

24 March 2020

Subject: Future Chippenham (formerly known as Chippenham Housing Infrastructure Fund Bid)

Cabinet Member: Cllr Philip Whitehead, Leader of the Council and Cabinet Member for Economic Development

Key Decision: Key

Executive Summary

Wiltshire Council has been awarded a grant under the Government's Housing Infrastructure Fund (HIF) scheme to enable the delivery of significant infrastructure works to the east and south of Chippenham.

The HIF grant is specifically awarded to deliver a new road that unlocks land to support the delivery of 7500 homes in the Chippenham housing market area.

In addition, the grant will enable the Council to deliver...

- benefits in traffic congestion and flow across both new and existing road network
- high quality housing development in the long term to a set of planning and design principles plus construction standards laid down at the outset
- controlled access to land enabling long term future development that aligns to the Council's Vision of
 - creating strong communities
 - delivering economic growth
 - protecting our most vulnerable citizens
- town centre improvements in Chippenham yielding an improved experience for residents and visitors alike
- control and influence over future housing and infrastructure development to support the Council's commitment to deliver a carbon neutral future within Wiltshire

The first phase of the programme is focused on

- getting into contract with Homes England (HE)
- applying for and securing planning permission for the HIF funded road
- procuring the right contractor(s) to build the road
- conducting engagement and consultation work with stakeholders as required and as appropriate
- working with third party landowners and Council tenants to agree a land assembly arrangement
- delivering the road construction by the end of March 2024.

The contract negotiations with (HE), who are managing the fund on behalf of Ministry of Housing Communities and Local Government (MHCLG), have begun with a timetable to complete by September 2020.

As noted in the report to Cabinet on 8th October 2019, a considerable amount of work is required to deliver the main elements of this first phase of the programme within the HIF grant's limited timeframe.

The HIF grant is terminated, and funds are no longer available, without exception, on 31st March 2024 irrespective of the status of the road build or the amount drawn down from the fund at that date.

Therefore, a fast paced, compressed programme of works, with some work being done at risk and components being undertaken in parallel with others, is required to support delivery of the programme to achieve the timelines required and take advantage of the HIF Grant award.

Proposal(s)

Members are asked to:

1. Note the contents of this report
2. To approve the advance of £4.220m from the Capital Pipeline budget, to the Future Chippenham Team; under the supervision of the section 151 officer, prior to the receipt of the £75m HIF Grant in order to progress this programme within the timeframes available.
3. To approve a capital budget of £1m from the Other Capital Budgets to be approved budget to fund the Future Chippenham Team. This cost cannot be claimed from the HIF grant, but is an integral part of the overall scheme.
4. Agree the proposed delegated authority provisions detailed below to enable the Council to complete the first phase of the programme;
 - a. Delegated authority is given to the Chief Executive Officer (Place) and his/her designated nominee to establish a Future Chippenham team, entirely separate and distinct from the Council in its role as Local Planning Authority, to support the Executive functions of the Council and
 - i. Lead contract negotiations with HE
 - ii. Create the scheme masterplan
 - iii. Manage the planning process
 - iv. Manage the procurement process
 - v. Manage the associated business case
 - vi. Plan and conduct consultation and engagement activities with all appropriate stakeholders
 - vii. Agree a land assembly arrangement with third party landowners and Council tenants
 - viii. Ensure the delivery of the new road
 - b. Delegated authority is given to the Future Chippenham Programme Director, or his / her successor, to
 - i. negotiate on behalf of the Council, terms and conditions of the Grant Determination Agreement (GDA) with HE following consultation with the relevant Cabinet Member and Director of Legal Services Director.
 - ii. consult on behalf of the Council in its role as developer, with all stakeholders, as to the optimum road route alignment and continue to consult and engage as appropriate to support programme delivery.
 - iii. approve the procurement exercise for the procurement of the road under Wiltshire Council regulations, including early

contractor involvement, finalise the documentation, and execute the resulting contracts following consultation with the relevant Cabinet Member, Director of Legal Services and Director of Finance & Procurement.

