

FORM 2

NOTICE OF DECISION OF CABINET MEMBER

Pursuant Section 15(4) of the Local Government Act 2000, as amended by section 63 of the Local Government and Public Involvement in Health Act 2007, the senior executive member may discharge any of the functions that are the responsibility of the Cabinet or may arrange for them to be discharged by another member of the Cabinet or Officer. On 1st December 2010, the Council adopted the Strong Leader Model for Corporate Governance 2011 as required under Part 3 of The Local Government and Public Involvement in Health Act 2007 (The 2007 Act).

In accordance with the authority delegated to me, I have made the following decision:

Subject	Decision	Reason for decision	Date for Decision to be taken
Award of grant fund of £2.7m from the Housing Infrastructure Fund.	To accept the grant.	To fund new highway works at Churchfields, Kidderminster.	12/06/2019

I confirm that the appropriate statutory officer consultation has taken place with regard to this decision.

Dated:

Signed: 

Councillor Graham Ballinger
Leader of the Council

WYRE FOREST DISTRICT COUNCIL
STRONG LEADER CABINET REPORT

12th June 2019

RECEIPT OF HOUSING INFRASTRUCTURE FUND GRANT

OPEN	
CABINET MEMBER:	Cllr Graham Ballinger – Leader of the Council and Cabinet Member for Strategy & Finance
DIRECTOR:	Corporate Director: Economic Prosperity & Place
CONTACT OFFICER:	Mike Parker Ext. 2500 mike.parker@wyreforestdc.gov.uk
APPENDIX	HIF offer letter

1. PURPOSE

This report seeks agreement for the Council to accept an award of £2.7m from the Housing Infrastructure Fund (HIF) as a contribution towards the cost of the new highway infrastructure to enable the development of brownfield land at Churchfields for residential development in accordance with the adopted Churchfields Masterplan.

2. RECOMMENDATION

That the Leader:

2.1 Agrees the acceptance of the £2.7m HIF grant.

3. BACKGROUND

The Council adopted the Churchfields masterplan in September 2011 which set out redevelopment proposals for the wider sites around the Horsefair area including land off Churchfields owned by Kidderminster Property Investments (KPI) and the Council (former netball court) as well as the former Sladen School site off Hurcott Lane owned by Worcestershire County Council.

All three sites are currently impeded from development by either the limited junction capacity at the Radford Avenue/Broad Street/Blackwell Street/Stourbridge Road junction, or the Air Quality Management Area along Blackwell Street, or both. In order to remedy this the Council has been working with the County Council as delivery partner and the two Local Enterprise Partnerships as funding partners on a new c£6m highway solution that will take a new arm off the roundabout on the ringway to create a new point of access in where the former CMS vehicle franchise was before it moved next door. This

will alleviate the traffic issues, creating highway capacity and reducing the AQMA issue.

Funding for the c£6m scheme is proposed from the two Local Enterprise Partnerships together with an award of £2.7m from the government's Housing Infrastructure Fund (HIF) which the council was successful in bidding for in February 2018. It has taken until now to progress through the due diligence process with Homes England to reach the final stage of contracting and receiving the money. Work is planned to start in late summer 2019 as the funds have to be spent by the end of the 2020/21 financial year. A copy of the offer letter is appended.

4. KEY ISSUES

As can be seen from the offer letter there are some pre contract matters that require agreement and then some pre drawdown issues that require agreement.

In order to be able to accept the monies and allocate them to the project Council in May 2019 has agreed to amend the Capital Programme. This will enable the Council to pass the funding on to the County Council who are overseeing the delivery of the works.

Of the conditions which have to be met before the Council can enter into the Grant Determination Agreement (GDA) numbers 4 and 5 both involve questions of funding that place the Council at risk.

Condition 4 concerns clawback if any of the development sites prove to be viable and could contribute to the cost of the highway works. Due diligence already undertaken demonstrates the viability gap of the KPI site alone justifies the HIF award and is unlikely to change; in any event it will be virtually impossible for the Council to have any provision in place with either KPI or a housebuilder to pay back any of the HIF monies and this point has been made to Homes England. There is a better prospect of the Council and the County Council to give some assurances over sites in their respective ownerships. Work on viability of these sites is underway so that GDA condition 3 can be met and it is not anticipated that there will be viability issues of either that will change the HIF award.

GDA condition 5 concerns cost overruns and is potentially more difficult for the Council to deal with. The scheme is being delivered by the County Council using their term contractor, Griffiths. The district council has no relationship with Griffiths and is relying on the County Council regarding contract delivery. It has been pointed out to Homes England that this is the relationship and that the HIF monies will be passported to the County Council, which is agreed. Nevertheless it has to be the district council that contracts with Homes England as this was how the HIF fund was originally set up: only district councils could bid. This theoretically leaves the district council responsible for cost overruns that it has no control over.

There are ways in which the possibility of cost overruns is being mitigated:

- a. Griffiths issued a 'target price' three months before work begins which will be the price for which they expect to deliver the scheme and based on detailed survey work and scheme design (which is being undertaken by Jacobs for the County Council). There will be a built in contingency in the cost price. This is as 'fixed' as the price could be at this stage but obviously there may be unknowns encountered once work starts.
- b. It is always possible to approach the LEPs for additional funding to cover cost overruns; success will depend on the case made and the funding available and is more likely from Greater Birmingham & Solihull LEP than Worcestershire LEP, but cannot be guaranteed.
- c. The two councils agree a 'partnership' approach to covering any overruns; this was the model used in Kidderminster Town Centre for the public realm works. The Chief Executive is already pursuing this course with the County Council Chief Executive.

