

CABINET – 18 DECEMBER 2018**HOUSING INFRASTRUCTURE FUND****REPORT OF THE DIRECTOR OF ENVIRONMENT AND TRANSPORT****PART A****Purpose of the Report**

1. To seek the Cabinet's approval to pursue two Housing Infrastructure Fund (HIF) bids, one relating to the southern section of the Melton Mowbray Distributor Road and a second for a South West Leicestershire Growth Area; information about each of the bids is set out at Appendix A and B respectively.
2. Pursuant to the above, to authorise officers to undertake all necessary work required to complete the bids and to authorise them to submit the completed bids to the Ministry of Housing, Communities and Local Government (MHCLG) by the absolute deadline of 1 March 2019.

Recommendations

3. It is recommended that:-
 - (a) The Housing Infrastructure Fund (HIF) bids relating to the southern section of the Melton Mowbray Distributor Road and a South West Leicestershire Growth Area should be pursued, for the reasons set out in paragraphs 27 to 39 of this report;
 - (b) The Director of Environment and Transport, in consultation with the Director of Corporate Resources and the Director of Law and Governance, and following consultation with the relevant Cabinet Lead Members, be authorised to:-
 - (i) Undertake all further work necessary to prepare the HIF business cases and to complete the final bids ready for submission;
 - (ii) Submit HIF bids relating to the southern section of the Melton Mowbray Distributor Road and the South West Leicestershire Growth Area by the deadline of 1 March 2019;
 - (c) Should one or both of the HIF bids be successful, a further report be submitted to the Cabinet prior to acceptance.

Reason for Recommendations

4. The County Council is working to an extremely tight timescale which has been set by the MHCLG. In order to be able to apply for HIF monies the absolute deadline for HIF bid submissions is 1 March 2019.

5. As outlined in Part B of this report, considerable further work is still required to develop and complete the final bids' content. It is therefore proposed that the relevant Chief Officers be authorised to progress matters and to submit the final bids on the basis that, should the bids be successful a report will be made to the Cabinet prior to acceptance.

Timetable for Decisions (including Scrutiny)

6. The Scrutiny Commission considered this report on 6 December. Its comments will be reported to the Cabinet.
7. The HIF bids need to be submitted to the MHCLG by no later than 1 March 2019 and it is expected that the MHCLG will advise the County Council on the outcome of the bids in Spring 2019. The Cabinet and all Members will be advised of the outcome.

Policy Framework and Previous Decisions

8. In December 2017, the County Council adopted its Strategic Plan. This Plan contains five strategic outcomes, including a strong economy and affordable and quality homes. It recognises that transport infrastructure is a key enabler, providing access to opportunity and opening up sites for growth. The Strategic Plan's supporting outcomes include having the right infrastructure for sustainable growth and having the right number and type of homes in the right places to meet needs and support economic growth.
9. In March 2018, the Cabinet agreed to the promotion the East of Lutterworth Strategic Development Area (SDA) in the Harborough Local Plan and development of the SDA.
10. The Leicester and Leicestershire Strategic Growth Plan (SGP) has been prepared by the ten partner organisations – the County Council, the City Council, the seven district councils in Leicestershire and the LLEP. Whilst it is recognised that the Plan, which will shape the future of Leicester and Leicestershire up to 2050, is a non-statutory plan, it provides an agreed framework which will be used by all partners when preparing individual local plans and strategies. On 23 November 2018, the Cabinet approved the SGP. Partner authorities are due to take the SGP through their decision making processes by the end of 2018.

Resource Implications

11. The cost of completing the business cases and finalising the bids' content is currently forecast to be £0.5m, which is being funded from the Highways capital programme.
12. The level of transport investment required to support growth across the areas covered by the bids is substantial. Based on work to date, the likely HIF ask is expected to be in the region of £50m, although the final ask will be informed by,

amongst other things, continued business case development and ongoing discussions with MHCLG and Homes England. Discussions will also continue with relevant district councils about securing developer funding and the sharing of any financial risk.

13. If one or both bids are successful then the funding award would be for the duration of the Housing Infrastructure Fund, payments are not made in a block but on a period basis (usually 6 months) and subject to delivery being on track (if not payments might be withheld) and subject to conditions that include the funding is spent only on capital costs and an agreed delivery date for the scheme being funded.
14. The Director of Corporate Resources has been consulted on the content of this report.

