

M5 Junction 10 Improvements Scheme

Funding Statement TR010063 - APP 4.2

Regulation 5 (2) (h)

Planning Act 2008

Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009

Volume 4
December 2023



Gloucestershire
COUNTY COUNCIL

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Infrastructure Planning Planning Act 2008

The Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009

M5 Junction 10 Improvements Scheme Development Consent Order 202[x]

4.2 Funding Statement

Regulation Number:	Regulation 5(2)(h)
Planning Inspectorate Scheme Reference:	TR010063
Application Document Reference:	TR010063/APP/4.2
Author:	M5 Junction 10 Improvements Scheme Project Team

Version	Date	Status of Version
Rev 0	December 2023	DCO Application

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1. Introduction

1.1. Purpose of this Statement

- 1.1.1. This Funding Statement (“this Statement”) relates to an application made by Gloucestershire County Council (GCC) (“the Applicant”) to the Planning Inspectorate under the Planning Act 2008 (“the Act”) for a Development Consent Order (DCO). If made, the DCO would grant consent for GCC to deliver the M5 Junction 10 Improvement Scheme (“the Scheme”).
- 1.1.2. The purpose of this document is to demonstrate the funding mechanisms available to the Scheme, primarily through the Homes England Housing Infrastructure Fund (HIF). The funding mechanisms are no impediment to the delivery of the Scheme or the payment of compensation to persons affected by compulsory acquisition, temporary possession, or a blight claim.
- 1.1.3. This Statement has been prepared and submitted in compliance with Regulation 5(2)(h) of the Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009 (“the 2009 Regulations”) and in accordance with the Department for Communities and Local Government guidance ‘Planning Act 2008: Guidance related to procedures for compulsory acquisition’ (September 2013).
- 1.1.4. This Statement is required due to the fact that the DCO would authorise the compulsory acquisition of land, interests in land or rights over land. This leads to the requirement under Regulation 5(2)(h) for a statement indicating how the implementation of these powers in the DCO would be funded.
- 1.1.5. As this Statement forms part of GCC’s DCO application, it has been informed by and should be read alongside the other relevant application documents, including:
- The Statement of Reasons (Application document TR010063 – APP 4.1), which is included in the application to comply with the requirements of Regulation 5(2)(h) of the 2009 Regulations.
 - The Draft DCO and Schedules (Application document TR010063 – APP 3.1).
 - The Book of Reference (Application document TR010063 – APP 4.3) containing details of the those who may have an interest in the land affected by the Scheme and where compulsory acquisition and temporary possession powers are being sought.
 - The Land Plans (Application document TR010063 – APP 2.2) showing the land over which it is proposed to exercise compulsory acquisition and temporary possession powers.
- 1.1.6. Details of the Scheme objectives and a full description of the Scheme proposals can be found in the ‘Introduction to the Application’ (Application document TR010063 – APP 1.1).

1.2. Background

- 1.2.1. The Joint Core Strategy (JCS) is a partnership between Gloucester City Council, Cheltenham Borough Council (CBC) and Tewkesbury Borough Council (TBC) which sets out a strategic planning framework for the three areas. The Adopted JCS 2011-2031 is a coordinated strategic development plan, adopted in December 2017, which shows how the region will develop and includes a shared spatial vision targeting 35,175 new homes and 39,500 new jobs by 2031. The upgrading of M5 Junction 10 to an all movements junction has been identified as a key infrastructure requirement to enable the housing and economic development proposed by the JCS.

