

Cabinet

7 March 2019

Approval to Submit Funding Bids to the Homes England Housing Infrastructure Fund

Recommendation

That Cabinet approves the submission of the following funding bids to the Homes England Housing Infrastructure Fund (HIF), subject to sign off by the Joint Managing Director for Resources, Joint Managing Director for Communities and the Section 151 Officer:

- 1) A5 Transport Corridor – North Warwickshire.
- 2) Stratford-upon-Avon South Western Relief Road.

1.0 Key Issues

- 1.1 This report seeks approval to submit two funding bids to the Forward Funding Stream of the Homes England HIF on the basis that the County Council takes on no liability for any cost or financial risk associated with either of the schemes.

2.0 Options and Proposal

- 2.1 The Government has made £5.5 billion of capital funding available through the HIF to fund infrastructure which will support housing growth. The fund is split between two streams:
 - a) The Marginal Viability Fund is providing the final or missing piece of infrastructure funding needed to get additional housing sites allocated or existing sites unblocked. Individual bids were capped at £10 million with the bids to be submitted by single or lower tier local authorities. Bids able to demonstrate a transformational delivery of new homes were able to exceed the funding cap.
 - b) The Forward Fund to provide upfront funding for strategic and high impact infrastructure schemes which will unlock new homes and deliver large scale growth. Upper tier local authorities were invited to initially submit expressions of interest to the Forward Funding stream for up to £250 million per project.

The deadline for bids to the Marginal Viability Fund and expressions of interest in Forward Funding was 28th September 2017.

- 2.2 Bids were submitted to the Marginal Viability Fund by Warwickshire's district and borough councils and the following schemes were awarded funding:
- a) Stratford-on-Avon District Council; Long Marston Airfield Garden Village - Phase 1 - £13,438,417
 - b) Warwick District Council; Kenilworth Education and Growth - £9,591,000
- 2.3 The County Council submitted expressions of interest in Forward Funding for the following schemes:
- 1) A5 Transport Corridor – North Warwickshire.
 - 2) South West Rugby Access Package.
 - 3) Stratford-upon-Avon South Western Relief Road (SWRR).
- 2.4 In March 2018 the Ministry of Housing, Communities and Local Government (MHCLG) notified the County Council that the A5 Transport Corridor – North Warwickshire and the Stratford-upon-Avon South Western Relief Road projects had been successful in progressing to the next stage of the competitive HIF Forward Funding process; the co-development stage.
- 2.5 Officers are preparing full business cases for the two schemes with project partners, specialist consultant support and with the input and support of MHCLG and Homes England. Project partners for the A5 scheme are North Warwickshire Borough Council and Highways England, and for the SWRR is Stratford-on-Avon District Council. The deadline for submitting business cases is 22nd March 2019.
- 2.6 The business cases require detailed explanation and analysis of the schemes and their associated impacts. Specific activities include:
- a) Preparing preliminary scheme designs.
 - b) Establishing robust cost estimates.
 - c) Carrying out quantified risk analysis using established methodologies to identify risks and issues and to establish actions which lessen the impact of the risk.
 - d) Conducting options appraisals.
 - e) Calculating the benefit cost ratio, which includes carrying out an economic appraisal and transport modelling.
 - f) Identifying scheme delivery mechanisms including the management and governance processes.
- 2.7 The County Council is providing expertise and leadership to the ongoing work to prepare the two business cases for submission, both of which are being developed on the basis that the Council will not contribute financially to the scheme costs and will not take on the liability for any cost or financial risk such as a shortfall in funding or cost overrun. Further explanation of the two schemes and their associated businesses cases is provided below.

A5 Transport Corridor – North Warwickshire

- 2.8 The A5 Transport Corridor Scheme comprises a series of infrastructure works to be delivered along the A5 corridor which will support and accelerate the

delivery of approximately 3,000 homes in North Warwickshire, as well as supporting sub-regional housing needs in neighbouring authority areas including Tamworth, Coventry and Birmingham. The scheme will also support employment growth including expansion of the nationally significant distribution, logistics and employment centres at Birch Coppice, Horiba-MIRA Enterprise Zone and Magna Park and will ensure the corridor continues to attract economic investment beyond planned growth. The County Council is working closely with Midlands Connect and Highways England to ensure that the scheme aligns with the long term strategic aspirations to upgrade the A5 to Expressway standard.

