

## BRIEFING NOTE

### TO: MKE Local Stakeholder Group

### HIF Funding Bid 24<sup>th</sup> September 2019



#### Purpose

This Briefing Note has been provided to inform the MKE Local Stakeholder Group on the workings of the HIF bid and to specifically respond to a number of points raised during the August meeting of the Local Stakeholder Group around the HIF process and risks associated with it.

#### 1. Timescales for bid submission and expenditure

Currently, the Council intends to submit its bid **no earlier** than 3 December 2018. Submission on 3 December would result in a funding announcement in March 2019, or submission on 1 March would result in a funding announcement in May 2019.

Officers are continuing work on the supporting transport modelling and developing the Business Case for the HIF proposal throughout these four months. The HIF Business Case is to be produced in line with the Treasury Five Case model guidance available online.

Once submitted, the bid will undergo due diligence checks by Homes England/MHCLG. Guidance from MHCLG suggests that “the assessment and decision process is likely to take a minimum of 11 to 12 weeks from submission of a bid.” Following this assessment, Homes England provides a recommendation on whether it should or should be successful.

#### 2. Breakdown of the infrastructure within scope of the HIF bid and itemised costs.

A summary of the Infrastructure costs defined at Expression of Interest stage are as follows:

- New road infrastructure for the development (including new through roads and junctions, two flood plain bridges, part-dualling of the existing A509 north of junction 14, and a 2,000 space Park and Ride) = £34,687,552
- New dual carriageway bridge over the M1 = £10,269,788
- Dualling of Tongwell street from the new M1 bridge = £8,737,899
- Improvements to Junction 14 of the M1 = £3,151,937
- 3 Form Entry Primary School = £8,000,000
- Primary Care Health Hub = £10,000,000
- **TOTAL = £74,847,176**

These costs have been derived from the assumptions within the cost plan for Highways as the best available information at the time of the Expression of Interest. Detailed costs for the infrastructure items and associated works (e.g. lighting and drainage) listed above were calculated by an independent firm of Chartered Surveyors and checked by Officers of the Council for reasonableness.

Officers of the Council are continuing to robustly testing these assumptions, as well as those related to alternative highway options, ahead of full Business Case submission. Further

Section 106 monies will be collected through developer contributions to accommodate and manage the additional traffic and other impacts associated with the development, for example funds for additional primary schools and secondary education.

### **3. What if we don't spend the money within the time limits? Is it taken away?**

The money will be in the form of a capital grant from Homes England to Milton Keynes Council.

MKC will ensure robust programme and project management of the HIF bid is put in place to ensure the money is spent within the grant conditions. All successful bids are also subject to project assurance.

MHCLG have stated that:

“HIF needs to be spent on the project in the year that funding is allocated. Successful projects will agree a spending profile and milestones, and will be monitored against these.

Expenditure will be incurred by local authorities according to their own accounting principles. We would expect this to be on an accruals basis but local authorities should consult their own finance departments to confirm what will be recognised as expenditure in any given year. Local authorities should not drawdown funds from MHCLG unless they reasonably expect to spend funds within the financial year and drawdown profiles will be prepared on this basis.”

### **4. What happens if costs for delivering the infrastructure escalate beyond the funding allocated for it? Does MKC fill the gap?**

The Infrastructure project risks, including cost risks, will be managed by the agency responsible for developing the infrastructure.

For the highways schemes, as the transport authority, the risk will lie with the Council. For the bridge (to be built by the developer), the risk will lie with the developer.

### **5. How will the funding likely be spent and recycled (administrative operation) and how will it operate alongside Section 106 agreements?**

The funding secured through the HIF process would be forward funding for infrastructure and would not replace developer contributions on site, which would also be collected through a Section 106 agreement. With a site of 5,000 homes additional site level infrastructure will be required (schools, local roads) and these will be subject to developer contributions in the same way that other strategic sites are. Initial discussions regarding the S106 agreements have already taken place with the developer.

MKC is currently in discussions with Government about flexibilities regarding S106 pooling arrangements, which would allow the Council to reintroduce a Tariff programme. The site east of the M1 would be included in future Tariff arrangements.

### **6. Can the scope of the bid and £ ask be expanded before it is submitted?**

MHCLG and Homes England have confirmed that they are open to additional funding being requested through the HIF Business Case submission than was requested at Expression of Interest stage provided that the additional infrastructure funding can demonstrate that it directly unlocks additional homes over and above those included at Expression of Interest stage.

### **7. If successful, can MKC refuse to accept the money?**

Yes, the Council can refuse to accept the money if the bid is successful.

Following the advice of the Planning Inspector, the site east of the M1 has been included within Plan MK as a positive allocation contingent on the funding and delivery of strategic infrastructure. The Inspector has asked the Council to prepare two trajectories which assume some housing coming forward before 2031. One of these trajectories assumed the HIF bid is successful (results in c.3,000 homes delivered before 2031) and another trajectory that assumes the HIF bid is unsuccessful, but an alternative source of funding is secured in at a later date to fund the infrastructure (results in c.1,500 homes delivered before 2031). To ensure growth is done well in this area, it is unlikely that the Council would refuse to accept the money if successful in submitting the bid.

### **8. Why are we seeking funds for primary education and healthcare infrastructure?**

Funding cycles for education work on four year cycles, meaning that funding can lag behind growth where sites have come forward faster than expected. Early delivery of a Primary School is always an essential for new development and a successful HIF bid would result in additional expansion to local plan targets, meaning MKC will not have time to collect funding through the normal funding streams before we need to commit to delivery.

We are seeking funding through the Housing Infrastructure Fund for the first primary school on the site, to ensure that existing schools are not put under pressure by the east of the M1 site coming forwards. The primary school will serve the first 1,500 homes, with recyclable funding being sought to enable the future schools required on site to come forward at a later date.

Funding for healthcare infrastructure is being sought for the provision for capital funding for health. The current model is for MKC to provide facilities which are then leased back to the CCG over the medium/long term, however forward funding is required to develop these facilities.