- 1.2.2. In particular, major development of new housing and employment land including a government supported cyber business park (Cyber Central UK) is proposed in strategic and safeguarded allocations to the west and north-west of Cheltenham, these being: West Cheltenham (Golden Valley); North West Cheltenham (Elms Park); and safeguard land to the north-west and south-west of Cheltenham (See Figure A-1 in Appendix A). Transport modelling indicates that only 1,711 of the 8,914 of the new homes could come forward from these sites without the implementation of the M5 J10 scheme with the remaining 7,203 homes therefore considered to be dependent upon provision of an all-movements junction at M5 J10.
- 1.2.3. A bid was submitted in March 2019 to Homes England's Housing Infrastructure Fund (HIF), wherein an investment case was made for the delivery of infrastructure improvements to support the delivery of the identified dependent housing as the identified sites were insufficiently viable to deliver the infrastructure either independently or in collaboration. Funding was announced by Homes England in March 2020 with the relevant Grant being entered into in October 2020.
- 1.2.4. Since the original funding announcement, the Scheme has been subject to scope change resulting in a longer and more costly delivery programme which, when considered in light of high-cost inflation during the period 2020 – 2023 (encompassing the CV-19 pandemic, the Russian invasion of Ukraine and volatility in the energy markets and supply chains which has significantly influenced the level of inflation) and this has created the need for additional funding. The scheme will continue to monitor budgets through monthly reporting and forecasting, this function will be increasingly strengthened as our ECI contractor reports on scheme cost forecasts whilst progressively working on the development of the scheme and associated delivery programme.
- 1.2.5. GCC will address the identified funding gap (described in Section 3 of this statement) from dependent developments utilising existing JCS policy to secure section 106 agreements for the making of contributions towards delivery of the Scheme. GCC have undertaken site appraisals to inform their view on the viability of this level of contribution from the identified sites. GCC do not consider it unreasonable to seek contributions from developments which are dependent upon the relevant infrastructure and which have a total gross development value of circa £2 billion.
- 1.2.6. A significant proportion of the planned development is reaching maturity in a planning sense and GCC consider they have a realistic prospect of securing section 106 agreements within the timescales necessary to support the planned delivery of the scheme.
- 1.2.7. The Scheme is also supported in the Gloucestershire Local Enterprise Partnership's (GFirst LEP) Strategic Economic Plan and forms part of the transport network sought by GCC (Host Authority) in the adopted Gloucestershire Local Transport Plan. Improvements to M5 J10 are critical to maintaining the safe and efficient operation of the junction; and enabling the planned development and economic growth.
- 1.2.8. On 21 August 2020 National Highways published its update to the Delivery Plan for the period 2020-2025. The Plan sets out in detail how National Highways will deliver its strategic outcomes and measure success. The plan cites the Scheme as a Housing Infrastructure Fund scheme which will be delivered by GCC with the support of National Highways, which will also be subject to future planning decisions.
- 1.2.9. In summary, the Scheme is well founded in relevant strategic planning documents, is a fundamental part of the current local plan (the JCS) enabling delivery of almost 9,000 homes and businesses, is included in the National Highways Delivery Plan 2020-2025, is supported by Homes England who are contributing over 70% of funding and GCC are confident that the identified developments can support the levels of contribution being sought. This gives strong confidence that the scheme will be able to proceed if or when the Development Consent Order is made.

2. Capital expenditure

2.1. Capital cost

- 2.1.1. The Scheme has a most likely estimate of £293.210 million including allowances for risk and inflation at the date of application. From this total scheme cost estimate, as of August 2023, a total of £34.653 million has been spent on design development, surveys and land acquisition.
- 2.1.2. This estimate includes all costs to deliver the Scheme from Options Stages through to the opening for traffic. It includes an allowance for compensation payments relating to the compulsory acquisition of land interests in, and rights over, land and the temporary possession and use of land. It also takes into account potential claims under Part 1 of the Land Compensation Act 1973, Section 10 of the Compulsory Purchase Act 1965 and s152(3) of the 2008 Act.
- 2.1.3. The cost estimate has been based on the preliminary design stage Design Fix 3 (DF3). The DF3 stage design represents the Scheme proposal for the final endorsement. This was produced following statutory and targeted consultation which captured any further design considerations and further detailed assessments. The Environmental Statement (ES) assessment has been based on the DF3 stage.
- 2.1.4. The estimates for these items have been informed by land referencing activities, engagement of professional surveyors, and information received from consultation and engagement with parties having an interest in the land. The estimate has been prepared and verified at each key stage of the design fixes and in combination with the approved budget, provides sufficient cost certainty to enable the Applicant to confirm the viability of the Scheme. A high level summary of the scheme cost estimate by each main scheme element and approximate spend profile is included in the table below.

