

To: Future Oxfordshire Partnership

Title of Report: Review of Homes from Infrastructure (Hfi) Programme

Date: 13 June 2022

Report of: Owen Jenkins, Director & Senior Responsible Officer,
Infrastructure Programme

Status: Open

Executive Summary and Purpose:

Oxfordshire County Council, as the delivery partner of the Housing & Growth Deal (H&GD), review and recommend changes to the funding allocations within the Homes from Infrastructure (Hfi) programme.

These changes are in response to changing delivery circumstance and/or housing trajectories and attempt to ensure

- the spend profile – per year and overall – as to be agreed with Homes England as part of the overall agreement is met and we at all times have a balanced and fully committed programme
- the housing numbers identified as being accelerated by the delivery of the Infrastructure are maximised
- the Infrastructure schemes are deliverable as far as possible both in terms of
 - their budgets as currently allocated (whether that be solely from H&GD or from multiple funding sources)
 - their delivery timescales align with the H&GD period
 - their ability to spend H&GD monies by March 2023 where they are only part H&GD funded

Recommendations: That the Future Oxfordshire Partnership:

- a) Endorse the removal of further funding from two schemes currently within the Oxfordshire Housing and Growth Deal programme – Woodstock Road Corridor and Banbury Road Corridor
- b) Endorse the re-allocation of the remaining funding from Woodstock Road Corridor and Banbury Road Corridor across a number of schemes in the programme which are projecting cost pressures – especially those entering their Construction phases
- c) Note the intended timescale for the formal consideration of these proposals at the Oxfordshire County Council Cabinet meeting on 19 July 2022.
- d) Note that a second change report will now also come forward – intended for meeting of the Future Oxfordshire Partnership on 26 July 2022 and then Oxfordshire County Council Cabinet on 20 September 2022 – allowing for a further review of the current programme’s pressures and also an assessment of any additional schemes identified as being suitable for inclusion in the programme.

The Homes from Infrastructure Programme (Hfi)

1. The Homes from Infrastructure Programme (Hfi) is a £150m¹ investment in strategic infrastructure to support the acceleration of already planned housing within Oxfordshire.
2. Within the wider H&GD agreement, the Hfi programme has two key criteria
 - The investment in infrastructure will accelerate at least 6,549 planned homes that might not otherwise have come forward at this pace. This acceleration can be due to either the infrastructure directly allowing housing to be built earlier than otherwise planned or that the investment provides developers with the confidence to build out sites at a faster rate than they otherwise would do so
 - A commitment to an expenditure level of £30m per annum over the 5 years of the H&GD (FY 2018/19 – FY 2022/23)
3. Oxfordshire County Council are the delivery partner for the infrastructure elements of Hfi which are delivered through their Capital Programme.
4. The District and City Councils are responsible for ensuring the accelerated delivery of the housing, as far as it is within their control.
5. The current Hfi programme comprises projects covering road, rail, cycle routes and footpaths, as well as some social infrastructure such as schools. All schemes were identified at the outset of the Hfi programme as capable of accelerating housing. Schemes may be either fully or part funded via the Hfi programme.
6. The Hfi programme is subject to reviews in accordance with OCC's capital governance framework to ensure that it continues to demonstrate alignment to the objectives of the programme - accelerated housing - and that it continues to demonstrate both value for money in achieving these objectives and remains deliverable within budget and timescales.
7. As a result of these reviews, budget allocations have been adjusted within the existing programme, infrastructure schemes no longer meeting objectives have been removed from the programme and schemes have been added which contribute positively to the overall H&GD objectives.
8. The recommendations from the last review were endorsed by FOP in November 2021 and then formalised at OCC Cabinet in December 2021.
9. The original Hfi timeline was a five-year period to March 31st 2023. Due to various exogenous factors², government agreed a two-year extension to the programme to March 31st 2025.

¹ Infrastructure H&GD Funding is £142,758,560 (Capital) and £7,241,440 (Revenue)

² Mainly COVID related impact on both Infrastructure and Housing delivery.

- 10. The extension applies to the Hfl programme and also the accelerated housing. Subject to the approval of a Business Case, infrastructure schemes can continue beyond March 2023, whilst all housing schemes that can demonstrate delays in the original delivery trajectory can continue to count completed housing up to March 2025.
- 11. However, where pressures have been identified, priority has been given to infrastructure able to be delivered within the original H&GD period (March 2023) and so without the need for and inherent risk of additional Business Case approval.

