

**Housing Growth Funds Prioritisation**

*To:* **Cambridgeshire Horizons' Board**

*Date:* **5<sup>th</sup> March 2008**

*From:* **Director for Development**

*Purpose:* **To consider the allocation of Housing Growth funds (HGF).**

*Recommendation:* **The Board is asked to:**

- 1) Note the report to the Founder Members (Annex A)**
- 2) Approve the allocation of funds for 2008/9 as set out in Appendix 3 of Annex A.**

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1. The attached report to the Founder Members (Annex A) sets out the work undertaken by the steering group, which is led by Horizons and includes officer representatives from the local authority Founder Member organisations and EEDA. The report describes the methodology used to determine priorities for the allocation of Housing Growth Funds (HGF), proposed allocation of funds and proposed method for ongoing monitoring and review.
2. Founder Members welcomed the report and endorsed the proposed funding allocations for 2008/9 as set out in Appendix 3. Indicative costs for schemes committed in 2008/9 are shown for years 2009/10 and 2010/11. Further work is being undertaken to clarify commitments for the second and third years of the programme.

## **ANNEXE A REPORT TO FOUNDER MEMBERS**

### **PROPOSED ALLOCATION OF HOUSING GROWTH FUNDS (HGF)**

#### **1. Background**

- 1.1. At its last meeting, the Founder Members noted the outcome of the Government's award to Cambridgeshire for HGF. In summary, the award for capital for 2008/9 is positive; Cambridgeshire has been awarded £14.2million against a bid of £15.0million. Indicative capital for the following two years is £19.9million in total against a bid of £60 million, however, this figure is to be firmed up following consultation on the new approach early in the New Year.
- 1.2. HGF will be more flexible than early GAF rounds. Up to now, projects approved by Government have been tightly ring-fenced. However, for 2008/9 capital funds have been awarded on a block allocation basis, with freedom for local partners to allocate funds within annual totals.
- 1.3. Revenue has been awarded separately from capital. £727,355 has been awarded for revenue for 2008/9, with a further £1,041,273 indicative to 2010/11. This is substantially less than the amount sought in the submission. However, we are still awaiting a decision on LDV core funds (which includes some local authority posts) and the remaining funding to match the additional £1.4Million received this year.
- 1.4. The award reflects the Programme of Development (POD) entitled Growing Cambridgeshire, which was submitted at the end of September 2007. Appendix 1 shows the funding allocations as included in the POD. The capital award is approximately 50% of the amount requested. Although this leaves considerable work unfunded, the Cambridgeshire settlement was the second best in the country. Furthermore, there is the potential to secure additional funds for the second and third years from a reserve, which has been held back by Government for later allocation following a consultation exercise on the new funding approach this spring/summer.
- 1.5. Government has also approved the rolling fund for Cambridgeshire and allocated £8Million over and above the amounts shown above for this purpose.
- 1.6. At the last meeting, the Founder Members endorsed criteria for prioritising the projects identified in the POD, namely:
  - Enables delivery of major development sites
  - Deliverability / progress within the funding period
  - Enables the delivery of sustainable and community orientated growth
- 1.7. The Founder Members also agreed to consider an alternative proposal to allocate funding to each district on the basis of housing numbers in the RSS. The Officer Steering Group has considered this suggestion and concluded that such an approach would not ensure best use of the funding and would restrict the ability to target funds where needed at particular stages in the process.
- 1.8. It is also considered important not to allocate all the funding for the three-year period, but to retain a reserve fund to allow monies to be targeted and used when required. Given the uncertainty of future funding, at this stage officers

have concentrated on prioritising the 2008/9 programme. Allocations for 2009/10 and 2010/11 can be finalised later in 2008 once the availability of further government funding has been clarified so that projects for years 2 and 3 can be considered on a level playing field alongside any projects from year 1 for which future years funding has not already been committed.

