

# HAMPSHIRE COUNTY COUNCIL

## Decision Report

<b>Decision Maker:</b>	Cabinet
<b>Date:</b>	15 September 2017
<b>Title:</b>	Strategic Transport Infrastructure and Capital Funding Opportunities
<b>Report From:</b>	Director of Economy, Transport and Environment

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### 1. Executive Summary

- 1.1. Improving transport, tackling congestion and reducing the impact of traffic on communities is vital to delivering the County Council's strategic priority of maintaining Hampshire's character and quality of life by securing sustainable economic growth. The County Council has been very successful in developing schemes, securing external funding, and delivering transport projects across the County. Indeed the transport capital programme in recent years has seen a major programme of road and other transport investment delivered, with a further investment planned over the next three years of over £200M of which around 70% of the funding will come from external sources.
- 1.2. It is important that the County Council remains well positioned to continue to secure external funding to help deliver the necessary transport infrastructure to address growth pressures and to improve access to employment and services, as well as to strengthen the county's wider connectivity. The evolving funding landscape makes it particularly important that the County Council continues its approach of investing in the timely development and maintenance of robust and up to date transport strategies and major transport schemes. This is resource intensive but vital for continuing the success of funding bids into the future.
- 1.3. This report provides an update on:
  - The national and regional context for major transport schemes and their funding, and wider transport considerations;
  - Hampshire County Council's Transport Capital Programme and the current challenges in delivering this ambitious programme of work;

- Specific funding matters, including the recommended approach to the opportunities presented by the Government's new Housing Infrastructure Fund.

## **2. National Context**

- 2.1. Brexit means that economic growth, in particular increasing global trade, is now viewed more important than ever for the country's long-term prosperity. The importance of infrastructure in securing economic competitiveness and future growth is reflected in the work of the National Infrastructure Commission (NIC) and the Government's Industrial Strategy Green Paper, with transport, arguably, being the most critical infrastructure component.
- 2.2. The transport funding landscape is now more complicated than ever since the effective demise of the Local Transport Plan (LTP) regime with a combination of national programmes (see para 2.6 below) and funding for local transport initiatives being largely directed through Local Enterprise Partnerships (LEPs). The landscape has been further complicated by the recent re-emergence of strategic transport planning and funding at a sub national level through bodies such as Transport for the North. Therefore it is important the County Council remains abreast of this evolving policy environment so it can respond appropriately. This will involve taking steps to continually strengthen relationships with both national and regional stakeholders to inform national and/or sub national transport investment plans and ensure these plans reflect Hampshire's own strategic transport priorities.
- 2.3. In spite of the rapidly evolving landscape the County Council has a strong track record in securing funding for transport schemes. This is evidenced by the Department's capital programme for 2017/18 – 2019/20, which has a total value of £209.5 million (£100m of which is for Integrated Transport), of which some £146m (70%) comes from external sources.
- 2.4. Integration of land use, economic and transport planning is challenging and requires on-going multi agency collaboration. Though there is always room for improvement, multi agency collaboration has also worked well in Hampshire.
- 2.5. The ability to fund, plan and deliver transport infrastructure remains challenging with the on-going squeeze on public sector funding. Increasing housing delivery remains a top priority for the Government but, in spite of this year's Housing White Paper, the challenge of funding the associated infrastructure that would help unlock housing has yet to be fully addressed. The emerging Housing Infrastructure Fund (HIF) proposals and programme are designed to target this issue.
- 2.6. Recent national developments include:

- The £2.3 billion [Housing Infrastructure Fund](#) (HIF) – open to competitive bids from local authorities for infrastructure to support new housing (See Section 6 below).
- The Department for [Transport's Transport Investment Strategy](#), including outline plans for a Major Route Network (MRN) and a Port Connectivity Study.
- Highways England's development of their next [Road Investment Strategy](#) (RIS2 for the period post 2020)
- Network Rail's development of their rail investment plan for [Control Period 6](#) (April 2019 – March 2024)
- The Department for Environment, Food and Rural Affairs [Air quality plan for nitrogen dioxide \(NO<sub>2</sub>\) in UK \(2017\)](#)