Description	M5 J10	A4019	Link Road	Strategic Risk	Post-completion (allowance)	Total
Construction	£75,490,624	£22,936,863	£16,505,091			£114,932,579
Prelims	£30,094,689	£9,143,887	£6,579,831			£45,818,408
Design	£27,660,038	£8,404,150	£6,047,525			£42,111,713
Land	£16,144,222	£4,905,216	£3,529,735			£24,579,173
Inflation	£12,304,069	£3,738,434	£2,690,132			£18,732,636
Risk	£22,262,899	£6,764,298	£4,867,508			£33,894,705
Strategic Risk				£2,140,696		£2,140,696
Post completion (allowance)					£11,000,000	£11,000,000

Total	£192,956,542	£55,892,848	£40,219,822	£2,140,696	£11,000,000	£293,209,909
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Table 1 - Scheme cost estimate forecast

	Sunk Cost as of August 23	FY23/24	FY24/25	FY25/26	FY26/27	FY27/28	Total
Forecast (£ million)	£34.65	£3.14	£20.72	£55.31	£70.98	£108.38	£293.21

Table 2 - Spend profile forecast

- 2.1.5. GCC appointed the contractor for the Scheme under a two-stage Early Contractor Involvement model in May 2023. This appointment enables GCC to work with the contractor to develop the Scheme, manage risks and identify suitable target cost and programme for the Scheme during stage one. At the end of stage one, a Notice-to-Proceed instruction will be agreed between GCC and the Contractor, enabling the detailed design and construction (stage two) to begin.
- 2.1.6. GCC has been, and will continue to be, responsible for all preparation costs associated with the Scheme. These may include items such as design costs, legal costs, land acquisition costs, advance payments to statutory undertakers and surveying costs.

3. Sources of funding

3.1. HIF Grant funding

- 3.1.1. The Housing Infrastructure Fund (HIF) is a £4.2bn major government programme which provides funding for infrastructure projects, which once built, will unlock housing capacity in areas of high housing demand.
- 3.1.2. GCC entered a Grant Determination Agreement (GDA) with Homes England (HoE) in October 2020 to secure HIF funding for several highway schemes, including the Scheme, for a total sum of £249.131 million.
- 3.1.3. Of the total funding secured under the GDA, the grant funding available to the Scheme is £212.071 million (with other grant funding allocated to delivery of other schemes).
- 3.1.4. Homes England's Infrastructure Funding Delivery Board has recently approved an extension to the Scheme's GDA funding availability period to September 2027, which enables a delivery programme with overall Scheme completion forecast for December 2027.

3.2. Other funding – Developer Contributions

- 3.2.1. The strategic Sites identified in the JCS (West Cheltenham, North West Cheltenham and Safeguarded Land north-west of Cheltenham) are reliant on the implementation of the Scheme as the Scheme forms a substantial part of the necessary highways mitigation required to make the developments acceptable in planning terms. This position was established by the JCS (2017) and is supported by GCC as Highway Authority for the local road network and also supported by National Highways in their role as Highway Authority for the Strategic Road Network.
- 3.2.2. It is GCC's position that only 1,711 of the 8,914 homes could come forward without the Scheme. Contributions are or will be sought and obtained through existing JCS policy INF7 which supports the arrangements for the direct implementation or financial contributions towards the provision of infrastructure and services required as a consequence of development. Financial contributions will be agreed with the developers and formalised through s106 agreements during the planning process; such payments would be enforceable pursuant to the relevant planning obligation.
- 3.2.4. As JCS policy INF7 does not provide details of how the policy will be applied GCC have commenced engagement with affected developers, planning authorities and highway authorities upon the proposed approach to defining and quantifying the levels of contribution being sought from the identified sites in relation to the Scheme
- 3.2.5. Upon completion of the above engagement activity (responses have been requested by 20 October 2023) GCC will seek to formally confirm their approach to application of JCS policy INF7 through Cabinet Paper at GCC's December 2023 cabinet meeting. This will confirm the alignment on approach being taken between GCC in its differing roles as Scheme promoter, land owner and Highway Authority.
- 3.2.6. The need for financial contributions towards the Scheme has already been established within the existing GCC Local Developers Guide however details of how this will be delivered were not included within the guide. GCC intend to provide an update to this document as part of a planned review of the guide during Winter 2023. This would give the approach status as planning guidance within the County.

