

## **CABINET**

**24 SEPTEMBER 2019**

### **HOUSING INFRASTRUCTURE FUND (HIF) PROJECT – ADDITIONAL FUNDING**

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

Report from: Richard Hicks, Director Regeneration, Culture, Environment and Transformation and Deputy Chief Executive

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#### **Summary**

This report is to update Members on the risk that the decision for the Housing Infrastructure Fund (HIF) bid could be delayed until November 2019. With this in mind, it is proposed that additional funding from reserves are allocated to complete the planned works within the programme to continue to meet the 2024 spend deadline.

The Cabinet is asked to recommend to Full Council the addition of £850,000 to the Revenue Budget, initially funded from reserves subject to the Council being awarded the HIF bid. The funding will enable the Council to continue programmed works to complete RIBA stage 3, which is a developed design, including coordinated and updated proposals which are required for outline-planning submission for the road scheme. It will also enable the Council to continue programmed works relating to GRIP 2, which is Project Feasibility for the rail scheme. This defines the preferred option and produces outline designs, at risk until the end of 2019.

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

- 1.1 The provision of infrastructure to support housing delivery is a matter for Cabinet. Additions to the revenue budget are a matter for Full Council.
- 1.2 The Council is preparing a new Local Plan to manage Medway's growth up to 2037. On adoption, this will form the development plan for the authority and be part of the Council's policy framework. 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 Council

is seeking to publish the draft Local Plan later this year, following the outcome of the HIF bid.

## 2. Background

- 2.1 Medway Council submitted a bid for £170 million in March 2019 to fund much needed infrastructure requirements to unlock the potential of new development on the Hoo Peninsula of 12,100 new homes by 2043.
- 2.2 Housing Infrastructure Funding of up to £4.6 billion (£4.1 billion previously and increased by £500 million 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.
- 2.3 In January 2019, a request for an additional £445,000 of capital funding was agreed at Full Council in order to complete rail and highways works up to May 2019 in order to maintain the programme of works within the HIF Bid.
- 2.4 The initial bid decision from the Ministry for Housing Communities and Local Government (MHCLG) was due in May 2019 but the decision was delayed. Officers were advised that a decision could be made as early as July 2019, unfortunately this did not happen and officers have not been given a definitive date for a new decision.
- 2.5 The deadline, by which the HIF funding must be spent, if the Council is successful with the bid, is March 2023, or March 2024 if an extension is submitted and approved. Cabinet approved a programme of works that started in May 2019 at risk to ensure that the spend deadline for the funding can still be achieved, to put the Council in the best possible position to achieve a successful outcome to its bid.
- 2.6 Officers have had confirmation from Homes England that as long as this funding was included in the original Business Case for the HIF Bid, then it can be claimed back in the first drawdown of HIF funding should the bid be successful. Officers can confirm that the funding requested within this report was included in the original Medway Council HIF Bid Business Case.

## 3. Options - Additional Funding Requirements

- 3.1 The HIF bid includes a combination of rail, road and additional essential planning infrastructure investments.
- 3.2 Extensive modelling has taken place incorporating the road and rail designs to review how they can open up capacity on the existing network, and provide additional capacity with the new infrastructure proposed.
- 3.3 The modelling has shown that the following housing numbers can be provided as part of the HIF bid:

<b>Infrastructure</b>	<b>Homes</b>
Road	8,000
Rail	2,600
<b>Total</b>	<b>10,600</b>

This modelling also includes a \*deadweight figure of 2,000 homes.

- \* *The deadweight is the number of houses that can be delivered within the current infrastructure without the requirement for HIF Funding.*

3.4 The £170million of funding is made up of the following elements:

<b>Funding Allocation</b>	<b>£ millions</b>
Road Infrastructure	86.7
Rail Infrastructure	64.0
Essential Infrastructure	14.3
HIF Team – Consultancy, Professional fees and Charges	5.0
<b>Total</b>	<b>170.0</b>

### Road Investment Required

3.5 The proposed road design includes:

- A289 Scheme designs and costings (based on work undertaken for the LGF3 scheme) for:
  - Anthonys Way Roundabout
  - Sans Pareil Roundabout
- A bespoke solution for the Four Elms Roundabout
- Design solutions to improve traffic flows and the Four Elms Hill
- A new bypass from A228 Main Road Roundabout to link to existing A289 west of Four Elms and A228 at Chattenden Road
- A new signalised junction, replacing the roundabout at Main Road and Hoo Peninsula
- Improvements to Bells Lane and Ropers Lane roundabouts
- A new signalised junction off of Ratcliffe Highway for the new station

3.6 In order for the Council to be able to meet the HIF spending period of March 2023, were its bid to be successful, the road scheme needs to be designed to RIBA Stage 3, which is a developed design, including coordinated and updated proposals which is required for outline-planning submission for the road scheme by December 2019.

