

To: Oxfordshire Growth Board

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

Date: 24 November 2020

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 two, Year 3 (2020/21) with the Oxfordshire Housing and Growth Deal (the Deal).

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

- Housing from Infrastructure Programme
- Affordable Housing programme

This report also contains a summary of the current governance position.

The third strand of the Deal- OxPlan 2050 is the subject of a separate report to the Board today, whilst the reporting of the fourth strand of the Deal, Productivity is through the OXLEP Board under separate arrangements.

Finally, Oxfordshire County Council, as the Accountable Body report 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 2, 2020/21 towards the Housing and Growth Deal.

Appendices: None

BACKGROUND- AN AGREED EXTENSION TO THE DEAL

- 1) The Board will recall that officers reported at the last meeting on ongoing discussions with Government over potential changes to the terms of the Deal, recognising the historic delivery issues we had highlighted previously and the impact of the COVID pandemic.

- 2) Government recognised these challenges and agreed in principle with Oxfordshire on a set of amendments to the terms of the Deal to ensure that the investment of money time and energy by both parties would bear fruit where at all possible. The amendments agreed reported to the last meeting are:
- An agreement to extend the infrastructure programme by up to two years- where delays to delivery mean the scheme will not complete within 5 years- agreement to be a scheme by scheme basis.,
 - Agreement that the value of the Deal to aid market recovery should be maximised and that we could agree a wider set of infrastructure priorities for the Deal, without losing the focus upon housing delivery being consequent upon the infrastructure investment.
 - Agreement to extend the current three-year affordable housing programme to a fourth year to reflect the delays caused by the COVID pandemic- with additional flexibility into a 5th year to allow for schemes to be completed- on a scheme by scheme basis.
 - Agreement that Oxfordshire will have flexibility to exceed the current affordable housing grant rates where circumstances require it, within the overall targets agreed in the Deal and subject to an agreed value for money Framework.
 - Agreement that Government would consider extensions of timelines to the Oxfordshire Plan 2050 to ensure delivery but would require the rationale for this and not an open-ended period for delivery- due to the knock-on consequences to further Plan-making.
 - Agreement to the need for further joint work to ensure that the OxPlan 2050 would have the opportunity to perform well in Examination.
- 3) Officers reported to the last Board however that, in agreeing to these revised Oxfordshire Plan proposals Government advised that the planning flexibilities granted to Oxfordshire to deliver the 2050 Plan were enshrined in a ministerial statement and consequently, whilst needing to align where possible to a revised timetable, flexing these presented a challenge and was not likely to be supported.
- 4) The next step agreed with Government was a set of detailed submissions setting out what the positive impact of these extensions and flexibilities would be. Accordingly, we have submitted the required data and at the time of writing this report anticipate a meeting with MHCLG in early November to sign off the changes. Officers will provide a verbal update at the Board meeting.

HOMES FROM INFRASTRUCTURE PROGRAMME

- 5) 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 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.
- 6) The Hfi 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

- 7) The Growth Board will recall that at the last meeting it endorsed a revised delivery programme for the Infrastructure workstream. This revised workstream forms part of our detailed submission to government mentioned in paragraph 4
- 8) Officers are now working on delivering to this new timetable and developing detailed risk assessed summaries of each scheme as a basis for continuing performance management. Ongoing detailed reporting of this will be to the Infrastructure Subgroup.
- 9) The revised delivery trajectory has an impact upon the related commitment to spend £30 million per year over 5 years. Officers have previously advised the Board that this profile is not a realistic interpretation of infrastructure spend which is always backloaded due to the bulk of spend being on delivery.
- 10) Officers are establishing this revised spend profile for submission and agreement with Homes England/MHCLG.

Risk Management

- 11) Officers have identified the following risks to the infrastructure programme:
 - The backloading of the infrastructure 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 Deal. Consequently, as advised Government has recognised this issue and have signalled that they will allow certain infrastructure schemes to continue beyond the current 5 years of the Deal- approved on a scheme by scheme basis.
 - The consequent backloading of the spend trajectory for the programme when compared to the commitment to spend £30 million per year over the life of the programme.
 - Managing the impact of the infrastructure programme upon the Oxfordshire road network- recognising that there are other significant infrastructure investment programmes in the same timeframe.

- Potential 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 contracts to be renegotiated by infrastructure providers to reflect their new operating environment.

12) Officers have developed risk registers for each infrastructure scheme, and report these and any appropriate mitigations to the Programme Board to ensure that risks are managed.

