

HIF HOUSING OUTPUTS TASK GROUP INTERIM REPORT

Executive Summary

The Housing Infrastructure Fund (HIF) is a Government capital grant programme which seeks to support the delivery of new and 'additional' housing development above that set out in the Local Plan. The Council entered into an agreement in 2020 which secured a £95m grant to support the delivery of a replacement to the Victoria Arch over the A320 Guildford Road. The improvement would provide additional pedestrian, cycle and road capacity which would 'unlock' further housing development in the town centre. A potential 4,555 homes would be constructed across thirteen sites. Of the total above, 1,251 homes corresponds to dwellings in sites currently allocated for development in the adopted Site Allocations Development Plan Document. This leaves a further 3,304 additional dwellings to be built in the Town Centre over-and-above what has been committed to in terms of planning in the Core Strategy. It should be noted that 620 homes within this total would be developed on Council owned sites and because of this there is a requirement to deliver these housing outputs from a contractual perspective.

A prominent risk to the future delivery of these housing outputs is that the sites are proposed to deliver above that set out in the Local Plan. It should be noted that all nationwide HIF projects were awarded on the basis that they would support the delivery of additional housing above that set out in the relevant local plans and /or housing need targets.

The task group identified other key risks including:

- The agreement of the Executive to consult on the number of homes proposed for the town centre as part of the Town Centre Masterplan and the uncertainty that this presents; and
- the potential for changed housing requirements in the time that has elapsed since the agreement.

The agreement between Homes England and Woking Borough Council (WBC) distinguishes between types of non-delivery of housing outputs. This can be summarised by the difference between WBC failing to deliver housing outputs on sites owned by third parties, despite its 'best endeavours' versus WBC failing to deliver housing outputs on sites owned by WBC-itself or its companies.

As with any significant contractual arrangement there are risks associated with non-delivery. There is also an additional financial risk of non-delivery of housing outputs due to current assumptions budgeting for around £10 million in developer contributions to the project. Other impacts of non-delivery include the potential opportunity costs of officer time and other resources, given the ongoing extension of the delivery timeline.

To date, partial mitigations of these risks include the beginning of work towards a Masterplan for Woking town centre, alongside ongoing improvements to the project management of the broader HIF project – including additional oversight of infrastructure changes that could impact on housing outputs.

The Task Group's research identified mitigations which reduce these risks and include building on the relationship with Homes England, the progression of the masterplan and improved project management of the wider HIF project.

At this stage the task group could either continue or pause to allow the town centre masterplan to be published and, if necessary the group could recommence later in the year as set out in this report.

Recommendations

The Task Group is requested to consider the following interim outputs:

1. To note the work to date of the group including the detailed and informed observations to date;
2. The Housing Task Group recognise the gap between the housing level proposed in the local plan and that set out by the HIF project and support the delivery of the town centre masterplan and its adoption as supplementary planning guidance in order to influence and support high quality sustainable development;
3. To endorse the Executive's position to undertake a full detailed consultation and engagement process on the town centre masterplan including the potential scale of housing development proposed;
4. To note the current mitigation in place and to recommend to the HIF Task Group that measures be continued.
5. The group may wish to further consider affordable housing outputs of the HIF project or ask the Housing Task Group to consider what actions could be taken to secure the maximum level of affordable housing from the new development taking place given the overall need for significant new affordable homes.
6. That the task group could be reinstated later in the year, if needed, or the HIF Task Group be asked to review the site specific information coming forward as part of the masterplan proposals and expand on specific site-by-site assessment of HIF housing outputs ahead of a potential renegotiation of the contract with Homes England.

Background Papers:None

Reporting Person:	Councillor Adam Kirby Email: cllradam.kirby@woking.gov.uk
Contact Person:	Councillor Adam Kirby Email: cllradam.kirby@woking.gov.uk
Portfolio Holder:	Councillor Ian Johnson Email: cllrian.johnson@woking.gov.uk
Shadow Portfolio Holder:	Councillor Steve Dorsett Email: cllrsteve.dorsett@woking.gov.uk
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1.0 Additional housing outputs required by HIF

Woking Borough Council has accepted a Housing and Infrastructure Fund (HIF) award of £95M to replace Victoria Arch and associated infrastructure. The award is based on additional housing coming forward above that set out in the Local Plan. The HIF award requires Woking Borough Council (WBC) to deliver housing on three of its own sites and use its best endeavours to deliver housing on ten further sites owned by third parties.

WBC has also taken on the financial responsibility for the project.

Across all thirteen agreed sites, these agreed housing outputs amount to an additional 3,304 homes above the Local Plan proposals of 1,251 new dwellings.

