

North Yorkshire Council

Report to Corporate Director of Resources

18 March 2025

Recoverable Grant application to Homes England's Brownfield, Infrastructure and Land (BIL) Fund

1.0 PURPOSE OF REPORT
1.1 To request approval for the submission of request for recoverable grant funding to Homes England's Brownfield, Infrastructure and Land Fund. Approval is sought from the Chief Finance Officer (sub-delegated to the Assistant Director-Resources) in consultation with the Executive Member for Finance and Resources and the Executive Member for Open to Business to authorise submission of an application of grant funding in the amount of £6,780,994.

2.0 BACKGROUND

- 2.1 The adopted Harrogate District Local Plan 2014 - 2035 identifies several sites on the western side of Harrogate for the delivery of new housing and employment provision, key services and facilities with associated transport, education and green and blue infrastructure. These sites form a key part of the Local Plan growth strategy, and their delivery will contribute to the Council's housing land supply. A number of additional key documents have been produced to support the co-ordination and delivery of the West Harrogate Project, including a Parameters Plan in February 2022 and an Infrastructure Delivery Strategy in February 2024.
- 2.2 Delivering large scale housing development and associated infrastructure, either as a stand-alone settlement or as an extension to an existing community, is a huge challenge. It requires the consideration of a wide variety of issues, including an overall approach to quality and placemaking, and a robust approach to a delivery strategy. The role of the local authority in navigating through this minefield is crucial. Strong leadership, messaging and project management helps to establish and maintain a suitable collaborative approach, with promoters, landowners and stakeholders coming together to recognise the mutual benefits of an integrated delivery process.
- 2.2 The large sites to the west of Harrogate are proposed to deliver approximately 2,000 new homes, together with new employment provision. Critical to support this proposed growth is the provision of relevant social/community infrastructure and services. This includes primary school provision, local centres, sports pitches, open space, bus routes, footpaths and cycle ways. There will also be off-site infrastructure improvements associated with the development schemes, in particular alterations/improvements to the local highway network/junctions.

3.0 DETAILED PRESENTATION OF THE SUBSTANTIVE ISSUE

- 3.1 The Council has 4 live planning applications in for consideration covering the four main promoters for this project. They are at an advanced stage and 3 have in recent months been considered at Strategic Planning Committee with a resolution to grant permission subject to the signing of a s106 agreement. The build trajectory for the project is likely to be 10 years, starting in late 2025.

- 3.2 The applications are accompanied by a Cumulative Transport Strategy which sets out the combined transport mitigation measures to be delivered alongside the housing provision. This includes substantial off site works to the local highway network. The Local Highway Authority will carry out the off-site works with commuted sums secured via the application s106 agreements. In order to ensure sufficient funds are available to meet the costs of the mitigation measures and reduce financial risk to the Council, inflation has been included in the initial cost estimates along with project specific contingency and a percentage for optimum bias. On top of this it is standard practice to add a clause in s106 agreements that index link any specific s106 commuted sums set out in that agreement. This helps to future proof costs so the time at which a commuted sum payment is required from the applicant, the cost is indexed linked. These calculated measures seek to reduce uncertainty over delivery costs but there remains a residual risk to the Council regarding base costs.
- 3.3 There will be 2 new primary schools to be delivered on site. The applications for the West Harrogate schemes will provide a plot of serviced land for each school to NYC together with commuted sums secured via the application s106 agreements. The delivery of the school buildings and associated outdoor spaces will be led by NYC in its role as education authority. Recoverable grant funding would cover early technical design and survey work on the school sites up to RIBA stage 4. The costs have been estimated from recent primary schools delivered in North Yorkshire and, as with the transport costs, inflation added to the estimates. A clause will be in the s106 agreements that index link any specific s106 commuted sums set out in that agreement. This helps to future proof costs so the time at which a commuted sum payment is required from the applicant, the cost is indexed linked.
- 3.4 The report to Executive Member for Open to Business for approval of the WHIDS in June 2024, and the WHIDS document, highlight the likely need for funding to be considered should the Council determine that, in order to secure good quality place making, early infrastructure provision is required.
- 3.5 The early delivery of the schools and the priority active travel elements of the off-site transport mitigation, will greatly improve the quality placemaking aspects of this new community. The lack of positive cashflow in these early years of the scheme is a hinderance to securing the transport and primary school delivery. Officers have engaged with Homes England to seek funding options that would help resolve this. The BIL fund is administered by Homes England on behalf of the Government and is an ideal opportunity to secure recoverable grant funding for the transport and education teams to use at West Harrogate.

