

REPORT OF THE HEAD OF PLANNING, ECONOMY AND REGENERATION

BID SUBMISSIONS TO THE HOUSING INFRASTRUCTURE FUND.

Cabinet Member	Cllr Richard Chesterton
Responsible Officer	Mrs Jenny Clifford, Head of Planning, Economy and Regeneration

Reason for Report: To update members on the latest position with regard to the Housing Infrastructure Fund (HIF) bid for Cullompton and to seek approval to pursue opportunities to use this Government investment on an amended transport intervention to bring forward housing development and address congestion and air quality problems in the Cullompton area and seek approval to fund related work.

RECOMMENDATION: That Cabinet agree to:

- 1. Grant delegated authority to the Head of Planning, Economy and Regeneration to pursue further discussions over Housing Infrastructure Fund Marginal Viability (HIF MV) with Homes England on the basis of an amended highway intervention at Cullompton to deliver the town centre relief road;**
- 2. Approve a budget of £100,000 to progress development of a relief road scheme and grant delegated authority to the Head of Planning, Economy and Regeneration in consultation with the Cabinet Member for Planning and Regeneration to commission associated work up to this value;**
- 3. In the event that HIF funding from Homes England is confirmed, grant delegated authority to the Head of Planning, Economy and Regeneration and Director of Finance, Assets and Resources (Section 151 Officer), in consultation with the Cabinet Member for Planning and Regeneration, to approve a further budget of up to £300,000 to support pre-application work which would then be reimbursed through the HIF fund.**

Relationship to Corporate Plan: Resolving road capacity and air quality issues within the town will enable development identified in the Local Plan to come forward and make a valuable contribution to delivering the priorities of the Corporate Plan 2016 to 2020; Economy, Homes, Community and Environment.

Financial Implications: Delivery of key highway infrastructure improvements in Cullompton would play a pivotal role in bringing forward the corporate aspirations to facilitate growth within the district which in turn will help boost the economy. Authority to pursue an evolving alternative intervention in the form of a relief road will require up front funding of an initial £100,000 together with a further budget of up to £300,000 to support pre-application work which would then be reimbursed through the HIF fund. Authority for the £300,000 is only sought in the event of confirmed approval of the HIF funding from Homes England for the eligibility of reimbursement of this spend.

Legal Implications: None other than the pursuance of section 106 developer contributions through legal agreements which is a standard requirement and will be sought on a site by site basis irrespective of whether this funding is forthcoming. The Council will need to enter into a funding agreement with MHCLG which would be considered by Legal Services prior to signing.

Risk Assessment: Further work on the initially proposed intervention on Junction 28 together with discussions with Devon County Council and Homes England lead us now to believe that the scheme as initially submitted under the HIF MV fund is not deliverable and will not achieve the desired outcomes. On this basis your officers do not consider that as originally submitted the scheme would pass the Homes England due diligence process with the result that the funding would not be awarded. The further transport modelling work that has taken place since the submission of the HIF bid confirms that delivery of a relief road at Cullompton would achieve the same beneficial transport outcomes as the original scheme and will also provide other positive benefits such as removal/ reduction of traffic movements through the town centre.

There is also a risk in pursuing a 'relief road' intervention as the proposal will still need to meet the HIF scheme criteria and deliverables and be subject to further assessments by Homes England. In order to meet fund timescales work streams and expenditure would need to commence in advance of likely timescales for the Homes England final decision. Any spend with regard to the initial £100,000 would therefore be at risk should Homes England not agree to support this intervention.

Equalities: No implications anticipated.

1.0 Background: Housing Infrastructure Fund.

1.1 In July 2017 the Government launched its £2.3 billion Housing Infrastructure Fund to finance infrastructure to unlock housing delivery. This funding is being awarded on a highly competitive basis. The Government has made this fund available to:

- Deliver new physical infrastructure to support new and existing communities;
- Make more land available for housing in high demand areas, resulting in new additional homes that otherwise would not have been built;
- Support ambitious local authorities who want to step up their plans for growth and make a meaningful difference to overall housing supply; and
- Enable local authorities to recycle the funding for other infrastructure schemes, achieving more and delivering new homes in the future.

1.2 The government fund consists of two separate funding streams described as follows:

- **Marginal Viability Funding:** This will be used to provide the final, or missing, piece of infrastructure funding in order to get existing sites unblocked quickly or new sites allocated. The Government expects the infrastructure to be built soon after schemes have been awarded funding and for the homes to follow at pace. The Marginal Viability Fund (MVF) is eligible for District

Councils and Unitary Councils with the Government prospectus indicating a cap of £10 million.

- **Forward Funding:** This funding will be used for a small number of strategic and high-impact infrastructure schemes. This fund is not available to lower tier authorities such as Mid Devon. Forward Funding is capped at £250 million.

