

# Cabinet Report

Report of Head of Partnership and Insight

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To: CABINET

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## Marginal Viability HIF Funding - Wantage Eastern Link Road

### Recommendation(s)

- (a) That Cabinet consider the offer of Marginal Viability HIF funding from Homes England for the Wantage Eastern Link Road and consider the implications for Vale of White Horse District Council.
- (b) Nominate Oxfordshire County Council as the receiving and accounting body for the Marginal Viability Housing Infrastructure Funding of £1.951m.

### Purpose of Report

1. To provide Cabinet with an update on the Wantage Eastern Link Road and the associated funding agreement and nominate Oxfordshire County Council as the lead and accounting body to receive payment and deliver the project.

### Corporate Objectives

2. The Vale of White Horse District Council's corporate plan 2016-2020 sets out the strategic objective to ensure that funding is directed toward the most effective schemes for road improvements, public transport, health, education and other infrastructure.

## Background

3. The historic market town of Wantage suffers from congestion. Due to physical constraints within its centre, there are limited opportunities to improve the current situation.
4. As the area and the region develop, and more housing is delivered, vehicular traffic will increase. This will exacerbate the situation within the town and its environs.
5. The 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 and 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. 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. Grove Airfield and Crab Hill are both allocated housing sites in the adopted Local Plan, Part 1 and North West Grove, was allocated in the examined part 2.
9. In October 2017, Vale of White Horse District Council, in conjunction with Oxfordshire County Council and other partners, submitted a Housing Infrastructure Fund (HIF) 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 be approximately £15 million.
10. In February 2018, HM Government announced that the Council's HIF bid had been successful. Although successful with the bid, the amount of funding eventually 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 Council centred on the delivery of the homes. While the Council's original bid included sites in addition to the Crab Hill site, Homes England's focus has been on the early delivery of homes, particularly on the 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 thereby enabling the delivery of the Wantage Eastern Link Road earlier than envisaged, accelerating new homes on Crab Hill (Kingsgrove).

11. Marginal Viability Housing Infrastructure Funding (MVHIF) allocations are normally paid to the bidding authority (or agreed nominated Local Authority). All payments will be made by Homes England under Section 19 of the Housing and Regeneration Act 2008. Grants awarded under Section 19 of the Housing and Regeneration Act 2008 are typically very specific in nature, therefore, this provides some assurance that the funding can only be used for its intended purpose.
12. The MVHIF funding allocation is contingent on several draft conditions, currently being negotiated, as outlined below;
  - a) Written evidence to Homes England that independent legal advice has been sought and that the transaction complies with State Aid requirements
  - b) Milestone dates for the infrastructure works
  - c) Confirmation that s.106 funding in the sum of £5.767m. (index linked) has been secured.
  - d) Acceleration of 222 homes in the western parcel of the Crab Hill development site
13. In addition to helping deliver the Wantage Eastern Link Road, this funding is required to cover the expected shortfall not secured via s106. Once the Wantage Eastern Link Road is delivered through a joint procurement process with the developer of Crab Hill, any cost savings made can be reinvested in infrastructure in the local area.
14. The delivery of the infrastructure is envisaged to be through St Modwen. However, this requires Oxfordshire County Council to seek exemption from the procurement rules – something that is being completed by officers at Oxfordshire County Council. Additionally, Oxfordshire County Council officers are also looking into other delivery mechanisms, although it is the intention that St. Modwen will construct the full link road.
15. Whilst delivery of the infrastructure is envisaged to be a shared responsibility between two parties Oxfordshire County Council and St Modwen; Oxfordshire County Council will fulfil the role of the lead local highway authority, they will act as the accountable body for the funding and infrastructure contributions and will ensure that the road is built to adoptable standards in line with legal agreements under the highways acts. VoWH Council will be responsible for administration and liaison with Oxfordshire County Council in respect of the delivery of the infrastructure and for monitoring accelerated housing delivery.

## **Funding Agreement**

16. As the focus of the Grant Funding Agreement is on delivery of the scheme and procurement to complete the works, it is logical that Oxfordshire County Council are nominated as the receiving body for the MVHIF. As the highway authority, they have the skills, experience and staff to deliver transport improvements. They are also providing and holding the additional funding to deliver the scheme, as outlined below.