Legal Implications

15. The HIF Forward Funding Guidance published by Government sets out that bidding local authorities are responsible for ensuring that any funding they are awarded will be spent in accordance with all applicable legal requirements, including planning law. Any development decisions for specific proposals must go through the normal planning process.
16. Additionally, any funding awarded has to be spent in accordance with state aid provisions, public procurement law requirements and general public law issues such as the Public Sector Equality Duty.
17. The Government's expectation is that the content of HIF bids should remain confidential. This does not however displace on the Council the need to comply with Freedom of Information legislation (FOIA/EIR). In that regard any requests under FOIA/EIR in respect of the schemes referred to in this report would be considered against as necessary the public interest factors for and against disclosure and applicable exemptions.
18. Reflecting this, Government has only published a list of places and regions where projects have successfully progressed to Stage 2 of the process (see Part B for details of the HIF process). It is understood that it only expects high level project information to be released when Government announces successful bidders (project name, funding amount, number of houses) at the end of Stage 2.
19. The Director of Law and Governance has been consulted on the content of this report.

Circulation under Local Issues Alert Procedures

A copy of this report has been circulated to all members

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PART B

Background

Housing Infrastructure Fund (HIF) Overview

20. The Housing Infrastructure Fund (HIF) was first announced in the Chancellor of the Exchequer's 2016 Autumn Statement. The original £2.3 billion HIF was officially launched by the Government in July 2017. The 2017 Autumn budget saw the amount of HIF monies available more than double to £5 billion; in his most recent budget the Chancellor announced a further £0.5 billion of HIF monies (bringing the total amount available to £5.5 billion). All HIF monies have to be spent by no later than 2022/23.
21. HIF offers funding to local authorities for infrastructure to support the delivery of up to 650,000 new homes across the country. It is a capital grant programme, which, like almost all new Government sources of funding, is being awarded via a competitive bidding basis. Bids, which can be up to £250 million, can only be made to government by unitary authorities and county councils, and there are two stages to the bidding process.
22. *Stage 1: Submissions of Expressions of Interest.* The Leader, in his position statement to the County Council on 21 March 2018 announced that three HIF bids were being submitted to the Government by the County Council.
23. After an initial assessment the Government confirmed that they would like to work with the authority to develop two of these proposals further, namely.
 - **Melton Mowbray – southern section of the Melton Mowbray Distributor Road (MMDR):** The primary focus is to facilitate/accelerate the full potential of the planned development and additional development potential on the south side of Melton Mowbray, comprising the Melton South Sustainable Urban Neighbourhood. It seeks to bring forward the early delivery of the southern section of the MMDR, either in full or in part. The north and east sections of the MMDR are being funded through the successful Local Large Majors Fund bid. More information can be found in Appendix A.
 - **South West Leicestershire Growth Area (SWLGA):** Includes seeking to take forward M1 Junction 20a and M69 Junction 2 improvements to unlock growth opportunities in these locations, as well as supporting the Lutterworth East Sustainable Development Area. It focuses on demonstrating the links to the draft Strategic Growth Plan and priorities identified by Midlands Connect and Midlands Engine. More information can be found in Appendix B.
24. Whilst the Government's confirmation was a positive and important step forward, it was neither an award of monies nor even a guarantee of any future award of monies. Rather, it was a commitment by Government to work with the Council to move to Stage 2 of the HIF process.

25. *Stage 2:* This involves the development of full business cases (complete and final bids); further details on the work involved for the two proposed HIF bids is set out in the next main section of this report.
26. Guidance for HIF business case development was issued to the County Council by the MHCLG and Homes England in June, and at the same time officers held an initial inception meeting with both bodies. Timescales for bid submission are very tight, with an absolute deadline of 1 March 2019. It is currently understood that the MHCLG will make a decision on HIF bids submitted by that deadline in Spring 2019¹.

The importance of submitting the HIF bids and links to current Plans/Strategies

27. *Supporting delivery of the Strategic Growth Plan:* The County Council has a strong track record of securing funding for and the delivery of transport infrastructure to enable growth, delivering on its strategic outcomes to promote a strong economy and to ensure a supply of quality and affordable homes.
28. However, as the draft Leicester and Leicestershire Strategic Growth Plan (SGP) sets out, the area continues to face significant challenges in seeking to meet the needs of its changing and growing population. For example, in the period 2011 to 2031 over 96,000 new dwellings are required to meet the area's needs, that number increasing to nearly 118,000 dwellings for the period 2011 to 2036.
29. A strategic approach is vital to meeting this scale of challenge; otherwise there is a danger of ad-hoc and piecemeal development unsupported by the necessary infrastructure, failure to deliver on housing requirements, and delays in the preparation of Local Plans.
30. The two HIF proposals align with growth areas identified in the SGP:-
- Melton Mowbray is identified as a 'Key Centre for Regeneration and Growth';
 - M69 Junction 2 and a new M1 Junction 20a fall within the 'A46 Priority Growth Corridor'; and,
 - Lutterworth is identified as a place of 'Managed Growth in Local Plans'.

