

**TITLE OF REPORT:**           **Housing Infrastructure Fund and Marginal Viability**

**REPORT OF:**                 **Paul Dowling, Strategic Director, Communities and Environment**

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### **Purpose of the Report**

1. Cabinet is asked to endorse the submission for infrastructure funding which was made to the Department for Communities and Local Government (DCLG) and the Homes and Communities Agency (HCA) on the 28<sup>th</sup> September 2017 in relation to the Freight Depot site.

### **Background**

2. In July 2017 DCLG invited local authorities across England to come forward with proposals “to help build homes faster”. Up to £2.3bn capital grant funding will be allocated to local authorities on a competitive basis and will be available from 2017/18 to 2020/21 to unlock and or accelerate housing site development.
3. The monies will come from the Housing Infrastructure Fund (HIF), part of the National Productivity Investment Fund (NPIF) announced in last year’s autumn statement, when it was said it would be aimed at “areas where housing need is greatest”. The DCLG said that once proposals have been approved, it expects local authorities to begin building the necessary infrastructure immediately “and for the homes to follow quickly afterwards”. The scheme is expected to be highly competitive.

### **Proposal**

4. This is an opportunity to bid for a new stream of funding to help pay for infrastructure up front and unlock significant housing development in the borough. Under the HIF Funding guidelines, infrastructure is defined very broadly and includes funding for schools, health care facilities, heritage infrastructure and land assembly, as well as roads, bridges and energy networks.
5. Bids could be submitted for up to £10m for Marginal Viability proposals. It is intended that it would be used to provide the final or missing piece of infrastructure which may currently be preventing development in order to get sites unblocked quickly.
6. This Fund is available up to 31 March 2021 with priority given to strong, strategically important schemes that can start quickly. The bids had to be submitted ahead of the 28 September 2017 and awards will be announced from late 2017 or early 2018.

7. Successful bids will need to demonstrate:
  - a. Value for money based on the acceleration and number of homes set against the funding requested alongside the potential for land value uplift (in line with the new DCLG guidance) – 50%
  - b. A strategic fit, an adopted up-to-date plan or a plan that has been submitted for examination; or the release of otherwise undeliverable land which will speed up getting the plan in place, alongside strong local leadership and evidence of joint working – 25%
  - c. Deliverability – The infrastructure will unlock and or accelerate the delivery of homes. Recovery of monies and re investment will be noted - 25%.
8. Officers have worked with key stakeholders within the Council's joint venture partnership namely Gateshead Regeneration Partnership ("GRP") to consider the potential developments which met the funding criteria. Recent work which has been carried out with GRP and consultants Queensberry Architects, helped to inform the bid submission for the Freight Depot site.
9. The Council is seeking the maximum £10m of grant funding to facilitate the delivery of the scheme and contribute towards an estimated £17m of eligible infrastructure costs. This funding would help to ensure that the scheme becomes commercially viable and the anticipated sales income would then fund the remaining development costs.
10. GRP updated the development appraisal in September to reflect the outcome of the initial site investigations and masterplanning work undertaken by Queensbury, providing independently verified estimates of the potential costs and projecting the likely sales income. The appraisal clearly identified the need for additional investment to progress the development, which is consistent with the earlier conversations with the Homes and Communities Agency around the Housing Zone.
11. Following discussions with the Strategic Director, Corporate Resources and the Council's GRP partners, a bid was submitted prior to the submission deadline of the 28<sup>th</sup> September 2017. As it was necessary to submit by this time, a delegated decision was made as detailed in Appendix 2.
12. Should the bid be successful, it is anticipated that works will commence on site in 2018 and complete in 2020, which may then act as a catalyst for further development.

## **Recommendations**

13. It is recommended that Cabinet endorses the submission for infrastructure funding which was made to the Department for Communities and Local Government (DCLG) and the Homes and Communities Agency (HCA) on the 28th September 2017 in relation to the Freight Depot site.

For the following reasons:

- (i) To maximise potential housing delivery on a key Strategic site.
- (ii) To realise the Council's policies and objectives in relation to housing growth.

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## APPENDIX 1

### Policy Context

1. On a local Level, the proposals will contribute to delivery of many targets within Vision 2030 and Strategic interventions within the Council Plan. Specifically including:
  - Prosperous Gateshead - more private, public and social investment
  - Live Well Gateshead – a destination of choice for families with excellent, affordable housing
  - A welcoming place where people feel safe
2. Specifically the Freight depot is within the Exemplar Neighbourhood, which is designated as a Strategic site for new housing in the adopted Local Plan.

### Background

3. In July 2017 DCLG invited local authorities across England to come forward with proposals “to help build homes faster” with up to £2.3bn capital grant funding allocated to local authorities on a competitive basis to 2020/21 as part of the Housing Infrastructure Fund to unlock and or accelerate housing site development.
4. The Council has submitted an application for the maximum £10m available through the Marginal Viability element of the Housing Infrastructure Fund to facilitate the delivery of 400 homes on the Freight Depot site within the Council’s Housing Zone. The contribution will help to fund an estimated £17m of eligible infrastructure costs to address the complex ground conditions on the site which are currently prohibiting development.
5. The bid has been developed with the Council’s Joint Venture Partners and is informed by the outcomes of recent site investigations and masterplanning work undertaken by Queensbury. The projected sale income has been estimated by GRP and the costs have been independently verified, although the appraisal will continue to be updated as the scheme evolves.
6. The assessment process will progress during the final part of the financial year and will considers the:
  - Value for Money based upon the acceleration and number of homes delivered and potential land value uplift;
  - Strategic Fit and links to the local plan;
  - Deliverability of the proposal.

