

CABINET – 19 September 2017

Submission of Expression of Interest to the Housing Infrastructure Fund

Report by Strategic Director for Communities

Introduction

1. During July 2017, the Department for Communities and Local Government (DCLG) announced a national Housing Infrastructure Fund (HIF). The £2.3bn fund is intended to ensure that the right infrastructure is in place to facilitate identified growth. Critically for communities, an explicit feature of this programme is the ability for the local authority to influence delivery so that supporting infrastructure is provided alongside the development of new housing. In return, government expects schemes to be ambitious, well managed and to attract wider economic investment and growth.
2. In order to access the programme, the County Council is required to submit Expressions of Interest for candidate schemes by 28 September.
3. During August, County Officers in close partnership with colleagues at the City and District Council and officers from Oxfordshire's Local Enterprise Partnership (OxLEP), have reviewed the requirements of the fund and developed candidate schemes for assessment and submission.
4. The imminent completion of a comprehensive infrastructure strategy for Oxfordshire puts local authorities in a strong position as a partnership to submit a cohesive set of bids aligned to agreed priorities. These priorities in themselves are linked to economic objectives expressed in the Strategic Economic Plan and planning and transport objectives contained with Local Plans and the Local Transport Plan. The emerging strategy allows the County Council, on behalf of Growth Board partners, to confidently promote the case for large scale strategic infrastructure investment in Oxfordshire to unlock and manage growth.
5. The proposed Oxfordshire bids are focused on packages of schemes, rather than individual projects, which collectively work together to provide the infrastructure required to support and enable growth on key strategic corridors. So while there is a relationship between infrastructure schemes and proposed development sites, there is also an overall context whereby a 'package' of measures are required to support and enable the overall level of development planned in each area.
6. This report sets out the requirements of the fund and the process that has been undertaken to identify candidate schemes. It then goes on to recommend to Cabinet how candidate schemes should be assessed as viable for submission by the County Council and how, if more than one scheme is submitted, prioritisation should be assessed.
7. The report details the schemes under consideration and the current assessment of viability and prioritisation pending the completion of evidence gathering, negotiation and technical assessment.
8. Finally, in order to comply with the DCLG deadline, the report proposes to delegate to the Strategic Director for Communities, in consultation with the Leader of the Council

and Cabinet Member for Environment, the detail of the bid submission including the final assessment of viability and prioritisation and the detail of projects to be included within each scheme.

The Housing Infrastructure Fund

9. The Housing Infrastructure Fund is split into two elements:
 - The *Marginal Viability* programme for bids up to £10m, to unlock housing sites which are being held back because of the costs of installing basic infrastructure. This funding is available to the City and District councils.
 - The *Forward Funding* programme for bids up to £250m, with the intention of pump-priming major development schemes by bringing forward infrastructure investment to generate market confidence. This funding is available only to the County Council.
10. This report relates to applications under the Forward Funding scheme only, to be submitted by the County Council.
11. Full details of the application process were published during August 2017. The first stage for Forward Funding schemes is the submission of an Expression of Interest which is due by 28 September 2017.
12. The HIF guidance states that to be eligible, candidate schemes must:
 - Be from the uppermost tier of local government (in Oxfordshire's case, this means the County Council)
 - Require grant funding, demonstrating that the scheme offers a net benefit to society but cannot happen without an initial public sector commitment and that the scheme cannot be funded through another route
 - Deliver the physical infrastructure that local areas need to unlock new homes
 - Support the delivery of development plans already in place or support the delivery of incomplete plans by unlocking the release of otherwise undeliverable land
 - Have support locally
 - Meet the timetable of spending the majority of funding in 2019/20 and 2020/21
13. The bid process is competitive, and applications will be assessed by government on how well they meet the following criteria:
 - The proposal takes a strategic approach, with strong local leadership and joint working to achieve higher levels of housing growth in the local area, in line with price signals, and supported by clear evidence
 - The proposal is value for money, on the basis of an economic appraisal
 - The proposal can be delivered. This is about both delivering the infrastructure and how the infrastructure will then lead to the delivery of new homes
14. The funding is to be used to forward-fund infrastructure schemes and, in some cases, is expected to represent a significant proportion of the upfront development costs. The intention is to create confidence at an early stage in housing schemes that will attract other private and public sector money, and bring new land forward for development. The guidance encourages funding to act as the initial investment capital for a "revolving fund" whereby it is used to forward fund infrastructure, the cost

of which is recovered from future development, to create a funding pot for future infrastructure investment.

