

CABINET

15th December 2020

HOUSING INFRASTRUCTURE FUNDING – PROGRESS UPDATE

Report of the Director of Places

Strategic Aim:	All	
Key Decision: No	Forward Plan Reference: FP/091020	
Exempt Information	No	
Cabinet Member(s) Responsible:	Mr G Brown Deputy Leader and Portfolio Holder for Finance and Planning Mr O Hemsley, Leader and Portfolio Holder for Rutland One Public Estate & Growth, Tourism & Economic Development, Resources (other than Finance)	
Contact Officer(s):	Penny Sharp, Director of Places	Tel: 01572 758160 psharp@rutland.gov.uk
Ward Councillors	Normanton – Mr K Bool and Miss Gale Waller	

DECISION RECOMMENDATIONS

That Cabinet:

1. Notes the progress update for contracting with Homes England for £29.4m Housing Infrastructure Funding (HIF) investment in St. George's Garden Community.

1 PURPOSE OF THE REPORT

- 1.1 The purpose of the report is to provide Cabinet with a progress report on contracting with Homes England for £29.4m Housing Infrastructure Funding (HIF) to support the delivery of St. George's Garden Community.

2 BACKGROUND AND MAIN CONSIDERATIONS

Background

- 2.1 Rutland's Draft Local Plan 2018 – 2036 proposes an allocation of land at St.

George's Barracks for the development of a new garden community (Policy H3). The draft Local Plan sets out a requirement for delivery of a mix of uses comprising:

"- around 2215 homes, of which at least 1,000 homes will be delivered by 2036

- 14 hectares of employment land

- the necessary community, utility, transport and green infrastructure to support a sustainable and thriving garden village community."

2.2 Policy H2 of the Draft Local Plan 2018 – 2036 details the delivery principles that should underpin the development of St. Georges Garden Community. This includes a requirement for:

- "phasing of development and infrastructure both on-site and off-site to ensure that the latter is provided ahead of, or in tandem with, the development it supports to address the impacts of the new garden village and meet the needs of residents.

- The delivery of St George's Garden Community will include a mechanism for securing the establishment of appropriate and sustainable long term governance and stewardship arrangements for community assets including green space, public realm, community and other relevant facilities."

2.3 In November 2019, the Government announced that Rutland had been awarded £29.4m Housing Infrastructure Funding (HIF) to support the delivery of the initial infrastructure required to enable delivery of St. George's Garden Community.

Grant Determination Agreement (HIF Contract):

2.4 Over the last 12 months, the Council and Ministry of Defence (MOD)/Defence Infrastructure Organisation (DIO) have been working with Homes England (HE) to enter into a legal contract (Grant Determination Agreement) for HIF and meet the terms and conditions of the grant funding.

2.5 Whilst COVID-19 has impacted contract negotiations there has been significant progress in recent months. All parties have instructed legal teams and negotiations are well advanced.

2.6 Subject to Council approval, the intention is for all three parties Rutland County Council (RCC)/HE/MOD to contract for £29.4m HIF through a Grant Determination Agreement (GDA). This will result in all three public sector organisations having a legal commitment to delivering the principles of the draft Local Plan 2018 – 2036 and the outputs and outcomes specified in the HIF submission.

Allocations Agreement

2.7 As land owner, MOD will ultimately be responsible for the delivery of the majority of HIF outputs and outcomes for St. George's Garden Community, and the associated risk.

2.8 The Council and MOD are in the process of drafting and negotiating an 'Allocation Agreement'. The Allocation Agreement is a legal contract that sets out the

respective responsibilities for both parties in meeting the terms of the GDA. The Allocation Agreement seeks to limit risk to the Council and obligates MOD to deliver the HIF requirements.

HIF Terms and Conditions

2.9 The terms and conditions for Rutland's HIF are set out in the GDA. In addition, there are six pre-contract conditions that must be satisfied in advance of concluding the Grant Determination Agreement (GDA). The six pre-contract conditions are:

- **Pre-contract condition 1 – Provide a Comprehensive Delivery Programme: including the infrastructure and housing, illustrating the key dependencies and critical path/milestones to enable delivery of the HIF infrastructure and spend, and housing outputs**

The infrastructure delivery timeline set out in the original HIF submission has been reviewed and updated to reflect the delay in the HIF award, and the subsequent impact of COVID-19. Homes England's end date for this current HIF programme is March 2024. HIF-funded infrastructure delivery should be completed by this date.

