

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	11 December 2017
Title:	Major Developments and Infrastructure Funding
Report From:	Director of Economy, Transport and Environment

Contact name: Laura McCulloch

Tel: 01962 846581

Email: laura.mcculloch@hants.gov.uk

1. Executive Summary

1.1. The purpose of this paper is to update Cabinet on the latest position with regard to major developments within Hampshire, and on the closely related issues of developer contributions and infrastructure funding. This update follows an earlier report considered by Cabinet in October 2014 on strategic infrastructure planning and delivery.

1.2. This paper seeks to:

- Outline the current position with the Major Developments in the county;
- Update Cabinet on Housing Infrastructure Fund bids;
- Provide information on the Community Infrastructure Levy and current arrangements with those districts operating it; and
- Highlight potential future changes to developer funding.

2. Update on Major Developments

2.1 Construction of the major developments at **West of Waterlooville, Wellesley Aldershot, Whitehill and Bordon**, and **Barton Farm, Winchester** are all underway, with works commencing at Barton Farm on the new road to bypass Andover Road.

2.2 The Section 106 agreement for the development at **North Whiteley** is expected to be signed imminently. The issue of permission for the 3,500 houses will secure significant funding from the Department for Transport towards Junction 9 of the M27 and access to Whiteley. The Section 106 agreement will secure a package of highway works, two new primary schools and a secondary school, along with other community facilities.

2.3 A planning application is currently being considered by Fareham Borough Council for the strategic development of up to 6,000 homes and significant employment and commercial space at **Welborne** in Fareham. There is no date set as yet for final determination of this planning application, as further information is still being sought in relation to the access arrangements and other matters. It is likely that any final planning consent and developer funding

agreements will, in addition to the major access works, encompass new primary and secondary school provision as well as local highway and transport provisions, green space, and a range of community facilities to support the sustainable community ambitions for Welborne.

- 2.4 This development was granted Garden Village status in January 2017 in recognition of its scale and importance in terms of housing delivery. Significant funding of around £29million has also been earmarked by Solent LEP, including some £15million of retained Department for Transport Funding towards the cost of repositioning junction 10 of the M27 and upgrading it to an all moves junction (it is currently a half junction with only east facing slips) to provide access to the site and improve motorway access for and to the wider area. These funds are time limited and dependent on the commitment of additional developer funding.
- 2.5 One particular issue in relation to the development of the Welborne access proposals concerns the need for further work to be undertaken on the revised motorway junction, both in terms of detailed design and on the finalisation of the complex funding arrangements, including the preparation of the business case to draw down grant funding. A suitable organisation is required to take on the 'scheme promoter' role and there is support for this being done by the County Council as the local Highway Authority, with a strong record of successful project delivery. It is suggested that this could be agreed, subject to conditions relating to funding, governance and risk sharing. In particular it is proposed that the County Council should seek agreement to simplified funding arrangements and governance, with funds coming directly to the County Council, following a single business case approval process. The County Council would then act as the accountable body for the funding. It is further suggested that the scheme promoter role should have a break point following final design, to allow a review at that stage, including agreement on any programme, cost or deliverability risk issues prior to the commissioning of the implementation of the project. The County Council should also expect to recover any costs incurred in scheme development to this point.
- 2.6 A planning application is currently being considered by Basingstoke and Deane Borough Council for 3,520 homes at **Manydown**. The initial consultation period has ended, however it is expected that further consultation will be necessary due to additional information being required to support the application, particularly in relation to highways and flooding issues. The County Council is joint applicant with Basingstoke and Deane, and no final date has been set as yet for determination of the application. The County Council is also actively engaged in feasibility and scoping work on the longer term potential for major development in this area, which is being supported financially through the Government's Garden Towns' programme.
- 2.7 The emerging Local Plan being put forward by Eastleigh Borough Council is proposing a significant number of houses in the Hedge End and Botley area of the Borough. This, coupled with a number of sites that have already been granted permission by the Borough or where permission has been granted at planning appeals in that area, has required the County Council to undertake a strategic review of infrastructure provision and needs in the area. The County Council also has some land holdings that are proposed for development which present opportunities and requirements for the delivery of new school places, particularly at secondary level. Work is therefore underway to prepare a hybrid

planning application for a housing development and new secondary school at land at **Woodhouse Lane**, Botley. A planning application has also been approved for the **Botley Bypass** road scheme. The planning application was submitted following public consultation events that were held last summer, and showed strong support locally for this scheme. County Council Departments have worked hard to ensure that the programmes for the bypass, school and housing proposals are aligned and consistent.