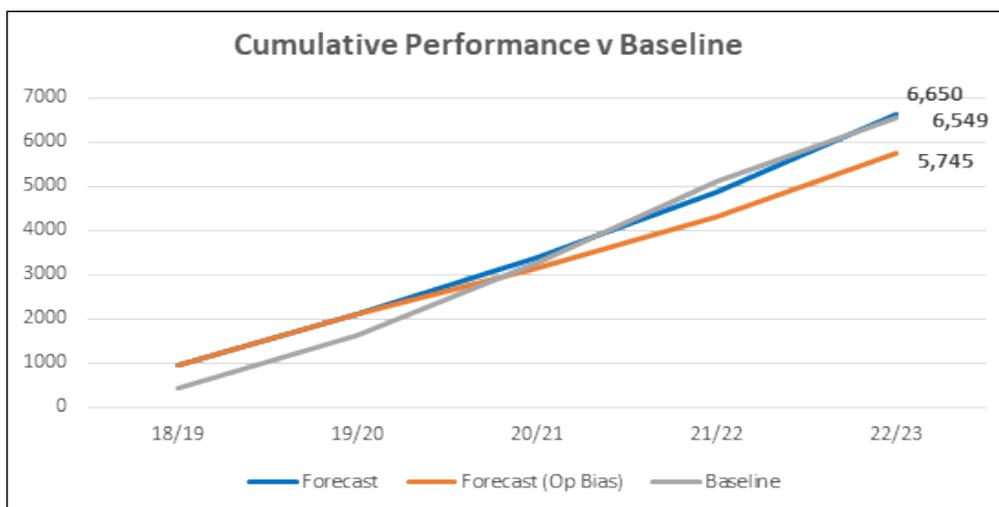
Delivering Housing from Infrastructure

13) In the last report to the Board we advised that we had completed a year-end review of HFI the completions data for the second year of the Deal.

14) Subsequent to this and following the endorsement of the revised infrastructure programme officers examined and updated this trajectory with a focus upon completing our understanding of how both the review and the COVID pandemic have impacted it. The headlines of this review are:

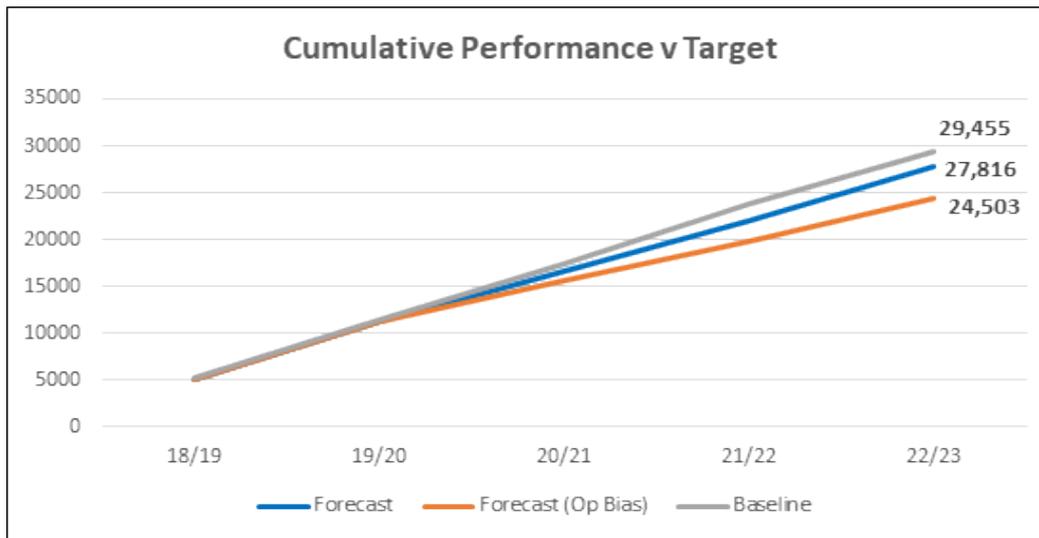
- The infrastructure review had a small but positive impact upon the trajectory, increasing the number of accelerated homes by 199
- The effects of COVID and the consequent delays to housing schemes has been material, reducing the overall trajectory- including the increase above- by 1215.

15) Accordingly, the revised trajectory for accelerated homes is as follows:



16) The Board will note that the trajectory has slightly reduced since we last reported to the Board and although 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.

17) Looking at the overall housing delivery trajectory for the Growth Deal period, the graph below offers the position.



18) In My last report officers advised that they expected that the effect of the COVID pandemic would be to delay housing completions and consequently materially reduce the total number of homes accelerated in the Deal, as this was a time limited programme. The completed trajectories from the partners demonstrate that this is the case in all districts except Oxford where delivery intentions remain robust.

