



Report

Date: 19th July 2023

To: Members of Cabinet

Report Title: Biodiversity Net Gain and Habitat Banks

Relevant Cabinet Member(s)	Wards Affected	Key Decision?
Councillor Phil Cole, Cabinet Member for Finance, Traded Services and Planning Councillor Mark Houlbrook, Cabinet Member for Sustainability and Waste	All	Yes

EXECUTIVE SUMMARY

1. This report proposes, the arrangements for the opening of a habitat bank at Red House Farm on Council owned land adjacent to Sandall Beat Wood, the development of an acquisition strategy for land on which future Biodiversity Net Gain projects could be delivered and the commitment to work towards developing a further four habitat bank projects in the North, South, East and West of the Borough.

EXEMPT REPORT

2. This report is not exempt.

RECOMMENDATIONS

3. Members of Cabinet are recommended to support the following recommendations:

Topic A – Red House Farm Habitat Bank



That Cabinet:

- i) Approve the decision to setup a Habitat Bank on a Council owned area of land at Red House Farm adjacent to Sandall Beat Wood.
- ii) Agree to end the existing agricultural tenancy agreement and to pay the necessary compensation to the incumbent tenant and associated fees;
- iii) Agree to fund the initial costs of seeding the site with grass seed in autumn 2023
- iv) Delegate authority to the Director of Place and Chief Financial Officer, in consultation with the Cabinet Members for Sustainability and Waste and Finance, Traded Services and Planning, to fund the remaining project costs for years 1-5 (when known) subject to the production of a final layout for the Habitat Bank and detailed costings being produced and conditional on the scheme being demonstrated as viable to the market;
- v) Support the borrowing of up to a maximum of £1 million from the Environment & Sustainability/Net Zero Carbon Earmarked Reserve, to support Recommendations ii to iv as detailed at paras 18-19 and 25-27.
- vi) Agree the commencement of a tender for habitat creation and management of the site, following completion of an Environmental Impact Assessment and approval by the Forestry Commission and the terms and specification be delegated to the Director of Place in consultation with the Cabinet Members for Sustainability and Waste and Finance, Traded Services and Planning.
- vii) To delegate to Director of Place in consultation with the Cabinet Members for Sustainability and Waste and Finance, Traded Services and Planning the appointment of contractors to develop and maintain of the site.
- viii) To delegate to Director of Place in consultation with the Cabinet Members for Sustainability and Waste and Finance, Traded Services and Planning any decision to enter into a Conservation Covenant on the land used for Red House Farm Habitat Bank.
- ix) Create a new earmarked reserve to enable the carry forward of the balance of income from the sale of the units to fund costs of maintaining the land over the length of the scheme.
- x) Note future approval to agree the price per biodiversity unit will be undertaken in accordance with the Council's Financial Procedure Rules relating to Fees and Charges as detailed at paras 32-33.

Topic B – Land acquisition strategy for Biodiversity Net Gain

- xi) Support the decision to develop a land acquisition strategy for land on which future Biodiversity Net Gain projects could be delivered.
- xii) Support the decision that the Council will work to develop plans for a further four habitat bank projects over the next 18 months in the North, South, East and West of the Borough.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

4. The proposed Habitat Bank at Red House Farm, adjacent to Sandall Beat wood, is centrally located near the main urban area in Doncaster. It is estimated that 30,000 people live within 2km of this site. Access to natural green spaces has been shown to be hugely beneficial to public health, promoting greater fitness and improved mental wellbeing. Other benefits of tree and shrub planting include improved air quality and urban cooling. The project proposed offers the opportunity to create a large additional greenspace in the heart of the city. This is a rare opportunity to see multiple benefits for both people and nature delivered on a large scale.
5. The development of a land acquisition strategy for Biodiversity Net Gain will mean that the Council will be ready to act upon future opportunities to deliver habitat banks in different areas of the borough as they arise. This will mean that more residents may see the benefits that Biodiversity Net Gain can bring realised. It is proposed that the Council will work on developing a further four habitat bank projects in the North, South, East and West of the Borough.

BACKGROUND

Definitions

Biodiversity Net Gain (“BNG”): An approach to development that aims to leave the natural environment in a measurably better state than it was pre-development.

Biodiversity Unit: A term of measurement that encompasses the area of a habitat, how ‘distinctive’ or special that habitat is considered and how good an example the habitat is (it’s condition). Biodiversity Units are used to quantify biodiversity losses and gains.

Defra Metric: Is the accounting tool published by Defra that is used to calculate if a planning application delivers ‘Biodiversity Net Gain’.

National Biodiversity Net Gain Sites Register: A publicly accessible register operated by Natural England that will record allocations of off-site biodiversity gains to developments. The register will operate from November 2023 and all offsite biodiversity net gain sites will need to be recorded.

Topic A – Opening a Habitat Bank at Red House Farm

Planning Policy Background

6. The National Planning Policy Framework (NPPF 2021) paragraph 174 part d requires planning decisions to provide net gains in biodiversity. In addition, the adopted Local Plan (2021), Policy 30, goes further than the NPPF and requires planning proposals to deliver a minimum 10% net gain in biodiversity.
7. In September 2022, the Council adopted a Supplementary Planning Document on Biodiversity Net Gain, which provides further guidance for developers on how planning applications can satisfy the requirement to deliver Biodiversity Net Gain. This sets out that development should try and maximise the delivery of biodiversity onsite, before seeking opportunities to deliver offsite biodiversity net gain as close to the proposed development as possible. Finally, if no offsite biodiversity net gain projects can be found within Doncaster, then it allows developers to pay the Council a Biodiversity Net Gain Contribution of £25,000¹ per Biodiversity Unit. The Council takes the S106 contributions in return for promising to find BNG projects that deliver habitats to offset the impact of those developments.

