

Divisions Affected - All

CABINET 21 March 2023

Oxfordshire Housing & Growth Deal

Report by Chief Executive

RECOMMENDATION

The Cabinet is RECOMMENDED to

- a) Subject to the decision of the Future Oxfordshire Partnership on 20 March 2023, request the Chief Executive of the Council to write to Department for Levelling Up Housing and Communities (DHLUC') to formally accept the terms of the letter from DHLUC to Oxfordshire Leaders and Oxfordshire County Council's Chief Executive dated 5 December 2022 (Annex 1).
- b) Agree that in accepting the terms of the letter at Annex 1, the Council will, as accountable body and in consultation with the relevant District or City Council regarding the impact on accelerated housing numbers, take responsibility for decisions necessary to manage the programme in accordance with the updated conditions set out by DLUHC.
- c) Note that it will be necessary to agree revised Terms of Reference and Memorandum of Understanding for the Future Oxfordshire Partnership to reflect the change in responsibility as set out in recommendation 2.

Executive Summary

1. The Housing & Growth Deal was agreed with Government in 2018. The Deal comprised funding of £215m covering three strands overseen by the Future Oxfordshire Partnership (Growth Board at the time); Homes from Infrastructure Programme; Oxfordshire Affordable Housing Programme and the Growth Deal Capacity Fund. A fourth strand, the Productivity Programme was managed by the Oxfordshire Local Enterprise Partnership (OxLEP). The Deal was underpinned by requirement to develop an Oxfordshire Joint Statutory Spatial Plan (Oxfordshire Plan 2050).

2. Following the decision by the Future Oxfordshire Partnership to end the Oxfordshire Plan 2050, the DLUHC reviewed the implications along with the availability of the final £30m instalment of the Homes for Infrastructure grant funding.
3. On 5 December 2022, a letter relating to the final £30m was received from the Department of Levelling Up, Housing and Communities [DLUHC], including additional criteria relating primarily to strengthened reporting requirements and also a proposed change in payment methodology.
4. A number of meetings have since taken place to confirm and clarify the points raised in the letter and consider the risks to the Council in agreeing to the revised funding conditions.
5. This report updates the existing financial governance arrangements following the receipt of updated requirements for the release of the remaining £30m grant funding.

Oxfordshire Housing and Growth Deal Fund Financial Governance

6. In accordance with the Oxfordshire Housing and Growth Deal Delivery Plan agreed with Government in 2018, the County Council is the accountable body for the financial management of the Housing & Growth Deal (with the exception of the Productivity Programme).
7. As the accountable body, the County Council is responsible for:
 - Receiving grant funding from the government.
 - Ensuring that recommendations to the Future Oxfordshire Partnership on schemes to be funded are in accordance with the grant conditions and within the funding available.
 - Providing regular monitoring reports to the Future Oxfordshire Partnership.
8. The County Council also holds the risk should Government require funding to be repaid if it is unspent or deemed to have been misused.

Housing from Infrastructure Programme

9. Grant funding supporting the Housing from Infrastructure Programme was expected to total £150.0m. The investment in infrastructure was expected to accelerate at least 6,549 planned homes that might not otherwise have come forward at this pace. The programme comprises schemes covering road, rail, cycle routes and footpaths, as well as a school. Schemes may be either fully or part funded via the programme.
10. The grant funding was to be paid to Oxfordshire County Council in five equal annual instalments of £30.0m. 2022/23 was the fifth and final year for the

receipt of funding towards the Programme. £120m has been received so far and the remaining £30m was expected to be received in 2022/23.

