

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 09 August 2021

Portfolio:	Policy and Resources
Subject:	Welborne Garden Village Housing Infrastructure Grant
Report of:	Director of Planning and Regeneration
Corporate Priorities:	Providing Housing Choices Strong, Safe Inclusive and Healthy Communities

Purpose:

To delegate authority to the Director of Planning and Regeneration to enter into a memorandum of understanding between the Council and Homes England in order to help secure £42m Housing Investment Grant (HIG) funding for the M27 Junction 10 Improvement Scheme and unlock 6,000 homes at Welborne Garden Village.

Executive summary:

Housing Investment Grant (HIG) funding of £42m is being provided to Hampshire County Council (HCC) to enable the delivery of the M27 Junction 10 Improvement Scheme to unlock 6,000 homes at Welborne Garden Village.

Hampshire County Council has agreed to delegate authority to its Director of Economy, Transport and Environment to complete the funding agreements associated with this grant, including a Grant Determination Agreement (GDA) with Homes England for the HIG funding.

A simultaneous Memorandum of Understanding between Homes England and this Council is also required to secure the HIG funding. This sets out the obligations on the Council in relation to the monitoring of various s106 requirements on the Developer of Welborne Garden Village; the monitoring of housing outputs unlocked by the HIG-funded infrastructure works; and the recovery and reinvestment into affordable housing of the HIG funds.

This report sets out those obligations and seeks Executive approval to enter into a Memorandum of Understanding with Homes England to help secure the £42m grant to HCC.

On 23 July 2021, the Planning Committee agreed to delegate to the Head of Development Management the ability to secure a mechanism to recover and recycle HIG Funding in accordance with Homes England's requirements in a legal agreement pursuant to Section 106 of the Town and Country Planning Act 1990.

Recommendations:

It is recommended that the Executive:

- (a) approves the terms of the Memorandum of Understanding with Homes England to help secure the £42m Housing Investment Grant for Welborne Garden Village as attached at Confidential Appendix A to this report;
- (b) delegates authority to complete the Memorandum of Understanding to the Director of Planning and Regeneration, following consultation with the Council's s151 Officer and the Executive Leader of the Council; and
- (c) requests that the Head of Development Management incorporates these provisions in the legal agreement for Welborne pursuant to Section 106 of the Town and Country Planning Act 1990.

Reason:

To comply with certain requirements of the Council relating to the Housing Investment Grant (HIG) funding and to help secure the £42M HIG contribution to the M27 Junction 10 Improvement Scheme.

Cost of proposals:

There are no additional costs to the Council of this recommendation. Some additional officer capacity may be required to comply with the monitoring, recovery and reinvestment obligations within the Memorandum of Understanding but there is provision in the Welborne Garden Village s106 planning agreement for these costs to be recovered from the Developer.

Confidential Appendix: A: Heads of Terms for Memorandum of Understanding between Homes England and Fareham Borough Council

Background papers: None

Reference papers: Hampshire County Council Cabinet Decision Report M27 Junction 10 Welborne 13 July 2021

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BOROUGH COUNCIL

Executive Briefing Paper

Date:	09 August 2021
Subject:	Welborne Garden Village Housing Infrastructure Grant
Briefing by:	Director of Planning and Regeneration
Portfolio:	Policy and Resources

INTRODUCTION

1. The Welborne Plan, adopted by the Council in 2015, requires the development of Welborne Garden Village to be taken forward on a comprehensive basis. The provision of an upgraded “all-moves” junction at M27 Junction 10 is a critical part of the infrastructure needed to access the Welborne site and unlock the development of up to 6,000 new homes, 105,000 sqm of employment floorspace and 10,000 sqm of retail floorspace, community use floorspace within new district and village centres, schools and site-wide infrastructure.
2. A planning application for the comprehensive development of Welborne Garden Village was submitted by Master Developer, Buckland Development Ltd, in 2017, with revisions submitted in December 2020 and further revisions submitted in June 2021 (Planning Reference P/17/0266/OA). Planning Committee resolved to grant outline planning permission for a third time on 23 July 2021.
3. The M27 Junction 10 Improvement Scheme includes the creation of a new underpass to the M27 which will connect with a new eastbound off slip and new westbound on and off slip roads to the M27. The Scheme also includes the necessary connection of the new slip roads to the A32.
4. Traffic modelling undertaken as part of the consideration of the planning application has forecast that up to 1160 homes could be occupied at Welborne in advance of the implementation of the proposed M27 Junction 10 improvements. As such, Planning Committee on 23 July 2021 agreed to impose a planning condition to limit occupation on site to 1,160 dwellings (along with some limited commercial and retail floorspace) until the Junction 10 works are delivered. However, this provision alone presents a risk of piecemeal development and, given that the Council has sought to secure comprehensive development at Welborne, a further condition has been approved by each Planning Committee to require the details of the sources of all the Junction 10 funding to be submitted prior to any other work taking place at Welborne other than the Junction 10 works and those directly associated with it.

