

Report to: Cabinet



Date of Meeting 28 July 2021

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Cranbrook New Community: 10 years in

Report summary:

It is just over 10 years since development of the Cranbrook new community commenced. Originally planned to have a population of around 7,000 people, Cranbrook is now expected to expand to circa 8,000 homes and a population nearing 20,000 people. This report takes stock of how the development of the town has progressed over the past decade including identifying key learning points. Recommendations are put forward as to how additional revenue can be generated to support the delivery of assets and services in the town going forward.

Is the proposed decision in accordance with:

Budget Yes No

Policy Framework Yes No

Recommendation:

That members;

- 1) Note the progress made with the delivery of the Cranbrook new community over the past 10 years and the main challenges moving forward
- 2) Note the key learning points and the potential to apply these in the context of the Local Plan review
- 3) Endorse the principle of adopting an asset endowment/profit share approach to generate additional revenue for the town to support the delivery of assets and services on an ongoing basis

Reason for recommendation:

To support the ongoing development of Cranbrook as a sustainable community and to ensure that assets and services are delivered in step with the growing population.

To put forward a financial mechanism for generating additional revenue to support the long term stewardship of assets in the town

To ensure that the key learning points from bringing forward a new town are identified so that they can be taken into account in progressing the Local Plan review

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Portfolio(s) (check which apply):

- Climate Action and Emergencies
- Coast, Country and Environment
- Council and Corporate Co-ordination

- Culture, Tourism, Leisure and Sport
- Democracy and Transparency
- Economy and Assets
- Finance
- Strategic Planning
- Sustainable Homes and Communities

Equalities impact Low Impact

Climate change High Impact

Risk: High Risk; The majority of new homes in the District will be delivered at Cranbrook over the next 10 years. It is essential that the growing population is supported by the necessary assets and services and that, in the context of an austere wider financial environment, these can be funded in a cost effective and sustainable manner.

Links to background information [Agenda for Cabinet on Wednesday, 6th January, 2021, 6.00 pm - East Devon](#) – item 24 [Agenda for Cabinet on Wednesday, 4th September, 2019, 5.30 pm - East Devon](#) – item 19

Link to [Council Plan](#):

Priorities (check which apply)

- Outstanding Place and Environment
- Outstanding Homes and Communities
- Outstanding Economic Growth, Productivity, and Prosperity
- Outstanding Council and Council Services

Background

- 1.1 The concept of bringing forward a free standing new town in the District traces back to the 1990s. The first public consultation exercise took place as part of the publication of Devon County Council's 'New and Expanded Communities in Devon' discussion document in 1995. The concept was then developed through the Devon Structure Plan before finally being incorporated into the East Devon Local Plan 1995-2011. The proposals were hugely controversial giving rise to around 15,000 representations. They did though progress through the examination stage and were incorporated in to the final adopted plan in 2006.
- 1.2 An outline planning application for the development of 2,900 homes at Cranbrook was submitted in 2003. It took four years to negotiate the accompanying s.106 agreement which is the key document detailing developer obligations including financial contributions and the timing of delivery of infrastructure. Critically this also made provision for undertaking a community governance review to establish a new parish and to facilitate the creation of a town council.
- 1.3 Outline planning permission was issued in October 2010 by which time the country was in the teeth of a major recession. The Homes and Communities Agency (now Homes England) made it clear that the ability to access substantial affordable housing grant monies was dependent upon reserved matters approval for the first phase of development being secured by April 2011.
- 1.4 This deadline was duly met which enabled development to commence on the 29th June 2011 with 30% affordable housing in the first phase. The first 1,000 homes included 199 social rent properties and 101 shared ownership. These were all provided through housing associations, there being no Council housing stock in Cranbrook. A further 10% low cost market housing was also included. The development also benefited from a wider funding package including £12m of revolving infrastructure funds through the Regional Infrastructure

Fund and £6m through the Growth Point programme to support the delivery of the Younghayes Centre and Clyst Honiton By-pass.

