

Central Bedfordshire Council

Executive

5 February 2019

Biggleswade Housing Infrastructure Fund (HIF) Forward Funding

Report of: Cllr Nigel Young, Executive Member for Regeneration
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Responsible Director(s): Jason Longhurst, Director of Regeneration and Business
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This report relates to a decision that is Key

Purpose of this report

The report seeks Executive approval for the submission of a bid, in the form of a Strategic Outline Business Case, to secure funding from the Government's Housing Infrastructure Fund (HIF) to support local infrastructure development and housing growth in Biggleswade.

RECOMMENDATIONS

The Executive is asked to:

- 1. approve the submission of a bid to the Housing Infrastructure Fund (HIF) administered by the Ministry of Housing, Communities and Local Government (MHCLG), to assist in delivering infrastructure to support development in Biggleswade; and**
- 2. delegate authority to the Director of Resources (s151 officer) and the Director of Regeneration and Business, in consultation with the Executive Member for Regeneration and Business to agree the final contents of the submission.**

Issues

1. Central Bedfordshire is a core component of the Oxford to Cambridge Growth Corridor, playing a vital role in delivering economic and housing growth. Through both consented and allocated growth, 9,000 new homes are set to be delivered in Ivel Valley with c.3,000 of these at Biggleswade.

2. Significant national infrastructure investment is under consideration for the Growth Corridor including East West Rail, the Expressway and A1 improvements. In addition, significant power, transport and education infrastructure is required to unlock housing growth at pace in Biggleswade.
3. The national Housing Infrastructure Fund (HIF) programme offers an opportunity to address this issue by forward funding infrastructure. The process is competitive and bids are expected from 45 local authorities.
4. Central Bedfordshire Council submitted a successful Expression of Interest (EOI) to the Ministry of Housing, Communities and Local Government (MHCLG) in September 2017 asking for £65M from the HIF programme to support development in the Biggleswade area.
5. Work is now under way to develop a Strategic Outline Business Case (SOBC) for submission to MHCLG and Homes England on 1 March 2019. The bid sets out the argument for funding and evidences the Council's ability and readiness to deliver the infrastructure. The amount of funding to be requested is being finalised and may be more or less than the £65M EOI proposal.

Reason for decision

6. A successful outcome for the bid for funding would provide the potential to progress strategic housing sites in Biggleswade and be a catalyst for unlocking future growth but in a way which leads to improvements for local residents.

Report structure

7. This main body of this report is structured into the sections listed and summarised below.
 - **Part 1: Background** – the purpose and requirements of the Housing Infrastructure Fund (HIF).
 - **Part 2: Development in Biggleswade** – the context for housing, commercial and infrastructure development in Biggleswade.
 - **Part 3: Infrastructure requirements for Biggleswade** – the proposed infrastructure schemes requiring HIF funding.

Part 1: Background

8. The Housing Infrastructure Fund (HIF) is a government capital grant programme of up to £5.5 billion to unlock up to 650,000 new homes in England. Funding is awarded to local authorities on a highly competitive basis, providing grant for new infrastructure that will unlock new homes in the areas of greatest housing demand.

