

To: Oxfordshire Growth Board
Title of Report: Quarter 3 Oxfordshire Housing and Growth Deal Progress Report and Financial Summary
Date: 11 March 2020
Report of: Bev Hindle, Growth Board Director
Status: Open

Executive Summary and Purpose:

- I. The purpose of this report is to update the Growth Board on progress at Quarter 3, Year 2 (2019/20) with the Oxfordshire Housing and Growth Deal (the Deal).
- II. The report provides a summary of the following strands of the Deal.
 - Infrastructure programme
 - Affordable Housing programme
 - Oxfordshire Plan 2050.
- III. The fourth strand of the Deal, Productivity is reported through the OXLEP Board under separate arrangements.
- IV. A separate annex detailing the financial position of the Growth Deal as at 31/12/19 is appended to this report.

Recommendation:

That the Growth Board notes the progress at Quarter 3, 2019/20 towards the Housing and Growth Deal and notes the interim financial report at Annex 1.

Appendices:

Annex 1: Oxfordshire Housing and Growth Deal Grant Funding Streams Interim Financial Summary Report: Year 2 Period Q1 - Q3 2019/20

CONTEXT

1. The Oxfordshire Housing and Growth Deal is one of a kind with no direct comparator in the country (either before or since it was agreed) – a short term growth deal pilot. In Year 1 we met all targets set despite needing time to effectively mobilise from day 1.
2. Year 2 was always going to be the most difficult as we would not have the benefit of any existing infrastructure or housing schemes to call on and with the nature of scheme development needing significant time from concept to design to delivery, meeting a flat target of spend and delivery has been a

challenge. Delivery of such programmes is never a straight line and inevitably projects and programmes will slip.

3. We have made substantial improvements to our own governance and approval processes and have worked with delivery partners and stakeholders to ensure we are committing wherever we can to delivery – this is despite very challenging circumstances with the market slowing down and with the competition we face in delivery of affordable housing for example.
4. We have also agreed a varied timeline for delivery of the Oxfordshire Plan 2050. The target was always ambitious, but with the emerging climate change agenda, inclusive growth and the regional picture taking shape in the Oxford to Cambridge Arc (including great uncertainty and potential change of commitment around the expressway), it makes statutory plan-making very difficult – particularly when that plan has a 30-year time horizon. However, this is such an important guide for future delivery, and it needs to be done properly, taking the time needed to ensure it is sound and robust.
5. The following Q3 report identifies some areas where we are not delivering to target. Despite market slow-down, overall housing delivery against target is still strong over time and we have made substantial efforts, such as pooling local Section 106 funding to act as a “Top-Up Fund”, to help deliver more affordable housing units. We are also working to improve our capital spend profile and the Oxfordshire Plan 2050 is running in line with the revised target timetable.

HOMES FROM INFRASTRUCTURE PROGRAMME

6. The Growth 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.
7. 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

8. 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 reported monthly to the Growth Deal Programme Board.
9. The Growth Board will recall that in the last update officers advised that maturing spend profiles for the planned infrastructure schemes was leading to

the conclusion that the originally negotiated spend profile of £30 million per annum did not reflect the reality of the programme.

