

To: Oxfordshire Growth Board

Title of Report: Impact of the COVID-19 Pandemic on the Oxfordshire Housing and Growth Deal

Date: 2 June 2020

Report of: Bev Hindle, Growth Board Director

Status: Open

Executive Summary and Purpose:

The purpose of this report is to update the Growth Board on the early impact that the COVID-19 pandemic has had on the delivery of the Oxfordshire Housing and Growth Deal, including a recommendation to revise the Oxfordshire Plan 2050 Timeline. Officers will continue to monitor impact, reporting to future Growth Board meetings any actions necessary to mitigate impact over time. This report will be considered by a virtual online meeting of the Growth Board as a result of the recommended social distancing measures.

Recommendations:

That the Growth Board:

1. Notes the early impact of the COVID-19 Pandemic on the delivery of the Oxfordshire Housing and Growth Deal, and in considering this;
2. Endorses a revised timeline for the Oxfordshire Plan 2050, as set out in this report, for officers to take forward in discussion with MHCLG.

Introduction

1. As the first deal of its kind, the Oxfordshire Housing and Growth Deal ('the Deal') was successful in securing £215m of Central Government investment to advance housing delivery and boost economic productivity in the area. Within the deal are four distinct workstreams.
2. The Homes from Infrastructure Programme (Hfi) within the Deal 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. Similarly, The Affordable Housing Programme is a £60 Million investment over three years to support the delivery of at least 1322 additional affordable homes, using a range of tenures including social rent, affordable rent, shared ownership by March 2021.

3. Through the Deal, the Oxfordshire authorities agreed to develop a county wide Strategic Development Plan, known as the Oxfordshire Plan 2050, to support a more coordinated approach to long term spatial planning across the County. This is supported by additional time limited planning freedoms and flexibilities for local authorities to protect against unplanned development.
4. The fourth workstream within the Deal is Productivity which sits alongside the other work streams, led by the Oxfordshire Local Enterprise Partnership (OxLEP). At the centre of this work is an ambitious Local Industrial Strategy for Oxfordshire. It is the role of the Oxfordshire Growth Board to oversee and monitor delivery of the Deal and its workstreams.
5. The COVID-19 pandemic has had an unprecedented impact on populations globally, nationally and locally. Each of the Oxfordshire Councils are investing significant resources into managing local response efforts. This report however focusses on the impact that the pandemic is having on local delivery against the Deal programme; specifically, the Housing delivery, Infrastructure, Oxfordshire Plan 2050 and Productivity workstreams.
6. It is critical to note that this report provides an update on the early impacts of the pandemic only, and secondly that the fast-changing nature of the situation may render many comments in this paper out of date soon after publication. Forthcoming quarterly progress reports will reflect on the impact of COVID-19 and the actions taken in response on an ongoing basis as necessary.

Impact of COVID-19 on the Oxfordshire Housing and Growth Deal and the Housing Market

7. Prior to the COVID crisis, a picture was emerging in Oxfordshire of a housing market delivery trajectory that was slipping due to issues such as local plan delays and the beginnings of weakening developer confidence in certain areas of the Oxfordshire housing market. Within that overall picture however those sites that were supported by the Housing and Growth Deal through infrastructure investment were generally maintaining their delivery trajectory, partly because the infrastructure investment supported developer confidence and because these sites are the ones with the most robust demand profile and could withstand market movements more robustly.
8. Nationally, it is estimated that around 75% of housing sites closed due to the COVID crisis.¹ In Oxfordshire, all the major sites halted production because of COVID-19 and are now returning to work (May 2020). However, there will be on-site working practice restrictions in place that are likely to mean full productivity will not be possible whilst staff and contractors adapt to this new working environment. Some of the smaller development sites in Oxfordshire did not close, but capacity was limited as contractors were isolating or ill.

¹ Building.co.uk. 2019: Available at: <https://www.building.co.uk/news/coronavirus-stops-work-at-75-of-uk-housing-schemes/5105579.article>