9. HIF has been designed to support schemes that cannot happen without the financial support of this Fund but would still offer a net benefit to society. Funding is needed either because the infrastructure provision is at such a scale that it requires upfront public sector commitment or there is a need to provide infrastructure that no developers would be able or willing to fund, even collectively.
10. The HIF programme launched in 2017 was divided into two parts – smaller scale bids of up to £10M and larger scale forward funding bids of up to £250M for projects. The funding is to be used to forward-fund strategic and high impact infrastructure projects and, in some cases, is expected to represent a significant proportion of the upfront development costs.
11. The intention is to create confidence at an early stage in housing schemes that will attract other private and public sector money and bring new land forward for development. The guidance encourages funding to act as the initial investment capital for a “revolving fund” whereby it is used to forward fund infrastructure, the cost of which is recovered from future development and retained locally to create a funding pot for future infrastructure investment beyond that covered by the initial bid.
12. The funding is not intended to increase developers’ profits. The Council and its delivery partners would deliver the infrastructure and any awarded funding would not be directly provided to housing developers.
13. Central Bedfordshire Council submitted an EOI to the MHCLG in September 2017 asking for £65M infrastructure support for housing development in the Biggleswade area. Proposed projects included a mix of direct infrastructure enabling works, education provision and wider measures designed to enhance the physical connections to Biggleswade.
14. In May 2018, the Council was notified that its EOI had been successful and was invited to prepare a SOBC in a co-development process, working alongside Homes England and other delivery partners. The final deadline for the submission of the SOBC is 1 March 2019.
15. Since the EOI submission, the criteria for what is eligible to be funded through HIF has been updated by MHCLG. Funding for infrastructure projects must be committed by 2023 and housing that it unlocks or accelerates must be delivered by 2035. HIF will only fund critical infrastructure without which housing would not come forward and if there is no other available funding source e.g. S106 Agreement contributions.
16. All requests for HIF funding must be supported by a robust economic case for investment, developed in line with HM Treasury Guidance. This is to ensure that the proposals represent the best use of public funding and will deliver value for money. The main indicator used by Government to assess value for money is the scheme’s benefit-cost ratio (BCR) which compares the economic impacts of an investment to its public-sector cost.

17. There are 45 local authorities competing to secure HIF funding. MHCLG's assessment of bids will consider a range of criteria; however, schemes with a higher BCR will stand a higher chance of success. Initial assessments indicate that the proposals for Biggleswade will deliver a good level of value for money and can support a strong case for investment.
18. Bids will also be assessed on the extent to which they take a strategic approach, with strong local leadership and joint working to achieve higher levels of housing growth in the local area and on the extent to which they are deliverable.

Part 2: Development in Biggleswade

19. Biggleswade is a growing market town situated within the Ivel Valley. Combined with Sandy and Tempsford and in the context of the Oxford to Cambridge Growth Corridor, Biggleswade is an area of national strategic importance and a priority growth area. In the past 3 years the Ivel Valley has delivered housing growth of 2,381 homes and commitments in the draft Local Plan will deliver approximately 9,000 new homes by 2035, of which c.3,000 will be located at Biggleswade.
20. There are also additional future growth areas identified near Tempsford and Biggleswade with the potential to deliver a further 15,000+ homes subject to the delivery of major infrastructure projects, such as East West Rail and an upgraded A1 through Bedfordshire. These options will be evaluated and subject to formal public consultation through the statutory plan making process when the Council commences a partial review of the current plan in 2020.
21. Less than an hour's commute to London, 30 minutes from Cambridge, Luton and Bedford, sited directly on the A1, Biggleswade is of significant interest to people looking to create their future family homes within a quality environment, and to companies looking for an affordable site within an ideal national transport radius. However, the town cannot support further housing and commercial growth without significant infrastructure investment.
22. National planning policy and guidance tells us that growth must be sustainable and supported by sufficient transport, energy, power, water, green, social and other infrastructure to meet the needs of existing and future communities. This is further underlined by the Government Vision for the Oxford to Cambridge Growth Corridor Autumn 2017 which states that "*Growth in the corridor must be sustainable – planned and developed in a joined-up way, with good design, to ensure high quality outcomes with existing and new communities benefiting from the economic opportunities.*"
23. The Biggleswade Town Centre Adopted Strategy and Masterplan 2011 sets out a vision that '*Biggleswade town centre will be a confident, distinctive and sustainable location*'. Growth in the area should promote and support the economic sustainability and attractiveness of the town.

