

Accelerating Housing Supply in South Somerset - Housing Infrastructure Fund

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Ward Member(s) Cllr. Peter Seib, Cllr. Jenny Snell, Cllr. Alan Smith
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Purpose of the Report

1. To gain agreement for SSDC to administer grant funding from Homes England (HE) to help accelerate housing delivery in South Somerset by facilitating the accelerated development of 569 homes at the Brimsmore Key site in Yeovil.

Forward Plan

2. This was put on the forward plan last month as until then the progression to full acceptance of the grant was unconfirmed.

Public Interest

3. Housing supply is a national and local issue. The provision of a steady supply housing to meet the varied needs of the population of South Somerset is crucial to the wellbeing of citizens and communities. It is also of critical importance to the local economy. This report seeks to accelerate the supply of housing in Yeovil by means of delivering grant-aid to fund vital infrastructure on a key site in Yeovil.

Recommendations

That the District Executive:

- a. Notes the award of £2m grant from Homes England to accelerate the construction of 569 homes on the Brimsmore site, Yeovil.
- b. Approves the use of officer time to administer grant aid from Homes England according to their standard terms and conditions.
- c. Notes the risks and costs and benefits of this course of being responsible for the delivery of the agreed outcomes of the bid as contained in the Assurance Framework.
- d. Delegates the signing of the grant funding legal agreement and drawdown agreement to the Director for Service Delivery

Background

4. The local plan target of 725 dwellings per year is currently not being met, leading to extra pressure on areas not designated for development around the district. The Council Plan states that the Council will enable sufficient housing in appropriate places to meet community needs as well as

maximise the number of affordable homes, including providing more affordable homes to support rural economies and communities.

The desired 2019/20 project outcomes are:

- Sufficient housing of all tenures available to those who need it
 - Stalled sites are brought forward
 - Associated Infrastructure to improve connectivity
5. The tools for local authorities in increasing housing supply have been limited, and the Government have recognised this in their recent policy initiatives described below.
 6. **The Housing Infrastructure Fund (HIF)** is £5 billion of capital grant funding available from 2017/18 to 2022/23. It has been allocated to local government on a competitive basis, providing infrastructure targeted at unlocking up to 200,000 new homes where housing demand is greatest. HIF was announced at Autumn Statement 2016 as part of the National Productivity Investment Fund, with £2.3 billion funding available. An additional £2.7 billion was announced at Autumn Budget 2017. HIF has been divided into two funding streams:
 7. **Marginal Viability Funding (MVF)** – for typically smaller, stalled sites that aren't viable due to infrastructure costs and where the Fund will be the final, or missing, piece of the funding puzzle. Grants of up to £10m were available to lower tier local authorities (districts, metropolitan, London boroughs, or unitary authorities)
 8. **Forward Funding (FF)** – for strategic projects where HIF may be the first piece of funding needed to lever in and secure private investment and other public sector funding. Grants of up to £250m are available to the uppermost tier of local authorities (combined authorities, or counties and unitary authorities where there is not a combined authority).
 9. Officers have been working since September 2017 to secure a successful bid to Homes England under the MVF fund for the Brimsmore site in Yeovil after reviewing the status and likely success of a number of schemes. The key site is allocated in the Local Plan as Policy KS/YEWI/2. The development has to provide significant infrastructure and as a result has taken 10 years from outline approval to start, and despite having full planning approval has not produced the potential number of homes it should to contribute to the housing supply of South Somerset.
 10. A detailed proposal was written by SSDC, submitted in 2017 and approved in principle by Homes England in early 2018. At this stage a detailed appraisal, cash flow and delivery plan was written in conjunction with the developer. This was subject to considerable negotiation and discussion with Homes England. A visit was arranged to the site in July 2018, and following that detailed approval was given, subject to legal agreements being approved and signed. This has been a protracted process given the detailed nature of the agreements and clauses, which include clawback of grant should viabilities change. After considerable work by the Lead Specialist Legal and Commercial Property, Land and Development Manager, we are now in an advanced position to move forwards, secure the funding and accelerate the homes supply for Yeovil and South Somerset.

Report Detail

11. Brimsmore comprises 977 homes with a Village Square with shops, offices, a community hall, a care home, retirement flats, a family pub/restaurant and a primary school. The site extends to approximately 54 hectares and is located on the north side of Yeovil. The proposal is designated KS/YEWI/2 in the adopted South Somerset Local Plan 2006-28, adopted 2015. The whole site has outline planning permission and detailed reserved matters approval for 329 dwellings. A further

reserved matters application for circa 65 dwellings has been submitted. To date 109 houses have been completed.