19) This impact of COVID upon our housing acceleration targets will not be a surprise to the Board, reflecting as it does the national position. It is the key reason why government have agreed in principle to an additional period of up to two years for the completion of the infrastructure- recognising that additional time will be needed to allow the full benefits of the infrastructure investment upon housing acceleration to be realised.

Risk Management

20) 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 sites caused by COVID
- The speed of resolution of any planning issues needed to unblock sites, this has been delayed by COVID although the impact was short term.
- 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.

21) Officers plan to continue ongoing analysis of the above risks ensure a comprehensive understanding and to plan mitigation activities.

AFFORDABLE HOUSING PROGRAMME (OAHP)

- 22) In our last report to the Board officers advised that the Affordable Housing Programme (OAHP) has also been affected by the COVID crisis with all development sites closing as a result of the pandemic and that 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.
- 23) Officers can report that all but one of the delayed year two schemes has reached the required milestone to draw down funding and the final scheme is at contract stage and will complete imminently.
- 24) The pandemic has also had a consequent impact upon the year three programme materially reducing it to 275 units. This is because 490 units have slipped to the fourth year. Of this revised year three programme a total of 105 units have already secured the contractual milestone required
- 25) The full revised programme, including the fourth year presents a healthier picture. Partners now 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
- 26) Financial challenges to this programme remain, but these have been offset by the ability to flex grant and the addition of local top up grant. The current programme agreed with partners envisages just over £5 Million of local Top up Grant.
- 27) The Board will be interested to learn that much of this Top up Grant is 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 four programme contains 379 units specified as low or zero carbon housing
- 28) This revised four-year programme formed part of the detailed submission to MHCLG mentioned in paragraph 4 and officers will feedback on their discussions with MHCLG at the meeting.

Risk Management

- 29) 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.

30) 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.

31) The risks to the OAHP of the anticipated downturn in the economy, slowing housing completion rates and thence the affordable units developed.

DEAL GOVERNANCE AND FINANCE

30. The focus for Q2 has been to continue balancing the achievement of business priorities within a virtual environment and progress with the development of initiatives to strengthen the governance of the Growth Deal programme.

31. Key priorities:

Financial management of the Growth Deal Capacity Fund

- Monthly financial statements produced for the Growth Deal Programme Board.
- Management and resolution of any transactional queries.
- Regular contact with OCC Finance, the Accountable Body, to review financial performance.
- Liaison with OCC Finance on the reforecasting of the Capacity Fund to fund the extension of the Growth Deal programmes.

Business Intelligence

- Review of existing programme reporting process.
- Design and implementation of a new reporting pack of business intelligence to report on Housing from Infrastructure, Affordable Housing and Oxfordshire Plan 2050 performance metrics. This new design, aimed at provision of succinct narrative and visual indicators to show performance, will be presented to the Growth Deal Programme Board in October 2020.

Risk Management

- Review of the Strategic RAID Log for the Growth Deal programme, reporting on Risks, Assumptions, Issues and Dependencies. Key to this work has been to review the format of the RAID Log with a vision of providing a high-level summary of the Risks and Issues to the Growth Deal Programme Board.
- Design and implementation of the new format is to be presented to the Growth Deal Programme Board in October 2020.
- Feedback will then be incorporated into a final version and be presented formally on a quarterly basis, or in the event of exception reporting.
- Further work is required to ensure that the actions reported to each risk and issue are those that will make an impact to the resolution. This work will be ongoing to ensure that the Strategic RAID Log is flexible in its

design but will be seen, and acted upon, as the critical driver of the Growth Deal programme.

- Work in Q3 will be to refine the actions, secure named owners for each risk and issue and to encapsulate any risk or issue from the Growth Deal Lessons Learnt report.

Growth Deal Team

- Continued support provided to the team by programme leads and peers as we progress with work programmes in a virtual environment. Adaptations thought to be short-term are now being reviewed to ensure that they continue to be fit for purpose.
- Q3 will see the regular virtual team meetings progress to a more workshop format, to enable the time to be used to develop, share and transfer skills e.g. project management skills, as well as team building virtual events and for time to talk.

Legal Implications

32)None arising from this report.

Other Implications

33)None arising from this report.

Conclusion

34)This report outlines progress against the agreed Growth Deal year three, quarter two milestones.

35)The last two 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

36)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.

37)The time extensions and grant flexibilities provided by Government to assist us in securing the Deal are a significant moment for Oxfordshire and ensure that as we focus upon the delivery of the contract we can do so against a more realistic timetable and with the ability to ensure that the Deal 's utility is maximised.

38)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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