24. Two significant growth sites, to the North and East of Biggleswade, have been allocated in Central Bedfordshire's draft Local Plan. These would deliver 1,916 homes by 2035. To the East of Biggleswade, there is potential for additional new 'villages' which could deliver a further 5,112 new homes but as referenced in paragraph 20, this would need to be appropriately considered through the statutory plan making process. The Council's HIF bid will focus on the infrastructure required to enable these allocated growth sites within the next 5 years. There is also significant commercial and industrial growth in the area with potential for considerable future economic development.
25. Beyond the timescales of the current HIF programme there is potential for large-scale sustainable growth in the Ivel Valley that is dependent on the delivery of infrastructure, in particular the realignment of the A1. Government recognises that local authorities have the lead role in bringing forward locations where large-scale growth can be delivered with support from partners and investment by the private sector and they believe that there is the potential, subject to a newly aligned A1 through Bedfordshire and other significant supporting infrastructure, for the A1 Corridor to unlock 40-70,000 homes and commensurate employment by 2050.
26. In conjunction with a range of partners, Government are seeking to commission a Growth and Infrastructure Strategy Review for the A1 Corridor which will look at the main locations where sustainable growth up to 2050 is a realistic potential option, as well as committed and planned sites. This would look at a range of infrastructure needs including transport, education, health, energy, flood prevention, water, broadband and green infrastructure as well as providing options and identifying funding support required.

Part 3: Infrastructure Requirements for Biggleswade

27. At the time of writing, the proposed infrastructure projects for inclusion in the SOBC are:
 - power reinforcement via a new Super Grid site;
 - a new bridleway bridge across the East Coast Main Line to allow the closure of Lindsells Level Crossing;
 - a transport interchange at Biggleswade Train Station; and
 - education infrastructure to provide additional secondary school places.
28. As the process is one of co-development with Homes England and other partners, including the Infrastructure Projects Authority, the Department for Transport and Network Rail, the infrastructure themes are subject to development. An advisory board has been established and will meet again in early February to review the final proposals, prior to submission of the SOBC on 22 March 2019.

Power reinforcement

29. Electricity in Biggleswade is supplied from the Biggleswade primary substation. The supply is limited by the circuits feeding it and the size of the transformers and reinforcement is necessary to accommodate the proposed housing and commercial growth in the area.

Capacity is also constrained for power upload which means alternative energy sources, such as solar power, are not a solution until capacity is reinforced.

30. The utility providers have a statutory duty to deliver required upgrades and reinforcements within their networks to support the delivery of growth. However, the utility providers are regulated through OFGEM and constrained to operate reactively to demand. They are only able to commit to upgrades on their networks when they have been approached by developers and are certain that development will come forward. This can create significant delays in housing and commercial development as power infrastructure is not forward funded prior to need. This challenge is not unique to Central Bedfordshire.
31. HIF funding would permit the local authority to lead a strategic long-term investment in power for Biggleswade and the surrounding area, unlocking housing and economic growth.
32. Without HIF funding, any single developer who applies for power at the point where capacity is not available would be quoted for the full cost of reinforcement, which can impact development viability.
33. A new Super Grid site would provide the most power capacity per pound spent with total costs estimated at £45-55M. The organisation commissioning the construction of the infrastructure would be required to contribute an estimated £30-40M with the remainder being funded by National Grid. Contributions could be recouped from future developers when they use the capacity provided by the forward funded infrastructure development.
34. Work is under way with National Grid, UK Power Networks and the Infrastructure Projects Authority to refine the proposal and its costings prior to the submission of the SOBC.
35. This project would be delivered under a CBC led partnership approach with capital construction works managed through UK Power and National Grid.

Lindsell's Crossing

36. Biggleswade Bridleway No. 11 crosses the East Coast Main Line to the North West of Biggleswade at Lindsells Crossing. The crossing has a pedestrian usage of circa 100 people a day and a Network Rail risk rating that is considered 'high'. Network Rail has raised objections to the housing allocations within the Local Plan without the removal of the crossing due to the increased risk to the public and passengers from people, cyclists and equestrians using the crossing which forms part of the Biggleswade Green Wheel.
37. As the crossing already benefits from lights and a telephone, the next stage is to replace it with a bridge, an option which Network Rail consulted on in 2015. The location for a bridge would be approximately 385m to the north of the existing crossing to provide a suitable separation from Shortmead House, a Grade II listed building.

This is a 2 storey Georgian manor house, set in 24 acres and operating as a residential home and an events and wedding venue, adjacent to the current bridleway level crossing.

38. Estimated costs for a new bridge and the diversion of the public right of way are £5M. There is no funding identified in Network Rail's next funding period (2019- 2024) to facilitate this, therefore there is a strong argument for HIF investment as the proposed developments to the North and East of Biggleswade will continue to be objected to by Network Rail until a solution is identified.
39. This project will be delivered by Network Rail in partnership with the Council.

