

## **CABINET**

**8 AUGUST 2023**

### **FUTURE HOO: HOUSING INFRASTRUCTURE FUND**

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

Report from: Richard Hicks, Chief Executive

Author: Janet Davies, Head of HIF and Regeneration

#### **Summary**

Members will be aware that the Department for Levelling up, Housing and Communities, alongside Homes England have withdrawn the £170 million Housing Infrastructure Fund (HIF) grant. This is deeply disappointing for Medway. This Cabinet report is to recognise that because of the decision, Medway Council will now need to stop work on the original proposed investment in six road schemes which were designed to improve the Peninsula's links to the rest of Medway, reduce congestion, and improve air quality, alongside investment in public access to open spaces and options to improve public transport. The remaining grant allocation of £150 million will now need to be removed from the Councils capital programme.

It is proposed to continue to work with residents, Parish Councils, community groups and members of the Hoo Consortium of landowners and housebuilders to come forward with alternative solutions for Hoo, focusing on improving the wellbeing of all residents by providing sustainable transport, access to open spaces, employment opportunities and new homes. This work will also form part of the process of adopting a new Local Plan for Medway.

#### **1. Recommendations**

- 1.1. Following confirmation from Homes England that it will reimburse the Council for all eligible expenditure incurred at risk since January 2023, Cabinet is asked to note that the uncommitted balance of the HIF project will be removed from the capital programme under the Chief Operating Officer's delegation.
- 1.2. The Cabinet is requested to instruct officers to explore other funding sources to deliver aspects of the HIF programme where possible.
- 1.3. The Cabinet is asked to note that the Local Plan will now be developed in the absence of HIF with careful consideration given at both Regulation 18 and 19 stages to how this can be effected.

## 2. Reasons for decisions

- 2.1. To actively manage financial risk to the council; whilst also continuing to prioritise the development of the Local Plan in its response to the closure of the HIF programme.

## 3. Budget and policy framework

- 3.1. The HIF grant fund is currently shown within the Council's capital programme. This will now be removed. The HIF programme was acting to support the development of the Local Plan, this will now be developed in its absence with careful consideration given at both Regulation 18 and 19 stages to how this can be affected.

- 3.2. Since the HIF award in 2017, significant progress has been made on the development of this complex project. The Future Hoo team has been working to develop deliverable schemes for all the proposed interventions i.e. highway, rail and SEMs and this has culminated in:-

- Phase 1 of SEMS – Cockham Community Parkland has obtained planning permission.
- Phase 2a Hoo Wetlands Reserve gained Full Planning Permission in March 2023.
- Two major programme wide public consultations have been completed.
- Achievement of GRIP Stage 3 for the rail scheme, setting the design proposals.
- Negotiations having been opened with every freeholder and relevant interested party affected by the Future Hoo programme.
- A “design freeze” being reached for the highway and rail interventions to enable environmental and transport assessments to be undertaken.
- The formation and implementation of a revised planning strategy to address issues with the ongoing development of the Local Plan; and
- The completion in November 2022 of a major 9-week public consultation on the Hoo Development Framework which set out draft proposals for comment on the form and nature of the new sustainable community which will be supported by the infrastructure that has been funded by Homes England.

- 3.3. It is intended to seek to deliver the SEMS planning permissions when suitable funds can be gained and if they are still shown to be a requirement. It is also proposed to submit a planning application for a Community Parkland at Deangate as that work is close to completion. If the HIF scheme had continued the highways planning application would have been submitted in September 2023 alongside further feasibility work into alternative public transport options to support the residents and businesses on the Peninsula.
- 3.4. As part of the Government's national housing targets, Medway Council has to deliver 1,667 new homes a year between now and 2040 – a total of nearly 28,500. This target still exists.

## 4. Background

- 4.1. As previously reported to Cabinet, 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.
- 4.2. 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.
- 4.3. On 17 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 November 2022. The principles of a further approach were shared with Homes England on 30 November 2022. This was declined on 13 January 2023 and a fuller submission sought by Homes England.
- 4.4. On 10 March 2023, the Council shared draft proposals with Homes England to seek to deliver a new sustainable community within the HIF budget. The proposals were deliverable within the £170million HIF funding envelope and would have concluded construction in December 2026. The scheme resulted in a BCR of 2.6:1. This BCR level represents “high” value for money.
- 4.5. On 24 May 2023 Homes England met with the Council stating that they were recommending declining this proposal. Officers sought to work with Central Government to resolve this. Given the urgency of concerns that we were about to lose the grant funds, it was then agreed to submit a reduced proposal focusing on improvements to Four Elms roundabout, Sans Pareil roundabout, Deangate Community Parkland and other public transport. This circa £100million submission was also considered to be good value for money. Unfortunately, this was declined on 10 July 2023. The letter refusing that option also acted to close the grant programme. Officers are now working to close the scheme and to reclaim funds spent at risk.
- 4.6. There are currently understood to be eight HIF schemes going through the same process, with a number being of a similar scale to Medway. At this stage it is understood that two other HIF schemes have closed down. One being in Lancashire with a value of £140 million of HIF grant. The second scheme is understood to be of much smaller value.

