

NORTH SOMERSET COUNCIL DECISION

DECISION OF: COUNCILLOR ELFAN AP REES. THE EXECUTIVE MEMBER FOR STRATEGIC PLANNING, HIGHWAYS, ECONOMIC DEVELOPMENT AND HOUSING.

WITH ADVICE FROM: THE DIRECTOR OF DEVELOPMENT AND ENVIRONMENT AND THE DIRECTOR OF PEOPLE AND COMMUNITIES AND THE HEAD OF FINANCE.



DECISION NO: 18/19 DE 341

SUBJECT: Housing Infrastructure Fund (Forward Fund) Business Case Bid Submission Approval

KEY DECISION: NO

BACKGROUND:

Further to COU18 dated 08 May 2018.

The HIF is a government capital grant programme of £5.5 billion for new physical infrastructure which will unlock sites in the areas of greatest housing demand and help to delivery up to 400,000 new homes in England. Funding is awarded to local authorities on a competitive basis and is available to March 2023.

Following successful assessment of the Council's Expression of Interest, the Council entered the co-development stage of the bid process.

This stage is complete, and the Council is ready to submit its fully worked up business case to the Ministry of Housing, Communities and Local Government to be assessed against the criteria set out in the HIF Forward Fund document.

As noted within COU18 dated 08 May 2018 the bid infrastructure proposal covers:

- Banwell Bypass, on-line improvements to the local road network, strategic capacity improvements to utilities, flood management, Weston Villages new secondary school places provision.

In the event of a successful bid the actual acceptance of the grant will be subject to a Full Council decision during 2019.

DECISION:

1. To note the requirements of the HIF (Forward Fund) business case questions pro-forma as appended to this decision note.
2. To note and agree the costs and funds associated with the stage 2 co-development.
3. To submit the HIF (Forward Fund) bid to the Ministry of Housing, Communities and Local Government.

REASONS:

The HIF provides a unique opportunity to secure significant capital investment to deliver new physical infrastructure to support new and existing communities.

The JSP proposes the M5 – A38 corridor as a Strategic Development Location (SDL) for housing growth in North Somerset; more specifically within this it is proposing new allocations of up to 4,575 new homes at Banwell and Mendip Spring within the plan period. It incorporates the existing requirements of North Somerset's Local Plan to 2026, including 6,500 homes at Weston Villages.

The scale of infrastructure and land assembly are beyond the scope of individual developers and the viability of sites. Developers lack capacity for strategic scale infrastructure delivery and the housing sites are critical to North Somerset's housing supply.

Prior provision of infrastructure removes constraints and boosts market confidence.

OPTIONS CONSIDERED:

Option 1: Bid for a reduced level of HIF funding (£66.8m) that would enable delivery of the Banwell bypass (including land assembly), on-line transport improvements, drainage scheme and utilities but preclude extra secondary school place delivery.

This option has been rejected as it would restrict delivery of housing at all locations and would not provide the secondary school places identified as essential for the existing and planned local communities.

Option 2: Bid for a reduced amount of HIF funding (£30.3m) that would enable delivery of the secondary school places but would preclude delivery of the Banwell bypass (including land assembly), on-line transport improvements, drainage scheme and utilities.

This option has been rejected as it would restrict housing delivery and would have unacceptable wider impacts on the transport network and reduce developer/buyer confidence and investment in the area.

Option 3: Do not submit a bid

The assessment of potential transport impacts has established that new transport links (supported by land assembly) are a precursor to the development at the SDL's. Without this enabling infrastructure transformative development will not take place; instead the risk of speculative much smaller-scale piecemeal development will occur over a 10-20 year period as opposed to a co-ordinated, significant and accelerated development roll-out

over the next 10 years.