Further background and context to Q1 22/23 Review.

- 12. Across all of OCC’s Capital Programme - not simply those projects funded by H&GD - there are significant pressures against previous cost estimates and allocated budgets.
- 13. One of the major causes is Inflation. The latest published inflation forecast – March 2022 - has projected a significant increase in inflation for 2022. The index data below is published by BCIS (Building Cost Information Service) and shows a significant increase since the previous figures were produced in December 2021.

Table 1: BCIS General Civil Engineering Cost Index

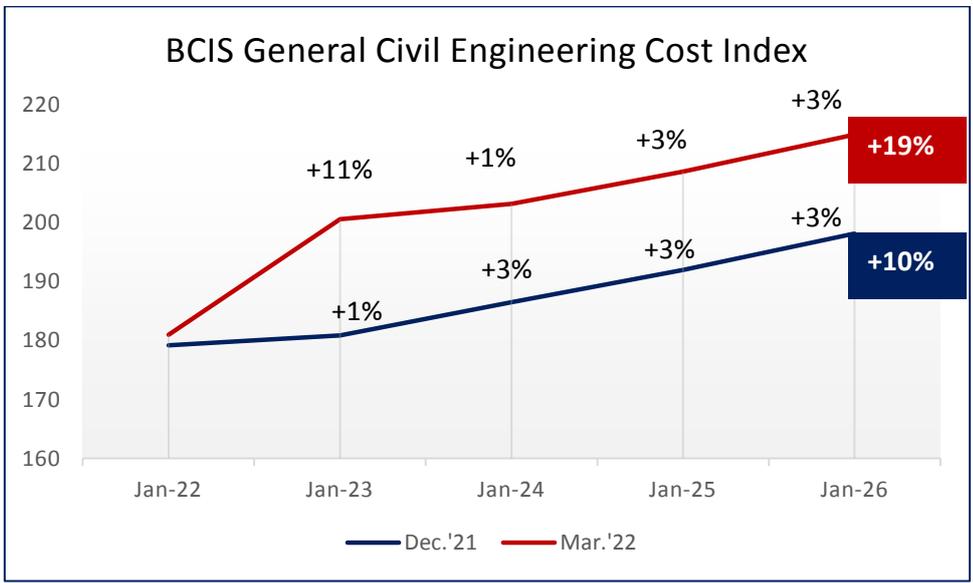


Table 2: BCIS All-In Tender Price Index (TPI)

