

TITLE	Biodiversity Net Gain Pilot Project
FOR CONSIDERATION BY	Overview & Scrutiny Management Committee on 15 March 2023 Executive on 30 March 2023
WARD	(Charvil, Coronation directly and All Wards indirectly);
LEAD OFFICER	Director, Place and Growth - Simon Dale
LEAD MEMBER	Executive Member for Environment, Sport and Leisure - Ian Shenton

PURPOSE OF REPORT

To secure Executive approval for the initial expenditure required to implement the ecological enhancement scheme at Ashenbury Park and to inform the Executive of the underlying commercial approach to the sale of the Biodiversity Net Gain units generated by the project.

This project will make a contribution towards the WBC Climate Emergency Action Plan (through the 250,000 Tree Project) and the Wokingham Biodiversity Action Plan.

These Biodiversity Net Gain units will enable otherwise acceptable developments to be consented within the borough once the mandated 10% biodiversity net gain requirement comes into force later in 2023.

Recommendation to the Overview and Scrutiny Management Committee

That the Overview and Scrutiny Management Committee consider the draft report and submit recommendations or comments to the Executive as necessary.

Recommendations to the Executive

That the Executive:

- 1) Approve the implementation of an ecological enhancement scheme at Ashenbury Park which will generate Biodiversity Net Gain (BNG) units, including the required capital expenditure of £201,190 and the establishment equalisation reserve to manage the ongoing maintenance costs.
- 2) Delegate authority to the Director of Place and Growth (in consultation with the Director of Resources and Assets and the Executive Member for Environment) to approve the implementation of further ecological enhancement schemes which will generate Biodiversity Net Gain (BNG) units, including the required capital expenditure up to £300,000 in 2023/24.
- 3) Notes the transfer of management responsibilities at Ashenbury Park from the Council's Grounds Maintenance contractor to the Council's Countryside Service in order to facilitate the ongoing ecological enhancement scheme.

EXECUTIVE SUMMARY

A minimum 10% biodiversity net gain is expected to become mandatory for all Town and Country Planning Act developments from November 2023 (although the principle of

biodiversity net gain is already required through the current National Planning Policy Framework).

Developers will be required to undertake an assessment (using the nationally set BNG metric tool) of the current biodiversity value of their site both prior to and post the development proposal. In the event that the value of the site post development is less than 10% better than it was prior to development then the developer will have an obligation to provide additional off site BNG units to achieve the mandatory 10% net gain.

Whilst this change to the planning system will involve some additional regulatory burdens in terms of the development management process and a significant new burden on developers (including for WBC projects), there are also opportunities for the Council to be a provider of BNG units through the ecological enhancement of existing Council owned sites such as Countryside Sites, Public Open Spaces and farmland.

The Government envisages a market approach to the provision of offsite BNG units where the income received through the sale of BNG units should cover all of the capital, monitoring and ongoing maintenance costs (for at least 30yrs) and provide a capital receipt to the landowner.

There is currently some uncertainty over the level of local need for BNG units and as a consequence officers are proposing a pilot project at the Ashenbury Park in 2023/24 in order deliver our immediate requirements and to test the local market. Officers will use this pilot project to inform a project plan to deliver BNG units at other Council owned sites in future years if required.

Ashenbury Park has been selected as the focus for the BNG pilot project because it has the ability to generate significant number of units on a single site, it is likely to make significant contribution towards our tree planting target and offers a revenue efficiency in terms of its ongoing maintenance by the WBC Countryside Services. Officers are currently working on a number of scenarios for the habitat enhancement of the Ashenbury Park involving a combination of wildflower meadow enhancement and woodland creation in varying proportions.

It is intended that there will be a short consultation on the detailed scheme proposals in early summer 2023, with all initial planting and seeding works due to be completed by March 2024.

BACKGROUND

National policy already sets out that planning should provide Biodiversity Net Gain (BNG) where possible. National Planning Policy Framework (NPPF) Paragraphs 174(d), 179(b) and 180(d) refer to this policy requirement and the Natural Environment Planning Practice Guidance (PPG) provides further explanation on how this should be done.

More recently the Government has announced its intention to mandate a 10% net gain for biodiversity in the Environment Bill in the 2019 Spring Statement. Which it duly did, and the Environment Bill received Royal Assent on 9 November 2021, meaning it is now an Act of Parliament.

The Environment Act sets out the following key components to mandatory BNG:

- Minimum 10% gain required calculated using Biodiversity Metric & approval of net gain plan
- Habitat secured for at least 30 years via obligations/ conservation covenant
- Habitat can be delivered on-site, off-site or via statutory biodiversity units
- There will be a national register for net gain delivery sites
- The mitigation hierarchy still applies of avoidance, mitigation and compensation for biodiversity loss
- Will also apply to Nationally Significant Infrastructure Projects (NSIPs)
- Does not apply to marine development
- Does not change existing legal environmental and wildlife protections

BNG is expected to become mandatory for all TCPA developments in November 2023 with the publication of the regulations (i.e. the detail guidance on how the system will operate). Although it is worth noting that the BNG metric approach is already in use in the planning system to assess applications (albeit on a voluntary basis) and the Council has already sold a number of BNG Units to developments.