WBC-owned sites represent 620 dwellings within this target (The Triangle (300) + Concorde / Griffin House) 200 and Poole Road (120)) of which 123 have so far been committed to in the WBC core strategy (90+0+33). The difference of 497 dwellings on WBC-owned sites has a particular importance in terms of potential impacts of non-delivery, outlined below.

All these additional homes were originally agreed to be completed by an initial target date of 2030, however some mitigations on timeframe have since been discussed as the partnership with Homes England has developed. No project is currently at the stage of delivering housing.

2.0 Risks to successful delivery of HIF housing outputs

Officers have provided the task group with a helpful summary of some initial Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis of the HIF housing outputs (see Appendix I). This report builds on a few of the most considerable elements in terms of risks, alongside mitigations further below.

2.1 Planning Guidance

WBC officers and officers at Homes England have confirmed that the HIF agreement has no formal planning status unlike a supplementary planning document or development plan document and therefore carries limited weight in the determination of a planning application. The determination of a planning application is based on its accordance with the local plan and other material considerations. National Planning Policy Framework (NPPF) does list infrastructure as a factor contributing to sustainable development. However, the same NPPF's "presumption in favour of sustainable development" would only apply were WBC to be lacking a plan to meet future housing needs – rather than enabling planning permission for any applications beyond this requirement.

In the Task Group's discussion on 1st March 2022, WBC planning officer advice further clarified that whilst HIF could be "a material consideration" in the determination of a planning application it should not override Local Plan policies and adopted planning guidance. Therefore there is a risk that development proposals seeking a significantly higher housing number above that in the Local Plan may not necessarily be as certain as proposals that seek the same or similar levels of housing. However, the Local Plan does not prohibit development above that set out in the Local Plan and the key issue would be whether the proposed development represented sustainable development taking into account the benefits of delivering new homes and the overall design of the proposal.

The Housing Task Group recognise the gap between the housing level proposed in the local plan and that set out by the HIF project and support the delivery of the town centre masterplan and its adoption as supplementary planning guidance in order to influence and support high quality sustainable development.

2.2 HIF and the town centre masterplan:

In the 'SWOT' analysis provided for the Task Group, officers have identified a degree of political uncertainty and in particular a perception that major developments in Woking town centre have been "done to" residents as a relative weakness of the HIF housing outputs. It is also notable that a 'key risk' identified by WBC's separate (infrastructure-focused) HIF Oversight Panel is the "political acceptance of the project for housing delivery". Members are aware of a broad discontent among some (note: not all) residents, evident online and in local media, with the existing development of the town centre.

A Motion recommended by Full Council in April 2021 to the Executive, called for better consultation around the HIF project. Subsequently, the Executive recommended on 17th June 2021 that the HIF housing requirement become part of the upcoming Masterplan consultation. This is both a helpful potential mitigation (see below) and in the meantime also presents some risks.

On 21st July 2021 the original motion submitted by Cllr T Aziz was passed by means of a named vote and became a resolution of Woking Borough Council. Importantly this motion – and hence resolved policy of WBC since this date – stipulates that:

1. The HIF scheme housing to be put to public consultation with full honest disclosures.
2. The Council cease to make any further promises on HIF to any bodies until such consultation is complete.
3. The council re-assess the scheme's housing targets under new market conditions, (especially post COVID) public opinion and if needed is open to renegotiations with central government.

The Housing Output Task Group noted that the future masterplan will be a key document in shaping the town and the overall scale of development coming forward including the scale of housing development. The Executive have agreed that the masterplan will consider the scale of housing development proposed and once adopted as a supplementary planning document will be a 'material consideration' in future planning decisions giving a vision and an agreed plan to residents, businesses and investors about the future of the town centre and at the same time providing strong planning guidance to inform future investment. Homes England have made it clear that they fully support the delivery of the masterplan and that the outcome may in fact lead to fewer homes coming forward, accept that without a clear and certain plan in place there is likely to be less investment into the town.

In order to give certainty to the HIF project and inform any future renegotiation on housing delivery with Homes England it is essential that there is a detailed engagement and consultation exercise undertaken on the plan with residents.

2.3 Unclear premise of housing 'unlocked' by HIF involvement:

Broader approval of housing outputs will require a clear explanation of the project's purpose and mechanisms for success. In the official description of HIF funding, the purpose is to unlock "housing that would not otherwise be built" were the associated infrastructure not also constructed. This premise is mirrored in various WBC documents shared with the Local Development Framework Working Group, such as the report by the Planning Inspector to WBC on the Examination of the Site Allocations Development Plan Document (dated August 2021). Such a purpose to unlock housing that would not be otherwise possible without extra infrastructure is also mentioned in the HIF bid documents submitted by WBC.

