

REPORT TO OXFORDSHIRE GROWTH BOARD OXFORDSHIRE HOUSING AND GROWTH DEAL

1 REPORT PURPOSE

- 1.1 The purpose of this report is to update the Board on progress at Quarter 2, Year 1 (2018/19) with the Oxfordshire Housing and Growth Deal (the Deal), agreed with Government, to note and endorse the proposed amendments to the year one programme for infrastructure and note and approve the years 2 and 3 affordable housing programme.
- 1.2 The report provides a summary of the Quarter 2 2018/19 reports on the following strands:
 - Infrastructure programme
 - Affordable Housing programme
 - The Joint Statutory Spatial Plan
 - Productivity
- 1.3 Detailed quarterly reports have been considered and discussed by the Infrastructure, Housing and JSSP sub groups to the Growth Board, who have endorsed the recommendations to the Growth Board.

2 RECOMMENDATIONS

- 2.1 *That the Growth Board;*
 - *notes the progress at Quarter 2 2018/19 towards the Housing and Growth Deal Milestones set out under each of the work streams*
 - *notes the summary indicative years 2-3 Affordable Housing Programme*
 - *endorses the year 2-5 Infrastructure Delivery Programme*

3 INFRASTRUCTURE DELIVERY PROGRAMME

Summary of progress at Q2 against milestones

Year 1 Infrastructure Programme

- 3.1 The year 1 infrastructure programme agreed by the Growth Deal Partner authorities (the partners) and endorsed by the Growth Board in March 2018 consists of £30 million spend across 20 Infrastructure Schemes.
- 3.2 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 on monthly to the Growth Deal Programme Board.
- 3.3 During Q1 of 2018/19 an assurance exercise was undertaken to review the deliverability of the 2018/19 infrastructure delivery programme to ensure the programme could both

Growth Board 27th November 2018

Agenda item – Oxfordshire Housing and Growth Deal

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mobilise and start delivering at the same time. This exercise identified potential delays with some schemes, largely due to third party delays (for example developers delayed in agreeing scope or contracts with other third parties). In addition, one scheme was linked to the Housing Infrastructure Fund (HIF) bid for the A40 Smart Corridor, which is now in co-production stage with Homes England and will therefore not be commenced in year. As a consequence, a projected underspend of circa £10m against the planned programme was reported to the Growth Board.

- 3.4 At end of Q2 2018/19, it is now confirmed that 4 of the 20 projects will not be started in the current year. The forecast underspend has marginally improved by £200k to a forecast underspend of £9.8m against the planned programme.
- 3.5 The deliverability assessment undertaken by the County Council in Q2 2018/19 demonstrates a high level of confidence in profiled spend of the projects remaining in the year one programme and that £20.2m of spend will be incurred on these schemes by the end of 2018/19 and £30m by Q3 in 2019/20.
- 3.6 Discussions with Homes England and MHCLG have taken place on options to address the underspend against the planned year one programme. The preferred approach is to forward fund alternative schemes across the county that do not relate to the existing year 1 infrastructure schemes but are classified as infrastructure spend, are associated with, and support, housing growth and are deliverable within year one. The County will then apply the funding originally planned for these schemes to the Deal programme to fund planned year one schemes in future years. This would ensure that the full £30m would be spent in year one in accordance with the Deal criteria and that the identified Deal schemes will come forward in year two. MHCLG officials have confirmed that this approach is acceptable, subject to assessment of the schemes by Homes England. This assessment is now underway.

Year 1 Housing from Infrastructure Delivery

- 3.7 Discussions with Homes England about the arrangements for monitoring performance against the Housing from Infrastructure delivery targets as set out in the Deal Delivery Plan have been ongoing since May. .
- 3.8 Oxfordshire councils have completed an extensive data capture exercise which maps housing sites to infrastructure projects. However, developing the methodology for the proportion of housing on these sites that will be accelerated by investment under the Deal has proved challenging since there is no existing established national methodology and no other authorities are being monitored on accelerated housing delivery against infrastructure provision in this way. However, an approach has now been agreed between the Oxfordshire councils, Homes England and MHCLG and is now being applied. The outcomes of this exercise will be tested and validated with Homes England. As a result, progress against housing delivery targets is not being required by Homes England for Q2, but will be reported in Q3.