The Council's Education Provision in North Somerset – A Commissioning Strategy 2018 – 2021 is the policy base for new school places. It recommends the following options for Weston super Mare if the HIF were not to be progressed:

- to take Expressions of Interest from existing good and outstanding academies able to increase provision on their current sites in line with the principles outlined in the strategy (funding permitting). This reduces the options for expansion to two of the five current schools in the town
- To support an existing good/outstanding MAT in a Free Schools application to run a new secondary school in the town.
- To commence a Presumption Route competition for a new 900-place secondary academy with the future capacity to grow to 1200 places as required if sufficient Basic Need and s106 funding is secured.
- A combination of the above where appropriate.

If we do not progress the bid submission within the HIF funding stream, then the ability to deliver infrastructure in a co-ordinated, pro-active and planned way will be delayed significantly as currently no other significant funding opportunities exist to support this level of infrastructure delivery.

Option 4 Seek Alternative funding to continue delivery of some or all the infrastructure identified.

This has been rejected because alternative funding sources for a scheme of this size and scale are not available either through other public-sector grant mechanisms or due to viability of sites from private sector initiatives.

FINANCIAL IMPLICATIONS:

Bid co-development

Costs

The estimated cost of the co-development work is £645k.

Bypass and associated infrastructure work including design, drainage, traffic modelling, environmental assessment and cost estimates and risk registers - £395k

Business case work in support of the new secondary school provision - £135k

Legal support work - £15k

Economic modelling - £54k

Internal project management costs - £46k

Funding

D&E Directorate Reserve - £50k

S106 payment from Locking Parklands phase 2 development - £135k

Bloor Homes - £187k

MHCLG - £110k

NSC Driving Growth reserves - £163k

HIF (Forward Fund) Bid

Since the Expression of Interest was submitted and as part of the business case development, extensive work has been undertaken to fully inform, check, challenge and verify the costs which form the basis of the bid, this has included;

- Independent commercial services team using base rates from tenderers cost submissions and the supply chain to inform scheme costs – bottom-up approach;
- Benchmarking against other major projects – linear cost comparisons and comparisons by series – top-down approach;
- Quantified risk register developed to fully detail and cost risks;
- Two independent cost estimates established for all key infrastructure items
- Peer review undertaken on all key infrastructure items;

The value of the bid is £97,127,550 which provides a very strong BCR of 3.5 which is the key metric for the bid assessment.

The value of developer contributions is £2,000,000. This will cover ineligible capital grant costs which cannot form part of the bid – these costs include fees associated with planning applications, inquiries and part 1 claims. This would be met once development has commenced subject to further infrastructure detailed design and planning requirements and formal decision in line with Financial Regulations.

This totals to give a project cost of £99,772,550 (inclusive of £645k bid preparation costs). This is made up of;

Element	Cost
Banwell Bypass	£47,973,420
Land assembly	£7,276,298
Other transport improvements	£5,816,376
Strategic Utility work	£4,547,732
Flood mitigation	£3,166,550
Secondary school	£30,347,174
Bid Preparation Costs (Sunk Costs)	£645,000
Total	£99,772,550

At the Expression of Interest (EoI) stage, the bid was valued at £79,800,000. Since that time and due to funding announcement delays, extended programme for delivery and further work to fully inform the bid submission, there has been opportunities to better detail and define costs for the projects.

The EoI was originally submitted on the 28 September 2017 to accord with the original funding window for NSC bid of 2018 to 2021. The HIF programme would now fund 2019 to 2023. This combined delay to submission and award together with an additional two years to spend the funding has added circa £9m in inflation.

The additional year for construction, whilst helpful in securing delivery, has added a further £1m in project management costs.

The business case development work has provided a further opportunity to undertake detailed design and traffic modelling which has further informed the extent of works

required, together with a detailed cost report to support delivery that has provided a better understanding of school costs resulting in circa £9m of an additional funding need.

PROGRAMME

Grant Approval	Spring 2019
Council Grant Decision	Summer 2019
Design/Development	Autumn 2019-2020
Planning/Legal	Autumn 2019-2020
Works commence	Summer 2021
Works complete	Spring 2023

LEGAL POWERS AND IMPLICATIONS

The uppermost tier of local authorities in England are eligible to bid for Forward Funding. Submission of the bid itself does not have legal implications. Subsequent works inherent within the proposal if progressed will require exercise of functions (and use of applicable Acts as defined within CSO) of the Local Planning Authority, Mineral Planning Authority, Local Highway Authority, Local Education Authority and Housing Authority.