4.0 CONSULTATION UNDERTAKEN AND RESPONSES

- 4.1 Council officers in Delivery and Infrastructure, Development Management, Transportation and Education have been working together on the West Harrogate Project over the last 4 years. This collaborative working has helped clarify delivery priorities and potential pitfalls to early delivery which has informed discussions with Homes England to identify potential funding opportunities. NYC appointed consultants to check the costings and deliverability of the proposed highways mitigations, prior to these being agreed as part of the planning application reporting to Strategic Planning Committee. NYC appointed consultants to review the viability and cashflow of delivering the infrastructure package associated with the West Harrogate Infrastructure Delivery Strategy (WHIDS) and planning applications.

5.0 CONTRIBUTION TO COUNCIL PRIORITIES

- 5.1 Ensuring that the growth strategy set out in the adopted Harrogate Local Plan for housing and employment are delivered in a comprehensive manner, the housing sites at West Harrogate will provide approximately 2,000 dwellings and approximately 3 hectares of

employment land. The site delivery will contribute to the Council's housing delivery targets and housing land supply. The Government priorities for significant housing delivery have been set out in the Dec 2024 update to the National Planning Policy Framework. This funding would contribute to NYC meeting its demanding housing targets.

- 5.2 The assistance of early cashflow funding through the BIL fund will allow the Council to effectively deliver key elements of transport and education infrastructure on this project at an early stage in the build trajectory. This will help create a more sustainable new community. The earlier the provision of supporting infrastructure in a new community, the greater a sense of place.

6.0 ALTERNATIVE OPTIONS CONSIDERED

- 6.1 Not securing the BIL fund recoverable grant will impact on the pace of delivery for the on-site primary schools and off-site transport mitigation. Provision of the infrastructure will have to wait for s106 payments to accumulate through housing sales and completions. An alternative would be to seek the applicants to fund larger upfront payments, this is likely to stall delivery of the housing sites as developers struggle to source financing terms. It could lead to viability difficulties for developers which in turn risks challenges to s106 provisions.
- 6.2 A further alternative would be for the education and transport teams to draw from Council reserves to cover the early infrastructure provision. This will be paid back through collection of s106 commuted sums over time but is considered undesirable due to other considerable pressures on Council budget.

7.0 IMPACT ON OTHER SERVICES/ORGANISATIONS

- 7.1 This recommendation is made from the Delivery and Infrastructure team within the Community Development Directorate as they have been co-ordinating officer input from around the Council on the West Harrogate Project. If the BIL funding application is successful, officers from the Transport service and the Education service will be using the funds. Relevant officers from all 3 services have been involved in identifying the funding priorities to provide early infrastructure; as well as costing up the amount of grant to bid for from the BIL fund at this time.

8.0 FINANCIAL IMPLICATIONS

- 8.1 The BIL funding is in the form of a recoverable, interest free grant. The funding is from Central Government, administered via Homes England. The funding, if successful, will need to be paid back to Homes England. The mechanism for this will be through the s106 money paid to the Council from the applications at West Harrogate.
- 8.2 The timing of the grant draw down will be confirmed through the application process and is intended to be provided on a monthly basis, in line with a schedule of anticipated expenditure to be provided by NYC. The grant drawdown will be triggered upon signing of the s106 agreements for the applications. This ensures both Homes England and NYC have assurance on the payback mechanism.
- 8.3 The details of timings for paying back the grant funding have yet to be confirmed with Homes England but are intended to be at the end of the build trajectory (starting at year 11). If an offer of funding is made the terms of paying back the funding will be reviewed. Ensuring the Council is not paying back the funding before the relevant s106 money is collected from the applicants, will be a key factor in any acceptance of any offer. The level of grant is only a small proportion of the overall s106 payments expected to be secured via the West Harrogate Planning obligations. This will act as a float to secure delivery of key infrastructure at an early stage of the project to reduce the burden on NYC's cashflow.

