

Report to the Cabinet

Meeting to be held on Thursday, 14 September 2017

Report of the Director of Economic Development

Part I

Electoral Divisions affected:
All

Housing Infrastructure Fund

Contact for further information:

Martin Kelly, (01772) 536197, Director of Economic Development

martin.kelly@lancashire.gov.uk

Executive Summary

In late July, Government published guidance on the Housing Infrastructure Fund (HIF). The HIF is a new £2.3 Billion national infrastructure investment programme designed to unlock the delivery of up to 100,000 new homes in areas of high demand in England. The HIF has two distinct funding elements with the Forward Fund aimed at unlocking large strategic housing growth opportunities and the Marginal Viability Fund focused on the delivery of smaller housing development sites.

This report focuses on the Government's Forward Fund opportunity, given only upper tier and unitary local authorities can apply to Government with the support of relevant local partners. At this stage, the County Council potentially has two viable Forward Fund proposals. These include an investment proposition for the established Preston, South Ribble and Lancashire City Deal initiative, and another for South Lancaster based on recently secured national Garden Village status. Cabinet approval is sought for the development of both these Forward Fund proposals along with limited funding to support the development of competitive Expressions of Interest (EOIs).

Given pressing timescales, approval is also sought to authorise the Leader of the County Council, Cabinet Member for Economic Development, Environment and Planning, and Cabinet Member for Highways and Transport to finalise the County Council's EOI submissions, in consultation with the Director of Economic Development and S151 Officer.

This is deemed to be a Key Decision and the provisions of Standing Order 25 have been complied with.

Recommendation

Cabinet is recommended to:

- (i) Approve the development of two potential Forward Fund EOIs, one for the Preston, South Ribble and Lancashire City Deal initiative with another in support of South Lancaster.
- (ii) Agree to provide £50,000 from the County Council's Transitional Reserve to support the development of proposed EOI case-making.
- (iii) Comment on the relative merits of each Forward Fund proposal, subject to presentations at the meeting of Cabinet, given the requirement of Government on local authority applicants to rank their EOI submissions.
- (iv) Given pressing deadlines, authorise the Leader of the County Council, Cabinet Member for Economic Development, Environment and Planning, and the Cabinet Member for Highways and Transport to finalise the County Council's EOI submissions, in consultation with the Director of Economic Development and S151 Officer.

Background and Advice

In late July, Government published guidance on the Housing infrastructure Fund (HIF). The HIF is a new £2.3 Billion national infrastructure investment programme designed to unlock the delivery of up to 100,000 new homes in areas of high demand in England.

The HIF will look to deliver new physical infrastructure to support housing growth in new and established communities; support ambitious local authorities wanting to accelerate their plans for housing growth; and enable local authorities to recycle any recovered HIF funding to support other locally important infrastructure growth priorities.

The HIF application process is fully competitive and is likely to be over-subscribed by local authority applicants. At this stage, Government guidance is relatively light-touch with further clarifications likely as the process unfolds. However, the HIF application process is very similar in focus and approach to the Government's Growth Deal programme – an initiative Lancashire has achieved significant success through by competitively securing £320m in new public investment.

The HIF has two distinct funding elements. The *Forward Fund* aims to unlock large strategic housing growth opportunities with Government providing funding of up to £250M for each successful scheme, whilst the *Marginal Viability Fund* (MVF) will focus on the delivery of smaller housing development sites. MVF funding is capped at £10M for successful schemes.

This report focuses on the Government's Forward Fund opportunity, given only upper tier and unitary local authorities can apply with the support of relevant local partners, especially the relevant local authorities and Local Enterprise Partnership.

At this stage, the County Council potentially has two viable Forward Fund proposals. These include an investment proposition for the established Preston, South Ribble and Lancashire City Deal initiative, and another for South Lancaster based on recently secured national Garden Village status. Both proposals can evidence strong levels of local authority leadership and collaboration, the full support of the Lancashire Enterprise Partnership, a strategic rationale and transformational impacts, and an emerging track record of delivery.