Growth Board 27th November 2018

Agenda item – Oxfordshire Housing and Growth Deal

Contact: Caroline Green Interim Growth Deal Director

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Year 2-5 Infrastructure Programme

- 3.9 The Deal Delivery Plan requires that the Years 2-5 Infrastructure Programme be developed in Quarter 1&2 2018/19 for approval by the Oxfordshire Growth Board in Quarter 3 in 2018/19, subsequent agreement with HMG and subsequent amendment of Oxfordshire County Council's Capital Programme in Quarter 4 2018/19.
- 3.10 In accordance with this, during Quarters 1&2, a long list of schemes for consideration under years 2 -5 was devised from OxIS by the Oxfordshire councils. AECOM was commissioned to support Growth Deal partners to prioritise the indicative list of schemes in line with the agreed assessment criteria within the Deal Delivery Plan, as follows:
- Deliverability, in terms of: readiness / completion of design;
 - Consultation or approvals/permissions required.
 - Value for Money – measured against number of houses scheme will support.
 - Strategic Fit as identified in OxIS and Local Plans.
 - Interrelationship with other infrastructure proposals/schemes –including sequencing
 - Predicated Transport and other strategic outcomes, for example changes in trip patterns.
- 3.11 The list of suggested projects was tested with the Infrastructure Programme Board, which includes officers from all councils and the Locality Leads for each council. The two bids for Housing Infrastructure Funding – the Didcot Garden Town and the A40 Smart Corridor – have been separated from this Growth Deal ranking exercise.
- 3.12 The resulting proposed schedule of schemes proposed for the 2-5 year infrastructure delivery programme is at Appendix One to this report. This has been reviewed and agreed by the Growth Deal Programme Board on the basis that the proposed programme delivers the best outputs in terms of number of homes, value for money and are in line with both local and county wide infrastructure priorities and strategies, thus maximising benefits across the county. The recommended programme was discussed and endorsed by the Infrastructure sub-group at the meeting on 5th November and is presented to the Growth Board for endorsement.
- 3.13 The delivery plan for the Year 2-5 programme will now be developed with network management input to provide assurance of delivery and so that the works are planned logically and allow a smooth programme of works that minimises the effects of major construction works on the highway network, before agreement with government.

Risk and Issue Management

- 3.14 Specific risks to schemes within the Infrastructure Programme are managed through the County's risk management processes and reported to the Deal Infrastructure Board and Programme board on a monthly basis.
- 3.15 Programme wide risks include

Growth Board 27th November 2018

Agenda item – Oxfordshire Housing and Growth Deal

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- Securing agreement from Homes England to the substitute schemes in year 1. Information on the schemes has been provided to Homes England and officers are pursuing a response.
- Ability to demonstrate achievement of housing delivery from infrastructure targets. An approach has now been agreed and will be tested with Homes England, as discussed at para above.
- The Oxfordshire authorities do not directly build the homes which comprise the housing delivery figures released by the infrastructure fund and delivery may be affected by circumstances beyond the Oxfordshire Partners' control - such as economic downturn, adverse market conditions. This is acknowledged in the Delivery Plan which says they will be taken into account if they affect ability to achieve the milestones in full for each year.

4 AFFORDABLE HOUSING DELIVERY PROGRAMME

Overview

4.1 The targets 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	1320
Current gross programme	329	528	837	1694

Summary of progress at Q2 against milestones

Year 1 Affordable Housing Programme

Year 1 Affordable Housing Programme Q2 position	Number of Units
Agreed targets	148
Current gross programme	329
Assessed as having strong probability of delivery in year one	152

4.2 The target for year one of the programme agreed in the Deal is 148 units. At the end of the Quarter 2 2018/19, partners have developed a total, or gross, programme (units with potential to be included in the year one programme) of 329 units, compared to 229 at the end of the first quarter. Currently, of the year one programme of 329 units, the partners are confident that 152 have a strong probability (RAG rating of Green or Green /Amber) of achieving the agreed delivery milestone – contractual start on site- by 31/3/19. This has increased from 111 at the end of quarter one.

4.3 Of the remaining 177 units in year one schemes, approximately 50 % are badged as Amber/Red because they have funding challenges that, although being considered by partners have not been resolved and will not be within year one. The remaining 50% are considered financially viable and achievable but cannot be guaranteed to come forward

Growth Board 27th November 2018

Agenda item – Oxfordshire Housing and Growth Deal

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in year one due to time pressures. Partners are working where possible to tackle these issues and bring them forward, however, if that is not possible, these schemes are likely to come forward in year two.