- 1.5 The vast majority of the first phases of Cranbrook have been delivered by a consortium comprising two developers (Persimmon and Taylor Wimpey) and a land promoter (Hallam Land Management) known as the East Devon New Community Partners. The advantage of this approach is that the cost of delivering 'common' infrastructure (such as the main spine road, schools and the country park) is internalised and shared within a single commercial structure. Looking forward the expansion areas of Cranbrook will be delivered outside a single commercial structure by potentially in excess of 6 unrelated developer parties. This raises a further significant challenge of coordinating infrastructure delivery and ensuring that costs are equalised across multiple parties.
- 1.6 The community governance review was completed in time to enable elections to the Town Council in May 2015. For the first year the parish precept for a band D property was set at £50 by the District Council. Administration was provided by an EDDC officer in the first instance and then a locum clerk. A permanent clerk was appointed and a first precept set by the Town Council in April 2016. The gap between the negotiation of the s.106 agreement, development commencing and the Town Council becoming fully functioning created a sense that the town had inherited a series of decisions, including ones that would affect the long term maintenance of assets, and a particular administrative set-up rather than being the arbiters of this.
- 1.7 To date around 2,500 homes have been built and occupied at Cranbrook equating to a population of over 5,500 people. The town has experienced some of the fastest house building rates in the country, particularly in the early years when development rates peaked at around 500 homes per year. Equally the relatively high proportion of affordable housing had a demonstrable impact in terms of addressing housing need. For several years running our output of affordable housing exceeded 300 p.a. (the bulk but not all provided at Cranbrook). This correlated with there being no homeless in temporary accommodation and our numbers on Devon Home Choice dropping. The District was also placed in the top 5 nationally for the biggest improvement in housing affordability ratios in 2015/16.
- 1.8 Analysis undertaken by public health colleagues revealed that the demographic composition of the town is very different to the rest of the District (which has the 3rd highest average age in England) with the vast majority of residents being under 50 and there being three times the national average of 0-4 year olds as well as a high concentration in the 25-35 age range. Equally analysis of the Index of Multiple Deprivation revealed a sharp increase in concentrations of social and economic need in the locality following the development of the town.
- 1.9 A survey of residents has been undertaken four times over the past 10 years, most recently in 2016 (a further survey was planned in 2020 but delayed due to the pandemic). The results have consistently highlighted that the majority of respondents have moved from within Devon (80%). People mainly moved to Cranbrook as it is close to Exeter but still in the countryside, it was an opportunity to have a brand new home, they could afford to buy for the first time and it's close to their place of work. Other key findings from the 2016 survey were as follows;
 - 87% of residents would recommend Cranbrook as a place to live, very similar to the 2015 result. The two most popular reasons for not recommending it were a lack of facilities and not enough on road parking.
 - The main things people liked most about Cranbrook was the community spirit and friendly people, that it's quiet and in the countryside and it's close to good transport links. These are very similar to the most popular things in all the surveys since 2013.
 - What people don't like most about Cranbrook is the lack of facilities and amenities, particularly a pub, leisure centre, large supermarket and more shops. Other things a lot of respondents really didn't like were the lack of off road car parking and the amount of anti-social behaviour.

- The services and facilities that were most wanted in Cranbrook were (in order); a leisure centre, a swimming pool, a gym, more local shops, Post Office and a big supermarket. This was very similar to the 2015 results with the exception of the pub which was in the process of being delivered at the time.

Alongside the new homes the following infrastructure and community facilities have been delivered to date;

- Multi-purpose community building including GP surgery
- 7 retail units (with Post Office counter in the Co-op shop)
- 3 play areas
- Country park
- 2 schools (1 x primary and 1 x through-school 2yrs – 16yrs)
- Playing pitches
- Pub
- Rail station
- 20 minute Bus service running through the town
- A Co-bike dock

