

Report to:	EXECUTIVE CABINET
Date:	Wednesday 23 October 2019
Executive Member:	Councillor Oliver Ryan: Executive Member for Finance and Economic Growth
Reporting Officer:	Jayne Traverse: Director of Growth
Subject:	PROPOSED GODLEY GREEN GARDEN VILLAGE - HOMES ENGLAND HOUSING INFRASTRUCTURE FUNDING (HIF)
Report Summary:	<p>This report provides an update on the proposal to develop a Garden Village at Godley Green and includes:</p> <ol style="list-style-type: none"> a) The strategic relevance of Godley Green to Tameside Council b) The urgent requirement for the Council to enter into a Grant Funding Agreement (GFA) with Homes England for the £10 million HIF which was announced in March 2019. c) To highlight issues relating to the GFA and in particular the milestones for the infrastructure and wider project. d) Commentary on current negotiations with Homes England in relation to liability and risk associated with the contract milestones.
Recommendations:	<p>That:</p> <ol style="list-style-type: none"> 1. to consider and acknowledge the associated risks relating to entering into the Grant Funding Agreement (GFA) with Homes England (HE) for Godley Green. 2. Subject to Cabinet accepting the risks of entering into the GFA, authority is provided for the following: <ol style="list-style-type: none"> a) Delegated Authority provided to the Director of Finance in consultation with the Director of Governance & Pensions to accept and enter into the GFA a copy of which is attached herewith at APPENDIX A on behalf of TMBC and the creation of a £720K budget to be funded by the HE grant. b) The Director of Finance is authorised to sign the letter attached at APPENDIX B. c) Delegated Authority is provided to the Director of Growth in consultation with the Director of Finance & Director of Governance & Pensions to manage the programme of works associated with the GFA and to drawdown and incur all expenditure related to delivery subject to the necessary executive and key decisions being made in accordance with the legal and financial framework and all progress and performance being reported to Strategic Planning and Capital Monitoring Panel.
Corporate Plan:	The Council's ambitions for Godley Green are reflected in the Corporate plan by aspiring to build successful lives, strong and resilient new communities, invest in a local and vibrant economy and promote healthy lives in a new place.
Policy Implications:	The proposed Garden Village at Godley Green is the key strategic site for residential development in Tameside. The site has been

designated in both versions of the Greater Manchester Spatial Framework. If the site does not come forward for development, the Council will be required to find alternative sites to meet its future housing requirements.

Financial Implications:
(Authorised by the
statutory Section 151
Officer & Chief Finance
Officer)

At this stage the Council is being asked to enter into a Grant Funding Agreement for whereby it receives £10m on the condition that:

- 1) it acknowledges that there are potential abortive costs of £720k which will have to be repaid to Homes England, if the proposed scheme does not pass beyond the planning stage. If the scheme does proceed then these costs are covered by the £10m grant and would not have to be repaid.
- 2) It agrees that any costs incurred greater than the £10m will be funded from within the scheme with no further recourse to Homes England

The overall planning and scheme development costs are estimated to be £1.66m and these will be required to progress the scheme to the construction stage, after planning permission has been granted.

Of this £720K would be funded from the £10m grant, with a further £940k required from Council resources, which will require a more detailed plan and additional governance once planning permission has been granted.

With regards to the grant cap of £10m, the Council needs to ensure that the scheme adheres to ensure strict programme management to enable the infrastructure costs are contained within the grant amount or that additional external funding is secured prior to the works commencement.

The long term Council Tax income that will be generated from the development will be in the region of an additional £3.5m per annum, once the 2,350 homes have been completed. In addition to this there will be business rates income associated with business developments on and around the site.

A detailed capital programme plan outlining the spending of the £10m grant will need to be developed before being added to the Council's capital programme. A full business case will be required once the proposals are developed that outlines the planned infrastructure expenditure that will enable the development of the whole site.

It is expected that the Council will generate a capital receipt from the eventual sale of its own land interests in the development. The value of the receipt will be subject to the market conditions and the overall success of the scheme, but is expected to be a significant sum that will contribute to funding the Council's wider capital investment programme for the benefit of the Borough and its residents.