## 2. Prioritisation

- 2.1. The Steering Group has undertaken a scoring exercise on the projects proposed in the submission. Some projects have been developed further since the submission and / or re-packaged to provide a more focused approach. These include the market town packages for Ely, March and Huntingdon, and the Green Infrastructure projects; in some cases these have been scaled down to reflect delivery profiles. Officers' work on this is appreciated.
- 2.2. The following projects, Cambridge Gateway and Green Travel Initiatives have been re-profiled and no longer have expenditure in 2008/9: The Gateway is potentially a major scheme of considerable significance to the sub regional economy. However, further work is required and therefore it is more appropriate for funding to be allocated in the following two years. There is scope for exemplar Green Travel Schemes as part of the transport initiatives and Horizons are exploring with EEDA the potential for linking these schemes to regional carbon reduction funds.
- 2.3. Some minor adjustments have been made to some other projects.
- 2.4. The following projects have been deleted as they are less appropriate for HGF, not deliverable within the funding period, have alternative funding sources or require further work before commitment can be made to funding:
  - Waste disposal and recycling for Northstowe: It is premature to invest in refuse vehicles at this stage of the proposals for Northstowe – the project to be reconsidered in the future.
  - Cambourne business incubator space: The proposal does not bring forward new housing and is not considered deliverable, given the amount of vacant office space currently available at Cambourne. However there is a potential to link to the ICE project in promoting enterprise to sustainable industries.
  - Ouse and Old West River corridor enhancement: This project does not relate to bringing forward new housing.
  - Green Infrastructure Project officer: The post is not capital eligible and is funded from core budget.
- 2.5. The results of the prioritisation exercise and revised funding profiles are shown in Appendix 2. Most projects score 6 or above apart from the 're-use of MOD facilities' project which scores 4 and the 'Great Fen Sustainable Transport Links' project which scores 5.
- 2.6.
- 2.7. The proposals for the southern fringe have been re-profiled in the context of the Government's announcement on the £8 million Rolling Fund, which does not cover the full cost of Addenbrooke's Access Road. The Southern Fringe developments show a viability gap, which will need to be plugged by HGF if progress is to be made. The POD showed £12Million expenditure for

Cambridge Southern Fringe, spread over the second and third years of the programme. The County Council has agreed to use prudential borrowing to cover the remaining cost of the Access Road on the basis that funds will be recovered from developers or HGF. The authorities have assumed £6Million HGF will be available for Southern Fringe (i.e. proportionate to the level of settlement compared with the bid) in Section 106 negotiations. However, there are benefits of bringing forward funding to 2008/9 to minimise the borrowing costs for the Access Road. £4Million has been included for 2008/9 with the remaining £2Million earmarked for 2009/10.

### **3. Proposed Programme**

- 3.1 The proposed 2008/9 programme is shown in Appendix 3. Costs are shown for schemes funded in 2008/9 and commitments arising from that expenditure in future years. Schemes funded in 2008/9 may have the need for funding in future years but this is not shown unless expenditure is unavoidable e.g. contractual commitment. It can be seen that on the basis of the current indicative settlement, there is likely to be a shortfall of funding in 2009/10. Therefore, funding commitments cannot at this stage be made for beyond 2008/9 unless these can be demonstrated as essential to allow first year money to be spent.
- 3.2 No provision has been made for funding Northstowe schemes identified for the Rolling Fund in the POD. Expenditure on these schemes will become critical in 2009/10. It is proposed that these should be dealt with in both Section 106 negotiations and lobbying / bidding to Government for further funds for HGF and the Rolling Fund.
- 3.3 £400,000 of capital (GAF) has traditionally been used for project management funding (i.e. added to revenue funds). It is proposed to continue this approach to ensure revenue funds (for core staff in local authorities and Horizons, and consultancy / specialist work) is not diminished, particularly as revenue funds specifically for studies is likely to be very tight in the future and Government has indicated that funds should mainly come from HGF.
- 3.4 Appendix 3 shows that the programme, totalling £14.663Million is reasonable against the £14.2 million allocation as there is quite likely to be slippage and is in advance of receiving the detailed business case for each scheme.

### **4. Management and Review of Programme**

- 4.1 It is understood that the County Council has confirmed to Government that Cambridgeshire Horizons will manage the HGF programme on behalf of the local authorities. Given the new approach of local flexibility, it is essential that a robust management regime be put in place. This will include the requirement on all project promoters to provide summary business plans and regular reports for their projects. Funding will be conditional on submission of these documents. Details of this process will be worked up over the next few weeks with lead officers.
- 4.2 It is proposed to bring regular reports to the Founder Members so that progress can be reviewed, actions taken to ensure expenditure progresses and the programme developed further. It is also proposed to maintain the current steering group arrangements to service this.
- 4.3 The process for review of the POD / further HGF funding bids has not yet been published by Government.

- 4.4 If early works at Northstowe are to progress, substantial additional monies will be necessary. Therefore, a strong case will continue to be made to Government to fund up-front infrastructure at Northstowe through either additional Rolling Fund or up-lift on HGF year 2 and 3.

## **5. Summary**

- 5.1 Officers from Horizons and the authorities have given careful consideration to the programme. Projects have been scrutinised for eligibility and prioritised. The proposed programme provides a balanced set of measures targeted at sustainable and deliverable growth across Cambridgeshire. It includes funding for urgent major development in the Cambridge Fringes, progressing Northstowe, funding towards market town developments, and key strategic projects. The programme is aimed at ensuring urgent requirements are met to maximise progress against housing targets and provides a balance of hard infrastructure, community provision and green infrastructure measures.