

To: Cabinet
Date: 11 March 2020
Report of: Executive Director Development
Title of Report: Allocation of Growth Deal Funding to Oxford City Council

Summary and recommendations	
Purpose of report:	To accept capital infrastructure funds and delegate authority to officers to enter in contractual Funding Agreements with Oxfordshire County Council, in order to deliver two city infrastructure schemes set out within the Oxfordshire Housing and Growth Deal.
Key decision:	Yes
Cabinet Member:	Cllr Alex Hollingsworth (Planning and Sustainable Transport Portfolio).
Corporate Priority:	Availability and Affordability of Housing, Vibrant and Sustainable Economy
Policy Framework:	Corporate Plan 2016-2020
Recommendations: That Cabinet resolves to:	
1.Recommend to Council to:	
<ul style="list-style-type: none"> i)Accept £7m in the Oxfordshire Housing and Growth Deal Funds from Oxfordshire County Council for the delivery of city-based infrastructure schemes; ii)Approve an initial £300,000 feasibility study allocation from the capital programme for 2020-21, for Osney Mead to Oxpens Bridge, financed by available external funds; and iii)Approve the £1m capital budget for city cycling schemes at Cuckoo Lane, Marsh Lane, Marston Road & Boundary Brook, Oxford, financed by Oxfordshire Housing and Growth Deal Funding. 	
2.Delegate authority to the Executive Director Development, in consultation with the Council’s Section 151 Officer, the Head of Law and Governance and Cabinet Member for Planning & Sustainable Transport, to agree and enter into grant funding arrangements and contractual terms with Oxfordshire County Council before the funds are transferred from Oxfordshire County Council to Oxford City Council to enable the City Council to deliver a £7mprogramme of infrastructure projects, financed through the Oxfordshire Housing and Growth Deal. This funding will include £6m towards the Osney Mead to Oxpens Bridge and £1M for defined city cycling schemes.	

Appendices	
Appendix 1	Risk Assessment

Introduction and background

1. Members will be aware of the Oxfordshire Housing and Growth Deal (the Growth Deal) agreed between HM Government, Oxfordshire local authorities and the Oxfordshire Local Enterprise Partnership (OxLEP). Through the Growth Deal, Oxfordshire partners have committed to delivering a plan for the delivery of 100,000 new homes to 2031. In turn, HM Government has committed to provide Oxfordshire with up to £215m funding, of which £150m is for infrastructure over a five-year period to March 2023.
2. Whilst Oxfordshire County Council is the lead body for infrastructure delivery in support of the Growth Deal, there is recognition that in certain circumstances, the City Council is well placed to deliver certain aspects of the programme. This is particularly the case where the infrastructure is linked to developments in the West End, where the City Council is involved in delivering or enabling with partners, or where the capability of the City Council and its companies exists to deliver certain types of cycling infrastructure.

Details of the schemes to be funded

3. Based on an assessment of the schemes the City Council may be best placed to progress at this stage, the following infrastructure schemes have been identified;
 - a. The Osney Mead to Oxpens pedestrian bridge – £6m (subject to Growth Deal change control agreement).
 - b. Cycle improvement schemes at Cuckoo Lane, Marsh Lane, Marston Road & Boundary Brook, Oxford - £1m.
4. These schemes are intended to help fast-track delivery of homes and employment space in the West End and connectivity within and to the city centre. They are in-line with the aim for a low carbon transport system, and will deliver significant economic and social benefits to the city.
5. In order to progress these schemes, the City County will enter into Grant Funding Agreements (the funding agreements) with Oxfordshire County, Council as the accountable body for the funds, provided by Government. Apportionment of legal and financial risks are clarified through this agreement and will need to be carefully managed in taking on this commitment, whilst ensuring the best possible outcome from the funds. The Heads of Terms of the funding agreement have been agreed.
6. The two schemes are at different stages of development, with the cycling schemes being defined and costed. The bridge is at feasibility stage. In terms of funding requirements to be observed, the key issue is that funds need to be spent and outputs delivered by March 2023. Therefore, there is a risk that more detailed design and feasibility work reveals new constraints or requirements that alter timescales or costings. The impact of this will be assessed as part of the gateway process set out within the funding agreement and also through the City Council's

own staged gateway process for managing its capital programme through to delivery.

