

To: Cabinet
Date: 20 January 2021
Report of: Executive Director Development
Title of Report: Implementation of the Housing Infrastructure Funding for Osney Mead

Summary and recommendations	
Purpose of report:	This report seeks to provide an update on the use of the Housing Infrastructure Funding (HIF) that has been secured for Osney Mead (OMHIF). The report seeks approval to agree changes to the milestones for the delivery of the infrastructure in the funding agreement with Homes England and agreements needed to facilitate the drawdown and implementation of the funding.
Key decision:	Yes
Cabinet Member:	Councillor Alex Hollingsworth Cabinet Member for Planning and Housing Delivery
Corporate Priority:	Pursuing a zero carbon Oxford, Deliver more, affordable housing
Policy Framework:	Council Strategy 2020- 2024
Recommendations: That Cabinet resolves to:	
<ol style="list-style-type: none"> 1. Agree the proposed changes to the HIF agreement with Homes England to facilitate the securing of the HIF funding, the delivery of the infrastructure and the recouping of funding; 2. Delegate authority to the Executive Director for Development, in consultation with the Cabinet Member for Planning and Housing Delivery, and the Head of Law and Governance, to agree the final amendments to the contract, in line with the proposed changes, and any other changes that are considered necessary to facilitate effective delivery of the funding agreement with Homes England; 3. Delegate authority to the Executive Director for Development in consultation with the Cabinet Member for Planning and Housing Delivery, and the Head of Law and Governance, to enter into a legal agreement with the Environment Agency to enable HIF funding for the Oxford Flood Alleviation Scheme to be transferred to the Environment Agency, in accordance with the terms of the Homes England Agreement; 	

4. **Delegate authority** to the Executive Director for Development, in consultation with the Cabinet Member for Planning and Housing Delivery, and the Head of Law and Governance, to enter into a legal agreement with the University of Oxford, if necessary, regarding the delivery of the residential development identified in the HIF agreement;
5. **Undertake the works necessary** to implement the HIF funding agreement including the drawdown of funding, monitoring and reporting, minor variations agreed with Homes England;and
6. **Delegate authority** to the Executive Director for Development, in consultation with the Cabinet Member for Planning and Housing Delivery and the Head of Law and Governance, to enter into contracts, following agreement of the Development Board and an appropriate procurement process, for the walking and cycling infrastructure works covered by the HIF Agreement with Homes England.

Appendices

Appendix 1	Risk Register
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Introduction and background

1. The Government launched a funding stream known as Housing Infrastructure Funding (HIF) in 2017 to support the delivery of infrastructure on marginally viable housing schemes. The Council entered into a funding agreement with Homes England, who are administering the HIF funding for the Government, for £6.09m to support the delivery of development at Osney Mead, and has been known as Osney Mead Innovation Quarter, in October 2019 (Cabinet Report November 2019). The funding is to be used for the purpose of contributing to the Oxford Flood Alleviation Scheme (OFAS), and walking and cycling improvements. OMHIF is one of three HIF funding agreements within the City.
2. Following completion of the funding agreement with Homes England it has become apparent the revised programme for OFAS, allowing for the rebuilding of Kennington Bridge, makes the implementation of the agreement with the current milestones impossible. Discussions have therefore taken place with Homes England to amend the funding agreement to enable the drawdown of funding. Homes England have indicated their support for amendment of the agreement and revised funding milestones and this report is to seek the approval for a revised funding agreement and to measures to implement the agreement, drawdown funding and deliver of the infrastructure.

HIF Agreement

3. The HIF agreement with Homes England enables the drawdown of funding once milestones and pre conditions have been met. The original agreement for OMHIF was entered into prior to the works necessary to Kennington Bridge being identified. Works to the Kennington Bridge have required the OFAS scheme to be amended and have delayed its implementation. As a result it has not been possible to meet the milestones in the existing funding agreement. A further difficulty has

been that a single set of milestones has related to both the OFAS scheme and the walking and cycling improvements and therefore funding for the walking and cycling infrastructure has also been delayed.

