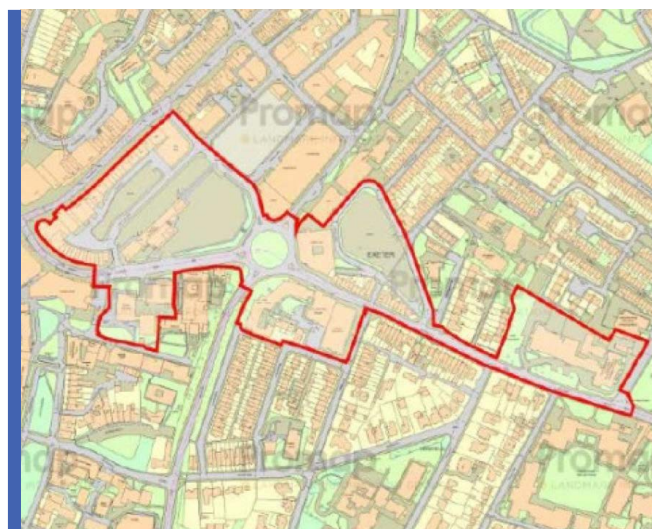


Figure 1.6 • Red line boundary East Gate

Marsh Barton

Marsh Barton (Figure 7) is situated two and a half miles to the south of the City Centre and is the largest industrial estate in Exeter which, together with Matford Park, totals approximately 427,350 sq m (4,600,000 sq ft) of floor space. The estate is popular with trade/quasi retail occupiers and car dealerships.

The intention is for the integration of living and working (where compatible) with place-making to make better use of the riverside location and linkage to the new railway station.

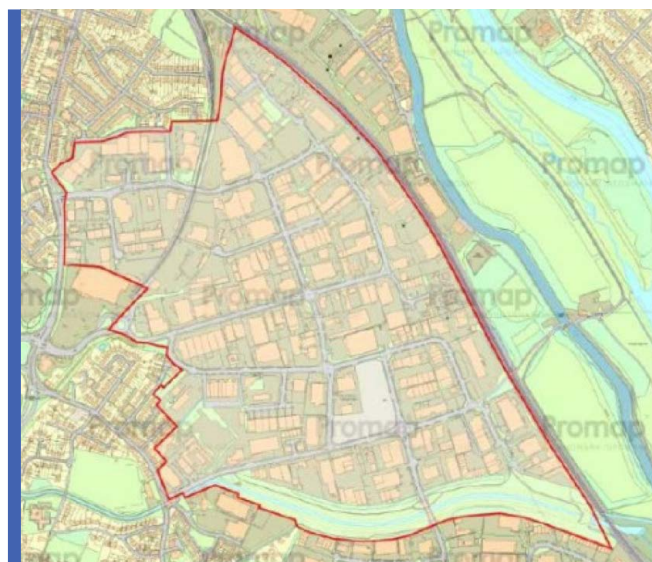


Figure 1.7 • Red line boundary Marsh Barton

North Gate

North Gate (Figure 8) comprises the existing Harlequins and Guildhall shopping centres either side of Paul Street (and with frontage to Queen Street to the west); the retail parades on both sides of North Street; the Mary Arches Street multi-storey car park and retail blocks on the south side of Bartholomew Street East (with primary frontage to Mitre Lane); and, the Mary Arches Street surface car park and adjoining Mecca bingo hall. It excludes the former BHS department store, Paternoster House and other High Street frontages.



Figure 1.8 • Red line boundary North Gate

South Gate

South Gate (Figure 9) comprises two sites: the Magdalen Road surface car park (213 spaces) with frontage to Western Way (and the adjoining Magdalen Road / Western Way junction) to the east, and the Magdalen Street, Holloway Street, South Street and Western Way intersection to the west and adjoining land including the Magdalen Street surface car park (100 spaces), the Cathedral & Quay multi-storey car park (355 spaces) and various residential and commercial blocks and areas of open space on its north, south and west edges.



Figure 1.9 • Red line boundary South Gate

Wonford Village

Wonford (Figure 10) is a residential suburb in the south-east of Exeter between Topsham Road and Heavitree and between the Royal Devon & Exeter hospital complex and the Ludwell Valley Park, and mostly characterised by low value post war Council and social housing developments.

The proposed neighbourhood includes land on the south side of Burnthouse Lane including areas of existing Council housing (poor quality single and three storey terraced units); the Wonford Sports Centre and associated car parking areas; and, the more recent Wonford Green Surgery.



Figure 1.10 • Red line boundary Wonford Village

West Gate

West Gate (Figure 11) comprises land on the north and south sides of the Exe Bridges junction and river crossing west of the City Centre and includes British Telecom's Exeter office HQ (Exbridge House) with frontage to Western Way; the Exe Bridges Retail Park and Riverside Leisure Centre on land between the railway line and A377 Alphington Street; and, a terrace of 5 houses forming a cul-de-sac known as Shooting Marsh Stile on the south side of the river.

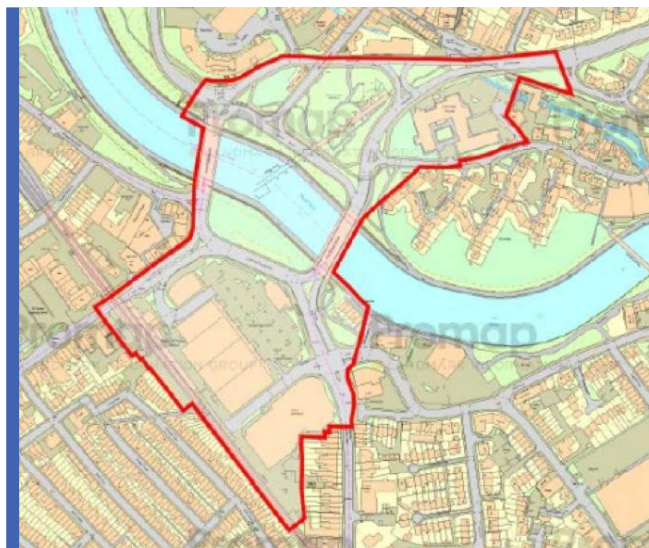


Figure 1.11 • Red line boundary West Gate

Water Lane

Water Lane (Figure 12) is situated one mile to the south of the city centre.

The site is accessed from the north over Exe Bridges and lies adjacent to the River Exe and Canal.

Most of the site comprises a mix of residential, commercial and industrial uses, includes a former gas works and undeveloped land to the south.

Land ownership is fragmented with significant owners including Transco, National Grid, Western Power, Exeter City Council and Aviva (Haven Banks Retail Park) – the latter comprising a terrace of three retail warehouse units (currently partly vacant) with a surface car park providing 219 spaces.



Figure 1.12 • Red line boundary Water Lane

Red Cow Village (St David's Gateway)

Red Cow Village (Figure 13) is situated one mile to the north-west of the city centre.

The site lies adjacent to Exeter St David's, which is the principal railway station serving the city with routes to London Paddington on the main GWR line through Bristol that continues to Plymouth and Penzance.