Appendix C includes a plan extracted from SGP, showing these areas of growth.

31. The SGP recognises that significant new development cannot be accommodated within Leicestershire without significant investment in infrastructure services, including transport. This is necessary to unlock strategic

¹ There were earlier submission deadlines available to local authorities should they be in a position to do so. It is understood that the number of bids submitted to earlier deadlines could be limited, due in large part down to the nature of work required to prepare robust, properly evidence based bids. Nevertheless, Government may make HIF award announcements during the autumn/winter of 2018/19; officers have been assured by the MHCLG that all HIF bids, regardless of whenever they are submitted, will be given equal consideration and have the same chances of receiving funding. Early bids will not be considered any more favourably than latter submitted bids.

scale sites and to help mitigate the impacts of future growth on Leicester's and Leicestershire's transport networks, for example in terms of traffic congestion.

32. The HIF bids are focused on bringing forward the early delivery of transport infrastructure that will unlock significant levels of planned housing growth in Leicestershire, supporting delivery of the draft SGP. It is accepted that at the time of writing this report the draft SGP has not been formally ratified by all bodies involved in its preparation. Nevertheless, it has been formally endorsed by the Members Advisory Group, which consists of the Leaders or their nominees of the nine Leicester and Leicestershire local authorities involved in its development.
33. *Reflecting 'market' interest:* The bids are aligned to areas where there is already strong market interest in bring forward development:-
 - Melton Mowbray: A planning application has previously been submitted for the development for 1500 dwellings as part of the Melton South Sustainable Neighbourhood;
 - Lutterworth: In accordance with the Cabinet's resolutions in March 2018, proposals continue to be developed for the East of Lutterworth Strategic Development Area in advance of the intended submission of a planning application;
 - M69 Junction 2: A proposals is being progressed for a National Rail Freight Interchange by private developers; and,
 - Proposed M1 Junction 20a: Blaby District Council is working in partnership with developers to consider proposals for a 3500 dwelling 'Garden Village' and associated employment.
34. The transport infrastructure that would be funded from successful HIF bids will help to support, enable or accelerate these growth proposals.
35. *Community benefits:* Concerns have been expressed by some residents in the south of Melton Mowbray that growth proposals for the town could result in additional traffic that would use unsuitable roads, with negative impacts on their areas. In south west Leicestershire, communities have concerns about existing traffic conditions. The transport improvements that the HIF bids would deliver would help to address these issues. Additionally, a new M1 Junction 20a would help to provide a long term solution to the existing significant traffic problems on the M1 motorway around Junction 21.
36. The HIF bids are also intended to enable better integration of transport infrastructure with new development and to do this at a much earlier stage in the 'planning' process than might otherwise normally be the case, for instance through the planning application process. They provide the opportunity to influence at a very early stage the (strategic) planning of proposed new development locations (without predetermining the consideration of specific proposals through the planning process). They will help to establish a clear and commonly agreed framework for parties to take forward specific proposals in an effective and efficient manner, thereby accelerating the delivery of much needed quality and affordable housing.

37. This should also benefit local communities in areas close to proposed new development locations. More often than not, they are frustrated when development happens but (in the view of those communities) the transport infrastructure required to mitigate the highway impacts of the development is not provided in a sufficiently timely fashion. The intention of the HIF bids is to seek a far more effective coordination of housing and infrastructure delivery than would otherwise be possible given constraints of the planning system.
38. To conclude this section, it is recognised that the HIF bid process is running at a slightly different timescale to the SGP and Local Planning Process. However, this is an important opportunity to secure (significant) HIF investment in transport infrastructure to enable growth. Were this current opportunity to be missed, it would not remove the need to deliver new housing in Melton Mowbray and south west Leicestershire; it would mean, however, that growth would take place at a slower pace and in a way much less likely to deliver the transport infrastructure required to support growth in a coordinated fashion.
39. Whilst the bids align with the SGP and will help to support / enable development where there is already known to be market interest, it is important to stress that the submission of the bids is not intended to prejudice the proper consideration of any specific development locations or proposals as they come forward through the planning process, including through the development of future Local Plans.