- **Pre-contract condition 2 – Cost Overruns: Provide confirmation that all cost overruns in relation to HIF-funded infrastructure will be met by RCC, the MoD or the Delivery Partner**

The Allocation Agreement will set out which party is responsible for each aspect of infrastructure delivery and any associated risk of cost overrun. As landowner MOD and its delivery partner will be responsible for the infrastructure delivery and any associated cost overruns.

- **Pre-contract condition 3 – Updated Cashflow: Bidder to provide an updated and evidenced cashflow for the scheme. Regular updates on expenditure should be provided to enable monitoring and review and verification by its advisors**

The cashflow will be finalised once the infrastructure delivery programme has been confirmed.

- **Pre-contract condition 4 – Recovery strategy: RCC to establish the mechanism for recovery of HIF funding for approval by Homes England**
Homes England requires HIF monies to be 'recovered' from the development and reinvested in additional housing delivery within Rutland. The Allocation Agreement will set out the requirement for MOD/delivery partner to 'repay' up to £29.4m to the Council should the development make a profit.

- **Pre-contract condition 5 – Land Cost: Provide evidence of discussions that have taken place and agreed position on MOD land receipt**

The financial model underpinning the MOD land receipt has been reviewed and agreed by Homes England and MOD.

- **Pre-contract condition 6 – Stakeholder Management Plan: Develop and submit an effective Stakeholder Management Plan to Homes England**

Governance arrangements for St George's Garden Community and oversight of HIF were reviewed earlier in the year. These have been agreed by Homes England and satisfy this condition.

- 2.10 All parties are aiming to conclude legal discussions before the end of this financial year.
- 2.11 All draft contractual documents and pre-condition annexes are commercially confidential (and in due course will be provided to members in exempt form).

3 CONSULTATION

- 3.1 Discussion is ongoing between the three parties involved in contracting for HIF, RCC, MOD and Homes England.

4 ALTERNATIVE OPTIONS

- 4.1 Not applicable for a progress update report

5 FINANCIAL IMPLICATIONS

- 5.1 The Council and MOD are currently in negotiation with Homes England to secure £29.4m HIF funding. HIF will enable an 'infrastructure first' approach to the development of St George's Garden Community.
- 5.2 Legal negotiations and, in particular, the proposed Allocations Agreement will set out clear responsibilities for meeting HIF obligations and associated risks. These responsibilities primarily rest with the MOD as landowner and its delivery partner once procured.
- 5.3 The Council's Director of Resources (Section 151 Officer) will advise Councillors on any financial implications associated with the final draft GDA and Allocation Agreement.

6 LEGAL AND GOVERNANCE CONSIDERATIONS

- 6.1 The Council has appointed legal advisers, Weightmans, to provide legal advice and protect its interests during HIF negotiations. Weightmans are leading on the drafting of the Allocation Agreement that will govern the future relationship between RCC and MOD in the delivery of St. George's Garden Community.
- 6.2 Both the final Grant Determination Agreement, associated annexes (pre-condition documents) and Allocation Agreement will be subject to approval by Full Council. It is intended that the HIF contract will be considered by Scrutiny and Cabinet before being presented to Council for consideration. This governance process is likely to begin in early 2021.
- 6.3 Due to the nature of the HIF negotiations all draft documentation is deemed commercially sensitive (as required by Homes England)
- 6.4 This report is an update report and the final decision as to whether or not to accept the Grant on the final terms is reserved to Council.

7 DATA PROTECTION IMPLICATIONS

7.1 None arising from this report.

8 EQUALITY IMPACT ASSESSMENT

8.1 Not applicable.

9 COMMUNITY SAFETY IMPLICATIONS

9.1 None arising from this report

10 HEALTH AND WELLBEING IMPLICATIONS

10.1 None arising from this report.

11 ORGANISATIONAL IMPLICATIONS

11.1 None arising from this report.

11.2 ENVIRONMENTAL IMPLICATIONS

11.3 None arising from this report.

11.4 HUMAN RESOURCE IMPLICATIONS

11.5 HIF negotiations are currently being undertaken by existing RCC staff with the support of the externally appointed legal team.

11.6 PROCUREMENT IMPLICATIONS

11.7 None arising from this report.

12 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

12.1 Cabinet are invited to note the progress and current position of contractual negotiations with Homes England and MOD to secure £29.4m HIF investment in St. George's Garden Village.

13 BACKGROUND PAPERS

13.1 There are no additional background papers to the report.

14 APPENDICES

There are no appendices to this report.

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.