- 2.8 There are some significant developments in the pipeline for the waterside area of the New Forest, with proposals for the redevelopment of **Fawley Power Station**, and some intensification of uses at the **Marchwood Military Port**. **In addition** the potential expansion of **Southampton Port** into ABP's Strategic Land Holdings on the waterside, has been proposed for the future in the Southampton Port owners masterplan updated in 2016. This latter issue has potentially significant implications for the national economy, given the importance of the port of Southampton to UK trade with the rest of the world, as well as the significance to the Hampshire economy. With New Forest District Council embarking on a review of its local Plan, there is also potential for significant additional housing in the area, particularly nearer to Totton as well as the mixed development proposals for the former Fawley power station site.
- 2.9 These are some key elements of the major developments planned or potentially arising across Hampshire over the coming 10-15 years. It is important for the County Council to maintain a strong voice in support of protecting the character and integrity of Hampshire, its communities, quality of life and its special environment. It is also important that it takes a careful and a proactive position in relation to development, to ensure that adequate infrastructure is delivered in a timely way, and that public service provisions are properly assessed and accommodated. The Corporate Development and Infrastructure Coordination Group, which has representation from each of the departments and therefore key service delivery areas, maintains a list of major developments which it monitors and co-ordinates County Council engagement with these developments. Sites involved are either where the County Council is landowner or are large scale developments that have significant implications for numerous services across the County Council. The group receives regular updates on these developments to enable it to identify issues at an early stage and work collaboratively to resolve them. It is proposed to provide regular updates for the Cabinet from this Group in the future to ensure proper oversight of work and direction in respect of major developments across Hampshire.
- 2.10 Aligned with the work on major developments, there has been a significant amount of work by Children's Services on changing the model for delivering schools. Diminishing grant allocations for basic need school places provision, coupled with the Education and Skills Funding Agency's (ESFA) Free Schools programme are changing the way schools are funded and delivered, which has resulted in a need to look at alternative models for the design and delivery of schools. The ESFA funding model for schools has caused developers to challenge the County Council's costs for delivering new schools, and therefore made securing developer contributions and the associated land for school buildings more challenging. The County Council is therefore changing the approach to school delivery, looking to secure more funding directly from the ESFA for free schools that meet its design and build model.

3 Managing the County Council's Response to Planning Applications

- 3.1 In recent years the County Council has developed a coordinated approach to responding to major developments in order to ensure a consistent, single, joined-up response. There are also separate established procedures and practices in place in relation to the County Council's land owning interests, and the proposals outlined below are not intended to apply to, or amend, this aspect of the County Council's work and interests.
- 3.2 The County Council is a statutory consultee on planning applications in its roles as Local Highway Authority, Lead Local Flood Authority and Minerals and Waste Planning Authority; however there are wider County Council interests that will be important to bring to the consideration of development through the planning system. It will therefore be important to effectively articulate these considerations to the local planning authorities in a constructive, consistent and positive way in order to properly inform planning decision making.
- 3.3 Managing County Council comments to ensure they meet these tests is important to maintain credibility with planning authorities and the wider public. Therefore it is suggested that our processes for managing, reviewing and collating comments from within the authority before they are sent to the local planning authority as a single response is extended beyond the current trial application for selected major developments to include all development responses. A single County Council response avoids any issues of internal conflict and ensures that the comments are consistent with planning policy in order to gain the best outcome for the County Council. This approach has been welcomed by those planning authorities where this service has been provided, for instance for the major developments at Aldershot, North Whiteley and Welborne.
- 3.4 This approach will therefore be looked at more widely, in order to provide this coordinated approach for other development proposals that have implications beyond that of the Statutory Consultees. This approach should also now be applied to Regulation 3 proposals, determined by the County Council, to ensure that interested parts of the Council are able to contribute views at an early stage without risk of contrary or conflicting views being raised late in the process.