- 3.2.7. To further enhance the status of the approach it is also the intent of GCC to seek the inclusion of similar definition within the emerging local plan. This would formalise the approach being taken as LPA policy and ensure full alignment between authorities responsible for determining applications related to development in the event that such development were dependent on the M5 J10 infrastructure.
- 3.2.8. It should be noted that GCC has applied the approach to the first of the applications to come forward from the dependent developments utilising existing policy and has successfully secured agreement to £2,451,111 in relation to a planning application for the Swindon Farm development (266 dwellings as part of the JCS North West Cheltenham allocation) This will be delivered through a section 106 obligation which is being progressed.
- 3.2.9. At the time of writing, GCC considers that all currently identifiable developers have been informed and understand the need for a contribution as has been set out in engagement material issued during September 2023.
- 3.2.10. GCC are monitoring the progress of relevant applications and will raise formal requests to applicants when applications are sufficiently mature.

3.3. Application of Policy INF7

- 3.3.1. GCC have used scheme transport modelling to demonstrate the relative benefits that each of the JCS sites gains from the Scheme in terms of dependent vehicle trips for housing and for employment at the design year (2042). This is considered to be a robust proxy for the relative level of harms each development would produce absent of the Scheme. This relative benefit is then applied to pro-rata the Scheme funding gap between each identified development.
- 3.3.2. To date the analysis of potential contributions has been limited to those development sites identified within the funding agreement between GCC and Homes England however the intent will also be to apply the policy to any other sites which may be identified in the future, noting in particular that the local plan is expected to be updated before completion of the Scheme. GCC will re-evaluate scheme modelling, together with any changes to the defined funding gap, both prior to issuing the Notice-To-Proceed instruction to the ECI Contractor and on completion of the works and this will enable any residual gap to be discussed with developments which may come forward as a result of the local plan process.
- 3.3.3. The level of contribution for any particular part of the development that comes forward, noting that each strategic allocation or area of safeguarded land may come forward as a number of separate planning applications, is calculated on the basis of the proportion of residential and employment development relative to the wider strategic allocation or site in question.
- 3.3.4. Appendix 1 identifies the current status of the developments that will be subject to requests for contributions to the Scheme.

3.4. Notice to Proceed and Cost Over-run

- 3.4.1. GCC have appointed the contractor for the Scheme under a two-stage Early Contractor Involvement model. This enables GCC to work with the appointed contractor to further develop the Scheme, refine the design through the application of value engineering techniques, manage risks and identify suitable target cost and programme during stage one with a formal Notice-To-Proceed (NTP) gateway to then proceed to stage two for construction.

- 3.4.2. GCC anticipate making progress with agreements for developer contributions as the identified housing schemes progress through the planning system. It is envisaged that the NTP to stage two will only be issued to the contractor in the event that sufficient amounts of developer contribution have been secured to fully support delivery of the Scheme. This protects the highway authorities from the risk of the scheme starting construction, and not completing, due to a lack of funds.
- 3.4.3. Once the funding has been secured and the stage two contract has been awarded GCC will be liable for any cost-overruns.

4. Blight

- 4.1.1. The term 'blight' is used to describe the reduction of economic activity or in property values within a particular area resulting from possible future development, or a restriction of development. Blight notices may be served on the Applicant by those with a qualifying interest in affected land.
- 4.1.2. To date, no blight notices have been served in respect of the Scheme.
- 4.1.3. The estimated Capital Cost, as detailed in paragraph 2.1 above, includes an estimation of £24.579 million to be made available for Compulsory Acquisition/compensation for the Scheme. Land negotiations are taking place across impacted properties for the Scheme; several properties have been acquired totalling £11.5 million as of August 2023.
- 4.1.4. Should any future claims for blight arise as a consequence of the proposed compulsory acquisition of land, or rights in land, affected by the Scheme, the costs of meeting any valid claim will be met by GCC.