12. The site is owned in the main by Charles Bishop Limited. The current developer is Wyatt Homes who are a Poole based family housebuilding company. The development has won a number of regional Awards, including design awards from 'What House' and 'Premier Guarantee' and also 'Building Excellence' award from Local Authority Building Control.
13. Without Marginal Viability Fund (MVF) funding the housing delivery rate will slow, given overall scheme viability and the large capital investment required to facilitate the road construction and the cost of undergrounding 33kv overhead cables. The proposal allows the site to continue and fulfil its masterplan total of 977 dwellings.

Benefits

14. Receipt of grant funding and delivery of this infrastructure will:
 - Unlock the development of an additional 569 homes in an area of high housing need which will not otherwise come forward.
 - Deliver new physical infrastructure to support both new and existing communities.
 - Unlock the land for a new two form entry primary school and community facilities for which there is demonstrable need.
 - Enable the Council to make a very positive impact on overall housing supply by facilitating a high quality scheme which enjoys widespread local support.
 - Enable the development to continue at pace and not stall due to high infrastructure costs.
 - Bring the Council considerable new homes bonus to support the impact of development.
 - Contribute to the achievement of land housing land supply figures and improve prospects of relieving pressure elsewhere in the district.
 - Potentially allow the Council to retain any cost savings/recoveries made on the Project to reinvest (with Homes England's consent) into the delivery of further housing.

The Infrastructure Scheme requiring Funding

15. The Marginal Viability Fund (MVF) bid seeks assistance with the financing of the central section of the internal Link Road (including associated infrastructure). The Link Road is a continuation of the Western Corridor around the west and north of Yeovil, thereby contributing to wider objectives of relieving traffic flow. This requires the design construction of the road to exceed the specification of a standard estate road. To complete the project Yeovil's principal electricity supply, a 2KV overhead cable will have to be laid underground. The central section of the Link Road will be in the form of a single lane dual carriageway separated by a 7.5m wide central verge planted with a line of London Plane trees. Construction of this central section will provide access to the Village Square and to various eastern housing development parcels, both open market and affordable.

Project Management

16. South Somerset District Council will be responsible for ensuring that any funding is invested in the infrastructure for which this funding is sought.
17. A project group has been established. This group has comprised the Director - Service Delivery, the Commercial Property Land and Development Manager and the Lead Specialist Legal, with significant input from the Procurement Manager and Section 151 Officer and officers from Financial Services.
18. An Assurance Framework determines the schedule for monitoring of the obligations will have to take place (Appendix 1) and the Council is obliged to provide Homes England with detailed progress reports against targets by way of quarterly returns. The council draw down the money and are responsible to passing this onto the developer as targets are met.
19. This places responsibilities in terms of procurement and State Aid legislation upon the Council.

Grant Funding Agreement

20. A funding agreement between SSDC and Homes England determines the milestones and monitoring arrangements. A 'back to back' legally enforceable drawdown agreement passports the obligations from SSDC to the developer.
21. The funding agreement has been drawn up by Burgess Salmon solicitors acting on instructions from the Lead Specialist, Legal and the necessary state aid compliance check have been made and approved by solicitors acting for the council.
22. The Highway Authority has an existing responsibility to carry out inspections in accordance with Section 38 and Section 278 agreements. The cost of the inspections will be met by the developer. County Highways will update the Delivery Group on progress at the monthly meeting.
23. The District Council will also communicate with the providers of the utilities and request regular updates on the progress. In terms of site management of the Link Road scheme. It is envisaged that the current arrangements of Wyatt's on-site site management role and CBL's over-arching wider project management role will continue.

Other Factors - Viability

24. Homes England have, as a part of their assessment examined all factors regarding viability, and applied a Treasury model of viability, and value for money before determining if a grant is applicable.

Resource Impact

25. The proposal incurs additional work for SSDC, as we take on the role of HE. It has been agreed that SSDC will seek recompense of up to £20,000 pa from the developer to cover our costs and costs incurred to date have already been part-funded by the developer.
26. Being directly involved with the provision of Infrastructure is a new departure for SSDC, but is a 'non-negotiable' requirement for us (and other councils) who wish to access this and any other grant from HE under the government's 'Building for the Future' Programme. It is considered that this exercise is a good learning process that may prove useful if we apply for further funding in the future to support other towns' stalled sites and further increase housing supply to meet the needs of our residents.

Financial Implications

27. The Council will passport the £2m funding to the developer in line the milestones agreed within a prior approved project plan which will be clearly documented. There will be cost of administering the funding, dealing with the HE and their audit requirements, therefore a sum of up to £20,000 p.a has been agreed with the developer to cover these costs and will be deducted from the grant.

