

North Tyneside Council

Report to Cabinet

Date: 17 September 2019

ITEM 3

Title: Delivering
Killingworth Moor Key
Strategic Site

Portfolio(s): Deputy Mayor

Cabinet Member(s): Councillor B
Pickard

Report from Service Area: Regeneration & Economic Development

Responsible Officer: John Sparkes - Head of Regeneration & Economic Development Tel: (0191) 643 6091

Wards affected: Killingworth

PART 1

1.1 Executive Summary:

In order to comply with the National Planning Policy Framework, Cabinet approved the adoption of the Authority's Local Plan in July 2017. This followed the Local Plans approval by the Secretary of State which confirmed that the Authority has complied with its statutory obligation to provide a five-year housing land supply.

The Local Plan evidences the need for 16,500 new homes up to 2032, with the key strategic housing site at Killingworth Moor included with an allocation for 2,000 homes.

To facilitate delivery of the homes, the Authority is seeking approval to accept £10,000,000 of grant funding from Homes England which will enable the Authority to construct a significant portion of the site's infrastructure works (HIF Funded Infrastructure) and support housing development at the Killingworth Moor site. This will require the Authority to enter into a Grant Funding Agreement with Homes England and License(s) for Works with the relevant landowners/developers to enable construction of the HIF Funded Infrastructure.

1.2 Recommendation(s):

It is recommended that Cabinet:

- (1) authorise the Head of Resources to accept the offer of £10,000,000 Housing Infrastructure Fund (HIF) from Homes England; and
- (2) delegate authority to the Head of Regeneration & Economic Development and the Head of Housing, Environment and Leisure in consultation with the Head of Resources, Head of Law and Governance and Deputy Major to:

- a) enter into the Grant Funding Agreement with Homes England to accept grant funding of £10,000,000;
- b) enter into the necessary 'Licences for Works' with relevant landowners/developers to enable the Authority to construct the HIF funded infrastructure works; and
- c) carry out a procurement exercise to appoint a contractor for the construction of the HIF funded infrastructure works.

1.3 Forward Plan:

It has not been possible to give 28 days' notice of this decision as information necessary to conclude the report was not received until week commencing 27 August 2019. It is imperative that this matter is considered before the end of September to comply with the requirements of Homes England and the Ministry of Housing, Communities & Local Government (MHCLG).

The Chair of Overview, Scrutiny and Policy Development has been notified of the notice being less than 28 days in accordance with the requirements of the Authority's Constitution.

1.4 Council Plan and Policy Framework

This report relates to the 'Our Places' priority in the 2018/20 Our North Tyneside Plan. Specifically, Our Places will:

"Be great places to live by focusing on what is important to local people, such as by tackling the derelict properties that are blighting some of our neighbourhoods".

1.5 Information:

1.5.1 Background

The Authority's Local Plan was adopted July 2017, which ensures the Authority's compliance with its statutory obligation to provide a five-year housing land supply. This provides for the delivery of an additional 16,500 new homes across the Borough up to 2032. The Killingworth Moor site is included as a key strategic site with an allocation for 2,000 homes.

To facilitate the delivery of Killingworth Moor, the Local Authority is working with land owners/developers and Homes England.

1.5.2 Housing Infrastructure Fund (HIF)

In Summer 2017 Homes England and MHCLG launched the HIF to offer Local Authorities and Combined Authorities the opportunity to secure funding to deliver infrastructure on large scale housing developments to assist in realisation of housing.

The Authority worked with representatives from Homes England, MHCLG and the landowners/developers to develop and submit a bid to Homes England for £10,000,000 of HIF. This was submitted in September 2017, and following an extensive assessment period, in Spring 2019, Homes England confirmed an allocation for the Authority of £10m.

It is proposed that the funding will deliver a significant proportion the site's key link road which is identified in the masterplan and will unlock the site for housing development.

In line with state aid advice (see section 2.2), the Authority will be in control of delivery of the road and will manage spend. This involves:

- Appointment of consultants to undertake detailed design works.
- Submission of a planning application seeking approval for development of the HIF funded works.
- Appointment and management of contractors appointed to construct the necessary works on site.

This will be undertaken in line with agreed governance arrangements with the Local Plan Steering Group and relevant developers/landowners.

1.5.3 Risks

The Authority has a Risk Register for the delivery of the HIF Funded Infrastructure, which details the following:

- State Aid – detailed legal advice has been sought in relation to this project (see section 2.2 below).
- Non-compliance with the Grant Funding Agreement (see below section 2.2).
- Overspend – this is mitigated through: appropriate risk and contingency planning being applied to the infrastructure costs and ensuring that the definition of the ‘Project’ in the Grant Funding Agreement is such as to ensure it is deliverable.
- Delays to Spend – the Project will be governed in line with the agreed Delivery Plan between the Authority and Homes England. Progress reporting will enable early identification of issues which may cause delay and allow mitigation to ensure the Project remains on time and on budget.