Having reached this critical stage of completing the funding envelope the Council is faced with either accepting the contractual commitments or the scheme not proceeding, the latter of which would be most unfortunate. It is therefore recommended that the Council proceed to contract with Homes England and accept the funding award.

5. FINANCIAL IMPLICATIONS

The implications for accepting the funding are set out above although it is impossible to quantify the scale of any financial risk or to know how likely it is to arise. There is always a risk with groundworks that unknown issues are discovered only once the works have commenced. After being received the funding will be passed to the County Council to deliver the scheme.

6. LEGAL AND POLICY IMPLICATIONS

The capital programme has been amended by Council to reflect the receipt of the grant. The project is being undertaken by the County Council under its powers as highways authority. The Council's legal team will support the work on entering into the Grant Determination Agreement.

7. CONSULTEES

Corporate Leadership Team



Homes England

23rd April 2019

Jonathan Elmer
Wyre Forest District Council
Wyre Forest House, Fine Point Way, Kidderminster, DY11 7WF

Re: HIF MVF 232 Churchfield Urban Village, Wyre Forest

Dear Jonathan,

SUBJECT TO GRANT DETERMINATION AGREEMENT

Further to our letter, dated 22nd March 2019, which confirmed that the above scheme received internal approvals to proceed with the formal award of a grant, we write to you to detail the conditions of the approval.

The approval is subject to the conditions detailed below and the grant determination agreement. The grant award is to fund a series of highway works that will facilitate pedestrian and vehicle traffic flow to support of the delivery of new homes.

This offer of funding is subject to legal exchange of the grant determination agreement by 30th June 2019 after which point the Homes England reserves the right to retract the offer of funding.

The grant (in £) and outputs approved by Homes England is as set out below.

Funding	Total
HIF MVF	£2,700,000
Total	£2,700,000

Outputs	
Total	382

Please note any variances to the above spend or outputs must be approved in writing by the Homes England. HIF MVF funding is available until 31st March 2022. All MVF funding is required to be spent by this date.

The approval is subject to the following conditions being met prior to entering into the grant determination agreement.

Condition	Date
1. Provide an updated programme plan including a detailed timetable for all the infrastructures to be supported by the HIF.	May 2019
2. Provide confirmation the two LEP grant funding sources have been secured, being £1m from WLEP and £1.49m from GBSLEP, which are to jointly contribute to the cost of the infrastructure works.	May 2019
3. Provide updated cost plan and viability appraisals for the three sites of Churchfields, Limekiln Bridge and Sladen school. These should demonstrate the schemes' financial viability position and	May 2019

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	the final HIF award will be based on these appraisals as validated by the agency's consultant and should be to the satisfaction of Homes England	
4.	Should the final viability assessment demonstrate a viable position on any one of the 3 housing sites, provide a mechanism strategy to recover the HIF funding from the land owner/developers that will benefit from the infrastructures. This should be to the satisfaction of Homes England.	May 2019
5.	Provide a written undertaking guaranteeing that any cost overruns will be met by the council.	May 2019
6.	Provide written confirmation that the grant to be provided would be State Aid compliant as well as providing supporting written evidence of the independent State Aid advice received.	May 2019

The drawdown of funds is subject to a signed grant determination agreement and the following conditions precedent being met:

Condition		Date
1.	Provide confirmation that infrastructure land has been transferred to WCC and Vacant Possession has been achieved.	July 2019
2.	Provide warranty that the site will be released for residential development after infrastructure works have been completed enabling delivery of the 382 homes to come forward as per the HIF bid.	April 2019
3.	Appointment of a contractor for a figure in line with the budget estimate of £5.5m for the infrastructure works	July 2019
4.	Provision of an updated housing delivery programme	June 2019
5.	Provide details of any third party interests on the housing and infrastructure land and supporting evidence of vacant possession on all sites required to deliver the infrastructure as well as the housing units.	July 2019
6.	Provision of a Report on Title showing the entire housing sites has vacant possession and detailing any restrictions, Rights of Way, easements, covenants or any other title constraints that may impact on the deliverability of the site.	July 2019
7.	Provide a strategy of how the land owner proposes to dispose of the housing land parcels and demonstrate that the delivery of the housing units on their land will commence within a reasonable timescale.	June 2019

It should also be noted that the following conditions are a requirement of all grant determination agreements.

- a. The money is to be spent on capital related to the project;
- b. The scheme will deliver by an agreed date. Otherwise, Homes England can recover any unspent funding;
- c. Any costs saved or recovered are retained by the Local Authority and to be used for further housing delivery; and
- d. The Local Authority will assure Government on delivery through proportionate regular reporting on progress, as set out in the Assurance Framework.

Please note that any communications on the outcome of funding clarification are subject to Homes England approval.

Yours sincerely

A handwritten signature in black ink, reading "Gareth Blacker". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

Gareth Blacker

General Manager of Infrastructure and Complex Projects