## **17. COSTS OF THE WORK TO BE UNDERTAKEN**

Sources of funding to deliver the works at an estimated total cost of £15,088,128 are as follows;

<b>Funding Source</b>	<b>Amount</b>
LEP funding and direct delivery from Crab Hill	£4,975,782
LEP Local Transport Body Funding	£2,000,000
S106 secured	£5,895,684
S106 held	£265,662
Funding gap (to be managed through MVHIF allocation)	£1,951,000
<b>TOTAL</b>	<b>£15,088,128</b>

18. The anticipated total cost is based on an estimate prepared in 2017 as part of the original bid submission. Updated cost estimates will be prepared at each phase of work as design work progresses. Any significant variances to costs or timing will be reported back to VoWH cabinet as required as part of the ongoing monitoring of the delivery of the scheme.
19. The MVHIF funding agreement is a standard template agreement with standard clauses. Homes England did require the funding agreements to be signed up to by the end of September 2019, this has not been possible but Oxfordshire County Council are able to sign subject to their democratic process on the 15 October and in close liaison with Homes England.
20. Oxfordshire County Council through negotiations regarding all MVHIF and HIF agreements have expressed concerns about the level of risk they are exposed to across all of the agreements within the County. Of concern in the WELR agreement was the condition that failure to spend the funding in specific timeframes meant that it could be recovered by Government. It has now been agreed by Homes England that only unspent funding can be recovered by them, should all relevant milestones for delivery of the infrastructure be met. This appropriately manages the financial risk to Oxfordshire County Council who will determine whether amendments are sufficient to enable the agreement and they have now confirmed that they are able to sign the agreements, subject to their democratic process, a decision of their cabinet on 15 October.

## **Options**

21. Receive funding directly from Homes England and initiate a legal agreement with Oxfordshire County Council in respect of the procurement and delivery of the infrastructure works. This would not be practicable as the majority of the Grant

Funding Agreement details the milestones for procurement and delivery of the infrastructure which are Oxfordshire County Council functions.

22. Oxfordshire County Council to sign a funding agreement directly with Homes England removing the VoWH from the legal agreement. VoWH may decide to sign a back-to-back agreement with Oxfordshire County Council in respect of the housing obligations.

## **Financial Implications**

23. Officer time on liaison with Oxfordshire County Council to monitor project progress and on reporting accelerated housing delivery.

## **Legal Implications**

24. None

## **Risks**

25. 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.
26. If the Wantage Eastern Link Road was not funded in the short to medium term, housing delivery would be delayed. This could potentially further exacerbate the issue of housing affordability.
27. 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.
28. Policy goals to strengthen pedestrian movement and cycling capacity could be weakened by increased vehicular congestion in the town centre.
29. Programme risk – failure to spend the funding in specific timeframe means it could be recovered by Government. However, this risk is minimised due to land being available, permission granted for the WELR and the developer already mobilising construction contracts for the onsite works.
30. Lack of influence on implementation of the infrastructure and any unforeseen contingency planning.
31. The construction timetable may not be met if work is not advanced at pace.
32. Project costs could now be higher than originally estimated. This risk is being mitigated in that OCC would be liable for the increased cost of Phase 3 and the developer would be liable for Phase 1 and 2. OCC is currently reviewing the cost estimate with the developer for the funding agreement but will ensure an appropriate contingency within the business case that can be funded from secured s106 in the event of cost overruns.

## **Other implications**

33. The bid was submitted in good faith and not moving ahead with the project after having funding approved by Homes England may damage the reputation of the district council. This could result in future bids being viewed through a lens of inability to carry proposals through to completion.

## **Conclusion**

34. Officers consider the content of the Cabinet paper to represent the most appropriate and cost-effective way to deliver the infrastructure. Additionally, it demonstrates our commitment to working and engaging with government funding and Oxfordshire delivery partners to find funded solutions to the county-wide infrastructure challenges. It is recommended that VoWH nominates Oxfordshire County Council to directly receive the Marginal Viability HIF Funding from Homes England and act as the accountable body.

## **Background Papers**

None