

To: Oxfordshire Growth Board

Title of Report: Oxfordshire Housing and Growth Deal Progress Report – Year 3, Quarter 3

Date: 22 March 2021

Report of Paul Staines: interim Head of Programme

Status: Open

Executive Summary and Purpose:

The purpose of this report is to update the Growth Board on progress at Quarter 3, Year 3 (2020/21) with the Oxfordshire Housing and Growth Deal (the Deal).

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

- Housing from Infrastructure Programme
- Affordable Housing programme
- Oxfordshire Plan 2050
- Productivity

A detailed update on Growth Deal governance is programmed for the next quarter report.

The Board will be aware that the fourth strand of the Deal, Productivity is also reported through the OxLEP Board under separate arrangements.

Finally, Oxfordshire County Council, as the Accountable Body, provide a separate report detailing the financial position of the Growth Deal elsewhere on this agenda.

Recommendation:

That the Growth Board notes the progress as at Quarter 3, 2020/21 towards the Oxfordshire Housing and Growth Deal.

Appendices: None

Summary of programmes at 31/12/2020

Homes from Infrastructure programme

- 1) The Growth Board are aware that the Homes from Infrastructure Programme (Hfi) is a £150m investment in strategic infrastructure to support the acceleration of already planned housing in Oxfordshire.
- 2) The Hfi programme has two aspects.
 - Firstly, the commitment to spend £30 million per annum on named strategic 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.
- 3) Oxfordshire County Council (OCC) are the lead delivery partner for the infrastructure delivery element of the Hfi, which they deliver through a new capital projects governance framework. The management of the consequent acceleration of the planned housing is by the district housing authorities through the Growth Deal Core Team. Officers report progress monthly to the Growth Deal Programme Board.
- 4) The Hfi timeline originally agreed in the Deal was a five-year period from 2018/19 to 2022/23. However, as was detailed in the last report to the Board, it has now been agreed with MHCLG that this will be extended for up to two years to March 2025 to allow schemes whose development has been impacted by the COVID pandemic to complete.

Infrastructure

- 5) The Board will recall that there are 23 infrastructure projects within the Hfi that include road, rail, cycle routes and footpaths, as well as social infrastructure such as schools. The link below leads to a list of the schemes.
<https://www.oxfordshiregrowthboard.org/wp-content/uploads/2021/03/List-of-Growth-Deal-Infrastructure-Schemes.pdf>
- 6) The Board will recall that following the approval of a revised programme in the Summer of 2020 officers advised that this offered both an increased alignment to Oxfordshire's priorities and a higher degree of delivery certainty- albeit within a period when the COVID pandemic was impacting upon all strategic infrastructure and housing delivery.
- 7) Throughout the year officers have been working on delivering to this new timetable, developing detailed project plans and associated risk assessments that have enabled officers to performance manage the Hfi programme to a far higher degree than has previously been possible.
- 8) As we approach the end of the financial year the target is to spend the allotted £30 million annual drawdown. As at 31/12/20 officers are confident of reaching this target although challenges remain with securing contracts for schemes by

the end of March, challenges exacerbated by the pandemic. Officers will be able to advise verbally at the meeting of the most up to date position.

- 9) The Board should also be aware that soon after the year end officers will once again review the infrastructure programme and recommend necessary adjustments.