15. The application process for the Forward Funding programme is in two stages:
 - i. Firstly, eligible local authorities must submit expressions of interest by 28 September 2017;
 - ii. Secondly, expressions of interest will be assessed, and the highest ranking schemes will go through to a second stage. In the second stage, local authorities will develop business cases for submission in spring 2018. Business cases will then be assessed, with funding awards announced from summer 2018.

Strategic Context

16. HIF bids need to be placed within an overall strategy for infrastructure and development and be consistent with the local place-based strategy for the area. When developing proposals, it has been crucial to demonstrate that they make cohesive and strategic sense and deliver housing at scale rather than a group of unrelated infrastructure proposals, hence the Oxfordshire approach linked to the emerging infrastructure strategy, noted above.
17. As reported to the Oxfordshire Growth Board in July 2017, Oxfordshire Councils have been asked by officials from the Departments for Communities and Local Government and for Business, Energy and Industrial Strategy to develop a place-based growth deal proposition to support the delivery of the existing homes and jobs growth commitments across the county. Work has started on developing a joint proposition for Oxfordshire to identify the infrastructure and other support that would be needed to deliver or accelerate delivery of existing commitments. While the HIF bid process is separate to this 'deal' process, the deal arrangements would provide overarching governance and enhanced access to capital funding and revenue support for scheme development and would ensure that commitments were in place to strategic approaches. Furthermore, the 'deal' would seek to create a rolling infrastructure investment fund which would see money used to unlock development, freeing up further resources to recycle into future infrastructure to unlock future growth.
18. In identifying and assessing candidate schemes, officers have been able to draw heavily on the infrastructure priorities identified through the emerging Oxfordshire Infrastructure Strategy (OxIS). OxIS was commissioned by the Growth Board to provide a common platform to:
 - Strengthen the justification and evidence for securing funding, e.g. from strategic development sites or in business case development for external funding
 - Promote the Oxfordshire 'brand' within the England's Economic Heartland (EEH) grouping as well as within the regional, national and international contexts
 - Develop the attractiveness of Oxfordshire as a business investment location
 - Facilitate informed dialogue with communities, developers and key stakeholders on the growth planned and the challenges and opportunities this brings
 - Deliver sustainable development in Oxfordshire, for both housing and employment, by identifying the infrastructure requirements to support it
19. The emerging strategy is informed by a variety of strategic documents including council Local Plans and the Local Transport Plan. Statutory organisations,

infrastructure and service providers, including Health, Emergency Services, Utility and Green Infrastructure providers, have also input into its development.

20. A detailed stakeholder engagement process on the emerging plan concluded in early September 2017. Alongside this process, development work has been progressed on the next iteration of the plan, which includes evaluation and assessment of all the infrastructure proposals, for example in terms of how they directly support housing and/or employment growth. Based on agreed assessment criteria, each type of intervention has been scored, with regional and countywide proposals being explicitly ranked, to allow OxIS to clearly articulate strategic investment priorities to government and other audiences.
21. A final OxIS report is due to be considered by the Oxfordshire Growth Board in late September 2017. However, emerging outcomes have been available to officers preparing HIF bids and final bids will be amended as OxIS is finalised. Equally delivery plans will be refined as OxIS is refined and revisited in the future to respond to changing social and economic conditions.

Identifying Candidate Schemes and Assessing Eligibility, Viability and Prioritisation

22. In close conjunction with city and district colleagues, county officers have been identifying and developing schemes that are likely to perform well against the HIF criteria, that are considered deliverable within the terms and timeframe of the programme, and where the County Council and partners can be confident that strong governance arrangements will be in place that will give confidence on and minimise risk to delivery.
23. This final question on viability is critical as the County Council, as highways authority and accountable body for HIF delivery, will need to take forward schemes at substantial revenue risk for some-time to come. In the event that scheme elements are not delivered, the County Council stands to risk significant levels of revenue funding as sunk costs that will then not be capitalised as scheme development costs. Officers advise that the County Council should be willing to undertake such risk, but only where schemes are assessed as good-risk and the assessment can be positive about the prospect for development to proceed in a timely manner. While details of the development agreement and full business cases which assess timing and cash flow are not available at this stage, revenue costs are on average costed at 10% of scheme costs and therefore the County Council could be required to put between £15m and £50m at risk depending on the success of bids. Depending on the details of how schemes will be allocated, in the event that schemes do not proceed, the County Council would either be required to fund development from its own reserves at risk, or could be required to repay government funds already allocated.
24. To be developed into bids, candidate schemes must therefore pass two tests: firstly, whether they are eligible for HIF funding and secondly, whether the County Council assesses them at a viable risk level.
25. The County Council is required to prioritise submitted Forward Funding bids and will do this by ranking them against the HIF success criteria detailed above, including strength of governance. In this way, the most aligned viable bid will be summited as the highest priority for consideration in order to maximise the chance of success in the scheme. This is a critical step as in the event that the first prioritised bid is shown not to qualify at the expression of interest stage, no further bids are considered.