The Environment Act

8. The Environment Act received Royal Assent on 9th November 2021. It amends the Town and Country Planning Act 1990 and sets out that from November 2023² all new developments will be *legally required* to demonstrate a minimum net gain of 10% and secure those gains for a minimum of 30 years. This is a strengthened requirement that Biodiversity Net Gain is secured compared to the situation currently, where gains are a requirement of planning policy alone.
9. From the date in November when Biodiversity Net Gain becomes a legal requirement, the government has stated that Local Authorities will no longer be allowed to collect Biodiversity Offsetting Contributions as we do at present. Instead, developers will have to demonstrate they have secured biodiversity units from projects registered on a 'National Biodiversity Net Gain Sites Register'.
10. The government has indicated that they want a market of offsite biodiversity net gain projects to develop. The Defra Metric, which is used to calculate biodiversity losses and gains resulting from development, tries to incentivise 'local' delivery of offsite Biodiversity Net Gain by deducting units if a developer chooses a project outside the Local Planning Authority boundary, or National Character Area of the impact site.
11. If no suitable projects are registered in Doncaster, then from November, developers will only be able to choose projects that are located outside the borough. As the National Character areas are large³, developers could choose

¹ From April 1st 2023 following a review of Council Fees and Charges a decision was taken corporately to increase the fee for Biodiversity Offsetting Contributions by 10% to £27,500 per biodiversity unit.

² The exact date in November when the Act will come fully into force will be set out in Secondary Legislation that is yet to be published.

³ A map showing the extent of the National Character Areas is shown in Appendix 1.

projects a significant distance from Doncaster without facing a disincentive in terms of the number of units they need to buy.

12. It is therefore considered important that the Red House Farm Habitat Bank project is progressed so that Doncaster will have a supply of Biodiversity Units available for sale once mandatory net gain comes into force. Further Council habitat banks could then be brought forward over the next 18 months.

Other Biodiversity Net Gain Projects

13. Other external organisations are likely to start to provide biodiversity units for sale over time as the market develops. Officers spoke to the Environment Bank in March about some of their work and were told that they were progressing a project with one land owner with land on the border of Doncaster and a neighbouring authority. This was expected to be ready to start selling units from April 2024. They had also been talking to a land owner within Doncaster about being a potential supplier of Open Mosaic Habitat Units⁴. This is not a type of habitat that Council Habitat Banks would be used to deliver. It may therefore also attract buyers from developments outside of Doncaster.
14. In June 2021 the Council approved the principle of developing a Habitat Bank on a site by the River Torne near Rossington⁵. This project is still proposed, but has been delayed as the Yorkshire Wildlife Trust, who now owns part of the land, are intending to undertake a project to re-meander a section of the watercourse adjacent to the site. Once this work has been completed then the Habitat Bank could open, however it is not expected to have units ready for sale in November.
15. In conclusion, there is the potential for a gap in supply of units within Doncaster once net gain becomes mandatory in November.

Context within Council Environment Strategy

16. Creating a Habitat Bank is just one action that will deliver biodiversity benefits for residents across the Borough. The Council works with a number of strategic conservation partnerships to protect and enhance biodiversity across the Borough. These include the South Yorkshire Local Nature Partnership, Humberhead Levels Partnership and a number of Catchment Partnerships such as; the Don, Rother and Dearne; Torne; and Idle Catchment Partnership. Collaborative projects have recently secured significant investment in local habitat restoration and creation e.g. the multi-million pound Nature for Climate project aiming to restore the statutory protected sites at Thorne and Hatfield Moors and exploring opportunities for habitat creation on the farmed peatlands around them. Current funding bids also include the All hands on the Don project to deliver environmental improvements and opportunities for public engagement

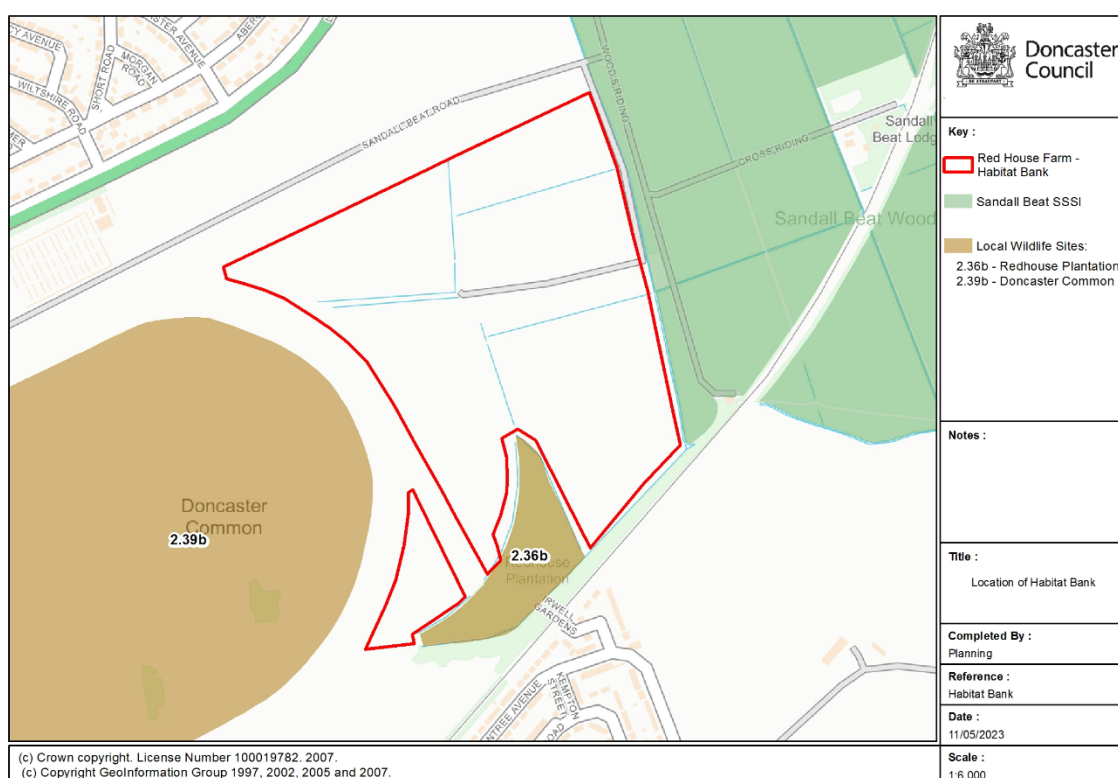
⁴ Open Mosaic Habitat is a high value habitat for biodiversity that develops on land that has previously been developed. Historic uses can mean that the habitats that arise are unusual. As planning policy directs development to brownfield sites, it does often come up as a habitat that requires compensation.

