

## **CABINET**

**13 JUNE 2023**

### **REFERRAL FROM BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE – HOUSING INFRASTRUCTURE FUND**

Portfolio Holder: Councillor Simon Curry, Portfolio Holder for Climate Change and Strategic Regeneration

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

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#### **Summary**

This report sets out a referral from the Business Support Overview and Scrutiny Committee held on 30 March 2023. This related to the Housing Infrastructure Fund, in the light of the decision to pause the rail element of the HIF scheme and concerns over the related Grampian agreement currently in place for the housing developments, as discussed during consideration of agenda item No.7, Capital Budget Monitoring - Round 3 2022/23 (Minute No. 710 refers).

#### **1. Budget and policy framework**

1.1. Overview and Scrutiny Committees may make recommendations to the Cabinet arising from the outcome of the scrutiny process (Constitution – Articles of the Constitution - Chapter 2, Article 6, Paragraph 6.4).

1.2. At its meeting held on 30 March 2023, the Business Support Overview and Scrutiny Committee agreed to make recommendations to Cabinet, as detailed in section 2 of this report.

#### **2. Background**

##### **Business Support Overview and Scrutiny Committee – 30 March 2023**

2.1. The minutes of the Committee's discussion relating to the Housing Infrastructure Fund are as follows. This includes a request for information to

be provided by officers and a referral to the Cabinet, as set out at paragraph 2.8.

- 2.2. **Housing Infrastructure Fund (HIF) rail element** – reference was made to the reports that the rail element of the project had been paused and it was asked whether this would mean the Council would have to return the circa £62m that was aligned with that element of the project. Officers confirmed that, as could be seen across all projects, the inflation pressures had negatively impacted on the HIF project and it would no longer be possible to deliver the original specification within the £170m budget. The initial action taken had been to approach Homes England (HE) to request the additional funding required. However, HE had rejected this and requested the Council to review its proposals to deliver the project within the £170m budget. Therefore, the rail element of the project had been paused and officers were working on alternative proposals. Criticism was made as to why it had taken so long to establish that the rail element of the project was unaffordable when this had been a concern raised by some from the beginning.
- 2.3. **HIF and member oversight** – concern was raised about a lack of member oversight and public transparency which the Committee considered had been missing. Officers explained that the Cabinet had set up a Cabinet Advisory Group to monitor the project and that Cabinet had also delegated authority of some decisions in relation to HIF to officers, in consultation with Portfolio Holders, and undertook to circulate these to the Committee. It was reiterated that no decisions had been made in relation to the revised plans and that once proposals were at a point which would be acceptable to HE, they would be presented to the Cabinet for approval.
- 2.4. **HIF spending deadline** – reference was made to the delays to the project due to the redesigns required and how this could impact on the deadline to spend the funding by 2025 and whether the Council would be successful in negotiating a further extension.
- 2.5. **HIF spend** – in response to a question about how much of the funding had been drawn down from the £170m total and how much had been spent on the scheme to date, officers reiterated the figures in the report, which stated that £11.2m had been spent up to March 2022 and a further forecast £8.2m in the 2022/23 financial year, as at Quarter 3. It was added that, as far as the officers present understood, HE had agreed claims up to the end of January 2023 and would honour those and did not anticipate clawing back any of that expenditure. Members expressed a request to see a breakdown of the monies spent so far on HIF. Officers added that everything spent and reclaimed on the project was also scrutinised by HE, who had rejected some early claims that related to management officer time on the project.
- 2.6. **HIF and aspirations for a green community** – concern was raised that if the rail aspect of the project did not materialise, then extra road infrastructure would be required and the environmentally friendly community that had been envisaged would be much harder to achieve.

2.7. **HIF and forthcoming planning applications** – reference was made that the developer consortium had agreed to not submit applications until the Local Plan reached Regulation 19 stage (Grampian agreement) but as this was now delayed it was suggested that the first consortium developer application would be submitted to the Council shortly and would therefore put Hoo at risk of unplanned large developments without the infrastructure to support it.