3.7 Please see full costs in the table at paragraph 3.12 below.

### Rail Investment Required

3.8 The rail design includes:

- A new station at Sharnal Street which will be of modular construction to enable completion within the spending timeframe of the bid.
- A new curve connecting the line to Higham and Strood, this will enable travellers to change either at Higham or Strood for trains into London, for a better connection to the Medway towns.

3.9 In order for the Council to be able to meet the HIF spending period of March 2023, were its bid to be successful, the next stage of the works required by

the end of this year is to complete the GRIP 2 process, which is Project Feasibility, this defines the preferred option and produces outline designs.

- 3.10 Network Rail have also allocated a project sponsor to assist Medway Council throughout the GRIP 2 process to ensure the scheme is compliant with rail and safety governance. There will now be a charge for Network Rail working on the scheme.
- 3.11 There is also a cost to enable the current Rail Project Officer from the Medway Council Property Team to continue working on the project until September 2019.
- 3.12 Please see full costs for Road and Rail requirements up to December 2019 in the table below:

Consultant's costs to complete design, consultation, road safety audits, reporting, CDM, Risk Registers etc.	£395,970
Estimated costs for surveys required i.e. Topographical surveys, utility surveys, geographical surveys, drainage, Ecological, Air & Noise Impact Assessments, Environmental, UXO, Traffic Modelling, lighting and various others.	£478,400
<b>Total costs for Road</b>	<b>£874,370</b>
Total cost for GRIP 2.	£207,500
Surveys required for GRIP 2	£107,000
Network Rail Sponsor	£100,000
Cost to Cover Rail Project Officer in Property	£30,000
<b>Total costs for Rail</b>	<b>£444,500</b>
<b>Total costs for Road &amp; Rail</b>	<b>£1,318,870</b>

#### Other Funding Requirements up to December 2019

- 3.13 Another section of work that needs to be completed prior to the end of the year, not only for the Local Plan work but was also a main clarification point for the HIF Bid was the Infrastructure Delivery Plan and associated viability assessment for Hoo. HIF & Local Plan officers are currently working to complete these elements of work, and the HIF funding needs to allocate £15,000 towards this element of work.
- 3.14 Further work will also need to be required for communications; the HIF funding has allocated £10,000 to be spent on communications for this year.
- 3.15 In order for the Council to meet the HIF spending period of March 2023, were its bid to be successful, the last element of work that needs to be completed prior to the end of this year will be the land referencing work that will feed into the land acquisitions that are required for the road and rail work. Various conversations are currently taking place with the MOD in regards to their requirements to make the new road design work for both Medway Council and the MOD. Meetings are also being arranged to begin discussions with the various landowners for both road and rail, these include Homes England, Gladmans and Church Commissioners for England. The land referencing work has been estimated at £50,000.

3.16 This will be an additional £75,000 of funding requirements on top of what is needed for the road and the rail.

#### 4. Advice and Analysis

##### Funding Update

- 4.1 Council approved the initial funding for the HIF Bid of £750,000; this was allocated towards internal resource replacement and external consultants to assist with completion of the bid.
- 4.2 Council then approved an additional £445,000 in January 2019 to complete road and rail works until May 2019.
- 4.3 Homes England have provided project support funding of £102,000.
- 4.4 This results in a current project budget to date of £1,297,000 and a shortfall of up to £850,000.

Initial HIF Funding	£750,000
Additional Funding – Dec 2018	£445,000
Project Support – Homes England	£102,000
<b>Total Funding to date</b>	<b>£1,297,000</b>
Total Funding Required until October 2019	£2,147,000
Total Funding received/allocated to date	£1,297,000
<b>Total Funding Required</b>	<b>Up to £850,000</b>

- 4.5 The current budget requirement to enable the work to complete in line with the submitted HIF bid programme is £2,147,000 (including all costs detailed above) and the previous funding agreed has all been either allocated or spent, which leaves the additional requirement of up to £850,000 required in order to complete the works to December 2019.