- iv. instigate negotiations and agree a land assembly strategy with other landowners forming part of the scheme following consultation with the relevant cabinet member, Director of Housing and Assets, Director of Finance and Procurement.
 - v. make all relevant decisions in respect of Blight notices, land assembly (including Compulsory Purchase Orders (CPO) and acquisitions, in consultation with the relevant Cabinet Member, Director of Legal Services and Director of Finance and Procurement.
 - vi. in consultation with the Chief Executive (Place), to continue to develop the design of the road together with the master planning of the overall scheme. Both will be necessary to support a full planning application for the road and outline application (or hybrid of the two) for the site by June 2021
- c. Delegated authority is given to the Head of Estates and Development to negotiate and agree surrender terms with tenants of Wiltshire Council owned farms, having given appropriate notice to terminate their tenancies to all tenants at the earliest possible opportunity, notably in September 2020 and March 2021.
5. To note that all work associated with the Future Chippenham programme, including the ability to use the HIF grant, is subject to;
 - a. a successful planning consent for the road build and
 - b. allocation of all sites forming part of the scheme for housing development as an outcome of the separate Local Plan Review,
 6. To note that the timelines for the planning application do not align with the Local Plan Review timelines and there is a risk that consent will not be granted, and the site not allocated for housing.
 7. To note that if the risks identified in 5 & 6 above occur, all funds put into the Future Chippenham programme must be considered spend at risk and could revert to revenue spend in the same financial year, if an alternative source of capital cannot be identified.
 8. To note that should contract negotiations with HE to secure the HIF funds fail then the Council will need to consider mitigation strategies for expenditure incurred which may include for example;
 - a. Land sales to defray costs incurred to date providing the overall programme is still delivered
 - b. Agreement with a joint venture private sector partner(s) to undertake development, reducing the Council's commercial gain in the long term, but securing by other means this much needed scheme for the benefit of Chippenham and the County as a whole.

Reason for Proposal(s)

In order to meet the deadline associated with the HIF grant, the Council will need to forward fund, at risk, the establishment of a team to support delivery of the required outputs detailed above. Some of these funds will be recoverable from the HIF grant once contracts are signed with HE, but some will not be recovered until the second phase of the programme, post 2025. To begin with this will require a commitment of £5.220m capital in the 2020/2021 financial year, as detailed above. This budget, if assigned, is done so at risk and on the assumption of successful HIF grant contract negotiations and Council agreement to proceed.

Alistair Cunningham, Chief Executive Officer - Place

Wiltshire Council

Cabinet

24th March 2020

Subject: Future Chippenham (formerly known as Chippenham Housing Infrastructure Fund Bid)

Cabinet Member: Cllr Philip Whitehead, Leader of the Council and Cabinet Member for Economic Development

Key Decision: Key

Purpose of Report

- The purpose of this report is to seek approval
 - for a budget of £5.220 m for 2020-2021 for the Future Chippenham programme.
 - to initiate CPO proceedings on third party owned land forming part of the scheme, albeit only as a last resort following detailed negotiations with each landowner aimed at reaching consensus and formal agreement
 - to give notice to Wiltshire Council tenants involved in land forming part of the scheme to secure vacant possession for both the road corridor and subsequent housing and other development. This will be done in parallel with surrender negotiations and detailed attempts to reach consensus with all tenants
 - to consult with all stakeholders on the optimum road route alignment

Relevance to the Council's Business Plan

- The Council's award from HIF talks directly to all three priorities in the Business Plan
 - growing the economy
 - creating strong communities and
 - protecting the vulnerable.

In addition, the Council will be able to leverage the HIF grant and have a positive impact on all the goals within each priority.

Finally, success in the HIF process will demand innovation from the Council in its own delivery mechanisms and the Council will need to drive effective ways of working with partner organisations, all in the very long term.

