

To: Oxfordshire Growth Board

Title of Report: Oxfordshire Housing and Growth Deal Progress Report – Year 3, Quarter 4

Date: 19 July 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 the end of 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

The last quarterly report to the Board committed to the inclusion of a comprehensive update of governance for the Deal and this is included in this report.

This report provides a brief overview of progress with the Productivity strand of the Deal. The Board will be aware that the fourth strand of the Deal, Productivity, is reported in greater detail to the OxLEP Board.

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

Recommendation:

That the Growth Board notes the progress as at Quarter 4, 2020/21 towards the Oxfordshire Housing and Growth Deal.

Appendices: None

Housing from Infrastructure programme

- 1) 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 Hfl programme has two aspects.
 - Firstly, the commitment to spend £30m per annum over 5 years on named strategic infrastructure projects, identified as accelerators for planned housing growth in Oxfordshire.
 - Secondly that this infrastructure expenditure will then accelerate 6,549 planned homes that might not otherwise have come forward at this pace. This is because either the completed infrastructure allows housing to be built earlier than otherwise or the planned investment provides developers with confidence to build out sites faster than they might otherwise.
- 3) The Hfl timeline originally agreed in the Deal was a five-year period from 2018/19 to 2022/23. This has been extended for up to two years to March 2025 to allow schemes to complete.

Infrastructure

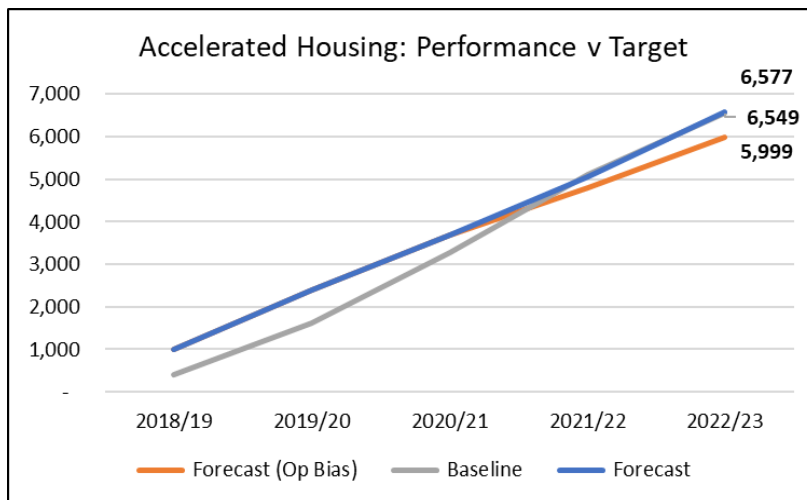
- 4) Oxfordshire County Council (OCC) are the lead delivery partner for the infrastructure element of Hfl which they deliver through their capital projects governance framework.
- 5) The infrastructure element of the Hfl programme comprises 23 infrastructure projects that include road, rail, cycle routes and footpaths, as well as social infrastructure such as schools. A link to a list of the schemes can be found [here](#).
- 6) The commitment from Oxfordshire is that we will work to draw the grant down in five equal tranches of £30m per year. Previous reports have highlighted the challenge of this linear draw down of grant and the fact that this does not align to the typical spend profile of an infrastructure project, which usually sees expenditure towards the latter stages of the project when construction is completed.
- 7) The key infrastructure milestones completed in this year have been:
 - Achieved a total spend of £29.093m.
 - Sealed 21 separate contracts for various aspects of work from feasibility to design to construction with a total value of £40.5m.
 - Secured a further 2 funding agreements with other public bodies valued at £16.5m.
 - Completed A361 Safety Scheme, A4095 rail underbridge, Access to Headington, Science Vale Cycle network schemes.
 - In construction: Botley Road Corridor, A40 Oxford North with several projects in feasibility and detailed design, including securing planning approval on the A40 Science Transit scheme.
- 8) Officers have also been engaged in an annual review of the programme, designed to ensure that the schemes included in the programme are deliverable within the timeframe for the programme and costs are controlled.

