EB25

# Tendring Colchester Borders Garden Community Development Plan Document

## Review prior to Regulation 19 Consultation and Submission for Examination

Keith Holland BA (Hons) DipTP MRTPI ARICS

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## 1. Introduction

1.1 The brief for this report is to appraise and assess the emerging Tendring and Colchester Borders Garden Community Development Plan Document (DPD) with a view to assisting with the preparation of the document for consultation and examination. In addition to a broad assessment of the document, particular advice is sought in relation to three matters:

- the delivery of the A120 – A133 Link Road (the Link Road);
- the stewardship arrangements; and
- the viability of the developer's commitment to the development.

1.2 The Garden Community is to be a planned new settlement that involves land in both Colchester and Tendring local authority areas. The intention is to base the development on the Town and Country Planning Association (TCPA) Garden City Principles adapted to the North Essex context, as set out in the North Essex Garden Communities Charter.

1.3 The concept of a Garden Community serving both Colchester and Tendring was set out and agreed in the North Essex Authorities Shared Strategic Section 1 Plan (Section 1 Local Plan), adopted by Colchester City Council (CCC)[1] in February 2021. The Section 1 Local Plan identifies the broad location of the Garden Community and sets out strategic policies and broad requirements that need to be met. The DPD sets out more detail of the proposed development and specific requirements that will similarly need to be met. Tendring District Council, Essex County Council and CCC have jointly prepared the DPD. As we understand the position, Tendring District Council Members of the Tendring Colchester Borders Garden Community Joint Planning Committee have agreed that the DPD can be taken forward for consultation. A similar decision will be asked of CCC Members on 23 March 2023.

1.4 This initial appraisal is intended to assist CCC Members' deliberations.

[1] The former Colchester Borough Council changed its legal title to Colchester City Council as from 23 November 2022.

## 2. Appraisal Approach

2.1 At this stage, given the time constraints and the extent of the documentation supporting the DPD, this appraisal is inevitably at a broad level. The assessment seeks to review the emerging DPD and the most significant parts of the evidence base but cannot scrutinise the material in the detail that the DPD examination will, not least because at this stage the extent and nature of the challenges that may be made to the DPD when subject to wider public consultation under Regulation 19[2] are unknown.

### Tendring and Colchester Borders Garden Community Development Plan Document

2.2 The DPD is a comprehensive document that builds on the Section 1 Local Plan. The ten chapters and the three appendices provide clear guidance and policies about how the Garden Community is to be developed. Importantly, it makes the Councils' expectations clear to developers and others and details the reasoning behind the policies outlined. A range of uses is specified and a Policies Map provides clarity about the spatial dimension of the proposals. Fundamental to the DPD is the identification of three distinct but inter-connected neighbourhoods intended to accommodate 7,500 new homes and related community facilities, including schools and nurseries. An area for a Country Park is identified as well as Strategic Green Gaps. A Sports and Leisure Park linked to the University of Essex is provided for as well as 25 hectares for employment purposes and a Gypsy and Traveller Site. Transport and movement considerations feature prominently with provision for a link between the A120 and the A133. Sustainable transport methods are stressed including provision for a Rapid Transit System and park and ride, and a network of footpaths, bridleways and cycleways. Environmental and design considerations feature throughout the document and there is an emphasis on building a community with strong social cohesion.

2.3 The wording and content of some of the policies are likely to be challenged at the DPD examination but a detailed consideration of the policies is beyond the scope of this initial review.

[2] The Town and Country Planning (Local Planning) (England) Regulations 2012, as amended.

2.4 Under the current legislation the examination of the DPD will be based on five tests, the last four of which are National Planning Policy Framework (NPPF) soundness tests

- Has it met the legal requirements for the preparation of a development plan document;
- Has it been positively prepared in the sense that it seeks to meet objectively assessed needs and is informed by agreements with other authorities;
- Is it justified by which is meant is the strategy appropriate taking into account reasonable alternatives and proportionate evidence;
- Is it effective – that is, can it be delivered; and
- Is it consistent with national policy.

2.5 Bearing in mind their extensive experience of plan preparation, this appraisal assumes that the Councils are fully alert to the legal requirements relating to plan preparation and does not deal with that matter. In the light of the background and evolution of this DPD, particularly the adopted Section 1 Local Plan, a number of soundness considerations that are frequently debated at development plan examinations are already resolved and are very unlikely to be subject to close scrutiny at the examination. These include the objectively assessed needs of the area, the broad spatial strategy, the scale of development, whether the duty to co-operate has been met and the consistency with national policy. On this basis, the positively prepared test and the reasonable alternatives element of the justified test are unlikely to feature prominently at the examination. Consequently, this appraisal concentrates largely on the question of proportionate evidence and the delivery of the DPD.

