

## **Economy & Growth Committee**

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| <b>Date of Meeting:</b>     | 10 <sup>th</sup> February 2023             |
| <b>Report Title:</b>        | Update on Handforth Garden Village         |
| <b>Report of:</b>           | Jayne Traverse, Executive Director – Place |
| <b>Report Reference No:</b> | EG/18/22-23                                |
| <b>Ward(s) Affected:</b>    | Handforth                                  |

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### **1. Purpose of Report**

- 1.1. The purpose of this report is to update members on the progress of the Handforth Garden Village scheme. The report sets out the next steps to move into the delivery phase of the project following Strategic Planning Board's resolution to conditionally approve the hybrid planning application for the scheme.
- 1.2. The Garden Village contributes to the Council's Corporate Plan objectives of creating a thriving and sustainable place under the priority of a great place for people to live, work and visit.

### **2. Executive Summary**

- 2.1 The Garden Village is a major long term project for the Council which has the capacity to generate capital receipts and presents an exemplar opportunity to promote sustainable development and placemaking. The Council is the majority landowner and will therefore have a lead role in progressing. The project was previously considered by Cabinet on 11/09/18 (Appendix 1)
- 2.2 The site is allocated in the Local Plan, there is an adopted Supplementary Planning Document (SPD), and on 13/01/23 Strategic Planning Board resolved to approve the hybrid planning application, subject to completion of a section 106 agreement, planning conditions and withdrawal of an objection from the Environment Agency. Correspondence confirming withdrawal of the objection has now been received.

- 2.3 There are a significant risks and delivery challenges with a project of this scale, as well as legal risks that require advice and appropriate mitigation. Construction inflation and volatility in the housing market are particularly challenging.
- 2.4 The Garden Village scheme has been allocated a Homes England Housing Infrastructure Funding (HIF) grant of £21.7m. However, due to the complexity of the planning application and resolving a number of objections and issues raised by significant statutory consultees, the project has been significantly delayed and the delivery programme is being reviewed. In addition, members of the Committee should note that this was a planning application for a Council promoted scheme, which potentially limits the developer's normal opportunity of appealing a decision made by the local planning authority as generally local authorities do not appeal a planning authority's decision. Therefore, officers have worked to marshal many of these consultee objections. This included a twelve month delay associated with the Environment Agency which arose in September 2021.

Contractual milestones and the description of the works to be funded through HIF are currently being renegotiated with Homes England. It is expected that there will be a requirement to complete all HIF spend by 31st March 2025, although this remains subject to the agreement of Homes England.

- 2.5 Following the progress through the planning process, work will now be undertaken to prepare a detailed delivery strategy in order to increase delivery certainty, ensure an exemplar garden community development and manage the financial and legal risks. It is intended to bring a decision report to approve the final business case and delivery strategy informed by a comprehensive gateway review, to Economy & Growth Committee later this year prior to proceeding into the delivery phase of the project

### **3. Recommendations**

That the Committee:

- 3.1 Note the progress that has been made to deliver the Garden Village scheme and towards securing planning permission.
- 3.2 Note that there are strategic project risks, which include legal, planning, construction costs, housing market volatility, external grant funding, capacity, and site constraints, which will require appropriate oversight and legal advice.
- 3.3 Approve the undertaking of a gateway review, preparation of a final business case and production of a delivery strategy, to identify the most commercially appropriate and effective means of delivering the primary infrastructure and the wider garden village project whilst controlling costs and maximising capital receipts, including addressing governance structures going forward.

- 3.4 Note that a detailed report on the outcomes of the gateway review and delivery strategy and key decisions required will be presented to committee in the new municipal year with a target date of September 2023.

#### 4. **Reasons for Recommendations**

The Garden Village is a major long-term project for the Council, with the ultimate objective of delivering a new sustainable garden community. Development schemes of this kind are inevitably challenging and require sophisticated project management and timely decision making. Significant commitment, investment and resources will be needed to deliver the key elements of the project as efficiently and effectively as possible which will be set out in the future delivery strategy now that there has been progress with the planning application.

#### 5. **Other Options Considered**

- 5.1 A detailed options appraisal will be prepared as part of the gateway review to inform the delivery strategy. At a strategic level, the options set out in 5.2 may be available to the Council for delivery of the Garden Village.