Appendices



Appendix A. Status of identified developments

Site	Planning description of development		Planning status or anticipated planning timescales	Status of Scheme discussions with development
A - Safeguarded land at North-West Cheltenham	Safeguarded land at North-West Cheltenham	2,258 dwellings and 30 Ha employment use anticipated	Masterplanning and capacity testing	Discussions held around Scheme interface with development masterplan proposals, proposed developer contribution approach notified to the master developer.

Site	Planning description of development		Planning status or anticipated planning timescales	Status of Scheme discussions with development
B - North-West Cheltenham Allocation: Policy A4	16/02000/OUT Up to 4115 new homes providing a range and choice of mix and tenure, including affordable housing (C3) and elderly persons accommodation (C2 up to 200 rooms), 24 ha of employment generating uses including 10 ha B1 business park (up to 40,000 sqm), a hotel (C1 up to 100 rooms), and mixed use centres providing retail uses and community facilities (A1 - A5 up to 6,150 sqm, D1/D2 up to 1,000 sqm) A transport hub and public transport inter change, primary and secondary school education (D2), new areas of green infrastructure including areas of play sports hub, woodland planting, allotments and habitat at creation, creation of new means of access onto Tewkesbury Road and Manor Road, new footways and cycleways, and drainage infrastructure. Elms Park Tewkesbury Road Cheltenham Gloucestershire	3,849 dwellings and 23 Ha employment use anticipated	November 2023 Planning Committee	Extensive discussions held around Scheme interface with development masterplan proposals, proposed developer contribution approach notified to the master developer.
	20/00759/FUL Erection of new residential development (Use Class C3), new vehicular and pedestrian access off Manor Road, attenuation basin and ancillary infrastructure Elms Park Tewkesbury Road Cheltenham Gloucestershire		Determined 23 rd March 2023	Section 106 contribution set out within decision. S106 agreement currently being worked on.
	23/00354/OUT Outline application for the erection of up to 180 residential units, including provision of vehicular and pedestrian access, green infrastructure and associated works. Appearance, landscaping, layout and scale are matters reserved for future consideration. Home Farm Quat Goose Lane Cheltenham Gloucestershire GL51 9RP		Outline application validated 03 rd March 2023	Proposed developer contribution approach notified to the master developer.

Site	Planning description of development		Planning status or anticipated planning timescales	Status of Scheme discussions with development
C - West Cheltenham Allocation: Policy A7	(22/01107/OUT TBC) (22/01817/OUT CBC) Outline planning application for residential development comprising a mixture of market and affordable housing (use class C3), which could include retirement/extra care accommodation (use class C2/C3) a flexible mixed use area with a community hub (including potentially use classes E, F1 and F2) a primary school and children's nursery to include use of sports pitches to provide public recreation space, site clearance and preparation, green infrastructure, walking and cycling routes, formal and informal public open space, sports pitch provision, drainage and other associated works and infrastructure, including utilities and highways works, all matters reserved except partially for access Land To South Of Old Gloucester Road Cheltenham Gloucestershire	1,100 dwellings and 0.1 Ha employment use anticipated		Proposed developer contribution approach notified to the master developer.
	23/01418/SCOPE Request for a scoping opinion for the NEMA owned land within the West Cheltenham allocation West Cheltenham Cyber Central Fiddlers Green Lane Cheltenham Gloucestershire	330 dwellings anticipated	Planning application anticipated Summer 2024	Proposed developer contribution approach notified to the master developer.
	Golden Valley Development	576 dwellings and 45 Ha employment use anticipated	Planning application anticipated Winter 2023	Proposed developer contribution approach notified to the master developer.
	CBC Residential Development	496 dwellings anticipated	Planning application anticipated Winter 2023	Proposed developer contribution approach notified to the master developer.

Figure A-1 - Location of the Scheme elements (M5 Junction 10 Improvements, A4019 Widening, and the Link Road to West Cheltenham), the allocated land at West and North-west Cheltenham (light blue areas on the figure), and the safeguarded land areas at north-west and west Cheltenham (dark blue areas on the figure). (* Safeguarded land is land which has been identified for development in the future and is protected from conflicting development).



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