

Report to Cabinet

Title:	Woodlands Development and Education Contributions
Date:	Monday 21 May 2018
Date can be implemented:	Tuesday 29 May 2018
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Local members affected:	Bill Chapple, Aston Clinton & Berton
Portfolio areas affected:	Cabinet Member for Resources Cabinet Member for Education and Skills

For press enquiries concerning this report, please contact the media office on 01296 382444

Summary

The Aylesbury Woodlands Development provides a unique opportunity to bring forward high quality commercial floor-space, creating local employment opportunities, in addition to providing the funding mechanism to underpin the costs of developing the Eastern Link Road (South). The development would provide up to 1,100 market and affordable dwellings and an additional 60 residential extra care units, together with a mixed use local centre and provision of land for a new primary school. The development represents a unique public sector planning promotion through a joint partnership between Buckinghamshire County Council (BCC) and Aylesbury Vale District Council (AVDC).

The application went before AVDC planning committee on 26 October 2017 where they recommended that permission be deferred and delegated to Officers for approval subject to the satisfactory completion of a Section 106 (S106) planning obligation agreement in respect of necessary infrastructure requirements arising from scheme including education.

Recommendation

Cabinet are asked to consider the proposals and the associated risks set out in the report and to agree:

1. the delivery of the Aylesbury Link Road and Employment Enterprise Zone through a £4.6m reduction in education contribution on the Woodlands development
2. the strategy outlined in the report to mitigate the shortfall in education contribution including a viability review mechanism, seeking alternative sources of funding and developing a cost effective infrastructure procurement framework.

A. Narrative setting out the reasons for the decision

Background

In March 2016 Buckinghamshire Advantage (BA) submitted a planning application for Aylesbury Woodlands, College Road North, Aston Clinton to deliver:

- (i) up to 1,100 market and affordable dwellings (including a proportion of custom build dwellings) and an additional 60 residential extra care units, together with a mixed use local centre and provision of land for a new primary school;
- (ii) substantial economic growth (up to 102,800sqm of employment floor-space) within the designated Arla/Woodlands Enterprise Zone (EZ);
- (iii) essential highway infrastructure as 'up-front' provision (i.e. strategic link road connecting the Eastern Link Road (North) to the A41 Aston Clinton Road) enabling a new orbital route to be created around Aylesbury (including flood mitigation measures);
- (iv) additional sports facilities to provide the platform for a Sports Village to support the growing Aylesbury community; and
- (v) green infrastructure to establish a sustainable, connected community.

The application is considered to be in line with the strategy of the emerging Vale of Aylesbury Local Plan and the objectives for the Government approved Aylesbury Garden Town initiative. The Woodlands site is a designated Government Enterprise Zone and combined with Aylesbury's recent designation as Garden Town, the site is well placed to deliver infrastructure and growth. The application was first reported to Cabinet on 26 June 2017 when Members acknowledged that Woodlands was integral to a new orbital route around Aylesbury although expressed concerns about the proposed reduced contributions. Cabinet requested that the proposal come back to Cabinet for further consideration once the application had been through AVDC planning committee. AVDC planning committee has since recommended that Officers approve the application once the S106 agreement has been completed.

The development approach

The Woodlands development is being promoted by Buckinghamshire Advantage (BA). This is a company wholly owned by Bucks Business First (representing the business community of Buckinghamshire) and the five Councils but the Woodlands development only involves BCC and AVDC. BA is the operational arm of Buckinghamshire Thames Valley Local Enterprise Partnership (BTVLEP) on the delivery of BTVLEP funded capital schemes, ensuring local growth funds are invested to maximum effect. It also promotes and delivers

capital projects helping Buckinghamshire's economy develop sustainably. The woodlands development represents a unique public sector planning promotion through a joint partnership between BCC and AVDC.

Key advantages

The Woodlands development represents a large, mixed use, employment and infrastructure led development. AVALB has always intended for Woodlands to be an employment led scheme and a significant portion of the site has subsequently acquired Enterprise Zone status.

The development is designed to be complementary and not competitive with other development market activity, some of which is adjacent to this site. It is a difficult site to develop because of flood issues and has no planning policy status yet. The area has not been attractive to the wider market due to these constraints. However, because of the work and evidence supporting the planning application has been shown capable of addressing the constraints, the site has been put forward for allocation within the draft Vale of Aylesbury Local Plan and the Eastern Link Road component forms a key link road identified in the Aylesbury Transport Strategy.

The main benefit is the delivery of the Eastern Link Road and employment land, with compatible flood plain and open, sporting space. Housing also makes a key contribution to Aylesbury's growth target, and is included to meet local need, create a sustainable community, and improve the cash-flow and to pay for the primary infrastructure and flood mitigation.

