

From: Mark Dance, Cabinet Member for Economic Development
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To: Growth, Economic Development and Communities Cabinet Committee – 21 November 2017

Subject: Housing Infrastructure Fund

Classification: Unrestricted

Past Pathway of Paper: N/A

Future Pathway of Paper: N/A

Electoral Division: All Electoral Divisions

Summary: This report presents an outline of the Housing Infrastructure Fund launched by the Department for Communities and Local Government. It sets out the amount and type of funding available and the respective roles of Kent County Council and the district and borough councils in the bidding process. The report summarises the Forward Fund submissions made by the County Council and their prioritisation, provides an overview of the Marginal Viability Funding bids submitted in Kent and sets out the prospective timescales for funding awards.

Recommendation:

The Cabinet Committee is asked to note the two Forward Funding applications submitted by the County Council and their prioritisation, alongside the bids submitted by district and borough councils for Marginal Viability Funding.

1. Introduction

- 1.1 In early July 2017, the Department for Communities and Local Government launched a Housing Infrastructure Fund (HIF) of up to £2.3 billion to enable the delivery of up to 100,000 new homes in England. The funding is an allocation from the National Productivity Investment Fund announced in the Autumn Statement 2016. The HIF will be available over four years from 2017/18 to 2020/21 and all funding must be committed by March 2021.
- 1.2 The HIF is a government capital grant programme and funding will be awarded to local authorities on a highly competitive basis. The purposes of the Fund are to:
- Deliver new physical infrastructure to support new and existing communities;
 - Make more land available for housing in high demand areas, resulting in additional new homes that otherwise would not have been built;

- Support ambitious local authorities who want to step up their plans for growth and make a meaningful difference to overall housing supply; and
 - Enable local authorities to recycle the funding for other infrastructure projects, achieving more and delivering new homes in the future.
- 1.3 The Kent and Medway Growth and Infrastructure Framework 2015 set out the need for 158,500 new dwellings in Kent and Medway for the period to 2031, alongside the necessary infrastructure provision required to deliver high quality growth. It showed an infrastructure funding gap in excess of £2 billion. The level of strategic housing need will inevitably be higher when an update of the Framework is published in winter 2017/18. Where development has stalled on residential sites in Kent and Medway, viability issues associated with the delivery of physical infrastructure are commonly cited explanations.
- 1.4 The HIF will provide Forward Funding and Marginal Viability Funding.
- 1.5 Forward Funding is for strategic and high-impact infrastructure schemes where the Government envisages its initial funding will provide the market with confidence to make further investment and more land available for development and new homes. Bids could be up to £250 million although higher levels of funding may be awarded to exceptional bids where they are supported by a robust case for the transformational delivery of new homes. Only the uppermost tier of local authority could bid for Forward Funding. The Government made it explicit that multiple bids were permissible but could only be submitted if ranked in a priority order.
- 1.6 Forward Funding bids will follow a two stage process. Expressions of interest were required by 28 September 2017. These will now be assessed and where successful, will proceed to a second stage. At stage two, the Government will provide access to expert advice and constructive challenge. Local authorities will then develop business cases for submission in spring 2018 and following assessment, the successful schemes to be funded will be announced from summer 2018. The timing of a Government announcement has yet to be confirmed but given the duration of the second stage, it is reasonably anticipated this could follow the publication of the Autumn Budget on 22 November 2017.
- 1.7 Marginal Viability Funding is for housing sites where delivery has stalled due to the cost of providing the infrastructure. The Government intends to provide the final, or missing, piece of infrastructure funding to accelerate the allocation of new sites or unlock development on stalled sites. Bids could be up to £10 million although similar to Forward Funding, higher levels of funding may be awarded to exceptional bids. Only single and lower tier authorities could bid for Marginal Viability Funding. The Government sought evidence of a strong local commitment to delivery, including between different tiers of government. For example, where a scheme involved a new road, support from Kent County Council as Local Highway Authority was expected. Again, multiple bids were permissible but could only be submitted if ranked in a priority order.

- 1.8 Marginal Viability Funding bids will follow a one stage process. Detailed business cases were required by 28 September 2017. These will now be assessed and funding awards announced in winter 2017/18. It is reasonably anticipated that an announcement could swiftly follow the publication of the Autumn Budget on 22 November 2017.
- 1.9 The Government expectation is that the majority of the £2.3 billion will be allocated to Forward Funding schemes i.e. those submitted by the uppermost tier of local authority. However, this is dependent on the bids received and the Government has stated that it may not allocate all of the funding in a single round. In this instance, it is likely that a further round of funding would be announced in the future.