## 3. Evidence Base and Deliverability

3.1 The preparation of the Section 1 Local Plan and the work that went into supporting that local plan has provided a substantial amount of evidence that remains relevant to the DPD. For example, the viability work done by Gerald Eve (GE) and published in February 2023 has been able to build on the earlier viability assessment, and the 2023 sustainability work by Land Use Consultants (LUC) builds on earlier sustainability work including the consideration of alternative options. Additional evidence relating to the delivery of the DPD proposals has been prepared including a Strategic Master Plan and topic papers on subjects such as transport and modal shift. The Strategic Masterplan has been tested for biodiversity net gain and the Nature policy has

been updated with the aim of achieving a minimum of 10% measurable net gain on-site. This approach reflects the increasing emphasis on biodiversity in national policy.

3.2 An up-dated sustainability appraisal has been prepared that identifies the adverse impacts that are likely to emerge as a result of the construction of the Garden Community, particularly the loss of higher value soils. It is noted that steps are possible to mitigate some of the adverse impacts and there are significant positive benefits in relation to a number of sustainability objectives. The conclusion is that, taken as a whole, the proposals are consistent with the principles of sustainable development.

3.3 The recent work that has been done has established that the land could accommodate some 7,500 homes – previously the figure was less certain at between 7,000 and 9,000. Firm evidence is now provided on the anticipated growth of the University of Essex and the economic viability evidence now includes provision for 2,000 beds purpose built for students. Following the completion of the Economic and Employment Study, the economic policy in the Section 1 Local Plan has been firmed up with the aim of creating at least one job per new household within easy commuting distance. Policies relating to place shaping and meeting housing needs have built on the Section 1 Local Plan. Given the background provided by the Section 1 Local Plan, it is considered unlikely that a significant challenge could be successfully made to either the housing numbers or the economic policies at the DPD examination.

3.4 There is an up-to-date Infrastructure Delivery, Phasing and Funding Plan that draws together the range of anticipated infrastructure requirements for the Garden Community. Inevitably, this material represents the current position which will need to be regularly updated. At the present time, the infrastructure costs are put at £580.2 million, with transport and utilities accounting for over 70% of the total. £580.2 million is more that the figure considered and accepted by the Inspector at the Section 1 Local Plan examination but it is justified by the up-to-date evidence. There is no reason to doubt the veracity of the overall cost estimates.

3.5 The two most expensive transport items are the new A120/A133 Link Road (£90.3 million) and £30.8 million for the new Rapid Transit System (RTS). Government funding of £99.9 million has been secured through the Housing Investment Fund. As we understand it, the original hope was that the government funding would largely cover the

full cost of both schemes but cost increases due to inflation and other factors mean that there is now a shortfall of roughly £20million for these two projects. The intention is to look to the developers and landowners and/or public funding to make up the shortfall.

3.6 A critical point is that Policy SP6 of the Section 1 Local Plan requires planning consent and full funding approval for the A120 – A133 link road and Route 1 of the RTS to have been secured before planning approval is granted for any development at the Garden Community. Planning permission was granted for the Link Road in 2021 and the intention is that it should be complete in 2026. This timetable reflects the approach being adopted in the DPD that the infrastructure for the Garden Community must be delivered in what is termed a timely manner.

3.7 In relation to funding, it is important to note that the policy requirement is for the funding arrangement to be in place ahead of the approval of any applications for development (presumably the permission for the Link Road is not excluded from this requirement). Significantly, the requirement relates to the granting of planning permission and not to the adoption of the DPD. Hence, this policy requirement does not jeopardise the plan preparation process. Additional public sources of funding for the Link Road may become available through funds such as the Levelling Up Fund, the Towns Fund and others. Bearing in mind the importance the government attaches to housing delivery and the direct connection between the Link Road/RTS and the provision of new housing, it is reasonable to have regard to the possibility that additional sources of public funding may be forthcoming. Having an adopted DPD would be a significant positive factor in bidding for further public funding. The DPD should be progressed to adoption as quickly as possible, irrespective of any complications that may arise in the future regarding the granting of planning permission.

3.8 A Memorandum of Understanding (MOU) has recently been signed involving the Essex County Council, CCC, Tendring District Council and Latimer Development Limited (the Master Developer for the Garden Community). This MOU governs the relationship, collaboration and co-operation of the parties in relation to the delivery of the Link Road. The MOU explains that the County Council has agreed in principle with Homes England that the Link Road should be dealt with in two phases. Phase 1 would involve the partial construction of the Link Road and the RTS and would be funded by the money already secured from the Housing Infrastructure Fund. The completion of the Link Road (phase

2) would be funded through developer contributions and/or other external sources as yet unidentified. This MOU will be very helpful at the DPD examination if the deliverability of the Link Road is challenged.

3.9 The question of the viability of the Garden Community proposal is clearly critically important, not least because of the commitment in the MOU by Latimer that, if necessary, it will fund the delivery of the second phase of the Link Road as soon as is practically and financially possible in accordance with the "infrastructure first" ethos of the DPD. In February 2023 Gerald Eve (GE) produced financial viability evidence (FVE) that updated the existing viability evidence. This evidence looked at the situation from the point of view of both the Master Developer (MD) and a plot developer. The approach being that the MD would be the controlling party who would purchase the land required, undertake site-wide infrastructure work whilst receiving revenue by selling serviced plots of land capable of accommodating around 100 homes and associated development to housebuilders or the appropriate acreage to commercial developers. The viability of the proposal from the MD's point of view is thus crucial evidence, not least because of the "front loading" nature of the costs involved in purchasing and servicing the land. From the Councils' point of view, the viability for the MD is also critical because the intention is that the MD provides a large proportion of the necessary infrastructure.

