

CABINET

5 FEBRUARY 2019

HOUSING INFRASTRUCTURE FUND BID – NEW ROUTES TO GOOD GROWTH

Portfolio Holder: Councillor Alan Jarrett, Leader

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Summary

This report sets out details of Medway's Housing Infrastructure Fund (HIF) Bid – New Routes to Good 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 agree to the submission of the Bid for up to £170million on 1 March 2019.

This report details the current estimated costs of the deliverables within the bid. However, work is still taking place with the business case, which will calculate the value for money, and benefit versus cost ratio. Therefore, these figures may alter slightly prior to submission.

The report therefore recommends Cabinet to agree to delegate authority to the Director Regeneration, Culture, Environment and Transformation and Deputy Chief Executive, in consultation with the Leader to agree the final HIF Bid for submission on 1 March 2019, as detailed within the report.

In addition, the report will also recommend Cabinet to agree to delegate authority to the Director Regeneration, Culture, Environment and Transformation and Deputy Chief Executive, in consultation with the Leader, that following submission of the bid, to liaise with the Ministry of Housing, Communities and Local Government (MHCLG) and Homes England as necessary to make any required changes to the HIF bid prior to the MHCLG's final decision on the outcome of the bid.

1. Budget and Policy Framework

1.1 The submission of bids for infrastructure funding is a matter for Cabinet.

- 1.2 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, with a rural town focused around Hoo St Werburgh as part of the spatial strategy to manage Medway's growth needs. 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.
- 1.3 Housing Infrastructure Funding of up to £4.6 billion (£4.1 billion previously and increased by £500m in Autumn Budget) 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 is now completing the final Co-development stage of the bid.
- 1.4 In line with rule 15.11 of Chapter 4, Part 5 of the Constitution, call-in can be waived where any delay likely to be caused by the call-in process would seriously prejudice the Council's or the Public's interests. In this case, the bid business case and bid submission will need to be completed, and uploaded to the HIF Portal from mid-late February to ensure that all of the documents are received prior to the 1 March 2019 submission date, therefore, on this occasion it is proposed that the call in period be waived. The Chairman of the Regeneration, Culture and Environment Overview and Scrutiny Committee has agreed that the decisions proposed are reasonable in all the circumstances and to them being treated as a matter of urgency and to waive call-in.

2. Background

- 2.1 In September 2017, Medway Council submitted an EOI bid (New Routes to Good Growth) of £170m to Homes England, to unlock the potential of new development on the Hoo Peninsula of 12,100 new homes by 2043, 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), Oxfordshire (£163m for 5,570 homes) and Cambridgeshire (£193m for 7,600 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 The Council must submit a Business Case to the Ministry of Housing, Communities & Local Government (MHCLG) to complete the final co-development stage of the bid by 1 March 2019.

- 2.4 The Regeneration Delivery team has been liaising with the Planning Service to link the development of the HIF proposals with the emerging growth options in the new Medway Local Plan. The Local Plan must set out a successful strategy to manage Medway's growth up to 2035. The plan seeks to achieve our ambitions for development that makes Medway a great place to live, work, learn and visit, by strengthening our economy, caring for our environment and heritage, and meeting the needs of our communities. The projected need for housing is a huge challenge. Current government policy indicates that Medway needs to provide for 28,500 new homes by 2035. The council has to consider how best to deliver this scale of development. In assessing options as part of the plan making process, the council has identified the potential for strategic growth around Hoo St Werburgh for a small rural town. This could address current shortfalls in infrastructure and services on the Hoo Peninsula, as well as making an important contribution to meeting the needs for homes, jobs and facilities for Medway's growing and changing population. This option was predicated on the need for significant infrastructure investment, and a sensitive approach to planning and design to secure the rural character and acknowledge the important environmental assets on the Hoo Peninsula. The key principles for the development of a rural town were set out in the last consultation document on the emerging Local Plan.
- 2.5 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 realises opportunities to attract growth that can provide benefits for all. The Hoo Peninsula is currently considered to be somewhat isolated, with limited infrastructure and services. Although it has internationally important environments, it does not have the same profile as other rural locations in Kent. Investment in transport and broadening the range of services and jobs is critical to driving market confidence and value, and boosting housebuilding in the area.
- 2.6 The criteria of the HIF bid are clearly focused on the delivery of housing. In working with the Local Plan team, the council is able to consider the wider impacts associated with such a scale of development on the Hoo Peninsula. The Local Plan will be independently examined to determine if the proposed strategy will meet our development needs, and represents a sound approach to achieving our plan objectives, based on clear evidence. Proposals for growth on the Hoo Peninsula will therefore be tested against a wider range of social, environmental and economic factors. The council is committed to delivering successful growth that is sensitive to the local area. These principles form the basis of the growth proposal.