- 1.3 A report was taken to Cabinet on 31st August 2017 setting out the basis for HIF and the intentions of this Council over submitting such bids. The Government made it clear that “bidders will need to demonstrate that **the schemes cannot happen without the financial support of this Fund** but would still offer a net benefit to society”. Bids also needed to demonstrate that there is evidence of a demonstrable market failure and that developers or others, are not able to pay for the infrastructure themselves.
- 1.4 MHCLG specified that local authorities need to make it clear in their bids that:
 - “• the local authority must have an adopted up-to-date plan (either a development plan or spatial development strategy) or a plan that has been submitted for examination; or
 - bidders need to demonstrate that the funding will unlock the release of otherwise undeliverable land, which will speed up getting the plan in place.”
- 1.5 MHCLG is also asks local authorities pursuing HIF funding to demonstrate that their infrastructure proposals have support locally with evidence of a strong local commitment to delivery, including between different tiers of local government and with delivery partners and providers; the involvement of local communities and MPs; and engagement with Local Enterprise Partnerships.
- 1.6 The Fund is available up to 31 March 2021 with MHCLG prioritising announcements for strong schemes that can start spending straight away. Bids have been assessed by use of the following three criteria:
 - Value for money
Schemes funded will need to provide a greater total net benefit than cost. Bids will need to provide a Benefit Cost Ratio (BCR) which quantifies the benefits from homes being built, and compares these to the costs to Government. In calculating the BCR, MHCLG will take into account the total amount of funding being provided by Central Government. This is to ensure that there is no double counting. This does not include any funding put in by local government or by Local Enterprise Partnerships.
 - Strategic approach to delivering housing growth
MHCLG wish to fund schemes that take a strategic approach, with strong local leadership and joint working to achieve higher levels of housing growth in the local area, in line with price signals, and supported by clear evidence.
 - The scheme and homes can be delivered

Bids are required to set out their delivery plans for both the infrastructure and the subsequent housing. This needs to include:

- a clear plan to deliver the infrastructure;
- a clear link between the provision of the infrastructure and the delivery of the homes; and
- reference to all the key delivery partners which are working together effectively.

Bids will need to set out key milestones, project plan, and any levers or contractual arrangements with key delivery partners or those operating in the local housing market. Bids will also need to be supported by the Highways Authority. Consideration will also be given to factors such as the progress made to date, the status of planning permissions, the strength of active commitment from key partners and delivery bodies, the project management and governance approach and the understanding of key delivery risks and their mitigations.

1.7 Marginal Viability bids needed to be submitted by 28 September 2017.

2.0 **MDDC bids.**

2.1 In accordance with details within the Cabinet report of 31st August 2017, Mid Devon District Council submitted two marginal viability HIF bids in relation to two schemes for highways infrastructure which can unlock development sites identified within both our adopted Local Plan and the emerging Local Plan Review. These were as follows:

2.2 **Junction 28 of the M5 Motorway, Cullompton:**

A scheme of improvements to increase the junction's capacity through the creation of an additional lane on the bridge over the M5 to provide two lanes in each direction, the construction of a new footbridges and full signalisation of the motorway junction. Bid amount: £10 million.

2.3 **Northern element of A361 junction east of Tiverton:**

A funding package has been secured to deliver the southern left-in left-off elements (phase 1) of the A361 junction east of Tiverton to facilitate deliver of the Eastern Urban Extension and construction work is well underway. However in order to enable Area B to come forward the phase 2 northern elements are also required. A HIF bid was made for phase 2 covering the bridge across the A361, the north side slips and associated landscaping.

2.4 Where the same local authority submitted more than one bid for funding there was a requirement that the bids be ranked according to priority. Cabinet resolved to prioritise the bid relating to improvements to Junction 28 of the M5 Motorway.

3.0 **MDDC bid status.**

3.1 Early in 2018 the Government announced a list of successful schemes under the HIF Marginal Viability Fund. Both the Mid Devon schemes (£10 million Cullompton M5 junction 28 improvements and £8.2 million Tiverton Eastern

Extension A361 junction phase 2) were included in the list of successful projects. Contact was subsequently made by Homes England indicating that this initial indication of success was still subject to a process of due diligence that would focus further assessment around value for money (cost/benefit) and delivery. Further information requests for both schemes have now been received that seek to understand the viability position of the housing sites that the infrastructure will unlock together with more detail on timescale, cash flow and delivery of the highway proposals themselves. Expectation is that this further process of engagement and assessment by Homes England will be completed within the next few months at which time a final decision over whether to award the funding will be made. Homes England wishes to enter into contracts with successful Councils in 2018 allowing for initial tranches of funding to be drawn down.

- 3.2 Since January 2018, this Council has been continuing to discuss the HIF proposals with a range of interested parties including Highways England and Devon County Council and to explore both schemes in more detail in order to engage with Homes England over their due diligence process. At present this due diligence process is still underway.
- 3.3 The rest of this report concentrates upon the Cullompton HIF proposal in order to update Members and make further recommendations regarding this bid.