Risk Management

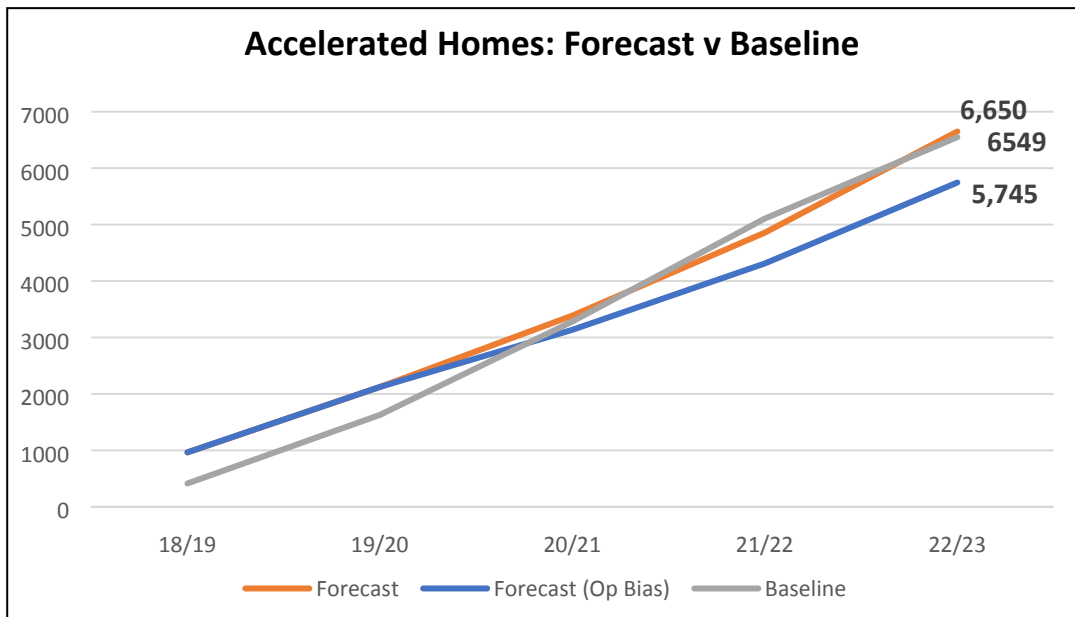
10) Officers have identified the following continuing risks to the Hfl programme:

- The backloading of the programme, an issue compounded by the pandemic that has led to concerns that some schemes may fall outside of the 5-year timeframe of the Hfl programme. Consequently, as advised Government has recognised this issue and have signalled that they will allow the programme to be extended for a further two years to enable delayed schemes to be completed and all the related accelerated housing to be delivered.
- The continuing commitment to spend £30 million annually on the Hfl programme, when this linear profile does not reflect the reality of infrastructure project spend, which is typically heavily backloaded to the build phases.
- Managing the impact of the Hfl programme upon the Oxfordshire road network- recognising that there are other significant infrastructure investment programmes in the same timeframe, for example Homes from Infrastructure (HIF) schemes.
- Potential project delays due to the need for some schemes to acquire land through adversarial routes such as compulsory purchase.
- Reliance on third parties (developers / network rail, etc) for delivery.
- The continuing impact of the COVID pandemic, for example further delays to schemes caused by current and future restrictions, COVID safe work practices restricting productivity, interruptions to supply and labour chains and the wish of infrastructure providers to renegotiate contracts to reflect their new operating environment.

11) Officers at OCC have, as part of their performance management of the programme, identified all relevant risks to each infrastructure project and provided an appropriate RAG rating for each scheme. This is reported monthly to the Programme Board alongside any appropriate mitigations to ensure that we continue to manage risks appropriately.