⁵ Decision Reference Number: EE21 0213 Torne Valley Habitat Bank.

with the river between Mexborough and Thorne and a separate lottery bid for a pond creation project working with Froglife in a number of communities across Doncaster. The development of the Local Nature Recovery Strategy for South Yorkshire will also require engagement with a broad range of communities, partners and new audiences across the Borough to identify and deliver strategic and local opportunities for nature recovery, some of which are already being explored e.g. through the Streetscene naturalisation pilot in parks and on open spaces.

Council Habitat Bank – Red House Farm

17. The map below shows the location of the proposed Red House Farm Habitat Bank.



18. The site is owned by Doncaster Council and is tenanted to a farmer by way of a first succession 1986 Agricultural Holdings Act Tenancy. This effectively provides the tenant with security of tenure, other than in a limited number of special cases which do not apply in this particular case. Legal advice was sought on the best approach to bring the tenancy to an end. Following this the decision was made to approach the tenant to see if a negotiated settlement could be achieved, reducing the risk of time delays and possible court action. There was not the in-house agricultural case expertise to take this case on, so assistance was sought from an agricultural surveyor to represent the Council. Following negotiations, the agents have settled on a figure.

19. Subject to contract and Council approval, the next steps would be for legal officers to draw up a Deed of Surrender and serve a Notice to Quit. Following payment of the compensation, this would then allow the site back into Council control once the crop is harvested in late summer 2023. At the first opportunity post-harvest, to avoid the harvested site becoming covered in weeds, the ground would be prepared and seeded with a wildflower grass seed mix.
20. Biodiversity Net Gain units would be generated on site by creating new habitats and managing these for a minimum of 30 years. It is proposed to create wildflower grassland, areas of species rich scrub, woodland and potentially ponds. An initial draft drawing of what this may look like is attached in Appendix 3 (this is still subject to change at this point). It is anticipated that the project would deliver in the region of 100-150 biodiversity units. The habitats created will be monitored over the 30 years of the project to ensure that the target conditions are met.

Selling Biodiversity Units

21. The Habitat Bank project would be registered on the National Biodiversity Net Gain Sites Register, which will be operated by Natural England from November 2023. The Council could then sell the biodiversity units that the project generates to developers needing to offset the impact of their developments and demonstrate net gain.
22. Habitat Banks will need to be able to demonstrate that they are 'legally secured' in order to be registered on the National Sites Register. This will either be achieved using s106 agreements with individual developers wanting to buy biodiversity units from the Habitat Bank or via a Conservation Covenant.
23. Conservation Covenants are legal agreements that bind a landowner to manage an area of land, for conservation purposes, as set out in the agreement. They are overseen by a different organisation acting as a 'Responsible Body'. Guidance on the process involved in registering to become a Responsible Body is due out in the next couple of months. Once this is available it will be possible to assess the benefits of using s106 agreements versus Conservation Covenants.

Project Costs and Demonstrating Viability

24. The costs in Appendix 2 are estimates for a Habitat Bank project that solely creates grassland and delivers 128 biodiversity units. They are based on National Association of Agricultural Contractors Contracting Prices 2023. The long-term intention is to create a wider range of habitats, as described in paragraph 20, but approval is needed from the Forestry Commission for projects that plant more than 1 hectare of woodland/scrub. The work to inform an Environmental Impact Assessment (EIA) to the Forestry Commission is currently underway, however the EIA process will take several months to be completed and bringing a decision to Cabinet after that would mean missing the window for ending the tenancy

agreement in 2023 and undertaking initial grassland creation at the appropriate time of year.

25. This report recommends that Cabinet; approve the decision to end the existing tenancy agreement; pay the necessary compensation and fees; and approve the initial grassland creation across the site.
26. A final layout for the scheme, including areas of scrub and woodland, will be decided once the EIA process is completed. At this point it will be possible to go out to formal tender on the management and habitat creation costs for years 1-5 and appoint a suitable contractor. Similarly, the full guidance on how Conservation Covenants will operate has not yet been published by Government, so the costs of legally securing the delivery of units using that method are not yet known. It is therefore proposed in this report that decisions relating to agreeing the funding of years 1-5 of the project, appointing contractors and entering into conservation covenants are delegated.
27. It is proposed to borrow from the Environment & Sustainability/Net Zero Carbon Earmarked Reserve, up to a maximum of £1 million to fund decisions ii-iv. This reserve was approved by Cabinet in February 2021 as part of the Quarter 3 Finance and Performance Improvement report. The allocation of this reserve is already delegated to the Director of Economy and Environment and Assistant Director of Finance & Technology to utilise in consultation with the Mayor and therefore spending from the reserve will be approved via this previously agreed process but is noted in this report for completeness.
28. The costs in Appendix 2 are just intended to demonstrate to Cabinet that the decision to proceed with the proposed Habitat Bank is financially viable, as a grassland scheme could be delivered on the site for around £15,000 per biodiversity unit, which is significantly less than the Council is currently charging as the Biodiversity Offsetting Contribution Fee. The anticipated cost of delivering a more diverse scheme, with a variety of habitats, as shown in Appendix 3, is likely to be greater.
29. The project would be cost neutral to the Council. The income from sales of Biodiversity Units covers all the costs associated with project development, surrender of the existing tenancy agreement, habitat creation and habitat management for 30 years, project management, monitoring, reporting and oversight of the project by a responsible body.
30. The remaining money to fund the final 25 years of the project, would be obtained from the sale of biodiversity units. For a simple grassland project, as illustrated in appendix 2, the sale of 25 of the available 128 biodiversity units would be sufficient to fund the first five years of the project's costs. The same, quick returns of the Council's investment are expected for a project that delivers a more diverse range of habitats as illustrated in Appendix 3. The initial requested investment from the net zero fund is therefore likely to be returned within the first 2-3 years of the scheme. Further financial detail on this would be provided and

scrutinised, once detailed costings are known, as part of the report that would be delegated as per recommendation number iv at the start of this report.