3. Options

Do Nothing

- 3.1 Modelling of the current infrastructure shows that the capacity for growth in the Hoo Peninsula area is limited; this is due to the A289 currently operating at almost full capacity. The Hoo Peninsula is also restricted with effectively only one way in and out, this is Four Elms Hill, which is also an air quality management area (AQMA). The strategic transport modelling for the Local

Plan shows approximately 1,000 homes could be brought forward in this area, but this would be the only growth before major infrastructure improvements are required. The Planning team have advised that much of this capacity has been taken up in consented development schemes, not yet built out. Amazon have also recently moved to Kingsnorth, they will generate significant numbers of car and lorry movements, which will consume any capacity left on this road infrastructure. Without the Housing Infrastructure Funding to complete transport improvements in this area, there will not be any capacity for further housing growth.

Do Less

- 3.2 The development of the HIF business case has to follow Green Book Appraisal guidelines. These require bidders to set out a 'Do Less' option (this paragraph) alongside a 'Do Nothing' (paragraph 3.1) and a 'Do All' option (paragraph 3.3). Due to the highways constraints as set out in paragraph 3.1, the Medway HIF bid will make the case that 'Do Less' is not a realistic option.

Do All

- 3.3 This option would include receiving the full Housing Infrastructure Funding of £170m. This would enable the Council to complete the full planned works, improve not only the road infrastructure, but also provide a new rail link to the Hoo Peninsula providing residents with attractive options for modal shift, and creating additional freight capacity. The additional freight capacity would allow for continued growth at Kingsnorth, and by encouraging movement of freight by rail would reduce the amount of lorries on the road in this area, providing additional capacity for car and bus, therefore supporting more housing. It would also have capacity for a bus quality corridor providing further modal shift opportunities for local residents with improved journey times. Delivering improvements to the transport infrastructure would provide the capacity and opportunity to develop 12,100 homes across the Hoo Peninsula by 2043 with the associated additional essential development infrastructure requirements, establishing a sustainable rural town.

4. New Routes to Good Growth – Housing Infrastructure Fund Bid Submission

- 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 Council's Local Plan Development Options consultation document. Forward funding via the Housing Infrastructure Fund for infrastructure investments would address this barrier to potential strategic development. The transport investments are critical to achieve wider ambitions for sustainable and successful growth.
- 4.3 During the Co-development stage of the bid process there have been a number of risks and constraints raised within the HIF Bid submission requirements. Officers were advised that the spend deadline for the HIF

funding is March 2023, and reminded that the benefit realisation period ends in March 2043. They were also advised that benefits achieved after 2030 would achieve lower scores than the ones delivered earlier, due to the funding not only unlocking housing sites, but also bringing them forward at a faster pace.

- 4.4 The team are current finalising the business case; officers have been advised by Homes England and MHCLG that this is a housing bid, and the key benefit required is housing. The Council's bid is all about infrastructure and so the business case needs to show how this infrastructure brings forward housing. The business case has to take into consideration any "deadweight" (housing that would have been delivered without HIF), and any displacement from other areas. Medway Council's EOI bid had an extremely good benefit versus cost ratio. Work is now taking place within the business case stage of the bid, to keep this within the same levels, as well as proving that the options proposed are value for money.
- 4.5 The business case cannot be completed until the deliverables are confirmed in detail. This work is significantly advanced and still in progress so there may be some changes to the proposals between this report and submission. To ensure the bid is submitted by 1 March 2019, Members are asked to approve delegated authority to agree any changes that are required to submit a robust and deliverable business case.
- 4.6 A HIF Bid of £170m is an ambitious proposal; officers have been advised by Homes England that this is one of the most complex bids that has been received, but if successful, this funding could provide the transport infrastructure needed to unlock 12,100 houses on the Hoo Peninsula by 2043. The options proposed to be included within the bid submission are:

Proposed Road Investment	£86m
Proposed Rail Investment	£67m
Proposed Additional Essential Development Infrastructure	£17m
Total	£170m

Road Investment

- 4.7 Detailed modelling for the existing road network has been required to support the road investment proposed for the Hoo Peninsula, as well as liaison with the Department for Transport (DfT).
- 4.8 Project Centre were appointed to review the capacity within the existing network and what would be required to bring forward the level of homes planned for the Hoo Peninsula.
- 4.9 They identified a number of options that were put through rigorous tests to ensure they would provide sufficient capacity, not only for the new homes being provided and for the new journeys that they would generate, but also to improve the existing road infrastructure to enable improved capacity throughout the local area.

- 4.10 Various road improvements as well as new road infrastructure are proposed for HIF Bid Funding.
- 4.11 The road improvements that are to be included within the bid will be to the main A289 Road; these will be from the Four Elms Roundabout, through the Sans Pareil Roundabout and completing at Anthony's Way Roundabout. The improvements will include additional lanes to widen the roads in this area, as well as improvements to the roundabouts including new slip roads off the roundabouts to improve traffic flow and reduce traffic queueing at the roundabouts.
- 4.12 Improvements are also proposed for Four Elms Hill. The current slip roads that lead onto and off Four Elms Hill are to be extended to improve access to and from the Hoo Peninsula, and improve traffic flows in this area, which should also reduce the impact on the current Air Quality Management Area (AQMA).
- 4.13 A new road is proposed to link the A228 from the Main Road roundabout to the A289. This will mean that traffic wishing to access the M2 from the Hoo Peninsula, or traffic returning from the M2/A2 will not have to travel via Four Elms Hill or the Four Elms Roundabout, reducing traffic in this area. This new road will require various improvements and widening to local roads and roundabouts as well as a new slip road/bridge to access the A289.
- 4.14 Various local road and roundabout improvements have also been identified for Main Road Roundabout, Bells Lane Roundabout and Ropers Lane Roundabout as well as the new signalised access road from the Ratcliffe Highway for the new train station at Sharnal Street.
- 4.15 The team are currently working on the option appraisals required for the Business Case. This includes reviewing the benefit versus cost ratio for the project as well as the build programme for the road works to establish if these local improvements can be included within the HIF Bid.

Rail Investment

Capacity Study

- 4.16 The initial task for the rail element was to complete a timetabling and capacity study with Network Rail (NR) to ensure that a new service was achievable on the Hoo Peninsula and would not disrupt existing freight services.
- 4.17 Five options were reviewed, including direct services and shuttle services. The best option that worked with minimal disruption was a direct service from London Victoria on the existing infrastructure. This service would provide one train per hour to the Hoo Peninsula.
- 4.18 Another option was a new connection of the Medway Cord to Higham. This would not only allow freight trains to connect to Paddock Wood and the main freight line, avoiding travelling through London, but would also allow trains to

travel from Hoo back into Medway via Higham and Strood. This would then provide passengers with an additional option to travel into Medway by train, or change at either station to connect with additional trains travelling to London. This additional option would then provide two trains per hour to London on the existing services.

- 4.19 Both of the above options have been reviewed, designed and costed by Pell Frischmann, the rail consultants working on the HIF Bid. Discussions on the final detail and delivery of the preferred options are ongoing with DfT and NR. NR have worked closely with the Council and Pell Frischmann on the design of the rail scheme and the capacity study. The Council has the support of Network Rail who are committed to assisting bringing forward, what they feel, is an important strategic investment in this area to unlock housing and provide connectivity in Medway.
- 4.20 Future improvements that were reviewed could include doubling the Grain line track to beyond Kingsnorth; this would provide four trains per hour to the new station in Hoo, and this would provide additional freight capacity. These improvements are not currently proposed, or deliverable, within the HIF funding or the timelines for spending the funding, they are an aspiration for the future of the development of the Hoo Peninsula. The council will continue to work with strategic partners to secure a longer term investment programme that can build on the investments of a successful HIF bid.

Rail Proposals

- 4.21 Pell Frischmann reviewed a full rail strategy for the whole of the Hoo Peninsula and included future growth up to and beyond 2045. Some of this work could not be included within the HIF funding proposal as the spend deadline is March 2023. Pell Frischmann reviewed their work in phases, and completed a programme of works required to ensure they would fit within the spending deadline. The proposed phases to be included within the HIF funding bid are phases 1a and 1b.