The site comprises several surface car parks providing approximately 435 spaces; University of Exeter student accommodation; a parade of retail units; the Great Western Hotel and various rail-side industrial uses. Principal land owners are Network Rail and the University of Exeter.



Figure 1.13 • Red line boundary Red Cow Village (St David's Gate)

Sandy Gate

The proposed Sandy Gate neighbourhood (Figure 14) comprises 30 hectares of land situated between the M5 motorway and the Exeter to Exmouth branch line at Sowton, north-east of Junction 30 and either side of the Sidmouth Road main arterial route into the City from the east.

Also included is a separate 6.4-hectare site on the south side of the A379 between the Exeter to Exmouth branch line and Sandy Park (Exeter Chiefs Stadium and David Lloyd leisure complex).

The two areas are separated by Redrow's 'Bishops Court' housing development of 190 three- and four-bedroom homes. A pedestrian bridge over the A379 connects this development to Sandy Park.

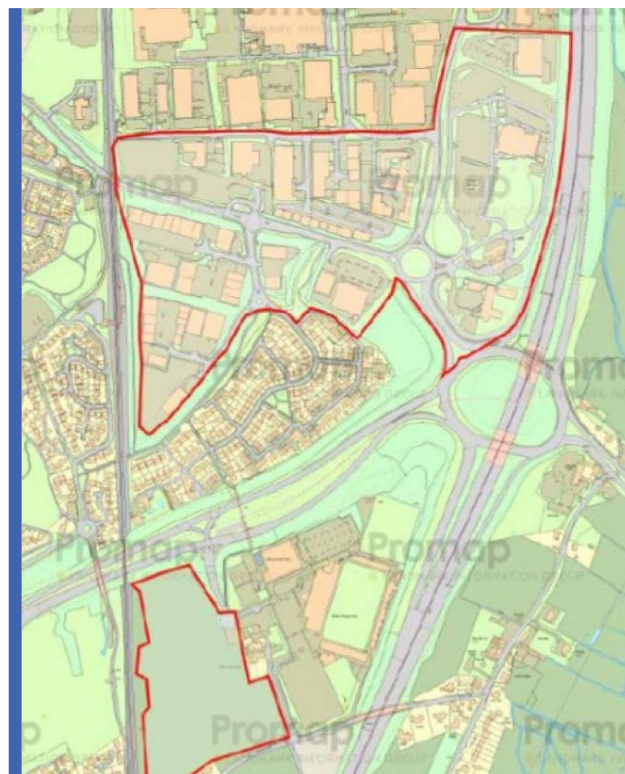


Figure 1.14 • Red line boundary Sandy Gate

1.5.5 Project Objectives: SMART Goals

Following funding award, project initiation and stakeholder review, the Project Objectives and associated SMART goals on which this business case hangs have been refined from those prepared at grant application stage.

Project objectives were refined in consultation with OPE at progress meetings throughout this stage of work. Further input was sought from ECC and the objectives, along with SMART goals, were reviewed in draft by the Project Director of Liveable Exeter and ECC representative for the project at a workshop on the 27 May 2021. Specific inclusions and commentary were added at this stage to incorporate all feedback received and refine the objectives for final approval from OPE.

Final SMART objectives were shared with key stakeholders, and a team of suitable qualified colleagues from other OPE departments on the 25 June 2021.

The objectives have been used to develop benefits as far as is possible at this stage, and critical success factors, which have been used in the sifting process for the longlist options (see Section XX in the Economic Case).

	Project Objectives	SMART Goals
1	To develop a replicable financial model that optimises public sector assets for housing and infrastructure.	Deliver to OPE, by September 2021, a replicable model that optimises public sector assets and could be used by other public sector bodies to consolidate assets for development.
2	A portfolio approach to urban development that brings together public sector partners to maximise economic growth and efficiencies while providing ongoing, tangible stewardship of community assets and facilities.	The model will: consolidate assets to reduce project top and tail costs against traditional delivery models, recirculate finance to reduce borrowing requirements against a piecemeal delivery approach, offer an ongoing revenue stream in exchange for equity in the fund which is significantly higher than the benefit received via business as usual.
3	Disrupting the market to accelerate the scale and pace of the development of new sustainable communities and desirable neighbourhoods to live and work.	Provide a holistic vehicle to enable mixed use developments that meet housing and infrastructure needs of the city in a timely fashion, and the aspirations of the project partners in regard to quality, delivery timescales and sustainability goals.
4	To enable a built environment that ensures the city's Net Zero objectives.	Must actively contribute to reducing existing carbon emissions through design and functionality based on current best practice, research and guidance. Will not create a future burden of retrofit or subsequent redevelopment to meet net zero goals.
5	Protects public sector land assets from disposal.	To offer a viable alternative to the sale of public sector assets based on both financial benefits and societal benefits that enable improved outcomes for communities.
6	Build market leading development capability within the local public sector.	To position the local public sector as the leading developer in the city by 2025.

Table 1.1 • Project Objectives and SMART Goals

1.6 Aligning the Business Case & Fund Objectives with UK Policy

UK policy for the development of housing, infrastructure, and places is undergoing substantial and lasting change. More than 200 local authorities and many more other public sector institutions have declared a climate emergency and the UK government is committed to a carbon neutral future. This is set against the backdrop of the deficiencies already noted in Section 1.1 in respect of the UK development market and the local public sector's own infrastructure delivery challenges.

The response to this has been overwhelming in respect of policy announcements from key departments and officials at the top of government. These policy announcements are set to shape the future of how infrastructure is delivered and how UK citizens interact with modes of travel, their places of work and domestic buildings.

In light of this, a key feature of this business case is to ensure that the objectives of the Fund align with emerging UK policy for mobility, levelling up, affordable homes, carbon neutrality, and place-making.

1.6.1 The Queens Speech 2021

As the nation emerged from the Covid crisis the Queen's speech, delivered on the 11 of May 2021, focuses on recovery and the ambition of Government to supercharge the economy through a series of initiatives and legislative changes. The key focus for these being:

- Building Back Better: Jobs and Economic Recovery
- Building Back Safer: Protecting the UK and Individuals
- Building Back Fairer: Improving and Increasing Opportunity
- Building Back Greener: Building a Cleaner and Greener UK
- Building Back Stronger: Strengthening the Union and the Constitution

The following is a summary of the relevant Sections of Her Majesty's speech, and how the Exeter Development Funds supports these objectives.

Planning Bill

"Laws to modernise the planning system will be brought forward, so that more homes can be built."

Main elements of the Bill:

- Changing local plans so that they provide more certainty over the type, scale and design of development permitted on different categories of land.
- Significantly decrease the time it takes for developments to go through the planning system.
- Replacing the existing systems for funding affordable housing and infrastructure from development with a new, more predictable and more transparent levy.
- Reforming the framework for locally led development corporations to ensure local areas have access to appropriate delivery vehicles to support growth and regeneration

➤ How the Exeter Development Fund meets these objectives:

- Enables the local control over developments to meet the requirements of individual communities.
- Ensures the upfront provision of the infrastructure critical to supporting the high-quality homes and places that communities need. It is vital that new occupants of homes and wider communities get the infrastructure they need, historically an area where sufficient funding is lacking and as such communities are drastically under served.
- Enables the city to build and ensure there is a mix of high-quality mixed tenure homes that are available and affordable to people that need them.
- Being locally controlled, the Fund enhances public participation and engagement to ensure that all residents can have a say over developments and are a fundamental part of the local decision-making process.