3.10 For the MD there are two important viability considerations. Can the land be bought at an acceptable price; and can the residential and commercial plots be sold at an acceptable price? The benchmark land value is critical to the land price. Based on the residual valuation method, the GE study deals with this comprehensively. The work shows that that even at ten times agricultural value, the residual land value is higher than the benchmark value demonstrating that the land can be purchased given reasonable landowners. Moreover, it is not unreasonable to argue that the premium over existing use value could be lower than ten times because of the level of investment needed for the infrastructure.

3.11 As regards anticipated revenue for the MD, the Gross Development Value (GDV) of the scheme would according to GE be a little under £900 million while the total cost to the MD would be around £781 million, giving a 15% profit on costs. In calculating the GDV GE has used reasonable standard assumptions and have taken into account affordable housing policy requirements. Appropriate contingencies have been included. In relation to transport, costs of £21.25 million

have been included as gap funding for the Link Road but no allowance is made for the bulk of the Link Road cost as this is grant funded and is delivered by Essex County Council. GE make the point that the land cost for the Link Road has not been included in their viability appraisal. Presumably this relates to the grant funding point but the matter should be clarified.

3.12 Overall it is considered that the viability evidence provides comfort that the MD should be in a position to proceed and to meet the clear objective of providing the required infrastructure at the appropriate time. A degree of additional reassurance is provided by the possibility that the benchmark for the purchase of the land may be lower than ten times existing use value.

3.13 GE has, as part of their viability assessment, looked at the position from the point of view of the plot developers. This work is based on local market conditions for various types of housing and commercial developments and on conventional returns that may be expected from the various types of development. Costs for the plot developers have been included based on standard data and assumptions. GE conclude that the plot developers can reasonably expect a blended return on profit of 15.7%. From the point of view of the Councils, viability relating to plot development is less important than viability of the scheme as a whole for two reasons. First, providing the main infrastructure is the responsibility of the MD not the plot developers and, secondly, the development of the plots lies sometime in the future with the consequence that any current development appraisal is likely to need substantial revision.

3.14 GE has applied sensitivity and scenario tests to their conclusions. Three scenarios are presented involving adding or removing £20 million of costs and applying a placemaking premium to sales values after 10 years of delivery. Sensitivity testing is based on value/cost variances. The addition of £20 million to the infrastructure cost would reduce the residual land value but not to a point where it would be below the range of the benchmark land value accepted at the Section 1 Local Plan examination. The sensitivity testing shows that the scheme is sensitive to cost and value changes. This is not surprising but would not jeopardise the viability of the scheme, unless costs rise by 5% or more and the values remain constant or fall. The sensitivity and scenario testing does not undermine the broad conclusion reached by GE that, based on the best available evidence, the scheme is viable.

## 4. Stewardship

4.1 The participating Councils aim to embed Stewardship principles in the Garden Community with a view to promoting long term community-based management and maintenance arrangements. Specific provision for stewardship is contained in the Section 1 Local Plan. Policy SP8 of the Section 1 Local Plan adopts the principle of community and stakeholder participation in the design and delivery of the Garden Community from the outset. Long-term community engagement is the goal. The public sector, working with the private sector, is expected to provide and fund a mechanism for future stewardship, management, maintenance and renewal of community infrastructure and assets.

4.2 A set of high-level stewardship principles is emerging as a starting point for further discussions with a variety of interested parties. It is noted that the intention is that the detailed planning of stewardship arrangements will be progressed in tandem with the detailed planning of the Garden Community. This is a sensible approach, as there are a variety of ways that stewardship can be arranged and it is too early at this stage to go into detail.

## 5. Conclusions

5.1 The DPD is a comprehensive and clear document. Based on an initial assessment, and without the benefit of seeing challenges to the DPD, it is considered that in general the evidence base provides a robust basis for defending the DPD at examination.

5.2 Having regard to what the DPD examination is likely to be focussed on, the evidence base that has been produced is relevant and proportionate. The evidence provides a solid basis for proceeding to consult on the DPD and thereafter submitting it for examination.

5.3 The GE FVE shows that the proposed Garden Community is, on present evidence, a viable proposition.

5.4 The available evidence indicates that the local authorities can rely on the MD to proceed as agreed and this confidence is reinforced by the recent MOU.

5.5 Although the funding of the Link Road is not yet completely resolved, this need not delay the progress of the DPD. Progressing the DPD as

quickly as possible would help with any attempts to obtain further public funding for the second phase of the Link Road

5.6 The Stewardship arrangements that are emerging cannot realistically be more detailed at this stage.

Keith Holland
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