Identified schemes

26. In developing candidate schemes, officers considered infrastructure priorities identified through OxIS that sat together as strategically linked initiatives that offered the prospect, as required through HIF, of a 'step-change' in housing provision in a defined area. Candidate schemes clearly also needed to be likely to meet HIF criteria and be within the funding limit. (For example, some potential packages of schemes require infrastructure investment significantly beyond that which HIF investment would release.) The OxIS model of showing spatial, economic and infrastructure connectivity along strategic growth corridors is best illustrated by the plans developed to support the OxIS work, in particular the countywide plan which illustrates the main growth corridors in the County, which is shown in Annex A.
27. In this way, the following schemes were identified as candidates for assessment:
28. **North of Oxford** – This bid would support the delivery of 5,570 homes in Woodstock, Begbroke/Yarnton and Northern Gateway. The bid would be for £152m for transport infrastructure plus education requirements (as yet un-costed). The transport infrastructure includes development of Rapid Transit lines on an upgraded A44 and A4260 corridors, new Park & Ride and strategic cycle infrastructure.
29. **West Oxfordshire** – This bid would support the delivery of over 10,000 homes in Witney & Carterton, and around Eynsham. The bid would be for £135.4m for further upgrades to the strategic A40 transport corridor, building on existing schemes and based on the approved A40 Long Term Strategy including development of the Rapid Transit network and additional highway capacity on the corridor.
30. **Didcot Garden Town** – The bid would support the delivery of over 22,000 homes in Didcot, Culham, Harwell and Berinsfield. The bid would be for £171m for transport improvements including Didcot Science Bridge and A4130 Dualling, a new River Crossing at Culham and Clifton Hampden Bypass. Up to £70m of cycle and other sustainable transport improvements from the Garden Town Masterplan could be considered for inclusion in the bid plan.
31. Each of these schemes has the potential to make significant spatial, social and economic impact on the county and region as a whole.
32. For the West and North bids, the infrastructure included and the proposed development it would enable are closely linked to the additional housing provision being made in West Oxfordshire and Cherwell Districts to help meet Oxford's unmet housing need. These bids would therefore facilitate additional development over existing Local Plan allocations. As such, they both build on established investment corridors and proposals. For example the first stage of the planned A40 upgrade between Eynsham and Wolvercote and the development of East West Rail including Oxford Parkway station. They would help bring forward further stages of the agreed Science Transit Network (particularly the A40 and A44 Rapid Transit corridor and development of the East/West and Cotswold rail lines).
33. The Didcot Garden town bid would enable the successful development of the Garden Town in the context of the wider Science Vale growth area, through securing greater connectivity to link substantial new housing and employment growth.

34. Plans of each candidate scheme along with schedules, outlining the potential scheme elements and constituent projects along with details of benefits in terms of housing delivery, are attached to this report as Annex B and C respectively.

Current scheme assessment of prioritisation and viability

35. Candidate bids have been prioritised based upon the assessment criteria published in the DCLG guidance with higher weightings given to value for money and number of homes (based on the DCLG guidance and their published ‘Ready Reckoner’ for assessment). The overall weighted score is marked out of a maximum of five.

36. The results as follows were:

Housing Infrastructure Fund								
Bid Prioritisation								
Scheme name	Houses	Bid (£m)	Assessment criteria (out of 5)				Overall Weighted Score	Overall Rating
			Value for Money	Deliver-ability	Number of homes	Strategic Impact		
North of Oxford SC	5,570	164	1	4	1	3	1.6	MODERATE
West Oxfordshire SC	10,201	135	3	4	2	5	3.0	HIGH
Didcot GT	21,905	171	5	4	4	4	4.7	VERY HIGH

37. On this basis, the schemes would be prioritised in the following order:

- First priority: Didcot Garden Town
- Second priority: West Oxfordshire
- Third priority: North of Oxford

38. In assessing whether it is prepared to support the risk of non-delivery and to bear development costs, the County Council has considered its current levels of confidence:

Candidate Scheme	Risk associated with delivery	Strength of governance arrangements	Commentary
North of Oxford	GREEN	GREEN	Cherwell District Council have demonstrated commitment to partnership delivery, strategic planning and shared county-wide governance arrangements
West Oxfordshire	AMBER	GREEN	West Oxfordshire District Council have demonstrated commitment to partnership delivery, strategic planning and shared county-wide governance arrangements. However, there are more schemes in the west package that require developer orders and permissions outside of Oxfordshire County Council control.
Didcot Garden Town	AMBER	RED	At this point, there is uncertainty on commitment from all authorities to partnership delivery and it is not yet clear what role the relevant planning authorities see the new and as yet untested Didcot Garden Town Board having in relation to major scheme delivery. Pending further clarification, it is recommended that governance arrangements are not yet satisfactory to the County Council.