The emerging City Deal HIF submission aims to build on a 3-year strong track record of infrastructure delivery and housing and employment growth. The emerging submission suggests a focus on securing a new Ribble Crossing and the completion of the Preston Western Distributor as both elements will help to shape future land-use planning to unlock significant additional housing and employment growth as well as materially improving network resilience through and across Lancashire's central core.

The Ribble Crossing scheme would require the construction of a new bridge across the River Ribble west of Preston. Linking together three of the City Deal's main infrastructure schemes, the Preston Western and South Ribble Western Distributors, via the Penwortham Bypass, with the package delivering a continuous dual carriageway route for local traffic between the M6/M65 at Cuerden and the M55 near Bartle to the west of Preston. An initial assessment of land-use suggests that a new Ribble Crossing could enable the delivery of 15,000 new homes across Central Lancashire, Fylde, Wyre and West Lancashire.

The proposal would look to seek a HIF contribution of £250m towards total project costs.

The emerging South Lancaster HIF submission aims to realise the full potential of recently secured national Garden Village status linked to the continued growth of Lancaster University. Significant Growth Deal 3 funds have already been secured to enable the re-configuration of Junction 33 on the M6 to support new housing and employment growth opportunities.

HIF would help to deliver these transformational proposals with a re-configured Junction 33 enabling residents and businesses in South Lancaster to access the motorway network without having to travel through either the city centre or Galgate. The HIF package would also include other transport infrastructure initiatives such as the "Lancaster Reach" bus rapid transit network and a dedicated cycle superhighway between South Lancaster and the city centre, along with additional infrastructure improvements to address flood and drainage risks.

The South Lancaster submission would look to secure a HIF contribution of c. £150m in support of the total infrastructure funding package and deliver up to 5,000 new homes.

The MVF opportunity is open to all tiers of local government and at the time of writing this report there was no clear view on whether any District councils in Lancashire intend to bid to this fund. It is worth noting that County Councils in two-tier areas have no strategic role or local co-ordinating function to perform in the MVF

application process. However, in developing a competitive MVF submission, District Councils are advised to have secured the support of their local highway authority for any highway focused proposals.

The Government intends to identify successful Forward Fund proposals against key criteria, including strategic case, housing numbers, deliverability and value for money (VFM). In helping to assess Forward Fund proposals, Government has produced a “ready reckoner” that attempts to analyse VFM based on total housing units to be achieved, the level of HIF funding required, and the likely impact of the proposal on local land values. The Government’s current VFM model is crude and biased towards London and the South East, given the weighting accorded to land values. At this stage, however, it is not clear whether this test will form a key part of the Government’s formal assessment process.

As already highlighted, the HIF application process is fully competitive with Government requiring Forward Fund EOIs by the end of September. Local authorities submitting successful EOIs will be invited by Government to develop a full business case for their proposal.

Government does not expect Forward Fund investment decisions to be announced until Autumn 2018, but it will expect successful applicants to spend the majority of their HIF funding by 2021. Based on experience, it is highly unlikely that major place-shaping investment programmes such as the Forward Fund will be fully committed and spent by March 2021, especially given a start date of Autumn 2018 at the earliest. Bearing this in mind, Government is likely to place a premium on selecting partners and proposals with a proven track record of delivery.

Given the combination of opportunity and acute time pressures, this report seeks Cabinet support for the development of two Forward Fund proposals - City Deal and South Lancaster - with limited funding of up to £50,000 to support the preparation and development of competitive EOIs. In light of timescales, work is already underway at risk, though the detailed analysis underpinning each EOI will only be ready by the deadline of 28 September. However, presentations will be made to Cabinet on both investment proposals. This will enable Cabinet to assess the merits of each proposal, against key criteria, as required by Government should we submit more than one proposal.

Given pressing timescales, approval is also sought to authorise the Leader of the County Council, Cabinet Member for Economic Development, Environment and Planning, and Cabinet Member for Highways and Transport, in consultation with the Director of Economic Development and S151 Officer, to finalise the County Council’s EOI submissions.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

N/A

Financial

The £0.050m to support the development of proposed EOI case-making will be funded from the Transitional Reserve.

List of Background Papers

Paper	Date	Contact/Tel
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None		
Reason for inclusion in Part II, if appropriate		

N/A