

To: Oxfordshire Growth Board

Title of Report: Oxfordshire Housing and Growth Deal Progress Report – Year Two

Date: 28 July 2020

Report of: Bev Hindle, Growth Board Director

Status: Open

Executive Summary and Purpose:

The purpose of this report is to update the Growth Board on progress at Quarter 4, Year 2 (2019/20) with the Oxfordshire Housing and Growth Deal (the Deal).

The report provides a summary of the following strands of the Deal.

- Infrastructure programme
- Affordable Housing programme
- Oxfordshire Plan 2050.

The fourth strand of the Deal, Productivity is reported through the OXLEP Board under separate arrangements.

A summary of the current governance position is also contained in the report.

A separate assurance statement detailing the financial position of the Growth Deal will be reported separately by Oxfordshire County Council, as the Accountable Body.

Recommendation; That the Growth Board notes the progress at Quarter 4, 2019/20 towards the Housing and Growth Deal.

Appendices: None

HOMES FROM INFRASTRUCTURE PROGRAMME

1. The Growth Board will recall that the Homes from Infrastructure Programme (Hfi) is a £150m investment in infrastructure to support the acceleration of already planned housing in Oxfordshire over a five-year period from 2018/19 to 2022/23. The infrastructure projects include road, rail, cycle routes and footpaths, as well as social infrastructure such as schools.

2. The Hfl programme has two aspects.
 - Firstly, the commitment to spend £30 million per annum on named infrastructure projects that have been identified as accelerators for planned housing growth in Oxfordshire.
 - Secondly that this expenditure will then accelerate 6,549 planned homes that might not otherwise have come forward at this pace.

Infrastructure

3. The Growth Board will recall that in the last update officers advised that Oxfordshire County Council (OCC), who are the lead delivery partner for the infrastructure workstream and deliver the projects through their capital projects governance framework and project lifecycle have advised officers that the emerging spend profiles for the planned infrastructure schemes was leading to the conclusion that the originally negotiated spend profile of £30 million per annum did not reflect the reality of the programme.
4. Officers reported that they believed that a more realistic profile would see spend much more backloaded, with greater spend at the latter end of the 5-year period when projects reach the construction phases, whilst years two and three will see the majority of spend associated with planning and design work, which is typically only a small percentage of an overall scheme's cost.
5. Because of this, officers embarked upon a review of the infrastructure programme in the final quarter of the year with the intention of agreeing with government this revised delivery profile and associated financial trajectory.
6. This review commenced as planned but has been overtaken by the COVID crisis which has had a significant impact upon the timing and costs of the infrastructure programme, impacts that are at the time of writing of this report still not fully understood.
7. OCC are continuing to revise the delivery trajectory with a view to offering a new baseline for the programme against which performance can be measured. Officers will report back on progress once these have been agreed, which we anticipate will be by the September Board meeting