Phase 1a

- 4.22 This phase includes provision of a brand new station at Sharnal Street. The station works will include:
- New signalised access off the Ratcliffe Highway
 - New access road to the station
 - Kiss & Ride drop off area
 - New High Quality Public Space
 - New Modular Station and Platform
 - New Car Parking.

Phase 1b

- 4.23 This phase includes the provision of a curved link on the Medway Cord line to Higham with main line connection for passenger and freight services.

- 4.24 Work currently taking place is the completion of the option appraisals for each of the elements required for the HIF Business case. These appraisals and further detailed work will calculate the benefit cost ratio of each element, and also how much housing they will be able to unlock, or bring forward at pace on the Hoo Peninsula. This work will also detail how much of this can be included in the final bid submission.
- 4.25 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.
- 4.26 The HIF Bid is not just about transport infrastructure. The Council has identified a number of social and environmental additional and essential planning infrastructure needs for the Hoo Peninsula that have to be addressed as part of a potential strategic growth approach. There is also the management of the works, the requirement for a project team, consultants and associated project costs that will also be included within the funding.

Additional and Essential Development Planning Infrastructure

- 4.27 Road and Rail are large-scale infrastructure improvements required to unlock the building of 12,100 homes on the Hoo Peninsula. In addition to these two transport focused interventions, there is other critical infrastructure required to ensure that the 12,100 homes are supported by health, education and community infrastructure and therefore compliant with the Local Plan. The majority of this infrastructure is set out in the 2018 Developer Contribution Guide in the form of s106. However, the funds realised cannot always deliver the scale of new infrastructure required, therefore, a case has been made for HIF funding to address the funding gap. Our ambitions are for a sustainable rural town. This needs targeted and specific investments in community services for Hoo St Werburgh to properly function as a town. This requires more than just expanding existing facilities, but providing new services fit for purpose for a small rural town and the network of villages across the peninsula. This also links to market confidence in investments and potentially boosts the supply of housing.
- 4.28 Key infrastructure options that are currently being developed for possible inclusion in the HIF bid are the enablement of a sports/leisure centre, a Health Hub and a country park between Hoo St Werburgh and the Medway Estuary. Due to the environmental status of the Peninsula, it is essential that the scheme demonstrates how the housing can come forward without significantly impacting the green and blue environment. This will be part of the legal tests on the proposals as they progress through Planning. The provision and management of the country park is critical to securing the biodiversity of the local environment and supporting the health of residents. It will be a quick win for new and existing residents and will seek to address the impact on the Estuary. It will also drive investor confidence in delivering housing in an attractive place where people want to live.

Project Management Costs

- 4.29 For the HIF to be successful it is essential that MHCLG is convinced that the infrastructure elements are deliverable within budget and within time. Linked to this requirement is the need to demonstrate certainty that if the HIF bid is successful there is a guarantee that the housing comes forward at pace and volume. The delivery of the HIF outputs, alongside the housing numbers, will require bespoke management and governance options to be in place. The Project Management options will be developed and tested within the Management Business Case and funded through HIF. The Management model will be Council-led, aligned to RCET structures and Council governance and procurement procedures. The resources secured will be in place until 31 March 2023 (the current closure date for all HIF spend). A Statement of Common Ground is being progressed as a means of developing robust governance structures between the key landowners: the Hoo Consortium and the Council.