- 1.10 A key issue over the last few years has been the delivery of the town centre. This is core to how the town will function going forward. There is a clear expectation amongst residents that a fully functioning town centre will be delivered in step in with new homes. This is not least because a large hoarding was erected in 2012 at the end of the existing spine road stating 'Coming soon – your new town centre'.
- 1.11 The challenge of bringing forward a town centre fit for the 21st century has become more acute both as a result of the structural challenges facing high streets generally and also as new housing development has moved from west to east to now effectively leapfrog the defined town centre area. Negotiations with the New Community Partners have been ongoing over the last two years culminating in a report to Cabinet in January 2021 which resolved a way forward. This includes proposals for the Council to acquire land in the town centre. The need to fulfil expectations and to deliver the town centre is paramount. At the time of writing, submission of planning applications for the commercially led scheme to deliver a supermarket, southern side of the high street with town square and children's nursery are held up due to the negotiations of the town centre Memorandum of Understanding. The final hurdles to unlock the submission of the scheme are close to being resolved and a verbal update on this will be given.
- 1.12 The Cranbrook Development Plan Document is the key document will that guide the expansion of the town from 3,500 to circa 8,000 new homes. It will be the basis for determining live planning applications for over 4,000 homes. The Plan sets out to maintain and improve the health and wellbeing of the community and to see Cranbrook become a lively, enterprising town with a strong entrepreneurial identity and linking with surrounding employment developments.
- 1.12 The Plan is currently completing the examination stage prior to the appointed Planning Inspector issuing a report to determine if the Plan is sound and can be adopted. There have been some challenging issues raised, not least around viability.

Learning Points

- 2.1 Cranbrook is the first new town in Devon since the middle ages. There was no set play book for how to approach this and inevitably there has been considerable learning as the development has progressed based on first-hand experience. The following are considered to be the main learning points from an officer perspective;

- 1) Clarity of vision - Cranbrook will take somewhere in the region of 40 years from initial planning to final construction to complete. Having a clear vision is critical in terms of setting this journey and determining what kind of place will develop and form.
- 2) Local leadership - Cranbrook has been part of a variety of national initiatives over the years from being an Eco Town to inclusion within the Healthy New Towns programme. But these national initiatives come and go and enduring local leadership is required. Equally all of the initial planning for Cranbrook was done at a time when there were necessarily no local residents of the town to engage in this process. A strong voice at the lowest possible level (in Cranbrook's case the Town Council) is essential in supporting community development. Ongoing robust governance arrangements are required to ensure effective coordination between all tiers of local government.
- 3) Sustained financial support - there are specific financial barriers associated with strategic scale developments, notably high upfront infrastructure costs, that need to be carefully managed. Homes England (in its previous guises) played an important role in providing financial support to enable the development to commence. However the last major funding support was secured in 2014 and when enquiries were made in relation to the town centre and the wider expansion of the town, given the ongoing viability challenges, it was clear that there was no support available.
- 4) Beyond planning - bringing forward and delivering a new town is a long term corporate endeavour. This touches upon all Council service areas and demands close working with a wide range of external partners from transport and utility providers through to the NHS and wider health care community. The consequences of planning decisions also need to be fully understood. This particularly relates to the type of housing provided (e.g. family housing) and high levels of affordable housing and the linked impact this has upon other service demands e.g. child safeguarding, education implications. All parties need to be prepared to work together to provide the services that are needed to support residents from the outset.
- 5) Understand the delivery model - the delivery model has a fundamental bearing on how a place develops. This is an obvious point but one worth restating. For Cranbrook there is a commercially driven delivery model dominated by house builders rather than town builders. Each party will act in its commercial self-interest in the first instance. This isn't to level a criticism, just to acknowledge the reality. The delivery model affects every aspect of the place – from how the masterplan is set through to the stewardship of assets and how services are paid for.
- 6) Control of land is key – at the time of writing, in Cranbrook there is no undeveloped publically controlled land. This limits flexibility and the ability to change and adapt plans over time. In Cranbrook's case this particularly relates to the changing role and shape of the town centre. Expectations around land value can also be a key barrier particularly where the default position is for the highest value use. On the flip side there is an ongoing challenge of capturing the uplift in land values to fund critical infrastructure improvements.
- 7) Infrastructure-led approach - the forward funding and early delivery of infrastructure can act as a catalyst to place making and to fomenting a sense of community.
- 8) Importance of the master developer role - the easiest way to think of this role is that it is akin to the role that the Duchy of Cornwall play at Poundbury. As well as being the main landowner, the Duchy also sets the masterplan and selects the developers. Furthermore residents are bound by a set of 17 extra rules covering everything from the changing of the colour that a building is painted to the storing of caravans that must first have the permission of His Royal Highness. In this way the Duchy is able to exert a level of control that cannot be achieved through the planning system in isolation.
- 9) Mixed and balanced communities are hard to achieve - without a number of house builders targeting different audiences, you won't deliver a truly varied housing mix. This has been the case at Cranbrook, where we have had developers all aiming at broadly the same target audience. This means that we are missing single young professionals,

the elderly and higher status properties. This is not necessarily a massive issue but it links to point 4 above and has had implications for pupil generation in the early phases, for example.

