

To: Oxfordshire Growth Board

Title of Report: Oxfordshire Housing and Growth Deal Progress Report Q1

Date: 24 September 2019

Report of: Bev Hindle, Growth Board Director

Status: Public

Executive Summary and Purpose:

The purpose of this report is to update the Growth Board on progress at Quarter 1, 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
- The Oxfordshire Plan 2050
- Productivity

Recommendations:

That the Growth Board:

1. Notes the progress at Quarter 1 2019/20 on the Housing and Growth Deal.
2. Notes the adoption of the [Local Industrial Strategy](#) by the Oxfordshire Local Enterprise Partnership.

Introduction

HOMES FROM INFRASTRUCTURE PROGRAMME

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

Infrastructure Spend

3. Oxfordshire County Council (OCC) are the lead delivery partner for the infrastructure work strand, which is being delivered through OCC's capital

projects governance framework and project lifecycle. Monitoring, reporting and control of project and work-stream level performance is supported by OCC process, tools and techniques and is reported monthly to the Growth Deal Programme Board.

4. In year one a spend of £30 million was achieved.
5. The Board will recall from previous updates that the forecast spends for year two to five of the programme demonstrated that it was backloaded with greater spend at the latter end of the 5-year period. Officers reported that this trajectory is in line with the typical spend profile for infrastructure projects, with the greatest expense during the construction phases. Years two and three will see the majority of spend associated with planning and design work.
6. The Board will be aware that although spend profiles are constantly maturing as planning and design work continues to better inform the forecast officers have advised that because of the backloading of the infrastructure programme, that it is anticipated that an arbitrary spend of £30m per year is unrealistic.
7. Oxfordshire County Council and the Growth Deal team are currently undertaking an assurance exercise to review the deliverability of the Infrastructure Programme. Officers will continue to collaborate with Government Partners to ensure a joined-up understanding as spend profiles mature.

Risk Management

8. The following risks have been identified as the key risks to the infrastructure programme:
 - Managing the impact on the Oxfordshire road network
 - Procurement and market readiness
 - Potential delays associated with CPO and the acquisition of land
 - Reliance on third parties (developers / network rail etc) for delivery
9. Officers have developed comprehensive risk registers including mitigations that are reported to the Programme Board to ensure that risk is managed.

Delivering Housing from Infrastructure

10. Officers have previously reported that we achieved the year one target and. This was mainly because of the market conditions created by the investment in infrastructure providing developers with confidence in an already buoyant housing market to increase the pace of development.
11. The current predicted trajectory for the full 5 years of the programme is as follows:



12. This trajectory is a positive indication of success for the HFI element of the Deal, but it is not without risks and uncertainties. Consequently, the job of officers across the partnership is to secure the delivery of the trajectory.

13. The delivery of the infrastructure is clearly key to this ambition, but it is not the only factor in the delivery of the housing. Each site will have challenges and dependencies that need to be project managed, alongside the developers and other stakeholders to ensure that the anticipated delivery trajectory comes to fruition.

14. To secure delivery, officers have been developing detailed delivery plans for each site that will chart the challenges and milestones to delivery that will be required. These delivery plans will form a core database that partners, coordinated by the Growth Deal Team, will utilise to performance manage the delivery of housing.

Risk Management

15. The delivery plans reflect the following risks, been identified as the key risks to the delivery of homes:

- Reliance on third parties (developers / network rail etc) for delivery of infrastructure.
- Resolution of planning issues needed to unblock sites.
- Potential impact of external market factors such as Brexit.
- Stage of development of some of Oxfordshire’s Local Plans.

16. Ongoing analysis of the above risks ensure a comprehensive understanding of mitigation activities are planned

AFFORDABLE HOUSING PROGRAMME (OAHP)

17. The targets for the OAHP agreed in the Housing and Growth Deal, together with the current Programme are as follows:

	Year One	Year two	Year three	Total
Agreed targets	148	464	710	1322
Current gross programme	191*	353	751	1295

*achieved

18. The total budget for the Programme agreed in the Housing and Growth Deal is £60 Million, over three years.
19. The indicative budget based upon the agreed targets and current predicted drawdown are as follows.