## 2.8. **Decision**

In the light of the decision to pause the rail element of the HIF scheme and concerns over the related Grampian agreement currently in place for the housing developments, the Committee sought the following:

a) From officers:

- A breakdown of the £20m spent and the funding sources on the project so far;
- A record of the conversation/agreements with Homes England and a new timetable for completion by 2025;
- That the results of the transport assessment and environmental surveys related to the project be placed in the public domain to determine the impact of those on proposals;

b) From the Cabinet:

- A commitment to revisiting the consultation process if changes are proposed;
- A refreshed governance structure for the project going forward to include the relevant community groups such as councillors, parish councillors and other community groups.

## 3. Director's Comments

3.1. In relation to the Grampian agreement, this query appears to be in relation to the 'deadweight' of homes that can be delivered prior to the various interventions. Pre-commencement condition 1 does not present any issues as the Grampian for road is related to the 6000 new homes and the 2,000 deadweight. For rail, the Grampian is that the further 2,600 new homes cannot be brought forward without a passenger service.

### 3.2. **Committee request for officers - A breakdown of the £20m spent and the funding sources on the project so far.**

3.2.1. The HIF project has been funded by Homes England to date. As reported in a Briefing Note to BS O&S on 25 May 2022, there were non reclaimable elements in early HIF claims such as salary, IT licences, staff training etc. A breakdown of HIF expenditure to date can be seen below and is part of the council's published accounts. The accounts for 2023/24 are being finalised.

3.2.2. The table below sets out spend to date including expenditure in 2022/23. This shows a spend of £17.5m, with accounts for 2022/23 still being fully finalised. This is lower than the original reported prediction largely due to pausing spend on rail.

3.2.3. The Council has claimed £17.5m to date from Homes England. We are currently unable to claim for expenditure post 31<sup>st</sup> January 2023. Whilst accounts are still being finalised, we are currently predicting around £546,000 spent and unclaimed to the end of the financial year. The 22/23 figure includes the submitted draft but unpaid claim of £546,000.

Table 1 – HIF Claimed to date

	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
<b>Delivery</b>	£335,043	£1,170,914	£966,397	£864,438
<b>Rail</b>	£354,444	£1,068,237	£2,606,470	£1,800,416
<b>Road</b>	£623,277	£1,614,989	£1,802,836	£2,804,355
<b>Land</b>	£0	£0	£154,155	£290,778
<b>SEMS</b>	£0	£246,622	£489,233	£351,780
<b>Sustainable Transport</b>	£0	£0	£0	£0
<b>Total</b>	<b>£1,312,764</b>	<b>£4,100,763</b>	<b>£6,019,091</b>	<b>£6,111,767</b>
Total 2019 - 2023				£17,544,385

### **3.3. Committee request for officers - *A record of the conversation/agreements with Homes England and a new timetable for completion by 2025.***

3.3.1. Following a bid in 2017, the Government announced in November 2019 that Medway Council was successful in its bid for £170 million of Housing Infrastructure Funding, related to delivering 10,600 new homes on the Hoo Peninsula. In September 2021 the Council and Homes England agreed to extend the term of the programme to March 2025.

3.3.2. Delivery of the Future Hoo vision has been impacted by the same significant inflationary pressures affecting capital schemes across the country. As a fiscally responsible authority Medway has sought to moderate its expenditure plans to fit the funding envelope provided by Homes England with minimal impact on housing numbers and delivery timescale.

3.3.3. On 17<sup>th</sup> January 2023 the Future Hoo Member Board discussed the principles of a submission to Homes England which kept the Future Hoo scheme within the £170m budget, having been advised by Homes England that no additional funds were available. A previous submission requesting additional grant was made in October 2022. This was declined by Homes England on 3<sup>rd</sup> November 2022. The principles of a further approach were shared with

Homes England on 30<sup>th</sup> November 2022. This was declined on 13<sup>th</sup> January 2023 and a fuller submission sought by Homes England.

