

COUNCIL

23 APRIL 2020

HOUSING INFRASTRUCTURE FUND (HIF) NEW ROUTES TO GOOD GROWTH - PROJECT DELIVERY

Portfolio Holder: Councillor Alan Jarrett, Leader

Report from: Richard Hicks, Director of Place and Deputy Chief Executive

Author: Dawn Hudd, Assistant Director Physical and Cultural Regeneration

Summary

This report provides an update on progress of Medway's Housing Infrastructure Fund (HIF) Bid – New Routes to Good Growth, which will provide much needed infrastructure to enable growth in and around the Hoo Peninsula.

The report asks Full Council to agree to delegate authority to the Director of Place and Deputy Chief Executive, in consultation with the Leader the Chief Finance Officer and the Chief Legal Officer to carry out all non-executive pre and post-commencement conditions, as detailed in the Exempt Appendix.

The report was initially considered by the Cabinet on 7 April 2020. Comments of the Cabinet are set out in section 3 of the report.

1. Budget and Policy Framework

- 1.1 The decisions in this report are within the Council's policy and budget framework, executive matters referenced within the report have been determined by the Cabinet at their meeting on 7 April 2020. Aspects relating to planning issues and any other non-executive aspects of the Grant Determination Agreement (GDA) are a matter for Full Council.

2. Background

- 2.1 In September 2017, Medway Council submitted to Homes England (HE) an Expression of Interest, for a project called New Routes to Good Growth. This £170m bid was intended to unlock potential new development on the Hoo Peninsula of 12,100 new homes by 2043, and to strengthen the area's economy through development of commercial space at Kingsnorth and Grain.

- 2.2 The Council submitted its New Routes to Good Growth Business Case to the Ministry of Housing, Communities & Local Government (MHCLG) on 1 March 2019.
- 2.3 On 1 November 2019 MHCLG announced that Medway's HIF bid had been successful. Since then, officers have been responding to conditions that MHCLG require to be attached to the receipt of this funding. These are set out in the Grant Determination Agreement (GDA), which is available in draft at (exempt) Appendix 1. They are also set out in a separate extract as (exempt) Appendix 2.
- 2.4 On 4 February 2020, £170m was added to the Council's capital programme, in anticipation of receipt of funding.

3. Cabinet – 7 April 2020

- 3.1 This report provided an update on the progress of Medway's Housing Infrastructure Fund (HIF) Bid, 'New Routes to Good Growth'. The report explained that on 1 November 2019, the Ministry of Housing, Communities and Local Government (MHCLG) announced that Medway's HIF bid had been successful. Since then, officers had responded to conditions that MHCLG required to be attached to the receipt of this funding. The Exempt Appendix to the report set out the HIF Grant Determination Agreement (GDA) (Appendix 1) and the pre- and post-commencement conditions (Appendix 2).
- 3.2 The report explained that there were a large number of conditions contained within the GDA which the Council either needed to achieve or set out how it could achieve them should they become necessary. The Council did not currently have the powers available to it to meet all requirements. However, to ensure that officers could do so in a timely and efficient manner, delegations were being sought from Cabinet and Full Council to enable respective executive and non-executive functions to be exercised.
- 3.3 Detailed financial information in relation to the delivery of the HIF bid was set out in section 6 of the report. The report stated that once the GDA was signed, MHCLG had indicated that funding would be provided based on monthly claims, with the first payment not expected until September 2020. The cost of borrowing to fund works in advance of claims would be charged to the capital scheme and would not impact on the Council's revenue budget.
- 3.4 The Cabinet agreed:
- i) to delegate authority to the Director of Place and Deputy Chief Executive, in consultation with the Leader, the Chief Finance Officer and the Chief Legal Officer, to enter in to the negotiated Housing Infrastructure Fund Grant Determination Agreement (GDA) and carry out all pre- and post- conditions, as detailed in the Exempt Appendix; and
 - ii) to recommend Full Council to agree the same delegation in relation to all non-executive aspects of the GDA.

4. Options

4.1.1 There are two principal options for Full Council which are:

4.1.2 Option 1: Full Council agree the non-executive aspects of the GDA.

4.1.3 Option 2: Full Council does not agree to the the non-executive aspects of the GDA.

5. Advice and analysis

5.1 Option 1 is the only approach that will unlock the allocated £170m of government investment in the Hoo peninsula. As such it is the recommended option.