Environment Bill

“My Government will invest in new green industries to create jobs, while protecting the environment... Legislation will set binding environmental targets.”

➤ Main elements of the Bill:

- Placing a duty on Ministers to ensure environmental considerations are central to policy development; setting legally-binding targets; producing a long-term environmental improvement plan; and setting up the independent Office for Environmental Protection.
- Extended producer responsibility, product labelling powers, introducing a consistent approach to recycling across local authorities in England, introducing a deposit return scheme for drinks containers, providing for more effective litter enforcement and provide the powers to introduce charges for single use plastic items.
- Improving air quality.
- Managing water sustainably.
- Protecting nature by mandating ‘biodiversity net gain’ in the planning system and through Local Nature Recovery Strategies.
- Putting forward amendments to reduce the harm from storm overflows to our rivers, waterways and coastlines and new duties on the Government to publish a plan to reduce sewage discharges from storm overflows.

➤ How the Exeter Development Fund meets these objectives:

- Designed to ensure the built environment provides homes, businesses and transport that are future proof and meet or exceed the requirement for Net Zero Carbon.
- Provides the scale with which to tackle ongoing issues with air quality in our cities by removing the drivers that adversely affect local pollution levels and, in turn, adverse health outcomes for residents.
- Ensures that any developments meet the required standard and will not become a retrofit cost obligation in future years.

Procurement Bill

“Laws will simplify procurement in the public sector.”

➤ Main elements of the Bill:

- Enshrining in law the principles of public procurement such as: value for money, public benefit, transparency, integrity, fair treatment of suppliers and non-discrimination.

- Overhauling the complex and inflexible procurement procedures and replacing them with three simple, modern procedures. This will allow the public sector more scope to negotiate with potential suppliers to deliver innovative new solutions.
- Requiring buyers to have regard to the Government's strategic priorities for public procurement as set out in a new National Procurement Policy Statement.
- Introducing procurement processes that allow contracting authorities to buy at pace, for serious situations that are declared a crisis, with strengthened safeguards for transparency.
- Establishing a single data platform for supplier registration that ensures suppliers only have to submit their data once to qualify for any public sector procurement.

How the Exeter Development Fund meets these objectives:

- By ensuring all procurement is managed through the vehicle of the Fund it ensures that social value within the procurement process is effectively managed and can be consolidated across suppliers to obtain far greater value.
- A centralised, agile procurement process enables the Fund to reduce the costs and delays traditionally associated with procurement.
- Through the agreed defined principles of the Fund it will be paramount to support local businesses, SME's and innovators. The scale of the fund enables a move away from the more traditional procurement approach which focuses on contract value and experience, and can be flexible on trialling start ups and smaller suppliers who often lose out in a traditional procurement process.

1.6.2 Levelling Up White Paper

The Government announced its intention in the Queen's Speech to introduce a Levelling Up White Paper later in 2021.

The White Paper will build on actions the Government is already taking to level up across the UK and will set out "bold new policy interventions to improve livelihoods and opportunities in all parts of the UK".

The Levelling Up White Paper presents an opportunity to reset the relationship between central and local government and put councils at the heart of delivering the Government's ambitious programme to improve opportunities in all parts of the country.

The main elements of the proposals around levelling up are:

- The Government will bring forward a Levelling Up White Paper later this year, building on actions the Government is already taking to level up across the UK.
- This will set out bold new policy interventions to improve livelihoods and opportunities in all parts of the UK. It looks to improve living standards, grow the private sector, improve health, education and policing, strengthen communities and local leadership and restoring pride in place.
- It defines levelling up in terms of creating good jobs, skills and productivity in places that have seen economic decline and enabling more people to grasp the opportunities of Brexit and get on in life without feeling they have to leave their local area.

How the Exeter Development Fund meets these objectives:

- Meets the objectives of improving living standards, growing the private sector, improving health, strengthening communities and local leaderships and restoring pride in place.
- The scale and ambition of the Fund bring resources closer to communities and as such it will provide a legacy of benefits to the residents of Exeter and the surrounding areas, attracting talent and maximising economic growth for the area.

1.6.3 Climate Change, Net Zero and COP26

The UK was the first major economy to enshrine a net zero target in law, legislating to end its contribution to climate change by 2050. Ambitious policy action has already seen the UK achieve record clean growth in the last three decades and a series of further policy announcements are due to increase progress towards the UK's Net Zero 2050 goal.

The main elements are:


- Legislation to set Carbon Budget six at the level recommended by the Climate Change Committee.
- A Ten Point Plan for a green industrial revolution which will mobilise £12 billion of investment and create thousands of highly-skilled green jobs.
- The Energy White Paper which sets out the transformation of the UK's energy system.
- The Industrial Decarbonisation Strategy which sets out an ambitious blueprint to deliver the world's first low-carbon industrial sector.
- Forthcoming sector strategies, including Heat and Buildings, the Transport Decarbonisation Plan, and the comprehensive Net Zero Strategy.
- The UK hosting the COP26 negotiations in November.

How the Exeter Development Fund meets these objectives:

- The Fund ensures a step-change in the built environment. It ensures that all development is designed and built to meet the ambitions of Net Zero and will not become a retrofit burden in the future.
- Net zero can only be achieved through a fundamental change in our built environment to ensure we build net zero homes and businesses, minimise the need to travel, provide high quality active travel networks and create vibrant inclusive communities.

1.6.4 Alignment with Central Government objectives

Build Back Better: HM Treasury Plan for Growth

 The last few decades have seen increased prosperity in London and the South East, but without commensurate improvements in the rest of the UK. The primary objective of this government is to change that, ensuring no region is left behind as we achieve greater economic prosperity.

Our cities will be the engines for this growth, and our long-term vision is for every region and nation to have at least one internationally competitive city, driving the prosperity of the surrounding region and propelling forward the national economy. Our towns are crucial too - we will ensure that they are places that people are proud to live and raise their families, with good schools, vibrant high streets, and access to jobs that give everyone a fair chance to achieve their full potential.

Our plan to build back better takes a transformational approach, tackling long-term problems to deliver growth that creates high-quality jobs across the UK and makes the most of the strengths of the Union. We must retain our guiding focus on achieving the people's priorities: levelling up the whole of the UK, supporting our transition to net zero, and supporting our vision for Global Britain."

Build Back Better: HM Treasury Plan for Growth



There are three core pillars of growth that form the HM Treasury plan for growth. These relate to the Exeter Development Fund as follows:

Infrastructure

“Support investment through the new UK Infrastructure Bank which will ‘crowd-in’ private investment to accelerate our progress to net zero, helping to level up the UK. This will invest in local authority and private sector infrastructure projects, as well as providing an advisory function to help with the development and delivery of projects.”

The Fund is an exemplar example of how significant investment in infrastructure on this scale can deliver truly transformational place-making, accelerate progress to net zero and deliver on local economic growth and prosperity.