Independent legal advice has been sought and confirmed that the proposals are state aid compliant.

CONSULTATION

A significant level of consultation has already been undertaken which included all the key elements of the project proposals. Further detailed consultation will be a requirement during the design and development phases of both the road and school elements which will be detailed in specific communication strategies.

A 'Generating ideas' consultation was undertaken between 22 November 2017 and 10 January 2018 on the emerging Strategic Development Locations identified within the JSP which included details relating to possible enabling and supporting infrastructure which forms the basis of this bid.

The Banwell Bypass safeguarded alignment for the route and the allocated area for the Weston Villages secondary school formed part of consultation undertaken within the Development Management Policies Plan that was adopted in July 2016.

Additionally, further consultation and engagement has been undertaken with local communities during November 2018 as part of the focus groups Local Plan Issues and Options consultation.

Specifically, for the school proposals under the 'Education Provision in North Somerset ~ A Commissioning Strategy 2018 – 2021' was the subject of public consultation during the period 5 March to 27 April 2018. The strategy sets out how the Council hopes to work with existing and new partners to deliver the right number of school places in the right locations to meet Basic Need. An additional meeting with potential school providers was held in 27 September 2018.

The bid has received widespread support both from local representatives such as Banwell Parish Council and John Penrose MP together with adjacent local authorities and the business community.

Project specific communication strategies will be put into place to ensure engagement and consultation with all communities and stakeholders during the design, development and implementation of the schemes. There will also be statutory consultation undertaken through planning and legal processes.

RISK MANAGEMENT

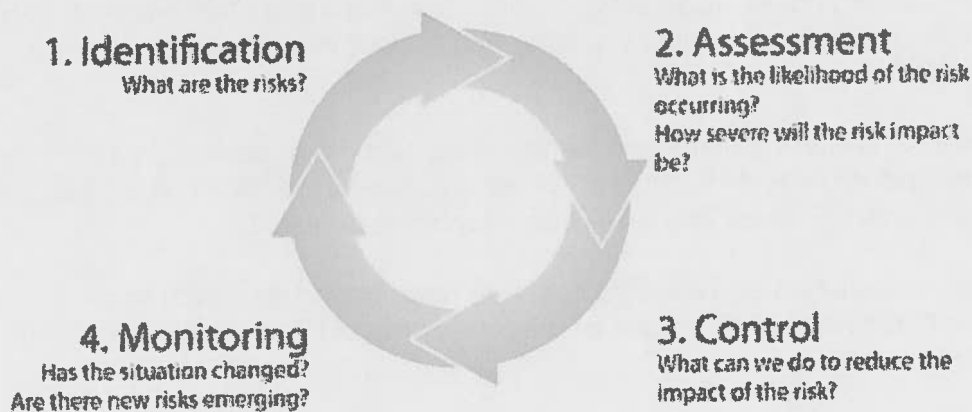
A quantified risk assessment (QRA) has been established to understand the likelihood and value of both scheme risks and wider generic risks that may arise during both road and school development and construction.

Specifically, the project costs include for contingency to cover the associated QRA identified and valued risks.

Cost development has been peer reviewed by independent commercial specialists and tested against market rates using industry recognised benchmarking with inflation added in line with highway and school development guidance and local conditions.

Risk management is the methodical approach to identifying, quantifying and managing risks that occur during the lifecycle of a project. The key to effectively mitigating risks is to develop a series of well-defined steps to support better decision-making through an understanding of the potential risks inherent to a scheme and their likely impact. A risk management strategy has been developed in line with HM Treasury Green Book.

The four-stage approach adopted;



This approach will be imbedded in future project specific manuals to ensure adherence.