31. This report recommends that a new earmarked reserve is created to enable the balance of income from unit sales to be carried forward to meet project costs over the 30-year period. As the unit cost includes re-couping the land opportunity value (currently estimated at around £670,000) this will generate a surplus within the reserve. What happens to this will be considered further down the line, once the project is more progressed and the speed of unit sales is known.

Setting of Biodiversity Unit Price

32. Sale prices for each Biodiversity Unit habitat type will vary as creation and management costs will not be the same for each habitat. The price of a biodiversity unit for a developer to buy a unit from the project would be calculated based on the total cost of the project for that habitat, plus a contingency fund, divided by the number of biodiversity units being created. The contingency fund would allow any habitat creation failures to be rectified.
33. The final setting of a price for a biodiversity unit from the Red House Farm Habitat Bank is likely to be a key decision. Depending on the timing, this decision could be made as part of the Revenue Budget 2024/25 - 2026/27 report planned to be considered by full Council on 26th February 2024, or via a specific report to Cabinet, the Mayor or the portfolio holder. The agreed charges will be reviewed and published each year in line with other Council Fees and Charges.

Topic B: A proposed Land Acquisition Strategy for Biodiversity Net Gain

34. It is recognised that the benefits that biodiversity net gain projects can bring, should be spread across the Borough in a manner that means as many communities as possible benefit. The Council can only bring large Habitat Bank projects forward on land under its ownership. This limits the locations in which projects can currently be delivered. This report recommends that the Council supports the development of a further four habitat bank projects in the North, South, East and West of the Borough over the next 18 months.
35. In addition, the report recommends support for the decision to develop a land acquisition strategy for land on which future Biodiversity Net Gain projects can be delivered. The Strategy would set out criteria that would guide potential acquisitions including factors such as the suitability of a site for a biodiversity net gain project and the significance of the location in terms of the ecological and social benefits it would bring. With this goal in mind, a key focus for the land acquisition strategy will be to direct opportunities towards deprived communities and ensure a good geographical spread of habitat bank sites in the North, South, East and West of the Borough.

36. Opportunities to purchase land often arise unexpectedly and have short timescales for offers to be made. It is therefore considered that a Biodiversity Net Gain Land Acquisition Strategy will mean these opportunities can be effectively acted upon. A draft Strategy document would be developed with Finance, Property Services and the Council's Sustainability Unit for consultation with Portfolio Holders before being brought to Cabinet for approval.

OPTIONS CONSIDERED

37. Alternative options, all of which are NOT RECOMMENDED, are considered for each topic below.

Topic A –Red House Farm Habitat Bank

- i) Continue with the existing agricultural tenancy on the farmland adjacent to Sandall Beat Wood and do not open a Habitat Bank.

38. This option is not recommended as without a Habitat Bank open in Doncaster then from November 2023 compensation for biodiversity losses in the Borough will be compensated through sales of biodiversity units in other areas of the Country.

Topic B - Land acquisition strategy for Biodiversity Net Gain

- ii) Do not develop a land acquisition strategy for Biodiversity Net Gain.

39. Land sales often take place quickly. Without an acquisition strategy, that sets out what types of opportunity could potentially be suitable as Biodiversity Net Gain sites, there is a significant possibility that such opportunities would be missed. As the Council only has limited land in its ownership on which large Biodiversity Net Gain projects could be delivered, this would also mean the Council is less able to deliver future Habitat Banks in a range of locations across the Borough.

- iii) Do not work on developing further Habitat Bank projects.






40. It is considered important that Doncaster has a good supply of biodiversity units available for sale. There is also the potential for money from developments outside of the Borough to fund these schemes. Not developing further Habitat Bank Schemes would also mean the potential benefits would be seen by less of Doncaster's communities.




REASONS FOR RECOMMENDED OPTION

41. These are set out within the main body of the report under each topic.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

42.

Great 8 Priority	Positive Overall	Mix of Positive & Negative	Trade-offs to consider – Negative overall	Neutral or No implications
 Tackling Climate Change	✓			
<p>Comments: As well as helping to deliver biodiversity and better ecological networks, new habitats can also provide investment in other ecosystem services such as flood alleviation, carbon storage and improved air quality. These additional ecosystem services will help Doncaster to limit the negative impacts of and adapt to climate change.</p>				
 Developing the skills to thrive in life and in work				✓
<p>Comments: N/A</p>				
 Making Doncaster the best place to do business and create good jobs	✓			
<p>Comments: Inward investment in habitat creation in strategic locations within Doncaster as well as ongoing management of these new habitats will provide work within the borough.</p>				
 Building opportunities for healthier, happier and longer lives for all	✓			
<p>Comments: The loss of species and habitats poses as much a danger to life on Earth as climate change does. As well as underpinning the food we eat and the air we breathe, we depend on it for protection from other threats, like pollution, flooding and climate breakdown. The biggest driver of biodiversity loss is land-use change. The measures described in this report, will not only alleviate the impacts of biodiversity loss but provide a large additional green space for the people of Doncaster to enjoy.</p>				
 Creating safer, stronger, greener and cleaner communities where everyone belongs	✓			

<p>Comments: Ensuring that there are biodiversity units for sale within Doncaster will help to bring wildlife closer to communities while at the same time delivering other benefits that will make communities safer by delivering ecosystem services such as flood alleviation, clean air and carbon storage all of which will be increasingly important in mitigating the negative impacts of climate change.</p>				
 <p>Nurturing a child and family-friendly borough</p>	✓			
<p>Comments: Access to nature and green spaces have proven benefits for people’s mental health and personal well being. The development of Habitat Banks within Doncaster will mean the creation of new wildlife rich habitats that can help to connect children and families to nature.</p>				
 <p>Building Transport and digital connections fit for the future</p>				✓
<p>Comments: N/A</p>				
 <p>Promoting the borough and its cultural, sporting, and heritage opportunities</p>				✓
<p>Comments: N/A</p>				
<p>Fair & Inclusive</p>				✓
<p>Comments: In line with the corporate approach for compliance against the Equality Act 2011 due regard must be shown across all activity within the Council. Many of the recommendations in this report represent high level strategic decisions, hence there are no detailed impacts on any people, groups or individuals on which to base a due regard statement. However as biodiversity net gain becomes further developed, and a clearer picture becomes available of how and where biodiversity net gain projects are being delivered, a due regard statement may need to be completed and reported.</p>				

43. Legal Implications [Officer Initials: ND/SC | Date: 06.7.23]

Biodiversity net gain (BNG) is an approach to developments that aims to leave the natural environment in a measurably better state that it was beforehand.

