

M27 Junction 10 – Funding Strategy

Welborne

November 2021

1. The following details are submitted pursuant to Condition 57 of the Outline Planning Permission for up to 6,000 new homes, 105,000 sqm of employment floorspace and 10,000 sqm of retail floorspace, community use floorspace within new district and village centres, schools and site-wide infrastructure, at Welborne (Planning Application Reference: P17/0266/OA). The outline planning permission was issued on 30th September 2021, following the signing of the requisite Section 106 Legal Agreement.

2. Condition 57 of the outline planning permission requires that:

"No development shall take place other than that related to the delivery of Junction 10 until details of the sources of all the funding necessary to carry out the Junction 10 works has been submitted to and approved in writing by the Local Planning Authority. The development shall be undertaken in accordance with the approved details."

3. This document details the sources of funding necessary to carry out the Junction 10 works, and thus seeks approval of the details pursuant to this planning condition.

M27 Junction 10 costs and funding

4. The provision of an upgraded "all-moves" junction at M27 Junction 10 is a critical part of the infrastructure needed to access the Welborne site and unlock the development of up to 6,000 new homes, 105,000 sqm of employment floorspace and 10,000 sqm of retail floorspace, community use floorspace within new district and village centres, schools and site-wide infrastructure.

5. Delivering the Junction 10 improvements, whilst maintaining scheme viability and minimising the impact upon affordable housing, has been of paramount importance to the master developer throughout the development of the scheme. In order to achieve this aim, there have been extensive discussions between the Buckland, the District and County authorities and relevant Government departments and agencies.

6. Hampshire County Council (HCC) is the Scheme Delivery Body for the M27 Junction 10 improvement scheme. The estimated cost of the M27 J10 improvements are around £81m, including quantified risks. As a result of the extensive discussions with local Councils and Government Departments and Agencies, a number of different sources for funding the delivery of the Junction 10 works have been identified. These are as follows:

(a) £5.55m of the £81m cost has already been secured and spent; £900k of the £5.55m came from the Solent Local Enterprise Partnership (LEP) Local Growth Fund and £4.65m from the Department of Transport Funding retained by the Solent LEP.

(b) £750k of Capacity Funding Grant has been provided by Homes England to enable continuing design work on the project.

(c) Buckland Development Ltd have committed to provide up to £40m funding which is being secured through the Section 106 Legal Agreement.

(d) Buckland Development Ltd have committed to pay up to an additional £10m (which is also secured in the Section 106 Legal Agreement) in the exceptional event that the cost of the construction of the M27 Junction 10 improvements exceed £87.55m.

(e) Homes England have identified Housing Infrastructure Grant (HIG) funding to provide a potential £41.25m contribution towards the M27 J10 Improvements. This HIG funding would be recovered from the scheme once specified profit levels are achieved, as below, with the recovered HIG being used to optimise the provision of affordable housing.

7. The above identified sources of funding total £97.55m against the estimated cost of £81m.

Housing Infrastructure Grant Funding

8. As set out above, Homes England has already provided £750,000 to HCC, and has committed a further £41.25m Housing Investment Grant (HIG) to the M27 Junction 10 Improvement Scheme, subject to final imminent approval by the Secretary of State for Levelling Up, Housing and Communities.

9. The £41.25m grant will be paid to Hampshire County Council in instalments as and when required for the M27 Junction 10 Improvement Scheme. A Grant Determination Agreement in respect of this £41.25m grant funding will be put in place between Hampshire County Council and Homes England, and work on this funding agreement is progressing at the current time.

10. The grant award is conditional on Fareham Borough Council entering simultaneously into a Memorandum of Understanding with Homes England, which places a number of obligations on the Council in respect of monitoring the housing outputs from the development and recovering and recycling the grant funding, where scheme viability allows.

11. Hampshire County Council has been acting as scheme Promoter for the development work for the M27 Junction 10 improvement scheme since January 2018. On 13th July 2021, Hampshire County Council's (HCC) Cabinet made the decision to formally accept the role of the Scheme Delivery Body for the M27 J10 improvement works. HCC's acceptance of this role was subject to the following:

- (i) confirmation of the full funding package of £41.25 million Housing Infrastructure Grant; £40 million Section 106 developer contribution; an additional £10 million Section 106 contingency funding; and £750,000 Capacity Funding from Homes England to continue the development work;
- (ii) completion of a satisfactory Memorandum of Understanding with Highways England in relation to any design alterations and programme interruptions or prolongation arising from decisions or actions by Highways England, and is also conditional upon a Section 6 Agreement to formalise Highways England's commitment to the progression of the scheme through the approval and delivery processes; and
- (iii) provision in the Local Transport Plan, Integrated Transport Block Grant for funding to be earmarked against any cost overrun for the M27 J10 Improvement scheme, beyond the full funding package, established budget and contingency funding arrangements.

12. With respect to (i) £750,000 Capacity Funding has been paid to HCC and the £50m developer contribution (£40m plus £10m cost overrun contingency) has been secured through the Welborne Section 106 Legal Agreement dated 30 September 2021. The remaining £41.25m of Housing Infrastructure Grant (HIG) remains subject to the completion of a Grant Determination Agreement between HCC and Homes England, and a Memorandum of Understanding between Fareham Borough Council and Homes England, and is within the control of those three parties. Should the cost of the Junction works exceed £97.55m, HCC have identified other potential sources of funding as set out at (iii) above.

13. At its meeting on the 9th August, Fareham Borough Council's Executive approved the terms of the Housing Investment Grant Memorandum of Understanding with Homes England. Authority was delegated to the Director of Planning and Regeneration to complete the Memorandum of Understanding, following consultation with the Council's Section 151 Officer and the Executive Leader of the Council.

Summary

14. In summary, with the signing of the Section 106 Legal Agreement, a financial contribution of up to £40m has been secured from Buckland Development Ltd, with potentially a further £10m contribution if scheme costs exceed £87.55m. £6.3m of grant funding has already been secured and paid to Hampshire County Council in connection with developing the Junction 10 scheme.
15. The terms for the HIG funding have been agreed by the relevant parties. Whilst there are high levels of certainty that the MoU between Homes England and Fareham Borough Council will be entered into, and that the County Council as Delivery Body will enter in the Grant Determination Agreement (GDA) with Homes England, these documents have not been signed as at the time of this submission. Nor has the HIG funding yet received final approval from the Secretary of State for Levelling Up, Housing and Communities.
16. However, Buckland submits that the foregoing document clearly sets out all the sources of funding for the M27 Junction 10 improvement works. Fareham Borough Council are invited to approve these details pursuant to Condition 57 of the Welborne Planning Permission, on the understanding that the Junction 10 improvement works will be taken forward based on the funding set out in this submission.