3.3.4. On 10 March, 2023, the Council shared draft proposals with Homes England to seek to deliver a new sustainable community within the HIF budget. Central Government will make a decision based on a recommendation from HE as to whether the project should go forward or not. Subject to the yet to be determined final decision by central government this will be brought back for debate and consideration by Cabinet. There are currently understood to be eight HIF schemes going through the same process, with a number being of a similar scale to Medway.

**3.4. Committee request for officers - *The results of the transport assessment and environmental surveys related to the project be placed in the public domain to determine the impact of those on proposals.***

3.4.1. The Transport Assessment and the Environmental Impact Assessment are still draft so we would not publish them at this stage, they are being reviewed to take account of the pause on rail. Once completed they will form part of our planning application and they can then be commented upon.

**3.5. Committee request to the Cabinet - *A commitment to revisiting the consultation process if changes are proposed.***

3.5.1. The key current proposed change is the pausing of rail. As the Council cannot currently fund the provision of the rail service, consulting on whether to pause it or not would not be realistic. To deliver a new sustainable community we are exploring enhancing the bus service, alongside improving cycle and pedestrian links.

3.5.2. We are committed to ensuring that information on the proposed changes to the HIF scheme are published and discussed in a variety of different fora when they are agreed by the Council. This would be in addition to continuing the consultation work around SEMS and indeed new discussions around an enhanced bus service to replace rail.

3.5.3. If the design of the road scheme varies substantially from the previous scheme, then we will of course need to reconsult. When the planning applications for the road schemes are submitted there will be a period of statutory consultation.

3.5.4. The Future Hoo team have been running a series of events at local schools to discuss the Future Hoo scheme with pupils. The potential revisions to the Future Hoo scheme provide the opportunity to extend the engagement work to draw in more stakeholders and community groups.

**3.6. Committee request to the Cabinet: *A refreshed governance structure for the project going forward to include the relevant community groups such as councillors, parish councillors and other community groups.***

3.6.1. In terms of governance of the scheme the decision making is outlined in pre-commencement condition 16 as part of the Grant Determination Agreement, which makes clear the role of Member Advisory Board to advise on the project, with Cabinet being the decision maker. It is proposed that revised arrangements are discussed with the new administration.

3.6.2. The HIF team has sought, post pandemic, to engage more directly with Parish Councils, Community Groups and other stakeholders. This is seen in the recent discussions around SEMS projects, events at schools and taking part in the Planning Services consultation on the Hoo Development Framework. The potential revisions to the Future Hoo scheme provides the opportunity to extend the engagement work to draw in more stakeholders and community groups.

**4. Risk management, financial and legal implications**

4.1. There are no direct risk management and financial implications arising from this report, however, as referenced at section 3.2 of the report, expenditure incurred since 31 January 2023 remains at the Council's risk.

4.2. Section 9F of the Local Government Act 2000 requires the Council to ensure that its Overview and Scrutiny Committees have power to make recommendations to the Leader and Cabinet in respect of the discharge of Council functions (executive and non-executive) and also on matters which affect the authority's area or the inhabitants of the area.

**5. Recommendations**

5.1. The Cabinet is asked to note the officer responses to the requests made to officers by the Business Support Overview and Scrutiny Committee, as set out in paragraphs 3.2 to 3.4 of the report.

5.2. Noting the officer comments set out at paragraphs 3.1 to 3.6.2 of the report, Cabinet is asked to consider the following recommendations from the Business Support Overview and Scrutiny Committee:

- a) A commitment to revisiting the consultation process if changes are proposed;
- b) [provision of] a refreshed governance structure for the project going forward to include the relevant community groups such as councillors, parish councillors and other community groups.

## 6. Suggested reasons for decision

- 6.1. The Business Support Overview and Scrutiny Committee has made this recommendation to Cabinet in accordance with its entitlement, under the Council's Constitution, to make recommendations to Cabinet arising from the outcome of the scrutiny process (Constitution – Articles of the Constitution - Chapter 2, Article 6, Paragraph 6.4). Cabinet is, therefore, required to consider its response.

### Lead officer contact

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### Appendices

None

### Background papers

None