The Environment Act 2021 amends the Town and Country Planning Act 1990, which from November 2023 introduces a new mandatory requirement for BNG in the planning system, requiring developers to demonstrate on all new developments that they will achieve a minimum BNG increase of 10% from the pre-development biodiversity value.

One way in which developers can meet their obligations to mitigate the impacts of developments on biodiversity is by purchasing BNG units from Habitat Banks. In order to ensure that these BNG units are legally secured the Council can enter into s106 Agreements with developers which set out the arrangements for delivery of those BNG units.

As the Council is proposing to establish its own Habitat Bank, there will be a need to enter into a legal agreement with an organisation acting as a 'Responsible Body' (such as the Wildlife Trust) who will oversee that the land is managed according to an agreed conservation management plan and from which BNG units will be sold to developers. It may be possible to use either a Conservation Covenant entered into under s117 of the Environment Act 2021 or a s106 Agreement (under the Town and Country Planning Act 1990) for this purpose. Further guidance from government on the use of conservation covenants is expected and further legal advice should be sought as to the appropriateness of legal documents to be entered into with a Responsible Body for the Habitat Bank's creation, as the project progresses.

Under the Agricultural Holdings Act 1986 the tenant is protected and benefits from security of tenure, which can only be terminated in very limited circumstances, none of which apply in this particular matter.

Therefore negotiations with the tenant have been undertaken and accordingly an agreement has been reached in terms of the timetable and the compensation payable to the tenant.

Legal should be consulted as soon as possible to prepare the deed of surrender of the agricultural tenancy.

Section 1 of the Localism Act 2011 provides the Council with a general power of competence, allowing the Council to do anything that individuals generally may do. Section 111 of the Local Government Act 1972 gives the Council the power to purchase goods and services

Procurements related to the creation, development and maintenance of the habitat bank must be carried out in accordance with the Councils contract procedure rules and public contracts regulations 2015 if applicable.

As set out in the body of the report, a further key decision will be required to agree the price per BNG unit. The income from the sale of BNG units should not create a profit for the Council. Where there is a likelihood of profit being achieved, further legal advice will be required in relation to charging and or trading powers available to the Council which may also include the need to set up a separate company.

The creation of a land acquisition strategy for BNG will help shape the Councils approach to land acquisitions for BNG purposes.

Further legal advice and assistance will be given as this project progresses

44. Financial Implications [Officer Initials: OB | Date: 06.07.23]

Topic A – Red House Farm Habitat Bank

(i)

It is proposed to setup a Habitat Bank on a Council owned area of land adjacent to Sandall Beat Wood. A Habitat Bank is expected to be cost neutral over the thirty-year life of the commitment. Although initial investment for scheme start up is requested from Earmarked Reserves, the units of Biodiversity Net Gain (BNG) delivered by the scheme would be sold to developers at a price that is expected to cover the full thirty years of estimated costs of acquiring, preparing and managing the land and delivering the net gain, including annual inflation over that period. There is no profit element built into the calculations for habitat banks run by CDC, but some other organisations offering these may choose to do so.

There is a risk with this scheme that inflation will be greater over the thirty year period than the estimate used in any initial calculations, resulting in costs to the council not being fully passed onto developers. There is also a risk with these habitat bank schemes that the units are not all sold, or not sold at a price that fully recovers the full costs of the scheme and the ongoing commitments arising from the sale of some units. It is recommended that the position be reviewed after an initial period. It is hoped that these units will sell in full as the sale of interim BNG Units by the Council since their recent introduction have been successful.

It is proposed that more Habitat Banks are created across the borough. As each site is unique and based upon a principle of cost recovery, this could result in a very different cost per units of Habitat Bank BNG across similar projects. It is expected that this will be the norm with BNG, with developers being forced to seek out whatever is available, whether that be on privately owned land or council owned land.

Competition from other private sector habitat banks is not expected to create an issue in the early years. However, this is something that would need to be considered for any future similar council projects as this market develops.

(ii) & (iii)

The estimated cost of compensation to be paid to the agricultural tenant is not disclosed in this report. There is a risk that Council Funds will be used to compensate the farmer for the lease at Sandall Beat but the Habitat Bank does not then proceed to creation as planned. The Council would then have used resources for no benefit and no longer receive the annual lease income payments of £2,742 from the farmer. This could also be the case for the initial grass seeding costs if the scheme does not progress beyond that stage.

(iv)

A simple grassland scheme has been costed by the service to demonstrate that this land could produce reasonably priced units. Draft calculations suggest that a simple grassland habitat could be established producing units for a fee of £15,000 per unit which is much less than the current charge paid for interim BNG Units offered by the Council. Whilst it is intended that the actual scheme will produce a more rich and diverse habitat, the simple grassland scheme information aims to provide some reassurance that a project of this kind is viable, as the decision on the outlay of funds to acquire and seed the land is required before the full information required to cost the desired scheme can be obtained. The service expect that the more diverse habitat will be more expensive per unit but still be competitive and below the current Council BNG Charge. The comparative cost of the new statutory biodiversity credits as part of a national scheme introduced by the government post November 2023 are not yet known.

The remaining project costs for years 1-5 will therefore be determined at a later date and approval to proceed with the scheme delegated once the final layout for the Habitat Bank, the detailed costings and the viability of the scheme have been established. This report recommends delegation for authority to the Director of Place and Chief Financial Officer, in consultation with the Cabinet Members for Sustainability and Waste and Finance, Traded Services and Planning, to fund the remaining project costs for years 1-5 (when known) subject to the production of a final layout for the Habitat Bank and detailed costings being produced and is conditional on the scheme being demonstrated as viable to the market.

As it is anticipated that the opportunity cost of the land would be included in the cost calculation of the Habitat Bank BNG units, there could be a surplus income (currently estimated at £670k) that could be used for an alternative purpose.

