

## **CABINET**

**10 JULY 2018**

### **NEW ROUTES TO GROWTH – HOUSING INFRASTRUCTURE BID**

Portfolio Holder: Councillor Alan Jarrett, Leader  
Councillor Rodney Chambers OBE, Portfolio Holder  
for Inward Investment, Strategic Regeneration and  
Partnerships

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#### **Summary**

This report sets out details of Medway's Housing Infrastructure Funding (HIF) Bid – New Routes to Growth, which plans for much needed infrastructure to enable growth in and around the Hoo Peninsula and waterfront regeneration sites.

The report will ask Cabinet to recommend to Full Council on 19 July 2018 the addition of up to £750,000 to the revenue budget to be initially funded from reserves.

#### **1. Budget and Policy Framework**

- 1.1 The Council is preparing a new Local Plan to manage Medway's growth up to 2035. On adoption this will form the development plan for the authority and be part of the Council's policy framework. Recent consultation on the Local Plan Regulation 18 Development Strategy included a proposal for strategic growth on the Hoo Peninsula, to develop a rural town focused around Hoo St Werburgh. The Planning Service is considering responses to the consultation and carrying out further evidence based work to identify the most sustainable and appropriate locations for growth in Medway as allocations in the new Local Plan.
- 1.2 Housing Infrastructure Funding (HIF) of up to £4.1 billion is being made available for upper tier local authorities to facilitate the delivery of infrastructure to bring forward 300,000 new homes. It is a competitive process looking for bids that deliver significant housing numbers and the necessary infrastructure. Medway Council has been successful in the

Expression of Interest (EOI) stage of the bid process and has now been invited to participate in the final Co-development stage of the bid.

- 1.3 Funding of up to £750,000 is sought to assist with the preparation of the business case to complete the final co-development stage of the bid. Additions to the revenue budget are a matter for Full Council.

## **2. Background**

- 2.1 In September 2017 Medway Council submitted a bid (New Routes to Growth) of £170m to Homes England, to unlock the potential of new development on the Hoo Peninsula of up to 12,100 new homes, and strengthen the area's economy through development of commercial space at Kingsnorth and Grain.
- 2.2 The bid represents strong value for money compared to the level of investment and number of homes proposed for Ebbsfleet (£300m, 15,000 homes) seeking to bring forward much needed physical, social and environmental infrastructure, in the form of roads, new rail connections and station which will support economic growth and social facilities such as new community facilities and country parks.
- 2.3 Medway Council must submit a Business Case to the Ministry of Housing, Communities and Local Government (MHCLG) to complete the final co-development stage of the bid.
- 2.4 In order to complete the submission, the preparation of a detailed business case is required. Officers are requesting funding of up to £750,000 to prepare and gather the required information, which will include the completion of appraisals/surveys, and the appointment of necessary consultants.
- 2.5 The total cost of the Resources Plan is estimated at up to £750,000 (subject to the level of work required by MHCLG). This represents up to 0.44% of the potential grant award.
- 2.6 The Business Case required for the submission of the bid will be developed in association with:
- A289 LGF £11m
  - Hoo Rural Town Masterplan
  - New Local Plan consultation programme and responses
  - Lodge Hill Scenario Testing
  - Hoo Land Promoter Consortium activity
- 2.7 The co-development tasks and costings are based on achieving a robust green book appraisal on the entire HIF Expression of Interest.
- 2.8 We need to establish the likelihood of success of the co-development phase through dialogue with Homes England and MHCLG. To date we have identified 35 bids progressing to co-development stage (including all non-London bids), with a total value of £3.2 billion (compared to £4.1 billion available). Medway presents the 5<sup>th</sup> largest scheme, offering significant benefits to MHCLG.
- 2.9 We are aware that MHCLG may expect an enhanced version of the standard Green Book appraisal as delivered to support previous Government funding

rounds, such as the Local Growth Fund. This unknown requirement has been resolved by developing a range of costs per task.

- 2.10 There are three submission deadlines as not all potential schemes will require the same amount of time to prepare their business case, these deadlines are:
- 10 September 2018 – decision Nov 2018
  - 3 December 2018 – decision Feb 2019
  - 1 March 2019 – decision May 2019
- 2.11 In discussion with MHCLG officers are reviewing two potential submission dates of either December 2018 or March 2019.
- 2.12 The Regeneration Delivery team has been liaising with the Planning Service to link the development of the HIF proposal with the emerging growth options in the new Medway Local Plan. The Development Strategy consultation document identified potential for strategic growth around Hoo St Werburgh for a small rural town. This option was predicated on the need for significant infrastructure investment, and a sensitive approach to planning and design to secure a rural character and acknowledge important environmental assets on the Hoo Peninsula.
- 2.13 The HIF bid has recognised the potential for this strategic development on the Hoo Peninsula, and seeks to secure the resources that would be required to deliver a sustainable and attractive small rural town. The bid addresses the challenges of delivering this scale of development, and realising opportunities to attract growth that can provide benefits for all.