9. There is also an issue of supply chains drying up and putting workers onto the Furlough Scheme, affecting the ability to develop.² However, there is evidence that these firms are also returning to work. In April for example, a major brickmaker Mickelmersh announced they would be returning to work.
10. Costs of construction will also be an issue affected by COVID-19. The market was already experiencing an increase in labour costs due to the effects of Brexit and this may well be compounded by the crisis. Coupled with the point made above that developers will not be able to run sites at full capacity due to the need for physical distancing, this will therefore impact upon the efficiency of sites and therefore costs.
11. Because of the slowdown, councils can expect housing delivery trajectories, both Deal related and more generally to be impacted. At the time of writing this report however officers have yet to complete the revised delivery trajectories for either Housing from Infrastructure or the Affordable Housing Programme. The former is being completed by partners and is expected to be available from late June, whilst the latter is being completed to an agreed deadline of the end of May.
12. Outside of the market slowdown, an added delay reported is the interruption to the planning process. Developers advise that where schemes are in feasibility stages work is progressing, but where either a consultation or decision point has been reached delays are inevitably occurring, although this is now reducing as an issue.
13. Looking to the longer-term impact on the housing market outside of the Deal timeframe market intelligence from Savills suggests that the housing market could see a 50% dip in activity in this financial year with the sharpest dip being in the second quarter. This is important because of the strong link between market activity (demand) and house prices. Accordingly, Savills suggest that house prices could fall as much as 10%, although they conclude it is too early to say whether the market will then re-adjust, or this will be a longer-term reduction.
14. Council partners will be aware of the government advice to councils to consider allowing SME developers to delay S106 commitments in a bid to support them through the crisis. For affordable housing this could take the form of either re-phasing or perhaps pressure to reduce the obligations, perhaps by remodelling or grant funding from government. This government advice has the potential to materially impact both the Deal and councils own affordable housing delivery trajectories as S106 accounted for 49% of all affordable housing delivered in 2018/19.
15. Developers will be concerned about any trend of slowing market housing activity and in particular shared ownership sales, which is seen as a softer market and more prone to economic cycles. This is because often the shared ownership client is usually on a lower quartile income for home ownership and the concern is that some of the potential purchasers may have had to use their

² Inside Housing, 2020. Available at: <https://www.insidehousing.co.uk/news/news/housing-associations-warn-supply-chain-failures-caused-by-covid-19-could-hurt-development-plans-66156>

deposit savings for other needs, whilst others may not be able to access mortgages now due to a change of employment situation.

16. Developers have advised that the attitudes of banks will be central to their future performance as they rely upon loan funding for their development activities, funded from sale receipts. This is especially true if the sales market does not pick up as loan finance is often secured against built stock. There is for example already some evidence that finance against shared ownership is being temporarily stopped by some lenders
17. In terms of the role of the Housing and Growth Deal, the Board will be aware that current Deal finance restricts expenditure to either infrastructure that accelerates planned housing or grant for additional affordable housing. Post COVID however there is perhaps a wider role for the Deal in enabling sites that have stalled to progress, thus accelerating housing that would otherwise have stalled. A discussion about this wider role for the Deal will be an ask of Government as we discuss how the Deal can aid recovery in the housing market.
18. Within this overall housing development picture, the Housing and Growth Deal Affordable Housing Programme (OAHP) has inevitably slowed. The Board will be aware that the programme was experiencing challenges in the second year and these challenges have been exacerbated by the COVID crisis. The immediate impact was that a proportion of the schemes that were programmed to reach the relevant milestone to qualify for grant at the end of year two failed at the last minute as staff were off sick or contractors were not available. There were also several schemes where the COVID crisis led the Registered Provider of social housing (RP) concerned to reflect upon whether their development contract and the penalties it contained for exceeding costs or timescales is one they could sign up to.
19. These last minute delays could have reduced the grant payment from government; fortunately it was agreed with MHCLG that all the schemes that had been programmed for year two would have the grant paid over to OCC as the accountable body and that grant then passed on to the relevant district council for payment to the RP when the payment milestone was achieved.
20. Looking at the impact of the COVID crisis on the OAHP moving forward, feedback from RPs on the Oxfordshire affordable housing market is that they are typically building a 6-9-month delay into their initial revisions of development business plans (as of April 2020) but sense these could be optimistic assessments. RPs also expect pressure for contracts to be renegotiated to reflect expected increased costs, force majeure claims and a perceived inability to accept compensation clauses for delay.
21. Whilst also being developers, and therefore subject to the pressures other developers face, RPs have a strong financial position due to their asset base and rental income to support that. They recognise that this position and their ability to access government grant means they can play a crucial role in housing market recovery. For example, by land purchase from developers as a recovery tool to ease developer cash flow. This could be just holding an option

on the land for developer buyback or it could be a tool for a greater intervention in the housing market with subsequent development by the RP.