4 The Housing Infrastructure Fund

- 4.1 Further to the report that was considered by Cabinet on 15 September 2017 ([Strategic Transport Infrastructure and Capital Funding Opportunities](#)) two Forward Funding Bids were submitted to the Department for Communities and Local Government on 28 September 2017 for Manydown (ranked 1) and Welborne (ranked 2).
- 4.2 The Manydown bid was for £61million to enable the infrastructure (including highways and transport, a school, utilities and the country park) to be provided that will accelerate the delivery of up to 3,520 homes (Phase 1 of the development).
- 4.3 The Welborne bid was for £122.4million to enable the infrastructure (including highways and transport, a school, utilities, Sustainable Drainage Systems and green infrastructure) to be provided that will accelerate the delivery of 6,000 homes.

- 4.4 In addition to these two Forward Funding bids, three Marginal Viability bids were submitted by district authorities with the County Council's support as follows;
- a) Botley Bypass – bid by Eastleigh Borough Council for £10million to deliver the Botley Bypass;
 - b) Manydown – bid by Basingstoke and Deane Borough Council for £10million to deliver key junction improvements necessary to unlock the development; and
 - c) Welborne – bid by Fareham Borough Council for £9.997million to enable the delivery of the Junction 10 M27 improvements which will unlock the development.
- 4.5 The bids are currently being assessed and local authorities should be informed later this year whether the Marginal Viability bids have been successful or not and whether the Forward Funding bids will be invited to submit a full business case for consideration.

5 The Community Infrastructure Levy

- 5.1 Following the introduction of the Community Infrastructure Levy (CIL) Regulations in 2010, a number of Hampshire authorities now have operational charging schedules, with only three authorities yet to consider it due to not having an up-to-date Local Plan.
- 5.2 The table in Appendix C provides details of where each authority is with CIL, the amount of money that has been collected to date, and, where information is available, how the funds have been spent.
- 5.3 The local planning authorities within Hampshire which have an adopted CIL charging schedule in place are:
- East Hampshire District Council;
 - Fareham Borough Council;
 - Gosport Borough Council;
 - Havant Borough Council;
 - New Forest District Council;
 - South Downs National Park;
 - Test Valley Borough Council; and
 - Winchester City Council.

This means that CIL liable developments that are granted planning permission within these areas are required to pay the levy and the use of Section 106 is restricted.

- 5.4 Basingstoke and Deane Borough Council recently held the CIL examination and is awaiting the inspector's decision. Eastleigh Borough Council, Hart District Council and New Forest National Park are currently working on achieving an adopted Local Plan and therefore are unable to progress a CIL charging schedule at this time. Rushmoor Borough Council has taken a decision not to introduce CIL at this time.

