



Report of the Directors of Resources, City Development and of Environment and Neighbourhoods

Executive Board (Amended version)

Date: 21st July 2010

Subject: Update report on Aire Valley Leeds Area Action Plan, Urban Eco Settlement and Accelerated Development Zone

Electoral Wards Affected:

City and Hunslet, Garforth and Swillington, Burmantofts and Richmond Hill, Temple Newsam, Middleton Park,

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In

(Details contained in the report)

Executive Summary

This is a joint report by the Directors of Resources, City Development and of Environment and Neighbourhoods to update Executive Board on progress on proposals to promote the sustainable development of the Aire Valley Leeds area of the city.

The report updates Executive Board on the Area Action Plan being developed for the area as part of the Local Development Framework, showing the latest land use proposals and proposed revisions to the boundary

It also outlines proposals for an Urban Eco Settlement in the Aire Valley Leeds and seeks Executive Board approval to develop these proposals and to establish appropriate governance for the proposals with government and stakeholders.

Finally the report outlines the opportunity for a pilot Accelerated Development Zone in the Aire Valley Leeds and seeks Executive Board approval for work on the proposals and to delegate responsibility for developing and submitting the initial proposal to the Director of Resources.

1 Purpose of this report

- 1.1 This is a joint report by the Directors of Resources, City Development and of Environment and Neighbourhoods to update Executive Board on progress on proposals to promote the sustainable development of the Aire Valley Leeds area (AVL).
- 1.2 The report outlines progress on Aire Valley Leeds Area Action Plan (the AAP), as part of the Local Development Framework, proposals for an Urban Eco Settlement and for proposals for a pilot Accelerated Development Zone. The report seeks the appropriate approvals from Executive Board including delegations to officers to allow further development work on these issues to progress.

2 Background information

- 2.1 In January 2010 Executive Board considered a report from the Assistant Chief Executive (Planning, Policy and Improvement) and the Director of Resources on the Leeds City Region Forerunner Agreement. This agreement included details of two initiatives, Urban Eco Settlements and Accelerated Development Zones which have significant potential to enable sustainable development in the region. This report provides further details on how these Leeds City Region proposals will be delivered in Leeds.
- 2.2 The Leeds City Region Forerunner Agreement highlights Housing and Regeneration as one of four priorities. The others are innovation, transport and skills and worklessness. As part of the Housing and Regeneration priority, the agreement identifies the Urban Eco Settlement programme as the Leeds City Region's approach to developing "zero carbon" communities. It confirms that the government has agreed to treat this programme as a high priority, in the same way as the Eco Town Programme in the rest of England.
- 2.3 The Leeds City Region programme has the potential to deliver some 28,000 new homes, of which 12,000 are in Leeds in brownfield locations, to at least Code Level 4 (on the Code for Sustainable Homes), and in accordance with the eco towns planning policy statement (PPS1). This will help reduce pressures for the release of greenfield sites in Leeds. The programme is aimed to provide the centrepiece of ambitions to become a centre of excellence for eco design and innovation. This will be by piloting new innovative housing designs and eco technologies that will help deliver the step change required to move the city region towards a low carbon economy. It will also include investments in neighbourhood improvement and retrofitting of existing homes to meet higher energy conservation standards and ensure integration with existing communities. It will also provide opportunities to promote new eco based industries, thereby helping strengthen and diversify the areas economic and knowledge infrastructure.
- 2.4 The Leeds City Region Urban Eco Settlement (UES) proposals complement the housing growth agenda whilst seeking to deliver the eco town principles in four major urban brownfield locations within the heart of some of the city region's major economic and population centres.
- 2.5 The Urban Eco Settlement programme will also seek to provide a wide range of skills training opportunities for those already in construction and those seeking to enter the sector.
- 2.6 The AVL regeneration area is identified as a priority for development in the key strategic plans affecting the city of Leeds. This includes the Vision for Leeds, the Leeds Strategic Plan and the Regional Spatial Strategy. The Leeds City Region included the proposals for development in AVL to be supported through an Accelerated Development Zone in its Forerunner Plan.

- 2.7 The Council's Director of Resources has led discussions, through the Core Cities group of local authorities to promote a new funding mechanism for major infrastructure now generally known as Accelerated Development Zones. These discussions over the last two years has led to the government, as part of the 2010 budget, announcing that it will pilot Accelerated Development Zones from 2011/12. Funding nationally of £120m has initially been made available for pilots.
- 2.8 It is proposed that the Council develops proposals for a pilot Accelerated Development Zone in the Aire Valley Leeds regeneration area. Any proposal for a pilot from the council will need to match the criteria yet to be set by the department for Communities and Local Government and HM Treasury.