The development offers the potential for exemplary and innovative approaches e.g. custom build, heat transfer systems, business incubation, in addition to a Joint infrastructure delivery plan with neighbouring developers at Hampden Fields with appropriate cost sharing provisions to mitigate transport impacts. The Councils have taken an active role to date in the development through Aylesbury Vale Advantage Legacy Board¹ (AVALB) to be positioned to be able to influence the standard of development and innovation potential. The Woodlands development is a key part of unlocking growth and connectivity around Aylesbury and has the potential to be an iconic quarter, showcasing high quality design and Garden Town principles.

Viability and policy compliance

The viability of Woodlands remains a significant challenge because of the site constraints – development within the floodplain and the need to provide expensive infrastructure up front to unlock the site (Eastern Link Road South) – and also due to its land use comprising significant commercial/employment provision (102,800sqm) and smaller housing component (1,100 units) than traditional urban extension developments.

A viability appraisal was undertaken by Savills (May 2017) on behalf of AVALB and subsequently reviewed by the District Valuation Service (DVS) to agree baseline assumptions. In order to be policy compliant the scheme would require delivery of the following planning obligations:

- 30% affordable housing (made up of 70% affordable rent and 30% intermediate e.g. shared ownership);

¹ AVALB is a subset of BA involving just BCC and AVDC - as this scheme is ring-fenced to just these two partners.

- Financial contributions covering Education, Highways infrastructure, Open spaces and other infrastructure;
- Provision of the Eastern Link Road (South) at an estimated cost of £28m; and
- considerable flood mitigation and drainage measures.

Initial scenario testing of the viability appraisal submitted by the developer showed a funding shortfall. To ensure, the scheme can be delivered viably and in order to mitigate the funding shortfall, the developer is proposing that the planning obligations be prioritised and has put forward the following measures to address the shortfall:

- A reduced Secondary Education Contribution of £1.8m out of a total £6.4m (i.e. a shortfall of £4.6m) payable to BCC as Education Authority.
- A reduction in the Affordable Housing to 20% together with a revised affordable tenure mix.

A balancing exercise was undertaken as part of the report to October 2017 AVDC Planning Committee to demonstrate that the 'benefits of the scheme outweighs the dis-benefits'. In respect of this development, there are clear transport benefits around the delivery of the Eastern Link Road (South) and the employment floor space to be provided.

Members should note that a similar approach to what is being proposed by the developer for the Aylesbury Woodlands development was agreed on the Kingsbrook Development (2450 homes).

Options to mitigate any shortfall in Education Contributions

It is a statutory responsibility of BCC to ensure that there are sufficient school places and so any shortfall in Education Contributions will require mitigations to be found. Various options are currently being considered in order to mitigate this potential shortfall. These include:

- A review mechanism to revisit the viability of the scheme as it progresses (as agreed for the Kingsbrook development). This could allow the S106 contribution to increase should land values rise;
- As well as receiving the full contribution for primary and special school provision (£7.5m), the proposed 2FE primary school site could accommodate demand from neighbouring development (based on pupil yield estimates from Woodlands);
- Pursuing cost effective approaches to drive down expected costs (e.g. develop effective procurement framework, value engineering etc.);
- Investigating potential opportunities to secure additional third party funding e.g. through the Housing Infrastructure Fund bids (HIF)² or Garden Town initiative.
- Seek approval from the BTVLEP / EZ Board to use some of the retained business rates from the Enterprise Zone;
- Secure greater flexibility/control on developer contributions with regard to both the level (i.e. any cost savings made in one sector be used to offset deficits in other areas) and timing (e.g. forward funding mechanism on phased payments);
- Negotiate down the other land owners target receipts;
- Creation of a new free school via suitable sponsor or equivalent government initiative;

² The joint AVDC/BCC HIF Marginal Viability bid for £9.5m to support delivery of the major housing growth at Aylesbury Garden Town (AGT) has been successful. A key priority for the award is to support the marginal viability of the Woodlands scheme and the progression of the ELR. A joint AVDC and BCC HIF Forward Funding bid for £204m was submitted 28th September 2017 and includes a request to support delivery of the Aylesbury Ring Roads. The Expression of Interest bid was successful in progressing to the next stage.

- Seek approval from AVALB to recycle any forecast profit from acting as the developer, should this materialise.