4.0 Evolution of Cullompton HIF scheme intervention.

4.1 The HIF bid as submitted.

- 4.1.1 More detailed transport analysis and further discussions have taken place with Devon County Council officers and Highways England over the HIF scheme proposal for Cullompton. A number of issues have arisen. The highway authorities referred to above now consider that the Junction 28 improvements as originally applied for under the fund will not achieve the benefits to traffic flows and junction operation initially expected and furthermore they have expressed strong concern over the ability to construct the scheme. As a result neither Devon County Council nor Highways England is content with taking responsibility for its delivery. It is also recognised that implementation of Junction 28 improvements in the manner initially proposed would cause major disruption and adverse effect on traffic movements during their construction. It is therefore concluded by the highway authorities that the scheme of works at the junction as submitted under the HIF scheme is both undeliverable and would not represent value for money. Consequently in light of these further discussions and emerging technical work, your officers conclude that the scheme as currently presented would not now satisfy Homes England and would not be funded.

4.2 Proposed bid revisions.

- 4.2.1 Officers have sought to identify whether there are any opportunities to evolve or revise proposals through the HIF process in order to achieve the same intended outcomes, unlock the same number of homes as required through the fund and deliver value for the public purse. Through these discussions an

amended course of action has evolved which the Highway Authority considers to perform better than the initially proposed Junction 28 improvements in transport terms and would also bring about wider benefits. It is recommended that the HIF proposal now focuses on the delivery of a Cullompton relief road. This is also seen as being preferable by Highways England and would not cause the same level of disruption to the operation of the motorway junction during construction as the original proposal.

- 4.2.2 The delivery of a relief road for Cullompton has been a long term objective, receiving policy support within both the adopted and submitted Local Plans. It would also enable the reduction of traffic flows through the town centre resulting in air quality and town centre amenity benefits. This aligns with the Council's separate Townscape Heritage Initiative (THI) submission for Cullompton town centre. The THI submission is still under consideration by the Heritage Lottery Board. The Council is also proposing to masterplan Cullompton town centre.
- 4.2.3 The precise alignment of a relief road is yet to be determined, but options generation is well advanced. Public consultation will take place in accordance with the requirements of policy before planning application submission. There is a requirement of the HIF process that money is spent and schemes delivered by 2020/21.
- 4.2.4 It is known that significant highway improvements will be required to serve the proposed garden village to the east of junction 28. A relief road could form the first part of such improvements, thereby also contributing to longer term growth and delivery aspirations as set out in the Local Plan Review and garden village expression of interest.
- 4.2.5 Members need to be aware that amending the Cullompton HIF scheme to focus on the delivery of a relief road is not without risk. The deliverability of the scheme, cost / benefit and timescale requirements for spend and scheme completion as required by Homes England will need to be proven in order for the award of funding (£10 million) to be ultimately made. Officers anticipate further liaison with stakeholders and interested parties, detailed programme planning and refinement over the following months.
- 4.2.6 Further work on project planning will need to respond to the tightness of the timescale for scheme delivery. Your officers expect this to require some work to be financed in advance of final confirmation of the bid outcome from Homes England. A budget of £100,000 for this work will be needed and would therefore be at risk should Homes England not agree to support this intervention. However even if this HIF opportunity not presented itself it is work that would still be needed to progress the delivery of a relief road for Cullompton.
- 4.2.7 In order to work up a planning application for the road together with associated supporting information, a further budget of £300,000 will be required. This would then be reimbursed through the HIF fund. Authority for the £300,000 is only sought in the event of Homes England confirming approval of the HIF funding and for the eligibility of this spend to be reimbursed through any such funding award.

5.0 Conclusions.

- 5.1 Your officers therefore consider that there is a strong case for the proposition to Homes England under HIF to be amended in terms of the nature of the highway intervention at Cullompton. It is now proposed to promote the delivery of a relief road rather than the original scheme at the motorway junction, the latter now being understood to be undeliverable. This is considered to represent the greatest opportunity in terms of cost /benefit, delivery of new homes and ultimately for a successful HIF outcome, but is not without risk. At this stage the outcome of further engagement with Homes England over an amended scheme is uncertain. Officers will continue to work on the scheme in order to meet fund requirements and reduce this risk. Additional benefits would also arise from the delivery of a relief road in terms of reduction /removal of traffic from the town centre, air quality, townscape, quality of life, vitality and viability of the town centre. It would also align with the Council's longer term aspirations for growth within the Cullompton area.

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Background Papers	<p>Cabinet November and December 2014; Council January 2015; Council 27th April 2016; Cabinet 15th September 2016; Council 22nd September 2016; Cabinet 21st November 2016 Council 1st December 2016 Cabinet 31st August 2017</p> <p>MHCLG https://www.gov.uk/government/publications/housing-infrastructure-fund</p>
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