

Date:
Direct phone:
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Our ref:



Neil Parish MP
Houses of Parliament
London
SW1A 0AA

Dear Neil

Housing Infrastructure Fund Bid – Axminster Relief Road

I am writing regarding the Axminster Relief Road to update you on progress with this matter and seek your further assistance in securing funding for this project.

You will recall that we were successful in bidding for the Housing Infrastructure Fund (HIF) and secured a commitment to £10 million from Homes England towards the project. However through the project clarification process it became clear that Homes England were undervaluing the site and as a result considered that the development could afford to repay the HIF monies and required it to do so. The Council has been unable to agree terms with Homes England because we remain convinced that the development cannot afford to repay the monies and therefore we cannot agree to this requirement. We are now under threat of the monies being withdrawn by Homes England and lost forever.

The current position is that Homes England are valuing the site at £5 million based on a residual land valuation (i.e. what the development can afford to pay for the land once all others costs have been accounted for). We do not however consider this to be an appropriate method for valuing the site as it pays no regard to what it is actually worth. We have met with representatives of the land owners and it is clear that they will not accept a reduced value for the site. The land has been farmed by their families for generations and they will simply continue to farm it for further generations if they cannot achieve an appropriate value for the land. Government guidance acknowledges that land owners need to be incentivised to dispose of land and provides guidance on how such a premium should

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be calculated. We have had an independent valuation done that has applied this guidance and concludes that the site is actually in excess of the £9.76 million that the developers are paying for the land. This work has been done by respected chartered surveyors Jones Lang LaSalle (JLL) based on their excellent knowledge of the local land market, government and RICS guidance as well as comparisons with the values achieved for similar projects elsewhere. As a result we are convinced that the value expected by the land owners is both realistic and reasonable.

Homes England have set aside government guidance on the land owner's premium arguing that as this is an application for funding and so the guidance on the land owner's premium is not applicable. The guidance refers to the premium in relation to viability assessments. It seems to us however that this guidance establishes an important principle and is highly relevant. To value land for development without having regard to what the landowner is willing to accept to release the land is clearly flawed and will not deliver new homes and infrastructure on the ground.

Homes England also argue that the guidance refers to the premium to the landowner having to allow a sufficient contribution to fully comply with policy requirements. In this case however expecting the developers to pay the full cost of the road does not leave a reasonable incentive for the land owners because the costs of the relief road are so great. The relief road is also not just about servicing the proposed development but about addressing a wider issue of resilience in the road network and current congestion and air pollution in the centre of Axminster. To expect the development to cover the full cost of the road is unrealistic and unreasonable in this case. The developer is still being expected to pay the remaining cost of the relief road which is currently estimated at £16.7 million in total.

The government is committed to building a million more homes over the next parliament and a colossal investment in infrastructure to be delivered ahead of the housing it supports. Axminster could be helping the government to achieve these goals. In Axminster we have a project to deliver an urban extension of 850 homes which has already been master planned with planning applications that will be ready to be determined by Easter 2020. The developers could be on-site within a year and delivering these homes if only we could deliver the relief road. Funding has already been committed to the project through the current HIF programme. All we need is for Homes England to release the money as traditional grant funding as originally indicated they would. We are not asking them to subsidise development or line the pockets of landowners or developers. All we are asking is that the viability work undertaken by Homes England reflects the values previously negotiated with land owners on the evidence now provided which shows that these are reasonable.

Without this public investment the relief road will not be delivered but we are in real danger that some of the housing will have to come forward without it. This is because the housing to the southern part of the masterplan area is potentially acceptable in planning terms even without the relief road and is needed to support our 5 year housing land supply position in the district. We may soon be in a position where we cannot resist the applications for the southern part of the site and are forced to allow this to proceed despite the communities'

clear requirement that the relief road be delivered first. The options surrounding this were considered in a report to our Strategic Planning Committee which is attached for information. Members resolved to re-engage with the masterplan consultants to look again at how the relief road can be delivered upfront but without the previously committed government investment it is difficult to see how this could ever be achieved. Certainly any solution without government funding would seriously erode the contributions the development could make towards infrastructure such as the delivery of affordable housing. Even with the HIF money the delivery of the relief road relies on EDDC borrowing the remaining £7million required and this being repaid by the developers. Without the HIF money the development could not afford to repay any such loan and the whole funding arrangements for the road would fail.

I am writing to ask for your help in securing the money already committed to this project by Homes England but without the repayment requirements. This is the only way the relief road could be delivered particularly if we are to achieve the communities' objective of the relief road being delivered ahead of the housing. Any help you can provide in raising the profile of this issue and persuading Homes England would be gratefully received. Clearly this letter only summarises the key issues and there are sensitivities around viability reports and valuations which are often best discussed in person and so we would welcome a meeting to discuss this issue with you in detail.

Yours sincerely

Cllr Susie Bond
Deputy Leader and Portfolio Holder Strategic Planning

cc. Cllr Andrew Moulding, Cllr Ian Hall, Cllr Sarah Jackson