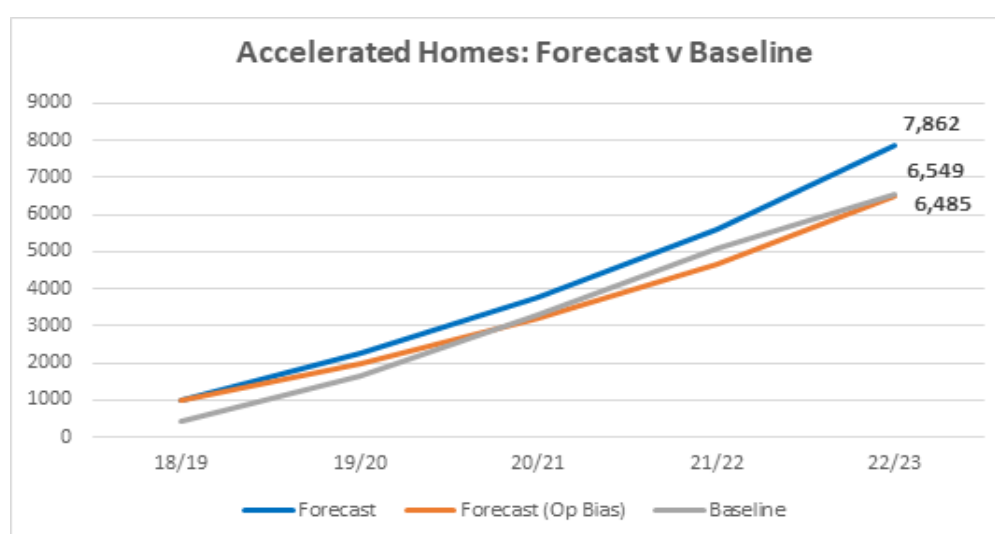
Risk Management

8. The following risks have been identified as the key risks to the infrastructure programme:
 - The increased backloading of the infrastructure programme, leading to concerns that some schemes may fall outside of the 5 year time-frame of the Deal.
 - Managing the impact of the infrastructure programme upon the Oxfordshire road network- recognising that there are other significant infrastructure investment programmes in the same time frame.
 - Procurement and market readiness.
 - Potential delays due to the need to acquire land through compulsory purchase.

- Reliance on third parties (developers / network rail etc) for delivery.
 - The impact of COVID, for example delays to schemes caused by lockdown, interruptions to supply and labour chains and the wish of contracts to be renegotiated by infrastructure providers to reflect their new operating environment.
9. Officers have developed risk registers for each infrastructure scheme, including appropriate mitigations that are regularly reported to the Programme Board to ensure that risk is managed.

Delivering Housing from Infrastructure

10. At the end of the third quarter officers reported the following trajectory for the Homes from Infrastructure programme, based upon partners assessment of their housing delivery trajectories at the end of December:



11. The graph shows that, against the trajectory of accelerated homes agreed in the Deal, of 6549 homes, we are estimating that we will accelerate 7862 homes. Once we factor in the appropriate 20% optimism bias percentage to this expectation, we are estimating expecting to achieve 6485 homes.
12. The Board noted that the trajectory has reduced since we last reported to the Board and is now below the 6549 target, when the optimism bias is applied.
13. The Board also noted that the figure of 6485 was a mid-year estimate of housing completions, one that is not based upon empirical evidence of completions but a largely desk based assessment of the trajectory. The Board were advised that all partners finalise the year end position via a count of actual completions- at which point the optimism bias will not be required- and at this point officers expected the final year end position to be above target.
14. This work was anticipated to be completed in time to report to the Board, however as with other aspects of the Deal the COVID crisis has had a significant impact on partners ability to assess the delivery trajectory for the remainder of the programme.

15. The consequent impact of these COVID delays has meant that partner councils have not been able to complete the year end assessment of progress to date on the Hfl programme, specifically an assessment of how the current level of completions at the year-end influences the estimated overall trajectory for the full five years of the programme.
16. Council partners are now aiming to complete this work by August of this year, which means that the Growth Board meeting in September will receive this data. Homes England have been advised of this revised timeline

Risk Management

- The delivery plans contain the following risks, identified as the key to the delivery of homes:
 - The pace of infrastructure delivery now heavily influenced by COVID. Particularly that identified as crucial to the acceleration of homes and the consequent impact on the pace of related housing development.
 - Reliance on third parties (developers / network rail etc) for delivery of infrastructure.
 - The speed of resolution of any planning issues needed to unblock sites, this has also been delayed by COVID.
 - Potential impact of external market factors and the health of the economy.
 - The stage and pace of development of some of Oxfordshire's Local Plans.
17. Ongoing analysis of the above risks ensure a comprehensive understanding of mitigation activities are planned.

AFFORDABLE HOUSING PROGRAMME (OAHF)

18. The Board will not be surprised to learn that the Affordable Housing Programme (OAHF) has also been affected by the COVID crisis with all development sites closing as a result of the pandemic. This has led Registered Providers reporting significant delays in their delivery trajectories, typically between 6-9 months.
19. The key impacts of the pandemic and the consequent closedown of development on the OAHF has been:
 - Year two schemes that were close to being completed by the 31 March deadline were delayed- meaning that our ambition for this year was significantly reduced.
 - Most of the schemes programmed for year three have been delayed and outside of the current window of the OAHF.
20. Recognising the last-minute impact upon the year two programme, government agreed to pay the grant for the full programme of 192 units and asked the accountable body to hold this money until the district partners reported that schemes had achieved the relevant contractual milestone.
21. Regarding the year three programme, officers were requested by government to carry out a review and report by the end of May. The outcome of the review was that:

- The full three-year programme has been materially reduced and now stands at 759 units against the target of 1322 units- 57% of target.
- Predicted drawdown of budget will be £29.81 million against the full budget of £60 million, a drawdown of £49.5% of budget.

