PURPOSE OF REPORT

The purpose of this report is to provide an update on the Greater Manchester Housing Infrastructure Forward Fund business cases being prepared for submission to the Ministry of Housing, Communities and Local Government (MHCLG) and Homes England. The report seeks delegated approval for officers to finalise and submit the business cases for the 22nd March 2019 deadline and to negotiate and enter into Funding Agreements with MHCLG / Homes England should funding be approved.

RECOMMENDATIONS:

Members are recommended to:

I. Note the co-development process undertaken by the district authorities and GMCA to prepare the Greater Manchester Housing Infrastructure Forward Fund business cases;

II. Approve delegation to the GMCA Monitoring Officer to agree any detail on funding agreements and to the GMCA Treasurer to make appropriate transfers of the Homes England business case support grant to the district authorities, in line with the agreed support plans, upon successful draw down of the grant from Homes England (section 4.3);

III. Approve delegated responsibility to the GMCA Chief Executive in consultation with Portfolio Leader to work with the Housing Infrastructure Fund district leads to finalise business cases and submit by the 22nd March 2019 deadline; and

IV. Note that a further report to GMCA will be required once the HIF Forward Funding amounts awarded for each scheme are known.

CONTACT OFFICERS:

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1. **BACKGROUND**

1.1 The Housing Infrastructure Fund is a government capital grant programme for new physical infrastructure to unlock housing delivery in the areas of greatest housing demand. The fund was originally launched by MHCLG and Homes England in July 2017 as a £2.3 billion programme and was subsequently increased through the August 2017 and 2018 budget announcements to become a £5.5 billion programme. Funds under this programme are required to be spent by March 2024.

1.2 The fund is divided into two parts:

- a Marginal Viability Fund to provide the final or missing piece of infrastructure funding to get additional housing sites allocated or existing sites unblocked quickly; and
- a Forward Fund for a small number of strategic and high-impact infrastructure projects where Homes England may put in the first amount of funding to give the market confidence to provide further investment and make more land available for development and future homes.

1.3 Applications under the Forward Fund are to be made through the upper-most tier of Local Authorities, which in the case of Greater Manchester is GMCA. The focus of this report is the Housing Infrastructure Forward Fund, referred to as ‘HIF’ from here on in.

1.4 In September 2017, GMCA worked with the district authorities to submit nine expressions of interest for the HIF programme. In March 2018, it was confirmed that four bids in Manchester, Wigan & Bolton, Salford and Stockport (totalling £238m at Expression of Interest stage) had been shortlisted and invited by MHCLG and Homes England to participate in a co-development process with a view to submit business cases by 22nd March, 2019.

1.5 An intensive business case development process was commenced for all four Greater Manchester HIF applications. Through this process, it became apparent that the parameters of the HIF funding did not complement Stockport’s proposal for an ambitious dedicated bus rapid transit system. In consultation with Homes England, Stockport MBC and GMCA agreed that it would be appropriate to withdraw the Stockport application from the HIF bidding process and focus on delivering the scheme through other funding sources that could better support the full potential of the transit system. The development of a bus rapid transit system remains a priority for Stockport and both the district and GM continue to be committed to ensuring successful delivery of the scheme.

1.6 GMCA is working with districts on the remaining three HIF applications (described in Section 2 below) to ensure successful business case submission by 22nd March 2019.

1.7 It should be noted that in October 2018, Government announced the ‘geographical targeting’ of five Homes England housing programme funds including HIF. A minimum of
80% of resources available from these programmes will be directed at areas of ‘highest affordability pressure’. These are defined using the ratio of median house prices to median workplace-based household income figures.

1.8 None of the Greater Manchester districts progressing HIF applications are considered to be experiencing ‘highest affordability pressure’ based on the Government definition. As such the Greater Manchester HIF applications must compete for only 20% of the resources available nationally, comprising £1.1bn of the national £5.5bn programme.