## 5. Risk Management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Road	Currently there is enough funding to complete the RIBA stage 3 design until Sept 2019, if funding is not agreed the design works will stop and the outline-planning deadline of December 2019 will be delayed. The road works programme needs the full spend deadline to March 2024 and so any delay to the programme will mean that the road infrastructure works will not be completed within the HIF spend deadline.	Request additional funding to complete the design works within the schedule programme to ensure delivery to programme should the HIF funding be successful.  If funding not successful, this would mean a programme delay which would mean that the road infrastructure will not be completed within the spend deadline.	BII
Rail	Currently the GRIP 3 costs are included within the existing budget. However, Network Rail (NR) have advised that the costs for their project sponsor to be involved with and assist with signing off the GRIP 2 stage will be in the region of £100,000. The GRIP 2 process could be completed without the NR sponsor, but GRIP 2 cannot be completed without their sign off.	Request additional funding for the NR sponsor to sign off GRIP 2.  If funding not successful, then GRIP 2 could still be completed, but not signed off. The rail element does have some slippage within the programme to still meet the HIF Spend deadline.	CIII
Rail	Currently the HIF project had secured Carla Galea from the property team to work on the HIF Bid due to her extensive background working with NR. This appointment was only until May 2019. To cover the position until Sept 2019 will be an additional cost of £30,000. There is not enough budget remaining to cover this full amount.	Request additional funding to ensure that Carla Galea can complete the GRIP 2 process.  If funding cannot be found then this work may need to be completed by another officer.	CIII
HIF Business Case	One of the HIF Bid clarifications included a request to review the Infrastructure Delivery Schedule (IDS) for the HIF Bid to support the requirement of the infrastructure funding. This is quite an extensive piece of work as it will require the completion of the Medway wide viability assessment to provide context for the HIF IDS. There is not sufficient funding within the existing budget to complete this work.	Request additional funding to complete the viability assessment work required.  If funding is not successful then this work will still need to be completed, as part of the Local Plan Reg 19 and so funding would still need to be found.	BIII
Land Acquisition	Officers have been advised to begin land referencing and liaison with a CPO lawyer as soon as possible to begin negotiations with landowners in regards to the road and rail designs. The CPO process and land negotiation have been known to cause delays to projects due to the complexity of the legal processes required. There is currently not enough funding in the existing budget to fund this section of work.	Request additional funding to complete land referencing work.  If funding is not successful then the land referencing work will be delayed, this could cause issues to the programme. Currently the road infrastructure team are in discussions with the landowners in regards to the designs and the land referencing work could assist with any land issues that are raised.	CIII

## **6. Consultation**

6.1 Officers have consulted throughout this process with Portfolio Holders, Cabinet, Homes England and the matter has been regularly reported to Overview and Scrutiny through Council Plan Performance Monitoring reports.

## **7. Financial Implications**

7.1 Cabinet will be asked to recommend to Full Council the addition of £850,000, initially funded from reserves, to the revenue budget to continue delivering the proposed HIF outputs within programme. This would bring the total expenditure on HIF preparation to £2.045 million. However, as stated at section 2.6 of this report, if the bid is successful this funding can be reimbursed from the total grant.

7.2 Failure to submit a successful HIF bid would result in the Council being unable to deliver the proposed £170 million of infrastructure required and impact on the Council's ability to produce an achievable Local Plan.

## **8. Legal Implications**

8.1 There are no direct legal implications arising from this report.

## **9. Recommendations**

9.1 Cabinet is asked to recommend to Full Council the addition of £850,000 to the revenue budget to:

- (i) Continue programmed works to complete RIBA stage 3 (road scheme) and GRIP 2 (rail scheme) at risk until the end of December 2019, as detailed in paragraphs 3.5 – 3.12 of the report.
- (ii) Undertake other works at risk until the end of December 2019, as detailed in paragraphs 3.13 – 3.16 of the report.

## **10. Suggested reasons for decisions**

10.1 To enable the work to continue on the HIF Bid project to ensure that if successful with the HIF funding that Medway Council are still able to meet the March 2024 spend deadline currently required within the HIF funding agreement.

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## **Appendices**

None

## **Background papers**

None