Risk Management

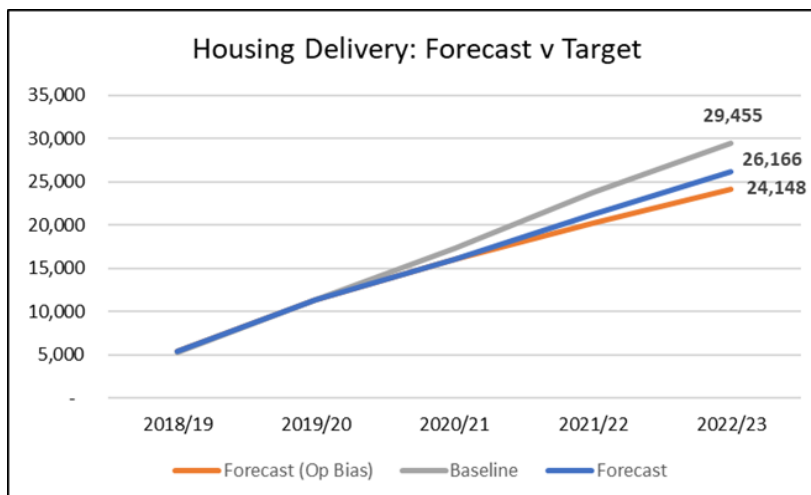
- 9) The OCC manages each infrastructure project, in conjunction with relevant partners and all risks and issues are identified and mitigated.
- 10) Officers have, as part of their performance management of the programme, named all relevant risks to each project and supplied a RAG (Red/Amber/Green) rating for each scheme. The Programme Board receive monthly reports of risks alongside any mitigations to ensure that we continue to manage risks appropriately. This also forms part of the quarterly monitoring information provided to Homes England.
- 11) At a strategic level, the overall programme also has a Risk Register or RAID Log, updated quarterly, and reported to the Programme Board. This Strategic RAID Log holds the following risks to the Hfl programme together with actions proposed to mitigate.
 - 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. Government recognised this issue and have extended the programme for a further two years to enable the completion of delayed infrastructure schemes.
 - The continuing commitment to spend £30m annually on the Hfl programme when this linear financial 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.
 - Shortages of both labour and materials causing delays to projects. This is a growing risk to the programme and is a recognised national phenomenon.
 - Potential project delays due to the need for some schemes to secure land through adversarial routes such as compulsory purchase.
 - Reliance on third parties (developers / network rail, etc) for delivery.
 - The continuing impact of the pandemic, for example further delays to schemes caused by current and future restrictions, safe work practices restricting productivity, interruptions to supply and labour chains and the wish of contracts to be renegotiated by infrastructure providers to reflect their new operating environment.

Delivering Housing from Infrastructure

12) The estimated position for the Housing from Infrastructure (Hfi) programme as at 31st March 2021 is as follows:



13) The current expected accelerated housing delivery for 2020/21 is 1,292 homes, below the baseline target of 1,655. However, Oxfordshire significantly exceeded the baseline for accelerated housing delivery in the first two years of the Deal and therefore, overall, partners anticipate that accelerated housing trajectory over the original five years of the Deal will still be above target at 6,577 homes against a baseline of 6,549. However, when applying the 20% optimism bias for the remaining years of the Deal the trajectory falls to 5,999.



14) The Deal also offered an expected trajectory for overall housing completions in the period. Overall completions in the first three years of the Deal were 16,074 homes against the three-year target in the Deal of 17,362 homes. This when added to a reduced trajectory for anticipated completions for the period to March 2023 on the above graph means that Oxfordshire expects that overall completions will be 26,166 homes against the target of 29,455 homes and when the optimism bias is applied to the remaining years of the Deal this falls to 24,148.

15) It should be noted that the impact of the pandemic and other delays upon the housing trajectories of councils has been primarily to move these to the

right, reflecting delays in delivery caused by the pandemic. This means that for Growth Deal sites delivering in a specific time window to March 2023 delivery has shifted outside of the original Deal timeline.

- 16) This report already notes that MHCLG (Ministry of Housing, Communities & Local Government) recognised this and agreed a programme extension for up to 2 years to March 2025 to mitigate this effect. Current calculations are that Oxfordshire could deliver 1,910 accelerated units in 2023/24 alone. Successful delivery of these units would ensure Oxfordshire significantly exceeds the 6,549 accelerated homes target.
- 17) The Growth Deal team are working to mitigate the reducing completions trajectory through regular engagement with locality partners. Quarterly review meetings are being held with Homes England to discuss performance and mitigation strategies for particular sites and Homes England are encouraging partner councils to involve them in instances of market failure with a view to discussing interventions to bring sites forward.

Risk Management

- 18) The risk management of the housing element of the Hfl programme has two elements. Firstly, there is the impact of the related infrastructure programme described in the earlier section but there are also non infrastructure related risks to housing delivery. The partnership has developed a two-tier risk assessment process that allows for consideration of both sets of risks and issues, reported monthly to the Programme Board and quarterly to Homes England.
- 19) Partners have also developed a Strategic Risk Register or RAID Log that names and addresses the following programme wide risks and issues.
- The pace of infrastructure delivery, particularly that identified as crucial to the acceleration of homes and the consequent impact on the pace of related housing development.
 - Any macroeconomic issues that cause a potential slowdown of housing development.
 - Shortages of both labour and materials causing delays to projects. This is a growing risk to the programme and is a recognised national phenomenon.
 - 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.