Key Issues and Risks

Key financial risks include:

- There is a risk that the mitigation strategy does not cover the funding shortfall and as a result BCC has insufficient funding for the proposed provision of secondary education school places - preventing BCC from meeting its statutory sufficiency duty.
- Forward funding may be required if schools infrastructure is delivered in advance of planned S106 Education contributions (as with any other new schools as a result of new development).
- Viability of Woodlands - site constraints / development within the floodplain, up front infrastructure to unlock the site e.g. ELR(s), significant commercial provision and smaller housing component than traditional urban developments, means that the site has only marginal viability. Development / infrastructure costs assumed within the viability could increase despite efforts to value engineer the costs down; plus residual land values may decrease due to changes in the economy.
- If planning approval is not granted then there will be a missing part of the link road around Aylesbury and the investment costs made to date through the AVALB will not be repaid as currently assumed.

B. Other options available, and their pros and cons

The authority could decide not to accept any reduced Education Contributions and, therefore, not to support the development as it is currently proposed. However, the authority would still need to deliver the ELR (S) and the currently allocated LGF funding is insufficient to do this.

C. Resource implications

The decision to agree a reduced Education contribution will result in a £4.6m shortfall in funding for the required School places. A robust mitigation strategy is in place and as a result this risk has been appropriately managed.

The financial viability of the development has been assessed and tested as a key part of the progressing of the development to planning approval stage.

There are financial risks around the scheme (see above). Delays in the delivery of the required infrastructure in a timely fashion could also lead to cost pressures and overruns.

Some investment has already been made by BCC in order to support the delivery of the scheme to outline planning approval stage (which is due to be repaid by AVALB).

D. Value for Money (VfM) Self Assessment

The viability of the scheme has been reviewed by Savills to ensure that the scheme is affordable and offers value for money. The scheme provides wider value for money benefits through the securing of the Eastern Link Road (South) - a key piece of strategic

highway infrastructure required to complete the Aylesbury link roads - and commercial infrastructure within the Enterprise Zone site.

E. Legal implications

In considering the viability mitigation measures proposed by the developer set out in this report, members should note that the government's policy (as set out in Paragraph 173 of the NPPF) is that development should not be subjected to such a scale of S106 obligations that the development becomes unviable. Accordingly, where an applicant has demonstrated satisfactorily through a tested viability appraisal (as has been the case with the Woodlands development) that a planning obligation being required would cause the proposed development to be unviable, local authorities are advised to be flexible in seeking such planning obligations but at the same time ensuring that the adverse impacts from the proposed development are adequately mitigated.

BCC local guidance on education planning obligations which was adopted June 2010 (see Appendix 1) also acknowledges scenarios where obligations may have to be prioritised in the event that planning obligations render a development unviable and paragraph 6.13 states in relevant part:

“BCC accepts that in some circumstances the planning obligation requirements associated with a development may render it unviable, although paying too much for the site is not necessarily reasonable justification. In such cases, BCC will require developer to share a viability appraisal, financial information or a valuation report (with current values) with Council Officers for independent scrutiny. Whilst commercially sensitive information will be treated in confidence, it may be necessary to report key issues and conclusions to senior Council Officers and elected Members at both BCC and the relevant planning authority when considering the planning application. If it is subsequently agreed that a developer cannot afford to meet all of the requested S106 requirements associated with their development, planning obligations may be prioritised in negotiation with the developer subject to the proposal being acceptable in all other respects. BCC and the local planning authority will need to come to a view as to whether, on balance, the benefits of the scheme (e.g. its contribution to the sustainability of the local area) outweigh the disbenefits of the developer not fully funding the necessary infrastructure. Consideration will also be given to support from other sources of funding (e.g. Social Housing Grant) or likely future market changes (i.e. any reductions in planning obligations agreed at the bottom of the market may be recovered in full or part when the market picks up).”

This was the same basis on which reduced education contributions were agreed on the Kingsbrook development.

F. Property implications

Strategic property have been consulted on the proposals and delivery of appropriate infrastructure.

G. Other implications/issues

The development has wide ranging potential impacts and briefings have been held to ensure that partners and other parts of the Council are aware of and can feed into the proposal. Separately to this report, Cabinet will be asked later in the year to consider the options around the ongoing development of the site and the provision of the Eastern Link Road (South).

H. Feedback from consultation, Local Area Forums and Local Member views

Formal public consultation was undertaken in 2016 prior to submission of the planning application and by Aylesbury Vale District Council, as planning authority, following the submission. The Local Member has been briefed on the proposal. On 26 October 2017 AVDC planning committee recommended that permission be approved subject to the satisfactory completion of a S106 agreement.

I. Communication issues

These will need to be considered should planning approval be granted.

J. Progress Monitoring

Further updates to be provided regularly as required.