39. On this basis, currently the officer assessment is that North of Oxford and West Oxfordshire schemes should be taken forward as bids. The governance arrangements through the Growth Board and the strong commitment to delivery provides the confidence the County Council requires to submit expressions of interest for both bids.
40. At this stage, officers are not able to recommend that Didcot Garden Town is taken forward as a bid. To reduce exposure to financial risk the County Council needs to be satisfied that South Oxfordshire District Council, as accountable body for the Garden Town, are committed to partnership delivery and to being part of a proven governance mechanism, including the ability to evidence joint working that will provide confidence in our ability to deliver the proposed and future schemes linked to the Garden Town masterplan. The County Council has invited South Oxfordshire District Council and partner authorities to provide a stronger governance proposal that reflects and is equal to the level of joint working West Oxfordshire District Council, Cherwell District Council and Oxford City Council have agreed to.
41. In the event that assurances are not obtained to cause a re-assessment of Didcot Garden Town viability, West Oxfordshire will become the first priority bid and North of Oxford the second.

Impact of viability assessment

42. Submission of a HIF bid offers no guarantee of funding and officers expect the limited funds to be heavily oversubscribed at the national level. However, as the only current source of strategic infrastructure funding available for Oxfordshire's significant requirements, Didcot Garden Town not achieving HIF funding has potentially significant consequences. The County Council's expectation is that without major strategic infrastructure investment elements that would be delivered through HIF, it will be much harder to defend and deliver the range of strategic sites coming forward for development as acceptable in terms of the infrastructure that will support them when delivered. As a consequence, developments that are significant at the regional scale will be put at risk with potentially serious economic consequences and consequent risk to the soundness of relevant Local Plans.

Governance

43. The County Council will be the accountable body for the administration of HIF if awarded.
44. To reflect the strategic importance of the bids it is proposed that if successful the governance of the bids will be supported by the Growth Board taking account of the strong interdependencies both between the bids and the place-based deal.
45. The support of the Growth Board will be sought through its September 2017 meeting. It has been clear through initial discussions with other local authority leaders, that unless they too are convinced by South Oxfordshire's commitment to delivery, they are not likely to support the inclusion of Didcot Garden Town schemes into the County Council's submission.

Financial and Staff Implications

46. This report proposes the submission of an Expression of Interest and as such does not carry financial implications in itself. If taken forward to the next stage of development, HIF scheme packages will require detailed businesses cases which will identify revenue costs and potential requirements on the council to forward-fund development of schemes. Implications and authorisation for this expenditure will be brought forward through the normal financial decision making mechanisms.
47. The report sets out above the financial risks associated with forward funding schemes and the assessment being made of confidence in delivery to minimise these risks.
48. Current staff input to develop HIF bids has been resourced from business as usual teams. If bids are successful at the Expression of Interest stage, the required staffing resource to deliver HIF proposals alongside existing commitments will need to be assessed through the business case process and approved through normal business planning processes. It is highly likely this will put significant pressure on our infrastructure and locality teams for the next four months if our interest is shown support.
49. Funding will be paid using section 31 of the Local Government Act 2003.

Equalities Implications

50. This report recommends the submission of Expressions of Interest to the Housing Infrastructure Fund. The decision on funding allocation is for government. No new evidence has been assessed in order to identify funding packages for submission within this report. Rather, this report proposes delivery on existing development planning decisions made through statutory processes which are subject to equality assessments. Therefore there are no additional equalities implications of this report.
51. The equalities implications of schemes that are developed to delivery, and which become the accountability of the County Council, will be assessed in the normal way as they are brought forward.

RECOMMENDATION

52. **The Cabinet is RECOMMENDED to:**
 - (a) Agree to the submission of an Expression of Interest to the Housing Infrastructure Fund**
 - (b) Agree to the process set out above for the assessment of viability of schemes and for their subsequent prioritisation**
 - (c) Note the current candidate scheme packages and current draft assessments**
 - (d) Delegate to the Strategic Director for Communities, in consultation with the Leader of the Council and the Cabinet Member for Environment, and taking into account the view of the Growth Board, the final viability and prioritisation assessment and the detail of the bid submission including the detail of projects to be included within each scheme.**

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Background papers: n/a

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