10 Need to constantly look forward and try to future proof – Cranbrook was probably the first town in the UK where every property had fibre connectivity to all premises. Equally the roll out of district heating was a conscious long term strategy to support the large scale delivery of low carbon development and to avoid having to retrofit individual homes. But there are learning points around the choice for residents in relation to both these items of infrastructure. Looking forward there will be further challenges, for example ensuring the availability of three phase power supply to support the charging of electric vehicles.

Stewardship of assets

- 3.1 Ensuring that assets and services were delivered in step with the growing population was a key part of the original planning process for Cranbrook. This included a 2003 report on ‘Options for Service Provision and Governance: East Devon New Community’. This report acknowledged that developer led proposals are *‘likely to be site contained, will seek to minimise risk and are likely to be brought forward on terms which just comply with existing building and other legal or regulatory frameworks. Moreover the holding of land ownership by a developer consortium weights the balance of power in their favour’*.
- 3.2 In common with the vast majority of new developments in the District, it was anticipated that there would be an Estate Management Company that would be responsible for the day to day maintenance and upkeep of various items including green spaces and the emptying of bins. In turn the Company would be funded by an Estate Rent Charge payable by each household in the town.
- 3.3 In essence this means that Cranbrook, again in common with many other new developments, was to be part privatised. Assets that might otherwise be delivered and maintained by the District Council in more established towns were instead to be administered through a potentially unaccountable management company.
- 3.4 There are of course good financial reasons as to why this model has come to the fore, not just locally but nationally as well. The District Council stopped adopting open spaces, play areas and other such assets over 10 years ago due to the commuted sums that were being secured from developers not being sufficient for the in-perpetuity management they require and in the context of Local Government budgetary pressures the associated costs arising could no longer be sustained. For the vast majority of developments an Estate Management Company is now an established model that has come to be accepted by house purchasers and, whilst opinions are mixed, appears to work relatively well particularly for relatively small scale development.
- 3.5 There are over 60 developments in the District that now have some form of estate management regime, particularly for the maintenance of public open space. The relative size of these, in terms of the number of dwellings, is set out in the table below;

Size of development	Count
10 – 100	43
100 - 500	16
500 - 1000	2
Total number of sites	61
Total number of homes	7,577

- 3.6 It can be seen that a substantial number of homes, equating to around 10% of the entire dwelling stock of the District, are now part of some sort of estate management arrangement.

The majority of these developments are though relatively small scale in the range 10 – 100 dwellings. The difference for Cranbrook is that it will evolve to become a town of circa 8,000 dwellings and will comprise assets that will also benefit a wider catchment as well as the residents themselves. Equally the cost of the public open spaces at Cranbrook will be covered by all residents of the town who benefit whereas many of the larger developments provide open space that is open for access benefitting residents of the rest of the settlement without them making any contribution.