SCHEME COSTS AND DELIVERY

5. The costs of, funding for and identity of a Scheme Delivery Body for the M27 Junction 10 Improvement Scheme have been uncertain over the period since the Welborne Plan was published and, to date, it would not have been possible for the developer to satisfy the above pre-commencement condition.
6. In July 2021, Hampshire County Council agreed to be the Scheme Delivery Body and confirmed the estimated cost of the M27 Junction 10 Improvement Scheme as £72.8m. This figure includes £5.55m of development and design work completed to date, funded from the Solent LEP Local Growth Fund. With the addition of a contingency allowance for 'predictable and quantifiable' risks, the final estimated cost is £81m. However, this figure makes no additional allowance for exceptional costs which could arise because the work is on the motorway network managed by Highways England, or from currently unknown third-party issues. The County Council, as Scheme Delivery Body, is liable for the whole cost of the completed scheme, which is an uncapped liability should exceptional costs be incurred. Consequently, the County Council has been keen to secure additional funding provision to mitigate this uncapped liability.
7. The funding package for the M27 Junction 10 Improvement Scheme has for some time included contributions from the Solent LEP, Buckland Development Ltd and Homes England. These contributions have now been confirmed, subject to legal agreements being in place, as:

M27 Junction 10 Funding Source	Funding committed (£)
LEP Local Growth Deal	5,550,000
Homes England Capacity Funding Grant	750,000
Homes England Housing Infrastructure Grant	41,250,000
Developer Contribution	40,000,000
Developer Capped Contingency Fund	10,000,000
Total	97,550,000

8. The Developer has undertaken to provide a contribution of £40m, and up to a further £10m in the event that Junction 10 costs exceed £87.55m, and this was approved by Planning Committee on 23 July.
9. The committed funding package also includes a significantly increased grant of £41.25m, plus £750k capacity funding, from Homes England.
10. The committed funding package now stands at £97.55m, providing a surplus (contingency) of £16.55m against the cost estimate of £81m. The County Council is content that this provides sufficient mitigation for their uncapped liability with respect to Scheme delivery. If the actual cost of the Scheme is below £87.55m, the £10m BDL contingency fund will not be used and the BDL £40m contribution will be reduced, with a consequent positive impact on Affordable Housing once scheme viability reaches

agreed levels.