	Year One (£)	Year two (£)	Year three (£)	Total
Indicative budget (£)	£6.5m	£21.5m	£32m	£60m
Current predicted drawdown (£)	£6.715m	£14.210	£29.650	£50.575

20. The above figures illustrate officer's previous advice to the Board that, notwithstanding the success of delivering the target for year one, officers were expecting the delivery of years two and three of the OAHP to be more challenging.
21. The current year two and three OAHP, when compared to the target of 1174 additional homes is as follows and demonstrates the challenges, we knew the OAHP would face. It demonstrates both that we are below target and that, when compared to the last report to the Board, that the trajectory for the programme is reducing.

Locality	Year 2	Year 3	Total
Cherwell	13	66	79
Oxford City	113	304	417
SODC	60	38	98
Vale	90	142	232
WODC	77	201	278
Total	353	751	1,104
Target	464	710	1,174

22. When officers last reported to the Board, we advised that we had submitted a year-end report to MHCLG that set out the challenges we believed the OAHP faced and invited them to enter into detailed dialogue with us to find solutions to these challenges, a summary of progress with these discussions to date is as follows.

Competitive Grant Rates

23. Our first challenge to HE concerned the current grant rates for the OAHP. This was based upon our contention that the rates that HE was offering to

Registered Providers were significantly higher than those we could offer through the OAHP and consequently we could not compete with.

24. To reinforce our message, we provided commercially confidential information to HE to demonstrate the disparity between the grant rates we can offer from the OAHP and those secured through HE on recent sites in the county. This demonstrated the message that the OAHP grant rates are not competitive in a high cost area such as Oxfordshire.
25. Discussions confirmed that whilst HE was sympathetic to the issue, the grant rates detailed in the Deal would not be altered, at least during this OAHP. Accordingly, discussions turned to how we might agree an ability to access other funding sources to augment the AHP.
26. Following initial discussions, officers have formally submitted two proposals to MHCLG.
 - The first of these is seeking permission for Registered Providers to use Recycled Capital Grant Receipts (RCGF) alongside AHP grant.
 - The second of these is for Oxford, as the only stock owning authority in the county, to use its Retained Right to Buy Receipts (RRTB) to augment AHP Grant.

Recycled Capital Grant Fund (RCGF)

27. The proposal is that partner Registered Providers could use RCGF, receipts obtained when a grant funded property is sold that are retained for recycling into new affordable housing, alongside grant from the OAHP.
28. Our submission reminds HE/MHCLG that this flexibility is allowed for other HE Housing programmes and allowing the OAHP this flexibility would create a more level playing field between our Programme and theirs.
29. Officers opinion is that the ability for our partner RPs to use RCGF alongside OAHP grant will enhance their ability to deliver affordable units through the programme.
30. HE, in supporting this proposal have however asked whether allowing this flexibility could be tied to additional grant funds being available from the councils – perhaps for example S106 receipts secured for affordable housing.
31. Officers have pointed out to HE/MHCLG that significant resources from partners have already been applied to schemes brought through the OAHP and that the success of the year one OAHP programme required local authority subsidy for 178 of the 191 units delivered.
32. Notwithstanding this however, the Programme Board have agreed that, if Government are minded to agree to the use of RCGF in the OAHP, that they will undertake a project to examine the potential for a Top Up Fund to be provided in each council, which will be used by that council to provide the

appropriate levels of funding for affordable housing schemes. Each council will be asked to consider the implementation of this proposal through their budget processes.

