

Division(s):

CABINET – 15 OCTOBER 2019

MARGINAL VIABILITY HIF FUNDING – WANTAGE EASTERN LINK ROAD: FUNDING AGREEMENT

Report by Director for Planning & Place

RECOMMENDATION

- 1. The Cabinet is RECOMMENDED subject to the confirmation of Vale of White Horse District Council's nomination that Oxfordshire County Council act as receiving and accountable body for the Housing Infrastructure Funding Marginal Viability and, authorise the Chief Executive, in consultation with the Leader of the Council to:**
 - (a) approve any final detailed amendments to the draft Funding Agreement.**
 - (b) approve and sign the Funding Agreement between Homes England and Oxfordshire County Council for HIF Funding Marginal Viability – Wantage Eastern Link Road.**
- 2. Subject to 1, agree the inclusion of the funding of £1.951m into the Capital Programme for this project subject to the implementation of the funding agreement.**

Executive Summary

- 2. The Vale of White Horse District Council (VoWHDC) has been successful in bidding for Government Housing Infrastructure Fund Marginal Viability (HIFmv) money to part fund the Wantage Eastern Link Road, Wantage. This will support the acceleration of homes within part of the Crab Hill (Kingsgrove) development site.**
- 3. As the focus of the HIFmv grant funding agreement is on partial delivery of a highways scheme and the procurement to complete the works, it is anticipated that VoWHDC will request that OCC are nominated as the receiving body for the HIFmv. As the highway authority, OCC have the skills, experience and staff to deliver transport improvements. OCC is also providing and holding the additional funding to deliver the wider scheme.**

Introduction

4. During July 2017, the Ministry for Housing, Communities and Local Government (MHCLG) announced a national Housing Infrastructure Fund (HIF). The £2.3bn (subsequently raised to £5.5bn) fund is intended to ensure that the right infrastructure is in place to facilitate identified growth. The fund was split into two packages:
 - Marginal Viability HIF (initially for schemes up to £10m)
 - Forward Funding HIF (initially for schemes up to £250m)
5. The VoWHDC's Local Plan Part 1 was adopted in December 2016 and Core Policy 35 seeks to support the provision of sustainable transport measures to promote the use of public transport, cycling and walking, which is best promoted by reducing vehicular traffic other than buses and goods delivery vehicles from the centre of town. It also safeguards land for the Wantage Eastern Link Road.
6. The planned Wantage Eastern Link Road is aimed at relieving existing congestion around the town of Wantage whilst increasing the capacity of the highway network in the area to help address the projected growth in vehicle journeys over the coming years. It will provide a strategic transport link between the A338 to the north of Wantage and the A417 to the east. Traffic modelling undertaken using the Oxfordshire Strategic Transport Model demonstrated that congestion will become a major issue in Wantage/Grove without its construction.
7. Taking a district perspective, the link road will also help to accelerate housing delivery on developments such as Crab Hill, Grove Airfield and North West Grove – this will assist in reducing the unaffordability of housing in the area. Without it, these nearby housing sites would likely face infrastructure constraints that will delay the release of housing to the local market.
8. In October 2017, VoWHDC, in conjunction with OCC and other partners, submitted a MVHIF bid to HM Government for £7.71 million to help deliver the Wantage Eastern Link Road. This money, along with additional sources of funding such as housing developer contributions, will help to contribute towards the cost of the road - the overall cost of the project was estimated to cost approximately £15 million.
9. In February 2018, Government announced that the Council's HIFmv bid had been successful. Although successful with the bid, the amount of funding awarded was lower than the original bid amount. Of the £7.71 million, Homes England granted the council £1.951 million. In the period between the bid submission and the award of the bid, ongoing discussions between Homes England and the VoWHDC centred on the delivery of the homes.
10. While the VoWHDC original bid included sites in addition to the Crab Hill site, Homes England's focus has been on the early delivery of 222 homes, particularly on Crab Hill site. Additionally, when considered alongside the Housing and Growth Deal, the amount awarded to the Council is to 'plug the shortfall' in funding enabling the delivery of the Wantage Eastern Link Road earlier than envisaged thereby accelerating new homes on Crab Hill (Kingsgrove).

11. VoWHDC is taking a report to their Cabinet in 8th October 2019 seeking authorisation to accept the MVHIF offer from Homes England and nominate OCC as the receiving and accountable body for the delivery of the infrastructure.