Business case development (preparation of complete and finalised bids)

40. Officers are working with both the MHCLG and Homes England to develop business cases for both bids.
41. Essentially, bids should:-
- Take a strategic approach, with strong local leadership and joint working to achieve higher levels of housing growth in the local area, in line with price signals, and supported by clear evidence;
 - support delivery of an up-to-date development plan, or speed up getting one in place;
 - make more land available for housing in high demand areas, resulting in new additional homes that otherwise would not have been built;
 - be ambitious, stepping up plans for growth and making a meaningful difference to overall housing supply;
 - have local support;
 - deliver new physical infrastructure to support new and existing communities and provide strong evidence that the infrastructure is necessary to unlock new homes that cannot be funded through another route;
 - provide value for money, on the basis of an economic appraisal;
 - enable recycling of funding for other infrastructure projects, achieving more and delivering new homes in the future; and,
 - be deliverable within the HIF timeframe (funding spent by 2022/23). This is about both delivering the infrastructure and how that will then lead to the delivery of new homes. It also means all the key delivery partners need to work together.

42. Government will assess bids and prioritise them against the above criteria, with an emphasis on value for money and the number of homes (dwellings) that the HIF monies will unlock. Additional factors that may be taken into account include the funding profile and the geographical capacity of an area to deliver the infrastructure development.
43. With over two months still remaining until submission of the two bids (1 March 2019) a considerable amount of work still needs to be done to complete business cases and to develop the final content of the bids.
44. Bids need to be robust, evidence based and prepared in accordance with the Government's HIF guidance. The work to achieve this is complex, involving a number of significant elements² including:-
- Work to assess inter-dependencies between the delivery of housing and the provision of new transport infrastructure, in order to establish the level of new housing that HIF monies would directly unlock;
 - transport modelling, in order to establish the value of transport and wider economic benefits (adding to the value for money case);
 - partnership working³, including with Melton Borough Council, Blaby District Council and Harborough District Council, land owners and developers, in order to help give Government confidence that if awarded HIF monies will actually result in the delivery of new homes 'on the ground' in short timescales; and,
 - ongoing receipt of advice and guidance from MHCLG and Homes England.
45. In many respects, this process is new to all parties involved. As matters progress lessons are being learnt that will help to inform the final content of the bids. It is likely that the precise contents of the bids will not be fully finalised until very close to the submission deadline.

Consultation

46. The HIF process does not provide for public consultations to be undertaken on bids; in many respects the confidential nature of matters counters against being able to meaningfully conduct such consultations.
47. Having said that, there should at the very least be a general public awareness of the elements covered by the two proposed bids. As set out in paragraph 30 of this report, the bids align with growth areas identified in the draft Strategic Growth Plan, which was subject to extensive public consultations. Cabinet Members will no doubt be aware that there has been strong opposition expressed to the proposals for the A46 Priority Growth Corridor (A46 Express Way).

² To put this HIF work into context, it is not dissimilar in its scale and nature to that which was undertaken to prepare and submit the Outline Business Case for the Northern and Eastern Sections of the MMDR.

³ In some cases discussions with parties have to remain confidential, for example because of commercial or financial sensitivities.

48. The Melton Local Plan, which provides the planning policy foundation for the Melton Southern Sustainable Neighbourhood and the MMDR, has been informed by extensive public involvement and has been subject to an examination in public (EIP). The EIP Inspector fully endorsed the growth proposals for Melton Mowbray and the proposals for the MMDR and the Local Plan has been duly adopted on that basis. Overall, there is general public support for the MMDR.
49. The Harborough Local Plan provides the planning policy basis for the East of Lutterworth Strategic Development Area (SDA) and associated transport infrastructure. It has been informed by public consultations and subject to a recent examination in public. The Inspector's report is anticipated early in the New Year, although all indications are that he has no in principle issues with the Local Plan or with the SDA policy. Specific proposals for the development site itself were subject to public consultations in September 2018. Mixed public views have been expressed about it.
50. Consultations are being conducted by the private promoters of the National Rail Freight Interchange at M69 Junction 2 and proposals for a new M1 Junction 20a are included in the County Council's publically available Prospectus for Growth, which was subject to extensive media publicity when it was launched in September 2017.
51. As and when specific proposals come forward through the planning process for any further growth in the locations covered by the HIF bids for example as part of the preparation of a Local Plan, a planning application or Nationally Significant Infrastructure Project, they will be subject to the usual public consultation processes.