### **3. Options**

#### **3.1 Do nothing**

This option would see no budget allocation made to support the development of both the HIF Business Case and Green Book Appraisal. Any further development work on the bid would be solely reliant upon external resources. However, due to limited and stretched internal skills and experience, it would not be possible for the Council to undertake the high level work involved to develop the Business Case. If consultants are not appointed then there would be no further work on the development of the HIF New Routes to Good Growth's Business Case, or its Green Book Appraisal. This option would lead to a non-bid to the Ministry of Housing Communities and Local Government (MHCLG) and the loss of a once in a generational opportunity to future proof Medway's transport and community infrastructure. The 'do nothing' option would also put at risk the delivery of the Local Plan.

#### **3.2 Do minimal**

With a reduced budget of circa £375,000, targeted but limited external support could be procured to further develop the rail / road information delivered by the Local Plan current studies. This would enable further development of information and advice from the Strategic Transport Assessment and the Hoo Rural Town Local Development Framework – both of which are key supporting documents for the HIF Business Case. This 'do minimal' option would not however resource the critical and essential tasks associated with the writing building of the required 280 page Business Case. Specifically, the

need to develop a Funding and Finance Strategy for the housing schemes, and calculating residential land values across all sites – including developer profit and build costs. This option would still expose the HIF bid to failing its Green Book Appraisal and MHCLG rejecting the New Routes to Good Growth bid. Such a position will result in the loss of generational investment and a challenged Local Plan.

### 3.3 Do all:

Allocation of an investment of up to £750,000 would create a budget that is capable of developing and submitting a comprehensive and informed HIF bid capable of supporting a robust Green Book Appraisal. This option will ensure that all the key technical details of road, rail and community infrastructure are fully developed and costed, and that delivery as well as financial risks are minimised. Further to securing the necessary external support for infrastructure development, the 'Do all' option resources the appointment of dedicated support to enable Council services in their task of providing legal, financial, SMART, land and property, highways, communications and marketing support. This option invests in the development of a sound and well informed HIF Business Case and maximises the opportunity of success, whilst minimising risk. Cabinet to recommend to Full Council on 19 July 2018 the addition of up to £750,000 to the revenue budget to be funded initially from reserves.

## 4. **New Routes to Growth – Housing Infrastructure Fund**

- 4.1 National planning policy requires Local Plans to encourage a balanced transport system in favour of sustainable transport, providing choices for travel and reducing greenhouse gas emissions and congestion.
- 4.2 The current infrastructure, in and around the Hoo Peninsula, is recognised as a major constraint to growth within the Medway Council Local Plan Development Options consultation document. Forward Funding in infrastructure investments would address this barrier to potential strategic development. Careful master planning will be needed to preserve the character of Hoo Peninsula.
- 4.3 If Medway Council were to do nothing to improve the infrastructure, the road network on the A228 and A289, particularly the junctions at Four Elms roundabout will become unsustainable as Medway's population rises. Without significant government investment in infrastructure it is unlikely that significant housing on the Hoo Peninsula could be delivered. Proposed developments may not be able to secure the planning permission required, due to transport restrictions presented by the existing road infrastructure.
- 4.4 If Medway Council were to complete minimum intervention (current A289 LGF proposals) for the infrastructure within this area, it would lead to a failure to meet development needs, and would exacerbate pressures in the housing market. Significant congestion hotspots are likely to emerge. Air quality is likely to worsen. Medway has four (soon to be five) Air Quality Management Area's (AQMA), of which the Four Elms Hill is one.

4.5 A HIF Bid of £170million is an ambitious proposal which will need careful planning, but if successful can provide the transport infrastructure needed to unlock up to 12,100 houses on the Hoo Peninsula by:

#### 4.5.1 Road Investment

Significant upgrades along the A228 would provide a workable arterial road for a potential small rural town on the Hoo Peninsula. Road widening may require bridges to be reconfigured. Road investment would have to continue along the A289 to prevent traffic creating congestion hotspots. A provision of road capacity may however encourage further road use, which means improvements may become insufficient in due course.

#### 4.5.2 Rail Investment

Investment in the Grain Freight Line, which is currently used for freight transport from London-Thamesport, but retains significant surplus capacity. Investment would make the line suitable for a passenger service. This would include a new train station at Hoo, connecting with Gravesend (recommended) or Higham, with access to High Speed One, Elizabeth Line and other Southeastern train services. Diesel rolling stock would need to be accessed (or rolling stock that does not require line electrification). This option would provide a shuttle passenger service, reducing road congestion along the A289, including Medway's waterfront, particularly during the AM Peak. The service would offer rapid journey times to St Pancras International. Alone however, this measure will not support the full transport needs of the new town of Hoo.