Background

- It has been known for some time that development in and around Chippenham is constrained. Housing starts are below the number that is needed to keep pace with demand resulting in house price inflation exceeding the national average.

- Developers cite the costs of delivering infrastructure as a bar to bringing forward schemes that would overcome this situation.
- Those schemes that do come forward tend to seek a reduction in the percentage of affordable housing below the Council's policy threshold, to render them affordable to the developer.
- The opportunity for the Council to apply for a HIF grant arose in 2017 and an Expression of Interest was submitted in March 2018 successfully passing to the second stage a few months later.
- Stage Two demanded that the Council prepare a full business case which was done and submitted in March 2019.
- In October 2019, a report to Cabinet gained approval to continue to work in advance of any award notice because of the highly constrained timeline for delivery.
- Cabinet also resolved in principle, to utilise Compulsory Purchase Orders (CPO), should these be deemed appropriate to support the delivery of the road and the 7,500 new homes set out in the bid.
- In November 2019 the Council was awarded the full amount of the HIF bid of £75m. Contract negotiations with HE have now begun with the aim of arriving at a mutually acceptable set of terms and conditions and a signed agreement by the end of 2020.
- In December 2019 a Future Chippenham Board was established and work continues on the development and implementation of full programme scope
- Legal Counsel's opinion is being sought on the optimum planning strategy, and the approach needed to best navigate the options available and mitigate risks that may arise.
- Note that a cut-off date for the availability of HIF funds is set at 31st March 2024. This is not negotiable and is the last date on which HIF funds will be available, meaning that the last drawdown claim must be submitted by the beginning of March 2024.
- In January 2020, the Future Chippenham Steering Group was established and has commenced work on the scope and planning for the programme.

Main Considerations for the Council

- The establishment of the proposed team and continued work on the design of the road will be done at financial risk to the Council, driven by the need to work at pace because of the 31st March 2024 end date for HIF fund availability. Such work is therefore in advance of the full terms and conditions being negotiated and the contract signed with HE.
- Public consultation on draft road route options is planned for late April 2020 at the time of writing this report.

Overview and Scrutiny Engagement

To date engagement with Overview and Scrutiny has not taken place. We anticipate this will become necessary when the Council is successful in getting in to contract with HE and delivery of the Future Chippenham project is confirmed

Safeguarding Implications

- There are no safeguarding implications at this stage

Public Health Implications

- No public health implications arise at this stage

Procurement Implications

- If contracting with HE is successful, then a major procurement exercise will need to be undertaken to identify and contract the right road contractor. Discussions with procurement have already begun to prepare the ground for activity as soon as necessary.
- Given the pace at which the programme must run to make use of the HIF grant, procurement is one of the principal areas in which a great deal of work will need to be done at risk.
- We will need to use the Early Contractor Involvement (ECI) process and will need to ask a contractor to engage in necessary set up and preparation works prior to planning permission being granted.

Equalities Impact of the Proposal

- No Equalities implications arise at this stage
- An early EIA has been completed and will be conducted again as part of the business case development and will be kept under review during the life of the project.

Environmental and Climate Change Considerations

The bid submission responded directly to specific questions with reference to environmental and climate change considerations and how they are being managed in the context of the overall development. All such matters will be the subject of detailed Environmental Impact Assessments at the appropriate time, and all necessary mitigations will be put in place.

The Council has declared a climate emergency and set an ambitious target of becoming a carbon neutral county by 2030. Achieving carbon neutrality will require the Council not only to account for carbon in development plans but also to find ways of delivering new development with significantly reduced carbon emissions, and for which any residual carbon emissions are offset or sequestered so that the net input into the atmosphere is zero.

Defined requirements for new infrastructure, homes and businesses will be delivered alongside the need to protect and enhance the environment. Natural capital approaches which allow for the monetisation of ecosystem services, including the social cost of carbon, will be employed in better informed cost-benefit analysis for all new development.