(v)

It is proposed that £1m is “borrowed” from the £5m Environment & Sustainability /Net Zero Carbon Earmarked Reserve fund to cover the project start-up costs as described above. This reserve was approved by Cabinet in February 2021 as part of the Quarter 3 Finance and Performance Improvement report. The allocation of this reserve is delegated to the Director of Place and Assistant Director of Finance & Technology to utilise in consultation with the Mayor but, in this case, the decision to allocate £1m is proposed to be made by Cabinet.

It is expected that the income from the sale of the units of Biodiversity Net Gain (BNG) created by the Habitat Bank will fully cover all the costs associated with creating, maintaining and managing the habitat bank for the 30 period and beyond. This means that if units sell as expected, this initial £1m investment from the £5m Environment & Sustainability/Net Zero Carbon Earmarked Reserve will be returned and reinvested within the first few years of this scheme.

(viii)

It is not yet known what the financial implications of entering a Conservation Covenant on the land would be and this would need to be considered further on approval.

(ix)

It is likely that income will be received in the earlier years of the scheme so this report recommends that a new earmarked reserve is created to enable the balance of income to be carried forward to meet costs over the 30 year period.

(x)

To calculate a price per unit of BNG, the total cost of the scheme for 30 years is divided equally by the estimated number of units of BNG that will be produced. As the full information is not yet available, this report does not propose approving a level of fee at this time. This is likely to mean a further key decision is needed. Depending on the timing this decision could be made as part of the Revenue Budget 2024/25 - 2026/27 report planned to be considered by full Council on 26th February 2024, or via a specific report to Cabinet, the Mayor or the portfolio holder. The agreed charges will be reviewed and published each year in line with other Council Fees and Charges.

Topic B - Land acquisition strategy for Biodiversity Net Gain

There are no direct financial implications arising at this stage.

45. Human Resources Implications [Officer Initials: DK | Date: 06/07/2023]

There are no immediate HR implications arising from the approval of this report and the proposed changes the three projects related to Biodiversity net gain, however, any future changes that impact on the workforce will require HR engagement and would involve separate approval as appropriate.

46. Technology Implications [Officer Initials: ET | Date: 06/07/23]

There are no technology implications in relation to this report

RISKS AND ASSUMPTIONS

47. It is not considered that there are any significant risks or assumptions associated with the decisions covered under Topic B (land acquisitions strategy). With respect to Topic A (the decision to open a Habitat Bank on the land adjacent to Sandall Beat Wood) the following risks and assumptions are considered.

48. There is a risk that the initial investment from the Net Zero Fund will not be recouped. This would happen if the Biodiversity Units the project generated did not sell. It is considered unlikely that this would be the case. There is already demand from developers to buy biodiversity net gain units and evidence that a fee of £25,000 per unit is viable. This is demonstrated by the fact that four s106 agreements have already resulted in Biodiversity Net Gain contributions being paid to the Council. In addition, a further four s106 agreements have also been signed. It is accepted that developers may start to seek cheaper alternatives over time.

49. One benefit of the Council being able to fund the upfront habitat creation and management of the habitats on the site is that the Defra metric rewards schemes that have created habitat in advance of selling the units. This means that in 5 years time, the created habitats will be worth more biodiversity units than they are in year 1. As a result we would be able to sell more biodiversity units from the site without increasing the cost of the project. This would mean we could reduce the price of our units to be more competitive in the market.
50. It is anticipated that at the point in time the compensation payment to the farmer is required (expected around August 2023) the full costings and final layout of a scheme including woodland and scrub may not be available for approval. This is considered a low risk. The figures in Appendix 2 show that a scheme that delivers grassland only is a financially viable option, with units costing significantly under the value at which existing Biodiversity Net Gain contributions are being collected. If the scenario arose where a project with woodland and scrub creation were a lot more expensive to deliver then it would be possible to implement a project where only grassland was created.
51. Once biodiversity units are sold, the Council will be legally required to deliver a project that creates that many biodiversity units. There is risk that the habitats created don't meet the necessary target conditions within the timeframe of the project, such that there is a shortfall in the number of units delivered. If this happened, the Council would nevertheless be responsible for delivering the units. This risk is mitigated in that there will be a contingency budget built into the costings in case things fail. It is also possible to design the scheme in a way that the target conditions are lower than potentially achievable, and hence more likely to be achieved. If an excess of biodiversity units that are delivered then these could be sold at a later date.

CONSULTATION

52. The woodland and scrub planting elements of the Red House Farm Habitat Bank project will be subject to approval by the Forestry Commission (FC). Work is currently underway preparing the information for a Stage 1 Environmental Impact Assessment to be submitted to the FC. This will inform whether the project will have a significant effect on the environment and hence inform whether a Stage 2 application to apply to the FC for consent to undertake the project is required.
53. The EIA process includes consultation with a wide range of internal and external stakeholders, including South Yorkshire Archaeology Service, Natural England, Public Rights of Way.
54. In addition to the above, detailed landscape drawings have been commissioned that will inform the FC Stage 1 application. These will also be used for engagement with the public and members over the coming months.

55. Throughout February 2023, a number of internal Officer stakeholder meetings were held, including with: Assets; Legal; Finance, Procurement; and Democratic Services to inform the scope and content of this report.

56. Discussions have taken place at officer level regarding the potential use of the Net Zero Earmarked Reserve to fund the initial project costs for the Habitat Bank. Support for this approach is currently being sought from senior officers.