- 5.5 The total value of CIL funding collected to date in Hampshire is £6,080,817. However, CIL receipts are reported annually through the Annual Monitoring Report process, with those reports usually published in December of each year. This means that there is likely to be at least 12 months' worth of data missing and therefore the total amount collected is likely to not be up to date.
- 5.6 The County Council has received £571,122 in CIL funding from two authorities to date: Winchester City Council and Havant Borough Council. The way in which Charging Authorities distribute monies collected through the Levy is not prescribed; charging authorities are to determine how they distribute that money to fund infrastructure set out on their Regulation 123 list.
- 5.7 Regulation 123 of the CIL Regulations prescribes that section 106 planning agreements or section 278 highway agreements cannot be used to secure any infrastructure intended to be funded by CIL. Charging Authorities therefore publish a list, known as the Regulation 123 list, which sets out the types of infrastructure or schemes that are intended to be funded by CIL and therefore cannot be the subject of a section 106 or 278 agreement. It is important that the County Council is involved in the preparation of the Regulation 123 list in order to ensure that its ability to secure site specific infrastructure, particularly highway improvements, is not fettered.
- 5.8 Winchester City Council resolved to transfer 25% of residual CIL receipts to the County Council on a quarterly basis and have been making these payments since CIL was adopted in April 2014, amounting to a cumulative total of £538,258 reported to date.
- 5.9 Havant Borough Council operates a bidding process whereby infrastructure providers are able to bid for CIL funds for specific schemes in accordance with the Regulation 123 list. To date bids have been submitted for school expansion projects, library improvements and highway schemes, however only £223,269 has been allocated by the Borough to highway schemes (of which £32,864 has been transferred).
- 5.10 Test Valley Borough Council, East Hampshire District Council and South Downs National Park have begun to consider future spending protocols, but as yet detailed discussions with the County Council have yet to take place.
- 5.11 Unlike the funding that was transferred to the County Council by Havant Borough Council, which was in relation to a specific scheme, the Winchester CIL funding is available for the County Council to spend as it deems appropriate provided it is in accordance with the Regulation 123 list. The County Council therefore needs to determine how this funding should be best allocated in order to enable it to be spent on mitigating the impact of development.
- 5.12 The Regulation 123 list, which was agreed with the County Council in advance of CIL being adopted in April 2014, would benefit from being updated in order to ensure that it reflects the current schemes that the County Council would wish CIL to be spent on; and of course ensure that none of the schemes on the list would need to be secured in Section 106 or 278 agreements relating to a specific development.
- 5.13 Delegated authority is therefore sought to enable the Director of Economy, Transport and Environment, as chair of the Corporate Development and Infrastructure Co-ordination Group, to negotiate with the local planning

authorities operating CIL in order to seek amendments to the Regulation 123 list as appropriate, and to approve the detailed allocation of funds to individual projects within the priorities agreed.

- 5.14 In terms of specific allocation of CIL funds to improvements or schemes identified on the Regulation 123 list, the Corporate Development and Infrastructure Coordination Group recommended that priority be given to schemes in the area where development has taken place and therefore where the impact will need to be mitigated, and that funds are allocated to accord with County Council capital priorities in each area. This approach is proposed for any CIL funds transferred to the County Council for which a specific scheme has not been identified.

6 The Future of Development Funding

- 6.1 The County Council, along with other local authorities, has made numerous representations to the Government about developer funding; in particular the introduction of CIL and the associated restrictions on the use of Section 106 Agreements.
- 6.2 In 2015, the Department for Communities and Local Government commissioned a review of developer contributions and an independent panel was tasked with *'assessing the extent to which CIL does or can provide an effective mechanism for funding infrastructure, and to recommend changes that would improve its operation in support of the Government's wider housing and growth objectives'*.
- 6.3 The CIL review team published its findings in October 2016, recommending that CIL should be replaced with a hybrid system of a broad low level local tariff and Section 106 Agreements for large developments.
- 6.4 It was expected that the Housing White Paper, published in February 2017, would provide details of any proposed changes to the developer contributions system. However, this publication stated that the options for reforming the system of developer contributions would be examined and the Government would respond to the review and make an announcement at the Autumn Budget 2017.
- 6.5 An announcement on the future of developer funding was made on 22 November 2017 as part of the Autumn Budget as expected; the announcement confirmed some headline proposals, but made clear that these would be expanded and then consulted upon further by the Government in due course. It is helpful to hear that there will be proposals for some relaxing of current pooling restrictions on s106 agreements and for reforms to the CIL process. The headline announcements appear to envisage a more limited scope of change than the County Council and others have asked for to date. The details however, when announced and consulted upon, will of course be critically important.
- 6.6 The issues of future infrastructure requirements, their funding and delivery will be a key consideration in the long term planning of the future shape of Hampshire, and a key contributor to both maintaining prosperity and safeguarding the environment and quality of life. These key objectives of delivering economic prosperity and protecting the environment and quality of life

will be at the heart of the work of the Commission of Enquiry, announced by the Leader at the County Council Meeting on 2 November 2017.

7. Recommendations

- 7.1 That the proposed County Council approach to strategic development and planning set out in this report be agreed.
- 7.2 That the proposed County Council approach to the Welborne motorway access improvement, as set out in this report be approved.
- 7.3 That allocation of any CIL funds transferred to the County Council that are not identified for a specific scheme be prioritised to the broad areas in which they are collected, and allocations reflect local County Council capital investment priorities in order to ensure the impact of development on infrastructure in these areas are mitigated.
- 7.4 That the Director of Economy, Transport and Environment be given delegated authority to negotiate with the local planning authorities operating CIL in order to seek amendments to the Regulation 123 list, and to finalise the allocation of CIL resources to specific projects as appropriate.