### Consultation

7. Consultation took place with representatives of the Gateshead Regeneration Partnership and Council’s Joint Venture Board Members.
8. The Cabinet Members for Housing have been consulted.
9. In addition, to demonstrate the strategic importance of the scheme, letters of support were received from:

- I. Ian Mearns MP
- II. The North East Combined Authority
- III. The North East Local Enterprise Partnership
- IV. The Gateshead Regeneration Partnership
- V. Home Group
- VI. Galliford Try

### **Alternative Options**

10. Alternative options were considered in relation to sites which would benefit from the fund, however this site was prioritised due to the extent of information available, its existing Housing Zone status and the strategic importance of bringing the site forward for development as quickly as possible.

### **Implications of Recommended Option**

#### **11. Resources:**

- a) **Financial Implications** – The Strategic Director, Corporate Resources confirms that there are no direct financial implications arising from this report. Should the funding application be successful, the Council would receive £10m of grant funding which would be used to facilitate the development of 400 homes on the Freight Depot site as part of the Council's Housing Joint Venture.
- b) **Human Resources Implications** – The delivery of this project will require project management resources to ensure that the investment is successfully delivered which would be met from the existing resource commitment to support the Housing Joint Venture.
- c) **Property Implications** - Capital investment optimises the use of property assets to support the delivery of Council Plan priority outcomes. The property implications of this scheme contribute towards the delivery of homes within the Exemplar Neighbourhood, which is allocated in the Adopted Local Plan for 1,000 homes and has Housing Zone status.

12. **Risk Management Implication** - There is a risk that the funding bid will not be successful and therefore adequate funding will not be available to commence the development. The impact of this will be managed through the monitoring process and the outcome of the bid reported to Cabinet. If the bid is not successful then further options would need to be explored with our Partners to address the viability issues.

13. **Equality and Diversity Implications** - The framework for the Equalities Impact Assessment of the Council's spending plans is based on legislative and policy priorities of the Council which include:
  - The Equality Act 2010;
  - The Local Government Improvement and Development Equalities Framework;
  - The Council PlanThe Equality and Diversity implications will be considered for each individual scheme prior to its commencement.

14. **Crime and Disorder Implications** – There are no direct crime and disorder implications arising directly from this report.
15. **Health Implications** - There are no health implications arising directly from this report.
16. **Sustainability Implications** - The proposed works will help to deliver high standards of environmental sustainability through the delivery of new homes; ensuring the use of more energy efficient materials and practices in the construction of new buildings. Projects will strictly follow the Council's Sustainable Construction policy.
17. **Human Rights Implications** - There may be interference or disturbance to nearby tenants and residents while works are carried out. However, such interference or disturbance will be kept to a minimum and the works will result in benefits to tenants and residents.
18. **Area and Ward Implications** - The proposals will have implications for the Bridges Ward in the Central area.

#### **Background Information**

19. The following background papers have been used in preparing this report:
  - (i) DCLG guidance documents at <https://www.gov.uk/government/publications/housing-infrastructure-fund>
  - (ii) The signed record of decision included at Appendix 2.



EXERCISE OF DELEGATED POWER

**Title: Housing Infrastructure Fund and Marginal Viability Application to Department for Communities and Local Government and Homes and Communities Agency Exemplar Neighbourhood Housing Zone**

**Parties: The Borough Council of Gateshead and Gateshead Regeneration Partnership**

**Total Bid Value: £10 million**

Gateshead Council Constitution (13<sup>th</sup> edition – July 2016)  
Part 2 General Delegations to Managers

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| <p>(4) (c) Subject to the agreement of the Strategic Director, Corporate Resources, submit expression of interest and bids to Government departments or other public bodies for funding under specific enactments or Government schemes; the full bid to be agreed by Cabinet where the value of the bid exceeds £250,000;</p> |
| <p>4(e) where it is impracticable to obtain authorisation from the body exercising the function and subject to action being reported (for information) to the next convenient meeting of that body, take necessary urgent action, within legal powers, in respect of matters otherwise reserved to Cabinet.</p>                |

This funding was announced by Central Government in July 2017. It has been made available for development schemes which cannot happen without further financial support for infrastructure. The Freight depot site was prioritised, as; a) It has the potential to deliver up to 400 homes, b) detailed information was available regarding works necessary and c) the scheme is potentially deliverable through the Gateshead Regeneration Partnership. The costs for necessary works were received through the Gateshead Regeneration Partnership late in September following the completion of initial site investigations to confirm the viability position and eligibility of the scheme for this funding stream. As the deadline for bid submission was 28<sup>th</sup> September, there was insufficient time to report to Cabinet and therefore in accordance with the above delegations an urgent action in submitting the full application was made to DCLG/HCA.

Signature Paul Dowling

Paul Dowling - Strategic Director Communities and Environment

Date: 28/9/17  
Signature Darren Collins

Darren Collins Strategic Director Corporate Services and Governance

Date: 28/9/17

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