BACKGROUND PAPERS

57. None.

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

BNG – Biodiversity Net Gain
CDC – City of Doncaster Council
EIA – Environmental Impact Assessment
FC – Forestry Commission
ODR – Officer Decision Record
S106 – Section 106

REPORT AUTHOR & CONTRIBUTORS

Helen Markland, Principal Ecologist

Phone Number: 01302 734 912 Email address: Helen.Markland@doncaster.gov.uk

Jonathan Clarke, Planning Policy & Environment Manager

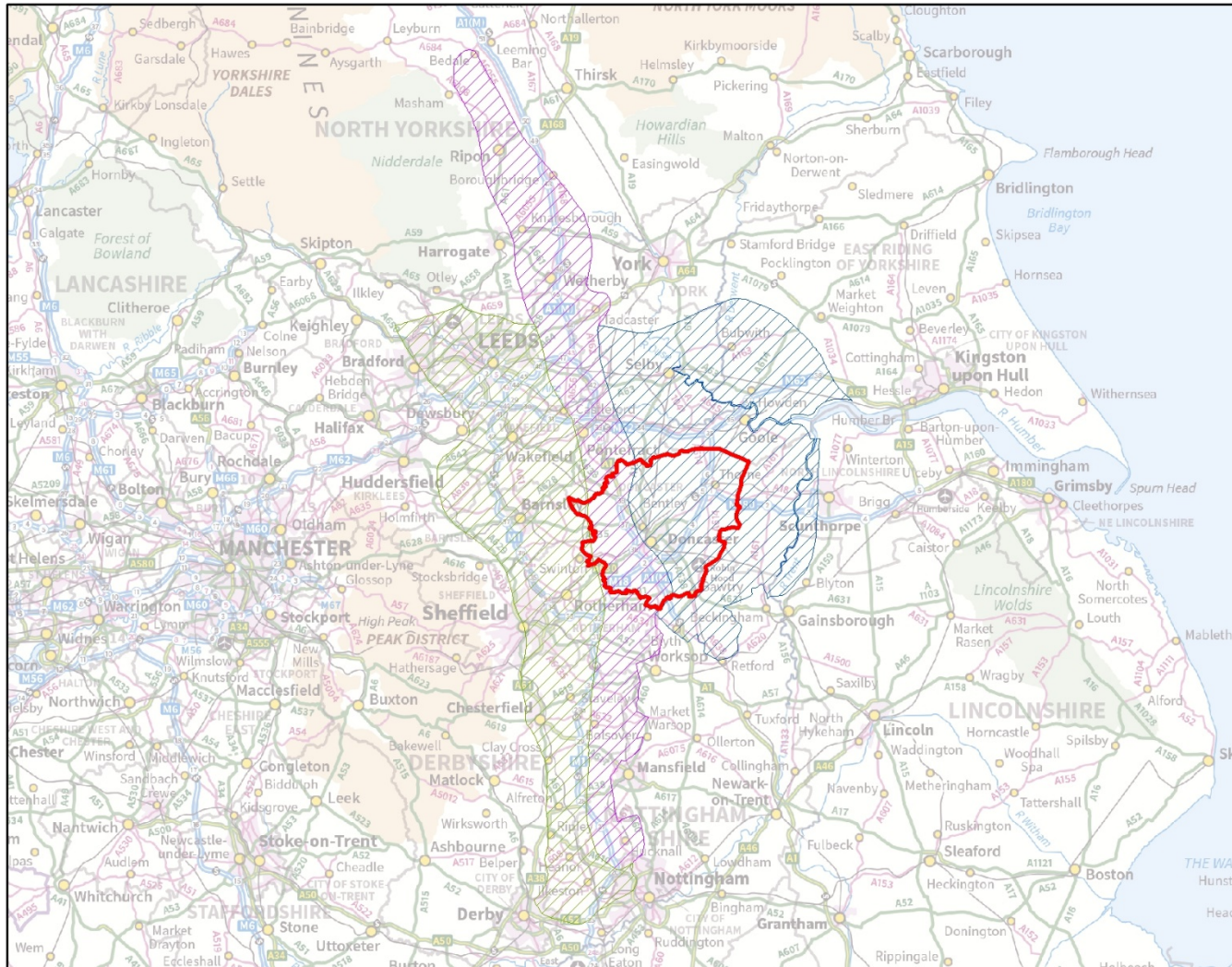
Phone Number: 01302 735 316 Email address: Jonathan.Clarke1@doncaster.gov.uk

Dan Swaine, Director of Place

Phone Number: 01302 862 503 Email address: Dan.Swaine@doncaster.gov.uk

Appendix 1

Map showing National Character Areas in relation to Doncaster




Doncaster Council


Key :

 Doncaster

National Character Areas:

 Southern Magnesian Limestone

 Nottinghamshire, Derbyshire and Yorkshire Coalfield

 Humberhead Levels

Notes :