2. GREATER MANCHESTER HIF SCHEMES

2.1 There are three schemes currently being progressed in Greater Manchester under the HIF programme. The three proposals are summarised below:

*Bolton & Wigan (joint bid) – East / West Housing Growth Corridor*

The joint bid from Bolton and Wigan seeks HIF funding to unlock the delivery of 12,960 new homes along a new growth corridor through the development of over 17km of new road infrastructure. The proposed road infrastructure will link junction 26 of the M6 motorway to Junction 5 of the M61 motorway, passing through the East-West core of Wigan and South-West Bolton. This will address the lack of ‘headroom’ within the existing highway capacity which is significantly constraining housing growth within the area. Specifically, it will unlock a series of sites for housing that require additional infrastructure to alleviate viability issues to provide serviced development sites. The bid includes improved road infrastructure, which will open up sites, improve connectivity and manage additional vehicular capacities resulting from the new development.

*Manchester – Northern Gateway Urban Growth Programme*

The bid from Manchester seeks HIF funding to unlock the early development opportunities in the Northern Gateway area of the City. The funding would deliver a programme of infrastructure works including; land assembly and remediation, core utilities infrastructure, river remediation and flood resilience, highways improvements and site access along with public and open space provision. Delivery of this critical infrastructure would address significant development constraints and facilitate the delivery of circa 5,500 new homes through a joint venture partnership. The HIF funding would unlock the early phases of the Northern Gateway development and will in turn enable development of future phases to achieve up to 15,000 new homes overall in the area over the next 20 years.

*Salford – City Centre Urban Growth Programme*

The Salford proposal seeks HIF funding to unlock delivery of both high-density housing and family housing within the City Centre Salford strategic growth area. HIF funding would be used to deliver a programme of infrastructure works across three development sites, which
will unlock the delivery of 5,485 essential new homes. The HIF infrastructure works include land assembly and acquisition, green infrastructure to deliver a linear corridor for walking and cycling, green infrastructure for a new park area and site access works. The programme of works to be funded by HIF is critical to delivering much-needed homes in one of the City’s key strategic growth areas.

(Note – Manchester and Salford had originally proposed a joint application but have since agreed with Homes England to submit two separate HIF applications. Partners are still working collaboratively to develop a coherent strategic case across the City Centre urban areas.)

The Greater Manchester HIF proposals would each deliver critical infrastructure that is essential to deliver housing to meet local needs. The combined potential of the bids are transformational and could secure the delivery of over 20,000 new homes, making a very important contribution to Greater Manchester’s housing and growth objectives.

The Greater Manchester authorities have a long established history of successfully working together to deliver a range of complex initiatives and have a strong track record of delivering housing at scale. Through the umbrella resources of GMCA, we are in a unique position to manage HIF housing delivery with the pace and effectiveness needed to meet the programme requirements.

3. BUSINESS CASE & CO-DEVELOPMENT PROCESS

3.1 GMCA and the district HIF leads were invited to enter into a co-development process with Homes England and MHCLG to prepare a business case for the shortlisted schemes. The business case submissions will be assessed by Homes England, MHCLG and Department for Transport through a competitive process in order to determine funding approvals.

3.2 The HIF business cases follows the principles of HM Treasury’s Five Case Public Sector Business Case Model (‘Green Book’). The high level objectives for each of the business case sections are as follows:

- **Strategic Case** – sets out a credible and ambitious long-term vision for the local area, with clear objectives and evidence demonstrating how infrastructure investment will support local housing development and growth.

- **Economic Case** – the economic assessment will primarily assess the economic value of additional housing that schemes deliver, relative to the amount of HIF funding each requires. Projects also need to demonstrate that funding them would represent overall value for money for the public sector. To do this all benefits, dis-benefits and costs will be considered through a Benefit Cost Ratio (BCR) assessment.

- **Commercial Case** – reviews the best way of delivering the preferred option, demonstrating a clear understanding of the local market and a real and credible route
This section outlines the envisaged deal structure for delivery of both the homes and the infrastructure, and the key contractual clauses and payment mechanisms as well as the transfer of risk.