6. Risk management

6.1 The risks associated with entering in to the Grant Agreement are as follows:

Risk	Description	Action to avoid or mitigate risk	Risk rating
Cost overrun	The budget is £170m, funder has made it clear that any cost overruns will not be met by the HIF.	All the projects have a 24% costed risk to allow for future unknowns. As part of the business case submitted to MHCLG designs and costs were submitted giving a degree of certainty around the budget. There will be a robust project and budget management process with appropriate levels of approval via agreed officer and Member groups.	D2

Risk	Description	Action to avoid or mitigate risk	Risk rating
Forward funding	<p>In order to progress delivery of the HIF schemes it is necessary to forward fund works, with claims made for reimbursement after expenditure has been incurred. All expenditure prior to the signing of the GDA being at the Council's risk.</p>	<p>HIF budget includes provision for cost of borrowing to finance delivery of the schemes in advance of claims, and dedicated support in Finance agreed to help ensure claims are submitted promptly and accurately. Members have been reminded of the forward funding risk through previous reports, however it is imperative that the Council progresses the delivery at pace in order to meet the required timescales for delivery of the whole programme.</p>	C2
Programme overrun	<p>Funder has set a stop dead date for full budget spend and completion by 31st March 2024.</p> <p>The Covid-19 outbreak and related government guidance may have implications for contractor programmes and also on the housing market if there is a national/international recession. If, and how, government may flex delivery timescales in response remains to be clarified.</p>	<p>Original programme at the Expression Of Interest stage was for 31 March 2023 which the Council could achieve but was very tight. The option to extend it to 2024 was proposed for all HIF bids by MHCLG which Medway has taken. This now gives circa 12 to 9 months float on the current programme across all projects. In addition all HIF projects will potentially have the same issues. Medway Council will continue to monitor the situation and liaise with MHCLG, negotiating changes to the programme and milestones where appropriate.</p>	D2

Risk	Description	Action to avoid or mitigate risk	Risk rating
Delivery of housing.	Delivery of HIF infrastructure is to directly unlock 10,600 homes. Funder wants assurance that these can be delivered.	Emerging local plan reflects and supports HIF and housing numbers proposed in business case. A number of land owners and developers have been in contact with the Council as part of the consultation.	E2
Covid-19	Impact on resourcing as people self-isolate, take sick leave etc. Potential delay to meeting conditions necessary to complete GDA and deliver project for Council, funder, private sector and stakeholders.	MHCLG/HE have implemented a working from home social distancing policy for a few weeks now and report no issues with resource. Medway continue to work on the GDA and project delivery with an official team set to be recruited and in place by the start of the new financial year. This team will continue to deliver and identify any resource issues in the delivery chain. Catch up meetings with the funder are in place every week, both parties will have the opportunity to flag any issues and deal with appropriately.	C2

7. Financial implications

- 7.1 One of the conditions in the GDA places a legal obligation on Medway Council to fund any cost overruns for the project. The inherent risk of this is addressed in 6.1 above.
- 7.2 As previously advised, costs associated with the delivery of the HIF bid (£750,000 and £445,000 of Council funding approved to January 2019) is at the Council's cost and not recoverable through the HIF funding; however this is being reviewed in light of more recent guidance. In October 2019, Full Council approved an addition of £850,000 to forward fund HIF delivery work; this expenditure is recoverable through the HIF funding. However, this £850,000 and any further expenditure incurred in advance of the signing of the GDA is at the Council's risk; it is currently estimated that somewhere between £3-5million will be spent by September and further sums in excess of that committed to contractors.
- 7.3 Once the GDA is signed, MHCLG have indicated that funding will be provided based on monthly claims, with the first payment not expected until September.

The cost of borrowing to fund works in advance of claims will be charged to the capital scheme and will not impact on the Council's revenue budget.

- 7.4 In light of the outbreak of Coronavirus, the Finance Team are working to ensure sufficient cashflow is available to the Council to enable the HIF programme to continue, while supporting the Council's wider efforts to respond to the outbreak while continuing to maintain critical services.

8. Legal implications

- 8.1 The GDA represents a legal binding agreement between MHCLG and Medway Council.
- 8.2 There are a large number of conditions contained within the agreement which the Council must either achieve or set out how it could achieve should they become necessary. The Council does currently have the powers available to it to meet all those requirements but in order to ensure that officers can do so in a timely and efficient manner the delegations requested have been sought from Cabinet and now Full Council.
- 8.3 The recommendations are being sought from both because the range of conditions requires the exercise of both Executive and Non-Executive functions as defined by the Local Authorities (Functions and Responsibilities) (England) Regulations 2000.

9. Recommendation

- 9.1 Council is asked to agree to delegate authority to the Director of Place and Deputy Chief Executive, in consultation with the Leader, the Chief Finance Officer and the Chief Legal Officer, to carry out all non-executive pre- and post- conditions of the Grant Determination Agreement, as detailed in the Exempt Appendix.

Lead officer contact

Sunny Ee
Head of Regeneration
01634 331030
sunny.ee@medway.gov.uk

Dawn Hudd
Assistant Director, Physical and Cultural Regeneration
01634 338121
dawn.hudd@medway.gov.uk

Appendices

Exempt Appendix - HIF Grant Determination Agreement (Appendix 1) and the pre and post-commencement conditions (Appendix 2)

Background papers

7 April 2020 Cabinet Paper - Housing Infrastructure Fund (HIF) New Routes to Good Growth – Project Delivery

<https://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&MId=4386&Ver=4>

5 February 2019 Cabinet Paper – Housing Infrastructure Fund Bid – New Routes to Good Growth -

<https://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&MId=4131&Ver=4>

4 February 2020 Cabinet Paper – Capital and Revenue Budgets 2020/21 -

<https://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&MId=4384&Ver=4>