22. There is also a potential role for the OAHP in driving recovery in the final years of the programme, for example by working with RPs and local authority development companies to:
- Assist with developer cash flow issues caused by slow market sales through the bulk purchase of units. These units would then be converted to affordable rented housing using OAHP grant. This is a proven method of assisting the market that was successful in the last housing market slump in 2009;
 - Converting shared ownership properties to affordable or social rented housing using OAHP grant funding. At present this is not permitted by the OAHP but will be an ask of government as we discuss how the Deal can assist in the housing market recovery.
23. It is important that the potential of the OAHP to assist with housing recovery is maximised in the final year of the programme and officers are discussing with Homes England revised terms for the OAHP to enable that to happen. The OAHP will need to reflect the new Oxfordshire housing market in these discussions, for example by the potential to grant fund social rented housing at lower rents to address issues of affordability for local people that will be brought into sharper focus by any economic downturn.

The impact of COVID 19 on Infrastructure delivery in Oxfordshire

24. The unprecedented circumstances present a challenge at the time of writing to say with any certainty what the overall impact of COVID-19 will be on infrastructure delivery related to the Housing and Growth Deal. This programme is delivered through Oxfordshire County Council's Capital Delivery Programme and much of its infrastructure programme will be impacted in the same way. There is no precedent to help understand what the potential future impacts are, coupled with limited information available on when restrictions may end and the details of future working arrangements (as of May 2020). There are also major questions being asked of the need and demand for particular infrastructure projects planned before COVID-19 e.g. national push for more cycle infrastructure.
25. A more granular understanding of the impacts will be developed over the coming months. However, what is clear now is that staff are continuing to work but in a very different way. Where schemes are in design, work has continued where possible and the impact is not thought to be significant. Site visits are expected to have been impacted, and where surveys are required, it is expected that there will have been an impact on the programme, and some surveys being seasonal this could have a significant impact. Schemes in construction are also expected to be impacted by the pandemic owing to changes to methods of working and travel limitations.
26. Contractors and consultants have measures in place to deal with change, such as project continuity plans, and these are being adapted to tackle COVID-19.

The supply chain has been impacted, and their operational situation is under constant review as it is changing regularly. This is a similar challenge across other workstreams within the Housing and Growth Deal. There is a risk of supply shortages, interruptions and delays due to closed factories, logistics challenges, and some smaller suppliers may even be closed and no longer in business. There may also be an impact on the cost of materials, but this is still unclear. The need to mitigate health risks for onsite staff may further impact delivery programmes.

27. Officers will continue to review projects to determine what measures can be in place in preparation for a shift in our ways of working. Each scheme will require an updated risk analysis for active projects and ongoing monitoring of the situation. A further impact analysis will need to be undertaken, together with a project resourcing plan to be best placed for future working arrangements. This will also need to factor in compliance with new and changing government guidance on construction work safety standards.
28. The Housing & Growth Deal Infrastructure Programme will play a vital role in Oxfordshire's post COVID recovery, and officers are working with our HM Government partners to explore flexibilities to the terms of the Deal. This also provides an opportunity to reflect on what our priorities are.

The impact of COVID on the Oxfordshire Plan 2050

29. The partner councils are working collectively on a strategic, long term statutory Plan for Oxfordshire. The intention is that the Oxfordshire Plan 2050 will be a strategy-led Plan and an opportunity to be transformative, adding real value to the typical Local Plan approach. The Plan will look beyond current and emerging Local Plans and will identify the number of new homes, the level of economic growth, and related infrastructure that is needed across Oxfordshire to 2050. This will set the scene for a future round of Local Plans where the Local Planning Authorities will subsequently establish detailed planning policies and site allocations at a local level.
30. The recent focus of work by the Oxfordshire Plan team has been on:
 - building up the evidence base
 - stepping up member briefing
 - developing the spatial strategy and options for the Plan
 - planning for the launch of the Oxfordshire Open Thought exercise
31. Since the start of the Covid-19 restrictions, the Team has been working hard to assess the impact on the overall programme. Many of the consultants involved in developing the evidence base have reassured us that much of their work can continue as planned. We are working with them to ensure that work on the evidence base incorporates where appropriate consideration of the changing economic and social circumstances of the Covid-19 situation and any possible longer-term impacts of those.
32. There are some significant challenges with other aspects of the programme. In particular, the required officer and member meetings to approve emerging work

during the Summer, and a series of special Council meetings that were planned for September, will now likely be dominated by the Covid-19 response and recovery, limiting consideration of the Plan.

