

Report for:	Shadow Executive
Meeting Date:	12th November 2019

Title of Report:	Princes Risborough Relief Road Phase 1
Member	Councillor Katrina Wood
Responsible Officer	Penelope Tollitt
Officer Contact:	Ian Manktelow ian.manktelow@wycombe.gov.uk 01494 421579
Recommendations:	<ol style="list-style-type: none">1. To note the latest projected costs for Princes Risborough Relief Road Phase 1 and support Option 3 which involves progression of the scheme through detailed design and commencing CPO process/land negotiations, funded from the existing Wycombe District Council capital programme funds.2. To support the release of the funding which forms part of the WDC approved budget.3. That an update report be brought to the new Buckinghamshire Council in 2020/21 to update on costs and potential section 106 and other income.

<p>Corporate Implications:</p>	<p>S151 WDC February Cabinet approved a budget funded mainly by Housing Infrastructure Fund £12m and s106 Developer Contributions.</p> <p>The estimated cost has increased. This exceeds the existing approved budgets and therefore officers are bringing this to the attention of the Shadow Executive for consideration for inclusion of the additional budget into the Buckinghamshire Council Capital Programme determination process. Detailed work on risk, cash flow and the implications of the timing of expenditure and contributions is underway.</p> <p>The members of Bucks Finance Officers Group have considered the funding position at a high level and consider that further work is required to determine the full cost for all phases and the deliverability of the developer contributions. The report has also been considered by the Housing Growth and Economy Board and Corporate Management Team who recommended a number of changes which have been incorporated into this report. They both recommended Option 3 below as the preferred way forward. Option 3 will require an increase over 2019/20 and 2020/21, this budget is already in the WDC Capital Programme. A report is being considered by Wycombe District Council's Cabinet on 11th November.</p>
<p>Options: (If any)</p>	<ol style="list-style-type: none"> 1. Support the new projected cost for submission into the 2020/21 budget setting process 2. Do not support the submission of the new projected cost into the budget setting process. 3. Support progression of the scheme through detailed design and commencing CPO process/land negotiations, funded from the existing Wycombe District Council capital programme funds, but bring a report back to the new authority in 2020/21. <p>Option 1 is desirable as it ensures that the relief Road Phase 1 scheme can progress in a timely manner which is essential to enable the take up of HIF funds, delivery of housing and infrastructure.</p> <p>Option 2 risks failure to deliver the scheme and defaulting on the take up of £12m of HIF funding.</p> <p>Option 3 is the preferred option – it enables the scheme to progress in a timely manner in the early stages, thereby not jeopardising potential take up of HIF funds, whilst allowing further work to be undertaken to provide greater certainty on costs and potential income.</p>

Reason:	Option 3 is the preferred option. It ensures that the Relief Road Phase 1 scheme can progress in a timely manner which is essential to enable take up of HIF funds, delivery of housing and infrastructure. It enables the scheme to progress in a timely manner in the early stages, thereby not jeopardising potential take up of HIF funds, whilst allowing further work to be undertaken to provide greater certainty on costs, programme, risks and potential income.
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1. Purpose of Report

- 1.1 This report seeks to update on the forecast cost of Phase 1 of the Princes Risborough Relief Road, highlighting where greater cost certainty has been obtained and outlining the main risks. It seeks support for progressing the scheme through detailed design and commencing CPO process/land negotiations. Further updates would then be provided to the new authority in 2020/21 to determine the way forward.

2. Executive Summary

- 2.1 The Princes Risborough relief road is a scheme that unlocks a 2,500 home expansion of Princes Risborough that is allocated in the recently adopted Wycombe District Local Plan. It is the largest single housing allocation in the south of Buckinghamshire, playing a critical role in meeting the housing target for Wycombe District and an important contribution to current planned growth in the Oxford to Cambridge Growth Arc.
- 2.2 £12m of Housing Infrastructure Fund (HIF) money has been secured to help deliver the first phase of the scheme. The HIF bid was based on a cost estimate, using evidence available at the time, with the gap to be funded from developer contributions.
- 2.3 Although there is greater certainty on costs, further work is required both in relation to firming up costs and the likely income stream from developer contributions to cover the funding gap, including further viability work.
- 2.4 Wycombe District Council has set aside a sum to undertake more detailed design work and to commence the CPO process/land negotiations. This will help provide greater certainty whilst ensuring that the project remains on track with Homes England in relation to the HIF funding agreement

