

CABINET MEETING – 9 FEBRUARY 2021

EXECUTIVE SUMMARY SHEET – PART I

Title of Report:

South Sunderland Growth Area Infrastructure Delivery - Housing Infrastructure Fund

Author(s):

Executive Director of City Development

Purpose of Report:

To update Cabinet on the outcome of the Housing Infrastructure Fund (“HIF”) funding bid and seek approval to take all necessary steps to implement and deliver the HIF Infrastructure projects (“the Projects”).

Description of Decision:

Cabinet is requested to:

- i. Note the content of this report and authorise the Executive Director of City Development, in consultation with the Chief Executive, Executive Director of Corporate Services and Leader of the Council, to;
 1. Take all necessary steps to progress the delivery of the Projects;
 2. Procure and appoint contractors and consultants to deliver the Projects; in accordance with the available approved funding; and
 3. Agree terms and enter into a Land Option Agreement (LOA) for the future purchase of land required for development of the proposed new primary school at relevant market value;
- ii. Authorise the Chief Executive, Executive Director of Corporate Services and the Assistant Director of Law and Governance to execute all necessary legal agreements in order to give effect to the above.
- iii. Agree the inclusion of the HIF funding within the Council’s Capital Programme and approve the resultant variation to the Capital Programme.

Is the decision consistent with the Budget/Policy Framework? *Yes

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision:

In March 2020 the Council was awarded £25.4m of funding from MHCLG under its HIF programme and subsequently executed a Grant Determination Agreement which confirmed the award of the grant, the key project deliverables and the funding milestones associated with the Projects.

<p>To enable the Projects to be delivered in accordance with the agreed milestones the Council must now procure contractors and consultants to undertake the work and apply for the necessary statutory consents required for each Project.</p> <p>The delivery of these Projects will enable the completion of key infrastructure works and unlock strategic residential development and supporting community facilities in the South Sunderland Growth Area (“SSGA”).</p> <p>The SSGA Supplementary Planning Document (“SPD”) identifies the need for provision of a new primary school on land North of Burdon Lane within the next 10 years to address the education needs of the population of the proposed new residential developments. Entering a LOA allows the Council to secure the future acquisition of land needed for the delivery of the school, without significant capital outlay, at this early stage in the development process.</p> <p>The delivery of the essential HIF infrastructure will facilitate the timely development of SSGA, helping to meet the housing needs of the City, bringing associated financial benefits to the Council, such as capital receipts and additional income from Council Tax once the properties are completed.</p>	
<p>Alternative options to be considered and recommended to be rejected: There are no alternative options recommended.</p> <p>In January 2019 Cabinet approved the Council entering into the Grant Determination Agreement with MHCLG in respect of the funding of the Projects. As a consequence, the Council is now required to take the necessary action in order to deliver the Projects in accordance with the relevant grant funding conditions.</p>	
<p>Impacts analysed;</p> <p>Equality <input type="text" value="Y"/> Privacy <input type="text" value="N/A"/> Sustainability <input type="text" value="Y"/> Crime and Disorder <input type="text" value="Y"/></p>	
<p>Is the Decision consistent with the Council’s co-operative values? Yes</p>	
<p>Is this a “Key Decision” as defined in the Constitution?</p>	<p>Yes</p>
<p>Is it included in the 28 day Notice of Decisions?</p>	<p>Yes</p>

**SOUTH SUNDERLAND GROWTH AREA INFRASTRUCTURE DELIVERY & HOUSING
INFRASTRUCTURE FUND**

Report of the Executive Director of City Development

1. Purpose of the Report

To update Cabinet on the outcome of the Housing Infrastructure Fund (“HIF”) funding bid and seek approval to take all necessary steps to implement and deliver the HIF Infrastructure projects (“the Projects”).

2. Description of Decision

Cabinet is requested to:

- i. Note the content of this report and authorise the Executive Director of City Development, in consultation with the Chief Executive, Executive Director of Corporate Services and Leader of the Council, to;
 1. Take all necessary steps to progress the delivery of the Projects;
 2. Procure and appoint contractors and consultants to deliver the Projects; in accordance with the available approved funding; and
 3. Agree terms and enter into a Land Option Agreement (LOA) for the future purchase of land required for development of the proposed new primary school at relevant market value
- ii. Authorise the Chief Executive, Executive Director of Corporate Services and the Assistant Director of Law and Governance to execute all necessary legal agreements in order to give effect to the above.
- iii. Agree the inclusion of the HIF funding within the Council’s Capital Programme and approve the resultant variation to the Capital Programme.

