

**REPORT OF THE HEAD OF PLANNING, ECONOMY AND REGENERATION**

**BID SUBMISSIONS TO HOUSING INFRASTRUCTURE FUND**

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

**Reason for Report:** To inform members of the current funding opportunities under the Housing Infrastructure Fund, seek approval to pursue a bid for infrastructure projects in the district and to agree prioritisation of the projects to be submitted.

**RECOMMENDATION: That Cabinet agree to:**

- 1. Grant delegated authority to the Head of Planning, Economy and Regeneration to submit a bid to the Housing Infrastructure (Marginal Viability) Fund to seek finance for the projects identified within this report; and**
- 2. Prioritise the bid relating to improvements to Junction 28 of the M5 Motorway.**

**Relationship to Corporate Plan:** If successful this funding bid 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:** If successful this funding 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. No additional contributions from the district council are envisaged over and above those already reflected in existing budgets.

**Legal Implications:** None other than the pursuance of section 106 developer contributions legal agreements which is a standard requirement and will be sought irrespective of whether this funding is forthcoming. If successful, the Council will need to sign a funding agreement with DCLG which should be considered by the Legal Service Manager prior to signing.

**Risk Assessment:** The risks to the authority is negligible of pursuing this funding; however the consequences to the authority of not securing an adequate funding package is serious as it could compromise the authority's ability to deliver much needed housing and achieve five year land supply.

## **1.0 Background**

- 1.1 In July 2017 the Government launched its £2.3 billion Housing Infrastructure Fund to finance infrastructure to unlock housing delivery. This funding will be 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 which the Department for Communities and Local Government (DCLG) describe 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. We expect the infrastructure to be built soon after schemes have been awarded funding, and for the homes to follow at pace.

• **Forward Funding:** This funding will be used for a small number of strategic and high-impact infrastructure schemes. We may put in the first amount of funding, which then gives the market confidence to provide further investment and make more land available for development and future homes.”

1.3 The **Marginal Viability Fund** (MVF) is eligible for District Councils and Unitary Councils whilst the **Forward Funding** is only eligible to the uppermost tier of local authorities, which in our case is Devon County Council. MVF bids are capped at £10 million, whilst the Forward Funding is capped at £250 million. We understand that Devon County Council (DCC) is currently preparing an expression of interest submission under the forward funding stream with regard to unlocking development south west of Exeter, although following advice from both the Homes and Communities Agency (HCA) and Highways England (HE) we are hopeful that an appropriate expression of interest is also submitted by DCC for the larger-scale scheme at Cullompton, which includes the southern-facing slips as part of an effective new motorway junction. Any such expression of interest could include the resources to work up the scheme as well as put down a marker over the scope and scale of the proposed scheme.

1.4 This report relates to the MVF bid which the District Council is eligible to bid for. The Government has 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 will also need 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.

1.5 DCLG specifies 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.”

1.6 DCLG is also asking 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.

1.7 The Fund is available up to 31 March 2021 and DCLG will prioritise announcements for strong schemes that can start spending straight away. Bids will be 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, DCLG 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

DCLG 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.

1.8 Marginal Viability bids need to be submitted by 28 September 2017. Bids will be assessed and funding awards announced from late 2017 or early 2018.

1.9 The two schemes below both relate to highways Infrastructure schemes which can unlock development sites identified within both our adopted Local Plan and the emerging local plan review.

## **2.0 Junction 28 of the M5 Motorway, Cullompton**

2.1 Devon County Council has raised concerns regarding the capacity of junction 28 and its ability to accommodate additional traffic movements arising from planned developments. Whilst a longer term solution is planned comprising of a new motorway junction and town centre relief road which will enable the Garden Village proposal to be developed this will not be delivered soon enough to facilitate more immediate development proposals to come forward.