Officers clarified to members of this group that housing 'unlocked' by HIF should be considered housing enabled in terms of its infrastructure (transport) provision, but not enabled in any complete sense of overcoming other planning matters that may exist for that particular development.

2.4 Uniqueness of Woking HIF scheme

Homes England have described the WBC project as rather unique – in that there are not many direct comparators for Woking given that it is based in the town centre and housing delivery is from multiple sites. Quoting directly, it was explained to the group that “Woking is almost unique as a HIF scheme, in a town centre, across multiple sites and with a majority of un-owned sites.”

This uniqueness can be seen both as a sign of ambition but may also be a potential risk given the lack of analogies for mitigations of any unforeseen risks. Its uniqueness makes a comparative study with other HIF projects difficult to complete and to draw beneficial conclusions.

2.5 Incorporation of targets for affordable housing outputs

Members of the task group have been interested in exploring the affordable housing outputs specifically. Officers have made clear that the HIF agreement itself does not require any specified Affordable Housing outputs. This means that this is not an additional area of risk for WBC.

The group may wish to further consider affordable housing outputs of the HIF project or ask the Housing Task Group to consider what actions could be taken to secure the maximum level of affordable housing from the new development taking place given the overall need for significant new affordable homes. This needs to be seen in the context that some key developments to date have not secured the full level of affordable housing given development viability issues.

2.6 Changing housing needs since original HIF proposal

So far, this group has not been able to dedicate sufficient time to this aspect of its Terms of Reference, though this element has been agreed upon by members as a potential additional risk to HIF housing outputs. In particular, broader economic changes and post-pandemic social changes may further impact any one of: demand for different types of tenure, size and design of dwelling; appetite among developers to invest locally; viability and construction costs; or any other as-yet-unknown factor.

It is however, noted that a detailed study has been produced as evidence to support the town centre masterplan and it is understood that the outcome of the study confirms that there is a need for flatted accommodation in the town centre. This study will influence the masterplan.

3.0 Potential impacts of non-delivery

3.1 Financial risks

As with most contractual agreement there is a procedure in place to manage and monitor the outputs and a process to take action to mitigate where those outputs are unlikely to be delivered. Officers from WBC and Homes England explained that there was very close working between the partners in respect of both the infrastructure and housing outputs. In relation to housing, while the council cannot directly insist on housing sites coming forward for development it can manage development on its own land and is required to bring three sites forward for housing.

Ultimately there is a risk of a default on the agreement and where this is likely to be the case officers from across the organisation will work collaboratively to find solutions. As pointed out by Homes England, the HIF agreement preceded covid, a significant and unparalleled event. It is evident that the Council's action to remedy housing delivery are fundamentally linked to the masterplan – the delivery of the masterplan itself being recognised as a key tool to secure future sustainable development. Nonetheless there is a risk that if the Council were to act unreasonably the full grant could have to be paid back.

3.2 Additional financial impact of non-delivery – due to uncertainty of developer contributions

A further £10m Council contribution to the HIF project budget is expected to be met through developer contributions, otherwise it would need to be funded by the Council through borrowing or other means.

In line with this approximate amount, the Investment Programme recently referenced £9.2 million of “temporary borrowing” at an annual cost of over £400,000 by the end of the term of the Medium-Term Financial Strategy. It was described in this document that “this would be reduced if developer contributions were secured”. An example of this is the development approved for Goldsworth Road (Ecoworld) which has secured over £1.8m towards HIF.

4.0 Mitigations of risks to date

The Task Group enquired as the current arrangements in place to mitigate risks and noted the following key elements. These activities are important and will remain so going forward.

4.1 Building of pragmatic working relationship with Homes England

The group heard from Jon Medlin representing Homes England (HE) about how WBC and HE had developed a better and more flexible relationship since the earlier stages of the project. Discussions are now much more flexible and pragmatic, which is a positive development and testament to the skills of WBC officers.

This is an important mitigation in terms of creating more time to solve potential risks to the delivery of housing outputs.

4.2 Initial work towards a unified Town Centre Masterplan

Woking’s development and subsequent approval by Full Council in late-2021 of a renewed Site Allocations Development Plan Document can itself – to some extent – be considered a mitigation of the uncertainty around the status of HIF housing output sites.

While this does not resolve the differences between housing outputs specific by the HIF and the site allocations, its presence at least crystallises the status of these sites and provides a foundation for further work to reduce these potential differences in dwelling numbers.