- 3.7 In 2018 the Estate Rent Charge mechanism at Cranbrook effectively become redundant. Cranbrook Town Council took on responsibility for management of key assets and this rendered the Estate Rent Charge unnecessary. Through agreement between the Town Council and developer Consortium, the relevant assets and services were transferred to the Town Council and funded through an increase in the parish precept. Residents were then able to have their obligations to the Estate Rent Charge removed from their deeds. It is understood that given that the Estate Rent Charge was entirely funded by the residents and involved no Consortium contributions this agreement did not involve the payment of a commuted sum by the developers to the Town Council and did involve the Town Council taking on short-term maintenance responsibility for some limited assets which are due for transfer to a third party (e.g. the place of worship land).
- 3.8 This adoption marked a bold and decisive step towards improved community governance in Cranbrook. Whilst Estate Management Companies might be appropriate for smaller scale developments, their lack of accountability is a key concern. In Sherford for example the model is to have a Community Trust for relevant assets.
- 3.9 Throughout the initial planning of Cranbrook there was a conscious decision for the Town Council to play a very significant role in relation to the receipt of management of assets. The unique aspect now in relation to other new housing developments in the District is that the costs associated with this have been integrated into the precept thereby removing the distinction that previously existed with an estate rent charge to a private company. The major drawback to funding the maintenance of assets through the precept is the effect that this has on Council Tax bills.
- 3.10 For 2020/21 the precept for Cranbrook stood at £256.03, the most expensive of any parish (only three other parishes were in three figures – Broadclyst, Clyst Honiton and Seaton). CTC has had a 5 year rolling business plan in place since 2018 - updated annually - that sets out how the precept will have a zero percent increase year on year. This is a key point in CTC's strategy in managing assets and services. It is estimated that if the Estate Rent Charge model had been maintained that the cost of this would have risen to approximately £400 per household in 2020/21.
- 3.11 A three year tapered Council Tax booster payment was agreed by the District Council in 2019 and is now in its penultimate year (2020/21 £90k, 2021/22 £60k, 2022/23 £30k). This has helped to provide additional revenue for the Town Council whilst the Council Tax base grows. But it is clear that there are ongoing requirements that demand a more permanent and sustainable solution.
- 3.12 A case in point has been the Country Park at Cranbrook which is a popular asset. The Town Council argue that equivalent areas of strategic greenspace in other towns (such as the Maer in Exmouth or Seaton Wetlands) are maintained by the District Council rather than through the parish precept. Certainly Cranbrook does not benefit from the kind of pre-existing subsidy of assets that are a legacy feature in other towns. But this doesn't mean to say that the District Council should automatically step back in to this space, particularly given our own financial outlooks. Instead it is considered that a more creative solution is required which has the following principles at its core;
 - Mitigation - developers should mitigate the impact of development
 - Subsidiarity - assets should be managed at the lowest level possible

- Sustainability – ensuring that cost effective, long term funding arrangements are in place

3.13 There are two particular opportunities currently that could help to generate more revenue for the town;

- 1) Asset endowment – Cabinet is also considering a report on proposed investment to help unlock the town centre including both land acquisition and the funding of planned Cranbox modular space. A feasibility study is currently underway to understand how the modular space can be delivered and managed. On the basis that this concludes that the asset can be managed on a profitable basis there is an opportunity to pursue an approach of endowing the asset to the town through the Town Council.
- 2) Profit share – Cabinet considered a report at the 12th May meeting on the proposed investment in a district heating scheme to help decarbonise both the Cranbrook and Monkerton networks. This is a significant capital project (£21m) that offers the opportunity for a relatively low but steady return over time. In turn this opens up the possibility of a profit sharing arrangement where a proportion of the returns are shared directly with local communities.

3.14 In terms of timing, the Cranbox proposals are also to be considered as part of the agenda and it is expected that the district heating proposals will move forward to construction and operation over the course of the next two years.

3.15 There are likely to be ongoing areas of debate in relation to the future delivery and funding of assets which will need to be worked through carefully. Most recently this has included the model for the delivery of Suitable Alternative Natural Greenspace (SANGs) to support the expansion areas of Cranbrook. The Town Council has confirmed that they are committed to managing and maintaining these areas themselves rather than through a third party. Within the context of a challenging overall viability assessment, there has been a debate as to which is the most cost effective model to achieve this given that the ongoing maintenance is a strict legal requirement.

3.16 There are essentially two ways through which the ongoing costs could be met. The first would be to fund the maintenance through the parish precept in order to help unlock capital funding for other infrastructure. The alternative preferred by Officers would be a developer funded endowment model which would not burden the Town Council with maintenance costs for an asset for which there is no (or very limited) opportunity for off-setting revenue generation. The Town Council has confirmed that they want to work with the developer parties to secure the best possible outcome for Cranbrook in relation to the long-term maintenance of SANGs.

3.17 Effective governance remains an important requirement at Cranbrook to resolve such issues and tensions. A key purpose of the Cranbrook Strategic Delivery Board, which comprises representation from all three tiers of local government, is to ensure that forthcoming assets are supported by a clear business case that sets out expected costs, revenues and management arrangements.