22. The response of officers to this review has been as follows.

- We have been seeking to further grow the OAHP to provide the size of programme that experience tells us will be required to offset the inevitable drop out of schemes- a likelihood that has increased as the COVID implications continue to influence the housing development market.
- We have with the encouragement of HE developed a year four programme for the OAHP- one that, if agreed with government would see us meet both numeric and budget spend targets.
- We have submitted a proposal to government setting out how we could use the final year(s) of the OAHP as a counter cyclical tool for housing market recovery and the changes required to the current rules of the OAHP that would be required to maximise this opportunity.

23. Officers have at the time of writing this report not met with HE to discuss either the possible extension to the OAHP or the economic recovery proposal but will update the Board verbally at the meeting.

Risk Management

24. The key risks to delivery of individual schemes within the OAHP, are now primarily from delays in planning and tender processes caused by the COVID crisis together with financial challenges to schemes viability. These risks are managed at district/city level.

25. In addition to these site-specific risks, there are more general risks identified for the Programme, these are:

- That the OAHP is not currently large enough to withstand the anticipated dropout rate of schemes that typically occurs through the programme. Experience to date suggests that up to a third of schemes can be delayed in any one year for a variety of reasons, and the OAHP needs to have the capacity to allow for such drop out and still deliver to target.
- The risks to the OAHP of the anticipated downturn in the economy, slowing housing completion rates and thence the affordable units developed. It is this risk and our proposals to counter it that are the basis for our economic recovery proposal outlines in paragraph 22.

OXFORDSHIRE PLAN 2050

26. Work in quarter four has been focussed on several key areas:

- Continuing engagement with stakeholders and in particular Duty to Co-operate bodies
- Further broadening the reach of our engagement, targeting those underrepresented in consultation responses to date
- Commissioning and progression of technical studies, building the evidence base
- Progressing work in co-ordination with the Liaison and Heads of Planning Groups and the steering and working groups of technical expert officers
- Developing spatial scenarios and options for testing

27. Engagement has continued through quarter four with further work to broaden the reach of the project and range of participants. There have been workshops with students of Abingdon and Witney College and the City of Oxford College and a blog written by the Plan Team's work experience student.

28. Preparation work has been progressing to build a new portal for engagement to be called Oxfordshire Open Thought for launch later in the year. In addition, meetings have been continuing with the Duty to Co-operate bodies to ensure that any strategic matters and cross boundary issues are identified and addressed through the Plan.

29. The production of the Plan will require a significant level of technical work to form the evidence base. The evidence base will help to shape the policy options for the Plan, then be used to test those options, and in due course will form the supporting evidence for the consideration of the Plan at examination by an Inspector. Several key evidence studies are underway with consultants appointed. Each technical commission is being carried out with the involvement of all the authority partners, via a steering group to oversee the commission.

30. To ensure that the wealth of local knowledge and expertise available within the councils (and partner organisations) is used to its full potential, a series of informal steering groups and working groups have been established to oversee specialist topic workstreams, such as health, transport and natural capital. It is hoped that the Oxfordshire Open Thought exercise will also broaden the range of local expert voices on such issues to benefit the development of the Plan.

31. With the outbreak of COVID, work is progressing to assess the potential impact on the programme and the development of the Plan. The required officer and member meetings to approve the next stage of work will be more difficult to prioritise amongst other COVID recovery work; engagement exercises will need to be redesigned to work in a socially distancing context; and there may be some impacts of the work of the various technical consultants. We are working with consultants to ensure that work on the evidence base incorporates where appropriate, consideration of the changing

economic and social circumstances of the COVID situation and any possible longer-term impacts of those.

32. Over the next quarter, officers will continue refining and then testing a series of spatial options and thematic policy options, including through the Sustainability Appraisal process (against environmental, economic and social objectives). This work will build towards the production of the next formal consultation document. The focus of that next consultation document will be the options for the Plan, it will present a tested set of options for public and stakeholder consideration.