Current top 5 risks for the school and highway works;

School	Unforeseen buried constraints	Not all below ground constraints can be determined pre-construction	Programme delays and cost increase	Construction	4. Likely	3. Moderate	3. Moderate	4. High	16
School	Delays resulting from Statutory Undertakers throughout lifecycle of project	Control over third party inputs limited	Programme delays and cost increase	Design	4. Likely	3. Moderate	4. High	3. Moderate	16
School	Additional existing utilities identified during construction	Potential inaccuracies in available data	Programme delays and cost increase	Design	4. Likely	3. Moderate	4. High	3. Moderate	16
School	Topography of school site constrains land use, requiring additional design / more complex site layout	Site boundary fixed	Programme delays and cost increase	Detailed Design	4. Likely	4. High	3. Moderate	4. High	16
School	Poor ground conditions require piling works across the site.	Ground condition type which will be informed by site and ground investigations.	Programme delays and cost increase	Detailed Design	4. Likely	4. High	3. Moderate	4. High	16

Highways	Objection to scheme from stakeholders requires additional design works.	Lack of engagement / consultation	Programme delays	Planning	4. Likely	2. Low	3. Moderate	4. High	16
Highways	Early land access for surveys isn't granted when necessary	Land not yet acquired	Programme delays	Planning	4. Likely	2. Low	4. High	3. Moderate	16
Highways	Objections during planning and legal processes.	CPO likely to be required for road	Programme delays and cost increase	Planning	4. Likely	3. Moderate	4. High	4. High	16
Highways	Additional existing utilities identified during construction	Potential inaccuracies in available data	Programme delays and cost increase	Design	4. Likely	4. High	3. Moderate	2. Low	16
Highways	Impact on SRN requires significant mitigation	Highways England acceptability criteria not well defined	Programme delays and cost increase	Design	4. Likely	5. Severe	4. High	3. Moderate	20

EQUALITY IMPLICATIONS

Have you undertaken an Equality Impact Assessment? Yes / No

As a public organisation, North Somerset Council is bound by Public Sector Equality Duties (PSEDs) that ensure the equality of opportunities for those living and working in North Somerset. The business case development considered the protected characteristics and issues that may be encountered as a result of this project and highlighted potential mitigating measures that will need to be considered within the proposals. This was a proportionate screening exercise prior to the Equality Impact Assessment (EqIA) being carried out as part of the detailed design in 2019.

CORPORATE IMPLICATIONS

The provision of key enabling infrastructure and educational facilities and the improvement of the transport network widely supports the Corporate Plan objectives in all areas of Prosperity and Opportunity, Health and Wellbeing and Quality Place.

BACKGROUND PAPERS

HIF Bid online form 170928 (Expression of Interest)

17.09.28 Delivery Plan Final

<http://map.n-somerset.gov.uk/PoliciesMap.html> (Banwell Safeguarded alignment)

<https://www.gov.uk/government/news/government-investment-to-unlock-more-homes-across-england> (links to HIF announcements and all supporting MHCLG HIF documents)

<https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>

<https://www.jointplanningwofe.org.uk/consult.ti>

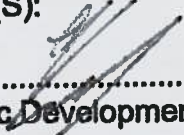
HIF Bid Pro-Forma online form 03 December 2018

MHCLG HIF Forward Funding Business Case Guidance

HIF Forward Fund Business Case Questions
Full Council Report COU 18 dated 08 May 2018

SIGNATORIES:

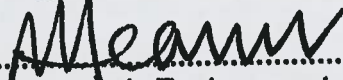
DECISION MAKER(S):

Signed:  Executive Member for Strategic Planning,
Highways, Economic Development and Housing

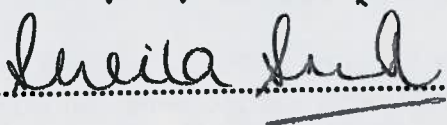
Title:

Date: 8/02/19


WITH ADVICE FROM:

Signed:  Assistant Director (Placemaking and Growth)
Development and Environment. In accordance with paragraph 1.5 of the Council's
constitution (May 2018), officer authorisations and delegations

Date: 28/1/19

Signed:  Director of People & Communities

Date: 29.1.18

Signed:  S151 and Head of Finance

Date: 28/1/19