3 Aire Valley Leeds UES

- 3.1 To match the aspirations set by the Leeds City Region for the Urban Eco Settlement programme, the Aire Valley Leeds area is proposed for an Urban Eco Settlement for Leeds. Aire Valley Leeds provides a unique opportunity to deliver large scale regeneration which is integrated with its surrounding neighbourhoods. The Urban Eco Settlement will aim to demonstrate what sustainable urban living can be, with renewal in adjoining areas creating a great, distinctive quality of place. The city can create a European and national exemplar for sustainable living and sustainable development.
- 3.2 Investment in Aire Valley Leeds can promote sustainable housing by delivering up to 12,000 new homes and by retrofitting low carbon and fuel poverty measures to around 8,000 more. Combined with the Accelerated Development Zone proposals it can create up to 27,000 new jobs together with low carbon energy generation, all embedded in distinctive green infrastructure.
- 3.3 The government, through the Homes and Communities Agency, is already supporting two schemes in the proposed Urban Eco Settlement area which will provide 600 homes and the low carbon energy those homes need. The developments on the Yarn Street site by Miller Homes and at Saxton Gardens by Urban Splash have so far received c£23m support through the Kickstart and Low Carbon Infrastructure funds. Eco standards will be improved on these sites through this funding and in the case of Yarn Street will see a local combined heat and power centre supply locally generated energy to the new homes.
- 3.4 The Council will continue to work with the government and particularly with the Homes and Communities Agency (HCA) on the proposals for the Urban Eco Settlement promoting successive improvements in eco standards on sites.
- 3.5 The previous government had made available funding that would accord with the priorities identified by the Leeds City Region and Leeds Council to support development work on the Urban Eco Settlement. These priorities included sustainable travel, low carbon retrofit, master planning the Hunslet riverside and the Copperfield college site, plus the design of the city centre park.
- 3.6 Executive Board should note that Leeds City Council has received confirmation from The Rt Hon Grant Shapps MP and Minister for Housing & Local Government (2nd July) that the level of funding now available for the UES programme in the four local authorities of the LCR is reduced by half to £600,000. As part of the Localism Bill identified in the Queens speech several key elements were identified, including: Creating a strong and well considered local plan, locally determined which provides enough jobs and homes to meet the aspirations of the area. The Minister advocates support to communities in their wish to adopt higher standards of sustainability and design and to enable them to decide what additional standards are appropriate. He also wants to see eco-development and zero carbon homes at all levels. The

reduced funding will be subject to the achievement of milestones and completion of value for money and sustainability audit. Additionally he wants to ensure that localism is a real feature of those schemes and before releasing funding he would wish to receive details of programmes of engaging with the community on development and enabling it to shape its character. This is vital and the minister wants a view from local MP's on whether the process is working. There will be additional support via a powerful housing incentive.

- 3.7 A key objective running through the whole of the AVL AAP and the UES is to ensure that any proposals which emerge are inherently sustainable and represent the best choice for people, the environment and the local economy. We consider this approach would successfully tie into the Localism Bill.
- 3.8 In light of this latest news on the reduction of the UES funds, further consideration will need to be given to the realignment of the LCR UES delivery programme in order to reflect the ambitions of the Localism Bill. Within the programme we would advise that a high priority should be afforded to the funding for the low carbon retrofit testing that would be provided as capital funding to allow the installation of energy efficiency measures and test the effectiveness of new low carbon treatments. Smart meters will be installed in some 15 or 20 homes and the amounts of energy used in the houses will be monitored and analysed to assess the relative effectiveness of works and an assessment to be made of residents using green travel plans on the Yarn Street development. In May 2010 Executive Board approved the group repair scheme for the Cross Green area. It is proposed that this additional funding will be used to enhance the standard group repair scheme for example by adding solar panels or air source heating to assess the additional benefit these treatments will bring to the eco efficiency of the units. It is also proposed to monitor units in the area including some of the new units being built at the Yarn Street site by Miller Homes, to compare the energy efficiency of these units which are being built to Code 3. Executive Board approval is requested to inject funding into the capital programme and to give authority to spend the full amount (provisionally £175k).