- 2.7. The Government's Transport Investment Strategy aims to harness the power of transport investment to drive forward more balanced economic growth, unlock new housing projects and to support the Government's Industrial Strategy. The creation of a Major Road Network (MRN) would see a share of the National Road Fund, funded by Vehicle Excise Duty and currently reserved for the Strategic Road Network, allocated to local highway authorities to improve or replace their most economically important roads. Detailed proposals have yet to be published and will be subject to consultation.
- 2.8. The Transport Investment Strategy makes reference to a Port Connectivity Study which the County Council is keen to assist with and, in liaison with Associated British Ports (ABP) Southampton, will emphasise the points it has previously made to the National Infrastructure Commission about the importance of the A34/M3 corridor for the UK car industry accessing global markets via the Port of Southampton, as well as the importance of improving rail freight links through this strategic corridor. The Transport Strategy also refers to a new [Aviation Strategy](#) which looks beyond Heathrow expansion at the long term future of the UK's aviation sector. It seeks to identify the steps that will be needed to build a global and better connected Britain, and encourage more competitive markets, whilst also managing the environmental impacts. Consultation on this strategy will continue over 2017- 2018 before it is finalised at the end of 2018.
- 2.9. The latest Air Quality Plan has been noted for its commitment to stop sales of conventional cars from 2040 in favour of zero emission vehicles. However the Government has yet to commit to a national car scrappage scheme – which could be subject to a future consultation – and is placing the majority of responsibility on local authorities to reduce roadside emissions. Its Air Quality Plan identifies areas where NO<sub>2</sub> levels are above the legal limit, including three locations in Hampshire (Fareham, Totton, and Blackwater Valley) and one in Southampton, and requiring local authorities in those areas to implement Clean Air Zone plans by March 2018.

### **3. Regional Context**

- 3.1. The Cities and Local Government Devolution Act 2016 (Part 5A) makes provision for the establishment of Sub-National Transport Bodies to operate at a sub-national level in transport matters, with the purpose of furthering economic growth. Sub-National Transport Bodies would be corporate bodies required to facilitate the development and implementation of a transport strategy, and in doing so further economic growth.
- 3.2. The provision delivers on the Government's promise to put Transport for the North (TfN) on a statutory footing, with TfN set to become the first STB early next year. Midlands Connect had been expected to follow this although given Brexit and the impact this is having on the parliamentary timetable such timelines are uncertain and TfSE is not expected to secure statutory status before 2020.
- 3.3. Local Transport Authorities and related Transport Bodies in the South East, working collaboratively with Local Enterprise Partnerships (LEPs), have agreed to establish Transport for the South East (TfSE) as a proposed Sub-National Transport Body. The establishment of a statutory Sub-National Transport Body, requires approval from government, and a Statutory Instrument must be agreed by Parliament. It was agreed by the constituent authorities in June 2017 to establish a Shadow Board which will operate until statutory status is granted.
- 3.4. Cabinet considered a report on "Proposals for a Sub-National Transport Body (Transport for the South East)" on 12 December 2016. Cabinet endorsed the establishment of a South East Sub-National Transport Body and agreed to the County Council becoming a member, appointing of the Executive Member for Environment and Transport to represent the Authority on the Shadow Board.
- 3.5. The cornerstone of TfSE will be its Transport Strategy which will build upon existing evidence, such as that contained in the LEPs' Strategic Economic Plans, within Local Transport Plans and in growth and infrastructure frameworks/studies that a number of upper-tier authorities are undertaking.
- 3.6. The Transport Strategy would outline the economic ambition of TfSE and describe the South East's vision in relation to transport functions, including the effectiveness, efficiency and resilience of the existing network. It is likely to include integrated, multimodal transport policies, involving freight, ports, airports and other public transport modes, as well as appropriate strategic highway proposals.
- 3.7. In developing the draft strategy, consideration of the area will need to assess which transport schemes can deliver the most benefit from investment to boost growth and improve regional connectivity.

