

REFRESH OF PROGRAMME OF DEVELOPMENT FOR 2009/10 AND 2010/11

To: **Cambridgeshire Horizons Board**

Date: **17th September 2008**

From: **Director for Development**

Purpose: **To agree the outline bid for the refresh of the Programme of Development (POD) and arrangements for finalising the submission.**

Recommendation:

The Board is recommended to:

- a) approval of the outline for the refreshed Programme of Development (POD) attached at Appendix 2, including the revised Rolling Fund bid.
- b) agree that negotiations for additional Rolling Fund and Eco Quarter funding for St Neots should be progressed in parallel with the Housing Growth Fund bid and included in the POD
- c) approve delegation to the Chief Executive and Director for Development to finalise the details of the POD, in liaison with the Housing Growth Fund Steering Group, for submission to Government
- d) allow the Chief Executive of Cambridgeshire Horizons (in liaison local authority leaders and with the Housing Growth Fund Steering Group) to allocate up to £1.5m of HGF funding for front funding of costs that will ultimately be recovered through developer contributions
- e) ask the Housing Growth Fund Steering group to commence work on prioritisation taking account of the Cambridgeshire Together (LAA) vision and to bring a further report on this to the Board following announcement by CLG of the final HGF award for 2009/10 and 2010/11.
- f) agree that the POD should include a revised housing trajectory in line with current best estimate of housing completions to 2011.

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1. BACKGROUND

- 1.1 Cambridgeshire Horizons, on behalf of the local authority partners, submitted the Programme of Development (POD), *Growing Cambridgeshire*, as a bid for Housing Growth Funds (HGF) in September 2007. The bid was for funding in the three years 2008/9 to 2010/11. The submission document is available on the Cambridgeshire Horizons website.
- 1.2 In the award from CLG on 4 December 2007, Cambridgeshire was awarded £14.2m of Housing Growth Fund (HGF) capital for 2008/9. The award covered the whole of Cambridgeshire, i.e. not just the Cambridge Sub Region. Indicative figures only were given for the following two years, as CLG needed to run a consultation exercise about the new funding scheme, and had to leave room for manoeuvre should that exercise suggest changes to the new system were desirable. In addition, significant funds were held back by CLG for later allocation. The initial indication for Cambridgeshire was that £19.9m capital would be available for 2009-2011.
- 1.3 Revenue was awarded separately from capital: £727,355 of revenue has been awarded for 2008/9, with an indicative £1m across the following two years. The amount of capital and revenue that will be available to Cambridgeshire for 2009/10 and 2010/11 will be firmed up late this year, following submission of a “refreshed” POD, which CLG require by 1 October 2008.
- 1.4 The HGF award builds on earlier growth funding schemes comprising of £44m for the period 2003/04 to 2007/08. The current year award is expected to be fully spent this year, although there is flexibility in the new arrangements to allow funds to be carried forward to future years.
- 1.5 The Steering Group established by Cambridgeshire Horizons and the Cambridgeshire local authorities to review the HGF programme of projects, prioritised the projects into the capital programme for consideration by the Founder Members and subsequent approval by the Cambridgeshire Horizons Board on 5 March 2008. Board approved the capital programme as set out in Appendix 1.
- 1.6 Project initiation documents, including expenditure profiles, were approved by the Steering Group during the first quarter of 2008-09. Funding agreements have almost all been signed and the programmed projects have commenced. Commitment to ongoing funding of these projects (where they run across years) in Years 2 and 3 has been given in a small number of cases (see Table 1 below, but also see Note 2). The majority of projects are guaranteed funding only for Year 1, and the project leads are all aware of this. For the total HGF allocation, it is currently anticipated that we will spend all of the 2008/9 allocation within this financial year.

Number	Project	Amount Committed
5	Cambridge to Northstowe Cycle Route and Ducting	£90,000
13	Southern Fringe Infrastructure	£2,000,000
16	Eco-affordable Homes - Mayfield Rd, Huntingdon	£350,000
8	Centre of Excellence for low-carbon future ("ICE") ⁽¹⁾	£1,250,000
1	Northstowe Renewable Energy ⁽²⁾	£1,250,000
Total Committed in Year 2		£4,850,000

Table 1: Commitments to Year 2 (2009/10) Funding

Note 1: Additional commitment (£250k) to Y3 spend

Note 2: Commitment essential as this is match-funding for ERDF contributions

- 1.7 Government has granted growth areas and growth points maximum flexibility in expenditure of capital, including the ability to vire monies across year ends. The entire sum is physically held by Cambridgeshire County Council, but with governance of the fund being taken forward by Horizons on behalf of the partnership. Money is drawn down by the relevant project organisations through approval by Cambridgeshire Horizons.
- 1.8 The Cambridgeshire HGF Programme is divided into four 'sectors' (Northstowe, Cambridge Fringes, Market Towns and Other Settlements, and Strategic).