Retained Right to Buy Receipts (RRTB)

33. This proposal references the fact that Government signalled last year in a consultation paper that it was minded to relax the restrictions that currently apply to councils with RRTB to allow them to bring more affordable housing forward. The proposal from Oxfordshire asks that MHCLG consider piloting any relaxation with Oxford and that in the meantime allows the receipts to be retained for the project.
34. The proposal reminds MHCLG of the heavy reliance that the OAHP currently places upon developments in Oxford, developments that account for 36% of the units and 43% of budget spend.
35. The proposal asks therefore that Government recognise that allowing Oxford greater flexibilities in using RRTB alongside OAHP grant would maximise the ability of the council to address its housing shortage.

Homes England Strategic Partnership arrangements

36. The Board will recall that we highlighted how the HE National Strategic Partnership arrangements affected our programme and took numbers of units, estimated at 535 that we might otherwise deliver through the OAHP, down a different funding route.
37. We have opened discussions with HE on this matter and it has been agreed that, once discussions on the use of RCGF and RRTB are concluded and the new offer for the OAHP is clear, that both HE and Oxfordshire partners will hold a series of meetings with the local RPs involved in HE Strategic Partnerships to attempt to agree a way in which they can both deliver their commitments in the strategic partnerships whilst also delivering for the AHP. Officers will update on any progress at subsequent meetings.

Risk Management

38. The key risks to delivery of individual schemes within the programme are from delays in planning and tender processes, financial challenges to schemes and funding gaps. These risks all need to be managed at district/city level.
39. In addition to these site-specific risks, there are more general risks identified for the Programme, these are
 - The risks to the Programme of the National Strategic Partnerships being developed by Homes England (HE) as discussed in paragraphs 37-8.
 - The risks to the Programme of a downturn in the economy, slowing completion rates and thence the affordable units developed. This risk is a double-edged sword however as it may also provide opportunities to

bulk purchase units as affordable housing from developers, keen to offload unsold stock and bolster cash flows and retain tradesman on site.

OXFORDSHIRE PLAN 2050

40. Quarter one saw local elections and changes of administration in parts of the county. However, the Leaders of all councils quickly confirmed unanimous support to produce the Plan and a commitment to making this the best Plan possible. The aim being to ensure that future generations can reap the rewards of sound long-term collective thinking and decision taking. Bearing in mind the links with other projects in the county and the region and lessons that can be learned from other areas working on joint plan making, the timetable to produce the Plan has been kept under review. Regular conversations have been held with the Government about the right approach to take to ensure the Plan is the best it can be and meets Oxfordshire's needs. Changes to the timetable will have budgetary implications.
41. In this context, work in quarter one has been focussed on several key areas:
- Processing and reflecting on the submissions made to the consultation held in February and March and the subsequent Call for Ideas
 - Continuing engagement with stakeholders and Duty to Co-operate bodies
 - Commissioning of technical studies and collation of evidence base
 - Establishing steering and working groups of technical expert officers
 - Starting to identify and test options for Plan policies
42. As a result of the extensive engagement activities that took place earlier in the year, the team has spent much time processing and reviewing the comments that were received and has published a consultation report summarising that work. The findings are being used to refine the vision and aspirations of the Plan and to inform the next stages of the plan making process. As a result of this engagement there is now more of a public profile for the project and 1200 people and organisations have signed up to the database to be involved in future stages of work.
43. Engagement has continued in quarter one. A stakeholder event was held in May to follow up the launch event that had been held in December. Discussion points on topics including Natural Environment, Climate Change, Connectivity, Placemaking and Economy were posed, and attendees were asked to consider what the Plan might be able to do to help in these areas. In addition, conversations were established with the Duty to Co-operate bodies (a proscribed list of bodies that there is a statutory duty on the Oxfordshire authorities to co-operate with in plan making). Those discussions will continue and develop throughout the project to ensure that any strategic matters and cross boundary issues are identified and addressed through the Plan.
44. The production of the Plan will require a significant level of technical work to form the evidence base. The evidence base will help identify the policy options for the Plan, be used to test those options, and in due course form the supporting evidence for the consideration of the Plan at examination by an

Inspector. Much up-to-date evidence is already available (at least for the early part of the Plan period) thanks to the work on district Local Plans but in many cases, this will need to be supplemented by additional work that looks across the county or longer into the Oxfordshire Plan period. Each technical commission is being carried out with the involvement of all the authority partners, with draft briefs considered by officers from across the county and interviews and inception meetings carried out jointly. Over time all the evidence produced will be published in full and alongside the consultation document it relates to.