11. Following the decision by the Future Oxfordshire Partnership to end the Oxfordshire Plan 2050, the DLUHC reviewed the implications along with the availability of the final £30m instalment of the grant funding. Following an update on the availability of the funding received in early December (see Annex 1), the remaining £30m will be released subject to the following conditions:

- Oxfordshire County Council S151 Officer to confirm that all recycled funds have been returned to the programme and spent before further funding will be provided.
- Oxfordshire County Council S151 Officer to confirm any changes to the anticipated spend and housing delivery profile for the next three years (2022/23 to 2024/25) on a quarterly basis (February / May / August / November, unless otherwise agreed).
- Oxfordshire County Council S151 Officer to confirm expenditure on qualifying Housing from Infrastructure schemes in-year on a quarterly basis (February/May/August/November, unless otherwise agreed), payment to be made in arrears.
- No funding will be available beyond the 2024/25 financial year. Oxfordshire authorities will need to cover any expenditure beyond this date, or reconsider which projects to prioritise if necessary.
- Oxfordshire authorities remain responsible for funding cost increases in project/programme spend.
- As part of quarterly monitoring, Oxfordshire authorities to provide an update on Local Plan progress.
- To agree with DLUHC the format for detailed monitoring.

12. The letter also sets out that the Oxfordshire Districts are expected to work with the County Council to ensure timely provision of the necessary information to DLUHC. Therefore, collaboration across authorities will continue to be required, providing quarterly updates (including housing numbers).

13. In September 2022 the Future Oxfordshire Partnership agreed a revised programme of schemes up to the value of the funding available from the Housing for Infrastructure strand of the Housing & Growth Deal (including the use of recycled funds). Acceptance of the terms in the letter dated 5 December 2022 will allow those schemes to progress.

14. Current programmes indicate that all schemes are projected to utilise their Housing & Growth Deal allocations within this revised timescale. The risk that events cause schemes to be unable to spend their allocations in the period is mitigated by the retained freedom to switch schemes in and out of the programme to maximise legitimate spend (subject to housing number assessment).
15. Agreeing to the terms of the DLUHC letter will require the Oxfordshire County Council, as accountable body and in consultation with the relevant District or City Council regarding the impact on accelerated housing numbers, take responsibility for decisions necessary to manage the programme in accordance with the updated conditions set out by DLUHC.
16. As a consequence of accepting the term of the letter, and reflected in paragraph 15, revisions to the Future Oxfordshire Partnership Terms of Reference and Memorandum of Understanding will be required. These should be brought forward for approval by the Future Oxfordshire Partnership as soon as is practical, recognising that they will only take effect following the approval by constituent local authorities

Financial Implications

17. There are a number of financial implications and risks which result from accepting the final £30m under the conditions within the DLUHC letter.
 - All existing funding and recycled funds need to be utilised before any further funding can be claimed.
 - The movement to a proposed payment in arrears model increases the Council's exposure both in terms of short-term cashflow as well as overall risks relating to payment.
 - Slippage in scheme delivery will put at risk the ability to claim the full £30m.
 - Any significant changes to either the spend profile or housing profile put at risk the terms of the funding set out in the letter.
18. The expenditure profile set out in the letter also does not align with the current construction programme profile. However, DLUHC have indicated some flexibility in aligning the profile to expenditure forecasts early in the extension period, with a preference on both sides for early / accelerated spend
19. Since no funding will be available beyond the 2024/25 financial year, action will be taken by the Council, in consultation with the relevant District or City Council as appropriate, to manage the programme to ensure that any increases in project/programme spend can be met within the available funding and that there is no unfunded spend after 31 March 2025.

Comments checked by:

Lorna Baxter, Director of Finance (S151 Officer)

Lorna.Baxter@Oxfordshire.gov.uk

Legal Implications

20. In accordance with the Oxfordshire Housing and Growth Deal Delivery Plan, the County Council is the accountable body for the financial management of the two remaining key financial streams.

21. An update to the terms of reference and Memorandum of Understanding for the FOP will be required to reflect the recommendations in this report. The Memorandum of Understanding is intended to be non-binding, as stated at paragraph 15.1, and no legal obligations or legal rights arise between the parties.

Comments checked by:

Kate Charlton, Interim Head of Improvement Law and Governance

Kate.Charlton@Oxfordshire.gov.uk

Annex: Annex 1 – Letter from Department for Levelling Up Housing and Communities

MARTIN REEVES
Chief Executive

Contact Officer: Lorna Baxter, Director of Finance (S151 Officer)

March 2023