3.18 There has been an ongoing need to actively reinvent the delivery of assets that were originally negotiated over 10 years ago to ensure that they are fit for purpose now. The importance of partnership working is not a new issue in this respect. Indeed the 2003 report stated the following;

'This shared interest means that there is the potential to bring developments forward in a way that meets the expectations of the different parties. This is however, likely to mean compromises all round. It also requires a public service strategic partnership capable of developing a strong business case for specific elements and including within that firm commitments for ongoing income generation. It will also mean thinking creatively about how public service provision can be brought forward.'

- 3.19 Finally the Local Plan review brings the prospect of further large scale development in the District. Council has recently endorsed a budget to undertake feasibility work to explore the potential for a more assertive delivery vehicle, up to and including the creation of a development corporation, to sit alongside this.
- 3.20 It is important to note that the one of the aspects that will need to be demonstrated in any application to establish a development corporation to the Secretary of State is as follows;
- *High quality place making, long-term plans for how community assets will be funded once the development corporation has been dissolved and details about governance arrangements that will support community participation.*
- 3.21 This helps to demonstrate that the stewardship of assets is a fundamental building block of a new community. It needs to be considered at the earliest opportunity and a solution derived which considers the financial implications for residents and the accountability of this.

Assessment

- 4.1 Ten years after the start of construction there is an important opportunity to pause and reflect on how the Cranbrook new community has developed. There is no doubt that the town has proven to be a popular place to live not least with young families, supported by the early delivery of the two schools. Accelerated delivery of transport infrastructure, such as the rail station and cycling links, and public transport improvements more generally have helped to ensure that Cranbrook now has the same modal splits as Exeter which has reduced the reliance on the private car. Investment in the district heating network will help to underpin the large scale delivery of low and zero carbon development. Residents value both the ability to access local greenspace and nearby employment opportunities. Social media, including the 'Belonging to Cranbrook' Facebook page, has also played a key role in the development of the town.
- 4.2 There is no doubt that that significant challenges remain. Foremost within these is the delivery of the town centre. The submission of the planning application for the supermarket and further retail units will be a major milestone. Acquisition of land by the Council together with investment in the Cranbox proposals offers the opportunity build real momentum and support new activity in the town centre.
- 4.3 It also opens up the possibility of generating more revenue for the town through an asset endowment approach. This will help to provide a long term, sustainable funding mechanism that will assist the delivery of the assets and services needed to support the town's unique demographic and social profile. Cranbrook Town Council will continue to play a leading role in this respect and the additional financial support will help to mitigate the impact on the parish precept. This follows the decisive move away from the Estate Management Company/Estate Rent Charge model. Harnessing other funding streams, such as a profit share in relation to the planned district heating investment, will help to build from this platform.
- 4.4 Despite the substantial investment that was made in enabling the first phases of Cranbrook to be delivered, the viability of the expansion areas continues to be challenging even with a proposed much reduced levels of affordable housing. Constituting a local revolving infrastructure fund will help to address this and take forward best practice from the development to date including around accelerating the delivery of critical infrastructure. **This is considered in a separate paper at this Cabinet meeting.**
- 4.5 The Local Plan review brings the prospect of needing to identify further large scale strategic development. Perhaps one of the most fundamental learning points relates to the understanding that the die is cast, in terms of the delivery model, even before planning permission has been issued. Cranbrook will ultimately take around £1bn of investment to complete. Conceptually a key challenge is to find a way of capturing the increase in land value such that this can then be used to fund critical infrastructure improvements. This is akin to the model that enabled the early Garden Towns to come forward and still provides

benefit today in terms of providing revenue support for key facilities (see [How we're funded | Letchworth](#) for example).

Conclusion

5.1 The 10th anniversary of the commencement of development of Cranbrook provides an opportunity to reflect on how the new community has developed in the intervening period. There has been considerably learning along the way and it will be important to ensure that this is borne in mind through the Local Plan review process. A particular aspect of this relates to the need to actively ensure that assets and services are delivered in step with the growing population and that they are fit for purpose in a contemporaneous sense, not least in terms of how they are funded. The report puts forward proposals for how additional revenues can be generated for the town on a sustainable, long term basis to help support this process.

Financial implications:

There are no direct financial implications at this stage, principles are being put forward to help with the financial sustainability of Cranbrook going forward.

Legal implications:

There are no significant legal comments to make at this time, Legal Services will assist as needed as projects progress.