HOUSING INFRASTRUCTURE GRANT FUNDING

11. As above, Homes England has committed £42m Housing Investment Grant (HIG) to the M27 Junction 10 Improvement Scheme to secure the development of 6,000 homes at Welborne Garden Village, subject to final approval by the Secretary of State for Housing, Communities and Local Government and HM Treasury.
12. The grant will be paid to Hampshire County Council in instalments as and when required for the M27 Junction 10 Improvement Scheme and a funding agreement will be put in place between Hampshire County Council and Homes England. However, the grant is conditional on Fareham Borough Council entering simultaneously into a Memorandum of Understanding with Homes England, which places the following obligations on the Council:
 - Regular reporting on the status of engagement with the Developer
 - To enforce the terms of any Section 106 legal agreement relating to the Housing Project, including the recovery of HIG following Viability Reviews at agreed intervals
 - To provide updated details of the Garden Village proposals to include progress of the Housing Outputs
 - To use any recovered HIG funding to maximise the provision of affordable housing within the Garden Village
 - Not to make any amendments to key documents such as the Section 106 legal agreement without advising Homes England
 - To attend an annual review meeting with Homes England to discuss progress in achieving the Housing Outputs and its projections in relation to the future performance in achieving the Housing Outputs
13. The Council will be under continuing obligations to provide updated information on the Housing Outputs and amounts collected from the recovery/recycling provisions until the end of the housing delivery at Welborne Garden Village, estimated at 25 years.
14. Importantly, however, this Council will not have any responsibility for use of the initial HIG grant, as the receipt of the grant, the junction delivery obligations and performance obligations of the grant recipient, its contractors/consultants and the developer, are vested in the Grant Determination Agreement between Homes England and Hampshire County Council. Fareham Borough Council will not have any joint or several liability for this aspect of the works.
15. Prior to entering into the Memorandum of Understanding, the Council is required to provide:
 - A strategy for the recovery of HIG Funding and its recycling to provide additional affordable housing at the Garden Village which demonstrates the potential for the recovery of the HIG funding, sets out how the Council will maximise recovery of the HIG funding and sets out the monitoring and reporting arrangements

- A Housing Delivery Statement which sets out the housing delivery timetable, planning status, site assembly, site marketing, the profiling of Housing Output delivery and the affordable housing expected to be delivered. This will include the contents of the Site Wide Housing Strategy required by the s106 agreement and the Housing Statement, required by Planning Condition 38 and which includes a detailed plan and programme setting out the stages in delivery of the Housing Outputs
 - Confirmation that the Council has the resources in place to provide the Housing Delivery Statement, to monitor the Recovery and Recycling Strategy and the Housing Outputs and to adhere to the monitoring and reporting obligations to be set out in the Memorandum of Understanding.
16. The Council is also required to recover the grant from the Developer at Welborne to this Council if and when the Welborne development achieves a specified profit level, as determined by open book Viability Appraisals. The Council is required to commit to using any HIG Recovery Surplus to ensure additional affordable housing in Welborne is delivered, until such time as the Welborne Plan Policy Target of 30% affordable housing is achieved. If the Policy Target is achieved at Welborne (with or without the use of HIG funding), there is to be further recovery of HIG funding up to £42m. Any such further recovery is to be paid to the Council and can be used to unlock additional housing within the Borough. By exception, the Council will be permitted to take HIG Recovery Surplus as a payment towards infrastructure projects that unlock additional housing elsewhere in the Borough but only with the approval of Homes England at their absolute discretion.
 17. How any repaid HIG money is recovered and reinvested in the Borough is a decision for this Executive. It is however an explicit requirement of Homes England that recovered HIG is reinvested in affordable housing at Welborne. Subject to this confirmation by the Executive, an obligation will be included within the Section 106 planning agreement confirming that Fareham Borough Council will recover and reinvest HIG in additional affordable housing at Welborne, subject to agreed exceptions.
 18. The Special Planning Committee held on 23 July 2021 to consider revisions to the Welborne planning application was advised of the principles of the Recovery and Recycling Strategy and that they would be incorporated into the s106 planning agreement.
 19. Officers are confident that all the pre-conditions and obligations required by the Memorandum of Understanding can be met. The s106 planning agreement is well advanced.
 20. It is anticipated that the outstanding funding approvals will be in place by the end of September 2021. Members are requested to consider the obligations imposed upon the Council by the Memorandum of Understanding with Homes England and, if approved, delegate authority to the Director of Planning and Regeneration to enter into it to help secure £42m Housing Investment Grant (HIG) funding for the M27 Junction 10 Improvement Scheme and unlock 6,000 homes at Welborne Garden Village.

FINANCIAL IMPLICATIONS

21. The obligations within the Memorandum of Understanding Head of Terms will require some ongoing monitoring and reporting arrangements and this will be contained within existing staff resources. Where additional costs are expected, provisions within the

S106 agreement will enable the Council to recover these costs from the Developer.

22. At the point where HIG recovery commences, the recycling of the grant will be limited to the amount of funding recovered from the development, so there will be no additional financial implications arising at this stage.

Enquiries:

For further information on this report please contact Sarah Ward. (Ext 4669)