- 4.4 The Affordable Housing Quarter 2 review meeting with Homes England took place in October 2018 and confirmed positive progress towards the year one programme.
- 4.5 The Quarter 3 review meeting with Home England will take place in January 2019, at which point we will confirm all projects that will be contracted to start on site by 31 March 2019. That will also confirm the total grant payment to the programme for year 1.

Years 2- 3 Affordable Housing Programme

- 4.6 The Deal Delivery Plan milestones required the development of an indicative affordable housing programme for years 2 and 3 by 30/09/18. Achievement of this milestone has been confirmed by Homes England.
- 4.7 The years 2 and 3 Programme comprises schemes that have been put forward by each of the District and City councils. They comprise schemes that, in the opinion of the councils have the potential to come forward and deliver additional affordable housing above that which would otherwise be delivered on schemes that can achieve start on site by March 2021.

Indicative affordable housing gross programme years 2-3

	Cherwell	Oxford	South	Vale	West	Total
Year 2	18	169	28	95	218	528
Year 3	30	420	63	114	210	837
Total	48	589	91	209	428	1365

- 4.8 The programme for future years is at this stage indicative and further work is required to improve our confidence in the delivery of the projects within the programme. There is flexibility to allow additional schemes to be added into the programme and indeed this will be required to ensure we have sufficient schemes in the pipeline.
- 4.9 Over the three years of the programme, the current gross programme proposes 1694 homes against a target of 1320 homes. This is an encouraging position as this stage, however it is acknowledged that we need to further develop the gross programme and identify additional schemes to allow for slippage and other circumstances that may cause schemes not to come forward Part of our ongoing work will be to ensure that we have a ready supply of schemes that we can bring into the Programme, should circumstances require it to ensure that we deliver the agreed targets.

Scheme launch and Prospectus

- 4.10 During quarter 2 2018/19 the Affordable Housing Programme was officially launched with the production of a Prospectus and an event attended by 40 organisations, including Registered Providers, developers and landowners who gathered to receive presentations

Growth Board 27th November 2018

Agenda item – Oxfordshire Housing and Growth Deal

Contact: Caroline Green Interim Growth Deal Director

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on how the Programme could work for them and to take part in a discussion about how we could work in partnership together to maximise the impact of the Programme.

4.11 The launch event successfully developed interest amongst many partners and the officers have been establishing ongoing discussions with attendees to maintain momentum.

4.12 The next steps are the finalising of the grant application process, thus allowing the year one schemes to be confirmed. Officers will be focussing upon this in the coming weeks

Budget and grant funding

4.13 The total budget for the Programme agreed in the Housing and Growth Deal is £60 Million, over three years.

4.14 The breakdown of the budget as per the indicative Programme agreed with Government is as follows.

	Year One	Year two	Year three	Total
Units	148	464	710	1322
Budget	£6.765m	£21.620m	£32.225	60.61m

4.15 Under the terms the Deal are grant funding is payable in arrears by Homes England at the end of the financial year, based upon agreed activity in that year as concluded at the third quarter review meeting which will this year be held on 21st January 2019. At this meeting the Programme delivery to 31/12/18 will be concluded and an estimate of completed activity in the final quarter agreed.

Risk and Issue Management

4.16 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.

4.17 In addition to these site-specific risks, there are more general risks identified for the Programme, these are

(i) The risks to the Programme of the National Strategic Partnerships being developed by Homes England (HE). These have the potential to lessen the attractiveness of the Programme to Registered Providers and to cream off homes that otherwise we could develop through the Programme. Officers have raised this concern with HE and are working with HE to agree how the two schemes can complement each other rather than compete.

(ii) 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 tradesmen on site

Growth Board 27th November 2018

Agenda item – Oxfordshire Housing and Growth Deal

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(iii) Innovation is a key aspect of the Programme agreed with Government. The risk however is that the focus upon completion of targets does not allow space for innovative product, delivery or working practices. Officers are very aware of this risk and intend to focus upon scoping innovation in the third quarter.

5 JOINT STATUTORY SPATIAL PLAN AND PLANNING FLEXIBILITIES

Summary

- 5.1 During quarter 2 activities have focussed on preparatory work for the JSSP project. A Local Development Scheme, Statement of Community Involvement and Scoping Document have been considered by the relevant Councils. The JSSP Sub-Group had its first meeting and progress was made on staff recruitment and accommodation.
- 5.2 The Government delivered a temporary 3-year housing land supply planning flexibility for Oxfordshire in September. This was originally expected in July, according to the Deal Delivery Plan.
- 5.3 Key project issues include the impact of the recent expressway announcement on the JSSP timetable, and the impact of the slightly later delivery of the planning flexibilities.