Legal Implications:
(Authorised by
Borough Solicitor)

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The Council has procured external legal advice from Berryman, Lace, Mawer (BLM) to advise on the GFA and contract conditions. Homes England also requested an urgent State Aid opinion to be supplied by the deadline imposed and associated with the GFA.

BLM has provided an initial assessment and the advice confirms that the funding does not amount to unlawful State Aid; however, this position will need to be reviewed and monitored as the project evolves, particularly in relation to any future partnership arrangements with the Godley Green landowners. It is concerning that HE are refusing to amend the agreement to reflect the current timeline and that may be considered to be irrationality.

Accordingly, there is significant risk and challenge in this project which members need to be clear they are adopting. This is because there is no legal certainty the Council has the powers to deliver this project s they will need to be kept under review throughout. The consequence of this is if the project has to be abandoned there may be abortive costs of up to £720K.

Consequently, in order to take on this risks members need to be satisfied that the benefits outweigh those risks. Additionally they need to be satisfied those risks are being mitigated.

Risk Management:

Risks are considered within the body of the report

Access to Information:

Information relating to this report can be inspected by contacting the report writer, Gregg Stott Interim Assistant Director of Growth and John Hughes, Housing Growth Lead

Background Information:

The background papers relating to this report can be inspected by contacting John Hughes



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1. INTRODUCTION

- 1.1 The area known as Godley Green is an area of 127 hectares located south east of Hyde.
- 1.2 The vision is to create a vibrant & sustainable new community based on established Garden Village principles.
- 1.3 Godley Green is currently in the ownership of 19 Landowners. The Council owns 8.6 Hectares in the South East corner of the site. At present, land is primarily used for grazing and equine related businesses including a riding school.

2. GODLEY GREEN: STRATEGIC RELEVANCE AND IMPORTANCE

- 2.1 The Tameside Housing Market is characterised by 90% of properties in CTAX Band A-C. At the same time there is a shortfall of land supply to meet the need for new homes required in the borough over the next 20 years. Combined both factors act as barriers to economic growth and increased productivity in the area.
- 2.2 Godley Green is “**the**” key strategic site for Tameside. If it comes forward for development through greenbelt release, it has the potential to deliver 25% of the Council’s housing requirements over the Greater Manchester Strategic Framework (**GMSF**) plan period.
- 2.3 Working with the Godley Green Landowners, a locally led public sector intervention of this scale has the potential to deliver up to 2,350 new homes. The transformational change that is proposed by this development will help to satisfy the needs of current and future households across the spectrum of housing types and tenures, from affordable to executive homes as well as providing the step change required that will contribute to the re-balancing of the Tameside housing market.
- 2.4 If the site is not promoted for development, the Council will be required to identify alternative sites to meet its future housing requirements.

3. HOUSING INFRASTRUCTURE FUND (HIF): APPROVAL OF £10 MILLION GRANT FUNDING FROM HOMES ENGLAND

- 3.1 The Council was informed on 1 February 2018 that the £10 million HIF bid for the proposed Garden Village was successful subject to further financial assessments of the bid and satisfactory clarifications on all aspects of deliverability.
- 3.2 Significant delays in Homes England processes for finalising HIF Grant meant that, the Council only entered the funding clarification stage in November 2018.
- 3.3 Between November 2018 and February 2019, Council officers were required to support their submission through a series of technical funding clarification workshops with Homes England and their economic and property advisors, Thomas Lister, commissioned independently to assess the Councils bid.
- 3.4 The £10m HIF award for the Godley Green Garden Village was approved on 25 March 2019.¹ The Grant Offer Letter was received on 23 May 2019. This was followed by the Grant Funding Agreement on the 26 June. The current deadline for delivery of the infrastructure is March 2022.

