

From: Mike Whiting, Cabinet Member for Planning, Highways, Transport and Waste
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To: Environment and Transport Cabinet Committee – 15 May 2018

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 provides an update on the Housing Infrastructure Fund following an announcement in March 2018 by the Ministry of Housing, Communities and Local Government. The announcement confirmed that Kent County Council was successful in its initial 'Expression of Interest' for Forward Funding supporting the delivery of major transport infrastructure in the Swale Borough. The report outlines the general scope of the 'Expression of Interest', provides an overview of the next stage in the competitive bidding process and sets out the anticipated timescales for submission of a full business case and final decision on the award of funding.

Recommendation:

The Cabinet Committee is asked to note the recent announcement by the Ministry of Housing, Communities and Local Government and requirement for the preparation and submission of a full business case to inform a final decision on the award of funding.

1. Background

- 1.1 In July 2017, the Ministry of Housing, Communities and Local Government launched a Housing Infrastructure Fund (HIF) of £2.3 billion to enable the delivery of up to 100,000 new homes in England. An additional £2.7 billion was announced in the Autumn Budget 2017.
- 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 HIF will provide Forward Funding and Marginal Viability Funding:

Forward Funding: 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.

Forward Funding bids follow a two-stage process. 'Expressions of Interest' were required by 28 September 2017. These were 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 and following assessment, the successful schemes to be funded will be announced

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.

1.4 In February 2018, the Ministry of Housing, Communities and Local Government announced that 133 council-led projects across the country will receive a share of £866 million of Marginal Viability Funding from the HIF. This included three projects in Kent, and the initial submission of each scheme was endorsed by the appropriate County Council Cabinet Member:

- Dover Bus Rapid Transit System: £15.8 million indicative allocation
- Manston Road/Haine Road Roundabout: £2.5 million indicative allocation
- Queenborough and Rushenden regeneration: £3.5 million indicative allocation

2. Forward Funding: submitted expressions of interest

2.1 Following the original announcement in July 2017, Kent County Council worked collaboratively with district and borough councils to develop 'Expressions of Interest' for Forward 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 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:

1. Otterpool Park Garden Town: £281 million for a range of physical infrastructure including education, transport and utilities to de-risk and accelerate significant housing growth in the proposed Garden Town from 2020.
2. Swale Transport Infrastructure: £40 million for recognised improvements required at the A249 junctions (Grovehurst and Keycol) and funds to undertake the development works for strategic transport infrastructure.

2.3 On 21 March 2018, the County Council received confirmation from the Ministry of Housing, Communities and Local Government that it was one of 44 areas throughout the country shortlisted for £4.1 billion in Forward Funding, for the Swale Transport Infrastructure scheme; this will be subject to further assessment as part of a 'co-development' period (see Section 3.2). Therefore, as it remains a competitive process, the announcement did not represent any guarantee of HIF funding.

2.4 The HIF was heavily oversubscribed, receiving almost £14 billion worth of bids. Kent County Council also received confirmation that the 'Expression of Interest' for Otterpool Park Garden Town would not be taken forward. Feedback has been sought and is awaited from the Ministry of Housing, Communities and Local Government. Nevertheless, progress on the project continues as planned and the County Council continues to work collaboratively with Folkestone and Hythe District Council and other key partners including Homes England, to deliver an exemplar new settlement.

3. Swale Transport Infrastructure

3.1 'Expression of Interest'

3.1.1 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 an early review due to uncertainties regarding highway infrastructure. The Borough Council has already commenced the review, due to be adopted by April 2022.

3.1.2 The 'Expression of Interest' submitted in September 2017 sought £40 million for recognised improvements required at the A249 junctions; Grovehurst and Key Street. The transport schemes represent key infrastructure improvements enabling the delivery of over 6,000 homes in the period 2022-31, on development sites allocated in the Local Plan.

3.1.3 The delivery of both transport schemes will be led by the Major Capital Programme team in the Highways, Transportation and Waste Division. The schemes for both Grovehurst and Key Street are at a relatively early stage in project design and feasibility, with the outputs of key environmental and technical assessments awaited e.g. transport modelling.

3.1.4 Both Kent County Council and Swale Borough Council will also be seeking to maximise local development contributions to these projects. There are several major development sites from which contributions will be requested as appropriate, in accordance with national planning policy and guidance. Given that sites are at varying stages of the planning process, the level of potential development contributions is currently being assessed.

3.1.5 The 'Expression of Interest' also sought funding (£3 million) to undertake scheme design, planning and development of strategic transport infrastructure, including the completion of the Northern Relief Road and Southern Link. This is supported in principle by Swale Borough Council (motion agreed at 26 July 2017 Full Council meeting).

3.2 'Co-development'

3.2.1 The second stage of the Forward Funding element of the HIF process is regarded by the Ministry of Housing, Communities and Local Government as a 'co-development' period whereby it has confirmed its support to Kent County Council - as Lead Authority - in the development of the infrastructure projects ahead of the preparation of a business case.

3.2.2 At the time of writing, no further detail on the co-development period has been made available to Officers. However, the Ministry of Housing, Communities and Local Government has stated that it will be contacting Lead Authorities from mid-April 2018 to provide further detail and set out next steps. In preparation for the development of the business case, Officers continue to work collaboratively with Officers from Swale Borough Council and regular meetings between both Authorities have been established.

3.2.3 The business case will be assessed and informs the final funding decision. The Ministry of Housing, Communities and Local Government has stated that not all projects will receive funding or funding amounts could change from the amount originally sought in the expressions of interest. This allows a degree of flexibility as projects are developed and refined, and business cases prepared.

3.2.4 The initial guidance published in July 2017 stated that the co-development process would be for a period of six months. Therefore, Officers reasonably anticipate that the deadline for submission of the business case will be in late summer 2018, with final funding decisions announced from autumn 2018.

4. **Conclusion**

4.1 The HIF announcement in March 2018 by the Ministry of Housing, Communities and Local Government represents a real opportunity to secure significant capital investment for major transport infrastructure schemes in the Swale Borough. The delivery of these schemes will enable the medium-long term delivery of thousands of new homes on sites allocated for development in the Swale Borough Local Plan 2017.

4.2 Officers of both Authorities will work in partnership with the Ministry of Housing, Communities and Local Government in the next stage of the

process, prior to the submission of a full business case. The Government will assess the business before making its final decision on whether to make an award of funding.

5. Recommendation

Recommendation: The Cabinet Committee is asked to note the recent announcement by the Ministry of Housing, Communities and Local Government and requirement for the preparation and submission of a full business case to inform a final decision on the award of funding.

6. Background Documents

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

7. Contact details

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