

FAREHAM

BOROUGH COUNCIL

Mr John Coughlan
Chief Executive
Hampshire County Council
The Castle
Winchester
SO23 8UJ

Chief Executive Officer
Peter Grimwood

Contact: Peter Grimwood

Ext.: 4300

Date: 3 February 2021

Dear John

WELBORNE GARDEN VILLAGE – HOUSING INFRASTRUCTURE FUND



Following our recent conversation, and in the light of the 9 February Cabinet report published on Monday, I am writing formally to request that Hampshire County Council urgently reconsiders its position on the role of the Delivery Body for the M27 Junction 10 Improvement Scheme and, further, considers being Grant Recipient for the contract with Homes England for £30m from the Housing Infrastructure Fund (Forward Funding).

I am heartened by the County Council's restated support for Welborne Garden Village and its role in providing much needed homes, commercial floorspace and jobs in southern Hampshire and I welcome your intention to seek ways to continue to use your experience, professional and technical capacity to support the delivery of the M27 Junction 10 Improvement Scheme.

However, I remain firmly of the view that Hampshire County Council is the most appropriate body to lead on the delivery of the M27 Junction 10 scheme:

- Hampshire County Council as Highways Authority for the local highway network is significantly better placed than the Borough Council to procure, let and manage the contract for the delivery of a large and complex highways scheme, whereas the Borough Council has no skills or experience in this professional area;
- You have a strong relationship and a well-established track record with Highways England who are central to the approval process for this scheme;
- You also have several years' experience working on the design work for this scheme;
- This scheme is substantial in scale and complexity and is the highest value scheme ever progressed by the County Council. This is a prestigious project for the Hampshire stable and one that could offer unprecedented development opportunities to help retain your existing staff and attract external staff of a high calibre onto your team;

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- The fee income from this scheme will be a substantial boost to other dwindling council incomes and will more than cover staff and sub-contractor costs;
- If Fareham Borough Council was to be Delivery Body as your report suggests, we would need to undertake a procurement process for the project management of the scheme, which would not only delay the scheme risking the Homes England funding but may not secure Hampshire County Council's involvement;
- It appears that Buckland Development Limited would not be permitted by Highways England to be Delivery Body but in any event this would attract significant VAT liability in addition to the existing known costs of the scheme.

The County Council agreed to take on the Scheme Promotor role in January 2018, following a request from the then Secretary of State for Transport, Chris Grayling MP and subject to a Cabinet decision once the design stage was completed. The Government's position that Hampshire County Council was best placed to lead on delivery of and contract the scheme once all the funding was in place was reiterated by Baroness Vere, Minister for Roads, Buses and Places last March. During that time, you have made significant progress despite complications with Highways England's approval processes to advance the scheme to a key milestone stage. Your involvement in the scheme to date has been critical to its continued progress and is extremely welcome.

The meeting with Robert Jenrick MP, Secretary of State for Housing, Communities and Local Government, in February last year identified the further government funding from the Housing Infrastructure Fund, subject to the remainder of the funding required being found from local partners. I very much appreciated the County Council's efforts to secure the Solent LEP funding last year and I share your disappointment and frustration that these were ultimately not successful. I also recognise the hard work, innovation and perseverance of your development team in reducing the estimated scheme costs by £10m.

I understand and have supported Hampshire County Council's published position not to progress the scheme to delivery until certain preconditions are met and not to accept any additional financial obligations. I also understand that you can make no further progress on the scheme until the planning permission is granted and full funding is in place. My position is supported by the current Cabinet report which is clear that, subject to addressing the risks associated with the Scheme, you are best placed to lead on its delivery. The report articulates your fundamental red line position that you require a guarantee that all funding for the scheme is in place and the risks of potential cost escalation are covered.

After many months of negotiation, Buckland Development Limited, Homes England and Fareham Borough Council have agreed a way forward for the developer's contribution to increase from £20m to £40m, addressing the government's expectation for an increased local contribution. This is likely to come at a significant cost to the level of affordable housing in the scheme. We have also negotiated the mechanism by which the £30m Housing Infrastructure Funding will be repaid to the Borough Council by the developer, which is a key condition of the funding. These proposals were agreed by the Planning Committee last week and I am confident that planning permission can be granted by the Homes England deadline of 28 February. Thus, all the funding is in place to meet the indicative costs of the scheme.

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I also understand why the County Council cannot proceed with the delivery of the scheme until the risks of potential cost escalation are covered, estimated at an additional £5-10m. To this end, we are working at pace with Buckland Development Limited to incorporate a provision in the s106 Development Agreement to cover any cost overrun, which would avoid the County Council having to carry this financial risk. I understand that this meets the requirements of Homes England and would resolve your second and last "red line" issue.

Your report acknowledges that the Homes England funding contract allows for review points in the scheme so that the project can be stopped at the point that the final tender cost is known without financial risk or penalty to any party. This is further mitigation of any financial risk. I understand that constructive discussions on this have recently taken place with MHCLG and Homes England to provide further comfort on the extent of the risks to the County Council in leading on the delivery of the M27 Junction 10 scheme.

If the County Council is to lead on the delivery of the M27 Junction 10 scheme, it is logical that you should also be signatory to the Housing Infrastructure Fund contract as grant recipient. Nearly all the Homes England Forward Funding grants have been signed by unitary or higher-tier Councils and the funding could be awarded directly to Hampshire County Council which, together with the developer contribution secured in the s106 agreement, gives you control of all the funding required to deliver the scheme. As set out above, the Borough Council has been in extensive dialogue with Homes England about the contract but only with regard to the acceptability of the repayment mechanism that was the subject of the revised planning application approved last week. There has been very limited dialogue about the terms of the agreement, largely because we are advised that only factual and project-specific amendments to the agreement would be permitted.

I have been very thoughtful about the risks for the Borough Council in signing the funding contract with Homes England. The biggest risk that the contract presents for us is that of full repayment of the grant following specific events of default. The likelihood of these happening is very unlikely but for Fareham, with an annual general fund budget of £26.5m, the impact would be catastrophic; whereas it would be more manageable for Hampshire.

Welborne is recognised locally and at Government level as a critical site for housing and employment growth to meet the needs of south Hampshire, and Fareham Borough Council has worked hard as the local planning authority to enable the scheme to progress to delivery. We are now looking to the County Council as highways authority to take this important infrastructure project forward. I would therefore ask that the County Council considers its position as both Delivery Body and HIF Grant Recipient in the light of the content of this letter.

Yours sincerely

A handwritten signature in black ink that reads "Peter Grimwood". The signature is written in a cursive style with a large initial 'P'.

Peter Grimwood
Chief Executive Officer

Copied to:

Rt Hon Robert Jenrick MP, Secretary of State for Housing, Communities and Local Government

Rt Hon Grant Shapps MP, Secretary of State for Transport

Baroness Vere of Norbiton, Minister for Roads, Buses and Places

Suella Braverman MP

Caroline Dinenage MP

Cllr Seán Woodward, Executive Leader, Fareham Borough Council

Cllr Keith Mans, Leader, Hampshire County Council

Mark Thistlethwayte, Chairman, Buckland Development Ltd

Carolyn Williamson, Deputy Chief Executive & Director of Corporate Resources, Hampshire County Council

Stuart Jarvis, Director of Economy, Transport and Environment, Hampshire County Council

John Beresford, Managing Director, Buckland Development Limited

Cathy Francis, Deputy Director at Department for Communities and Local Government

Sophie White, Director of Infrastructure Grant, Homes England

Kevin Bournier, General Manager, Homes England