1.6 **Decision options:**

The following decision options are available for consideration by Cabinet:

Option 1

Cabinet to approve the recommendations set out in paragraph 1.2 of this report to accept the grant offer of £10,000,000 from Homes England and enter into the Grant Funding Agreement and necessary License(s) for Works with relevant landowners/developers to enable the Authority to construct the HIF funded Infrastructure works.

Option 2

Cabinet to not accept the offer of grant funding from Homes England and therefore not deliver the HIF Funded Infrastructure works at the Killingworth site.

Option 1 is the recommended option.

1.7 **Reasons for recommended option:**

Option 1 is recommended for the following reasons:

The outcome requirement of the Local Plan is the delivery of 16,500 new homes up to 2032. By securing the HIF and working with the landowners/developers the Authority will facilitate the delivery of 2,000 new homes on the Killingworth Moor site, the second largest single allocation in the Local Plan.

1.8 Appendices:

There are no appendices to this report.

1.9 Contact officers:

John Sparkes, Head of Regeneration and Economic Growth, - Tel (0191) 643 6091

1.10 Background information:

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

- Gateway 0 Killingworth Moor HIF 18 October 2017 - [G0 Killingworth Moor](#)
- Gateway 1 Killingworth Moor HIF 18 October 2017 - [G1 Killingworth Moor](#)
- Local Plan 2017 - [North Tyneside Local Plan](#)
- Killingworth Moor (Proposed) HIF Plan - [\(Proposed\) HIF Plan](#)
- Homes England Offer Letter - [Homes England Grant Offer Letter](#)

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

The HIF grant of £10,000,000 from Homes England will be added to the Council's Investment Plan as part of the next Financial Management report to Cabinet and following presentation of a Gateway 2 to Investment Programme Board.

All costs incurred by the Authority relating to the HIF funded infrastructure works will be funded by the HIF Grant Funding Agreement (GFA); the Authority will spend to the limit of the funding available (£10,000,000) and as such will not incur any additional costs.

All grant claims will be made in accordance with Financial Regulations.

2.2 Legal

State aid

Specific State Aid advice on the possible State Aid implications the funding, and application of the funding to the proposed highway works at the Killingworth site has been provided. This advice confirms that to ensure that the Authority does not pass State Aid (the HIF funding) to an Undertaking, it is the Authority that must apply for planning permission for and deliver the HIF Funded Infrastructure works. The project will be monitored as it progresses to ensure that it remains compliant with the legal advice received, and further advice will be sought during the project if required.

Legal Agreements

The acceptance and fulfilment of the conditions of the Grant from Homes England will require the Authority to enter into a number of legal agreements.

(a) Grant Funding Agreement

This Agreement will be between Homes England and the Authority. The requirement is that the Authority delivers the Project (the HIF Funded Infrastructure) in order to 'unlock' an agreed number of housing units across the site.

As with all Funding Agreements, there are risks to the Authority of failure to deliver or failure to deliver in accordance with the agreed terms. The failure to deliver in whole or in part may risk a whole or partial clawback of the funding. This risk will be managed as part of the project delivery.

Officers have been advised of the terms of the Grant Funding Agreement to ensure that the Authority complies with its terms throughout the project.

(b) Licence for Works

As the Authority is not a landowner at the Killingworth site, a Licence for Works with the relevant landowner(s) will enable the Authority (and its appointed contractor) to access and work on relevant parts of the Killingworth site to enable the delivery of the HIF Funded Infrastructure.

(c) Works Contract

In due course, the Authority will seek to appoint a contractor for the design and construction of the HIF Funded Infrastructure Works.

The Grant Funding Agreement, Licence for Works and Works Contract must complement each other to ensure a fair balance and management of the risk across the project.

2.3 Consultation/community engagement

Consultation has taken place with the Cabinet Member for Housing, Investment Programme Board and the Local Plan Steering Group to ensure alignment with the Our North Tyneside Plan and development aspirations of the Authority.

2.4 Human rights

There are no human rights issues arising from this report

2.5 Equalities and diversity

There are no equality and diversity issues arising from this report

2.6 Risk management

Project management arrangements are subject to overview by Investment Programme Board governance. An officer project group will oversee the programme and create and manage a risk register.

2.7 Crime and disorder

There are no crime and disorder issues arising from this report.

2.8 Environment and sustainability

There are no environment and sustainability issues arising from this report.

PART 3 - SIGN OFF

- Chief Executive X
- Head(s) of Service X
- Mayor/Cabinet Member(s) X
- Chief Finance Officer X
- Monitoring Officer X
- Head of Corporate Strategy and Customer Services X