Approved JSSP Timetable

- 5.4 The overall programme for the JSSP is set out in the approved Local Development Scheme. This is consistent with the following milestones in the Housing and Growth Deal Delivery Plan:
 - Principle of JSSP agreed through the Approval of Deal – January 2018 - achieved
 - Draft Oxfordshire-wide Statement of Common Ground - 31 March 2018 - achieved
 - Joint JSSP Project Board established to take forward JSSP under Section 28 – July 2018 - achieved
 - All Local Plans submitted for examination-- 1 April 2019
 - Draft JSSP published for formal consultation - 30 October 2019
 - Submission of JSSP - 31 March 2020
 - JSSP Adoption (subject to examination)- 31 March 2021

Progress on Milestones

- 5.5 The Housing and Growth Deal year 1 milestones relating to approval of the Deal, draft Statement of Common Ground, and JSSP Project Board have been met.
- 5.6 South Oxfordshire District Council and Oxford City Council have made significant progress on the preparation of their respective Local Plans. These Local Plans are expected to be submitted for examination before April 2019, in accordance with the Delivery Plan milestone.

Growth Board 27th November 2018

Agenda item – Oxfordshire Housing and Growth Deal

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Planning Freedoms and Flexibilities

5.7 The Housing and Growth Deal contained a commitment from Government to explore the options for time limited planning flexibilities. The Delivery Plan recognised that the milestones attached to the work on the JSSP are contingent on securing planning flexibilities. The Secretary of State made a written statement on the 12th September 2018 implementing a temporary change to housing land supply policies as they apply in Oxfordshire. This Statement was originally expected in July and the later timing has had some impact on the timing of the preparatory work for the JSSP.

JSSP Progress – Quarter 2

5.8 In September and October 2018 all of the Local Planning Authorities signed off the JSSP's Local Development Scheme, Statement of Community Involvement and Scoping Document. These documents provide a firm foundation for the JSSP project.

5.9 The JSSP Sub-Group, which involves member representatives from all of the Councils, had its first meeting in September. This Sub-Group will provide advice and guidance to aid the development of the JSSP. The Sub-Group's meeting programme is under development and will be aligned with the detailed JSSP work programme.

5.10 A JSSP Officer Project Board has also been established and this first met in August 2018. This board involves the various Councils Heads of Planning and in future will also involve representatives from Homes England and Government. This Board helps support the work of the Sub-Group and the project.

5.11 During the quarter a range of roles in the JSSP project team were advertised, interviews followed in October and a number of appointments have been made.

Budget

5.12 The initial spend on the JSSP project is estimated at £2.5 million. This will be funded from the capacity funds provided by the Government through the Housing and Growth Deal. The profile of spend is:

	Year(s)	2018-19	2019-20	2020-21	Comments
JSSP PROJECT TEAM	PLAN	£246,000	£466,000	£395,000	
	FORECAST	£115,000	£355,000	£320,000	
OTHER PROJECT SPEND	PLAN	£464,000	£559,000	£370,000	
	FORECAST	£125,000	£929,000	£539,000	
TOTAL PROJECT SPEND	PLAN	£710,000	£1,025,000	£765,000	
	FORECAST	£252,000	1,347,000	£901,000	Includes contingency of 5%

5.12 No expenditure will be incurred beyond the £2.5million without prior consent of all partner authorities.

Growth Board 27th November 2018

Agenda item – Oxfordshire Housing and Growth Deal

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Risk and Issue Management

Oxford to Cambridge Expressway

- 5.13 In September, the Department for Transport and Highways England announced their preferred Corridor for the “missing link” of the proposed Expressway between Oxfordshire and Milton Keynes. The Highways England programme had previously indicated that the announcement would identify a preferred Corridor for the Expressway, but instead the announcement retained two sub-options around Oxford for further consideration. These are B1 west of Oxford (including a possible on-line upgrade of the existing A34) and B3 to the south and east of Oxford. Therefore, there is uncertainty as to where the route of the Expressway will be at this stage. The level of uncertainty around Oxford is significantly greater than for other parts of the Corridor.
- 5.14 The indicative timeline for the Expressway envisages that public consultation on route options will take place in autumn 2019, and that the preferred route will be announced in 2020. Officers are engaging with Government officials on how we can align the JSSP and Expressway work programmes. The future Expressway route options may unlock different strategic growth opportunities and an integrated approach would allow this to be assessed through the JSSP process and then taken into account in the final decision on the Expressway route.