2. KEY ISSUES FOR POD REFRESH

- 2.1 In addition to capital and revenue funds, Government awarded Cambridgeshire £8m of Rolling Fund to provide for early investment in infrastructure on certain major sites to allow development to commence. The principle of the Rolling Fund is that it is up-front capital, which can be deployed, with monies then recovered from developers as sales of property are realised, and the fund is therefore replenished and available for use for future growth-related schemes. The repayment process will be formalised in Section 106 agreements. Government agreed to the initial £8m allocation on the proviso that the authorities would implement the Section 29 Committee, and any further Rolling Fund monies are contingent on that process being finalised.
- 2.2 The initial £8m of rolling fund has all been invested in the Addenbrooke's Access Road that will open up development land in Cambridge Southern Fringe. Further Rolling Fund is being sought to fund up-front infrastructure, in particular to enable progress on development at Northstowe. In addition, CLG has now formally recognised St Neots Eco Quarter as a distinct growth initiative, providing housing in addition to existing allocations. Discussions are taking place directly with CLG on these initiatives and funding for the Rolling Fund and St Neots Eco Quarter will be shown in the POD document, separate from but linked to the HGF bid.
- 2.3 Since the submission of the POD, Government has identified a further set of growth points to add to the existing growth areas and growth points. Therefore, there is now increased demand on the funds available and it is

unclear whether additional funds could be available to established growth areas.

- 2.4 Since award of the 2008/9 HGF allocation, conditions in the housing market have been seriously affected by the worldwide credit crisis, leading to difficulties for individuals in accessing mortgage finance and a significant slow-down in house building across the UK. Although the Cambridge sub-Region has been affected, it is felt that the impact here is less significant than in most areas, and that we continue to enjoy a relatively stable housing market (although transaction levels are down) and a fairly robust wider economy (despite some job losses in particular sectors). However, these changed circumstances are bringing local authorities under pressure from developers to review the viability modelling previously undertaken, with a view to reopening elements of the planning obligation packages associated with many of the major developments in the area. As a consequence, the securing of firm planning permissions, the related section 106 agreements, and ultimately the delivery of new homes in the sub-region, has moved forward more slowly than we would like. Cambridgeshire Horizons has commenced exploration of alternative means of bridging viability gaps with developers by use of such mechanisms as Rolling Fund, social bonds, or Tax Increment Financing, but there is also potential to utilise some HGF funding for up-front infrastructure in this way.
- 2.5 However, this does suggest that greater emphasis through the POD could be placed on early infrastructure provision to enable development to commence, although this should not be at the expense of quality in terms of sustainability and community development.
- 2.6 Government is also considering proposals from potential developers for new eco towns across the growth areas. Horizons, the County Council and South Cambridgeshire District Council have jointly made strong representations to Government that Northstowe, as a prototype eco town, should receive additional funding to support the prototype eco town objectives.
- 2.7 The capital cost of projects in Years 2 and 3 in the programme of projects approved by the Board on 5 March 2008 (Appendix 1) exceeds the indicative award of £19.9m. Additionally, commitment given to some of the projects for Year 2 funding (see Table 1 above, £3.69m) will have to be funded from any Year 2 award. Unless Government responds to our refreshed POD with a much higher award than was initially indicated, it is therefore likely that some trimming of the Year 2 and 3 programmes will be necessary. Cambridgeshire Horizons has begun to prepare the ground with partners to establish which projects are of highest priority, and we will return to this issue once the final award for Years 2 and 3 is made.

3. PROPOSED REFRESH POD BID

- 3.1 CLG has asked for refreshed PODs to be submitted by 1 October 2008.