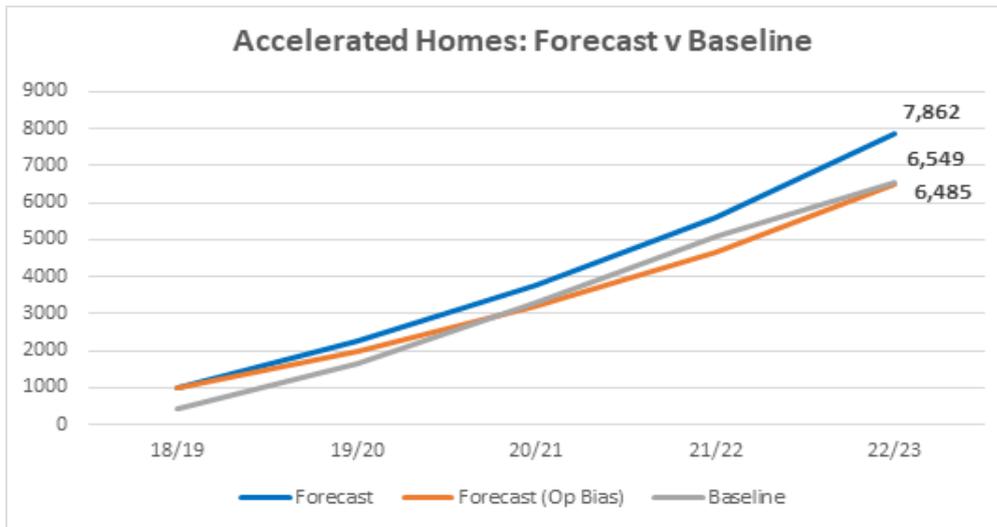
10. Officers reported that they believed that a more realistic profile would see spend much more backloaded, with greater spend at the latter end of the 5-year period when projects reach the construction phases. Years two and three will see the majority of spend associated with planning and design work which is typically only a small percentage of an overall schemes cost.
11. Accordingly, Oxfordshire County Council and the Growth Deal team undertook a comprehensive assurance exercise to review the spend profile of the Infrastructure Programme.
12. A draft proposal has been discussed with Government officers, detailing measures to ensure infrastructure spend commitments are met. Officers will report back on progress once these have been agreed.

Risk Management

13. The following risks have been identified as the key risks to the infrastructure programme:
 - The increased backloading of the infrastructure programme, leading to concerns that some schemes may fall outside of the time-frame of the Deal.
 - Managing the impact of the infrastructure programme upon the Oxfordshire road network.
 - Procurement and market readiness.
 - Potential delays due to the need to acquire land through compulsory purchase.
 - Reliance on third parties (developers / network rail etc) for delivery.
14. Officers have developed risk registers for each infrastructure scheme, including appropriate mitigations that are regularly reported to the Programme Board to ensure that risk is managed.

Delivering Housing from Infrastructure

15. Officers have previously reported that we achieved the year one target of 494 homes, accelerating 978 in that first year.
16. Officers believe that this acceleration was mainly due to the market conditions created by the first stages of the investment in infrastructure, providing developers with confidence in an already buoyant housing market to increase the pace of development.
17. The current predicted trajectory for the full 5 years of the Homes from Infrastructure programme is as follows:



18. The graph shows that, against the trajectory of accelerated homes agreed in the Deal, of 6549 homes, we are predicting to accelerate 7862 homes. Once we factor in the appropriate optimism bias percentage to this expectation, we are expecting to achieve 6485 homes.
19. The Board will note that the trajectory has reduced since we last reported to the Board and is now below the 6549 target, when the full optimism bias is applied
20. The Board will note however that the figure of 6485 is a mid-year estimate of housing completions, subject to the full 20% optimism bias and therefore a cautious estimate of performance. Officers are very confident that when we come to the year end and count actual completions- at which point the optimism bias will not be required- our final year end position will be above target.
21. Notwithstanding the above, the trend of the accelerated trajectory is of a gradual reduction. Initial investigations have identified that this reduction is due to slowing down on several larger strategic sites- in line with an overall slowdown in the housing market -with one large site whose acceleration has not been possible due to delays in the delivery of the necessary infrastructure not now expected to deliver any units in the Deal period.
22. Whilst the delivery of the infrastructure is strongly related to the delivery of the accelerated housing trajectory, it is not the only factor in the delivery of the housing. Each housing site in the Hfl trajectory has individual challenges and dependencies that need to be project managed by the partners, alongside the developers and other stakeholders to ensure that the anticipated delivery trajectory comes to fruition.
23. To secure delivery, officers compile detailed delivery plans for each site that set out the challenges and milestones to delivery that will be required and RAG (Red, Amber, Green) rate the likelihood that the expected trajectory will be achieved. These delivery plans form a database that partners, coordinated by the Growth Deal Team use to performance manage the delivery of housing.

Risk Management

24. The delivery plans contain the following risks, identified as the key to the delivery of homes:

- The pace of infrastructure delivery, particularly that identified as crucial to the acceleration of homes and the consequent impact on the pace of related housing development.
- Reliance on third parties (developers / network rail etc) for delivery of infrastructure.
- The speed of resolution of any planning issues needed to unblock sites.
- Potential impact of external market factors and the health of the economy.
- The stage and pace of development of some of Oxfordshire's Local Plans.