Title :
National Character Areas

Completed By :
Planning

Reference :
National Character Areas

Date :
11/05/2023

Scale :
1:950,000

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Appendix 2

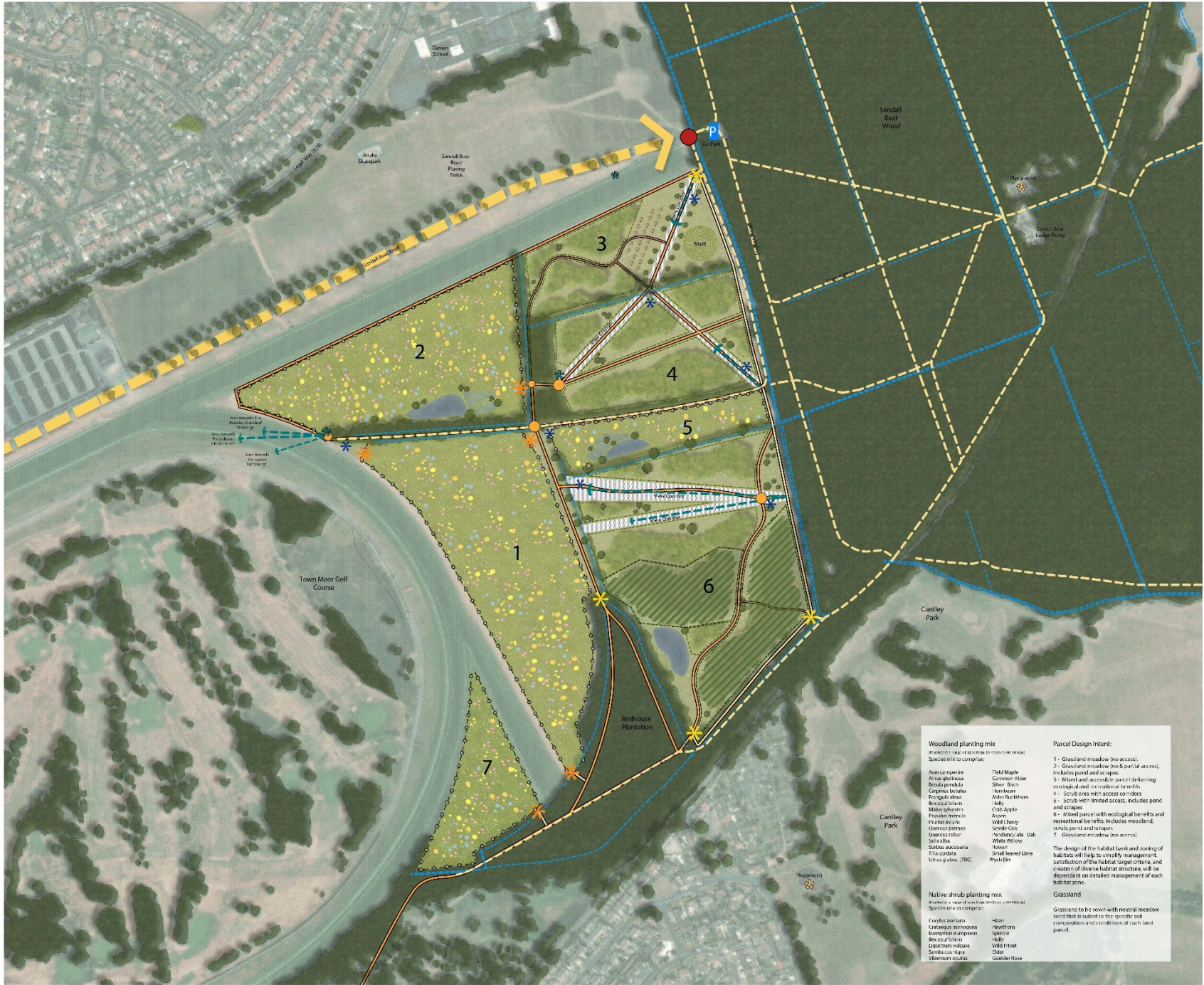
Estimated project costings for a Red House Farm Habitat Bank creating species rich grassland units

Costings for a Habitat Bank at Red House Farm that creates species rich grassland - delivering 22.43ha (55.5 acres) of moderate condition other neutral grassland

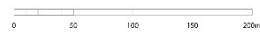
Summary	Description	Cost
Habitat creation – Year 1	Initial habitat creation costs including site preparation and sowing grass seed.	£70,000
Land costs/habitat management	Total cost of securing the land - including compensation payment and recouping land value. Establishment management - including establishment management during year 1, annual hay crops, weed control and mowing for a varied sward height over 30 years.	£1,450,500
Project Development and Monitoring	Project development and feasibility work – including soil testing, baseline BNG assessment, landscape drawings and staff time. Condition assessment surveys and monitoring, conservation covenant costs and project management.	£240,500
Insurance/contingency	To cover unforeseen events	£152,000
Total Project Cost		£1,920,000
Cost per Biodiversity Unit		£14,945

Appendix 3

Initial draft Landscape drawing showing Red House Farm Habitat Bank (design subject to change)



NOTES
 This drawing is the property of FPCR Environment and Design Ltd and is based on the information it is not responsible, retained or disclosed liability and business interest, whether written or oral without written consent of FPCR Environment and Design Ltd.



KEY
Existing Features

- Site area
- Existing vegetation
- Existing field drains
- Public access
- Maintenance access
- Water access

New Habitat

- Neutral grassland (no access) 11.27ha
- Grassland (partial access) 0.33ha
- Native species-rich tree
- Orchard
- Zones for planted native scrub 4.07ha
- Native woodland area 7.86ha
- Proposed pond 0.64ha
- Proposed stream 0.75ha
- Area to be in a Julian's Dove's management - but not managed other than as open

Site Features / Considerations

- Proposed path (access)
- Maintenance path
- Wood point
- Woodland / Arnhem
- Maintenance access
- Public access
- Stock / boat
- Stock access / feeding with roof
- Wood fence
- Water control

Woodland planting mix
 Proposed: 100% of area to be sown in 1st year.
 Species mix to comprise:

Acer campestre	Field Maple
Alnus glutinosa	Common Alder
Betula pendula	Silver Birch
Carpinus betulus	Hornbeam
Fragaria vesca	Alder-Burrhead
Malus sylvestris	Hawthorn
Populus nigra	Black Poplar
Prunella spinosa	Wild Cherry
Quercus robur	Common Oak
Sorbus aucuparia	White Rowan
Tilia cordata	Small leaved Lime
Ulmus glabra (DBP)	Wych Elm

Native shrub planting mix
 Proposed: 100% of area to be sown in 1st year.
 Species mix to comprise:

Corylus avellana	Common Hazel
Lonicera xylosteum	Woodbine
Sambucus racemosa	Black Elder
Rosa rugosa	Rugosa Rose
Ulmus glabra	Wych Elm

Parcel Design Intent:

- Grassland meadow (no access)
- Grassland meadow (no partial access), includes pond and scrapes
- Mixed and accessible parcel defining ecological and recreational benefits
- Scrub area with access or orders
- Scrub with limited access, includes pond and scrapes
- Mixed parcel with ecological benefits and recreational benefits, includes woodland, scrub, pond and scrapes
- Grassland meadow (no access)

The design of the habitat bank and zoning of habitats will help to simplify management, satisfaction of the habitat target criteria, and creation of diverse habitat structure, will be dependent on detailed management of each habitat zone.

Grassland
 Grassland to be sown with neutral meadow seed that is suited to the specific soil composition and conditions of each land parcel.

REV	04/07/2023	Revisions/changes	REV	04/07/2023
REV	04/07/2023	Initial design	REV	04/07/2023
REV	04/07/2023	Initial design	REV	04/07/2023
REV	04/07/2023	Initial design	REV	04/07/2023



Doncaster Council
Red House Farm
Doncaster

Initial Design
 Scale: 1:2000 @ A1
 Date: 05 June 2023
 Drawing number: 11692-FPCR-XX-XX-DR-L-0001