Affordable Housing Programme (OAHF)

- 20) In May, Officers met with MHCLG to provide a full year end report on progress with the OAHF. The headlines of this report are as follows:
- Achieved the revised Year 3 target of 275 units (agreed October 2020).
 - Year 3 grant drawdown total of £11,282,175, received on 24th May.
 - Year 4 programme of 806 units sent to Homes England along with a contingency programme of 896 units.

- A commitment from partners to apply £4.5m of local authority funds to the programme - specifically to help the development of low or zero carbon homes. The Year 4 programme has 366 homes classified as such, one third of the final year programme.
- The OAHP will, upon completion, lever in more than £4m of RCGF (Recycled Capital Grant Fund) from Registered Providers to Oxfordshire.

21) Earlier Board reports have highlighted the challenges faced by Oxfordshire in the delivery of the OAHP. The lack of a mobilisation period, legal barriers to delivery and grant rates that were lower than those offered by Homes England all contributed to the OAHP struggling to find traction in the affordable housing marketplace, leading to us not being able to deliver new affordable units at the rate that we indicated we would like in the original Deal.

22) These and other challenges led to agreement for revised terms and timeline for the OAHP with commitment to deliver 275 units in Year 3- achieved- and the final 664 units required to hit target in Year 4.

23) Agreement of this revised target still leaves us with a significant challenge in the final year of the OAHP. With half of the units required to meet the target still required by the end of March 2022. Achievement will allow us to draw down the remaining £34,450,375 and ensure we also meet our budget target.

24) The challenges are both financial and project management. Previously Oxfordshire has agreed with Registered Provider partners that it would forward fund any grant due in year until the year end. The potential scale of this forward funding in the final year presents a potential cash flow issue for councils.

25) To address this financial challenge, we have agreed a quarterly draw down regime for OAHP grant. The first time this was introduced was the third quarter of Year 3.

26) Addressing the challenge of delivery is a constant one for the OAHP. The high level of churn poses challenges for both setting and delivering accurate targets. Officers check all schemes in the OAHP closely and report to the Programme Board by exception to ensure we make every effort to achieve the relevant contractual milestone. Nonetheless experience shows that in any one year we can expect to see significant numbers of units either withdrawn or delayed in the programme, balanced by late project additions to the programme.

27) Oxfordshire has a comprehensive programme management regime involving close engagement with all partners that enables us to track schemes closely and project manage risks and issues where possible.

Risk Management

28) The key risks to delivery of individual schemes within the OAHP, are primarily from delays in scheme development, planning and tender processes, together with financial challenges to schemes viability. The partners manage these risks at district/city level.

29) In addition to these site-specific risks, there are more general risks named in the RAID Log for the Programme, these are:

- That the OAHP is not large enough to withstand the expected dropout rate of schemes that typically occurs through the programme. The programme needs to have the ability to allow for such drop out and still deliver to target. Mitigation of this risk is a persistent challenge, but one important response has been the development of the contingency programme, which can be used to draw in other units as required.
- The risks to the OAHP of a downturn in the economy, slowing housing completion rates and thence the affordable units developed.
- Shortages of both labour and materials causing delays to projects as well as affecting costs and viability. This is a growing risk to the programme and is a recognised national phenomenon.

Oxfordshire Plan 2050

30) In Quarter 4, the focus of the Oxfordshire Plan team (the Team) has been on four key areas of work, all of which then lead to the development of the final version of the Oxfordshire Plan Regulation 18 document into a full plan ready for consultation. The five key areas are:

- Finalising the Oxfordshire Strategic Vision- including consultation on the draft leading up to its endorsement by the Growth Board.
- Developing the spatial policy options for the Plan.
- Working to refine other associated policy options for the Plan.
- Progressing technical studies to build the supporting evidence base.
- Developing the Consultation Framework

Finalising the Oxfordshire Strategic Vision

31) In previous reports we have highlighted to the Board that although the ambition of the Strategic Vision is to provide a strategic framework for all of Oxfordshire, it remains the case that one core purpose is to establish a strategic narrative and a set of priorities for the Oxfordshire Plan, which will in turn then become one of the Plans that help achieve the ambitions of the Strategic Vision.