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

AFFORDABLE HOUSING PROGRAMME (OAHF)

26. The numeric targets for the OAHF agreed in the Housing and Growth Deal, together with the Qtr. 2 and current projected programme is as follows:

	Year One	Year Two	Year Three	Total
Agreed targets	148	464	710	1322
Programme as at 30/6/19	191*	333	777	1301
Programme as at 31/12/19	191*	192	1050	1433

*achieved

27. The total budget for the Programme agreed in the Housing and Growth Deal is £60million, over three years. The indicative budget drawdown, based upon the current predicted delivery is as follows

	Year One (£m)	Year Two (£m)	Year Three (£m)	Total (£m)
Indicative budget (£)	£6.5	£21.5	£32	£60
Current predicted drawdown (£) at 30/9/19	£6.715*	£13.615	£32.370	£52.70
Current predicted drawdown (£) at 31/12/19	£6.715*	£8.08	£41.475	£56.27

*achieved

28. The Growth Board will note the changes between Qtr. 2 and Qtr.3 for the OAHP. These changes are a result of a comprehensive audit of the year two programme by each council, at the request of Homes England. This has resulted in the current programme growing to 1433 units, above the target set in the Deal. Consequently, the proposed budget drawdown has also increased to £56.27million against the target allocation of £60million. Partners will now carry out a similar audit for the year three programme for reporting to Homes England at the year end.
29. Within this interim position of an overall improvement to the position of the OAHP, the key issues are;
- The year two programme has reduced materially and now delivers only 41 % of the target set. This is mainly a result of schemes not coming forward at the pace anticipated and being pushed back to year three of the programme.
 - Consequently, the number of units now pushed back to be delivered in year three has increased, meaning that over 70% of the target will be delivered in the final year. This will pose a challenge for officers to bring these schemes to fruition before the OAHP ends on 31/3/21.
30. Officers have previously advised the Growth Board that the largest challenge to the success of the OAHP is the grant rates set for the programme and our contention, based upon market evidence, that the grant rates that Homes England were offering to Registered Providers were significantly higher than those we could offer through the OAHP and consequently we could not compete with.
31. Officers have kept the Growth Board abreast in previous reports of our continuing discussions with Government, with a view to creating a level playing field for the OAHP. To date government has agreed that:
- Partner Registered Providers (RPs) that hold reserves of Recycled Capital Grant Fund (RCGF) can use this alongside OAHP grant.
 - OAHP grant can be used to bring forward schemes comprising leasehold properties, if the lease is of enough length and grant can be reclaimed if it is terminated early.
 - OAHP grant can be used to refurbish redundant care homes and count fully as additional units.
32. These concessions by Government are in large part a response by them to the commitment shown by Oxfordshire councils to the success of the OAHP, witnessed by the establishment in each council of a local Top up Fund to be used as a fund of last resort to augment OAHP Grant and other sources of funding.
33. During the last quarter Oxfordshire partners asked MHCLG to consider the following proposals to assist with the OAHP

- Whether Oxford, as the only stock owning authority in the county, can use its Retained Right to Buy Receipts (RRTB), alongside local top up funds, to deliver affordable housing that we can count towards the OAHF.
- Whether Oxfordshire, like Homes England will be allowed to count affordable housing units delivered through our planning processes without grant towards the OAHF targets.
- Whether we will be able to also use these nil grant units in the calculation of our average grant rates, thus reducing the overall average and providing some potential headroom for high grant levels for expensive schemes.

34. MHCLG have recently advised us that unfortunately these flexibilities are not something that they can agree to, offering the following reasons:

- The Government have recently consulted on flexibilities for councils with RRTB receipts and do not wish to prejudge this.
- MHCLG believe that to allow Oxfordshire to count affordable housing units delivered through the planning process would detract from the central purpose of the OAHF, which is to provide additional affordable housing over and above that secured through planning policy.

35. Officers will continue to engage with Government on innovative ways to maximise the value of the OAHF for Oxfordshire.