Skills

“Support productivity growth through high-quality skills and training: transforming Further Education through additional investment and reforming technical education to align the post-16 technical education system with employer demand.

Introduce the Lifetime Skills Guarantee to enable lifelong learning through free fully funded Level 3 courses, rolling out employer-led skills bootcamps, and introducing the Lifelong Loan Entitlement.

Continue to focus on the quality of apprenticeships and take steps to improve the apprenticeship system for employers, through enabling the transfer of unspent levy funds and allowing employers to front load apprenticeship training.”

The scale of the Fund and its existing partnerships with further education providers (University of Exeter and Exeter College) mean it is ideally positioned to provide the opportunities for the development of the highly skilled candidates required to meet the delivery demands over the lifetime of the project.

The Fund creates new markets and economies in development, modern methods of construction, green tech and the future of planning, all within the Exeter region. This market creation will offer large numbers of high-quality apprenticeships and skilled employment roles necessary for delivery of the project. This will ensure that Exeter and the surrounding region sees the benefits of upskilling, high opportunities for employment and the subsequent economic benefits brought through the provision of these higher paid and higher skilled roles.

Innovation

“Support and incentivise the development of the creative ideas and technologies that will shape the UK’s future high-growth, sustainable and secure economy.

Support access to finance to help unleash innovation, including through reforms to address disincentives for pension funds to invest in high-growth companies, continued government support for start ups and scale ups through programmes such as British Patient Capital, and a new £375 million Future Fund: Breakthrough product to address the scale up gap for our most innovative businesses.

Develop the regulatory system in a way that supports innovation.

Attract the brightest and best people, boosting growth and driving the international competitiveness of the UK’s high-growth, innovative businesses.

Support our small and medium-sized enterprises (SMEs) to grow through two new schemes to boost productivity: Help to Grow: Management, a new management training offer, and Help to Grow: Digital, a new scheme to help 100,000 SMEs save time and money by adopting productivity-enhancing software, transforming the way they do business.”

The Fund is an innovative flagship financing model, designed to be replicable and cascade support for innovation throughout its supply chain and delivery partnerships. The scale of the Fund is such that it can enable businesses to flourish that historically find it difficult to enter the market through a more traditional procurement approach.

The Fund will work with SMEs and startups to ensure that support is made available in a “living lab” environment to fully explore the boundaries of the possible, with an understanding that accepts a level of failure as the risk associated with the rewards of true innovation.

1.6.5 The Ten Point Plan for a Green Industrial Revolution: Department for Business, Energy & Industrial Strategy

“ As the world looks to recover from the impact of coronavirus on our lives, livelihoods and economies, we have the chance to build back better: to invest in making the UK a global leader in green technologies.

If we apply the same zeal and ingenuity to stopping climate change as we have to tackling coronavirus, we can do so while transforming our economy, delivering jobs and growth across the country.

Our Ten Point Plan sets the firm foundations to do just that. The plan brings together ambitious policies and significant new public investment, while seeking to mobilise private investment.

BEIS Ten Point Plan for a Green Industrial Revolution **”**

	BEIS Ten Point Plan for a Green Industrial Revolution	Ambition Supported by The Fund
Point 1	Advancing offshore wind	x
Point 2	Driving the growth of low carbon hydrogen	x
Point 3	Delivering new and advanced nuclear power	x
Point 4	Accelerating the shift to zero emission vehicles	✓
Point 5	Green public transport, cycling and walking	✓
Point 6	Jet zero and green ships	x
Point 7	Greener building	✓
Point 8	Investing in carbon capture, usage and storage	x
Point 9	Protecting our natural environment	✓
Point 10	Green finance and innovation	✓

Table 1.2 • BEIS Ten Point Plan

➤ **Point 4: Accelerating the shift to zero emission vehicles**

The Fund's development principles will mean that there will be a default assumption of no private vehicle parking and car free neighbourhoods. This space will be dedicated to public realm and active travel infrastructure.

E-mobility solutions will be in the form of electric car clubs, already widely recognised and used in Exeter. This shifts the momentum of change by removing the obligation of decision making away from private car owners. By offering a cost effective, zero emissions mobility solution included within their community it presents the solution as an integral part of the housing provision.

➤ **Point 5: Green public transport, cycling and walking**

As development under the Fund structure will all be on under-utilised brownfield land, within the city boundaries its vital to incorporate the infrastructure and facilities that are now widely recognised as paramount to increasing the uptake of active travel.

By ensuring this is delivered at scale and strategically, as opposed to being delivered piecemeal, we can prioritise these modes of transport, ensure even the most vulnerable in society feel safe and confident to participate.

When active travel is the first choice for short journeys everyone benefits. There has been a wealth of research that show the benefits of active travel to mental and physical health, increases in community participation and feelings of belonging, improved wellbeing, improvements in air quality and even increases to individual productivity.

➤ **Point 7: Greener building**

As Exeter City Council have declared a climate emergency and have set the target at net zero by 2030, it is vital to ensure that all new developments in the city are designed to support this aspiration and actively contribute to eliminating carbon emissions.

We know the necessity of meeting net zero, and this can only be achieved through a radical change in our built environment. The Fund places this requirement front and centre of its development principles and ensure that the focus on longer term energy efficiency and societal benefits won't be over promised and under delivered, as we currently see with existing large scale development models.

The Fund's development principles ensure that it only builds high quality homes and businesses that focus primarily on energy efficiency and occupancy comfort all year round. This ensures that energy usage for heating is minimal, if required at all. ECC has already been delivery Passivhaus social housing through its wholly owned development company Exeter City Living (see Appendix XX).

By reducing the energy consumption of residential properties, we also reduce the burden of fuel poverty on the most vulnerable in society. This is often a major factor in family and personal debt and homelessness, which leads to societal inequality, poor health outcomes and deprivation.

Urban densification, as proposed by the Fund, locates new communities in areas where better use can be made of existing infrastructure and services. This reduces the pressure on local authorities to provide additional facilities and helps ensure that maximum value is derived from those already in operation.

➤ Point 9: Protecting our natural environment

As the pressure for new housing increases in the UK we see significant numbers of greenfield developments and urban sprawl around our cities. Although this creates much needed housing stock, it erodes natural habitat and existing farmland and can result in a hollowing out of city centres as high streets struggle post Covid.

Although brownfield developments are traditionally less viable, due to land preparation and decontamination costs, they can provide the key to creating truly sustainable communities. By redeveloping these under used sites we can repurpose land in a way that creates a host of benefits for the communities they serve.

This can have a direct effect by removing contaminants and pollutants that may remain as a result of past uses but also restoring or removing deteriorating buildings all of which can pose a health and safety risk to those who live and work nearby.

The redevelopment of brownfield sites also provides the opportunity to revive older urban communities and the surrounding areas through the redesign and enhancement of the urban landscape. This can also support the wider regeneration of city by creating economic growth and improving the desirability of specific areas, without encroaching on existing areas of natural capital.

Fundamental to this though is to ensure that the redevelopment doesn't create a legacy burden for the future to meet local and national net zero carbon targets and the challenges we already face from climate change in areas like flooding and significant seasonal temperature variations.