4. Area Action Plan Boundary Revision

- 4.1 Our latest UES proposals extend beyond the Aire Valley Leeds AAP boundary to include sites in the city centre to the south of the river Aire and within the city rim area. These sites will help act as "stepping stones" from Aire Valley to the City Centre. Leeds City Region and Communities and Local Government both recognise the importance of the LDF, the Core Strategy and the AAP as the base for eco policy development and implementation. CLG has been clear that it expects our proposed eco standards for Aire Valley to be defined and tested through the development plan process to provide a firm basis for their application to future development proposals. To achieve this it will be necessary for the AAP and UES to have the same boundaries and it is therefore proposed to extend the AAP area to incorporate most of the UES sites previously identified. A map showing the revised AAP boundary is attached as **Appendix A** to this report.
- 4.2 The enlarged area will also include the site for the proposed city centre park (which is the subject of a separate report on this Executive Board agenda). Proposals for a planning framework for the city centre park area are close to agreement with the key landowners (including the Carlsberg -Tetley site). It is our intention to consult with the local community to involve them in shaping future development proposals.
- 4.3 Much of this area which is now proposed to be included in the AVL AAP area had been identified at the Issues and Options stage of the AVL AAP for major mixed use development, dominated by housing at that time. However this area was deleted

from the AVLAAP as it overlapped the City Centre AAP and it would have been inappropriate for the same area to be covered in more than one AAP. The area remains a key component of a growing city centre, south of the river and as Members have recently agreed not to proceed with the City Centre AAP, it is now considered appropriate to reverse the previous decision and include this area within the AVLAAP. Major land use changes can be set out in this plan which forms a key element of the UES Prospectus and help to deliver proposals for the redevelopment of the Carlsberg – Tetley brewery and adjacent sites, together with the proposed city centre park.

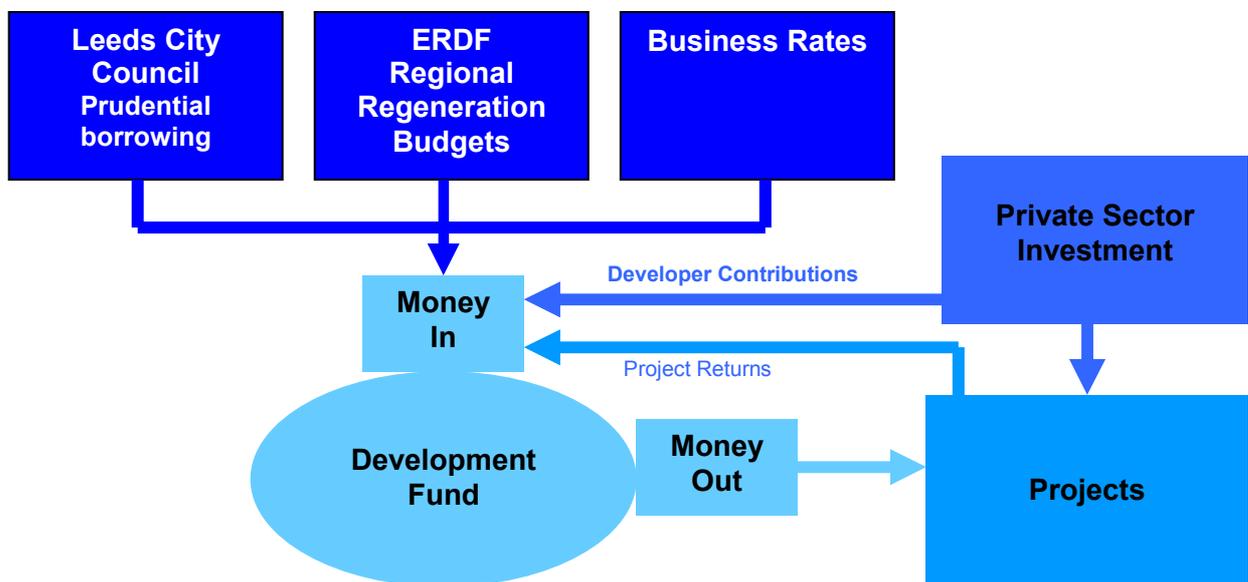
- 4.4 Other areas which are proposed for inclusion, in the Burmantofts & Richmond Hill and the City & Hunslet wards will require and enable further consideration as to the most appropriate form of residential development that may then provide a much greater emphasis on family housing. This can take advantage of the existing educational and social facilities that already exist areas such Mount St. Mary's.
- 4.5 It was also considered appropriate to add some of the existing housing areas that may be subject to retro fitting proposals, in addition to the new UES sites in the Cross Green/Richmond Hill area and the railway line that runs through this area (east/west) has been used as the recognisable and logical northern boundary to the revised AAP boundary.
- 4.6 On a similar basis existing housing in the Hunslet area has also been included within the proposed revisions, south of Hunslet Road and again the railway has been used to define the southern extent. The new stage seven of the Inner Ring Road provides the new northwest boundary.
- 4.7 Land around Skelton Lake has also been included in the revised boundary of the AAP. The AAP intends to include proposals for this area which will establish it as gateway to the environmental improvements of the lower Aire valley, focusing on the riverside, the wetlands and St Aidan's. This wider recreational resource will be of regional significance and the proposals for Skelton Lake would be more effective if they were based within a development plan background, such as the AAP. Green infrastructure linkages and the potential recreational opportunities that the area provides will be important to the new communities that the UES is promoting as well as in the wider context. It should be noted that this extension area is currently in the green belt. This area will also help provide a gateway to the new ecological and recreational opportunities that will become available at St Aidan's.
- 4.8 The proposed revised boundary reflects the ambitions of the UES and the regional green infrastructure proposals. Advice from Legal Services suggests that the revised boundary should not prove to be a legal issue but that informal consultation should now take place to both update members, existing landowners/stakeholders and to advise residents, employers and landowners of the additional areas. This will inform and raise awareness of their new status and the emerging AAP/UES proposals and will build upon previous consultation undertaken on the Early Issues of the AAP (2005), Alternative Options (2006) and Preferred Options (2007) stages of the AAP.