2. Forward Funding submissions

2.1 Following the announcement in July 2017, Kent County Council worked collaboratively with district and borough councils to develop expressions of interest for Forward Funding and bids for Marginal Viability Funding, meeting the Government criteria:

- Deliverability of the infrastructure and how this will lead to the delivery of new homes;
- Strategic approach with strong local leadership and joint working to achieve higher levels of housing growth in the local area; and
- Value for money on the basis of an economic appraisal.

2.2 In the assessment of schemes, the emphasis of the Government will be on value for money. The funding profile, geographical capacity of an area to deliver the infrastructure development and wider economic considerations may also be taken into account.

2.3 The Kent and Medway Economic Partnership and South East Local Enterprise Partnership were also engaged and both endorsed the following prioritisation and submission of two Forward Fund schemes:

2.4 1. Otterpool Park, Shepway

In November 2016, the Department for Communities and Local Government announced its support for Otterpool Park Garden Town, located on land broadly to the south of Junction 11 of the M20 and Westenhanger Railway Station. This followed the submission of an expression of interest by Shepway District Council for a new garden settlement comprising up to 12,000 new homes in this location, in response to the prospectus *Locally Led Garden Villages, Towns and Cities* published by the Department earlier that year.

Approximately three quarters of the land required to deliver the Garden Town are in the control of the District Council and its partner Cozumel Estates, both major local landowners. The Homes and Communities Agency is also well

advanced in discussions regarding its role as a delivery partner within Otterpool Park.

Masterplanning is well underway with the submission of an outline planning application scheduled for spring 2018. In tandem, as local planning authority, the District Council has commenced a partial review of its existing Core Strategy Local Plan 2013 to provide a sound policy basis for the determination of planning applications in this area. Officers from both Authorities continue to work collaboratively with the aspiration to deliver a positively planned, exemplar Garden Town in east Kent.

The submitted Forward Funding proposal seeks £281 million for a range of physical infrastructure including education, transport and utilities. Forward Funding will de-risk and accelerate significant housing growth in the proposed Garden Town from 2020.

2.5 2. Swale Transport Infrastructure

Bearing Fruits 2031: The Swale Borough Local Plan 2017 was adopted by Swale Borough Council in July 2017. The Local Plan was considered by the Planning Inspector to be capable of adoption if it included a commitment to a review due to uncertainties regarding highway infrastructure. The review is to be adopted by April 2022 and therefore the Borough Council has already started work on it.

The submitted Forward Fund proposal seeks £40 million for recognised improvements required at the A249 junctions (Grovehurst and Keycol). It also includes funds to undertake the development works for strategic transport infrastructure which was supported in principle by Swale Borough Council at its 26 July 2017 Full Council meeting. This includes the completion of the Northern Relief Road and Southern Link, Brenley Corner and A249 improvements to the M2. The transport schemes at Grovehurst and Keycol represent key infrastructure improvements enabling the delivery of over 6,000 allocated homes in the period 2022-31.

The review of the Local Plan will consider the development and infrastructure requirements for the Swale Borough beyond 2022. A new garden settlement is one option which could potentially meet significant identified housing and economic growth needs. Growth at the scale of a garden town could also enable the delivery of the strategic transport infrastructure supported by the Borough Council. As local planning authority, Swale Borough Council will test and consult upon an appropriate range of options as part of Local Plan review process.

3. **Marginal Viability Funding submissions**

- 3.1 The Government set out its expectation that Marginal Viability Funding bids submitted by a single or lower tier authority should demonstrate a strong local commitment to delivery, including between different tiers of local government.

The appropriate Cabinet Member has endorsed the submission of each of the following 9 Marginal Viability Funding schemes, summarised accordingly:

1. Ashford Borough Council: land remediation and site assembly (circa £8.65 million)

This would support the regeneration of the former railway works site in Newtown, Ashford and deliver 350 new dwellings. The long disused site comprises brownfield land currently in private ownership and includes grade II listed locomotive sheds of approximately 300 metres in length and other associated listed railway buildings. The scheme will deliver town centre housing, restore and bring back into use the listed railway buildings and provide improved local highway infrastructure together with quality public realm, in an attractive and sustainable neighbourhood which reflects the railway heritage of the site.

2. Dover District Council: Bus Rapid Transit Infrastructure (circa £16 million)

This would support the delivery of a new rapid bus link between the planned major urban extension at Whitfield and Dover Town/ Priory Railway Station.

3. Maidstone Borough Council: site assembly and highway improvements (£9 million)

This would support the delivery of the Maidstone East Urban Civic Quarter project, led in partnership by Kent County Council and Maidstone Borough Council. The Civic Quarter is located to the north of Maidstone Town Centre, comprising three sites in the public ownership of Kent County Council, Maidstone Borough Council and Network Rail. Off-site highway network improvements and the re-provision of the existing commuter car park serving Maidstone East Railway Station would enable the delivery of approximately 640 new dwellings.