#### 4.5.3 Sustainable Travel

A range of alternative travel measures will be proposed to promote modal shift and to provide various transport solutions to new residents. Measures will instil new habits and behaviours to daily travel, which is easier with new populations adjusting to their new lifestyles. We also hope to attract residents that will be motivated by, and interested in sustainable travel. A sustainable new town in Hoo will differentiate its offer from alternative new towns and garden cities. Travel options including car clubs and car pooling, assisted with smart technology, encouraging cycling and supporting a regular shuttle bus to the Medway Towns, will offer alternative modes of transport that help to reduce pressure on the A228. These measures will also have a less harmful impact on air quality than cars on congested roads.

4.6 A combined approach is recommended for the HIF Bid. A combination of rail, road and sustainable travel investments will support growth of different modes of transport. Investment will diversify travel approaches and ensure there is not overreliance on a single transport solution.

4.7 The HIF Bid is not just about the transport infrastructure. Medway Council has identified a number of social and environmental infrastructure needs for the Hoo Peninsula that would need to be addressed as part of a potential strategic growth approach. If the Council supports the inclusion of a rural town growth option in the draft Local Plan, it will need to demonstrate that balanced sustainable development can be delivered. The Planning Service has commissioned work to analyse infrastructure needs and progress

masterplanning of a development framework for the Hoo area. This is critical to assessing the most appropriate options for development allocations in the new Local Plan. The plan will also be supported by an Infrastructure Delivery Plan and the development proposals and policies will be subject to viability testing to demonstrate deliverability.

- 4.8 The emerging policy approach for the plan’s spatial development strategy in the Development Strategy consultation document stated the need for a range of infrastructure investments in a small rural town: *‘The development will be in accordance with a masterplan, to secure the balance of land uses, attractive and effective green infrastructure, phasing to reflect the delivery of improvements required to a range of services and infrastructure’*. These include education, health, sports and leisure, utilities and parks.

#### 4.8.1 Parks and Countryside

Landscape proposals will promote and preserve the countryside setting and connections around a new town. This will support and preserve wildlife, provide access to quality greenspaces for local residents, and strengthen a strategic gap. The strategic approach will also address the requirements to have regard to the sensitive natural habitats and landscapes in proximity to potential growth between settlements.

## 5. Risk management

### 5.1 Risk Table:

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
May not be successful with funding bid for works.	If the funding submission is not robust then the bid could be unsuccessful.	The funding requested is to complete a robust business case for the submission.	DII
Costs of works are higher than grant applied for.	If the works are higher than estimated there will not be enough funding to complete all of the works required.	The funding requested is to complete the necessary surveys and appraisals for the business case and should provide a good base for the cost estimates for the work.	DII
Delivery of sound Local Plan	The emerging Local Plan is considering a large amount of new homes on the peninsula and will require additional infrastructure funding.	The funding requested is to complete a robust business case based on a green book appraisal that should support a successful bid for the £170m funding required.	DII

## 6. Consultation

- 6.1 During formal consultations for the Local Plan held in 2016, 2017 and 2018, residents and businesses stated their concerns about traffic generation and congestion, amongst other shortcomings in services and infrastructure. Medway Council received responses specifically calling for the reinstatement

of rail services for passengers, whilst members of the public frequently raised the potential role of the freight line with planning officers at public exhibitions.

- 6.2 The Kent Community Rail Partnership also supports a passenger rail connection for Hoo.
- 6.3 The Planning Service will carry out further consultation in association with the preparation of a development framework for Hoo, and the draft Local Plan in late 2018. Greater certainty on the HIF bid will provide confidence to local residents and developers on the potential approach to growth on the Hoo Peninsula.

## **7. Financial implications**

- 7.1 Cabinet are asked to recommend to Full Council the addition of up to £750,000 to take forward the co-development stage of the bid process. This is to be initially funded from reserves.

## **8. Legal implications**

- 8.1 There are no direct legal implications within this report.

## **9. Recommendation**

- 9.1 The Cabinet is asked to recommend to Full Council on 19 July 2018 the addition of up to £750,000 to the revenue budget to enable the submission of the Housing Infrastructure Funding (HIF) Bid – New Routes to Growth, to be initially funded from reserves.

## **10. Suggested reason for decision**

- 10.1 Additions to the revenue budget are a matter for Full Council.

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### **Appendices**

None

### **Background papers**

Medway Local Plan Development Strategy consultation document, 2018:

[https://www.medway.gov.uk/info/200149/planning\\_policy/519/future\\_medway\\_local\\_plan/3](https://www.medway.gov.uk/info/200149/planning_policy/519/future_medway_local_plan/3)