

**CAMBRIDGESHIRE HORIZONS**

**Agenda Item No: 9d)**

**Proposal for CLG Transition Funding**

*To:* **Horizons Board**  
*Date:* **23<sup>rd</sup> March 2011**  
*From:* **Acting Director for Development**

*Purpose:* **For Decision (FD)**  
**To agree the proposal on behalf of the growth partnership for CLG transition funding for 2011/12.**

*Recommendation:* **That Board members note and agree the draft proposal letter to CLG for transition funding for 2011/12.**

<b>Contact:</b>	Name: Job Title: E-mail address: Telephone No.	John Williamson Acting Director for Development john.williamson@cambridgeshirehorizons.co.uk 01223 714053
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## **1. Introduction**

- 1.1 Horizons has been in discussion with the Department for Communities and Local Government (CLG) for some months about transitional funding to enable the growth partnership to manage changes resulting from the loss of government grant funding for growth; and associated structural changes with the closure of Horizons and the introduction of the Local Enterprise Partnership.
- 1.2 A transition fund was announced formally by Ministers earlier this year. Last month Henry Cleary, Director for Housing Growth at CLG, wrote to invite proposals for use of transition funding in areas with severe housing market renewal challenges or areas where high levels of housing growth are being taken forward by local authorities on a cross boundary basis. A copy of the letter is attached. The fund amounts to £5 million nationally over the next two years. The maximum amount available to Cambridgeshire as a growth area is £200,000 for 2011/12 with a reduced amount the following year if needed. Proposals must be submitted by 6<sup>th</sup> April.

## **2. Proposal for Transition Funding**

- 2.1 The CLG letter includes a number of criteria that need to be met to access the funding. A draft letter, to be sent on behalf of the growth partnership by Alex Plant, is attached. This sets out in detail how the Cambridgeshire growth partnership's proposal and requirements meet the CLG criteria for funding. It is envisaged that the funding will be used principally to support on-going work around major sites delivery and development of a strategic framework to provide evidence for future decisions on growth. The funding proposal has been discussed and agreed, and is recommended for approval, by Growth Partnership Board.

## **3. Recommendations**

- 3.1 That Board members note and agree the draft proposal letter to CLG for transition funding for 2011/12 to enable the letter to be sent to meet the 6<sup>th</sup> April deadline.

Directors and lead contacts in HMR and  
growth local authorities

17 February 2011

Dear partner,

## **TRANSITION FUNDING FOR GROWTH AND HOUSING MARKET RENEWAL AREAS**

1. A £5m transitional fund was announced by Grant Shapps on 31 January as part of a wider statement on regeneration and Government support for local growth. The fund is focussed primarily on areas with severe housing market renewal challenges or areas where high levels of housing growth are being taken forward by local authorities on a cross boundary basis. I write to you because your local authority has been the accountable body for an HMR pathfinder or local delivery organisation which we are aware of being directly or indirectly funded by the growth/HMR programmes and could be potentially eligible for support.
2. The **objective** of the £5m fund, which will operate over 2011/12 (£3m) and 2012/13 (£2m) is to provide transitional support for areas which have previously received direct Government funding for local delivery capacity and expertise and wish to transfer some of that expertise to a new local authority led partnership, or, where this is a key area of focus, an LEP. The fund is not intended for single authority growth support, but shared capacity within a multi-authority organisation on a cross boundary basis may be eligible.
3. **Localism** It is a key element of the Government's policy that local areas choose whether to pursue housing growth or large scale housing renewal and if so on what basis they wish to do that. Government's role is to support and facilitate that local ambition and to encourage/give local communities the opportunity to play an active role in this process. Applicants for this funding should set out how they propose to go forward in this new policy context, as it will form a key element of our assessment, as detailed below.
4. **Funding** The purpose of this funding is transitional and to provide time for LA partnerships or LEPs who wish to develop these roles to create a long term sustainably funded operation without support from central government. The maximum award will be around £200k in year 1 for the highest priority areas with a lower level award for other areas. For successful bids, funding will be available in year 1, on a reduced basis in year 2 (where required), and partnerships will need to be self funding from year 3 onwards at the latest. The level of award will reflect the scale of delivery challenge in the

area concerned and Ministers have decided that priority will be given to the five most challenged former HMR areas\*\*. It is envisaged that funding will be by block grant (payable to local authorities under s.31 of the Local Government Act 2003) and subject to Treasury consent and up to a maximum of 50% of total costs.

5. Proposals for this fund should set out:

- The accountable body (ie. which local authority) applying for grant;
- The overall objectives and purpose of the work and key tasks;
- The geographical area covered, including identifying the scale of housing challenge (for example sites with capacity to provide over 1,000 homes in growth areas or an equivalent scale of activity in renewal areas), the barriers to delivery being faced and how the key tasks are intended to overcome the barriers;
- How this will support cross LA boundary working, including evidence of support from other local authorities involved (including both tiers in 2 tier areas);
- Level of funding sought;
- Statement of how match funding will be provided (may include some in-kind, eg. through dedicated staff time);
- How the LA partnership will reflect the Coalition Government's priorities for localism both in engaging communities in development of the growth/renewal strategy and also in enabling communities to take part directly eg. by making available sites for community and self build/renovation where viable bids came forward;
- Statement that the organisation will become self funding from the end of year 1 or 2.