- **Financial Case** – a clear understanding of the financial impact of the preferred option is required. It needs to provide an understanding of the cost of the project both for the request of the HIF and the wider project costs required to deliver the houses. There should be a clear plan to ensure projects are fully funded, including sources and timelines. The case will also consider the ability of a local authority to recover the funding, which can be retained to support more housing delivery in the future.

- **Management Case** – sets out delivery plans for both the infrastructure and the subsequent housing and demonstrate that the preferred option can be delivered successfully. There needs to be a clear link between the provision of the infrastructure and the delivery of the homes; and demonstrate that all the key delivery partners are working together effectively. This case should set up clear management responsibilities, governance and reporting arrangements.

3.3 GMCA successfully bid to Homes England for £240,000 of resource support funds to offset some of the costs incurred by the districts in preparation of the business cases. The funds will be drawn down from Homes England in line with an agreed support plan and associated evidence. Approval is requested to delegate to the GMCA Monitoring Officer to agree any detail relating to funding agreements, and, to delegate the GMCA Treasurer to transfer support funds to the districts, in line with the agreed support plans, upon successful draw down from Homes England.

3.4 GMCA and the district authorities have also funded some consultancy support directly and have invested considerable staff resources to ensure the business cases are competitive and of a high quality.

3.5 Throughout the co-development process, GMCA and the district authorities have worked in collaboration with Homes England and engaged with a number of key strategic stakeholders including TfGM, utility providers, Environment Agency, Highways England, Infrastructure Projects Authority, Department for Transport and Network Rail.

3.6 Each of the Greater Manchester HIF schemes are being led by a Project Board with senior representatives from the Local Authorities, GMCA, TfGM and Homes England. The HIF Project Boards have overseen the development of the business case submissions and should funding be successful, will govern the successful delivery of the HIF schemes.

4. **NEXT STEPS AND TIMESCALES**

4.1 Business cases are currently in progress with all partners working towards the submission deadline of 22\textsuperscript{nd} March 2019. GMCA will be named as the lead applicant on each of the
submissions as per the requirements of the HIF programme and approval is sought to delegate to the GMCA Chief Executive in consultation with Portfolio Leader to work with district leads to submit business cases.

4.2. Each of the district authorities promoting the HIF schemes have sought approval through their own governance arrangements to submit the proposed business cases for the programme deadline.

4.2 Following submission, Homes England will lead a detailed review process with DfT, MHCLG and their economic advisors to assess the applications received. The assessment process is likely to include further due diligence and possible requests for further information as deemed necessary. The assessment timescales have not been confirmed as yet but it is anticipated that this run to Summer 2019.

4.3 The possible outcomes of the assessment process are that schemes are unsuccessful, partially approved for a ‘do less’ option or approved in full. Should the HIF applications be approved, Funding Agreements will be negotiated and entered into with Homes England. A further report will be submitted to the Combined Authority once funding is known for each scheme.

4.4 GMCA will work closely with the district authorities and Homes England to develop an assurance framework to oversee successful delivery of the programme.

5. RECOMMENDATIONS

5.1 Members are recommended to:

Members are recommended to:

i. Note the co-development process undertaken by the district authorities and GMCA to prepare the Greater Manchester Housing Infrastructure Forward Fund business cases;

ii. Approve delegation to the GMCA Monitoring Officer to agree any detail on funding agreements and to the GMCA Treasurer to make appropriate transfers of the Homes England business case support grant to the district authorities, in line with the agreed support plans, upon successful draw down of the grant from Homes England (section 4.3);

iii. Approve delegated responsibility to the GMCA Chief Executive in consultation with Portfolio Leader to work with the Housing Infrastructure Fund district leads to finalise business cases and submit by the 22nd March 2019 deadline; and

iv. Note that a further report to GMCA will be required once the HIF Forward Funding amounts awarded for each scheme are known.