A programme such as Future Chippenham is the ideal long-term enterprise in which to develop and deploy initiatives and measures that demonstrate commitment to these aspects. The Council will publish as much as it can as soon as it can (subject to statutory exemptions) and will progress plans with the environmental aspects very much to the forefront.

The Future Chippenham scheme will produce new energy demand for the area under development. As part of the master planning process, alongside the Environmental Impact Assessment, the programme will work on initiatives that manage, reduce and offset the cost of carbon in the short medium and long term, and will work to be policy compliant with bio diversity net gain requirements.

The carbon cost of the Future Chippenham development will be calculated and published along with the mitigations and measures deployed to manage this aspect actively.

The environmental impact of the Future Chippenham scheme will be thoroughly assessed at the master planning stage. This will allow the programme to build in all necessary mitigation measures from the outset.

The Future Chippenham scheme, at its current scale of 7,500 new homes plus 1m.sq.ft. of employment space and all associated social infrastructure, is designed to be delivered over a 25-year period to the mid-2040s, assuming a timely start. The design will, from the outset, account for and build in all good practice guidelines and will future proof the scheme against projections over the whole development period.

Risks that may arise if the proposed decision and related work is not taken

- A risk to the successful and timely negotiation of the HIF grant terms and conditions resulting in a failure to contract with HE, and the consequent failure to deliver the road, with the potential loss of all or part of the grant award.
- A risk that, if an alternative source of capital is not found, the £2 million already spent/committed as at 2019/2020 could revert to revenue if the scheme does not proceed.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

- There is a risk that planning consent for the road and allocation for the housing sites do not come forward in the Local Plan Review resulting in a failure to build the road, and the loss of the HIF grant. Any spending incurred by Wiltshire Council, and allocated as capital, would revert to Revenue if the scheme does not proceed.

Financial Implications

The £75 million Housing Infrastructure Fund (HIF) was included in the capital programme 2020/2021 to 2029/2030 programme that was approved by Full Council in February 2020 and was profiled with £5 million budget in 2020/2021. This budget was fully funded by the HIF grant.

By approving the advance of £4.220 million prior to contract the Council would be operating at risk. In the event that contracts cannot be concluded or that timescales are not deliverable; the spend would need to be financed by an alternative funding source.

How it is funded would depend on whether the programme proceeds. If the programme proceeds but is rescope to be delivered without HIF funding through a joint venture or other mechanism then it could be funded by capital receipts, borrowing or CIL.

If the programme does not proceed then capital costs incurred could revert to revenue. This could have a significant impact as they would include the £2 million already spent/committed on the programme up to 2019/2020, so could be a total pressure of £6.220 million.

In addition, this report is seeking to approve £1 million from the "Other Capital Schemes to be approved" budget, to HIF. The £1 million allocation will leave £16.976 million in the Council's Capital contingency budget. This budget is funded from borrowing. Borrowing costs have been included for this as part of budget setting and would be circa £0.062 million.

The £1 million HIF budget is to fund the Future Chippenham Team, providing money for the resources set out to deliver the programme. The programme resource cost was not included in the HIF bid but was included as part of the wider overall scheme which includes the housing delivery.

As above, the risk with this is that if the programme does not proceed these costs could revert to revenue. This would take the total risk to £7.220 million.

The mitigation strategies for this are to proceed with the programme by way of other mechanisms, for example joint ventures and the sale of land.

Legal Implications

The Future Chippenham project is in line with the Council's adopted Business Plan and is likely, if successful, to deliver, via various services within the Council, a number of benefits to residents of Wiltshire.

However, the Council needs to ensure that there is separation between the function of the Council as Local Planning Authority and the Executive (Cabinet overseen) function including but not limited to, Local Highway Authority, Land owner, Economic Generation, Communities, Housing; Development Management etc.

The development of a dedicated team supporting such executive functions provides clear evidence of such separation and will ensure its maintenance separation whilst enabling, as far as possible, the delivery of the project to the tight time scales required.