Timing of Planning Flexibilities

- 5.15 The delivery of the planning flexibilities in September, rather than in July as anticipated, has had some impact on the timing of the preparatory work for the JSSP. The delivery plan made it clear that the formal commencement of the JSSP process was linked to progress in securing the freedoms and flexibilities. The timing of the Councils’ consideration of the Local Development Scheme, Statement of Community Involvement and Scoping Document was therefore moved from August/ September to September/ October.
- 5.16 As a consequence the date for the early Stakeholder Engagement has now moved to December, rather than the October date shown on the approved Local Development Scheme. The timing of recruitment processes for the JSSP team was also affected.

6 PRODUCTIVITY

- 6.1 Productivity is an integral component of the Oxfordshire Deal and sits alongside both the housing and infrastructure streams. It is central to delivering economic growth by supporting growth in critical economic sectors, supporting innovation clusters and attracting investment. We anticipate that this will realise significant long term economic benefits to Oxfordshire and the UK.
- 6.2 The headline commitment under the Productivity stream invited Oxfordshire to be one of three ‘Trailblazer’ areas to take forward the ambitions set out by Government in its Industrial Strategy

Growth Board 27th November 2018

Agenda item – Oxfordshire Housing and Growth Deal

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White Paper. This was to be in the form of a *Local Industrial Strategy (LIS)*, and involve close working with Whitehall departments in the development of the Strategy

6.3 The development of the LIS is being overseen by a steering group comprising senior officers from OxLEP, local authorities, Universities, business representatives and Government, reporting into both the OxLEP Board and Growth Board. The Housing and Growth Deal committed Oxfordshire and Government to have agreed the LIS by March 2019, and is a key deliverable for year one of the Deal.

6.4 It is important to note that no funding has been allocated to the Productivity Stream under the current Deal agreement. The intention in Year One is to work with Departments and identify areas where the objectives of the stream can be developed and, where possible, to progress key priorities under the LIS process.

6.5 In addition to the development of the LIS, the Productivity Stream also included proposals to explore early land remediation at Harwell to bring forward critical employment land supply in Science Vale. There are also commitments to work with OxLEP and partners to identify interventions and solutions to support our world class science clusters and businesses with scale up potential through emerging sector deals, development of a dedicated investor programme for trade and investment, an enhanced Growth Hub and developing a more responsive skills system.

Quarter 2 Progress

6.6 Following a review meeting in the summer with the Government's Cities and Local Growth Unit, officials proposed that the focus for all elements of the productivity stream moving forward need to be built around the emerging LIS, thus utilising planned and future working sessions with departments to prepare the ground for landing the propositions developed by the LIS

6.7 At its July meeting, the Growth Board received an update presentation setting out the progress which had been made in developing the LIS. Since July's Growth Board, significant work has been undertaken in reviewing the economic performance of the Oxfordshire economy, the challenges which businesses face- including specific sectors where we have market potential to grow and the critical skills which the local workforce need to develop in order to secure the jobs opportunities created.

Next Steps

6.8 During November and early December further work and engagement will be undertaken with partners and Government officials to continue to develop the strategy.

6.9 A draft document will be considered by the OxLEP Board in mid-December for submission as a working draft to Whitehall as the basis of further discussion and agreement during early 2019. It is the intention to reach agreement with Government on the final LIS by March 2019, in line with the commitments of the Housing & Growth Deal.

Growth Board 27th November 2018

Agenda item – Oxfordshire Housing and Growth Deal

Contact: Caroline Green Interim Growth Deal Director

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- 6.10 An update report will be shared with the Growth Board in January and we anticipate submitting the final document to both the OxLEP Board and Growth Board for formal endorsement in March 2019.

7 DEAL GOVERNANCE AND FINANCE

7.1 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 JSSP, £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.

7.2 The majority of planned spend under the capacity fund is on additional staff resources to support delivery of the programmes. During September and October, a recruitment process has taken place and a number of appointments made to the JSSP team, the Programme Management Office and the Core Growth Deal Delivery Team.

8 CONCLUSION

8.1 This report outlines progress against the Deal year one milestones at end of Q2 2018/19.

8.2 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 Q3 and Q4 of 2018/19 needs to be on activity required to accelerate the delivery of the year one programmes and to develop confidence in the delivery of commitments in future years.

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