CORPORATE OR LEGAL INFORMATION:**Links to the Strategic Plan**

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	yes
People in Hampshire enjoy a rich and diverse environment:	yes
People in Hampshire enjoy being part of strong, inclusive communities:	yes

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

None

IMPACT ASSESSMENTS:

1. Equality Duty

1.1 The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2 Equalities Impact Assessment:

This is primarily an update report on major developments, planning practices, recent national funding opportunities and the Community Infrastructure Levy. It seeks approval for partnership working with the district councils with regard to the Community Infrastructure Levy and an approach to allocating funding. Specific infrastructure schemes would be subject to full equalities impact assessments.

2 Impact on Crime and Disorder:

2.1 No impact.

3 Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption? No Impact
- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts? Providing infrastructure to support the growth of communities is vital to delivering the County Council's strategic priority to maintain Hampshire's character and quality of life by securing sustainable economic growth and through careful planning will help mitigate the impacts of climate change.

Hampshire Community Infrastructure Levy Summary Table

Local Planning Authority	Charging Since	£ Collected to Date	Reported Spend	Spending Protocol	Transferred to the County Council
Basingstoke & Deane Borough	CIL Examination September 2017 – awaiting Inspectors Report	n/a	n/a	n/a	n/a
East Hampshire District	8 April 2016	To be reported in Dec 17	To be reported in Dec 17 Annual Monitoring Report (AMR)	None as yet.	£0
Eastleigh Borough	Awaiting Adoption of Local Plan	n/a	n/a	n/a	n/a
Fareham Borough	1 May 2013	£3,395,005 (as of September 2016)	£2,400,000 spent on Holly Hill Leisure Centre.	None as yet.	£0
Gosport Borough	1 February 2016	£0 Reported March 2016	Awaiting 2017 CIL Annual Financial Statement	None as yet.	£0
Hart District	Awaiting Adoption of Local Plan	n/a	n/a	n/a	n/a
Havant Borough	1 August 2013	£1,511,939.20 Reported March 2016	<p>County Council Schemes: £32,864.59 Havant Footbridge Feasibility Study £190,405 Southmoor Lane, Harts Farm Way Junction Improvements</p> <p>Borough Council Schemes: £75,000 Langstone Flood and Coastal Erosion Risk Management Scheme £150,000 Havant Railway Footbridge Detailed Design.</p>	<p>CIL Bidding Process Bids requested for projects and determined by Havant BC.</p> <p>2016/17 Process received 26 bids.</p>	£32,864.59 Havant Footbridge Feasibility Study money transferred to the County Council. Southmoor Lane scheme is progressing to detailed design and will be a jointly funded scheme. Not clear yet whether Havant Borough will keep the money or transfer to the County Council.

Appendix C

Local Planning Authority	Charging Since	£ Collected to Date	Reported Spend	Spending Protocol	Transferred to the County Council
			Neighbourhood Portion £42,638 The Hub, Hayling Island Community Centre Association £90,000 Northney Coastal Path.		
New Forest District	6 April 2015	£499,873.22	£99,004.17 Habitat Mitigation	None as yet.	£0
New Forest National Park Authority	Awaiting Adoption of Local Plan	n/a	n/a	n/a	n/a
Rushmoor Borough	Will be reviewing decision not to implement CIL in 2017 once more clarity about the future of the CIL is known.	n/a	n/a	n/a	n/a
South Downs National Park Authority	1 April 2017	To be reported December 2017	n/a	None as yet.	£0
Test Valley Borough	1 August 2016	To be reported December 2017	n/a	None as yet.	£0
Winchester City	7 April 2014	£674,000 (as of December 2016) To be updated December 2017	£1,185.25 Littleton playground equipment	WCC collect the money 15% - Parish/ Town council 5% - Admin 25% - HCC Remaining to WCC	£538,258 (As of August 2017)