4.3 Improved project management for other aspects of the HIF project

Since January 2021 and as recommended by consultants Mazars, WBC is now running a “formal change request and approval process and change log” for the broader HIF project. This should help better record and consider any future renegotiations of housing outputs, and of changes to infrastructure elements with impacts on housing outputs.

While this does not directly mitigate all the risks mentioned above, it does increase the chances of any areas of concern being identified at a high level in WBC at an earlier stage.

5.0 Way forward:

Following the findings of the group, a number of recommendations are made for including a recommendation to the Executive and or the Housing Task Group (in relation to affordable housing).

This Task Group originally wanted to the completion of a comparative study of HIF housing outputs in other authorities using the time of the Scrutiny Officer and/or budget for such external work allocated to Overview & Scrutiny. This could help identify both additional risks to housing outputs

and potential mitigations. However, the lack of any directly related HIF projects makes this a challenging task and one that may have limited benefit to the Group's understanding of the housing outputs arising from the project.

The task group could be reinstated later in the year, if needed to review the site specific information coming forward as part of the masterplan proposals and expand on specific site-by-site assessment of HIF housing outputs, including but not limited to density, site design etc. Should this be required the table of sites previously developed could be updated with up to date information at that point in time.

Six detailed outputs are set out for consideration by the Task Group. If approved these outputs would be reported to the next Overview and Scrutiny meeting on 11 July 2022.

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5. The group may wish to further consider affordable housing outputs of the HIF project or ask the Housing Task Group to consider what actions could be taken to secure the maximum level of affordable housing from the new development taking place given the overall need for significant new affordable homes.
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REPORT ENDS

Appendix I: HIF Housing Outputs SWOT Analysis

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As prepared by officers to support the meeting of the HIFHOTG on 17/03/2022

Strengths (advantages)	Weaknesses (area for improvement)
<ul style="list-style-type: none"> • Current housing market position and build out rate is positive • Completion of The Marches and strong market signals for PRS • Supports housing in the 'right place' – supporting regeneration and re-use of land and property on predeveloped sites (not greenfield) • Population of the town centre supports vision for a mixed use, vibrant town centre • Physical infrastructure will unlock housing sites (improved rail, road, cycle and pedestrian connectivity). • Sustainable, well-connected development with lower dependency on the car usage • Benefits of locating housing in sustainable town centre location to support the climate change agenda • Strong Local Planning Authority – decisions made based on local plan and relevant material considerations. • Recently adopted Housing Strategy • Recognition and understanding that the Council can only use its best endeavours to deliver the non-owned housing sites. 	<ul style="list-style-type: none"> • Uncertainty about the urban capacity of the town centre to deliver homes in design terms (height). No overall masterplan. • No agreed plan for The Triangle site (owned site) • Poole Road (owned site) development refused and dismissed on appeal. • Uncertainty about the Concorde House (owned site) – currently held in abeyance with planning pending outcome of masterplan • Higher housing numbers indicated by HIF are not part of the Statutory Local Plan • That the Victoria Place development and Goldsworth Road appeal decision is being 'done to' residents with no engagement. • Uncertainty about the current landowner position on town centre development sites.
Opportunities (situations to apply advantages)	Threats (risks)
<ul style="list-style-type: none"> • Masterplan's intention to deliver a vision to the centre – creating certainty for investors and planning. • Adoption of Masterplan as planning Supplementary planning document would give additional weight to the delivery of housing in decision making. • Completion of Victoria Place – catalyst for change and further investment in the town centre • Appeal decision for Goldsworth Road development – bring 900+ new homes and significant investment. • Homes England partnership working – confirmation that there can be a dialogue around the delivery of owned housing site. That housing sites referred to could be amended in terms of their housing delivery, sites deleted and new sites added to. The agreement has mechanism to review outputs • £95m investment from Homes England to improve Victoria Arch bridge and regenerate the southern gateway entrance to the town centre and encourage investment • Victoria Arch bridge improvements and potential Network Rail WACE project offers improved capacity for rail travel which supports further housing growth in the town. 	<ul style="list-style-type: none"> • Private investment in new homes does not come forward • Three Council owned sites are not delivered in accordance with the Homes England agreement • Delivery of affordable housing – may be weaker given development viability issues • A need to complete and articulate that the housing need and demand for type and tenure of homes in the centre remain. • Failure to comply with the conditions of the Homes England agreement • Failure to secure private investment in the town centre impacting on regeneration and vision • Refused schemes and risk that housing figures quoted under "housing unlocked by HIF" may be too optimistic and will not be realised. (9 "BHS"; 11 "Planets/Rat and Parrot" which includes Crown Place; and 13 "Church Gate") • A different number of new homes coming forward for the centre – lower than that highlighted by HIF.