4. Discussions and negotiations with Homes England and the Environment Agency have resulted in a draft of revisions to the funding agreement that would enable the funding to be drawn down and spent. The proposal is to formally amend the existing Homes England funding agreement to incorporate the revisions to enable the HIF to be accessed. The funding for OFAS would be targeted at the elements of the Kennington Bridge works necessary to deliver the flood scheme, thereby enabling the funding to be drawn down by the funding deadline in 2022.
5. Separate milestones have been identified for the walking and cycling infrastructure to enable works to be progressed for this element separately from OFAS, to enable works to commence and enable delivery by the funding deadline.
6. In addition to the revisions to the funding agreement with Homes England, to implement the HIF further agreements are needed between Oxford City Council and the Environment Agency (EA) and with Oxford University (OU). An agreement is needed with the EA to enable funding for OFAS to be passed to them and ensure its use in accordance with the existing Homes England Funding Agreement with the Council. This agreement is necessary to protect the Council from risk of repayment that would arise from the inappropriate use of the funding. The EA's agreement is also need for works on their land to deliver the walking and cycling improvements between Osney Mead and rail bridge to the West of Grandpont.
7. Oxford University have proposals for housing at Osney Mead and it is this the HIF funding is facilitating. The HIF funding agreement has requirements with regard to the delivery of the proposed housing scheme (by the University), monitoring and repayment of the funding should an increase in profit arise from the development. A agreement is therefore also required to ensure that the provisions of the Homes England funding agreement can be met in collaboration with the University. Approval is sought to enter into an agreement with the Environment Agency and Oxford University respectively to enable the delivery of the HIF infrastructure. Delegation is sought to agree the details.
8. The following alternative options have been considered. Leaving the funding agreement as currently drafted has been considered but this puts at risk the ability to be able to draw down the funding and therefore has been rejected. On going delay would also jeopardise the ability to deliver the infrastructure in the funding timescales. Consideration has been given to proceeding without separate agreements with EA and OU but this has been discounted as it leaves the Council open to risk of not being able to meet the terms of the HIF agreement and ultimately leaving the Council at risk of repayment. The proposal to amend the HIF Agreement and seek agreements with EA and OU is therefore seen as the most advantageous in allowing access to the HIF funding to deliver the infrastructure and minimising risk to the Council.
9. There is a cost in amending the existing agreement and in drafting further agreements. Discussions are currently on going with Homes England to explore how costs related to implementing HIF agreements can be covered. In the absence of being able to secure funding for the work to mitigate the risk internal legal resource would be sought to undertake the work minimising the costs or costs

would be pursued from existing budgets through Development Board to seek feasibility funding.

10. OFAS and the proposed improvement to the connecting path between Osney Mead, Grandpont and the proposed Growth Deal funded bridge to Oxpens, support future development at Osney Mead on land allocated in the Local Plan. The EA have advised that the HIF is the last element of funding required to be secured for OFAS and the walking and cycling infrastructure will be part of a convenient vehicle free route to connect routes from the west and Osney Mead to the City Centre. The aim is to create a dry route in the event of flooding in the area and the works will support sustainable travel. The HIF was awarded in the light of the marginal viability for residential development at Osney Mead and therefore it is important that the funding is secured to support the measures that facilitate the development.

Other implications

11. This report relates primarily to the securing of funding and agreements necessary to enable the drawdown of funding. OFAS will be subject to planning and compulsory purchase requirements as well as approval of the full business case to enable its implementation. Works to the Kennington Bridge will be in advance and will include measures to deal with the flow of floodwater as part of the wider scheme. Walking and cycling improvements from Osney Mead are to be delivered by the Council. Work on feasibility will be able to commence when there is certainty of funding. Design and delivery of a scheme will require engagement, planning and technical approvals and to enable delivery by March 2023 there is a need to be able to progress work without delay. Delegation is also therefore sought to enable a contract to be entered for the works following the completion of feasibility demonstrating the deliverability of the scheme.
12. The HIF is subject to monthly reporting and monitoring to Homes England. As with any project there may be issues that arise requiring further minor adjustment to milestones and pre drawdown conditions of the agreement. Delegation is sought to deal with any further modifications of the agreement necessary to enable the funding to be drawn down and used to deliver the infrastructure to support development at Osney Mead. The intention is therefore through this report to seek delegation to agree the final details of the amendment of the HIF agreement with Homes England and entering into agreements and work necessary to enable the drawdown of the HIF. The next element of the project for the Cabinet to consider would then be the letting of a contract for the path works.

Financial implications

13. The Council has already agreed to accept the HIF funding and has included £6.090million in its capital programme profiled over four year. The proposals in this paper will require the funding of legal agreements. These are not currently covered by the HIF funding but discussions are taking place with Homes England to identify how the Council's costs can be covered. To mitigate the risk if it is not possible to secure funding costs could be minimised by using in house legal resources or seeking funding from existing budgets.

Legal issues

14. State Aid advice has been received to confirm that the use of the funding does not give rise to any state aid implications. The entering into legal agreements as proposed in the report will help to mitigate the risks to the Council in drawing down the HIF. Appropriate legal advice will be sought to ensure the agreements are robust and the requirements of the agreement between the Council and Homes England are appropriately passed on.

Level of risk

15. Risk Register as attached at Appendix 1.

Equalities impact

16. The proposals do not require Equalities Impact Assessment as they do not give rise to a new decision with regard to funding and the infrastructure will be freely available to all. Detailed design of the infrastructure will be subject to separate approval processes which will need to ensure that there are no equalities issues arising.

Conclusion

17. The recommendations are sought to enable the implementation of the HIF funding awarded for Osney Mead. The proposed funding for OFAS and walking and cycling improvements remain necessary to deliver the schemes and will facilitate the future development of Osney Mead.

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Background Papers: None

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