3. Introduction / Background

SSGA

- 3.1 The SSGA lies between Doxford Park and Ryhope and is made up of 4 development sites commonly known as Chapelgarth, Land North of Burdon Lane, Cherry Knowle and South Ryhope.
- 3.2 The 277ha. area has the potential to provide approximately 3,000 new homes and meet 20% of the City’s future housing need. There are also a number of smaller neighbouring sites that lie within close proximity to SSGA that will accommodate further new homes. The HIF infrastructure will also enable residential development sites to be progressed in the adjacent authority of Durham.

HIF Application and Funding Arrangements

- 3.3 On 16th January 2019 Cabinet approved the submission of a joint HIF funding bid with Durham County Council (“DCC”), for the Council to be the accountable authority and to acquire land and deliver a range of infrastructure projects to support the development of SSGA. The Executive Director of Economy and Place (now vested in the Executive Director of City Development) was granted delegated authority to enter into HIF funding agreements with the Ministry for Housing, Communities and Local Government (“MHCLG”) and DCC.
- 3.4 The January 2019 cabinet report set out a funding requirement of £20.3m to support six HIF infrastructure projects and gave approval to acquire third party land required to deliver the schemes.
- 3.5 Detailed and more ambitious design development, enhancement of the scope of the Special Education Needs & Disabilities (SEND) provision, and dialogue with MHCLG regarding funding allocation, following the January 2019 Cabinet approval enabled the submission of an increased funding bid of £25.4m for the following projects:

Infrastructure	Detail	Grant
Local Road Network	Completion of the Ryhope to Doxford Link Road (“RDLR”) ‘missing link’ which will connect the completed section of the RDLR on the Cherry Knowle development to the existing roundabout on Eltham Road. Works to include construction of non-motorised user bridge.	£15.032m
	Highway Improvements to City Way to alleviate anticipated pressures and potential congestion problems at the A19/A690 Junction. Works comprise widening of the carriageway to provide additional queuing capacity. .	
Strategic Road Network	Contribution towards cost of modifications to the A19/A690 junction	£1.681m
Durham Road Improvements	Seaton Lane Junction Improvements/ Strategic Road Network Improvements necessary to facilitate development in the SSGA and in East Durham.	£5.571m
Education Provision	Extension of two existing primary schools (Benedict Biscop & St Pauls)	£3.142m
	Creation of additional capacity in neighbouring secondary schools (Farrington Community Academy)	
	Contributions to SEND provision (New Silksworth Academy and Sunningdale School)	
Total		£25.426m

- 3.6 In March 2020 MHCLG confirmed that the Council's HIF funding bid had been successful and the full £25.4m was being awarded.
- 3.7 On 30th October 2020 the Council entered into a Grant Determination Agreement (GDA) with MHCLG which secured the funding subject to the discharge of certain conditions relating to the delivery of the Projects.
- 3.8 The terms of the GDA allow cross-subsidy between schemes to manage any under and overspend within the total funding allocation. Any overall underspend will be recovered by MHCLG.
- 3.9 To date the Council has submitted grant applications for £2,691,681 of historic spend up to 30th October 2020. The next grant claim is due for submission March 2021. Before the claim can be made there are 35 conditions of the GDA that must be satisfied.

Supplementary Funding

Highways England

- 3.10 In addition to the £25.426m of HIF funding, the Council has secured £1.439m from Highways England, with the Council providing £0.480m of match funding, for the initial A19/A690 Doxford Park Junction Improvements.

Section 106 Contributions

- 3.11 On 16th June 2020 Cabinet approved the adoption of the SSGA SPD which supports the delivery of a new sustainable community within the Ryhope and Doxford area of the city and ensures that development comes forward in a comprehensive and coordinated way, taking account of the cumulative impacts of development.
- 3.12 The SPD identifies the Section 106 contributions that are required to accommodate the new homes that will be incrementally developed across the SSGA, including the development of a new primary school (not funded through the HIF programme) and support towards wider education projects which benefit from separate cabinet approvals.
- 3.13 Subject to the grant of planning permission for each site, developers will then be contractually obligated to pay infrastructure contributions under their individual S106 agreements with payments being made in respect of individual developments in stages as houses are completed.
- 3.14 Where infrastructure is to be ultimately funded through such S106 contributions, HIF funding can be used to forward fund the delivery, with the costs being subsequently recovered through the incremental S106 payments.
- 3.15 Where funding is subsequently recovered through for example S106 contributions, the terms of the GDA dictate that it should be recycled and reused to provide infrastructure necessary to support further residential developments in the City.
- 3.16 It is anticipated that approximately £9 million will be recovered allowing an equal amount of HIF funding to be recycled.