45. 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. This ensures that when a piece of technical work is commissioned, officers with expertise and experience from across the county have been involved in the drafting of a brief, the selection of consultants and the managing of the project. This approach has also been applied to more specialist topic areas such as health or natural capital, where the Plan Team can call on and benefit from the wealth of local expertise available.
46. Over the next quarter officers will collate and reflect upon the evidence base and engagement findings and use this information to assist identify the options for policies in the Plan and test those. That work will form the planned second stage of consultation in the spring which will concentrate upon consideration of growth options.

Risk Management

47. The following risks 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
 - Challenging timeframe for production of the Plan
 - Links with external projects including the OxCam Expressway
 - Links with and relationship to district Local Plans
48. 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

Local Industrial Strategy

49. The Oxfordshire Local Industrial Strategy will be officially launched at the Blavatnik School of Government in Oxford on 4th September, alongside the OxLEP Annual Report. Close to 200 senior leaders from business, local government, civic institutions and academia will be in attendance. At the time of writing, we are hoping to include at the event a ministerial keynote address from the Secretary of State for Business, the Right Honourable Andrea Leadsome MP. Several media engagements, both traditional and online, have been planned and there will be further follow up to the launch through dedicated film and photography which will be shot during the event. Details of

the launch, together with a summary document and the full strategy can be found at our website at <https://www.oxfordshirelep.com/lis>

50. Moving forward, work will begin following the launch on the development of the Delivery Plan and Investment Prospectus which will form the final components of the suite of documents which make up the LIS. We will convene partners to develop strategic business cases for each of the key policy areas detailed within the LIS, with a view to being ready to access future funding and investment from both Government and the private sector as it emerges. Alongside this, we will continue working with our partners across the Oxford-Cambridge Arc in developing proposals which have the potential to be developed at scale and harness the wider potential of the Arc. The anticipation is that we will bring forward early drafts of the Delivery Plan and Prospectus before the end of the calendar year.

Harwell Land Remediation

51. Discussion continue with officials in BEIS and the Nuclear Decommissioning Agency to bring forward proposals to accelerate the early remediation of Government owned land at the Harwell Campus, which can enable the freeing up of much needed employment land on site to accommodate significant demand for major growth of existing companies on the Campus as well major interest from foreign businesses looking to locate within the Oxfordshire Innovation Ecosystem. A revised business case has been prepared jointly by the UKAEA and Campus Partnership and it is anticipated that a final package of interventions will be aimed to be agreed as part of the BEIS departmental budget settlement for 2020.

Financial Implications

52. As part of the Deal, Oxfordshire was granted £5 million of capacity funding to assist with the delivery of the Deal. The allocation of the fund is £2.5 million to prepare the Oxfordshire Plan 2050, £1.5 million of capacity funding to progress the Deal and £1 million to support scheme feasibility to ensure that the step change in housing delivery that the Deal requires is properly resourced.
53. The majority of planned spend under the capacity fund is on additional staff resources to support delivery of the programmes. Management of the budget is reported to the Growth Deal Programme Board and to the Oxfordshire CEOs in their capacity as Growth Deal programme sponsors.

Legal Implications

54. None arising from this report.

Other Implications

55. None arising from this report.

Conclusion

56. This report outlines progress against the Deal year one milestones at end of Q1 2019/20.

57. Good progress is being made towards meeting our commitments under the Deal. The focus for the core Deal team and in each of the partner authorities in the remainder of year two needs to be on activity required to accelerate the delivery of the year two programmes and to develop confidence in the delivery of commitments in future years.

58. The report asks the Board to note this progress with the Deal and the achievement against the milestones committed to.

Background Papers

59. None.

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