Report Details

12. The MVHIF funding agreement is a standard template agreement with standard clauses. The current wording of the agreement presents important issues that will need to be resolved or accepted through the negotiations with Homes England.
13. The key issues relate to the payment terms of the HIFmv grant funding agreement and the delivery of infrastructure within the timeframes set out in the agreement and the consequences of non-delivery against the agreed programme.
14. Homes England are keen to see speedy delivery of the Wantage Eastern Link Road and the unlocking of housing which this new highway facilitates.

Financial and Staff Implications

15. There is a financial risk to signing the MVHIF agreement and these financial implications and liabilities are being assessed alongside the ongoing negotiations with Homes England.
16. In addition to helping deliver the Wantage Eastern Link Road, the £1.951m of funding is required to cover the expected shortfall not secured via s106. Other sources of funding to deliver the works at an estimated total cost of £15,088,128 are as follows;
- *LEP funding and direct delivery from Crab Hill - £4.98m*
 - *LEP Funding - £2.00m*
 - *S106 secured - £5.89m*
 - *S106 HELD - £0.26m*
17. Regarding resource to deliver the project, interim temporary staff have been brought in as a part of expanding the core team for delivery and these are capital funded posts.
18. There are financial risks that relate to the delivery of the scheme such as;
- (a) Cost overruns during construction. Although detailed design drawings have been produced. There is a risk relating to when work starts on site and what the site conditions may lead to. This would add additional cost to the works if these issues were within the red line of the 'phase 3 works' and then OCC would be liable. This is standard risk for

infrastructure projects and measures will be adopted through the Council's governance framework to actively minimise this risk.

- (b) S106 funding sought and for the delivery of the WELR does not arrive when anticipated due to other factors such as a down turn in the housing market. OCC would again need to fund the gap until these triggers are met within each given s106.

19. Notwithstanding the risks above, if required, OCC can forward fund the project with capital reserves until the s106 funding is received.

Equalities Implications

20. This report recommends delegating authority to sign a grant determination agreement with Homes England subject to negotiations around conditions and mitigation of financial risk. The equalities implications of the scheme which become the accountability of the County Council, will be assessed in the normal way as the detail of the scheme is brought forward.

Legal Implications

21. Throughout the contract negotiations, the County Council's Legal Team has been involved and advised officers which has informed the negotiation of the Heads of Terms to date. Homes England and the County Council will be responsible for their own legal costs although this may be recouped post-contract as a capital receipt.

Risks

22. Number of risks have been identified across the project which are detailed below, further risks are being managed as a part of the negotiations with Homes England:

- (a) Failure to provide additional transport capacity would lead to increased congestion in the Wantage/Grove area. This would not only worsen the natural environment and damage the health and wellbeing of residents, but also impose artificial constraints on economic growth and development. Further development in Wantage and Grove may be constrained as a result.
- (b) If the Wantage Eastern Link Road was not funded in the short to medium term, housing delivery could be delayed. This could potentially further exacerbate the issue of housing affordability.
- (c) Without the construction of the Wantage Eastern Link Road, the future proposed Grove Northern Link Road and / or other infrastructure would not be able to be brought forward due to a lack of confirmed funding.

- (d) Policy goals to strengthen pedestrian movement and cycling capacity could be weakened by increased vehicular congestion in the town centre.
- (e) Further risks relate to implications of not meeting the agreement terms and the financial implications of missing the project timescales outlined in the agreement.

Decisions required

23. As set out, there is a compelling case for infrastructure investment in Wantage Eastern Link Road, Wantage. It has been demonstrated that funding from Homes England is required in order to resolve existing congestion issues whilst facilitating the delivery of homes across the area. It is anticipated that OCC highways authority will be asked to lead the delivery of the Wantage Eastern Link Road by VoWHDC.
24. There are several matters included within the draft Funding Agreement which relate to the successful programming and delivery of the infrastructure and which have financial and reputational risks to the Council. Whilst important, these are not considered to be disproportionate to this scale of project and can be appropriately managed through the Council's governance procedures.
25. There remain matters to be concluded, however at this stage these are not considered to be insurmountable and subject to VoWHDC confirming their willingness to nominate OCC to deliver the project. It is proposed that authority be delegated to enter into the Funding Agreement with Homes England once discussion on the outstanding matters is concluded.

RECOMMENDATION

The Cabinet is RECOMMENDED to

to be completed once agreed above.

Susan Halliwell
Director, Planning and Place

Background papers: None

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