2.2 The first phase of the North West Cullompton allocation accounts for approximately 600 dwellings, planning for which has now been submitted. Whilst this first phase will include online improvements to cater for the trips generated from this stage of the development the remaining elements of that allocation will need a more comprehensive solution as previously identified in the Allocations and Infrastructure Development Plan Document (January 2011). Other local plan allocations within

Cullompton could also come forward sooner if more capacity was released at the junction at this early stage in the local plan review period. Crucially improvements to Junction 28 could allow the early construction of a first release of approximately 500 dwellings east of Cullompton which will form part of the Garden Village. This in turn could help fund the more comprehensive scheme required to deliver the rest of the Garden Village proposal to come forward.

- 2.3 The proposed improvements will increase the junction's capacity through the creation of an additional lane over 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 (please see Appendix 1). The County Council's current estimated cost of these improvements is £10 - 15 million. Developer contributions will be sought towards these works however this will still result in a shortfall which could be sought under the HIF programme. These scheme costs are currently indicative and Devon County Council is currently refining these figures as referred to below.

<b>Junction 28 of the M5 Motorway, Cullompton</b>							
<b>Site type: Urban Extension/Garden Village/Other Local Plan allocations &amp; employment land.</b>				<b>Housing market strength: Medium</b>			
<b>Infrastructure needed</b>	Capacity Improvements at motorway junction.	<b>Number of homes</b>	1,450	<b>Funding requested</b>	£10 - £15 million	<b>Total scheme cost</b>	£15 million

- 2.4 In discussion with both HE and DCC, it has been agreed that we should both bid for exactly the scheme as is necessary to unlock the growth, i.e this £10 - £15m scheme (knowing the marginal viability scheme is capped at £10m). Highways England will provide a letter of support, confirming their support for this specific scheme to unlock growth.

### **3.0 Northern element of A361 junction east of Tiverton**

- 3.1 Members will be aware that a funding package has been secured to deliver the southern left-in left-off elements of the A361 junction east of Tiverton to facilitate deliver of the Eastern Urban Extension. However in order to enable Area B to come forward the phase 2 northern elements are also required. Phase 2 covers the bridge across the A361, the north side slips and associated landscaping (please see Appendix 2). Members will also recall that planning permission has been granted for the full junction, contracts let by Devon County Council for the first phase with works due to commence in early September 2017. HIF funding would deliver the northern phase of the junction which could potentially be constructed as a continual build (a new construction tendering process would be required).
- 3.2 Provision of the phase 2 scheme will enable the Area B development to come forward and also provide further future capacity.

<b>Northern element of A361 junction east of Tiverton</b>							
<b>Site type: Local Plan Urban Extension/potential longer term development options.</b>				<b>Housing market strength: Medium</b>			
<b>Infrastructure needed</b>	Northern element of A361 junction	<b>Number of homes</b>	500-700	<b>Funding requested</b>	£7.1 million	<b>Total scheme cost</b>	£15.6 million

## 4.0 Prioritisation

- 4.1 A full and detailed value for money assessment is required as part of the bidding process. Value for money is crucial as it is likely that the fund will be significantly oversubscribed. Accordingly bidders under the marginal viability fund are asked to prioritise when submitting more than one scheme. At the time of writing this work is still being progressed with Devon County Council. Costings are also being refined, particularly with regard to the Junction 28 scheme which is currently estimated at £10 - £15 million. It may be possible for this figure to be refined as additional work on the scheme is being completed. For information, the previous scheme was estimated at £9 million (2011 costs) albeit without the full signalisation element and a slightly different junction configuration.
- 4.2 Whilst it is too early to provide more information with regard to a detailed value for money case it is clear that the Junction 28 scheme could deliver considerably more housing and economic growth opportunities within the plan period than phase 2 of the A361 junction. It is therefore recommended that the Junction 28 scheme be prioritised within the bid submission.

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<b>Background Papers</b>	Cabinet November and December 2014; Council January 2015; Council 27 <sup>th</sup> April 2016; Cabinet 15 <sup>th</sup> September 2016; Council 22 <sup>nd</sup> September 2016; Cabinet 21 <sup>st</sup> November 2016 Council 1 <sup>st</sup> December 2016
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