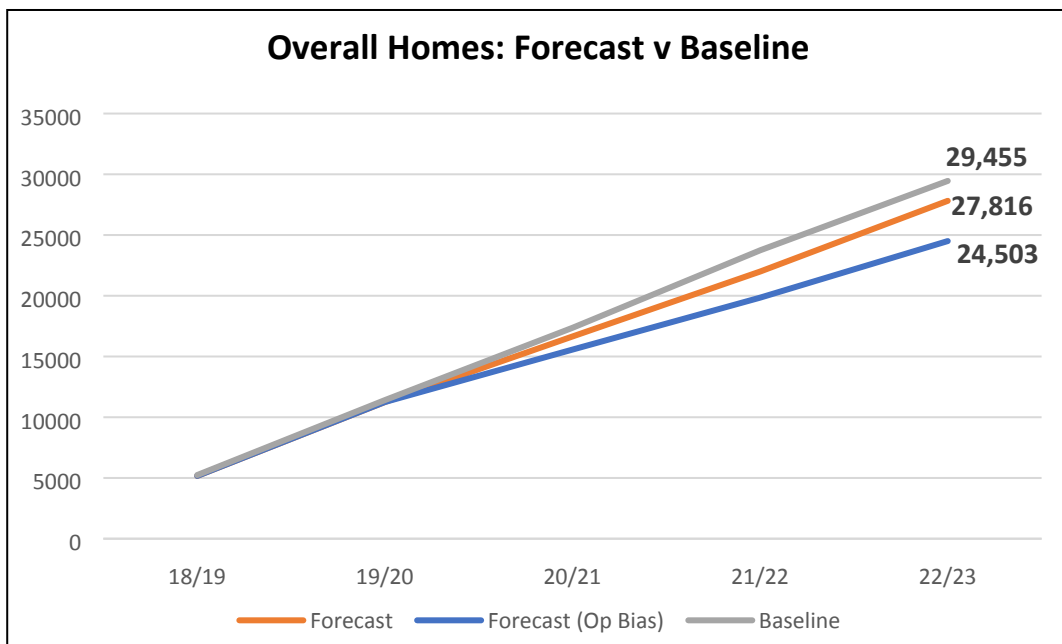
Delivering Housing from Infrastructure

12) The estimated position for the Housing from Infrastructure (Hfi) programme as at 31st December is as follows:



13) The Board will note that the trajectory, whilst remaining just above target, is now below the 6549 homes target, when we apply the 20% optimism bias to the expected delivery in the remaining years of the programme.

14) Looking at the overall housing delivery trajectory for the Growth Deal period, which is also a target in the Deal, the graph below offers the position. The Board will note that for this target our overall forecast is below target, before we subtract the 20% optimism bias.



15) In considering these figures, the Board will recall that officers have previously advised that they expected that the effect of the COVID pandemic would be to delay housing completions and consequently reduce the total number of homes

both accelerated and delivered overall in the Hfl programme, as this was a time limited programme. The completed mid-year trajectories from the partners suggest that this is most likely the case in all districts.

16)The Board should also note that the above figures cover only the first five years of the Hfl programme. Now that MHCLG have agreed to extend the programme by two years officers believe there is a case for the inclusion of accelerated homes in that two-year period. MHCLG have agreed to consider this proposal and officers are working on what this revised trajectory would be with a view to reporting this at the year end.

17)Finally, the Board will recall that mid-year housing completion figures such as these presented in this report are prudent desk-based estimates by officers, based upon developer feedback where it is available rather than actual counts – these being done at the year end. These mid-year figures are in effect estimated performance indicators for the Board rather than formal figures reported to Homes England and MHCLG and the Board should therefore treat them with a degree of caution.

Risk Management

18)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.
- The slowdown of housing development caused by COVID.
- The speed of resolution of any planning issues needed to unblock sites.
- Potential impact of external market factors and the health of the economy- for example, the stamp duty holiday has had a positive effect upon demand for housing, but recent market analysis suggests that the market is slowing.

19)Officers develop a comprehensive risk-based analysis and delivery trajectory which the Programme Board review on an ongoing basis.

Affordable Housing Programme (OAHP)

20)In our last report to the Board, officers advised that agreement had been reached for the OAHP to be extended to a 4th year, with the potential for schemes substantially completed to be allowed to run into a 5th year- with permission from MHCLG given on a scheme by scheme basis.

21)Taking this extension of time into account officers revised the OAHP and our revised programme now suggests that the Board should anticipate being able to deliver both the budget and numeric targets agreed in the Growth Deal by drawing upon a proposed programme of 1410 units, bolstered by a contingency programme, from which we can draw should schemes fail to materialise as anticipated that totals 521 units.