5 Accelerated Development Zone

- 5.1 The Aire Valley Leeds regeneration area remains as a focus for new land for employment. There is significant scope for the land either side of the upgraded Pontefract Lane (East Leeds link road) to provide a range of employment uses. Further investment would be required in these sites however to enable a comprehensive approach to be taken to their development. This investment is a significant one, probably in excess of £200m in total and this investment is likely to challenge the viability of individual sites, limiting the possibility of the sites coming forward in the medium term. For example a new road bridge across the river and

canal, suitable for a main bus (or trolleybus) route and other orbital public transport movements would be required to provide a sustainable transport solution and additional highway capacity into the sites south of Pontefract Lane.

- 5.2 The Accelerated Development Zone mechanism proposes that infrastructure investment can be funded and implemented early and on a scale which will speed up the availability of employment land and will provide the key transport and community infrastructure so that the area is attractive and has appropriate access and facilities to promote inward investment.
- 5.3 The Accelerated Development Zone mechanism assumes that in the long term the infrastructure investment will be funded from a number of sources. These would include: future business rate revenue; developer contributions (s106 or s278 for example); profits from the sale of land; and contributions from public sector regeneration and development sources. The following diagram shows how the income and expenditure for the scheme could be managed through a central fund:



- 5.4 The account will have to be managed to ensure that it is affordable over its life. Wherever possible expenditure will need to be matched with certain and sustainable resources. In the early years, until business rates from new businesses are attracted it may be necessary to provide resources for the infrastructure from other sources. This could be from regional regeneration and development budgets (ie from regional development or European funding). It may be appropriate for the council to contribute to this funding using its prudential borrowing powers.
- 5.5 Work to date on funding the infrastructure for the whole of the AVL regeneration area indicate that an Accelerated Development Zone would be sustainable over a period up to 24 years. Expenditure in the initial 5 to 10 years would be repaid during the life of the Accelerated Development Zone. The following table which shows gross development costs illustrates the funding and repayment for the whole of the AVL area:

Item	Years 1-5 £m	Years 6-10 £m	Years 11-15 £m	Years 16-20 £m	Years 21-25 £m	Total £m
Expenditure on Infrastructure	293	49	-	-	-	342
						0
Business rates income	(13)	(54)	(75)	(76)	(77)	(295)
Loan (funding)/repayment	(126)	33	77	77	77	138
Other income	(130)	(34)	(20)	(1)	-	(185)
Total Income	(269)	(55)	(18)	0	0	(342)
Funding shortfall/(surplus)	24	(6)	(18)	0	0	0

- 5.6 The table shows that in the first period, before new businesses are attracted to the area, the income from business rates is low. This is also the period where a significant proportion of the investment will be required. In this example it is assumed that joint investment in development costs, including infrastructure costs will be made by the public and private sector.
- 5.7 The council will be required to manage any ADZ pilot and this includes managing the funding risks for any investment. It is expected that the Council would manage the development fund and use its prudential borrowing powers to support the programme to be repaid from future business rate revenues.
- 5.8 The key risks affecting the funding in this context are that schemes costs will overrun and that income sources will not be available when planned (business take up may be slower than estimated). Assessment and management of risk for the proposals are clearly very important and already forms an important part of the preparatory work on the scheme.
- 5.9 As the table above shows, the initial estimates for the potential shortfall in the early years of the programme are c£24m which in the context of the capital programme is considered manageable.
- 5.10 It is anticipated that the government will issue a call for proposals for Accelerated Development Zone pilots during the year and will specify the qualifying criteria for schemes. To enable the Council to be considered for a pilot Accelerated Development Zone in the Aire Valley Leeds area, Executive Board are asked to authorise the Director of Resources, in consultation with the Directors of City Development and Environment & Neighbourhoods, to develop and submit a proposal meeting the government criteria.
- 5.11 It is likely that proposals for a pilot Accelerated Development Zone in AVL will need to be confirmed in an outline business case. It is proposed that approval for the outline business case will be sought from a future Executive Board meeting.