Biggleswade Railway Station Transport Interchange

40. Investment is required to ensure Biggleswade station is capable of accommodating future passenger growth, while offering sustainable transport solutions and improving the station as a strategic gateway into Biggleswade and Central Bedfordshire. This station is currently recording consistent annual passenger growth of 5%, with the recorded number of journeys increasing from 800,000 per annum to over 1 million since 2014.
41. The station's ability to accommodate future population growth satisfactorily is constrained by a poor quality physical environment with minimal passenger facilities, poor or nonexistent linkages to other forms of public and sustainable transport options and the absence of step free access to platforms for residents with reduced mobility.
42. This lack of accessible facilities at the station has been recognised by the current rail franchisee, Govia Thameslink Railways (GTR) Ltd, who has recently undertaken a (GRIP stage 2) review of options for providing direct step free access to all platforms.
43. The proposed transport interchange scheme has its origin within the Biggleswade Town Centre Masterplan. It would enhance the streetscape and public realm around the railway station and provide a bus interchange/turnaround facility. The project aims to mitigate the impact of increased congestion by promoting sustainable transport methods to the station e.g. improved pedestrian and cycle access, integrated public transport modes and encouraging residents away from car usage. Project costs are estimated at £1.5M.
44. Full station modernisation requires a step free access scheme which is subject to a £2M funding bid to the Department for Transport's Access for All fund. This application is expected to be determined by April 2019.

Education infrastructure

45. Through the Schools for the Future project, Central Bedfordshire Council is planning for the long term to ensure our children will have access to the right schools, in the right places and delivering the best education possible.

46. Current forecasts suggest there will be an additional 9,700 children attending school in Central Bedfordshire over the next 5 years. Additional housing growth means the Council needs to plan for more places as this growth develops.
47. In Biggleswade, there is currently one upper school with a published admission number of 320 students per year group. The school capacity is insufficient to meet the future demand that will arise from new homes to the North and East of the town.
48. Investment is required to provide additional secondary age school places in the area to meet a medium term need. Long term housing growth will bring forward new secondary age school places funded through S106 Agreement contributions.
49. Options are being explored with local schools on expansion potential as there are no new sites available. Costs for the proposed infrastructure will be dependent on the preferred option but are likely to range between £5-18M.

Measures of success in Central Bedfordshire

50. The ultimate measure of success to be applied to this project and its subsequent implementation is the achievement of the vision and objectives for Biggleswade in line with the Town Centre Strategy and Masterplan, the Council's Five Year Plan, the draft Local Plan and the vision for the Oxford to Cambridge Growth Corridor.

Council Priorities

51. The successful progression of this project will support the Council's objective of enhancing Central Bedfordshire by enabling housing and economic growth in the Ivel Valley in line with the draft Local Plan.
52. It also supports the Council's objective of improving education and skills by providing additional school places to meet the Council's statutory duty and to deliver the objectives of the Council's Schools for the Future project.

Corporate Implications

53. The SOBC includes a commercial case which requires the Council and its partners to identify a robust approach to procurement and contract management for the proposed infrastructure. A procurement strategy is in development.
54. The commercial case will also need to demonstrate that appropriate consideration has been given to the market's ability to absorb the amount of proposed housing in Biggleswade. The Council's emerging Housing Enabling Strategy will inform this part of the SOBC

Legal Implications

55. Should the Council succeed in being awarded HIF funding, it would enter into a project specific Grant Determination Agreement setting out the conditions of funding from MHCLG, including how and when funding would be drawn down.

In addition, all successful bids will need to sign up to an Assurance Framework; this will be proportionate dependent on the complexity and size of the infrastructure project.

56. Infrastructure schemes will have pre-contract, as well as pre-drawdown, conditions, and will undergo further due-diligence before contracting and drawdown in order to ensure that these pre-conditions are met.
57. Infrastructure schemes which commence project activity, or enter in to any legal contracts, or incur expenditure prior to completing the MHCLG contracting process, and prior to receiving formal confirmation that any pre-conditions have been met, do so entirely at their own risk.