22)Like the Hfl programme, the COVID crisis has affected the OAHP with all development sites closing because of the pandemic earlier this year and those now open having to contend with COVID safe work practices limiting output.

- 23) The Board will recall that, recognising the last-minute impact upon the Year 2 OAHP earlier this year, 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. Officers can now report that all the delayed Year 2 schemes have reached the required milestone to draw down funding.
- 24) The pandemic has also had a consequent impact upon the Year 3 programme materially reducing it to 275 units in our revised programme. This is because 490 delayed units have slipped to the fourth year. However, of this revised Year 3 programme a total of 145 units have already secured the contractual milestone required and officers are cautiously confident that we will meet the targets agreed.
- 25) The Board will note that achievement of these targets will still leave us with a significant challenge in the final year of the OAHP to deliver 664 units and grant draw down of £34,450,375 to ensure we meet our overall targets.
- 26) These challenges are both project management and financial. Officers monitor all schemes in the programme closely and report to the Programme Board as appropriate to ensure every effort to achieve the relevant contractual milestone is made.
- 27) The financial challenges facing the OAHP are twofold, these being firstly, the ability of the OAHP to offer competitive grant rates for affordable housing. The ability to flex grant rates- subject to a value for money exercise held in conjunction with Homes England has mitigated this challenge.
- 28) Financial challenges are also offset by the decision of councils to apply local Top up Grant to the OAHP where deemed appropriate. In our previous report officers advised that some £5 million of local Top up Grant was earmarked for the OAHP and highlighted how much of this is applied to add value to existing schemes, specifically to uplift the schemes to provide greater energy efficiency as part of the Board's aim to deliver low/zero carbon housing. The Year 4 programme currently intends that 57% of that year's programme or 379 units will be categorised as low or zero carbon housing.
- 29) Secondly, the size of the Year 4 OAHP also presents a financial challenge. This is because grant for the OAHP is drawn down retrospectively at the year end and partners had agreed to forward fund grant applications from RPs in the meantime. Consequently, the size of the advance payments potentially required could have a material financial impact in the short term.
- 30) Happily, officers can report that they have been able to negotiate with MHCLG a quarterly draw down regime for OAHP grant which should offset any issues for partners. This was introduced for the first time for the third quarter this year and at the time of writing this report will result in a grant drawdown of £5,960,000 at the end of February for the 145 units already at contractual start on site at 31st December.

Risk Management

- 31) The key risks to delivery of individual schemes within the OAHP, are 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.
- 32) 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 mitigation for this has been the development of the contingency programme which can be used to draw in additional units as required.
- 33) The risks to the OAHP of the anticipated downturn in the economy, slowing housing completion rates and thence the affordable units developed.

Oxfordshire Plan 2050

- 34) In Quarter 3, the focus of the team has been on the following key areas of work:
- Development of the Oxfordshire Strategic Vision
 - Progressing technical studies to build the evidence base
 - Working to refine policy options for the Plan

Development of the Oxfordshire Strategic Vision

Over the last quarter capacity has continued to be made available from the Oxfordshire Plan team to contribute to the team developing the Oxfordshire Strategic Vision. This is because, as well as the wider benefits to the work of the Growth Board, the Strategic Vision will be helpful to the development of the Oxfordshire Plan 2050 (OxPlan) in that it establishes a clear narrative setting out what the partners are trying to achieve and what the strategic priorities are. The Oxfordshire Plan will then be one of the significant tools available to help achieve the ambitions of the Strategic Vision. The Vision is the subject of a separate report on the Board's agenda

Progressing technical studies

The focus of the team's work in Quarter 3 was on the delivery of key elements of the technical evidence base. The evidence base comprises a range of technical studies that provide valuable baseline information, mapping, projections, and analysis on topics related to environmental, social and economic factors that will influence the Plan. The team will use these emerging outputs of these studies to inform the selection of options that we will present for consultation in the next published Plan document.