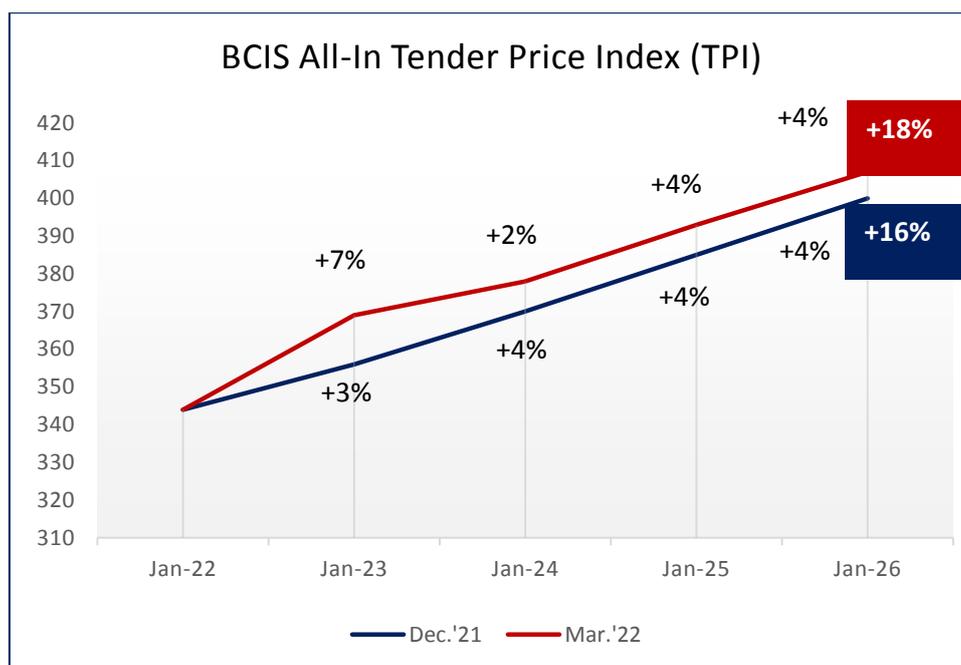


Table 3 – causes of Inflation

Reason	Description
Global Price of Energy	Increases in the price of gas and electricity affect all materials, especially those with high energy intensity involved in their manufacture ie cement, concrete, copper, plastic etc.
Covid-19	The legacy of Covid-19 remains as global demand increases, supply remains problematic leading to supply chain bottlenecks, slower delivery times, container shortages, port delays etc.
Brexit Trade Deals ³	Steep rises in shipping costs, surcharges, increased administration at UK ports and slower delivery times have affected imports.
Resource Constraints	A shortage in the labour markets including construction and building trade supervisors, general labourers, civil engineers, bricklayers, carpenters, plant and machine operatives.
Red Diesel Rebate	The removal of the tax discount on diesel used in construction plant (Red Diesel) will have a significant effect on the cost of construction. From 1 st April 2022, the tax will increase from 11.14p to 57.95p per litre for construction plant.

14. Partly as a result of the above, schemes programmed to begin and complete construction this FY will require additional funding. Given the Hfl Programme is a

³ Approximately 25% of construction materials are obtained from outside of UK.

fixed sum of Capital this will necessitate funding being re-allocated from elsewhere within the existing programme.

15. As we are in the final year of the original 5yr programme, a number of schemes are due to enter their construction phases imminently. Therefore, without changes to the existing funding allocations, OCC will not be able to authorise these construction contracts.

16. To keep to the current programme for these schemes, changes will be required to be formalised by OCC Cabinet in July.

Projects with known cost pressures

17. The latest review of the Hfl programme indicates 4 schemes with known cost pressures.

Table 4 – Schemes with identified need for additional funding

Scheme	Need for additional funding
Tramway Improvements	About to enter construction phase
North Oxford Corridor (NOC) – A44 Cassington to Loop Farm	About to enter construction phase
North Oxford Corridor (NOC) – Kidlington Roundabout	About to enter construction phase
Access to Witney	About to authorise a CPO

18. Two of the schemes, Tramway Improvements and North Oxford Corridor – A44 Cassington to Loop Farm, are also part funded from developer s106 contributions⁴, but no additional s106 monies are available to offset the additional funding requirements.

19. Tramway Improvements, North Oxford Corridor – A44 Cassington to Loop Farm and North Oxford Corridor – Kidlington Roundabout⁵ are currently programmed to begin Construction in Q2/Q3 of FY22/23.

20. A further, part H&GD funded scheme (Access to Witney) also requires additional funding to allow for a Compulsory Purchase Order (CPO) to be made, as schemes must be fully underwritten before CPO can proceed. This CPO is due at OCC Cabinet in July 2023.

21. Therefore, to continue with these schemes as planned and programmed, additional funding is required to be identified and re-allocated.

⁴ Tramway presently has a £780k s106 allocation and NOC A44 Cassington to Loop Farm presently has a £400k s106 allocation.

⁵ At the time of this report, the planning for ‘Tramway Improvements’ has still to be determined – due in June 2022 - but consultation and stakeholder feedback to date has been positive.

Housing Implications

22. Should the three schemes shown in Table 4 due to begin construction imminently not be delivered, the impact on the housing numbers attributed to the H&GD is as follows:

Table 5 - Impact of non-delivery of scheme(s)

Area where infrastructure is located		Housing numbers reduction by March 2023	Housing numbers reduction by March 2025	Area where housing is being accelerated
Cherwell	Tramway Improvements	126	223	Cherwell
Cherwell	North Oxford Corridor (NOC) – A44 Cassington to Loop Farm AND North Oxford Corridor (NOC) – Kidlington Roundabout	221	737	Cherwell, West Oxfordshire, Oxford City
		347	960	

23. The NOC scheme(s) accelerate housing in multiple areas – Cherwell, West Oxfordshire and Oxford City. Due to the methodology used to attribute housing the above is the aggregate impact of not delivering both NOC schemes.

Deliverability Assessment

24. The high-level criteria used to assess 'deliverability' of Hfl schemes relate to

- Planning achieved (or not required)
- Land assembly complete (or not required)
- Part or fully H&GD funded
- Forecast ability to complete scheme / spend H&GD monies by March 23.