Risks

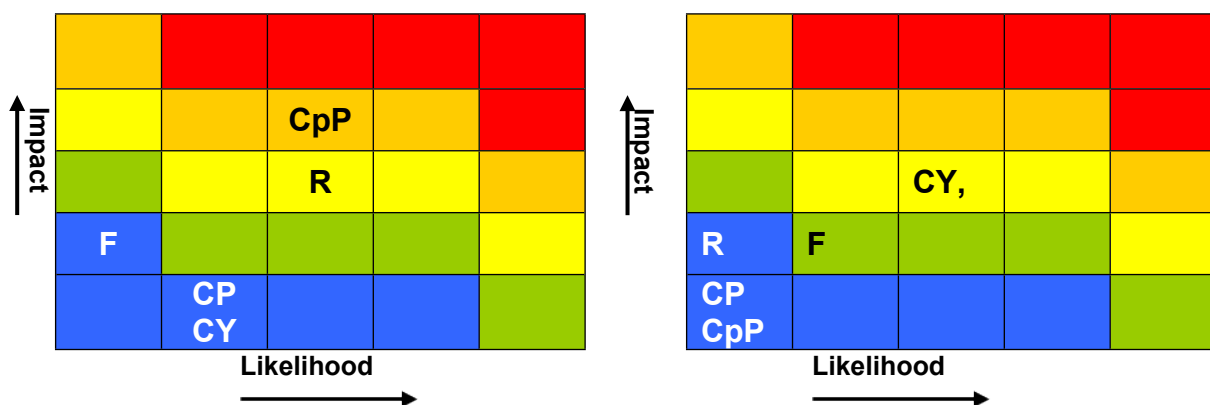
28. Burgess Salmon have reviewed the Funding Agreement in detail. SSDC has proposed a form of agreement to Charles Bishop Limited which mitigates a range of risks to SSDC by passing through all obligations under the Funding Agreement to Charles Bishop (the “**Flow-Down Agreement**”).

In summary, the outstanding key risks are:

- (a) Homes England has a broad ability to terminate the Funding Agreement on notice in the event of a breach or immediately on failure to achieve a Milestone or Output.
 - (b) Where an Event of Default occurs, Homes England has the ability to clawback funding paid to SSDC within a short timescale, but this can in turn be clawed back from the developer
 - (c) SSDC gives Homes England a broad and uncapped indemnity, including in respect of losses etc. caused as a result of the Project as a whole rather than as a result of SSDC’s actions or omissions. This indemnity will be flowed down to the developer but is only as effective as the standing of the developer
29. Homes England’s position is that they do not accept any amendments to their standard terms and conditions. As such, options to mitigate these risks are limited but the Council has nonetheless worked to achieve the best possible agreement. The Lead Specialist Legal has reviewed the advice and considers that these risks are proportionate and reasonable, if SSDC is to pursue its commitment to housing and enter the field of direct support in partnership with Homes England. Regular dialogue with the developer and close monitoring of progress should ensure that any potential breach or failure to deliver a Milestone or Output will be identified early, and provides the best chance of agreeing a way forward with Homes England, such that termination of the agreement or clawback of grant is avoided

Risk Matrix

Risk Profile before officer recommendations Risk Profile after officer recommendations



Key

Categories	Colours (for further detail please refer to Risk management strategy)
R = Reputation	Red = High impact and high probability
CpP = Corporate Plan Priorities	Orange = Major impact and major probability
CP = Community Priorities	Yellow = Moderate impact and moderate probability
CY = Capacity	Green = Minor impact and minor probability
F = Financial	Blue = Insignificant impact and insignificant probability

Council Plan Implications

The overriding objective is to enable sufficient housing in appropriate places to meet community needs.

The desired 2019/20 project outcomes are:

- Sufficient housing of all tenures available to those who need it
- Stalled sites are brought forward
- Associated Infrastructure improves connectivity

This report addresses all these in a practical way.

Carbon Emissions and Climate Change Implications

In many ways this is an exemplary development.

- The homes will be built to the current building control environmental code standards
- The development has been based on principles of easy permeability and access to play, schooling and recreation.
- Routes are planned as part of the development for walking and cycling offering opportunities for minimising the use of the car.

Equality and Diversity Implications

- The development will accelerate the delivery of affordable homes and support the community of South Somerset

Privacy Impact Assessment

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Background Papers

- Homes England Assurance Framework for Marginal Viability Fund
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