Next Steps

52. Subject to the Cabinet's approval the next steps in the HIF process are:-
- December 2018 - February 2019: Officers will continue to work with MHCLG, Homes England and other parties to complete the business cases and the bids' final content;
 - 1 March 2019: Bids submitted by no later than this deadline;
 - Spring 2019: Government decision on bids anticipated;
 - Spring 2019: If one or more of the bids is successful, report to the Cabinet prior to acceptance; and,
 - Spring 2019 to 2023/24: Window in which any HIF monies would need to be spent, including delivery of transport infrastructure.
53. Aside from the HIF process, Blaby District Council will be taking forward the development of its new Local Plan over the next couple of years; it is expected to encompass M69 Junction 2 and a new M1 Junction 20a. Reflecting the framework established by the Strategic Growth Plan, this will provide the process through which options for growth in these areas can be assessed and scrutinised, including through an Examination in Public conducted by an independent inspector.

Summary and conclusions

54. The County Council has a strong track record of securing funding to deliver transport infrastructure to enable growth, supporting the delivery of its strategic outcomes to promote a strong economy and to ensure a supply of quality and affordable homes. Despite this, there remain considerable challenges in seeking to meet the future housing (and job) needs of the area's changing and growing population.
55. The Housing Infrastructure Fund (HIF) offers a significant opportunity for the County Council to support the delivery of the Leicester and Leicestershire Strategic Growth Plan, which has been endorsed through the Members Advisory Group by all Leaders of the local authorities involved in its development.
56. It also provides opportunities better to enable integration of transport infrastructure with new development and better to coordinate the delivery of that infrastructure with the delivery of new housing. This should benefit local communities in areas close to proposed new development locations and help to address often expressed community concerns that when development happens the transport infrastructure required to mitigate its highway impacts is not provided in a sufficiently timely fashion.
57. It is recognised that the HIF bid process is running at a slightly different timescale to the SGP and Local Planning Process. Nevertheless, this is a significant and important funding opportunity; for the reasons set out in paragraphs 27 to 39 of this report, it is recommended that bids relating to the southern section of the Melton Mowbray Distributor Road and to a South West Leicestershire Growth Area should be pursued through to submission.

Equality and Human Rights Implications

58. The draft Strategic Growth Plan (SGP) has been subject to an Equalities and Human Rights Impact Assessment (EHRIA), which was attached at appendix E to the 23 November 2018 report to Cabinet on the SPG.
59. As a high-level strategic plan, responsibility for mitigating any adverse impacts upon individuals or community groups will fall to subsequent statutory plans, primarily the Local Plans prepared by individual authorities. In most cases, it will be important to ensure that specific infrastructure and services are planned effectively to deal with the particular needs of certain groups.
60. The HIF bids will be subject to a screening assessment and in accordance with relevant requirements more detailed assessments of specific proposals will be undertaken as they come forward through the planning process.

Environmental Implications

61. The draft Strategic Growth Plan (SGP) has been subject to a Sustainability Appraisal (SA) (incorporating Strategic Environmental Assessment) (SEA)

together with a Habitats Regulations Assessment (HRA). The outcomes are available to view in a report supporting the SGP.

62. Some preliminary, desktop environmental assessment work has been undertaken in respect of a possible new M1 Junction 20a and in respect of the M69 Junction 2 area. Proposals for the East of Lutterworth Strategic Development Area have been subjected to far more detailed assessments and these will form part of the planning application for the proposal when submitted.
63. In accordance with relevant regulatory requirements, more detailed assessments of other specific proposals will be undertaken as they come forward through the planning process.

Background Papers

County Council - 6 December 2017: 'Strategic Plan and Single Outcomes Framework'

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=5104&Ver=4>

Leicestershire County Council's Strategic Plan 2018-22

<https://www.leicestershire.gov.uk/sites/default/files/field/pdf/2018/2/2/LCC-Strategic-Plan-2018-22.pdf>

Cabinet - 23 November 2018 'Leicester and Leicestershire Strategic Growth Plan:

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=5185&Ver=4>

Appendices

Appendix A – Melton Mowbray Distributor Road (southern section) Bid

Appendix B – South West Leicestershire Growth Area Bid

Appendix C – Extract from Leicester and Leicestershire Strategic Growth Plan –
Growth Locations and Infrastructure