Options considered

- a. stop the scheme(s) with cost pressures immediately and re-allocate their funding
- b. re-allocate funding from within the existing H&GD programme to fully fund the scheme(s) with identified cost pressures

Option a) - stop the scheme(s) with cost pressures immediately and re-allocate their funding

25. This option **is not being recommended** due to

- The impact on H&GD housing numbers
- The impact on the spending target of £30m per annum and £150m over the original 5yr H&GD period. Should any / all of these schemes not be delivered as planned in

FY22/23 then both the in-year and overall 5yr spend profile of the Hfl programme would also be significantly reduced.

Option b) re-allocate funding from within the existing H&GD programme to fully fund the scheme(s) in Table 4

26. The schemes within the Hfl programme with sufficient budget which if re-allocated would allow the schemes outlined in Table 4 to continue are:

Table 6 – schemes with sufficient budget to cover shortfall

Area where infrastructure is located	Scheme
West Oxfordshire	A40 Science Transit Phase 2
Cherwell	Former RAF Upper Heyford phase 2 (M40-J10)
Vale of White Horse	A34 Lodge Hill Interchange
Oxford	Woodstock Road Corridor

A40 Science Transit Phase 2

27. This was discounted as a viable option for consideration as the H&GD contribution is part of a wider funding package (totalling £50m+) and the construction of this infrastructure is also programmed to begin in Q2 of 22/23. The A40 Science Transit Phase 2 scheme is also a key interdependency with the wider Housing Infrastructure Fund (HIF) funded projects along the A40 corridor and so could not be paused or stopped without full corridor wide ramifications.

Former RAF Upper Heyford phase 2 (M40-J10)

28. In FY 20/21, Funding Agreements were entered into between OCC (Oxfordshire County Council) and National Highways (then Highways England) for the Design and Construction of this scheme. As the scheme is progressing to programme and the scheme objectives remain valid, it is not proposed to exit these agreements at this stage.

A34 Lodge Hill Interchange

29. The A34 Lodge Hill interchange supports the delivery of 1,673 homes with 350 being included within the H&GD's numbers (to March 2023) – so any funding swap would still result in a significant loss of housing for the deal. Additionally, a significant amount of the H&GD allocation has already been committed so there would likely not be sufficient residual funds to offset the requirements of the schemes with identified cost pressures.

Woodstock Road Corridor / Banbury Road Corridor

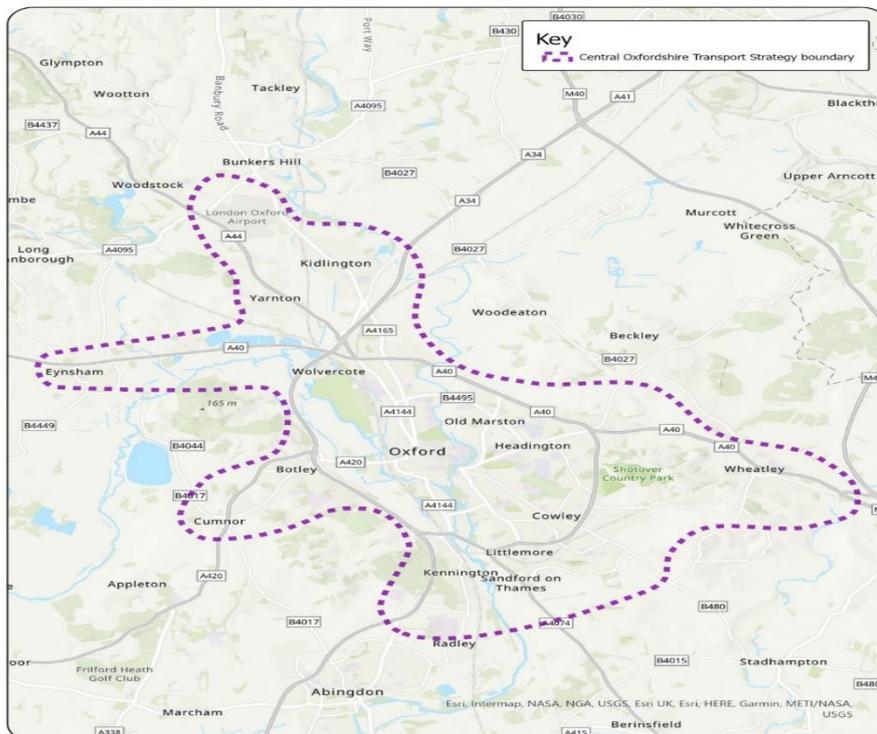
30. At present, only the Woodstock Road Corridor (full construction) and Banbury Road Corridor (design only) of the main arterial routes in/out of Oxford City are included in the Hfl programme.