- 3.17 Any proposals for expenditure of this recycled funding will be subject to further report(s) and Cabinet approval(s) at a later date.

4. Delivery Update

- 4.1 Preliminary work including land acquisition, site investigation and design development has commenced on all of the HIF infrastructure projects.

Local Road Network – RDLR Missing Link

- 4.2 Design and survey work for the RDLR ‘missing link’ has progressed to a stage where the planning application is ready to be submitted and subsequent procurement of a Principal Contractor can commence. It is anticipated that contractor procurement will commence in the Summer of 2021.
- 4.3 Approval is therefore requested to procure and appoint a Principal Contractor to undertake the delivery of the new link road and associated infrastructure works subject to the grant of planning permission.
- 4.4 Approval is also sought to commission the detailed design of the non-motorised user bridge which will span Burdon Lane where the new link road sits within a cutting.
- 4.5 In parallel with the above, proposals for potential traffic regulation orders in respect of the scheme will also be taken forward through the relevant statutory process.

Local Road Network – Improvements to City Way

- 4.6 Design and survey work for the City Way highway improvements have progressed to a stage where the proposals can be finalised and the works commenced.
- 4.7 It is proposed that the works are undertaken by the Council’s Highway Operations team as a continuation of the A19/A690 junction improvement scheme.
- 4.8 The intention is to commence utility and enabling works in Spring 2021 following completion of the A19/A690 junction improvement scheme.
- 4.9 Approval is sought to make any necessary arrangements to implement scheme delivery including placing orders to undertake the diversion or protection of utility apparatus.
- 4.10 In parallel with the above, proposals for potential traffic regulation orders in respect of the scheme will also be taken forward through the relevant statutory process.

Strategic Road Network – A19 / A690 Junction Modifications

- 4.11 Work commenced on the A19/A690 Junction Modifications in November 2019. Phase 1 of the works, A19 Southbound slip road widening, and City Way junction widening was completed in December 2020 and Phase 2 of the works, A690 Eastbound approach widening is due to be complete by April 2021.

- 4.12 The overall budget for the scheme is £3,599,896, this comes from three sources: Growth and Housing Fund- £1,439,321, Capital Programme- £479,733 and HIF - £1,680,842. Current expectations are that the scheme will be complete to budget.

Durham Road Improvements

- 4.13 The Council is currently negotiating the terms of a Development Funding Agreement (DFA) with DCC for the delivery of the relevant parts of the HIF infrastructure within County Durham. The DFA will include delivery milestones, conditionality and funding caps which are consistent with SCC's obligations under the GDA and will mitigate the Council's risk in relation to the delivery of these projects.
- 4.14 Detailed design and site investigation works for the DCC highway improvements are ongoing. The main construction works are expected to start on site in October 2021 and be complete by September 2022.

Education Provision

- 4.15 The SSGA SPD anticipates there will be a requirement for a new primary school to be operational in South Sunderland by 2028. The cost of this school is not being financed by the HIF funding and delivery will be ultimately funded using developer S106 contributions.
- 4.16 A site for the proposed school has been identified on land owned by a consortium, comprising Persimmon, Taylor Wimpey and Story Homes, that is progressing residential development at Land North of Burdon Lane.
- 4.17 The LOA is an option to purchase. The LOA gives the council the legal option to acquire the freehold land necessary to secure this site for future development of the school. It is proposed to enter into a LOA with the consortium, which enables the land to be acquired by the Council by service of a notice upon receipt of a satisfactory planning application.
- 4.18 Outline terms agreed for the LOA are based upon the Council having the option to acquire the land within a set period for a fixed price reflecting the current market value of the site once it has obtained planning permission for the school. There will be no upfront option fee for the LOA. The cost of the land will be offset by future S106 contributions made by the consortium.
- 4.19 Approval is sought to enter into a LOA with the consortium in accordance with terms agreed by the Executive Director of City Development.
- 4.20 Triggering of the option and acquisition of the land will be subject to a further Cabinet approval.