- 3.2 Appendix 2 shows the draft HGF Capital Programme for Years 2 and 3 of the current round (2009/10 and 2010/11). Projects funded entirely within Year 1 with no cost over-run are not shown in this table, there has been some re-profiling of projects and two new projects inserted.
- 3.3 The main changes from the original POD with regard to years 2 and 3 are set out below.
- 3.4 Northstowe:
- Community Centre / Interim Civic Hub – re-profiled
 - Northstowe Development Trust – re-profiled
- 3.5 Cambridge Fringes:
- No change (but see below regarding rolling fund)
- 3.6 Market Towns and Other Settlements
- Huntingdon: Oxmoor Housing – re-profiled
 - March: Masterplan and leisure facilities – re-profiled. March country park – re-profiled.
 - Ely: Funding profile has been reconsidered to include re-phasing and additional funding of £468,000 over the two-year period. This funding is aimed at bringing forward early delivery of new homes as part of a mixed use development on the current leisure centre site and providing new leisure facilities, in addition to ongoing work to bring forward longer term developments over and above current allocations.
 - Wisbech: New project for Waterfront development to provide infrastructure to deliver over 300 homes – new funding of £750,000 in year 2
 - St Neots: New project funding for early infrastructure for Eco Quarter: £3M.
- 3.7 Strategic
- Cambridge Gateway: £3M funding now available from Community Infrastructure Fund, subject to acceptance by CLG of the Business Plan. The POD has been re-profiled to take this into account i.e. showing £1.5m HGF in year 3. Further funding may be required beyond year 3. Details of the funding will need to be clarified as the project is worked up; costs will become clearer when the announcement of CIF funding is made.
- 3.8 This gives a total HGF bid for the two years of £43.3Mn in response to the indicative figure given by CLG of just under £20Mn (Note: the original POD bid for this period was £41.4Mn).
- 3.9 In addition, a further £37Mn of Rolling Fund is sought, comprising funding for Northstowe phasing costs, transport and other early infrastructure requirements (£22Mn), plus £10Mn for early infrastructure funding for Southern Fringe and £5Mn for North-West Cambridge. Rolling Fund costs

are recoverable from developers. Funding of all projects, except those identified as committed above, is subject to the settlement and prioritisation.

3.10 Further details of the Year 2 and 3 projects will be set out in the text of the POD, but this remains as 'work in progress' at the time of writing this report.

3.11 These issues were discussed at the Founder Members meeting on the 8th September. The Founder Members.....XXXXXXXXX

4. NEXT STEPS

4.1 During the next few months, the HGF Steering Group will look again at the programme and seek to prioritise between projects according to the funds available. After the settlement is known, a further report will be brought to the Founder Members and Horizons Board setting out prioritisation proposals. Key issues that will need to be considered, include:

- the degree of flexibility to be built into the programme to allow funds to be assigned to tackle barriers to implementation
- the relative importance of strategic schemes that do not align to any one development as against schemes that directly deliver new homes
- the deliverability of schemes, which may have changed since the capital programme was first drawn up
- the potential for schemes to kick start development, possibly as advanced funding to be recovered from developers in the future
- the level of funding for green infrastructure as a proportion of the total package and whether this should be consistent with the 10% yardstick adopted by Government in earlier growth fund rounds.

4.2 Experience has shown that the management of the programme needs to be more flexible if we are to fully utilise the funding available. A particular example occurred earlier this year when there was a need identified for advanced funding to be recovered later from developers to implement utilities infrastructure alongside the Guided Busway to serve Northstowe. In the event, the scheme proved to be unviable, but had we wished to deliver the project, it would not have been possible to vire funds quick enough through the existing system (Founder Members and Horizons Board meetings) and the project would have failed. For this reason, it is proposed that the Horizons Board is asked to make provision for a delegation of up to £1.5Mn to the Chief Executive of Cambridgeshire Horizons in liaison with the Housing Growth Fund Steering Group to allocate funding for recoverable funds for provision of early infrastructure for major developments.

Appendix 1 HGF Capital Programme 2008-2011 (as at 5 March 2008)

Northstowe Sector		HGF Allocation		
		2008-09	2009-10	2010-11
1	Renewable energy	£500,000	£1,125,000	£1,375,000
2	Re-use of MOD Facilities			£1,060,000
3	Community Centre / Interim Civic Hub	£200,000	£1,700,000	£2,100,000
4	Northstowe Development Trust		£1,000,000	
5	Cambridge to Northstowe Cycle Route and Ducting	£890,000	£90,000	£90,000
7	Communications Infrastructure	£160,000	£100,000	£100,000
9	RSPB Fen Drayton Lakes	£49,900	£136,400	£317,208
10	Green Infrastructure inc. Community Sports Facility	£200,000	£1,200,000	£1,100,000
11	Countryside Access	£250,800	£610,880	£400,960
12	Cycle Routes around Northstowe	£540,000	£970,000	£790,000
Sector Total		£2,790,700	£6,932,280	£7,333,168

Cambridge Fringes Sector		HGF Allocation		
		2008-09	2009-10	2010-11
13	Southern Fringe Infrastructure	£4,000,000	£2,000,000	
14	North West Fringe Infrastructure		£2,000,000	£2,000,000
Sector Total		£4,000,000	£4,000,000	£2,000,000