6. Bids should be sent to DCLG **by 6 April** who will seek comment from HCA on proposals. Please send bids electronically to:

[walter.bernard@communities.gsi.gov.uk](mailto:walter.bernard@communities.gsi.gov.uk)

\*\* The 5 most severely challenged HMR areas (in terms of area to region lowest quartile home price differentials) are:

- East Lancashire
- Hull
- Stoke
- Tees Valley
- Liverpool

Yours sincerely



**HENRY CLEARY**

Dear Henry

## **TRANSITION FUNDING FOR GROWTH AND HOUSING MARKET RENEWAL AREAS**

Thank you for your letter of 17<sup>th</sup> February about transition funding available to Growth and Housing Market Renewal Areas. Cambridgeshire Horizons is co-ordinating the funding proposal on behalf of the Cambridgeshire local authorities, which together form the existing Cambridgeshire growth partnership.

The Cambridgeshire partnership meets the three criteria for securing transition funding by: being part of a government-approved Local Enterprise Partnership (LEP), the Greater Cambridge - Greater Peterborough LEP; having an existing local delivery vehicle, Cambridgeshire Horizons; and being a designated growth area.

### **Background**

As you know, Cambridgeshire's local authorities have embraced the need for sustainable growth to the extent that some 73,000 homes are planned up to 2021. Despite a changed national policy context since this growth strategy was established, the partnership has agreed to continue to pursue implementation of the strategy in recognition of the continuing need for sustainable economic growth across the county. In doing so, the partnership has maintained and reiterated its focus on high quality developments, well-served by the necessary infrastructure, which will support genuinely sustainable communities.

While we have benefited significantly in recent years from capital and revenue funding from government, and have used this, we believe, highly effectively to achieve positive, sustainable outcomes, the loss of funding both directly to Cambridgeshire Horizons and as a result of the recent local government settlement raises some major challenges for continued growth delivery.

More specifically, the decision to wind-down Horizons as an operational company by September this year creates an urgent need to transfer and maintain functions, skills and knowledge as we move to new structures (including the LEP). All of this underlines the importance of securing transition funding of the kind proposed in your letter.

### **Proposal for Transition Funding**

We have set out below how our proposal for transition funding meets the criteria contained in your letter.

- Cambridgeshire County Council will be the **accountable body** for transition funding, largely because it has fulfilled this role successfully on behalf of the growth partnership over recent years.
- **Overall objectives and purpose** for the funding are to maintain the current focus on delivery of growth and to support future economic growth needs, particularly in relation to the vision for the LEP area of creating an additional 160,000 jobs by 2025. Key tasks relate to the delivery of a

programme of major sites across the county that you will be familiar with. The main sites are listed below. These tasks include the need for the continuation of existing work on community engagement particularly in the light of the localism agenda, understanding site viability, ensuring sufficient funding is available for necessary infrastructure, identifying transport solutions (including arising from the significant impact of withdrawal of the Ellington to Fen Ditton A14 scheme on delivery of key sites), and addressing renewable energy and sustainable drainage solutions. The challenges around these and other issues are exacerbated by the imminent loss of Horizons and we need to ensure that, where necessary, specific tasks currently undertaken by staff at Horizons can be transferred smoothly to the local authorities working in partnership or to the LEP. Horizons has a work programme in place for the period leading to September when the company will cease to operate and is in discussion with local authorities and other partners about transition of functions. We can share this work programme with you if you wish.

In addition to these on-going challenges there is a need to consider how best to address the future, long-term growth needs of Cambridgeshire and the wider LEP area. In the absence of a statutory requirement to produce a regional or sub-regional plan, and in the light of the duty to co-operate currently in the Localism Bill, partners are in discussion about how best to take forward work on a future strategic growth framework. A key driver for this is the economic vision for the LEP area mentioned above. The local authorities and other stakeholders are working collaboratively on a project to establish a clear evidence base around economic growth and demographic change to understand the spatial implications and infrastructure needs. This information will inform growth scenarios and ultimately a strategic growth framework for Cambridgeshire and the wider LEP area. We anticipate that this work will continue to develop and will need to be resourced adequately to ensure that there are tangible and useful outputs.

- The **geographical area covered** by this proposal is the administrative area of Cambridgeshire. The following sites reflect the scale of the delivery challenge and housing potential in the area:
  - Northstowe (new town of up to 9,500 homes) – this remains a crucial strategic project where we are looking to work in partnership with government to provide sufficient resources and impetus to enable development to start.
  - Clay Farm and Glebe Farm, Cambridge (2,650 homes)
  - Trumpington Meadows, Cambridge (1,200)
  - Northbridge, Huntingdon (1,000)
  - Ely northern extension (up to 4,000)
  - St Neots Eastern Expansion (up to around 4,000)
  - Cambridge University Quarter - North West Cambridge (3,000)