- 31. The Woodstock Road Corridor, as per its latest programme, will not construct any physical infrastructure by March 2023, with completion now falling into FY 24/25. This also means there is limited forecast spend of H&GD monies prior to March 2023⁶.
- 32. The recent award of Bus Service Improvement Plan (BSIP) monies may also lead to a revisiting of the design approach presently being taken on the corridor(s).

Recommendation

- 33. **The proposal is to re-allocate the residual funding away from the Woodstock Road Corridor and the Banbury Road Corridor** and move both projects to be considered as part of COTS (Central Oxfordshire Transport Strategy) a wider, more holistic review of transport in Oxford City.
- 34. The Central Oxfordshire Strategy is being developed during 2022 with a view to this undergoing public consultation later in the year. The current working areas of the Central Oxfordshire Strategy is shown below.
- 35. Eynsham, Kidlington, Wheatley, Kennington and Cumnor are within the Central Oxfordshire boundary as far as their connections to Oxford are concerned, but any local matters will be covered within the relevant district strategies

Figure 1 – Boundary of COTS



⁶ Design contracts could be entered into for Woodstock Rd & Banbury Rd within the H&GD period, resulting in c£750k of additional spend

36. Allowing for the completion of currently commissioned work (surveys etc) on Woodstock Rd and Banbury Rd, this recommendation will release sufficient funds to progress with the other schemes to construction as planned.

37. It is proposed that this would be re-allocated as follows:

Table 7 – reallocation of released funding

Area where infrastructure is located	Scheme
Cherwell	Tramway Improvements
Cherwell	North Oxford Corridor (NOC) – A44 Cassington to Loop Farm
Cherwell	North Oxford Corridor (NOC) – Kidlington Roundabout
West Oxfordshire	Access to Witney
South Oxfordshire	Benson Relief Road

38. To maintain a fully balanced programme, any remaining funding would provisionally be allocated to Benson Relief Road which is currently undergoing a detailed re-evaluation of costs⁷ in advance of entering full construction in Q3 2022.

Implications on Housing numbers of the recommendation

39. The **overall**⁸ impact on housing numbers of this recommendation is:

Table 8 – Housing numbers reduction

Housing numbers reduction by March 2023	Housing numbers reduction by March 2025
31	100

Further Changes

40. Oxfordshire County Council are conducting further cost estimate re-assessment exercises on the overall programme, partly in light of the inflation pressures outlined above.

41. There will also now be a joint approach and on-going work between Oxford City and Oxfordshire County Councils to assess the cost pressures on a project within the Hfl programme – Oxpens to Osney Mead bridge – which is being delivered by Oxford City Council.

42. Discussions with District and City Officers have also indicated there may be schemes presently outside of the Hfl programme which would merit consideration for inclusion as they may closely align with the overall objectives - acceleration of already planned housing within Oxfordshire – and also with the delivery periods.

⁷ Benson Relief Road experienced a prolongation of programme due to protracted land acquisition negotiations

⁸ The overall impact is minimised since some of the schemes receiving re-allocated sums also contribute to the aggregated Oxford City Housing algorithm

43. It is, therefore, proposed that a further Change Report is brought forward in Summer 2022 (intended for FOP in July 2022) allowing identified in-programme pressures to be properly quantified and also for any new infrastructure proposals to be assessed against existing programme commitments.

44. Officers are in regular discussion with Homes England and DLUHC and will continue to work with them to agree the final programme

Financial Implications

45. The proposal set out in the report will enable the Hfl programme to remain deliverable against the spend profile and allow significant infrastructure schemes to enter their construction schemes as planned, meeting the Yr5 and overall programme spend targets.

Legal Implications

46. Movement in the Hfl allocations is necessary to meet spend obligations within the H&GD agreement.

Other Implications

47. There are some significant reputational risks if the programme is not rebalanced. These proposals maximise the physical infrastructure being delivered by March 2023 which would further demonstrate Oxfordshire's suitability for additional funding should sources become available.

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