7. Should it not be possible to meet, or agree, gateway conditions set out in the funding agreement, the contractual terms entered into will protect the City Council from any financial exposure should the project not then move forward. As highlighted above, this will be achieved by ensuring that any incurred or committed expenditure to that point cannot be clawed back by the County Council.
8. Initially, Oxford City Council will commence feasibility for the bridge project. Once early stage design, timings and costings are clearer, the City Council will decide how to progress the project with the input of partners. This is to ensure best use of the funds available, and to avoid a risk of clawback of funds. The agreement ensures funds spent appropriately at agreed gateway stages will not be clawed back in any circumstances.
9. Linked to this, it is agreed that the County Council will identify a suitably qualified officer to be part of the required project team and provide any input required. As and when the bridge project is ready to be brought forward for delivery following the feasibility stage, a further City Council decision will be required to proceed for each project. These decisions will be taken in line with the City Council's Scheme of Delegation.
10. The Growth Deal Funds are designed, where practicable, as revolving funds that can be, in full or in part, replaced at the stage when development partners are required to make Community Infrastructure Levy Payments or enter into S106 planning obligation agreements. As such, some funding may be secured at a later date to repay or supplement project funds. The mechanism for this will be set out in the funding agreements.

Financial implications

11. £7m will need to be put in place from the Capital Programme for the delivery of the identified projects in line with City Council's financial rules including £6m (subject to Growth Deal change control agreement) for the Osney to Oxpens Bridge and £1m for the city cycling schemes. These sums will be financed in full through the Housing and Growth Deal Funds. In agreeing to take on the funds, responsibility for delivering the aforementioned infrastructure schemes will sit with the City Council, but with ongoing input from the County Council as part of the project team and Growth Deal partner.
12. Cost and programme overruns risks will be tested throughout the project feasibility stages. Should the feasibility work demonstrate that it is not possible to deliver the scheme within the budget envelope, or timeframes agreed with the County Council, the City Council will, through the funding agreement, retain the option not to move forward with the project, and return the remaining funding. As such, the contractual terms entered into will protect the City Council from any financial exposure should the project not then move forward. This will be achieved by ensuring that any incurred or committed expenditure to that point cannot be clawed back by the County Council.
13. The County Council has confirmed that in the instance of negligence (as defined in the funding agreement) on behalf of the City Council, the County Council would seek to claim back funding. If however there are unforeseen cost/ time increase implications that emerge through development or delivery of the project, then the

County Council would be willing to collaboratively discuss and work through these with the city council – this is an approach consistent with delivery of other strategic infrastructure projects.

14. In order to mitigate this risk the parties will instigate a project management team to oversee the project. A shared gateway process and joint sign off procedure on spending drawdown will further be implemented to mitigate the risk of any county clawback of funds. On this basis, it is expected that whilst the responsibility for delivery will be with the City Council, the county will act reasonably, as defined in the funding agreement.
15. The projects will create additional resource pressures in the City Council and it will be necessary to use an element of the funds to support internal staff resource costs, already recruited to the Development Directorate.

Legal issues

16. The County Council is the accountable body for receipt of Housing and Growth Deal infrastructure funding from the Government. In accepting such funding from the County Council, the City Council must ensure that the conditions upon which the funding was provided are met in full to ensure that there is no risk of clawback by either the Government or the County Council. Where it is not possible to eliminate all risk of clawback the funding agreement will state the terms on which funds may be clawed back. These details will be set out in the Funding Agreement between the County and City Councils.
17. The principles underpinning the contractual arrangement between Oxford City Council and Oxfordshire County Council will be flexible enough to allow for any changes in programmed activity. This is in recognition that projects are at a concept stage, and that changes may arise from a greater understanding of project constraints and costings developed through feasibility and design stages. This greater certainty will occur after entering into the funding agreement. Therefore, the milestones, timings and outputs the City Council is obliged to meet will need to allow for change in timings and approach as well as to manage any further funding requirements.
18. Updated state aid assessments will need to be undertaken and compliant procurement arrangements will need to be put in place.

Level of risk

Risk Register attached as Appendix 1.

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Background Papers: None