Each of the evidence base studies will be published alongside the OxPlan (Regulation 18 part 2) consultation document so that those engaging with the process can understand the work that has informed its drafting. Thereafter we will use the studies to test the options and in time they will form the supporting evidence for the consideration of the Plan at examination by an Inspector. It is crucial to the Plan making process to make this evidence base gathering stage comprehensive and robust.

Working to refine policy options

Throughout the project a series of officer teams drawn from across the wider partnership have continued to meet to provide input into the plan making process. In the Quarter 2 report we mentioned that the focus of these groups had been on defining and refining policy options for the OxPlan. This work has continued into Quarter 3. The OxPlan team are keen to make the best of the wealth of local and specialist knowledge available within the partners. This is being used alongside best practice, government guidance, the Sustainability Appraisal process, and the emerging outputs of the technical studies to inform the policy options for the OxPlan. Work will continue into Quarter 4 to refine these, ensure there is evidence for, and build consensus around the options we will present in the consultation in the Summer of 2021.

Risk Management

34) The following previously reported key risks to the production of the OxPlan remain important considerations:

- Challenges of being a front-runner, producing a new type of Plan with little bespoke guidance in national policy – this has become more relevant with the publication of the Planning White Paper.
- Challenging timeframe for production of the Plan given the complexities of the topics it will cover and of partnership working – this is now mitigated by the new timetable outlined above although there is no further contingency.
- 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 – development of the Strategic Vision seeks to help to fill this space.
- Links with external projects, for example the OxCam Arc Spatial Framework.
- Links with and relationship to district Local Plans, especially those which have not yet been Adopted.

35) 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.

Productivity

36) In September, the Oxfordshire Investment Plan was published, setting out how Oxfordshire partners will aim to translate the ambitions detailed under the Local Industrial Strategy into a coherent and dynamic programme of activity.

37) The Investment Plan, which covers the first decade of activity to 2031, comprises over twenty business-case ready investible projects worth c£4.3 billion and includes a public sector investment ask of £1.1bn which, in turn, will leverage almost £2.6bn of private sector funding into projects, alongside committed public sector infrastructure funding of £0.7bn.

38) The portfolio of business cases will deliver:

- 24,500 new jobs (gross full-time equivalents)
- 344,400m² of new commercial and innovation floorspace

- Support for 29,400 new homes (based on existing local plans and the Oxfordshire Housing & Growth Deal)
- 2,700 qualifications (NVQ4+ and Apprenticeships)
- Support for over 41,000 adult and young learners.

39) More widely, the portfolio will secure a total of £3.6bn of Foreign Direct Investment and produce GVA of £1.2bn per year from 2031 (based on average Gross Value Added per job).

40) Officers have circulated the Investment Plan widely in Government to eight Cabinet Ministers and their senior departmental officials as well as our Oxfordshire MPs and the wider Oxfordshire business stakeholder community.

41) Preparation of the document has been a significant effort which has seen full engagement of our local authorities, science parks, Universities, and business groups in the development of the underpinning business cases and drafting of the Investment Plan. Officers believe that it is a powerful statement to Government and others of the strength of partnership working in Oxfordshire to drive the Productivity workstream.

42) Officers have challenged business cases during coaching sessions to consider the impact of COVID on their propositions. In particular, sponsors have been encouraged to look at how their proposals remain robust and deliverable in light of the new economic conditions and how they will support economic recovery including the market opportunities and risks which have been created.“

Legal Implications

43) None arising from this report.

Other Implications

44) None arising from this report.

Conclusion

45) This report outlines progress against the agreed Growth Deal Year 3, Quarter 3 milestones.

46) The last three quarters of the Deal have seen the partners address both the historic challenges the Deal has faced since its inception and those challenges presented by the COVID pandemic.

47) The report shows that despite these challenges Oxfordshire is making progress 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.

48) The report asks the Growth Board to note progress with the Oxfordshire Housing and Growth Deal and the achievement against the milestones committed to.

Background Papers

None

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