K. Review

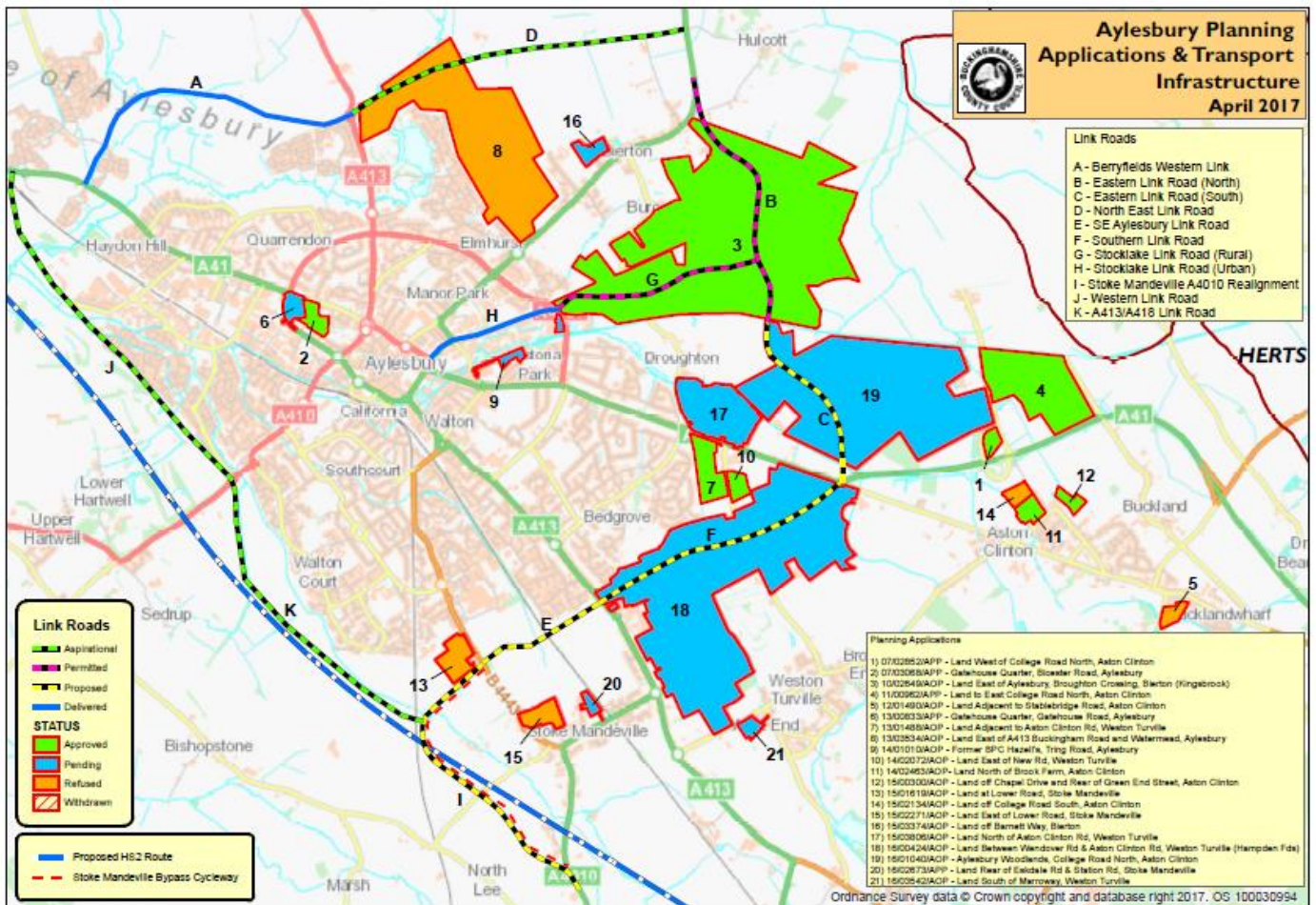
A review mechanism will be built into the S106 agreement to revisit the viability of the scheme as it progresses. When appropriate, through the Medium Term Financial Planning Process.

Background Papers

Aylesbury Woodlands Planning Application – 16/01040/AOP

<https://publicaccess.aylesburyvaledc.gov.uk/online-applications/search.do?action=simple&searchType=Application>

Aylesbury Woodlands Website - <http://aylesburywoodlands.co.uk/>



Your questions and views

If you have any questions about the matters contained in this paper please get in touch with the Contact Officer whose telephone number is given at the head of the paper.

If you have any views on this paper that you would like the Cabinet Member to consider, or if you wish to object to the proposed decision, please inform the Member Services Team by 5.00pm on Friday 18 May 2018. This can be done by telephone (to 01296 382343), or e-mail to democracy@buckscc.gov.uk