- 2.9 The scheme will unlock a series of housing developments via the following network improvements:
- 1) Junction improvements at Dordon, Grendon and Atherstone.
 - 2) Upgrading the A5 to dual carriageway between Dordon and Grendon via offline dualling with connection to a new developer led link road between the A5 and B5000.
 - 3) Provision of sustainable transport improvements along the route such as facilities for walking and cycling.
- 2.10 It is expected that the newly constructed section of dual carriageway and junction improvements will be adopted and maintained by Highways England and form part of the A5 Strategic Road Network (SRN). The existing single carriageway section would be de-trunked and adopted by the County Council which would maintain the road for local use with additional provision for walking and cycling. This approach would be consistent with the wider strategic aspirations for the A5 corridor.
- 2.11 If the bid is successful, these works will become a catalyst for a series of wider strategic improvements along the A5 corridor. It is recognised that further works will be required on the A5 to accommodate North Warwickshire Borough Council's full Local Plan aspirations.
- 2.12 The scheme has a cost estimate of approximately £55 million. This was established for the County Council by specialist consultants with expertise in costing major SRN schemes in line with Highways England cost models and includes an allowance for risk and contingency.
- 2.13 It is proposed to bid to the HIF for the full scheme value since no alternative external sources of funding have been identified.
- 2.14 The A5 corridor forms part of the Highways England managed SRN and the scheme will deliver wider strategic objectives for Highways England and the A5 corridor. It is therefore considered that if the HIF submission is successful, Highways England should take on the scheme delivery role including responsibility for construction, project and financial risks. Discussions are currently taking place between senior officials from the Department for Transport, Highways England and Homes England to agree a national

approach to HIF bids that affect the Strategic Road Network, including agreeing appropriate delivery mechanisms for such schemes.

Stratford-upon-Avon South Western Relief Road

- 2.15 The Stratford-upon-Avon South Western Relief Road (SWRR) has been identified as necessary to mitigate the impact of the Long Marston Airfield Garden Village, which once complete will comprise 3,500 homes on a 205 ha brownfield site to the south west of Stratford-upon-Avon. The 3 km road will link the A3400 Shipston Road with the B439 Evesham Road where it will connect with the permitted West of Shottery Relief Road, and in so doing provide a full western relief road which connects at the northern end to the A46 trunk road. The road is necessary to accommodate the additional traffic which will be generated by both the Long Marston Garden Village development and the wider housing and employment growth identified in the Stratford-on-Avon District Core Strategy.
- 2.16 An initial 400 homes have been granted planning approval at Long Marston Garden Village. Traffic modelling has identified that there is sufficient, existing highway capacity for these 400 homes to be built before the need for the SWRR is triggered.
- 2.17 CALA Homes submitted a planning application for the SWRR to Stratford-on-Avon District Council in July 2018 alongside a separate outline planning application for the remaining 3,100 homes allocated to Long Marston Garden Village. Both applications are scheduled to be determined by the end of September 2019. The design of the SWRR submitted within the planning application was prepared by consultants working for CALA Homes.
- 2.18 It is proposed to bid for forward funding for the full scheme cost less a funding contribution by CALA Homes. The scheme estimate is approximately £130 million. This figure is based on a cost estimate prepared by consultants commissioned by the County Council and follows a review of the 166 scheme drawings submitted with the planning application. The estimate includes an allowance for contingency and risk based on a Quantified Risk Register. CALA Homes has made an initial funding commitment to the SWRR of £44 million which leaves a funding gap of £86 million which will need to be met by the HIF since no other external funding sources are available. This figure will change if CALA Homes' adjusts its funding contribution to the SWRR or if the scheme costs are further revised.
- 2.19 It is unlikely that the SWRR and therefore the Long Marston Garden Village 3,100 will proceed without HIF funding for the road since it is doubtful that CALA Homes could fund the full project costs and there is no alternative source of funding currently available. This could prevent Stratford-on-Avon District Council from achieving its housing land supply which in turn could make it harder for the Council as the Planning Authority to reject speculative planning applications for housing development. As part of the business case preparation, alternative 'do-less' options are being assessed to identify whether a lower cost alternative option to the SWRR proposal may be