Risk Management

33. The following have been identified as the key risks to the production of the Oxfordshire Plan 2050:
- Challenges of being a front-runner, producing a new type of Plan with little bespoke guidance in national policy.
 - Challenging timeframe for production of the Plan given the complexities of the topics it will cover and of partnership working.
 - The development of a clear, agreed spatial strategy to form the basis of the policies; without this the defence of the Plan and its policies would be impossible.
 - Links with external projects such as the OxCam Arc.
 - Links with and relationship to district Local Plans especially with those which haven't yet been adopted.
34. Officers have developed a detailed risk register including mitigations that are reported to the Heads of Planning Group and the Programme Board to ensure that risk is managed.

DEAL GOVERNANCE AND FINANCE

35. Programme governance for Q4 has focused on the financial process for the Growth Deal Capacity Fund to provide a tactical and strategic perspective of the financial position, based on supporting transactional evidence. This work has resulted in developing a more robust process to check and challenge all Capacity Fund transactions at a tactical level and to take immediate action to investigate and initiate corrective action. At the end of Q4, all financial queries were either resolved or in the process of being actioned.
36. The strengthening of the financial reporting of the Growth Deal Capacity Fund has been acknowledged by the Growth Deal Programme Board.
37. The monthly financial statements are overseen by OCC Finance, as the Accountable Body. OCC Finance also lead on the production of the financial assurance statements for the Growth Board, Executive Officer Group (as required) and the Growth Deal Programme Board.
38. Regular reporting to the Growth Deal Programme Board encapsulate the financials of the following elements of the Growth Deal:

- Capacity Fund – Housing and Oxfordshire Plan (JSSP) staffing and non-staffing costs. Plus 2 projects – Rail Connectivity Study and OxIS refresh
- Affordable Housing Programme - number of units/grant funding
- Infrastructure programme – capital and revenue spend
- Growth Board – support team and non-staffing costs

39. It is to be noted that the reporting process for the financials of the Infrastructure programme is currently in development by the OCC Infrastructure team. Progress will be reported at next quarter.
40. Work to assess the budget to support programme milestones for Year 3 + in terms of work priorities, staffing requirements and estimated costs is now underway. The assessment will also reflect on the impact of COVID on the Growth Deal milestones and the priorities needed to support a Recovery Plan.
41. A separate financial assurance statement will be presented to the Growth Board by the OCC Accountable Body.

Risk Management

42. As part of programme governance, the Growth Deal Programme Board oversee a strategic RAID log, reporting on strategic risks and issues and acknowledging the assumptions and dependencies of the programme.
43. Work in Q4 has been to review the formatting and production of this report to gain a more efficient way of reporting risks and issues. Main change is in developing the RAID log to be more of a strategic driver to the programme in terms of actions, priorities and ownership. This work commenced in Q4 and is currently in draft format for review by the Growth Deal Programme Board in July 20.
44. A key risk to programme governance remains with the outstanding Growth Board review and its outcomes, including finalising roles, responsibilities and decision making. This work, once finalised and the outputs shared, will enable the Growth Deal Programme Assurance Framework to be finalised and fully implemented.

LEGAL IMPLICATIONS

45. None arising from this report.

OTHER IMPLICATIONS

46. None arising from this report.

CONCLUSION

47. This report outlines progress against the agreed Growth Deal year two milestones at end of Q4 2019/20.

48. Progress is being made towards meeting our commitments under the Deal and there are robust management arrangements, both within each council and across the partnership to address risks and issues as they arise.
49. In the last report for quarter three officers reported that the focus for the final quarter of year two needs would be on activity required to complete the delivery of the year two programmes and to develop confidence in the delivery of commitments in future years.
50. The former of these tasks was completed but the latter has been significantly affected and delayed by the COVID crisis. The impact of the pandemic and subsequent closedown of development is material to the Deal and to date still not fully understood. Officers are engaged in scoping out the impacts and managing the impacts on the Deal in consultation with government.
51. The report asks the Growth Board to note this progress with the Deal and the achievement against the milestones committed to.

BACKGROUND PAPERS

None

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