33. There are also technical limitations when attempting to brief all district and county councillors and answer their questions on the project remotely; these would likely have less success than face-to-face briefings. In some areas, additional duties have been reprioritised in the short term to enable the Oxfordshire Plan and Growth Board Teams to support the Covid-19 response effort.
34. Considering the unprecedented circumstances, it is recommended that the Growth Board requests from MHCLG a minimum seven-month extension to the current timeline we are working towards. This must be considered as a minimum extension as the full effects of COVID-19 are yet to be known. Two key changes in the revised programme for the next year would be to:
 - Move the Regulation 18 (Part 2) consultation approval process through each council back from September 2020 to December 2020, adding 3 months and consequentially:
 - Moving the Regulation 19 (Draft Plan consultation) back to September 2021.
35. As was previously planned, a series of special Council meetings will need to be held in a co-ordinated way (preferably during the same week) which would now be held in December to approve the Regulation 18 (Part 2) consultation plans. This means the 6-week consultation would be launched in January 2021. This would have a knock-on impact on the subsequent Regulation 19 consultation, which would naturally move to after the May 2021 elections.
36. By extending our timeline by the recommended seven months (measured by adoption date), this should ensure that there is still a window for early (through the Summer if restrictions allow, or the Autumn) face-to-face engagement opportunities with councillors. This timeframe would also allow more time for the non-statutory engagement work through the “Oxfordshire Open Thought” concept to gather public feedback to help inform discussions.
37. Oxfordshire Open Thought will be an open online platform for people to have their say on the future of their county as part of the Oxfordshire Plan 2050. It will tap into the wealth of knowledge and expertise within our communities to help find ideas and solutions to some of the big issues that affect our lives and the environment over the coming decades. This is a new initiative that won't replace previous consultations and responses.
38. The extension would allow more time to shape the strategy and consultation document with the Oxfordshire Plan Advisory Sub-group. This group continues to meet virtually every month. A recommended revised timeline for the development of the Oxfordshire Plan 2050 is set out below which incorporates the impact of the circumstances set out in this report.

Oxfordshire Plan Stage	Growth Board Sep 2019 Milestones	Proposed Milestones
Further engagement (Oxfordshire Thought)	Nov/Dec 19	May 20 & Sept 20
Consultation on spatial options (scale and broad locations) (Reg18 part2)	June/July 20	Jan 21
Consultation on Draft Plan (Reg 19)	Nov/Dec 20	Sept 21
Submission	March 21	Jan 22
Examination	June-Sept 21	Apr 22
Inspector's Report	December 21	July 22
Adoption	March 22	Oct 22

39. The extra time granted through the recommended timeline would allow us to take greater account of the long-term spatial framework that is being developed to support strategic planning across the Arc. This is a real opportunity to better align our work with wider sub-regional ambitions and feed into that process, and we will have more time to develop that conversation with Government. Some flexibility in the programme to allow for a greater level of engagement and opportunity for consensus building and briefing will result in a better plan, shaped by a wide variety of voices; and a stronger case to made to the Planning Inspector who will examine it.
40. Production of the Oxfordshire Plan will mean the development of a sound long-term strategy for the future of the county. This will be even more important post Covid-19; a clear strategy with consensus across the partnership can provide clarity and leadership for the community, and greater certainty for the market and service providers which will help with business planning.

Productivity

41. Productivity is an integral component of the Oxfordshire Housing and Growth Deal and sits alongside the other work streams, led by the Oxfordshire Local Enterprise Partnership (OxLEP). The headline commitment under the Productivity workstream invited Oxfordshire to be one of three 'Trailblazer' areas to take forward the ambitions set out by Government in its Industrial Strategy White Paper. This is in the form of an ambitious and transformational, long term *Local Industrial Strategy (LIS)*, and involved close working with Whitehall departments in the development of the Strategy. Following a review meeting during Year One of the Deal with the Government's Cities and Local Growth Unit, officials proposed that the focus for all elements of the productivity stream moving forward needed to be built around the LIS. The productivity workstream does not have a specific funding allocation within the Deal.
42. Between November 2019 and March 2020, work has progressed in translating the ambitions set out in the LIS and across the 25 policy areas detailed in the Strategy, into a coherent programme of delivery which can attract the necessary investment from Government and the public and private sectors to realise the vision for Oxfordshire to be a top three global innovation ecosystem. The Investment Plan is over a medium-term horizon and anticipates a mixture of proposals which can be developed and ready for investment in the first 1-3

years of the LIS strategy. This also includes a mixture of medium to longer term projects which will have a 10-year runway to be fully developed out but will require critical work being undertaken in the first 12-24 months of the Strategy in order to be moved forward at pace. A wider range of engagement activities are being deployed to shape the plan and assess areas of common interest across the Oxford to Cambridge Arc.

