

Report of: Head of Regeneration
Report to: Director of City Development
Date: April 2019
Subject: Delivering the East of Otley Relief Road and Housing Allocation

Are specific electoral Wards affected? If relevant, name(s) of Ward(s): Otley & Yeadon	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:3	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. The land at the East of Otley is a major site that has been allocated for mixed uses since the adoption of the 2006 Unitary Development Plan (UDP). The allocation presents a significant opportunity to deliver a high quality sustainable extension of Otley and a new 1.4km East of Otley Relief Road (EORR) to service the development.
2. The Council is in advanced discussions with Homes England (HE) to secure a significant grant of £6.3m through the government's Housing Infrastructure Fund (HIF) to contribute a large part of the costs for the design, planning and delivery of the EORR.
3. The funding offer from HE is conditional as set out in Appendix 2.

Recommendations

The Director of City Development is asked to:

Approve that the Council enter into a conditional funding agreement with HE for a HIF grant of £6.318m, on the basis set out in paragraphs 3.8 and 3.9, on terms to be agreed by the Director of City Development and approve injection of this sum into the Capital Programme.

1 Purpose of this Report

The purpose of this report is to request approval to enter into a grant funding agreement with Homes England (HE) to support the delivery of the East of Otley site.

2 Background

2.1 The East of Otley site is a major mixed use site adopted in the Leeds UDP and carried forward into the Site Allocation Plan (SAP). The 1.4km EORR will be required to provide vehicular access to the development and will bring wider benefits in relieving traffic congestion that currently affects Kirkgate in Otley Town Centre and the Dyneley Arms crossroads. The delivery of EORR is a major highway scheme that would form part of the strategic highway network that would bring significant wider benefits to Otley as a whole.

2.2 The site allocation is shown within the blue line boundary of Appendix 1.

2.3 The site has an indicative capacity of 550 new homes (35% Affordable Housing), and is also required to provide for 5ha of employment land, a new primary school and green space.

3. Main Issues

3.1 The government's Housing Infrastructure Fund (HIF) (Marginal Viability) was established in 2017 to address infrastructure interventions on sites that are currently stalled or requiring significant barriers to be removed.

3.2 The Council submitted a £6.318m bid for grant to meet the estimated funding gap associated with abnormal costs in the construction of the EORR and to unlock and accelerate progress with the site coming forward for housing.

3.3 From announcement of provisional approval to the bid in January 2018, HE undertook a due diligence process with the Council and the main developer interest in the site at the time, Persimmon Homes, to clarify technical and financial details of the scheme and to enable progress towards a grant unding agreement.

3.4 A conditional grant offer of £6.318m was received in November 2018. This included the requirement that the Council accept an obligation to recover the full amount of the HIF grant funding from developers of the site upon completion of the scheme and to reuse the funding amount to support other residential development schemes in the city. Other conditions are set out at Appendix 2.

3.5 In order to secure the funding allocation to the scheme in HE's national programme the Council must enter into a grant agreement that is phased, based on pre- and post-drawdown conditions. Entering into the agreement at this stage and on this basis will not commit the Council to taking the funding until there is comfort that all the grant conditions and obligations can be met. Further work is required between the Council, landowners and developers to enable progression of the scheme to a point where this can be confirmed.

4. Corporate Considerations

4.1 Consultation and Engagement

4.1.1 The mixed use allocation to the East of Otley has previously been subject to public consultation as part of the UDP and SAP. Implementation issues relating to the allocation have also been discussed with Otley Town Council in the preparation of the emerging Otley Neighbourhood Plan. Discussion has also taken place between local ward members, the developers and their agents and Otley Town Council. Council officers have also worked directly with the developers and their agents in working up the HIF bid and the due diligence exercise that followed.

4.1.2 Further consultation will take place with the Executive Member for Regeneration, Transport and Planning, ward members and other local stakeholders as further details are developed in discussion with the developers and other landowners.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 An Equality and Diversity, Cohesion and Integration (EDCI) screening has been completed to inform the consideration of the issues set out in this report (Appendix 3). It is assessed that at this stage there are no EDCI implications but this will be kept under review through as work is progressed.

4.3 Council Policies and Best Council Plan

4.3.1 The adopted Core Strategy, UDPR 2006 saved policies and the highly advanced SAP and Core Strategy Selective Review play a key strategic role in taking forward the spatial and land use elements of Leeds Best Council Plan. Related to this overarching approach and in addressing a range of social, environmental and economic objectives, these Plans seek to support delivery of our ambition to be a strong economy and a compassionate city. In particular, they support the Best Council Plan 2019/20 – 2020/21 priorities on Sustainable Infrastructure, Inclusive Growth, Health and Wellbeing and Safe, Strong Communities.

4.4 Resources and value for money

4.4.1 In entering into the HIF grant funding agreement with HE the Council will be able to work with the agency and other parties to the site to identify ways in which the conditions relating to grant recovery can be agreed to enable grant draw down with an acceptable level of financial or legal risk to the Council.

4.5 Legal Implications, Access to Information and Call In

4.5.1 Womble Bond Dickinson has been appointed by the Council to assist in a range of legal matters relating to the site, including the HIF grant agreement and related agreements that may be entered into with developers to assure delivery, contribution to costs and to manage risks to the Council.

4.5.2 The Council would be responsible for spending any funding received through the HIF grant in accordance with all applicable legal requirements and for demonstrating recovery of the grant upon completion of the site development.

4.6 Risk Management

- 4.6.1 As the grant agreement is between the Council and HE, there are risks associated with the HIF funding and as such a risk management plan has been produced to identify and manage the key risks associated with the scheme.

5 Conclusions

- 5.1 The East of Otley site is a major mixed use development allocation in the Outer North West HMCA and will play a key role in delivering housing and employment needs for Otley and the wider city, meeting ambitions set out in the Best Council Plan, the Core Strategy and the Inclusive Growth Strategy.
- 5.2 There is a need for the Council to take a key role in enabling the development of the site, through leading on the EORR project, securing and deploying the HIF grant, and by using its convening and planning powers to offer guidance and support that will optimise the delivery of the essential infrastructure and accelerate housing development.

6 Recommendations

- 6.1 Director of City Development is asked to:

Approve that the Council enter into a conditional funding agreement with HE for a HIF grant of £6.318m, on the basis set out in paragraphs 3.8 and 3.9, on terms to be agreed by the Director of City Development and approve injection of this sum into the Capital Programme.

7 Appendices

- 7.1 Appendix 1 – Site Plan & Land Interests
7.2 Appendix 2 – HIF Bid Conditions
7.3 Appendix 3 – EIA Screening Form

8 Background documents¹

- 8.1 None.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.