

Divisions Affected - Eynsham, Kidlington South, Wolvercote and Summertown

CABINET

21 June 2022

**A40 HIF2 Smart Corridor Housing Infrastructure Fund (HIF)
Revised Grant Determination Agreement**

Report by Director of Transport & Infrastructure

RECOMMENDATION

1. **The Cabinet is RECOMMENDED to**
 - a) **Note the draft terms of the proposed Deed of Variation**
 - b) **Authorise the Director of Transport & Infrastructure, in consultation with the Director of Law & Governance and Director of Finance, to finalise the terms of, and enter the Deed of Variation to the Grant Determination Agreement.**

Executive Summary

2. In December 2021, the Full Business Case for Science Transit (Eynsham Park and Ride and A40 eastbound bus lane) was approved by DfT resulting in a grant of £35m. Adding this to funding previously secured (Housing and Growth Deal, OxLEP & s106) this provided Science Transit with a total budget of £51.3m.
3. On 28th August 2020, the Grant Determination Agreement GDA was signed, granting £102,011,499 for the delivery of the HIF2 Smart Corridor schemes (Dualling, westbound bus lane and Duke's Cut works) during the Availability Period, end date of which was originally set at 31 March 2024.
4. In October 2021, the HIF2 funding was increased to £106,756,836 and an extension of the Availability Period was granted to 28th February 2025.
5. The HIF and Science Transit schemes are in effect one project as the Full Business Case produced for Science Transit for the DfT demonstrates, which is why the Grant Determination Agreement contains the DfT milestones.
6. To minimise the risk of funding requirements beyond the expiry of the Availability Period, the HIF2 Programme Team have agreed with Homes England that costs associated with the Science Transit Scheme can be drawn down against the Homes England HIF2 funding, with the balance of the DfT funds secured for Science Transit used at the back end of the combined (HIF2

and Science Transit) draw down. By combining all available funding, OCC can draw upon and spend the HIF2 grant as early as possible within the Availability Period (February 2025). This would include spending HIF2 grant on Science Transit works. This approach considerably de-risks the HIF2 programme, as time sensitive money (HIF2 grant) is spent as early as possible.

7. The HIF Grant Determination Agreement (GDA) changes agreed in principle, between Oxfordshire County Council and Homes England, include:
 - (a) Inclusion of the delivery of the Science Transit scope within the Infrastructure to be delivered under the GDA.
 - (b) Update to the Milestones schedule and Delivery Plan to reflect an integrated programme for HIF2 and Science Transit.
 - (c) Draw down of Homes England funds against costs incurred on the Science Transit programme.
8. The DfT grant conditions allow the grant to be used on capital infrastructure other than Science Transit.
9. Agreement in principle has been reached with Homes England on items detailed in this paper, however final details of the updates to the schedules and clauses require further discussion and agreement with Homes England.

Exempt Information

10. The Grant Determination Agreement Deed of Variation (see Annex 1 for draft) is subject to legal advice and negotiation and until agreed remains confidential.

Grant Determination Agreement – Deed of Variation

11. Following discussions with Homes England the following amendments have been agreed in principle:
 - (a) Inclusion of the delivery of the Science Transit scope within the Infrastructure to be delivered under the GDA.
 - (1) Substitution of Schedule 1 (Infrastructure details and Milestones) with an updated Schedule 1 – Infrastructure information now including Science Transit as being part of the infrastructure to be delivered.
 - (2) Substitution of Annexure 3 (Infrastructure Site), reflecting inclusion of Science Transit within the Infrastructure Site.
 - (b) Update to the Milestones schedule and Delivery Plan to reflect an integrated programme (HIF2 and Science Transit).
 - (1) Substitution of Schedule 1 (Infrastructure details and Milestones) with updated Milestones and Milestone dates.
 - (2) Substitution of Schedule 8 (Delivery Plan) now including updated delivery dates, with the east bound bus lane included within the delivery of the Integrated Bus Lanes.
 - (c) Draw down of Homes England funds against costs incurred against the Science Transit programme.
 - (1) Substitution of Annexure 1 (Expenditure Forecast), reflecting a combined HIF2 and Science Transit spend profile.

- (d) The DfT (LGF) Award becomes part of the Public Sector Financial Assistance and Public Sector Contribution.
 - (e) Balancing Sum (amount by which the Public Sector Contribution exceeds the Actual Infrastructure Expenditure) is to be paid to Homes England, but only on underspent on the HIF2 Projects.
12. Agreement in principle has been reached with Homes England on items detailed in this paper, however the draft Deed of Variation (Annex [1]) incorporating the detailed changes being proposed is, at the time of issue of this report, with Homes England for consideration.

Financial Implications

13. The GDA amendments will not change the HIF2 funding provided by Homes England, which remains at £106,756,836. The amendments however will allow for accelerated draw down of Homes England funds. The DfT grant received for the delivery of Science Transit (Eynsham P&R and eastbound bus lane) will be used at the back end of the integrated HIF2 and Science Transit construction programme.

Comments checked by:

Rob Finlayson, Finance Business Partner

Legal Implications

14. The Grant Determination Agreement provides that it may be amended by agreement in writing between the parties. The amendments are being dealt with by way of a Deed of Variation. The draft Deed, which has been prepared by legal services, is with Homes England for consideration and is subject to negotiation.

Comments checked by:

Jayne Pringle, Interim Principal Solicitor

Risk Management

15. There is a risk that Eynsham Park and Ride and east bound bus lane overspent may impact availability of funding for completion of HIF2 core schemes. This is mitigated by ensuring that detailed costs are recorded against each of the schemes and expenditure per scheme will be capped at the agreed and authorised budget.
16. In case of HIF2 Programme CPO / statutory process failure, the DfT funds are available to reimburse Homes England for any costs incurred and refunded against Park & Ride and east bound spent. Costs will be recorded against each of the schemes to ensure the relevant information is available to allow reimbursement.

17. Key risk to the Council in signing the GDA Deed of Variation is the risk of the County Council having to pay for any cost overruns. If the infrastructure programme timescales slip past the funding Availability Period, then the Council will be subject to high residual costs to complete the infrastructure. Note – this is already an active risk associated with the current GDA and previous Deed of Variation, this new Deed of Variation does not increase this risk. The change to the spending profile will assist to mitigate the financial risk on the Council.

Consultations

18. Consultation has taken place with the Director of Transport and Infrastructure, Director of Finance and the Cabinet Member for Travel and Development Strategy.

Owen Jenkins, Report by Director of Transport & Infrastructure

Annexes (Exempt):

[Annex 1 – Draft Deed of Variation/ Heads of terms]

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