➤ Point 10: Green finance and innovation

Solving the UK housing and climate crisis requires a finance first approach. Unless the funding is available to support identified interventions, they are highly unlikely to be delivered within required timeframes, if at all.

Clearly reliance on governments grants and existing funding sources provides vital support here, but this is not a sustainable long-term solution that can be provided to all the areas that need it, and on an ongoing basis.

Innovation in the source of the funding is vital to create a structure that can perpetuate, deliver for the longer term and be replicable to support areas to deliver for themselves the changes they have identified.

1.6.6 Department for Levelling Up, Housing and Communities (DLUHC) Priority Outcomes

The Department for Levelling Up, Housing and Communities (DLUHC) published its Outcome Delivery Plan: 2021 to 2022 on the 15 July 2021. This superseded the previous 2019 DLUHC objectives. Review and analysis of these can be found in Appendix XX.

This Section provides a comprehensive review of the alignment of the Fund's outcomes and objectives with DLUHC's priority outcomes.

	DLUHC Priority Outcomes	Ambition Supported by The Fund
1	Raise productivity and empower places so that everyone across the country can benefit from levelling up (cross-cutting outcome with BEIS, DfE, DfT, DWP, DCMS, Defra and DIT as contributing departments)	✓
2	More, better quality, safer, greener and more affordable homes	✓
3	End rough sleeping through more effective prevention and crisis intervention services, and reduce homelessness by enabling local authorities to fully meet their statutory duties (cross-cutting outcome with DfE, DHSC, DWP, HO and MoJ as contributing departments)	✓
4	A sustainable and resilient local government sector that delivers priority services and empowers communities	✓

Table 1.3 • DHULC Priority Outcomes

➤ How the Exeter Development Fund meets these objectives:

1. Raise productivity and empower places so that everyone across the country can benefit from levelling up (cross-cutting outcome with BEIS, DfE, DfT, DWP, DCMS, Defra and DIT as contributing departments)

The Fund aims to drive economic recovery and growth through delivering a pipeline of mixed-use communities, all firmly under the stewardship of the public sector. These new communities will be delivered at pace, and cross cutting multiple government departments, with the ambition to provide an exemplar, holistic delivery model, with the necessary social infrastructure baked in as a fundamental element of design.

The delivery of these high-quality developments will require support from multiple government departments but will ensure a 'Better Exeter Dividend' is generated that raises overall productivity and empowers local businesses, communities as well as benefiting the wider economic area.

Delivering good quality and safe social homes with the right services from landlords is paramount to levelling up communities and tackling social exclusion. The Fund aims to provide an exemplar standard of housing, ensuring residents feel valued and take pride in their homes and communities.

Cities need to take action to address unfair segregation and promote integrated and socially cohesive communities. As an example of how this could work in practice, affordable housing delivered under the Fund structure is not segregated from, or of a lower standard, than that delivered for market rent.

Through combined and targeted government support we raise the profile of Exeter and the surrounding area, as a vibrant, inclusive and sustainable place to live and work.

Currently Exeter retains fewer university graduates than typically seen in other areas with world class university providers.

By demonstrating the commitment to delivering the aspirational work, live & leisure requirements we know graduate seek once leaving university we can ensure Exeter retains and benefits from those it currently supports in their learning, further enhancing economic productivity.

2. More, better quality, safer, greener and more affordable homes

Creating additional high quality housing stock is vital to all areas of the UK. Although the private sector is able to deliver significant volumes of houses, these often do not meet the needs and aspirations of local areas.

The demand for good quality, low-cost affordable housing is often not a priority objective for developers, and development sites are predominantly selected for profit rather than to enhance existing or create new communities, or to maximise societal benefits.

This gives cities the challenge of supporting local authorities and the wider public sector to deliver housing in a way that meets local objectives and provides housing for the benefit of residents and society, instead of for short term developer profits.

The Fund aims to deliver significant volumes of houses, at private sector pace, but ensuring these meet aspirational standards and not just minimum legal requirements. Through a focus on longer term societal benefit realised through exemplar design, net zero sustainability objectives and high-quality construction, the Fund ensures delivery of desirable housing that also delivers on local and national objectives.

In addition to this, by decoupling profits, bonuses and individual reward from the process of development, as we see in the Fund structure, the motivation to reduce costs at the expense of safety, quality and services is removed. The design principles of the Fund will ensure that safety and sustainability are paramount.

It is vital to establish design principles and guidance for new homes and places that puts communities and community involvement at their heart, with a focus on creating inclusive and accessible places and quality design.

3. End rough sleeping through more effective prevention and crisis intervention services, and reduce homelessness by enabling local authorities to fully meet their statutory duties.

Figures released by the Government suggest Exeter is among the top 25 places in England with the highest numbers of homeless people on its streets. DLUHC have published statistics which detail the number of rough sleepers in local authority areas on a single night in autumn in 2019.

Homelessness is a complex issue that requires a multifaceted approach to tackle it. A report published by Crisis in 2018, which can be found in Appendix XX details that the most effective way to tackle homelessness is to stop it happening in the first place through faster intervention and an increase in the supply of social housing. Preventing homelessness is not only more cost effective – but more importantly, it is the right thing to do.

To support this, we need to ensure increased delivery of mainstream accommodation in ordinary communities in the form of social housing. The report found that this equates to 100,500 new social homes nationally each year for the next 15 years to meet the needs of homeless people and people on low incomes – including those at risk of homelessness.

We also need to reduce the pressure on peoples lives caused by high housing costs by providing economically viable rental options, which protect individuals and families from issues like fuel poverty.

The principles of the Fund support these crucial findings by delivery high volumes of social housing, which are built to standards widely recognised to not burden residents with increased living costs.

By increasing the stock of social housing, we can ensure those at risk of homelessness can quickly be moved to suitable and permanent accommodation, but also ensuring that the Fund, acting as landlord, is able to provide the compassionate and high quality service needed to ensure residents are supported to stay in the accommodation provided.

4. A sustainable and resilient local government sector that delivers priority services and empowers communities

Community engagement is a vital part of the work to develop the Fund. It is through the voices of residents we can effectively provide the high-quality housing and associated infrastructure and services that are required in any local area.

As the Fund will take best practice from across all housing provider services, and will be professionally run and outcomes focused, it is possible to ensure that residents have a say in how developments are designed, and services are delivered to shape the structures required to fully support residents in their new homes.

It is widely recognised that development and regeneration can aid economic growth through provision of improved employment opportunities and also bring in income via local business rates. This is the aim of the Government's Towns Fund programme, although its impact is limited to those areas successful in receipt of this funding. The Fund aims to optimise public sector assets to provide a secure ongoing revenue stream to support vital public services, alongside the provision of sustainable new mixed-use communities.

Changes seen as a direct result of the pandemic to work patterns and retail habits can also be capitalised on by freeing up prime town centre land currently given over to car parking. Bold action is needed to reduce the dominance of cars in our cities, and by repurposing this land councils can benefit from not only the revenue because of the development, but the other wider societal benefits like improved air quality and an increase in more sustainable forms of travel.