- 8.4 During the work on the WHIDS and the Cumulative Transport Strategy, significant assessment and review of the junction and transport mitigation was carried out by the transport working group (consisting of technical officers and the applicant's transport consultants). This was accompanied by appointment of external consultants by NYC to carry out an extensive review of transport costings and deliverability. This robust approach was fed into the commuted sums secured through the planning applications.
- 8.5 A draft contract of terms and conditions has been provided by Homes England. A copy has been sent to finance colleagues. If an offer of funding is made by Homes England, the terms of that offer will be reviewed and, if acceptable, a recommendation to accept the offer will be made.

9.0 RISK TO NYC

- 9.1 There is a reputational risk to the Council if we fail to deliver the off-site transport works in a timely manner. Significant work and assessment of the cumulative transport mitigation has taken place through the West Harrogate Planning applications and the delivery of the associated infrastructure is an integral part of this sustainable 2000 dwelling extension. The use of BIL funding at an early stage in the project build trajectory will help NYC to mitigate this risk.
- 9.2 There is a risk that the off-site transport mitigation works cost more to deliver than the s106 commuted sums. The costs have been thoroughly checked through use of external cost consultants on behalf of NYC. The BIL funding team additionally, use an external consultant to carry out due diligence to satisfy that the funding amounts asked for will cover the costs of the infrastructure being delivered. Industry standard optimum bias is included in the s106 commuted sums for the off-site works and s106 payments are index linked at the time they are due for payment to NYC. These various checks and requirements will significantly reduce the risk to the Council.
- 9.3 There is a risk that the delivery of the sites could stall and the s106 monies are not collected in time to repay the recoverable grant. The strong housing market in Harrogate and the clear housing delivery agenda from Central Government makes this a low risk. If the repayment timeline becomes a significant and justifiable concern, discussions with the funding team could seek to alter repayment terms. The current anticipated repayment of the funding will be at the end of the build out which reduces the risks to the Council.

10.0 LEGAL IMPLICATIONS

- 10.1 A draft contract with terms and conditions has been provided by Homes England. A copy has been sent to legal colleagues. If an offer of funding is made by Homes England, the final contract terms and conditions will be reviewed and, if any of the final terms and conditions present an unacceptable risk for the Council then the grant offer would be declined.

11.0 EQUALITIES IMPLICATIONS

- 11.1 The co-ordination of infrastructure across separate allocations and being delivered by different landowners and developers is key to achieving high quality placemaking and sustainable developments at West Harrogate. These schemes provide the valuable infrastructure required to support Local Plan identified growth; and ensure that existing communities are not negatively impacted by insufficient or ineffective infrastructure. It is concluded therefore that the proposal would not negatively impact any protected characteristics. In fact, the provision of essential infrastructure is likely to benefit these groups and the community as a whole.

12.0 CLIMATE CHANGE IMPLICATIONS

12.1 The BIL funding will support early provision of strategic infrastructure required by the housing and employment growth identified in the Harrogate District Local Plan. The early provision helps create healthier, sustainable new communities.

13.0 CONCLUSIONS

13.1 The delivery of strategic housing sites is complex and early provision of infrastructure can help to provide a more sustainable new community creating a sense of place. This can require investment of funds ahead of the receipt of s106 commuted sums. The provision of recoverable grant funding from Homes England will allow NYC to start delivery of the transport and school mitigation at an early stage in the build-out of the West Harrogate project.

14.0 REASONS FOR RECOMMENDATION

14.1 To allow officers to continue collaborative dialogue with the Homes England funding team to secure early infrastructure delivery on the West Harrogate project.

15.0 RECOMMENDATION

- i) To request approval from the Chief Finance Officer (sub-delegated to the Assistant Director-Resources) in consultation with the Executive Member for Finance and Resources and the Executive Member for Open to Business to authorise the submission of an application for grant funding in the amount of £6,780,994.

Appendix A Equality Screening Assessment
Appendix B Climate Change Assessment

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07.03.2025

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