Risk Management

36. The key risks to delivery of individual schemes within the OAHF are from delays in planning and tender processes, financial challenges to schemes and funding gaps. These risks are managed at district/city level.

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

- That the OAHF is not currently large enough to withstand the anticipated dropout rate of schemes that typically occurs through the programme, as a result for example of planning delays. Experience to date suggests that up to a third of schemes can be delayed in any one year for a variety of reasons, and the OAHF needs to have the capacity to allow for such drop out and still deliver to target.
- The risks to the OAHF of a downturn in the economy, slowing housing completion rates and thence the affordable units developed. This risk could however also be an opportunity as it may also provide opportunities to bulk purchase units as affordable housing from developers, keen to offload unsold stock, bolster cash flows and retain tradesman on site.

OXFORDSHIRE PLAN 2050

38. Work in Qtr. 3 has been focussed on several key areas:
- Continuing engagement with stakeholders and in particular Duty to Co-operate bodies-a prescribed list of bodies that there is a statutory duty on the district/city councils to co-operate with in plan making.
 - Broadening the reach of our engagement, targeting those underrepresented in consultation responses to date.
 - Commissioning of technical studies and collation of evidence base.
 - Progressing work with steering and working groups of technical expert officers.
 - Developing spatial scenarios and options for testing.
39. Engagement has continued through Qtr. 3, with additional informal engagement particularly targeted at broadening the reach of the project and range of participants. There have been workshops with young people through Voice of Oxfordshire Youth (VOXY) and with residents' panels. This will continue in the next quarter with plans for a youth competition on 'future thinking', as well as workshops planned with students at both Abingdon and Witney College and City of Oxford College.
40. In addition, there has been a series of meetings with the Duty to Co-operate bodies. 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.
41. The production of the Plan will require a significant level of technical work to form the evidence base. The evidence base will help to shape 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. Many key evidence studies are already underway with consultants appointed and others are on track to be commissioned in the next quarter.
42. 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 to oversee specialist topic workstreams, such as health, transport and natural capital. Each technical commission is being carried out with the involvement of all the authority partners, via one of these steering groups to oversee the commission.
43. Over the next quarter officers will continue refining and then testing a series of spatial options. This will include testing through the Sustainability Appraisal process. A Sustainability Appraisal being a systematic process that must be carried out during the preparation of local plans to promote sustainable development by assessing the extent to which the emerging plan, when judged against reasonable alternatives, will help to achieve relevant environmental, economic and social objectives.
44. This work will build towards the production of the next formal consultation document. The focus of that next consultation document will be the spatial

options for the Plan and the presentation of a tested set of options for public and stakeholder consideration.

Risk Management

45. The following 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.
- Lack of a clear vision and spatial strategy would impact upon any defence of the Plan and its policies.
- Links with external projects, for example the Expressway.
- Links with and relationship to district Local Plans.

DEAL GOVERNANCE AND FINANCE

46. The focus for programme governance on the Growth Deal programme for the period Q3 2019/20 has been to assess the financial process for the Growth Deal Capacity Fund. This work has identified efficiencies to the reporting of the monthly business intelligence to the Growth Deal Programme Board and the quarterly reporting cycle to the Growth Board. Work to raise the visibility of costs associated with the Growth Deal has also resulted in the reporting of the financial staffing and non-staffing costs of the Growth Board. Costs are now reported monthly within the Growth Deal financial statement.

47. A summary financial report on the Growth Deal funding streams for Year 2, period Q1 – Q3 2019/20 is attached as Annex 1 to this report.

48. A strategic programme risk register is also monitored and controlled. Tactical risks at a programme level are managed by the programme leads.

LEGAL IMPLICATIONS

49. None arising from this report.

OTHER IMPLICATIONS

50. None arising from this report.

CONCLUSION

51. This report outlines progress against the agreed Housing and Growth Deal year two milestones at the end of Q3 2019/20.

52. The focus, both for the core Deal team and for each of the partner authorities in the final quarter of year two needs to be on activity required to complete the delivery of the year two programmes and to develop confidence in the delivery of commitments in future years.

BACKGROUND PAPERS

53. None

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