32) The Board carried out a consultation exercise through the third quarter and in the period to the end of March the Vision was finalised in the context of all responses and a final document prepared for endorsement by the Board. All partner councils have now agreed the Vision and it has been published on the Growth Board website along with a one page summary.

Developing the Spatial Policy Options for the Plan

33) Whilst it will not be the role of the Oxfordshire Plan to allocate sites for development it will offer an assessment of development options for local plans to reflect in their next iterations. At this stage of the Plan's development, councils are looking to establish and consult upon a range of spatial policy options that could inform later decisions. The Oxfordshire Plan team have been working with partner councils and the Oxfordshire Plan Advisory Sub-group on what a suite of spatial policy options could look like. This will be a key focus for the Regulation 18 consultation.

Working to refine policy options

- 34) Alongside the spatial policy options the Oxfordshire Plan Regulation 18 document will consult on a suite of related policy options designed to establish what future development could look like and how it addresses issues such as the environment, low carbon development, nature preservation and recovery, future transport and others.
- 35) This work to develop the suite of policies has been a genuine partnership project drawing expertise from partner councils and wider stakeholders. This pooling of expertise, alongside best practice, government guidance, the Sustainability Appraisal process, and the emerging outputs of the technical studies to inform the policy options for the Oxfordshire Plan will ensure that the draft policies are both robust and reflect partner consensus on the options we will present in the consultation.

Progressing technical studies

- 36) Finally, the partners are, alongside the Plan documents, building an evidence base comprising 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 intention is that these studies will be background evidence to inform the spatial and policy options that we will present for consultation.
- 37) It is intended that the evidence base studies will be published alongside the Plan (Regulation 18 part 2) consultation document by the 31st July 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 therefore crucial to the Plan making process to make this evidence base gathering stage comprehensive and robust.

Developing the Consultation Framework

- 38) The consultation of the Regulation 18 document will start on 31st July, subject to its approval by the partner councils. To prepare for this the Team are developing the website that will be the basis of consultation, using the Oxfordshire Open Thought platform that was successful for the part one consultation.
- 39) To complement this the team plan to host a series of themed seminar/workshops throughout July and August. There will also be focus groups commissioned to offer a representative view of local people and seminar with local colleges, a method of engagement that has proved beneficial in the past are also planned.
- 40) The team will also be offering all councils an opportunity for member workshops to explain the Regulation 18 Document in more detail.

Risk Management

- 41) The following key risks to the production of the Oxfordshire Plan 2050, previously reported 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 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. Meetings have been arranged with Arc officers to discuss this
 - Links with and relationship to district Local Plans.
- 42) Officers have developed a detailed risk register including mitigations to ensure that risks are appropriately managed.

Productivity

- 43) A key feature of the Oxfordshire Housing & Growth Deal has been the work undertaken by partners to ensure strategic alignment between our economic, spatial and infrastructure priorities, giving investors, Government and business the confidence that Oxfordshire has a clear vision and plan to deliver sustainable and inclusive growth. We have worked hard to ensure alignment of both the Local Industrial Strategy (LIS) and the Oxfordshire Plan 2050 to ensure they both use common evidence data, whilst also ensuring full integration between these plans and the priorities emerging from Oxfordshire's refreshed Infrastructure Strategy.
- 44) A number of aspects of the Productivity stream are now being operationalised through identified delivery channels which can take forward the priorities set out in both the Oxfordshire Local Industrial Strategy (which was jointly published with Government in July 2019 and is a key deliverable under the Oxfordshire Housing & Growth Deal) and the subsequent Oxfordshire Investment Plan which translates the ambitions of the Strategy into a coherent delivery programme – details of which were shared in the Q3 Progress Report to the Oxfordshire Growth Board.
- 45) Key proposals to support our world leading innovation ecosystem have been developed into business-case ready propositions and are now incorporated into the Oxford-Cambridge Arc Economic Prospectus which is being negotiated with Government for investment as part of the forthcoming spending review in the Autumn. Proposals include;
- the development of the space cluster at Harwell to harness new satellite technologies which will secure the campus as one of the world's most significant locations for space innovation
 - accelerating innovation in clean growth technologies to tackle climate change including a new Energy Systems Accelerator, a net zero Living

Lab at Harwell and development of a climate park at Howbery building on the nationally recognised centre of excellence in flood resilience located on the site

- supporting the development of connected and autonomous systems, technologies, and vehicles as part of the future of mobility which includes investment at the Culham Science Centre – currently the UK's testbed for these technologies
- investment into our health and life sciences clusters to support the acceleration of activity in therapeutics, vaccine development and commercialisation which has been in significant demand following the COVID-19 pandemic and the success of the Oxford vaccine.