Market Towns & Other Settlements Sector		HGF Allocation		
		2008-09	2009-10	2010-11
15	New development in Huntingdon	£700,000	£2,200,000	£2,800,000
16	Exemplar eco-affordable Homes - Mayfield Road, Huntingdon	£1,000,000	£350,000	
17	Oxmoor Housing (in conjunction with business and training centre)		£438,000	£438,000
19	Cambourne Churches Community Centre	£500,000		
21	March Master Plan & Leisure Facilities	£400,000	£1,000,000	£610,000
22	Chatteris Leisure & Community Facilities			£1,500,000
23	Bring Forward additional development in Ely	£685,000		
25(a)	St. Neots Strategic GI and Access	£95,000	£380,000	£650,000
25(b)	St. Neots Strategic GI and Access	£25,000	£120,000	£335,000
26	March Country Park	£500,000	£500,000	
27	Ely Country Park		£350,000	
Sector Total		£3,905,000	£5,338,000	£6,333,000

Strategic Sector		HGF Allocation		
		2008-09	2009-10	2010-11
28	Cambridge Green Necklace	£1,067,500	£2,061,000	£1,478,500
29	Peterborough & Yaxley to Great Fen Sustainable Transport Links		£300,000	£100,000
33	New Build Gymnastics Club, Huntingdon	£500,000		
34	Cambridge Gateway and Transport Improvements		£2,500,000	£2,000,000
35	Promotion and Infrastructure to Support Green Travel		£300,000	£700,000
36	Grafham Water Centre Development	£500,000		
8	Centre of Excellence for low-carbon future ("ICE")	£1,500,000	£1,250,000	£250,000
Sector Total		£3,567,500	£5,161,000	£4,278,500

Appendix 2 HGF Capital Programme 2009-2011 (Years 2 and 3) for POD Refresh Submission

Northstowe Sector		HGF Projects	
		2009-10 (Y2)	2010-11 (Y3)
1	Renewable energy	£1,125,000	£1,375,000
2	Re-use of MOD Facilities		£1,060,000
3	Community Centre / Interim Civic Hub	£500,000	£3,300,000
5	Cambridge to Northstowe Cycle Route	£90,000	£90,000
4	Northstowe Development Trust		£1,000,000
7	Communications Infrastructure	£100,000	£100,000
9	RSPB Fen Drayton Lakes	£136,400	£317,208
10	Green Infrastructure inc sports	£1,200,000	£1,100,000
11	Countryside Access	£610,880	£400,960
12	Cycle Routes around Northstowe	£970,000	£790,000
Northstowe Sector Total		£4,732,280	£9,533,168

Cambridge Fringes Sector		HGF Projects	
		2009-10 (Y2)	2010-11 (Y3)
13	Southern Fringe Infrastructure	£2,000,000	
14	North West Fringe Infrastructure	£2,000,000	£2,000,000
Cambridge Fringes Sector Total		£4,000,000	£2,000,000

Market Towns & Other Settlements Sector		HGF Projects	
		2009-10 (Y2)	2010-11 (Y3)
15	New development in Huntingdon	£2,200,000	£2,800,000
16	Exemplar eco-affordable Homes - Mayfield Road, Huntingdon	£350,000	
17	Oxmoor Housing (in conjunction with business and training centre)		£876,000
21	March Master Plan & Leisure Facilities	£135,000	£1,475,000
22	Chatteris Leisure & Community Facilities		£1,500,000
23	Bring Forward additional development in Ely	£624,000	£109,000
25(a)	St. Neots Strategic GI and Access	£380,000	£650,000
25(b)	St. Neots Strategic GI and Access	£120,000	£335,000
26	March Country Park	£250,000	£250,000
27	Ely Country Park	£150,000	£200,000
(new)	Ely Leisure Village	£100,000	£200,000
(new)	Wisbech Nene Waterfront Scheme	£750,000	
(new)	St Neots Eco Quarter Early Infrastructure	£100,000	£3,000,000
Market Towns & Other Sector Total		£5,159,000	£11,395,000

Strategic Sector		HGF Projects	
		2009-10 (Y2)	2010-11 (Y3)
28	Cambridge Green Infrastructure including Green Necklace	£2,061,000	£1,478,500
29	Peterborough & Yaxley to Great Fen Sustainable Transport Links	£300,000	£100,000
34	Cambridge Gateway and Transport Improvements		£1,500,000
35	Promotion and Infrastructure to Support Green Travel	£300,000	£700,000
8	Centre of Excellence for low-carbon future ("ICE")	£1,250,000	£250,000
Strategic Sector Total		£3,911,000	£4,028,500

Total HGF Bid	£17,802,280	£26,956,668
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Rolling Fund (2009/10 to 2010/11) – Recoverable from developers	
Northstowe – Phasing costs	£12,000,000
Northstowe – Transport and other early infrastructure	£10,000,000
Cambridge Southern Fringe	£10,000,000
Cambridge North West	£5,000,000
Total	£37,000,000