#### **4. Rail Position**

- 4.1. Whilst the County Council has no statutory responsibility for rail services nor for the delivery of rail infrastructure, as a Highway and Transport Authority the County Council has a strong interest in continuing to work with partners to influence the industry to increase the rail modal share and so reduce pressure on the highway network.
- 4.2. Better connectivity, including improved rail links in and beyond Hampshire, is critical for the county's growth and future economic prosperity, including improved rail access to an expanded Heathrow. Greater capacity on the rail network and improved services, including better facilities & interchanges at Hampshire's 49 railway stations, will help make rail travel a more attractive and feasible option for local residents and visitors alike. Providing increased capacity for freight services, especially those that serve UK export industries reliant on access to the Port of Southampton is also of increasing national economic importance.
- 4.3. The Executive Member for Environment and Transport approved a County Council Rail Policy 'statement' in July 2017. The statement follows on from points raised at a Members Briefing in 2016 and is designed to aid external discussions. The statement will be kept under review and further developed as and when appropriate

#### **5. Hampshire's Transport Capital Programme**

- 5.1. On transport, the Major Schemes programme continues to gather pace, with the completion of seven major schemes in 2016/17 to the value of £34.59million. Major Scheme Investment in the four year period 2015/16 – 2018/19 is estimated to be £157m (17 schemes). This compares with ten years ago when the County Council was delivering few such schemes, and instead its focus was on delivering a large number of small scale local measures across the county.

#### **6. Government Transport and Infrastructure Funding**

- 6.1. The transport funding situation has become more complicated and fluid in recent years. It has changed from dedicated transport grant funding from the Department for Transport, via the LTP process, to a competitive bidding process to a range of fund holders. This has resulted in the need to have sufficient 'oven ready' schemes, and to be agile enough to respond quickly to challenging timescales. In short, successful transport authorities increasingly need to have a good supply of pipeline schemes in development, backed up by (and emerging from) comprehensive and robust strategies with sound evidence bases to support successful funding bids.
- 6.2. In recent years the County Council has provided additional funding through the capital programme to develop pipeline schemes of this nature and this has proved successful in attracting Government funding.

- 6.3. A significant new funding opportunity came with July's announcement of the **Housing Infrastructure Fund (HIF)** which is designed to help smaller developments with 'Marginal Viability' and to help 'Forward-Fund' infrastructure to facilitate much larger housing sites. HIF further illustrates the Government's continued priority to increase housing numbers and to bring forward housing by funding major Infrastructure investment including transport schemes. Whereas previously the Local Growth Funding allocated through the LEPs meant that the largest transformational Infrastructure schemes have tended to be unaffordable. The Housing Infrastructure Fund is divided between "**Forward Funding**" and "**Marginal Viability Funding**". Upper tier authorities can apply to HIF for Forward Funding up to the value of £250 million by submitting an Expression of Interest by 28<sup>th</sup> September 2017 and, if that is successful, by then submitting a detailed bid by Spring 2018. District and unitary councils can apply to HIF for Marginal Viability Funding, up to an indicative value of £10M, although there have been indications that there may be some flexibility in the upper limit in appropriate cases. Authorities can submit more than one bid, but additional guidance has recently been issued with a direction that authorities need to rank bids in clear priority order. There is a clear inference that bids ranked as priority two or lower may not be fully assessed, particularly if as widely expected, the programme is significantly over-subscribed.

#### **HIF 'Forward Funding Programme'**

- 6.4. Forward Funding will be used to fund a small number of strategic and high impact schemes, with this funding stream designed to help local authorities achieve large scale growth, funding infrastructure schemes which could represent a significant proportion of the upfront development costs. Unitary and upper tier are expected select their best and most ambitious proposals, focussing on unlocking new housing at scale and pace, and bids are capped at £250m.