5. Reasons for the Decision

Suggested reason(s) for Decision:

- 5.1 In March 2020 the Council was awarded £25.4m of funding from MHCLG under its HIF programme and subsequently executed a Grant Determination Agreement which confirmed the award of the grant, the key project deliverables and the funding milestones in connection with the Projects.
- 5.2 To enable the Projects to be delivered in accordance with the agreed milestones the Council must now procure contractors and consultants to undertake the work and apply for the necessary statutory consents required for each Project.
- 5.3 The delivery of these Projects will enable the completion of key infrastructure works and unlock strategic residential development and supporting community facilities in the South Sunderland Growth Area ("SSGA").
- 5.4 The SSGA Supplementary Planning Document ("SPD") identifies the need for provision of a new primary school on land North of Burdon Lane within the next 10 years to address the education needs of the population of the proposed new residential developments. Entering a LOA allows the Council to secure the future acquisition of land needed for the delivery of the school, without significant capital outlay, at this early stage in the development process.
- 5.5 The delivery of the essential HIF infrastructure will facilitate the timely development of SSGA, helping to meet the housing needs of the City, bringing associated financial benefits to the Council, such as capital receipts and additional income from Council Tax once the properties are completed.

6. Alternative Options

- 6.1 There are no alternative options recommended. In January 2019 Cabinet approved the Council entering into the Grant Determination Agreement with MHCLG in respect of the funding of the Projects. As a consequence, the Council is now required to take the necessary action in order to deliver the Projects in accordance with the relevant grant funding conditions.

7. Impact Analysis

- a) **Equalities** – an Equality Analysis (EA) was completed in connection with the adoption of the SSGA SPD (16 June 2020). Where required, further EAs will be undertaken in due course as part of the detailed design stage of each of the infrastructure projects and will inform the delivery of the project.
- b) **Sustainability** – As part of the preparation and adoption of the SSGA SPD a Sustainability Appraisal was undertaken. Detailed sustainability assessments will be undertaken in line with all statutory and Council Policy and where necessary included with Planning Submission for the various Infrastructure projects.

- (c) **Reduction of Crime and Disorder – Community Cohesion / Social Inclusion -**
The SSGA SPD seeks to ensure a comprehensively designed new residential area which will have positive benefits in terms of community cohesion.

8. Other Relevant Considerations / Consultations

Financial Implications

- 8.1 The total estimated cost of the HIF Infrastructure projects is £27.345m. SCC is directly responsible for the delivery of £21.774m of this infrastructure with responsibility for the delivery for the balance of £5.571m of infrastructure transferred to DCC. DCC will be responsible for funding any additional costs incurred above £5.571m in delivering their scheme.
- 8.2 The overall cost of £27.345m is funded by £25.426m HIF grant, £1.439m of Highways England grant, and £0.480m of previously approved Council capital funding.
- 8.3 In accordance with the Council's Financial Procedure Rules, the Cabinet may authorise variations to the Capital Programme provided such variations are within available resources and consistent with Council policy. It is proposed that Cabinet authorise the proposed variation.
- 8.4 The procurement and appointment of contractors and consultants to deliver the HIF Infrastructure will be subject to a cap on value which is reflective of the funding available.
- 8.5 Where infrastructure is to be funded through S106 contributions, HIF funding can be used to forward fund delivery, with the costs being recovered through the incremental S106 payments.
- 8.6 Where HIF funding is recovered, the terms of the GDA dictate that it should be recycled and re-used to provide infrastructure necessary to support further residential developments in the City.
- 8.7 It is anticipated that approximately £9 million of S106 contributions will be recovered allowing an equal amount of HIF funding to be recycled. Any proposals for expenditure of this recycled funding will be subject to further reports and Cabinet approvals.
- 8.8 The cost to acquire the land necessary for the school at Land North of Burdon will be offset by the S106 contributions made by the residential developers. A further Cabinet approval will be obtained before prior to exercising the LOA and acquiring the land.

Legal Implications

- 8.9 In order to meet the funding conditions contained within the GDA with MHCLG, the Council is required to progress the procurement and delivery of the Projects.

- 8.10 The procurement of the necessary contractors and consultants for the delivery of the Projects will be undertaken in accordance with the Council's Procurement Procedure Rules and where applicable, the Public Contracts Regulations 2015.
- 8.11 The proposal for the Council to enter into a LOA for the future acquisition of the relevant land required for the proposed new primary school within South Sunderland is within the scope of its legal powers under Section 120(2) of the Local Government Act 1972. This provides that the Council has the power to acquire land by agreement for the purposes of any of its statutory functions and/or the benefit, improvement or development of the area and notwithstanding that the land is not immediately required for the relevant purpose. As explained earlier in this report, the purchase price will be in accordance with the current market value of the site.

Property Implications

- 8.12 An independent valuation will be obtained to support the acquisition cost of the proposed school site.

9. Background Papers

None