We've now seen what can be possible regarding a change in the way we live and work, and the contribution that can be made towards reducing carbon emissions through reducing travel. Now is the ideal time to encourage and build on these changes, while creating a resilient funding stream to support services for the public sector in the future.

1.6.7 DLUHC: Building Beautiful Places

The former Secretary of State of the then Ministry of Housing, Communities & Local Government (2019 – 2021), Rt Hon Robert Jenrick MP, has recently announced a range of measures that, taken together, will 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. They will help promote community spirit, improve physical and mental wellbeing and help the environment.

The measures will improve communities' infrastructure, champion neighbourhood design and support walking and cycling to boost health and wellbeing.

The government has announced:

- The National Model Design Code – a toolkit to enable every council and community to create their own local design requirement. Guidance is provided across all aspects of new development including tree-lined streets, sustainable drainage and design to support walking and cycling.
- Updated planning framework published which will place greater emphasis on beauty, place-making, the environment, sustainable development and underlines the importance of local design codes.
- The Office for Place which will drive up design standards, testing and piloting the National Model Design Code with more than 20 local councils and communities.
- The Advisory Board, made up of industry experts and chaired by Nicholas Boys Smith, which will advise on the work of the Office for Place and options for a potential independent body.

Greater emphasis than ever before will now be placed on quality and design in the planning system. Local communities will be fully involved in how they want new developments to look and feel, with a much greater emphasis on environmental sustainability.

The changes to the National Planning Policy Framework set an expectation that good quality design should be approved, while poor quality should be rejected and includes an environmental commitment to ensure that all streets are lined with trees.

These measures mean the word “beauty” will be specifically included in planning rules for the first time since the system was created in 1947 – echoing an era when a greater emphasis was placed on delivering attractive buildings for people that installed a sense of local pride.



Today I have set out the Government’s vision for a planning system that make beautiful, sustainable and life-enhancing design a necessity, rather than a luxury.

Our revised National Planning Policy Framework will ensure that communities are more meaningfully engaged in how new development happens, that local authorities are given greater confidence in turning down schemes which do not meet locally set standards.

This is about putting communities – not developers – in the driving seat to ensure good quality design is the norm, and the return to a sense of stewardship – to building greener, enduringly popular homes and places that stand the test of time in every sense.



Rt Hon Robert Jenrick MP • Housing Secretary, 2019 – 2021



How the Exeter Development Fund meets these objectives:

Exeter City Futures welcomes this announcement as it aims to enshrine in the planning process many of the objectives of the Fund. A focus on delivering high quality, people centric and truly sustainable homes and businesses, through championing community engagement and exemplar design.

It is widely understood that the current model of volume house building is not delivering on many of the critical requirements of residents. There is a bridge that must be built that enables volume delivery to meet the housing crisis, whilst also delivering on other fundamental criteria to deliver healthy, happy communities where people want to live and work, and that also meet the sustainability requirement required to tackle the climate crisis.

By maintaining control of developments within the public sector, we can ensure the stewardship of our future communities, and create urban developments that meet local requirements in every sense.

The Fund model also aims to capture the wider societal benefits of sustainable and beautiful design within site viability assessments. The Fund’s objectives also target a reduction in the running costs of public services, all delivered over the long term through happier, healthier, more economically prosperous, and inclusive communities.

1.6.7 Other Relevant Research

Net Zero Transport: The role of spatial planning & place-based solutions Royal Town Planning Institute (RTPI) Research Paper – Published January 2021

The Royal Town Planning Institute (RTPI) in conjunction with LDA Design, City Science and Vectors carried out research to explore how different places can achieve an 80% reduction in surface transport emissions by 2030, as part of a pathway to net zero 2050. The full report can be found in Appendix XX. This research undertaken in this report starts from the premise that there is a clear relationship between spatial planning and carbon, and that only a place-based approach can deliver net zero transport emissions and be a catalyst for better place-making to deliver healthier, happier, more resilient communities. These objectives are critical to good planning, linking the imperative to reduce transport emissions with wider objectives related to decarbonisation, housing growth and nature recovery. This approach calls for measures that first focus on the role of place in reducing trips, before considering how to increase the proportion of the remaining trips that are taken by active, public and shared forms of transport. This basic hierarchy is summarised in the 'Sustainable Accessibility and Mobility (SAM) Framework', a tool created by Vectors to help planners and designers prioritise interventions in the following order:

- **Substitute Trips:** Replace the need to travel beyond your community
- **Shift Modes:** For longer trips, use active, public and shared forms of transport
- **Switch Fuels:** For any trips that must be made by car, ensure the vehicle is zero emission

This research identified a potential pathway to an 80% reduction in surface transport emissions by 2030. The pathway is hierarchical, following the approach summarised in Chapter 2. The first step assumes that all new development is planned, designed and delivered in a way that achieves net zero transport emissions, and ideally to be 'negative carbon' by helping to reduce transport emissions at a wider scale. The following steps then reflect the three categories of the SAM Framework, with the carbon impact of interventions modelled sequentially.

Step 2 prioritises interventions that reduce the overall need to travel, while Step 3 shifts modes away from private vehicles and towards walking, cycling and public transport, while also enhancing the provision of traditional public transport. Step 4 covers the switch away from Internal Combustion Engines (ICEs) towards zero carbon fuels such as electricity and hydrogen.

It is important to note that this final step plays an important role in decarbonisation but will not reduce trips and energy consumption or deliver place-benefits for people and communities. Therefore, planning needs to focus on keeping private trips to a minimum and providing alternative modes for trips that need to be made.

This will ensure that private road-based transport is only used for residual trips that genuinely cannot be removed or undertaken by other modes, following the necessary investment in place and infrastructure. As there is a decade to achieve the 80% target, all steps along the pathway need to be taken at the same time in order to make the necessary reductions.



How the Exeter Development Fund supports this research:

The Fund would enable simultaneous delivery of all these required steps as they are inherent in the Liveable Exeter designs and aspirations. The model also ensures that delivery of the necessary active travel infrastructure is fully integrated across multiple land parcels and sites, vital to creating a safe, connected and user-friendly city-wide network, something very difficult to achieve efficiently through more traditional piecemeal delivery.

As many of the sites involve the redevelopment of existing car parking within the city, effectively removing or reducing their operational availability in sequence as sites are brought forward, this further supports the reduction of the dominance of cars and a switch to more sustainable modes of transport, while ensuring an ongoing income stream to the public sector for the underlying land asset.

1.7 The Project

1.7.1 Stakeholders and Engagement Process

The key stakeholders in this business case are:

Central Government

- OPE
- Homes England
- DLUHC
- DfT
- DBEIS
- Network Rail

Local and Regional Public Sector and ECF Board Members

- Exeter City Council
- Devon County Council
- Royal Devon and Exeter NHS Foundation Trust
- Exeter College
- University of Exeter
- East Devon District Council
- Police and Fire Services

Exeter Business Community and SMEs

- Exeter City Living Limited
- SME developer, planning and construction industry
- Stagecoach
- Great Western Railways
- Green-tech and E-mobility markets

Investment Markets

- Legal and General
- Barings Bank
- M&G

Citizens Assemblies

During the course of this work, ECF has engaged with its stakeholders on both a scheduled and reactive basis to ensure alignment of objectives and practical applications of the Fund concept.