available. Initial work suggests there is unlikely to be a viable do-less option, primarily due to the highway constraints and limited opportunities to bring forward alternative highway improvements within Stratford-upon-Avon.

- 2.20 It is expected that, should the HIF bid be successful, the County Council will deliver the SWRR, via a S278 Highways Act 1980 agreement or similar contractual arrangement with CALA Homes. Under the agreement CALA Homes would cover the full costs of the scheme less the value of the HIF grant. CALA Homes would also be required to provide a bond which would protect the Council from any situation whereby the developer was unwilling or unable to pay the scheme costs.

3.0 Financial summary and risks

- 3.1 The table below summarises the funding proposals of the two schemes, however it should be noted that these are subject to further work and confirmation as part of the bid preparation.

Scheme	Total cost	WCC funding	Other funding	Proposed HIF bid
A5 Transport Corridor – North Warwickshire	£55 million	£0	£0	£55 million
Stratford-upon-Avon South Western Relief Road	£130 million	£0.	£44 million (CALA Homes)	£86 million

- 3.2 The scale of these infrastructure schemes means that both projects carry significant financial risk with potential issues relating to cost overruns. To reduce the level of risk, the County Council has commissioned third party consultants to carry out robust cost estimates and prepare Quantified Risk Registers using industry standard costing models and processes. The estimates include allowances for contingency and risks. In addition, delivery mechanisms have been identified for both schemes which will remove the financial risk and liability on the County Council. It is proposed that the A5 scheme be delivered by Highways England which would also take on the project risk. It is proposed that the SWRR be delivered by the County Council via a S278 agreement with all costs met by the developer and any grant funding received. The agreement would include an upfront payment of a bond to protect the County Council from any situation whereby the developer was unwilling or unable to pay the scheme costs. The standard bond value for schemes at this stage of development is 150% of the delivery costs.
- 3.3 A further risk surrounds the funding timescales. HIF guidance states that schemes are to be completed and all monies spent by March 2024. This is a challenging, but achievable timescale for schemes of this scale. The A5 scheme is at a relatively early stage of development and focuses on the SRN which carries a higher level of requirements and scrutiny for scheme development and delivery compared to local road network schemes. The SWRR is at a comparatively more advanced stage, however it is a complex scheme with potential for programme delay. Clarity is being sought through the co-development process as to the implications of delay on grant funding,

however it is hoped the Government would take a more realistic view to these timescales.

4.0 Timescales associated with the decision and next steps

- 4.1 The deadline for the submission of bids is 22 March 2019 and officers are working with project partners, Homes England and MHCLG to complete and submit the project business cases.
- 4.2 The funding bids require approval by the County Council's S151 Finance Officer prior to submission.
- 4.3 A decision on the outcome of the bids is expected to be received during the summer 2019.
- 4.4 If funding is secured and all other project conditions can be met a further report will be taken to Cabinet requesting approval to enter into a funding agreement with MHCLG.
- 4.5 In order to comply with the funding conditions, the schemes must be delivered by the end of March 2024.

5.0 Background papers

None

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The report was circulated to the following members prior to publication:

Local members:

A5 Transport Corridor – North Warwickshire: Cllr Wright.
Stratford-upon-Avon South Western Relief Road: Cllr Brain, Cllr Fradgley, Cllr Rolfe.
Other members: Cllr Butlin, Cllr Clarke, Cllr Seccombe, Cllr Chattaway,
Cllr Roodhouse, Cllr Shilton, Cllr Phillips and Cllr Chilvers.