5.2

| Option            | Impact  | Risk   |
|-------------------|---|--|
| <b>Do nothing</b> | Project not taken forward. Council decision to abort the project. | No land receipts would not be realised, the capital costs to date would need to be written off to revenue, the HIF grant would not be crystallised and there would be a loss of 1500 homes which were to be delivered as part of planned development in the Local Plan, which could be expected to result in unwelcome and unplanned development elsewhere in the Borough. |
| Delay             | Reduce capital expenditure by slowing the delivery of the project | Construction costs will continue to increase. The required housing supply would not be realised.   |

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| Take full responsibility for all elements of delivery            | Council controls and delivers all elements of the project  | This would be costly and almost certain to exceed the current budget. It would require additional resources and expertise in the core team.  |
| Optimise delivery route to accelerate programme and manage costs | Manage capital expenditure by considering alternative delivery strategies – for example, disposal and/or involving housebuilders in the delivery programme | This is likely to be the most desirable the preferred route and a strategy will be emerge and be reported for decision following the gateway review and delivery strategy, It will enable the Council to manage its cashflow, manage risk and harness the power of the private sector. |

## 6. Background

### 6.1 Garden Village

The Garden Village at Handforth is an allocated strategic site in the Local Plan (LPS33). It will create a new sustainable settlement with approximately 1,500 new dwellings (of which 30% of which will be affordable homes), a new village centre and high street, a through school, sports facilities, and sustainable transport routes.

The development will offer connectivity to the existing village of Handforth and the wider economic area. It will showcase exemplar standards of design, mixed tenure housing, high quality and accessible public open space including green corridors, country-park style open spaces, formal sports pitches, allotments and community orchards.

It is part of the Government's Garden Communities programme and has been planned as an exemplar new settlement.

The Council is the majority landowner and has taken the lead on securing Allocation in the Local Plan, preparing and promoting the adoption of a Supplementary Planning Document (SPD), and obtaining planning approvals. It has been envisaged that the Council will lead on the delivery of the primary infrastructure, which comprises vegetation clearance, a substantial cut and fill, works to the existing highways and the new village centre road. Various

decisions were delegated to the Executive Director – Place in the previous Cabinet report (Minutes in Appendix 1) in relation to this.

## **6.2 Planning Status**

The hybrid planning application (19/0623M) for the Garden Village was recently considered at Strategic Planning Board with the outcome being a resolution to grant planning approval, subject to completion of a section 106 agreement, other planning conditions and the Environment Agency withdrawing an objection. Correspondence confirming the withdrawal of this objection has now been received. The section 106 agreement and detailed planning conditions need be agreed prior to full granting of planning permission.. A Listed Building Consent for stabilisation and repair of Dairy House Farm was approved in December 2022 and approval for the Park & Ride facility at Handforth railway station was granted in 2021.

A substantial number of planning conditions and section 106 obligations will need to be discharged before site works can commence. Of particular importance will be the conditions relating to protecting Dairy House Farm, ground remediation and ecology.

The two planning applications and related consents and permits are currently in the name of Engine of the North (EOTN), the Council's wholly owned development company which was brought back in-house in August 2019 following a decision by Cabinet. However, the company continues to exist as a legal entity and remains in the full control of the Council. Consideration, as part of the gateway review, final business case and delivery strategy, will need to be given to its ongoing role.

## **6.3 Housing Infrastructure Funding**

The Garden Village scheme benefits from a Homes England Housing Infrastructure Funding (HIF) grant of £21.7m which must be invested on the primary infrastructure to enable development including vegetation clearance, cut and fill, works to the existing highways and the new village centre road. The programme and description of the infrastructure to be funded is currently being renegotiated with Homes England but it is expected that the grant will need to be fully spent by 31/03/25. Further extensions are unlikely so the delivery strategy adopted by the Council needs to ensure expenditure of the grant in advance of this deadline.

There is an opportunity to seek Capacity Funding from Homes England to support the delivery programme. The focus of the grant application should be on accelerating the HIF funded infrastructure and resourcing the core project team. Homes England have been a positive supporter of the Garden Village and other schemes in the Borough and the co-investment of this central government agency would be very welcome.