¹ Ministry for Housing Communities and Local Government – Approved Marginal Viability Funding Projects March 2019. Available at: <https://www.gov.uk/government/publications/housing-infrastructure-fund> Line 79

Post Funding Announcement and Negotiations with Homes England

- 3.5 The Council has been in negotiations with Homes England since receiving the Grant Offer Letter in May and Grant Funding Agreement (**GFA**) in June. This has been to ensure that the Council as the accountable body and the wider Godley Green Landowners are not at a disadvantage in relation to any liability or financial risk.
- 3.6 Negotiations have primarily focussed on the following:
- Interpretation of the HIF Funded Infrastructure Milestones
 - Interpretation of the Wider Project Milestones
 - Sequencing of the project milestones
 - State Aid Compliance
 - Grant Funding Agreement terms and conditions
 - Cash flow and drawdown

Contract Conditions and Related Challenges

- 3.7 In September 2019, Homes England informed the Council that the Ministry for Communities and Local Government (MHCLG) had imposed a deadline of 30 September for the Grant Funding Agreement to be signed, sealed and delivered to Homes England. Although this date has now passed, there remains pressure being placed on the Council to close the HIF Programme with a significant threat of the £10m grant being withdrawn. This sudden announcement has meant there is now insufficient time remaining to negotiate the contract conditions and milestones.
- 3.8 Homes England has maintained throughout the contract negotiations that the milestones and contract are standard and cannot be changed. This is because the assessment of the submission was based on Green Book principles and determined by a cross-government panel with MHCLG Ministerial Agreement, with projects selected demonstrating the strongest business cases, particularly around delivery.
- 3.9 The Council has instead attempted to assist Homes England throughout the negotiation period in order to highlight the importance of the language used and to point out the obvious contradictions between the milestones associated with the delivery of the infrastructure and those milestones associated with the wider project.
- 3.10 The Council has procured external legal advice from Berryman, Lace, Mawer (BLM) to advise on the GFA and contract conditions. Homes England also requested an urgent State Aid opinion to be supplied by the deadline imposed and associated with the GFA. BLM has provided an initial assessment and the advice confirms that the funding does not amount to unlawful State Aid; however, this position will need to be reviewed and monitored as the project evolves, particularly in relation to any future partnership arrangements with the Godley Green landowners.
- 3.11 The wider contract conditions have been negotiated by BLM with Walker Morris acting for Homes England.

4. MANAGING RISK AND LIABILITY

- 4.1. Homes England will rely on their general and specific powers to clawback HIF funding in the event there is a breach, including failure to hit milestones or outcomes. If the scheme fails to move beyond planning stage. This includes £720,000 which is funding required to undertake the detailed design of the proposed infrastructure (access road, spurs and roundabouts). This sum would have had to be found regardless as it includes studies that will be required as supporting evidence for any future planning application for the site.

- 4.2 There is also a wider reputational risk to the Council with MHCLG and Homes England if there is not full draw-down of the entire grant. Any future awards of Homes England funding will be informed by a consistent track record of successful implementation and demonstration of value for money, which will act an important incentive to ensure quality and deliverability of projects.
- 4.3 The primary risk for the Council is that the GFA currently links milestones for the infrastructure and the wider project as a whole. These are milestones that both parties will not be in a position to achieve within the 2022 timescales for project delivery. This position creates some uncertainty for the Council as the GFA that Homes England and the Council need to agree is one that should be capable of project delivery.
- 4.4. Alongside the GFA, Homes England has published the HIF Quality Assurance Framework which sets out the monitoring and evaluation arrangements for the grant monies. These arrangements will become operational once the GFA is finalised.
- 4.5 To support the monitoring process, each project will have a regionally based Homes England Relationship Manager who will provide support to local authorities and ensure a regular dialogue is maintained. Although, Homes England has confirmed that there will be further opportunities to discuss and vary the project milestones through this process post signing of the GFA, there remains associated risks. Particularly as Homes England operates to established project monitoring arrangements that the Council will need to adhere to.

5. CONCLUSION

- 5.1 The £10m secured through the Government's Housing Infrastructure Fund Programme is an endorsement of the vision set out by the Council that will enable the critical infrastructure required to open up the Godley Green site for development.
- 5.2 Homes England has confirmed to the Council that they are under pressure from MHCLG to enter into contract with the Council. This is despite the fact that the milestones that are currently set out in the Grant Funding Agreement appear to both counter intuitive and unachievable for both parties, with the ultimate risk of £10m grant being withdrawn.
- 5.3 Homes England has confirmed that there will be further opportunities to vary the contract post signing of the Grant Funding Agreement through their Quality Assurance Framework and relationship management arrangements.

6. RECOMMENDATIONS

- 6.1 As set out at the front of the report