- NIAB, North West Cambridge (up to 2,800).
- **Key barriers to growth**, and ways to deal with them, include:
  - Viability of sites: we have developed effective ways to evaluate the viability of schemes and tested them through public inquiry, notably defending a requirement for 40% affordable housing. Maintaining and disseminating knowledge of these issues, as well as using private sector expertise where necessary, will all require resources. This area is increasingly challenging because of housing reforms and the reduced availability of grant funding for affordable housing delivery.
  - The availability of capital finance to fund infrastructure and to trigger construction: we have used HGF funding in novel ways such as loan and equity investment capital to support sites in the south of Cambridge. However, in the current climate we recognise that this type of initiative may no longer be an option, but we are committed to using existing and emerging funding measures to best effect. The partnership has a Community Infrastructure Levy pilot project underway, which is looking at the most effective and efficient ways to introduce CIL across the county. We are at the forefront of practical explorations with government of other innovative funding mechanisms, including Tax Increment Financing, making best use of public assets, and using business rate receipts to support future growth. All of this and other work around funding will need to continue for the foreseeable future.
  - Managing the effects of several of the key sites on the strategic highway network following withdrawal of the A14 Ellington – Fen Ditton scheme: the authorities with Cambridgeshire Horizons' support are exploring with the Highways Agency ways of creating, by use of relatively low cost schemes and initiatives, headroom within the existing strategic highway network that will enable some major growth sites to proceed ahead of any major A14 scheme that might emerge in the next CSR period.
  - Meeting policy aspirations for low and zero carbon growth ahead of a national regulatory framework: we have a range of work in train to address embedding low carbon in new developments. This includes working on a carbon offset mechanism and a renewable energy infrastructure plan.
- All of the measures described above involve a degree of strategic level working **across administrative boundaries**. This funding proposal and the work it will support has been **approved by the Cambridgeshire Horizons Board**, which includes the leaders of all the Cambridgeshire local authorities.
- The **level of funding sought** is, in the light of the scale of the challenges outlined, the maximum available to growth areas. We understand from your letter that this is £200,000 for 2011/12 with a smaller amount for 2012/13.

- In terms of **match funding**, Cambridgeshire's six authorities have agreed to allocate £45,000 cash plus considerably more in kind to the running of the Local Enterprise Partnership. The LEP Project Board has identified strategic planning, housing and infrastructure provision as a key focus for its activities. Horizons will allocate staff and other resources, funded from reserves. This is largely the time of Alex Plant acting as the Interim Strategic Director for the LEP, together with the Horizons Communications Manager and a Project Manager. Following the loss of the Joint Planning Budget from government on 31<sup>st</sup> March, the local authorities have committed to underwrite funding for most of the existing posts previously funded through this source. All these posts are involved in one form or another in growth implementation. In total, all this match funding equates to well in excess of the £200,000 requested.
- The local authorities and wider growth partnership have a strong track record of community engagement that sits well against the government's **priorities for localism**. For each of the major sites listed above, the local authorities are involved in on-going engagement with communities about how best to deliver development and invest in infrastructure. As proposed developments progress from the planning stage towards delivery, our efforts are increasingly focussing on setting up community forums for the growth sites (eg, in north west Cambridge and on the city's southern fringe) and working with communities bordering the new developments in order to address their existing needs and to encourage integration with the new neighbourhoods; for example, with the Northstowe Parish Forum in relation to development of the new town. The new development of Orchard Park includes opportunities for community self-build as part of a wider new development on the northern fringe of Cambridge.
- A chair of the LEP, Neville Reyner, has recently been appointed and the Board members are shortly to be announced. The LEP will become fully operational in April and will need to determine its detailed structures, functions and related workstreams, although growth will undoubtedly feature as a major issue.

In conclusion I would note that the business community in the LEP area has identified a small number of priorities for supporting and removing barriers to economic growth. Amongst these is ensuring the right physical environment for economic success, including providing the necessary infrastructure that business needs and addressing the imbalance between jobs and good quality, affordable housing. As you can see, there are strong synergies between the priorities that Cambridgeshire Horizons has been addressing in recent years and important issues that the LEP will need to get to grips with over a wider area.

In making the transition from one partnership body to the other, it is essential that we retain the core functions and skills that have been developed and invested in over recent years. Cambridgeshire Horizons has benefited annually from some £1.8 million of support for running costs. This support will end in March this year and a priority for us is to investigate carefully how we can establish the funding of the LEP's operations on a sustainable, long-term

basis, but accepting that this will have to be on a much reduced budget. In the meantime, we consider it is vital that, in a period of transition during 2011/12, we maintain the core functions and skills that the LEP and local authority partners will need to achieve their objectives, and to deliver an economically robust and environmentally sustainable future for the people and businesses of our area, an area which is central to the UK's overall economic success.

We have set out in this letter clear reasons why a carefully managed transition between existing and proposed partnership bodies is essential to Cambridgeshire and the wider area covered by the proposed LEP. We would therefore hope that you can agree to our bid for the maximum amount of transition funding to help us achieve these important aims.

Please contact me if you need any further information or wish to discuss anything to do with the contents of this letter.

Yours sincerely

**Alex Plant**

Chief Executive, Cambridgeshire Horizons