Feedback is referenced and incorporated into results and scenario analyses in later Sections of the business case. A schedule of formal workshops, data capture sessions, research conversations and ongoing update and feedback meetings is listed in Appendix XX.

Exeter City Futures (ECF) curated, published and delivered the Net Zero Exeter Plan to Exeter City Council in April 2020. This was made possible for ECF due to four years invested in developing relationships with city leaders, businesses, community organisations, politicians and residents and forming the Plan through a city-wide collaborative effort.

Following ECF's launch in 2016 responses from the public were requested in a Have Your Say programme which captured insights into the problems facing the city. The key insights of this engagement work can be found in Appendix XX.

ECF then developed its Community Engagement Model and Community Challenge plan. This was subsequently implemented and the finding of this lengthy engagement work helped to define the 12 goals residents identified as the key priorities to tackle in Exeter, this plan can be found in Appendix XX. The 12 goals was the foundation for the development of the Net Zero Exeter Plan 2030.

Locally, the city already has an engaged community of residents and businesses who are aggregating skills and expertise to contribute towards an intervention. Through recent successful work done by the City Council and collaborations with Exeter City Futures and University of Exeter, the city is building data aware communities, driving planning and procurement policy reform and engaging citizens in the generation of sustainable innovative solutions to the challenges we face.

Recognition of the opportunity is also shared in the business community: prior to the commencement of this work, the City Council and Exeter City Futures (ECF) presented at, and jointly facilitated a major event within the planning, professional services, developer and infrastructure industries in Exeter, many of whom are part of the ECF Partner Network.

The event canvassed solutions for transformational change in Exeter over the next two decades and revealed, with unanimous consensus, the need for a finance first solution with genuine place-making as its objective and underpinned by innovation, data analytics and planning reform.

1.7.2 High Level Strategic Options

Prior to the options appraisal work in business case over the course of 2017 and 2018, ECF and its local stakeholders carried out some strategic workshops, looking at options for meeting the city's challenges to financing developments in a way that tackles the transport, housing and place-making aspirations the citizens have been asking for.

These options formed the high-level strategic options for consideration in the longlist in this business case:

Do nothing

If the city does nothing to address the private sector agenda and conflicting congestion and affordable housing needs, the challenges described in [Section 2.3](#) will remain.

Additionally, sites will continue to be picked off by the private sector and development will continue anyway. This will see further congestion, further pressure on affordable housing and further silo development profit leaving the city. The city cannot control its own destiny if it does not intervene in some way.

➤ Sell land

Selling land will recognise a capital receipt, with which the city can potentially reinvest to generate revenue elsewhere. However, this strategy results in a loss of land value uplift and development profits, loss of strategy/control over a site and, hence, loss of control of the outcomes associated with development. In effect, selling land is the same as doing nothing in terms of realising the vision for the city.

➤ Joint-venture with the private sector

Joint ventures with the private sector are a good way of bringing in the finance and expertise. However, the public perception of these types of vehicles is under strain given the perceived loss of control. This perception is no fallacy.

While a joint-venture can be owned 50/50 between public and private sector in equity terms, the reality is that the 50% private sector partner typically brings all of the additional development debt finance and much of the development strategy and logistics. This results in, ultimately, implicit private sector control of the development and invariably social outcomes suffer. Only with its own complete control can the public sector guarantee delivery of its outcomes.

➤ DevCo

The development company recently incorporated in Exeter, owned and controlled by the council, is an excellent way of delivering outcomes required by the city, particularly given its work to date in modernising the HRA stock.

However, a single development company delivering piecemeal projects in the hundreds of units does not tackle the forward ambition of the 12,000 houses that are required in the city, nor does it deliver on the big infrastructure transformation required for the city to ease congestion and achieve Net Zero.

Access to funding via prudential borrowing is limited to both financial criteria and the speed at which applications can be written and submitted. Recognising this, a DevCo will only meet the challenges so far.

➤ City Development Fund

The city can pool its existing and, potentially, sub-optimally commercialised assets into a fund, against which it can borrow significant sums for comprehensive infrastructure development at scale and acting with the agility of the private sector.

Critically, this strategy ensures that the city retains ownership and control of both its assets and the development strategy, thereby controlling the outcomes. This takes the positive principles of a DevCo model and allows it to scale up its ambition.

Following this broad option analysis the working group explored the detailed mechanics of an 'Exeter Development Fund' further and sought approval from both the Council Executive and Corporate Services Scrutiny Committee to lead the project.

This approval was successful, resulting in the mandate to carry out outline modelling during 2018, apply for funding from OPE and then to engage with advisors to carry out detailed modelling and business case work.

1.7.3 Initial Scope and High-Level Benefits of the Fund

The results of the further exploration exercise into the mechanics and detail of the Fund follow in this Section:

- Exeter City's public sector stakeholder institutions incorporate a new entity whose purpose is to finance and manage the program of investments that bridge the infrastructure gap and deliver on the city's wider strategic plan
- The Fund's projects will potentially range from standard housing development projects through to providing innovative mobility solutions and renewable energy programs
- The Fund is capitalised by existing, forward looking, cross-departmental public sector infrastructure budgets and the city shareholder's property asset base and hence obtains debt finance from a variety of sources, including an anchor financier in the shape of a long-term bond issued to, say, a pension fund. The bond uses the property asset base as security for the bond investor.
- The Fund then provides a single source of finance, developer services and project management to procure and deliver the pipeline of development projects within the city
- The Fund uses the profits from the healthier schemes to finance and deliver projects with less traditional profit profiles and projects of higher social benefit (rather than relying on planning to force the private sector to deliver them)
- The projects that deliver on the city's wider strategic plan and social impact in the short term achieve effective place-making for Exeter and hence create a more stable and investible city in the longer term
- The Fund is also able to deliver using its 'at scale' protection to prove the concept and marketability of atypical developments, such as car-free housing developments, thereby attracting other developers into future schemes.

1.7.4 Exeter Deal, Exeter Assets

Exeter City has a wide range of property assets across various public sector institutions (The city council alone owns c.£300-400 million of land and property). While not all the city's assets are immediately suitable for commitment into a development fund, for example heritage, in-use assets such as the city museum, a focused property rationalisation exercise reveals the potential locked into these sites and demonstrate optimal routes to capital raising using the strength of the value and revenue streams attached to the pooled base.

A fund, with a single point of financing and delivery represents a bold, innovative solution to the challenges outlined earlier in this Section. It carries with it a fresh approach to risk, planning, management and funding, and with the city's complete pipeline of developments succeeding through a single aperture we would expect to see significantly reduced project top and tail costs, little or no refinancing costs needed and reduced professional fees relative to the quantum overall construction activity. This ultimately leads to greater returns for the Fund.