5. Risk management

5.1 Risk Table:

Risk	Description	Action to avoid or mitigate risk	Risk rating
May not be successful with funding bid	If the funding submission is not robust then the bid could be unsuccessful and this level of growth will not be achievable on the Peninsula.	Work has taken place through the co-development stage of the bid to ensure that the bid submitted is supported by Homes England and MHCLG. It has been tested through this process and is robust.	DI
Costs of works are higher than grant applied for/Grant received is less than applied for	If the works are higher than estimated there will not be enough funding to complete all of the works required, there is also a risk that the grant could be reduced to the “do something” option.	Work has taken place within the costs submitted for the bid to ensure an element of risk, as well as certain contingencies have been included. However, should the grant be reduced, then there is a possibility that the works would need to be reduced and the rest of the works completed with S106 or other funding.	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.	HIF officers have worked closely with Local Plan officers to ensure that their requirements have been taken into consideration and are included within the HIF Bid.	DII
Completion of works & spend of funding by March 2023	The bid is to be submitted by 1 March 2019 with a decision to be received in May 2019. There is a risk that the decision could be delayed as the majority of the bids will be submitted in March. If this delay is not added to the deadline for the spending, then there is a risk that this deadline will not be met.	The team are continuing work on the rail and road elements, moving forward with GRIP 2 for the rail and RIBA 3 & 4 for the road in order to still be able to complete all of the necessary design works required to complete the works by March 2023.	DII
Realisation of benefits by March 2043	The main benefit that Homes England and MHCLG are interested in is the delivery of homes. The Medway HIF bid is based around infrastructure and how this unlocks housing, but the housing delivery is not within Medway Council’s control.	Officers have worked closely with the Local Plan team as well as developers and land promoters within the Hoo Peninsula. A successful bid and associated housing numbers will be reflected in the Local Plan and a Statement of Common Ground is being considered with the Hoo Consortium.	DII

6. Consultation

- 6.1 During formal consultation for the Local Plan held in 2016, 2017 and 2018, residents and businesses stated their concerns around traffic generation and congestion, and other services and infrastructure requirements. The 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 supports a passenger rail connection for Hoo.
- 6.3 Network Rail supports the HIF Bid. At their Stakeholder Forum in November 2018, they highlighted 3 schemes and the Hoo Peninsula scheme was one of them; this work has also been included in the Kent Route Study.
- 6.4 The Planning Service will carry out further consultation in association with the preparation of a development framework for Hoo and the draft Local Plan. Greater certainty on the HIF bid will provide confidence to local residents and developers on the potential approach to growth on the Hoo Peninsula, and the principles that will form the basis of the development.
- 6.5 The HIF team will coordinate a programme of public and stakeholder consultation with the Local Plans team that will take place following the submission of the HIF bid. In addition, the proposed HIF interventions will follow the Planning process, requiring further detailed consultation. A consultation programme will support the draft Local Plan, due to be published in Summer 2019, following the outcome of the HIF bid.

7. Financial implications

- 7.1 The delivery of the HIF bid, if successful and awarded will be funded from the proposed £170m budget and would therefore be externally funded. At its meeting on 19 July 2018, the Council agreed to the addition of up to £750,000 to the revenue budget, initially funded from reserves, with this sum sufficient to cover the first phase of work necessary to complete the bid submission. At its meeting on 24 January 2019, the Council approved the addition of a further £445,000 to the revenue budget to enable the completion of the second phase of work to ensure the Council's final Green Book business case is robust. As noted in the Council report, with this work being carried out in advance of the bid being approved, this funding is at the Council's risk. As laid out earlier in the report, if there are any elements that need additional work and funding, this can be sought from S106 as houses are delivered.

8. Legal implications

- 8.1 In the event of a successful HIF bid there will be a legal agreement between MHCLG and Medway Council which would include the final budget, outputs, timescales and legal obligations of both parties in delivering the HIF proposal.

9. Recommendations

- 9.1 Cabinet is asked to approve the submission of the Housing Infrastructure Fund bid to the Ministry of Housing, Communities and Local Government on 1 March 2019 for up to £170 million.
- 9.2 Cabinet is asked to delegate authority to the Director Regeneration, Culture, Environment and Transformation and Deputy Chief Executive, in consultation with the Leader, to agree the final submission of the HIF Bid, as detailed within the report.
- 9.3 The Cabinet is asked to delegate authority to the Director Regeneration, Culture, Environment and Transformation and Deputy Chief Executive, in consultation with the Leader, that following submission of the bid, to liaise with Homes England to make any required changes to the HIF bid prior to the MHCLG's final decision on the outcome of the bid.
- 9.4 The Cabinet is asked to agree that recommendations 9.1, 9.2 and 9.3 are considered urgent and therefore should not be subject to call in.

10. Suggested reasons for decision(s)

- 10.1 To enable the HIF Bid to be submitted to the Ministry of Housing, Communities and Local Government on time.
- 10.2 To secure funding for the future infrastructure required to enable the development of 12,100 homes by 2043 on the Hoo Peninsula.

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Appendices

None

Background papers

None