43. In light of the pandemic, the LIS Steering Group has considered the potential economic impact of the virus on the emerging investment programme. The past months (up to May 2020) have shown the remarkable world leading capability of the region's innovation ecosystem with Oxfordshire academics, research organisations and businesses consistently being at the vanguard of national and international efforts to respond to the emergency. It is important to recognise that this leadership role in the UK economy will become even more clear as we move from the respond and recover stages, and into rebuild and renew.
44. The guiding principles of the LIS are an important reference point for this process and continue to be highly relevant in a post-COVID environment:
 - a) **Invest in Oxfordshire, deliver for the UK:** As one of three net contributors to the exchequer, Oxfordshire will deliver economic growth and manufacturing and supply chain opportunities for the rest of the UK.
 - b) **Oxfordshire – The UK's Innovation Engine:** Oxfordshire has a world-class innovation ecosystem with a concentration of global assets and strengths unrivalled by anywhere else in the UK. This, along with our strengths in research and talented workforce, make Oxfordshire a great place to invest and drive R&D and innovation in new technologies, markets, products and services.
 - c) **Global Oxfordshire, Global Britain:** Many of Oxfordshire's industries already compete on a global level, and in new emerging markets. Investing in Oxfordshire will support us in our international potential and winning new market share in technologies of the future.
45. Each project sponsor under the Investment Plan is reviewing the current status of their respective business case to consider and adjust their proposals in light of COVID-19 and identify both the economic risks but also the market opportunities which could be harnessed. This is particularly illustrated by projects which are focused around the health and life sciences sectors and energy and zero carbon. OxLEP are also looking at those projects which would be accelerated in their development considering the impact it can have for areas of the economy which have been impacted disproportionately by the pandemic such as the creative and cultural industries.
46. The LIS Investment Plan will sit alongside an expected Oxfordshire Economic Recovery Plan (ERP), whose focus will likely be about short-term measures to stabilise the economy and interventions to stimulate economic activity. These will be necessarily complementing the detailed programme coming through the LIS investment Plan and be prepared through the Joint Oxfordshire Business

Support Group (JOBS), which is a bronze level cell feeding into the established Silver and Gold structures already in place for the County.

47. Based on the market intelligence that has been gathered since the pandemic started, there are reasonably three broad areas of ERP interventions that can be progressed: financial capital support; business support, restructuring and market development; and labour market support to help people back into work. These measures will need to be aligned to, and avoid duplicating, interventions already put in place by Government.

Conclusion

48. This report provides a high-level overview of the early impacts that the Covid-19 pandemic is having on the Housing and Growth Deal. It is expected that the impacts will continue and expand as we start to see what the pace of recovery will look like. We will continue to monitor our programme closely as well as develop actions and strategies to help address the impacts as they emerge and become better understood. We expect to bring forward to the next Growth Board a further assessment of impact and a detailed update on the mitigation strategies we have or would wish to employ. Some of these measures would have been needed pre-COVID-19 to address some of the market and deal issues we were already facing.
49. Notwithstanding the relative short-term shut down of local development sites, and the wider economic restrictions, the impact will be considerable across all workstreams within the Deal. Learning from this pandemic, and adapting our ways of working, will be critical to ensuring that Oxfordshire partners are best positioned to support an effective recovery. Officers supporting the Housing and Growth Deal across the various programmes have adapted their ways of working from the start of this crisis to ensure that where possible, business continues as normal, notwithstanding the market impacts that the pandemic has had on site delivery.
50. Discussions with Homes England over the possibility of adjusting the parameters of the Housing and Growth Deal to use it as a tool for recovery have commenced and officers are working closely with OxLEP to ensure that there is a consistent and robust Recovery Strategy for Oxfordshire, of which the Housing and Growth Deal programme can play a major part. An initial contact has also been made with MHCLG to alert them to the potential impacts on the various workstreams of the Deal.
51. It will be important going forward for the Deal to take account of the new policy landscape and economic context. Delays caused across the various programmes provide an opportunity to re-evaluate priorities and milestones within the Deal, informed by the local and national recovery response. Flexibility to adapt delivery ambitions and working arrangements to match shifts in policy will be crucial in ensuring the Deal can continue to deliver for local people.
52. The Growth Board is asked to note the current impact the pandemic has had on the Housing and Growth Deal workstreams, and to endorse the revised timeline for the Oxfordshire Plan 2050, as set out in this report, for officers to take forward in discussion with MHCLG.

Background Papers

53. None

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