Elsewhere and more broadly, a city development fund represents a holistic approach, one that views Exeter's infrastructure investment needs as a single, self-supporting program. In this way, individual projects can cross pollinate, allowing greater social impact while ensuring the overall fund position is profitable. From a planning perspective, it also means the City Council can have more of a say in future projects, and be tougher on controlling planning outcomes that ultimately create different outcomes and drive towards the wider strategic plan.

1.7.5 Constraints, Limitations and Dependencies

The concept design under testing in the business case assumes a large and complex undertaking that reshapes the approach to city development and infrastructure.

It assumes a delivery vehicle with cross-public sector ownership and access to private sector agility, risk and reward. It assumes greatly increased levels of development activity in Exeter than has gone before and assumes an innate programme of skills development within the city to deliver it.

With these assumptions, many constraints and limitations exist and around which the preferred way forward is designed.

Viability Gaps

A step change in outcomes for future development in cities typically requires a step change in costs. Equally, many strategic sites within Exeter or any other city are not viable as development opportunities due to high enabling costs (these sites risk becoming trapped assets without viability gap funding). To maintain commercial sustainability, the Fund model can tolerate viability gaps up to a point.

Public Sector Capital Funding

The announcements from government in [Section 6](#) point to a significant and long-lasting change to Government's approach to carbon neutrality, housing, transport energy and infrastructure. This requires significant investment to achieve. However, where that investment is made is predicated on the right case being built and the existence of enough funding for the purpose required.

Development Capability

Exeter currently does not have the building capacity nor development capability to deliver the ambitious growth plans. The city needs to attract the right scale and quality of developer partners to help deliver the vision and to develop its own in-house (Fund) skills. The Fund needs to link directly to the city's key learning centres (Exeter College and University) and the Science Park, such as through the Skills Escalator Programme.

Collaboration and Mix of Agendas across Public Sector Institutions

With potential shareholders/partners of the Fund being across differing parts of local, regional and central government, the Fund will be limited to the margins of conflicting agendas within those organisations. The Fund relies on successful working between the city's public sector stakeholders to ensure there is equitable representation on strategy, design, governance and risk/reward exposure.

Legal and Governance

Exploratory work is carried out in Section XX in the Commercial Case to assess the legal frameworks needed to manage a portfolio of asset transfer of this nature, with asset movements in and out of the individual public sector institutions. Issues such as powers to invest/divest, state aid, CPO, accounting treatments, borrowing limits/ratios, tax and overall governance structure all require consultation, with draft heads of terms produced for approval.

Local Stakeholder Support

- **Exeter City Council;** ECC is the driving force behind the city's transformational programme and is the key partner to Exeter City Futures in its role as the innovation and sustainable finance enabler. The Council is already exploring strategic sites across the city to develop sustainable urban villages through a new vehicle. The Fund's approach seeks to collaborate and build on that work to deliver a truly scaled solution.

- **The University of Exeter;** with a new Innovation, Impact and Business team, the university is ambitious in its plans for regional economic transformation, and recognises the strength in delivering the City's vision in partnership with the City Council and ECF. The University is also establishing a new Institute for Data Science, and is a partner in SetSquared, recognised last year as the number one University-Business incubator in the world, and in which the Fund would look to invest and draw solutions to the Net Zero urbanisation challenges in Exeter.
- **Royal Devon and Exeter NHS Trust;** The health agenda is at the heart of the benefits within the programme. The Trust is currently considering its own site development plan including decisions around land disposal, housing, retail and car parking, it recognises the need for innovative input on design solutions and potential financing models that can deliver a Net Zero outcome.
- **Exeter College;** Recently rated as the number one FE College in the Country by FE Week, the College and the University have submitted an Expression of Interest to bid for an Institute of Technology, specialising in Data Science and data Analytics. Along with upcoming data apprenticeships planned at ECF, the College is integral to the key innovation and data themes and part of building the support for the collaborative, innovative approach required.
- **Devon County and District Councils;** DCC has provided political support for the Fund concept, recognising the changes needed to the built environment in the city as the first step to, for example, decarbonising rural transport links. Additionally, with plans for more devolved asset management in the next two decades, the Councils in the Greater Exeter area are key partners in the joined up approach recognised as required.
- **Exeter City Futures Partner Network;** the ECF partner network, comprised of city-wide professional services and infrastructure firms, is already mobilised, having signed declarations of support for the programme, pledged expertise, attended strategic planning events and shared critical data sets for analysis in feasibility project work.

1.7.6 High level Strategic Risks

As options for the design of the Fund are analysed in this business case, the risk register (see Appendix XX and Section 2.6 in the Economic Case) has been used extensively to sift long list options and score short list options. The risk register covers the probability and impact of detailed risks relating to all options, from the status quo 'do nothing' through to maximum impact options, and discusses proposed mitigating factors and their impact on risk.

The high level strategic risks, against which the long list of initial options is considered are as follows:

Risk 1: Funding Risk

The Fund represents a bold and innovative approach to teaming government capital with private sector finance. In a post-PFI, post-Brexit UK, a tried and tested long term model for infrastructure spend has yet to replace incumbent approaches from the previous two decades. A risk exists that the Fund concept does not provide government with enough comfort to allocate its infrastructure budgets in this way. Equally and as a result, without government intervention for a project of this scale the risk exposure to private sector lenders may be too high for their involvement at the scale required.

- **Mitigation:** The project team has an active and open engagement process with government, with regular progress meetings with Homes England and other government departments. Discussions are underway already as to which sites within the broader programme can be allocated to a first tranche of funding and potential project for initial flagship sites.

Risk 2: Skills and capacity

The development, infrastructure and housebuilding markets are all under strain. Building standards are changing rapidly alongside development of new technologies to meet those standards in carbon, modern methods of construction, project management and procurement. Coupled with rapid increases in demand for housing in the UK, a dearth of talent and capacity exists that risks rendering the Fund's ambitions undeliverable at the quality, pace and scale required for success.

- **Mitigation:** The project team has opened discussions with SME, carbon, spatial and innovative developers with an interest in the Fund concept. ECF has had open engagement with that market as well as Green-tech suppliers such as Co Cars to supply E-mobility solutions to developments and the associated data. Additionally, with ECF's board comprising the University of Exeter and Exeter College, the project has a direct line into the education and skills agenda in the region.

Risk 3: Local support and agendas

Cities operate with multiple public sector institutions that represent the varied and complex agendas of the inhabitants. From NHS Trusts to Universities to the Council, local public sector organisations experience some attrition between individual agendas as their approaches to carbon, commerciality, placemaking and human resources reach differing levels of maturity. To that end, the Fund's structure, which assumes a relatively seamless approach to divesting assets into a separate vehicle for development, albeit owned and controlled by the public sector, risks exposing further attrition between institutional agendas. Methods of procurement differ, appetites for control and risk differ and approaches to investments outside of core functions differ. The Fund risks failure through an inability to collaborate at the top level.

- **Mitigation:** The city already has a successful collaborative governance structure in ECF, with many examples of successful collaborations both financially and operationally on the Net Zero agenda. Equally, the city has backed the Fund concept design in submitting a bid for and winning funding for the next phase of the project under the Fund concept. In July 2021, £840k was awarded by DLUHC to ECF to progress the Fund to its next stage on behalf of the city.