A representative from the Council's legal team sits on both the Future Chippenham Board and the Future Chippenham Steering Group.

Internal Legal resource has been assigned and is actively working with the programme to negotiate terms and conditions with HE.

The Legal team representatives will throughout the project be available to advise, review and support the team during the development of the full business case and throughout the lifecycle of the programme for the road and the outline business case for the housing delivery phase.

External legal support will be utilised when expertise or capacity is not available in house and is currently engaged to advise on matters such as planning strategy & approach, including Counsel's opinion, and agricultural tenancy matters.

The delegations proposed are consistent with the Council's constitution and are necessary to allow the project to meet the tight time scales involved. Whilst individual Cabinet Members will be consulted when such delegated authority is exercised it is recommended that regular update reports be provided to full Cabinet on the project particularly at key milestones to ensure openness and transparency.

Workforce Implications

To support the early stages of delivery for Future Chippenham a Wiltshire Council dedicated team is required to

- control the programme for the benefit of the Council and...
- ...operate as promoter of the road plus housing and employment parcels coming forward subsequently.

It is intended that the team will consist of 10 FTE at any one time.

- It is anticipated that 6.5FTE will be permanent positions made up of full and part time roles, aligned to the delivery of critical programme outputs. Wherever possible these roles will be sourced internally. If a particular specialism is required, or internal resources cannot fulfil the role needed, then external sources will be used.
- The remaining 3.5 FTE will be on fixed term contracts both full and part time, consisting mainly of specialists' roles and roles that are required for defined periods of time.

The team will be located in Chippenham and Trowbridge and, as well as working on specific deliverables, will provide the Council with assurance for any work commissioned on behalf of the scheme. The team will report through the Future Chippenham Programme Director to the Chief Executive Place.

Having done the analysis, developing and maintaining this team as far as possible in house is approximately half the cost of commissioning resources externally. This is due to the highly competitive contractor market in this sector which is driving up the daily rate for specialists. As an example, an internal project delivery manager currently, costs about £38k + on costs. Externally the daily rate is £600 resulting in an annual cost of £156k.

The programme team will track its expenditure on resources and will provide regular reporting to its Programme Board on progress, milestones achieved, and value delivered.

Options Considered

- **Option 1:** appoint a team to complete the business case only so that all risks and implications are known to the Council at the time of the decision being made.
Discounted: this does not align with the timeline required to deliver the road and carries a significant risk of the Council losing the grant award. The outline business case for both the road and the housing were part of the HIF Bid and have been successful already in passing the first phase of scrutiny to gain the award.
- **Option 2: Continue to develop the programme and build a team to control and deliver the outputs required to support the HIF grant award and road build programme plus all necessary associated activity detailed herein.**
PREFERRED: - This is the option considered most appropriate to meet the delivery of the outcomes of the programme.
- **Option 3:** Do nothing.
Discounted as it provides no long-term benefit to the organisation.

Conclusions

- Taking all the above information in to account the best option for the cabinet to approve is Option 2 immediately above – “continue to develop the programme and build a team to control and deliver the outputs required to support the HIF Grant award and road build programme plus all necessary associated activity detailed in this report”
- Having regard to the risks inherent in the Option 2 approach Cabinet are asked to note Paragraph 7 in the Proposal above, repeated here for ease of reference...
 - “To note that should contract negotiations with HE to secure the HIF funds fail then the Council will need to consider mitigation strategies for expenditure incurred which mitigation may include for example;
 - i. Land sales to defray costs incurred to date providing the overall programme is delivered
 - ii. Agreement with a joint venture private sector partner(s) to undertake development, reducing the Council’s commercial gain from the scheme in the long term, but securing by other means this much needed scheme for the benefit of Chippenham and the County as a whole.”

Alan Richell (Programme Director, Growth and Investment)

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Date of report – 16 March 2020

Appendices

None

Background Papers

The following documents have been relied on in the preparation of this report:

'None'