The basic principle behind the BNG approach is that a developer would undertake an assessment (using the BNG metric tool) of the current biodiversity value of the site prior to development and then a corresponding assessment of the proposed biodiversity value of the site post development (incorporating any on site biodiversity enhancements). In the event that the value of the site post development is less than 10% better than it was prior to development then the developer will have an obligation to provide additional off site BNG units to achieve the mandatory 10% net gain. These units could be purchased from any landowner who is willing to take on the responsibility of creating and maintain these units (new or enhanced biodiversity habits) including the restriction on other uses of the land for 30years. Alongside this restriction a provider of BNG units is also expected to produce regular ecological monitoring reports (likely to be required approximately 8 times over the 30years) that will assess whether the target habitat is being successfully delivered and if not, any remedial actions that are required.

It is also worth noting that there is no fixed price for a BNG units and the Government envisages that this will be a commercial market with the price being set by supply and demand. It is expected that the price of a BNG units would cover the following costs,

- a BNG assessment of the site (both as is and proposed),
- the capital investment to deliver proposed habitat enhancements (including a contingency to cover risk of any required remedial works),
- the required ecological monitoring,

- the specialist habitat management required to maintain the new habitats and,
- an element of land value (at least equivalent to a 30yr plus lease on the land).

Whilst this change to the planning system will involve some additional regulatory burdens in terms of the development management process and a significant new burden on developers (including for WBC projects), there are also opportunities for the Council to be a provider of BNG units through the ecological enhancement of existing Council owned sites such as Countryside Sites, Public Open Spaces and farmland. Some of these sites are already restricted in their use by virtue of being public open spaces and/or existing nature reserves, and the Council already has significant in-house expertise in ecological management through its Countryside Service. The Council's Grounds Maintenance contractor doesn't currently have the equipment or expertise to deliver and manage BNG unit sites.

Any BNG units generated in Wokingham would most likely be used to meet the demand within the Borough but could also be used to provide for needs in neighbouring authorities and/or nationally. Although the current version of the BNG metric applies a discount rate to any units created based on their geographical proximity to the impact they are mitigating which means that the value of those units is likely to be affected.

Officers have undertaken an initial desktop BNG assessment of the larger Council owned public open space sites and nature reserve sites which identified the potential to deliver in excess of 300 BNG units across 20 different sites. Whilst the Council could take the decision to forward fund the delivery of the 300 BNG units there is significant uncertainty over the likely demand within the borough and the market value of these units, alongside this the required upfront capital expenditure would be in excess of £1million. As a consequence it is recommended that the Council undertakes a BNG pilot project that will generate sufficient BNG units to meet our needs the next couple of years, with a view to testing our attractiveness to the market in order to aid the development of a longer term business case for further future investment in 2024/25.

It is worth noting that the current estimated annual demand for BNG units within the borough is 25 although this is not based on any especially robust evidence. Given this scheme and others already underway are likely to generate around 50 BNG units which should ensure that all otherwise acceptable developments within the borough will not be held up through lack of available BNG units for 2023/24 at least.

Ashenbury Park has been selected as the focus for the BNG pilot project because it has the ability to generate significant number of units on a single site, it is likely to make significant contribution towards our tree planting target and offers a revenue efficiency in terms of its ongoing maintenance by the WBC Countryside Services. Officers are currently working on a number of scenarios for the habitat enhancement of the Ashenbury Park involving a combination of wildflower meadow enhancement and woodland creation in varying proportions. Although it is worth noting that the area closest to the existing car park and the play area will not be included in the ecological enhancement scheme.

It is intended that there will be a short consultation on the proposed scheme prior to a final decision on the detailed proposals.

The current high-level programme for the project is as follows:

Activity	Commencement	Completion
Undertake BNG baseline habitat assessment	April 23	Sept 23
Undertake specialist assessment of the site suitability for tree planting	April 23	
Undertake public engagement exercise on BNG proposals	May 23	June 23
Design detailed BNG proposal	April 23	July 23
Procure contractors to undertake planting seeding works	July 23	Aug 23
Undertake wildflower seeding works on site	Sept 23	Oct 23
Undertake tree planting works on site	November 23	Feb 24

BUSINESS CASE

The basic principle of the business case around BNG units is that the income received through the sale of BNG units should cover all of the capital, monitoring and ongoing maintenance costs (for at least 30yrs) and provide a capital receipt to the landowner. The actual scale of capital receipt will depend on the eventual sale value of the BNG units. WBC has already sold BNG units for £20k each and are aware of others being traded within the borough for around £35k/unit.