## 5. Options

5.1. Options at this stage are limited given that HE have unilaterally terminated the GDA. However the following options exist:-

1. Do nothing.
2. Seek capital additions to deliver the remaining £150 million of the HIF programme.
3. Continue to spend on HIF at risk and work with government to find other means of funding.
4. Stop all HIF expenditure and seek alternative funding where possible to deliver infrastructure on the Peninsula.

## 6. Advice and Analysis

6.1. Given the financial constraints experienced by the council and the fact that Central Government has unilaterally closed the HIF scheme; it is recommended that the Council focuses securing an effective close of the HIF programme and maintaining the knowledge base developed during the delivery of the programme. Hence it is proposed that Option 4 is agreed. It is noted that Central Government has been reported to have recently underspent infrastructure finance to support housing delivery by some £1.9 billion.

## 7. Risk management

7.1. Risk management is an integral part of good governance. The Council has a responsibility to identify and manage threats and risks to achieve its strategic objectives and enhance the value of services it provides to the community. The following immediate risks have been identified.

Risk	Description	Action to avoid or mitigate risk	Risk rating
Financial	The risk exists that SELEP reclaim the £1.8m of their funds spent on designing improvements to Four Elms Roundabout.	Officers will seek to negotiate positively with SELEP and Central Government to a) revoke this potential claim and/or b) secure new delivery funds.	BIII

<b>Likelihood</b>	<b>Impact:</b>
A Very likely B Likely C Unlikely D Rare	I Catastrophic II Major III Moderate IV Minor

## 8. Consultation

- 8.1. As part of the development of the Local Plan, officers will continue to work with the residents, Parish Councils, community groups and members of the Hoo Consortium of landowners and housebuilders to support Hoo, focusing on routes to improve the wellbeing of all residents by providing sustainable transport, access to open spaces, employment opportunities and new homes. However, the funding available for this is now severely curtailed.

## 9. Climate change implications

- 9.1. [The Council declared a climate change emergency in April 2019](#) - item 1038D refers, and has set a target for Medway to become carbon neutral by 2050. The HIF programme sought to address pollution in general and specifically at Four Elms AQMA. These capital works will no longer be able to be achieved. Latterly the programme sought to improve other public transport on and around the Peninsula to further improve air quality. This will no longer be fundable in its previous form.

## 10. Financial implications

- 10.1. Homes England had stated that after 31 January 2023, expenditure on the HIF programme would be at the Council's risk. Despite this, progress was still monitored by Homes England and work was required to submit revised proposals. Further work was also required to deliver against those revised proposals whilst HE considered them. Officers have held discussions with Homes England and secured repayment of funds reasonably spent at risk. Officers are also seeking to explore other funding sources with DLUHC and Homes England. The outcome of this work will be reported to Cabinet. Finally, the risk exists that SELEP will seek the repayment of the £1.8m paid to undertake improvements at the Four Elms roundabout if a new source of delivery funds cannot be gained by 31<sup>st</sup> March 2024 or the liability written off by Central Government due to the early closure of the HIF programme.
- 10.2. No further work is now being commissioned, and the HIF led work paused until Members decide how to proceed. However, officers are still progressing with the final elements of work on the planning submission for the Deangate Community Parkland. This is considered to offer good value for money with the scheme weeks from public consultation and submission to Planning Committee.

10.3. Further to this Cabinet report, Council staff working on the HIF funded programme will be put at risk of redundancy with redeployment options sought. Non-Council staff have already had contracts terminated as have consultancy contracts. Staff whose salaries which are part funded by HIF grant are also being reviewed and this will have an impact on council budgets. A key final deliverable is to ensure final invoices and HIF related reports are gained, assessed, and dealt with at pace. Monitoring and Financial Claims are still being submitted to Homes England in line with the Grant Determination Agreement. The current submitted and unpaid HIF claims are:

Claim 32	£546,441.28	submitted 03/05/2023
Claim 33	£472,631.49	submitted 31/05/2023
Claim 34	£628,310.30	submitted 30/06/2023
Claim 35	£355,122.61	submitted 20/07/2023

## 11. Legal implications

11.1. A joint letter from DLUHC and Homes England was received on 10 July 2023. This set out that whilst they had reviewed the last revised submission, they did not consider that the HIF scheme was suitable for onward funding. Hence the scheme was closed. The terms of the Grant Determination Agreement which manage the delivery of the grant fund do not allow for a process of appeal or for a notice period in the event of the decision being taken by Homes England to close the programme.

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### Appendices

None

### Background papers

None