46) In addition to these technology focused priorities, key regeneration projects named in the investment plan are starting to take shape as they work through planning, land assembly and infrastructure stages. These include:

- the West End Global Innovation District which encompasses the redevelopment of Oxford Station as well as the adjacent Oxpens, Osney and Island sites; Network Rail confirmed c£70m of investment to support the development of the station and work on the other sites are now progressing well following the impacts of the pandemic during 2020. A strategic stakeholder board has been set up to oversee the wider project and is working on visioning and initial spatial plans
- Salt Cross Science Park which is part of the proposed Garden Village near Eynsham and has attracted interest from key businesses to locate onto the site, which will create and also safeguard a substantial number of high skilled and well paid jobs in the west of the county.

47) Alongside these developments, priorities for skills support have been incorporated into the Oxfordshire Economic Recovery Plan (ERP) as part of our system-wide response to the COVID-19 pandemic. £1m of additional investment from the Department for Work & Pensions will support the development of skills development activities for adults seeking to return to work as well as new pathways for young people to progress into jobs being created across new technologies and sectors in the economy which will form part of the 'Social Contract' set out under the LIS.

Deal Governance and Finance

48) The focus of the Growth Deal Programme Office during Year 3 has continued to be in the management, co-ordinating and reporting of the following key priorities:

- Financial management of the Growth Deal Capacity Fund
- Development and reporting of business intelligence
- Co-ordination of strategic risk management
- Management and co-ordination of Growth Deal Programme Board agenda/papers
- Team support, including recruitment
- Business Continuity planning
- Programme management support

Financial management of the Growth Deal Capacity Fund

- 49) The Programme Office has continued its responsibility to produce the monthly financial statements to the Growth Deal Programme Board, presenting financial data on the Housing, Affordable Housing, Oxfordshire Plan, Infrastructure and OxIS Programmes together with associated running costs.
- 50) In the last quarter we completed the transfer of budget responsibility for the Oxfordshire Plan from Oxford City Council to enable the entire programme to be managed within the OCC financial system and in the calculations of the year end reserve position. This critical work has enabled the drafting of the budget reforecast for 2021/22 – 2023/24 to reflect the agreed extension of the Growth Deal within the constraints of the remaining budget of the Capacity Fund.
- 51) The Year End financial position remained within the original forecast. We propose that during Year 4 - Q2 2021/22, the reforecast will be finalised, and the updated figures will be reported in the financial statements, from Q2 onwards.

Business Intelligence

- 52) As part of our continuous improvement ethos, the business intelligence gathered and reported to Government, Growth Board and the Growth Deal Programme Board has evolved during Year 3 to provide critical data in varying formats to suit its audience, that is succinct and relevant.
- 53) For the Growth Deal Programme Board, we have replaced the individual programme updates with a newly designed monthly Highlight Reporting pack. This presents one source of business intelligence for all the Growth Deal programmes, except for the OxLEP programme (this programme is managed and reported separately by the OxLEP team).

Strategic Risk Management

- 54) Improvements to the reporting to the Growth Deal Programme Board of strategic risks and issues have continued during Year 3. This has culminated in the reporting of a high-level summary slide in the monthly Highlight Reporting pack of the strategic risks and issues to the programme. Work will continue during Year 4 on the mitigating actions and activities with the risks and issue owners. Risks and issues are presented with a RAG (Red/Amber/Green) status within a set matrix.
- 55) This work forms part of the overall Strategic RAID Log, representing 'Risks, Assumptions, Issues and Dependencies' of the Growth Deal Programme. Sitting underneath this Strategic RAID Log are a series of themed risk registers for each of the workstreams of the Deal, highlighted in the relevant sections of this report.

Legal Implications

- 56) None arising from this report.

Other Implications

57)None arising from this report.

Conclusion

58)This report outlines progress against the agreed Growth Deal Year 3 milestones.

59)The third year of the Deal has seen the partners address both the historic challenges the Deal has faced since its start and those challenges presented by operational issues resulting from, for example the COVID-19 pandemic.

60)The report shows that despite these challenges Oxfordshire continues to make good progress towards meeting our commitments under the Deal and there are continually evolving robust best practice partnership and management arrangements, both within each council and across the partnership to address risks and issues as they arise. MHCLG recognised these arrangements as best practice in the year end meeting discussed earlier in the report.

61)The report asks the Growth Board to note progress with the Oxfordshire Housing and Growth Deal at 31st March 2021, the third year of the Deal and the achievement against the milestones committed to.

Background Papers

None

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