The current estimated capital costs for the project are as follows (although this might be adjusted as part of the detailed design process)

Item	Cost	Commentary
Initial BNG Baseline habitat assessment	£3,100	Capital - Quote for works already secured from TVERC
Design of detailed BNG proposal (including consultation draft and final scheme)	£10,000	Capital – Depending on other workloads it may be possible to undertake this work in house.
Delivery of detailed BNG Proposal Wildflower seeding	£57,750	Capital – Based upon the creation of 5.25ha of new woodland planting (including 10% contingency)
Delivery of detailed BNG Proposal woodland planting	£47,900	Capital – Based upon the creation of 3.6ha of new wildflower meadows (including 10% contingency)
Delivery of detailed BNG Proposal ecological enhancement of existing woodland planting	£52,150	Capital – Based upon the enhancement of 4.74ha of existing woodland planting (including 10% contingency)
Supervision of delivery of detailed BNG Proposal	£12,000	Capital – Based upon 8% of the capital costs, depending on other workloads it may be possible to undertake this work in house.
10% Contingency	£18,290	
Total Cost (excluding ongoing monitoring and maintenance costs for 30yrs)	£201,190	

Revenue impact and support

The removal of Ashenbury Park from the current Grounds Maintenance Contract scope would deliver an annual saving to that revenue budget of around £37,000, whereas the cost of the Countryside Service maintaining the site each year would be around £28,000. In addition to this immediate £9,000 saving, it is expected that the that the sale of these BNG units would eventually generate a commuted sum of around £800,000 which would be sufficient to cover the ongoing maintenance of the site for the next 30years.

It is unlikely that receipts would be sufficient in the early years to cover the ongoing maintenance costs and hence we will be establishing an equalisation fund to manage the project costs.

Contribution to Earmarked Reserve to cover ongoing BNG monitoring requirements	£35,000	Capital – It is recommended that contribution to a dedicated BNG Monitoring earmarked reserve is made the early receipts as draw down will start in year 2.
Contribution to Earmarked Reserve to cover ongoing BNG management requirements for 30yrs	£829,920	Capital – It is recommended that contribution to a dedicated BNG Maintenance earmarked reserve is made from the early receipts as draw down will start in year 2.

The cost estimates are based on a draft scheme that may be altered through the detailed design process but it currently forecasting the creation of 33 BNG units at a cost of around £30,000 each (including ongoing monitoring and maintenance).

BNG is a relatively new approach and as yet there is little robust evidence on likely demand for BNG units, the level of supply of BNG units and hence what the market value of a BNG unit might eventually reach and how fast we might be able to sell the units. In addition it is likely that most sales will be through a s106 agreement with actual payment due up to 3 years later (prior to commencement of development), which makes repayment period difficult to estimate at this stage.

However the current market value locally appears to be between £35,000-£50,000/unit, and were these values to be achieved then the unringfenced capital receipt for the land value from this scheme would be between £10,000 and £500,000 (a return on investment of between 5% and 250%). Our experience in this pilot project will assist officers in developing a longer term BNG investment plan and Capital bid for inclusion in the 2024/25 MTFP aimed of bring forward some or all of the additional WBC owned sites.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces unprecedented financial pressures as a result of; the longer term impact of the COVID-19 crisis, Brexit, the war in Ukraine and the general economic climate of rising prices and the increasing cost of debt. It is therefore imperative that Council resources are optimised and are focused on the vulnerable and on its highest priorities.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	£220K (£37K)	To be funded from Invest to save	Capital Revenue
Next Financial Year (Year 2)	(37K)	Yes or No	Revenue
Following Financial Year (Year 3)	(37K)	Yes or No	Revenue

Other Financial Information
None

Stakeholder Considerations and Consultation
It will be necessary to consult with local resident, Woodley Town Council and ward Councillors on the proposed changes to the management of Ashenbury Park, although given the recent reduction in levels of maintenance at the site it is not envisaged that this would be particularly contentious.

Public Sector Equality Duty
To be addressed if the project proceeds.

Climate Emergency – <i>This Council has declared a climate emergency and is committed to playing as full a role as possible – leading by example as well as by exhortation – in achieving a carbon neutral Wokingham Borough by 2030</i>
This project will result in an additional 5ha of woodland planting which will contribute to Key Priority 5 (Increase the Levels of Carbon Sequestration in the Borough Through Greening the Environment) of the Council Climate Emergency Action Plan. Assuming that each hectare would sequester 7.83 tCO ₂ e in the first year, which would raise to 13.7 tCO ₂ e in subsequent years, this project will eventually sequester 68.5 tCO ₂ e per year.

Reasons for considering the report in Part 2
Appendix - Part 2 - the Revenue impact and support section of the Business Case - contains commercially sensitive information which might hinder the ability to negotiate with contractors and/or developers.

List of Background Papers
None

Contact Andy Glencross	Service Delivery and Infrastructure
Telephone 0118 974 6000	Email andy.glencross@wokingham.gov.uk

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