Main Report

Introduction and Background

- 3.1 The Princes Risborough Expansion Area is the largest housing allocation in the newly adopted Wycombe District Local Plan. It is a significant and strategic allocation not just for the Wycombe District Local Plan but for Buckinghamshire in the context of the Oxford to Cambridge Growth Arc, accounting for over 20% of the housing growth in the Local Plan and around 5% of planned growth in Buckinghamshire up to 2033. It is the largest single housing allocation in the south of Buckinghamshire. The Local Plan makes clear that the infrastructure should be funded by the developers.

- 3.2 Joint working between Wycombe District Council, Buckinghamshire County Council and Bucks Thames Valley LEP identified a relief road was needed to unlock the housing potential of the area. A bid was submitted for funding from the Housing Infrastructure Marginal Viability Fund for Phase 1 of the relief road, recognising the high initial costs associated with this phase affecting early cash flow for the development. The bid was successful and £12m funding was confirmed in July 2019, despite a normal HIF budget ceiling of £10m.
- 3.3 Homes England has clarified that the £12m HIF funding is a recoverable grant (recoverable by WDC), to be recycled on a project that will unlock housing within the locality of Buckinghamshire. Once recovered the funding has the status of a capital grant, i.e. it is non repayable. The maximum recoverable amount is £12m, a viability test will be carried out in December 2020 which could reduce this amount.
- 3.4 The bid was based on a cost estimate using evidence available at the time. Developer contributions were expected to make up the funding gap.
- 3.5 Since the bid, further work has been undertaken to gain greater cost certainty and to ensure the scheme remains on programme to secure the HIF funds and ensure timely housing and infrastructure delivery. This has included a detailed viability assessment and a feasibility study undertaken by Balfour Beatty, including a review of construction costs. This work will continue in the coming months.

Achieving Cost and Delivery Certainty

- 3.6 A range of work areas have been progressing to help bring greater certainty to the costs and delivery of the scheme. These include:
- **Adoption of the Local Plan** – providing a firm policy basis for the expansion area and the relief road, and a clear policy basis for developer contributions to fund the infrastructure;
 - Appointment of consultants to undertake **feasibility** and design work. As referred to above, this has resulted in an **update on construction and related costs**. This includes allowances for inflation and appropriate optimism bias. Work has recently been undertaken to ensure that the correct level of optimism bias is applied. This provides a much firmer basis for scheme costs;
 - **Confirmation that the HIF funding** is secured.
 - Publication of a draft Princes Risborough Expansion Supplementary Planning Document (PRESPD) confirming other wider development costs, a framework for coordinating delivery of development, and an approach to securing **equitable developer contributions**, underpinned by a detailed **viability assessment**. This has included sharing individual viability appraisals with developers, and our expectation of their level of contributions.
 - WDC Cabinet approval to commence **securing of the necessary land** – either by agreement or CPO process.
- 3.7 There are a number of work areas currently being undertaken that will deliver greater certainty:

- Land acquisition costs – following initial advice in the spring, Carter Jonas have been appointed by WDC to provide firmer costs for land acquisition for the route of the road.
- Recovery of cost through s106 agreements – further work is being carried out to accurately assess recovery of costs
- Scenario testing - further work is being carried out.
- Early access to HIF funding – the grant determination agreement has been signed.

Later Phases of the Relief Road

- 3.8 The scheme discussed above is the first phase of the Princes Risborough relief road. Phase 1 formed approximately just under 30% of the original costs of the entire relief road, based on the early feasibility cost that informed the Local Plan and the original HIF bid in 2017. The draft PRESPD sets out 3 phases of development linked to 3 phases of relief road construction which themselves are based on highway capacity.
- 3.9 Phase 2 involves extending the relief road through the main expansion area to connect with the B4009. A total of around 1,200 homes can be built with Phases 1 and 2 complete. Phase 3 completes the relief road and includes the costly re-provision of the Grove Lane under bridge. Phase 3 enables completion of the remaining 1,300 homes.
- 3.10 Given the change in costs in relation to Phase 1 following more detailed feasibility work, it would be prudent to consider undertaking a similar level of work in relation to Phases 2 and 3 to provide an up to date estimate of costs for the whole relief road. This is likely to take a number of months – officers will explore further the time and cost implications of undertaking this additional work.
- 3.11 The draft PRESPD considers all the main infrastructure costs to be secured through section 106 agreements.
- 3.12 As noted above further work is required to gain greater cost certainty in relation to the later phases of the road, particularly Phase 3 which involves replacement of a new railway underbridge.
- 3.13 Further information is included in Appendix A.