4. Shepway District Council: land remediation (circa £2.5 million)

This is to remediate a derelict site in Ship Street, Folkestone which formerly comprised a gasworks and is allocated for residential development in the Core Strategy Local Plan 2013. If the application is successful, the District Council intends to complete the purchase of the site with a view to delivering 85 new dwellings.

5. Swale Borough Council: Queenborough and Rushenden Regeneration (£3.5 million)

This is for land raising, surface water drainage and demolition works on a 25 hectare brownfield site at Queenborough and Rushenden, Isle of Sheppey. The site is owned by the Homes and Communities Agency and is allocated for major residential development in Bearing Fruits 2031: The Swale Borough Local Plan 2017. Development of this infrastructure would enable the delivery of phases 2-4 (990 new dwellings).

6. Thanet District Council: new roundabout on the A256 corridor (circa £2.5 million)

This is for the delivery of a new roundabout at the Haine Road junction with the B2050 Manston Road to enable delivery of consented residential development at EuroKent (up to 550 dwellings) and Manston Green (758 dwellings). As it submitted two applications for Marginal Viability Funding, the District Council identified this as the priority scheme.

7. Thanet District Council: Columbus Avenue Highway Extension (circa £10 million)

This proposal is identified in the emerging Thanet Transport Strategy and is necessary infrastructure to support the delivery of strategic development sites at Westgate (1,000 dwellings) and Birchington (1,000 dwellings), identified in the emerging Thanet Local Plan.

8. Tunbridge Wells Borough Council: Paddock Wood junction improvements (circa £2.1 million)

The proposed infrastructure scheme consists of junction improvements at two key locations to increase highway capacity. The improvements relate to the realignment of the B2160 Maidstone Road/ Badsell Road/ Mascalls Court Road junction and improvements to Colts Hill roundabout. These will enable the delivery of three major residential sites in Paddock Wood, comprising approximately 1,000 new dwellings. As it submitted two applications for Marginal Viability Funding, the Borough Council identified this as the priority scheme.

9. Tunbridge Wells Borough Council: Woodsgate Corner junction improvements (£2.75 million)

The proposed infrastructure scheme consists of improvements to the junction of the A264 Pembury High Street/ A228 Tonbridge Road, to the east of Tunbridge Wells Town Centre. The scheme is necessary to enable the delivery of major residential sites allocated in the emerging Local Plan which will be submitted for Examination in 2018.

4. Conclusions

4.1 Kent is an area with a demonstrable need for new housing and the Growth and Infrastructure Framework 2015 established the significant infrastructure funding challenge facing the county, particularly if growth is to be supported by necessary infrastructure provision. The HIF provided a major opportunity for local authorities to secure grant funding for infrastructure development to unlock the delivery of new homes.

4.2 Kent County Council has submitted two expressions of interest for Forward Funding. The County Council has prioritised an exceptional bid comprising

almost £300 million of physical infrastructure necessary to de-risk and accelerate growth at Otterpool Park, Shepway - a garden settlement already endorsed by the Government. Forward Funding for key transport improvements in the Swale Borough is necessary to support long term housing delivery on sites allocated in the recently adopted Local Plan. This bid also recognised the ambition for growth emerging through the Local Plan review, and significant strategic transport infrastructure opportunities which are supported locally.

- 4.3 Kent districts and boroughs have also submitted 9 Marginal Viability Funding bids endorsed by the appropriate Cabinet Member. Each application for Marginal Viability Funding supports the development of physical infrastructure to enable the delivery of residential development on sites allocated in adopted and emerging Local Plans.
- 4.4 An announcement on the successful expressions of interest for Forward Funding has yet to be confirmed but is reasonably anticipated to follow the publication of the Autumn Budget on 22 November 2017. Marginal Viability Funding awards will be announced in winter 2017/18. Similarly, it is reasonably anticipated that an announcement could swiftly follow the publication of the Autumn Budget.

5. Recommendation

- 5.1 The Growth, Economic Development and Communities Cabinet Committee is asked to note the two Forward Funding applications submitted by the County Council and their prioritisation, alongside the bids submitted by district and borough councils for Marginal Viability Funding.

6. Background Documents

- 6.1 Department for Communities and Local Government (2017) *Housing Infrastructure Fund: Supporting Document for Forward Funding*

[https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/625525/HIF Forum Funding supporting document accessible.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/625525/HIF_Forum_Funding_supporting_document_accessible.pdf)

- 6.2 Department for Communities and Local Government (2017) *Housing Infrastructure Fund: Supporting Document for Marginal Viability*

[https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/625520/HIF Marginal Viability supporting document accessible.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/625520/HIF_Marginal_Viability_supporting_document_accessible.pdf)

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