#### **HIF 'Marginal Viability Funding Programme'**

- 6.5. Marginal Viability Funding is available to unitary and lower tier authorities to bid for up to £10m in order to enable housing on well advanced schemes to be delivered quickly by funding up-front infrastructure, the cost of which would otherwise make the development unviable. The fund should provide the final, or missing, funding injection required to enable infrastructure to build out soon after schemes have been awarded funding, and for homes to follow at pace.

### **7. Proposed Approach to the Housing Infrastructure Fund (HIF)**

- 7.1. It is recommended that support be given to the submission of HIF bids where it can be demonstrated that the Government's spending timetable and value for money requirements can be met, and that those schemes requiring funding would meet the Government's key criteria of housing delivery. For the County Council these will typically be Forward Funding bids to unlock a

significant number of houses, with infrastructure to be committed by 2021, as well supporting Marginal Viability bids for schemes that are well advanced but where full funding has yet to be identified.

- 7.2. This approach suggest the most viable bidding opportunities are where there is potential for significant housing growth, as reflected in the Government's previous decisions to afford Garden Town/ Village Status to particular sites and would lead to two potential Forward Funding bids:
  - Manydown (circa 3,200 houses initially, potentially up to 10,000 houses beyond the current local plan period)
  - Welborne (up to 6,000 houses).
- 7.3. Manydown and Welborne have Government recognition, albeit that Manydown has yet to be formally announced. This enhances their status and the expectation that bids will be forthcoming, particularly as both have reached an advanced stage in terms of planning status. It is therefore considered that both should be submitted as bids for Forward Funding, though acknowledging that the bids need to be ranked.
- 7.4. A simple evaluation framework, based on the scope and key principles of the HIF programme, is proposed to determine the bid which best fits the HIF criteria, to inform the suggested priority ranking (**see Appendix 1**). The evaluation places Welborne ahead of Manydown on some criteria, with up to 6,000 units at Welborne, as compared to only 3,400 units at Manydown, allocated in their approved Local Plans. Welborne also has confirmed Garden Village, whilst Manydown has yet to be formally announced, although it has been agreed and has already received significant Government funding from the programme. On other criteria, there is a clear advantage for Manydown, particularly due to greater future housing delivery potential. This could be up to 10,000 units or more in the longer term, whereas Welborne has no capacity for future provision above the allocation of up to 6,000 units – a figure that has reduced at each stage of the planning process since the original proposal of up to 10,000 units in the South East Plan
- 7.5. On the critically important deliverability considerations, land ownership and major known infrastructure constraints, Manydown is in public ownership (which reduces uncertainty and enhances the opportunities to recycle funding to support further infrastructure and community benefits) whilst Welborne is largely in private ownership, albeit that land assembly has advanced significantly recently, supported by the Borough Council. Perhaps critical to the overall consideration, Welborne remains dependent on a major motorway junction upgrade to deliver beyond around 1,000 units and proposals for the junction improvement are not yet approved by Highways England (HE). The motorway junction upgrade is potentially significantly delayed by the impending HE 'smart motorways' upgrade project for the M27 (which risks pushing the prospect of the new junction being delivered beyond the HIF funding window).

- 7.6. On this basis Manydown is recommended as the priority one ranked scheme, but it is suggested that Welborne should also be submitted (as priority two ) with a covering letter to the Secretary of State suggesting that both should be evaluated by the Department for Communities and Local Government before any decisions are made, particularly if Highways England /Department for Transport can resolve uncertainty over the position of the proposed upgrade to Junction 10 of the M27 to bring it forward and enable the full development of Welborne.
- 7.7. In addition to the Forward Funding bid it is understood that Fareham Borough Council are considering a Marginal Viability bid in respect of funding the proposed motorway junction improvements (M27J10) associated with the Welborne development. Notwithstanding the risks around approval and programming of the junction works, this is a potentially important opportunity of securing 'gap' funding to top up the existing allocations made through the Solent LEP Growth Fund, including £14.9M of 'retained' Department for Transport funding, and developer contributions, to ensure that the work can go ahead in a timely way to remove the major transport access constraint on the delivery of the overall Welborne site.
- 7.8. It is also understood that proposals for Marginal Viability bids are being development by district councils in respect of Botley Bypass (see Section 8 below), and housing development at Basingstoke and Eastleigh. Subject to ensuring that there is no conflict with County Council interests, such as the proposed Forward Funding bids, it is further suggested that the County Council support these bids to help ensure development in Hampshire is properly supported by appropriate and timely provision of infrastructure.