## 6.4 Design Optimisation

Given the expected requirement to defray £21.7m funding by 31/03/25, opportunities for accelerating the delivery of the HIF funded infrastructure need to be identified, prior to moving into the delivery phase of the project. Elements of the programme that could be accelerated include site clearance, mobilisation of earthworks, preparation of the housing land / development parcels, onsite and offsite highways works. There is expected to be an opportunity to forward fund works to Dairy House Farm through HIF as this is a key programme dependency.

## 6.5 Next Steps: Gateway Review and Delivery Strategy

This site is in a strong market location close to Wilmslow and South Manchester with good connectivity to the airport and city centre. However, construction inflation is a significant risk and the housing market is expected to be unpredictable for the next period.

As the major landowner, the scheme will generate capital receipts for the Council in the long term. However, the cash flowing requirements would exceed the current approved budget if the Council sought to forward fund all the infrastructure and development costs itself. Certain elements of the project have evolved, particularly relating to the delivery model that was envisaged in 2018, , A gateway review, final business case and delivery strategy are required in order to undertake Due Diligence to appropriately balance risk and reward and to use capital resources as efficiently as possible whilst maximising and accelerating capital receipts. It is intended that this will be reported for decision (target date: September 2023) by Economy & Growth Committee.

The gateway review, final business case and delivery strategy will consider how best to accelerate the project (particularly the HIF expenditure), manage risk, harness the expertise and resources of the private sector including other landowners within the development area, ensure an exemplar development, maximise capital receipts and control expenditure.

Key considerations will be to:

1. Review the approach to delivering the primary infrastructure and earthworks.
2. Focus activity on ensuring that the HIF grant can be spent by 31/03/25.
3. Review the strategy for marketing, disposal and development of the village centre and residential land parcels.
4. Managing and mitigating the main risks such as construction cost inflation, house price / land value volatility, site constraints, discharging planning conditions, reserved matters applications and meeting section 106 obligations.

5. Consider the role of the Council in direct development of some or all elements of the scheme. For example, will the Council act as a developer / contractor or purely as a landowner?
6. Confirm governance structures for the implementation of section 106 requirements and discharge of planning conditions.

## **7. Consultation and Engagement**

- 7.1 There has been extensive consultation via the planning process in relation to the Allocation, SPD and planning applications. There have been numerous discussions, meetings and engagement with local stakeholders and organisations both relating to the planning process and the implementation. This has included Handforth Parish Council and ward members.

## **8. Implications**

### **8.1 Legal**

There are a number of risks associated with the project which will need ongoing legal advice and support. These include:

- The securing of the developers (EoTN) obligations, legal authority and status
- Appropriate section 106 or other agreements as required.
- Compliance with planning conditions
- Securing the acquisition of neighbouring land and the potential use of CPO powers if required
- Agreement with neighbouring landowners

In addition, legal advice will be required as to the necessary throughout progress of the scheme, and in relation to the above matters as well as relevant contractual and other documents to secure implementation of the scheme.

### **8.2 Finance**

- The total approved budget to deliver the Garden Village at Handforth is £64.7m, a budget of £48.9m was approved in the Medium-term Financial Strategy in February 2022 and then a subsequent Supplementary Capital Estimate of £15.8m was approved at full Council on the 14<sup>th</sup> December 2022.
- The scheme is partly funded by the HIF funding that needs to be spent by 31<sup>st</sup> March 2025 or there could be a risk the funding would be withdrawn and the scheme may not be able to continue. Given the current financial pressures the Council is experiencing it is unlikely the Council would be able to fund any funding gap at this stage.

- The remainder of the funding will come from Cheshire East's own Resources up to the £64.7m approved budget. Once complete the scheme will generate a capital receipt for the Council.

### **8.3 Policy**

- The Garden Village is a key component of the Borough's Local Plan and will deliver on a wide range of Council priorities relating to housing, education, open space, sustainable transport, heritage etc.

### **8.4 Equality**

- The Garden Village is being planned as an inclusive community with accessible routes, affordable homes, elderly provision, and a diverse range of tenures and house types.

### **8.5 Human Resources**

- Currently one FTE is directly employed in the Economic Development Service to oversee the delivery of the three strategic sites, supported by council enabling services, including, legal, finance and assets, and external specialist consultants are engaged on this project. To progress the delivery of the Garden Village and to achieve the exemplar scheme that the Council is requiring, further staffing resource from across the Council will need to be engaged directly on the programme of works. A capacity fund bid is currently being prepared for Homes England to help fund this additional resource.