Financial and Risk Implications

58. HIF funding is capital grant which, if successful in the bid process, the Council will be able to draw down in advance of spend. This reduces the risk of forward funding the proposed infrastructure.
59. The SOBC includes a financial case which requires the Council and its partners to provide costs, via a cash flow analysis, and a strategy for funding the proposed infrastructure. Evidence is required to demonstrate why the amount being requested from HIF cannot be obtained elsewhere.
60. The total costs of the proposed infrastructure schemes are being prepared and the final amount of funding requested will be dependent on discussions with Homes England and delivery partners, including Network Rail, UK Power Networks and National Grid.
61. The financial case will also set out how the Council plans to recoup any forward funded investment using HIF grant, for example, through contributions from future developments. The expectation from MHCLG is that these contributions are used to enable further housing and infrastructure. The benefit to the Council is therefore greater than the funding amount to be requested in the bid submission. The amounts that are recycled could be matched with other amounts, identified either in future iterations of the Housing Revenue Account (HRA) capital programme or via a future Council Development Company (DevCo), to enhance viability or deliverability of further housing related schemes.
62. The costs incurred in submitting a bid can be met from within existing budgets.
63. There are substantial risks relating to the delivery of major infrastructure schemes such as those proposed. These include financial, reputational and the risks inherent in larger scale construction. The Council's approach is to reduce these risks to a minimum. This includes, for example, the transfer of all financial risk concerning scheme delivery to the private sector. Close monitoring of risks and issues as they arise in scheme delivery will occur, with risks closely managed and controlled using relevant project management standards. This will involve inclusion in budget monitoring reports, with proposals to adjust programmes to react to changing circumstances as required.

Equalities Implications

64. Central Bedfordshire Council has a statutory duty to promote equality of opportunity, eliminate unlawful discrimination, harassment and victimisation and foster good relations in respect of nine protected characteristics; age disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
65. Good planning and development can improve environments and opportunities for communities experiencing disadvantage. Planning which does not adequately engage with, or consider the needs of, local communities is unlikely to improve their life chances and may further entrench area-based disadvantage.
66. As this project is at bid stage, the potential opportunities as a result of delivery are subject to change. Equality benefits that could result subject to a successful bid include the provision of:
 - a range of additional homes in the area including affordable housing;
 - power capacity to enable housing and commercial development creating opportunities for economic development and increasing investment in the local area;
 - additional school places within the vicinity of the proposed housing developments, reducing the need to travel for education and providing further choice of provision;
 - a bridge which would provide safe, accessible crossing for residents, visitors and horses; and
 - a transport interchange and modernised station which would encourage sustainable modes of transport; assist in reducing congestion and air pollution; and improve accessibility for all passengers.

Conclusion and next Steps

67. Funding from the Housing Infrastructure Fund (HIF) will provide much needed investment in critical power, transport and education infrastructure in Biggleswade, permitting the development of strategic housing and commercial growth in the medium term and laying the foundation for future growth in the Oxford to Cambridge Growth Corridor.
68. The Council's bid to MHCLG will take the form of a SOBC which will be submitted by 22 March 2019.
69. The SOBC is being co-developed by the Council, Homes England and other key partners, working through a project group and an advisory board. Other key stakeholders, including Biggleswade Town Council, Ward Members and the local Member of Parliament, Alastair Burt, are engaged and supportive of the proposals.

70. The Executive is asked to approve the submission of the HIF bid to MHCLG and to delegate authority to the Executive Member for Regeneration and Business; the Executive Member for Assets and Housing Delivery; and the Executive Member for Families, Education and Children to agree the final contents of the submission, in conjunction with the Director of Resources (s151 officer) and the Assistant Director, Business & Investment and Assistant Director, Development & Infrastructure.
71. Once submitted, the assessment process is expected to take a minimum of 12 weeks with decisions being made by ministers from June 2019. It is likely that during this time, MHCLG and Homes England will request further information from the Council and clarification to allow an investment decision to be taken.
72. Following decisions, successful schemes will be notified and will start the contracting process.

Appendices

None

Background Papers

None

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