## **8. Proposed Approach to Botley/Hedge End Opportunities**

- 8.1. In recent months, a more strategic approach has been pursued in developing land and infrastructure where the County Council has multiple interests, including as Education Authority, Highway Authority, and land owner. The first example of where such a joint project exists is in Botley/ Hedge End.
- 8.2. The development of land identified at Botley represents a unique opportunity for the County Council to bring forward comprehensive proposals, where key deliverables will benefit Hampshire in many ways and provide positive outputs across a range of service areas managed and delivered by the County Council. These deliverables include:
- a new secondary school,
  - a bypass for Botley village to reduce congestion and improve air quality
  - the development of new housing, supported by appropriate and timely infrastructure provision.
- 8.3. The new secondary school is proposed, with funding coming predominantly through Government programmes, and which is likely to be located west of



Woodhouse Lane in Botley. As part of the access strategy for the school, improvements are required to Woodhouse Lane. Improvements to Woodhouse Lane are also required as a fundamental part of the proposed Botley Bypass, and hence it is logical to promote an improvement that meets the requirements of both projects and avoids abortive works and costs. Improvements to Woodhouse Lane could come forward as a first phase of the overall bypass project.

- 8.4. A heavily congested strategic and local road network throughout Eastleigh is frustrating development and making it difficult for sites to come forward with market confidence. There is a long standing proposal for a bypass for Botley, which has been promoted by the County Council, with support from Eastleigh Borough Council, including historically safeguarding the route from development.
- 8.5. Further detailed design work and public consultation have taken place over the last year or so, and a planning application was submitted for the bypass earlier in the summer. If planning consent is granted, then this scheme will become eligible for grant funding and could be an attractive proposition for LEP or Government grant funding programmes. A bypass for Botley is considered essential infrastructure that will help reduce congestion and delays and improve journey time reliability. The proposed bypass will improve air quality along with accessibility and connectivity throughout the area and will help remove the transport barriers to growth. The bypass would also help accelerate development in the Hedge End area generally, including 1000 new homes on adjoining sites, and in particular will provide improved accessibility for the development of Hampshire County Council land, (which EBC has requested the County Council bring forward as part of their Local Plan Review) including the site for the secondary school, and the corresponding release of capital receipts. Funding also is also likely to be sought towards the provision of essential utilities to bring forward the development sites.
- 8.6. It is likely that the funding of the a bypass would be dependent on securing Government or LEP grant funding, and a contribution from adjacent developments, including County Council owned sites. Therefore Cabinet is asked to give approval, in principle, to adding the Botley Bypass to the Transport Capital Programme, and the strategic land development project to the wider capital programme. This will enable bids to be made for grant funding, and developer contributions collected as appropriate, including potential receipts from HCC land disposals to enable the schemes to be delivered in a timely manner. If the principle is approved the full financial implications will be picked up as part of the update of the Medium Term Financial Strategy, due to be presented to Cabinet and County Council in October and November respectively.
- 8.7. As set out in paragraph 7.6 above, it is recommended that the County Council should support the HIF 'Marginal Viability' bid being proposed by the Borough Council for this area, as a potential contribution to realising the

overall development of the identified sites in a comprehensive way, supported by adequate and timely infrastructure provision.