Conclusions

- 3.14 This report outlines the latest position of the Princes Risborough Relief Road Phase 1, the actions taken to date to determine greater certainty but also the ongoing actions to increase that certainty over the coming months.
- 3.15 It is considered that further work should be undertaken to increase the level of certainty in relation both to costs, and income, including greater certainty over the costs of later phases of the Relief Road. However it is also important to continue to progress the scheme to remain on programme with the HIF delivery profile and hence not jeopardise the ability to draw down HIF funding.
- 3.16 Work can progress within existing budgets on detailed design and land acquisition/CPO processes and an update on the further work and costs would then be considered prior to committing to proceed with construction and land purchase. It is recommended that consultants continue their understanding of the project and apply their expertise in the field of railway works and undertake the preliminary and detailed design and early

contractor involvement. The current programme would see design and consents work proceeding during 2020 with construction due to start in September 2021. This process includes a preliminary design with associated costs refresh to be completed in March 2020.

- 3.17 It is recommended therefore that further work is undertaken on the scheme and that a report be brought back to the new authority by July 2020 with updated costs, income and cash flow information. Subject to the information provided, an update to the Capital Programme would be recommended at that stage.
- 3.18 This approach will help ensure that the Relief Road Phase 1 scheme can progress in a timely manner which is essential to enable take up of the £12m HIF funds and delivery of around 2,500 homes and associated infrastructure which make a significant contribution towards housing delivery in Buckinghamshire and to the wider Growth Arc.

4 Financial Implications

- 4.1 This report sets out the financial issues and risks around the Princes Risborough Relief Road Phase 1 scheme. It highlights the revised budget required as a result of a recent feasibility study.
- 4.2 It sets out where recent work on the scheme has provided greater cost certainty and where there is ongoing work, together with the timescales for that work. Different cash flow scenarios have been tested and there are different funding options under consideration if the most likely cash flow scenario is not realised.
- 4.3 The maximum risk to the new Authority is set out, subject to final pricing and phasing of the contract. Any further costs will be reported to the next update. We anticipate these will not exceed the 10% variance that is set out in financial regulations.

5. Legal Implications

- 5.1 A Grant Funding Agreement has been signed by Wycombe District Council and Homes England. This has been scrutinised by Wycombe's s151 officer and District Lawyer in line with WDC Cabinet delegations.
- 5.2 Initial terms and conditions have been complied with by WDC and signed off by Wycombe's s151 officer and District Lawyer.

6. Other Key Risks

- 6.1 Section 2 of this report focuses on risks and how they are being mitigated.

7. Dependencies

- 7.1 No specific dependencies are identified in relation to the recommendations.

8. Consultation

- 8.1 The proposals for the Princes Risborough Expansion Area, including the relief road, have been the subject of extensive public and stakeholder consultation over a number of years.

8.2 The detailed design of the Phase 1 road will be subject to consultation as part of the future planning application process.

9. Communications Plan

9.1 Not required. A Communications Plan is being developed in relation to the delivery of the Phase 1 road.

10. Equalities Impact Assessment

10.1 The Local Plan was subject to an equalities impact assessment.

11. Data Implications

11.1 Data impact protection assessment not required.

12. Next Steps

12.1 Risks will continue to be managed as set out in the report and the cash flow for the scheme will continue to be refined in the light of evidence, and will feed into update reports to the new authority.

Background Papers	Wycombe District Local Plan (2019) Draft Princes Risborough Expansion Supplementary Planning Document (June 2019) Report to Wycombe District Council Cabinet (19 th August 2019) regarding Housing Infrastructure Fund and securing land
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