6 Implications for Council policy and governance

- 6.1 The existing governance arrangements for the Aire Valley Leeds area are well established and mature. The Aire Valley Leeds Regeneration Board brings together a range of stakeholder groups to consider and advise on issues affecting the area. Progress on the AAP is reported to the Development Plan Panel and Executive Board and it is proposed that new governance arrangements necessary for the

Urban Eco Settlement and Accelerated Development Zone proposals will complement these existing arrangements.

- 6.2 In July 2009 Executive Board considered a report on the proposed Partnership for Regeneration Investment into Aire Valley Leeds. Executive Board authorised officers to enter into a Memorandum of Understanding with the landowners in the outer Aire Valley Leeds. This partnership has been very useful in ensuring joint proposals for viable sustainable development are developed. It is proposed that this model will be used to encourage appropriate engagement with stakeholders in the area.
- 6.3 Both the Urban Eco Settlement (UES) and Accelerated Development Zone proposals will require transparent and robust governance arrangements. It is proposed that these will be developed in conjunction with stakeholders and to meet the needs of the programme. Executive Board approval is requested for delegations to Directors to establish the appropriate governance arrangements. This will include appropriate programme and project management arrangements and the establishment of stakeholder groups.
- 6.4 While approval for Urban Eco Settlement and Accelerated Development Zone will rest with the Council's Executive Board, Members are asked to note that progress on the Leeds UES bid will also be reported to the Leeds City Region Leaders' Board. Progress on the AAP will be reported to the Development Plan Panel. The proposed boundary changes will be reported to the Development Plan Panel on the 8th June 2010.
- 6.5 As the public sector will be delivering significant funding for the programme, it will be necessary to agree the most appropriate contracting, control and governance arrangements. The governance framework is important as it will determine the leverage or control the public sector is able to exert (or needs to exert) to manage the risk it takes by providing the funding.

7 Legal and resource implications

- 7.1 At this stage development work on the proposals for Aire Valley Leeds have been funded from existing budgets. This report notes that government has assisted the programme with contributions approaching £0.5m. Future reports to Executive Board will provide details of additional development costs for these projects.

8 Conclusions

- 8.1 The proposed Aire Valley Leeds UES provides the potential to deliver new houses and jobs within the existing urban framework and, together with retro-fitting existing residential properties can make a major contribution to the sustainability agenda. It will also provide an opportunity to work with the other Local Authorities within the City Region, and to support the initiatives to promote new opportunities for enterprise, research and eco-based industrial sectors. It will further our partnership working with stakeholders, major landowners and HCA.
- 8.2 It will also make a significant contribution to the Strategic Plan across many themes, including: Culture, Enterprise and the Economy, Learning/Training, Health and Wellbeing, Transport, Environment and Thriving Places.

9 Recommendations

- 9.1 That Executive Board is requested to:

- 9.2 note the impact the Urban Eco Settlement proposals have for the AAP and approve the proposed revisions to the boundary for the Aire Valley Leeds AAP area ;
- 9.3 note the proposed Leeds City Region Urban Eco Settlement programme and the opportunity to deliver an Urban Eco Settlement in the Aire Valley Leeds area;
- 9.4 authorise development work on the Urban Eco Settlement in the Aire Valley Leeds and delegate responsibility for this to the Directors of City Development and Environment & Neighbourhoods;
- 9.5 note the funding that may be provided to the council through the Leeds City Region from CLG for the low carbon retrofit testing, which should prove to be a high priority capital investment for LCR, which also needs revenue support for appropriate monitoring;
- 9.6 note the key funding, risk and governance issues associated with Accelerated Development Zones; and
- 9.7 authorise the Director of Resources to develop and submit proposals for a pilot Accelerated Development Zones in the Aire Valley Leeds subject to a further report to the Executive Board at the outline business case stage for the project.

Background Papers

Executive Board report January 2010 Leeds City Region Forerunner Agreement

Executive Board report July 2009 Partnership for Regeneration Investment into Aire Valley Leeds

Letter from John Healey re funding announcement

Letter from Sir Bob Kerslake re Growth Fund (25th May 2010)

Leeds UES Prospectus and technical appendices – ARUP

Letter from Grant Shapps – Minister for CLG

Appendix A