## **9. Recommendations**

- 9.1. That Cabinet notes the changes in the national and regional context for infrastructure delivery and commits the County Council to continue to develop its approach in order to capitalise on new funding opportunities to support the timely delivery of infrastructure.
- 9.2. That Cabinet approves in principle the addition of the Botley Strategic Land Development and Bypass projects to the Capital Programme.
- 9.3. That Cabinet agrees the approach to bidding for the Housing Infrastructure Fund as set out in this report, namely to submit Forward Funding bids for Manydown and Welborne, with Manydown ranked as priority one.
- 9.4. That Cabinet agrees to support identified borough or district council Marginal Viability bids, provided they do not conflict with County Council interests, including the proposed Forward Funding bids identified in this report;
- 9.5. That authority be delegated to the Chief Executive, in consultation with the Leader, to finalise the HIF Forward Funding submissions, and appropriate supporting submissions for district and borough council Marginal Viability submissions.

**CORPORATE OR LEGAL INFORMATION:****Links to the Strategic Plan**

<b>Hampshire maintains strong and sustainable economic growth and prosperity:</b>	yes
<b>People in Hampshire live safe, healthy and independent lives:</b>	no
<b>People in Hampshire enjoy a rich and diverse environment:</b>	yes
<b>People in Hampshire enjoy being part of strong, inclusive communities:</b>	yes

**Other Significant Links**

<b>Links to previous Member decisions:</b>	
<u>Title</u> <a href="#">2017-07-11-EMET Decision Day-Hampshire County Council's Rail Position Statement</a>	<u>Date</u> 11 July 2017
<b>Direct links to specific legislation or Government Directives</b>	
<u>Title</u> <a href="#">Housing Infrastructure Fund</a> <a href="#">Department for Transport's Transport Investment Strategy</a> Highways England's <a href="#">Road Investment Strategy</a>  Network Rail's development of their rail investment plan for <a href="#">Control Period 6</a> Defra <a href="#">Air quality plan for nitrogen dioxide (NO2) in UK (2017)</a>	<u>Date</u> 4 July 2017 5 July 2017 30 November 2015 Autumn 2016 26 July 2017

**Section 100 D - Local Government Act 1972 - background documents**

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

None

## **IMPACT ASSESSMENTS:**

### **1. Equality Duty**

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

**Due regard in this context involves having due regard in particular to:**

- a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

### **1.2. Equalities Impact Assessment:**

This is primarily an update report on recent national and sub regional developments in policy and funding opportunities. It seeks delivery approval for the Council's approach to the new Housing Infrastructure Fund and an addition to the Capital Programme. Specific transport schemes would be subject to a full equality impact assessment.

### **2. Impact on Crime and Disorder:**

2.1. No impact.

### **3. Climate Change:**

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

Improving transport, tackling congestion and reducing traffic impacts on communities are vital to delivering the County Council's strategic priority to maintain Hampshire's character and quality of life by securing sustainable economic growth and through careful transport planning will help mitigate the impacts of climate change.

### Housing Infrastructure Fund – Draft Bid Assessment

Criteria	Welborne	Manydown
Local Plan Allocation	<b>Up to 6,000</b>	3,400
Planning application status	Outline –up to 6,000 houses submitted, not determined	Outline – circa 3,200 houses, submitted, not determined
Longer term housing opportunities	N/A	<b>Up to 10,000</b>
Cost of infrastructure to be bid for	£120m	£50m (for phase 1 of 3,200 homes)
Settlement designation	Garden Village (Jan 2017)	Garden Settlement Status Formal Announcement pending
Land ownership Issues	Not all land in lead developer's ownership	Land in Local Authority ownership
Strategic infrastructure issues	Issue re: J10 of M27 and Smart Motorways programme	None identified to date
Houses delivered by 2020/21	500 (based on FBC estimate of Planning consent issued - Spring 2019)	<b>2,200</b> <b>(based on HCC/BDBC estimate of planning consent issued in 17/18, start on site in 18/19 and 550 houses pa)</b>
LEP Support	✓	✓
Evidence of strategic joint working	✓	✓