### **8.6 Risk Management**

- **Planning**

As would be expected from a development scheme of this scale, the hybrid planning approval is subject to numerous planning conditions and there will also be significant obligations in the s106 agreement. The ability of the Council, and potentially other parties, to discharge these obligations and conditions efficiently and expediently is a risk, particularly in relation to spending the HIF funding by March 2025. There will be a number of Reserved Matters applications required and the approach to dealing with these will be set out in the delivery strategy which to be presented to this Committee later in the year.

- **Development Constraints**

Much of the land within the Garden Village was previously used by the Royal Air Force / Ministry of Defence. There are also legacy landfill sites within the Allocation which relate to the previous highways improvement projects in the vicinity. Additionally, the site was partially remodelled by the Council's predecessor, which involved significant materials movement and has exacerbated the complexity. There are therefore geotechnical issues to



overcome as part of the next phase of work. Substantial site investigations and specialist inputs will be required throughout the development of the site.

Whilst this is a a flagship location with excellent connectivity to the Manchester conurbation, Manchester Airport and motorway network, significant infrastructure investment will be required to the A34 corridor as part of the s106 Agreement obligations.

Within the site, there are a collection of Grade 2 Listed farm buildings which are in poor condition. The planning policy framework for the site requires that development of the Garden Village facilitates the preservation and refurbishment of these buildings.

- **Viability**

The business case is underpinned by a number of assumptions and will be reviewed and finalised as part of the gateway review and delivery strategy over the coming months. However, all indications are that the Garden Village is financially viable and cash positive for the Council but, if the Council were to take the lead on delivering all the required infrastructure, the cash-flowing requirement would be expected to exceed the approved budget.

Construction inflation is a live risk and the housing market is likely to be volatile and unpredictable for the next period.

The gateway review will explore options to manage the expenditure and risk profile and the delivery strategy will set out the proposed approach which balances delivering an exemplar development against risk and cost.

- **Funding**

The longstop date for spending the £21.7m HIF grant is 31/03/25. All funding must be spent by this date and there is no guarantee that further contract extensions would be granted. A design optimisation exercise is underway to profile a delivery programme which enables sufficient investment in primary infrastructure by this date.

The contractual conditions of the HIF Grant Funding Agreement require that the homes are delivered and failure to achieve this could result in clawback of the grant.

- **Risk Management & Project Governance**

Operational issues and risks are being monitored and managed through the Strategic Housing Sites Programme Board which is chaired by the Director of Growth & Enterprise. There is an escalation pathway through to the Place Board which is chaired by the Executive Director – Place. Additional project management capacity will be required as the scheme moves forward toward implementation.

## 8.7 Rural Communities

None

## 8.8 Children and Young People/Cared for Children

Play and sports facilities and informal open space will be designed into this new community and a new through school is facilitated by the development. The Council's leading role in this scheme means that this will be well planned and high quality. Because this is a large scale development, sufficient funds are generating to deliver these facilities and other positive outcomes at scale.

## 8.9 Public Health

The development will provide significant opportunities for outdoor activities including informal recreation, play and sports. As a brand new community, the ability for people to sustainably and actively travel will be designed in. Through the s106 obligations, financial contributions will flow from the development into health provision. There is also likely to be some conveniently located older peoples' housing in the early phases of development.

## 8.10 Climate Change

It is intended that the garden village will have sustainable development as a core principle locked in by design. Active travel such as walking and cycling, and the use of public transport will be encouraged. A wide range of local facilities will be provided to minimise dependence on the car. It is anticipated that there will be extensive green energy measures including district heating network and electric vehicle charging points.

| <b>Access to Information</b> |  |
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| Contact Officer:             | Charles Jarvis<br><a href="mailto:Charles.Jarvis@cheshireeast.gov.uk">Charles.Jarvis@cheshireeast.gov.uk</a> |
| Appendices:                  | Appendix 1: Cabinet Report & Minutes (11/9/2018)<br><a href="#">Cabinet Report 11 Sept 2018</a>              |
| Background Papers:           | None   |