

## **CABINET – 21 June 2022**

### **CAPITAL PROGRAMME REPORT 2021/22**

#### **Report by Director of Finance**

#### **Recommendation**

1. The Cabinet is RECOMMENDED to note the performance against the capital programme for 2021/22 as set out in the report.

#### **Executive Summary**

2. The ten-year Capital Programme sets out the agreed capital investment to deliver the priorities identified in the council's Capital and Investment Strategy. This report sets out the performance against the programme shown in the latest monitoring report for 2021/22 and also compares back to the capital programme agreed by Council in February 2021. Figures shown reflect those to be included in the Council's Statement of Accounts for 2021/22.
3. The capital programme is updated throughout the year to reflect the latest delivery profiles and cost estimates for each programme. The last update was in January 2022 and this was agreed by Cabinet in March 2022. Expected spend for the year totalled £191.4m. Actual capital programme expenditure was £173.4m in 2021/22. The variation between the latest programme and the actual expenditure is -£18.1m (-9%). This spend is now expected to take place in 2022/23.
4. The capital programme expenditure of £173.4m was funded by £100.8m of capital grants and other external contributions, £21.4m of developer contributions, £0.6m of revenue contributions, and £50.6m of prudential borrowing.
5. The availability of workforce and materials and inflationary increases in contract prices are increasing the risk to the deliverability and cost of capital schemes. The combined impact of these factors has affected delivery in 2021/22 and is expected to have a more significant impact in 2022/23 and future years.

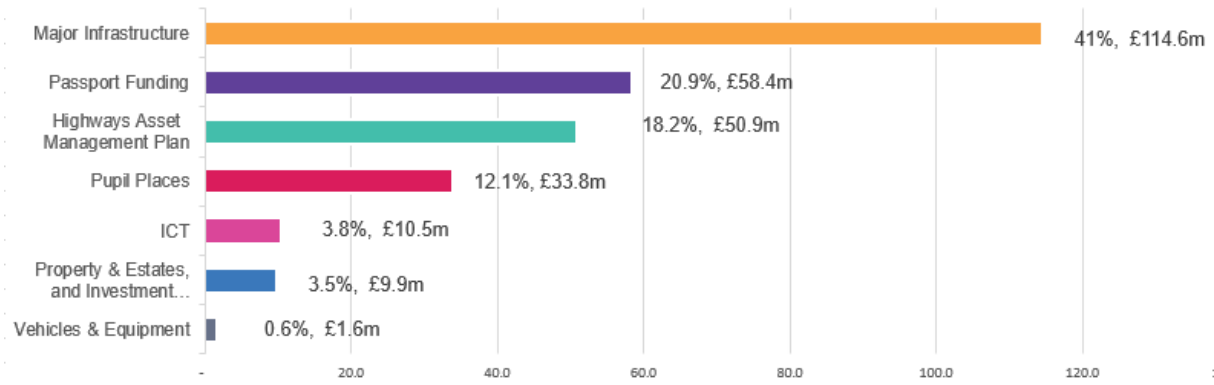
#### **Introduction**

6. Capital expenditure is defined as spending that creates an asset for the council (e.g. buildings, vehicles and equipment), and spending which meets the definition in regulations specified under the Local Government Act 2003 which includes spend on non-current assets that are not owned by the Council such as academy schools and the award of capital grants and funding agreements.
7. The council's ten-year capital programme sets out the agreed capital investment to deliver the priorities identified in the Capital and Investment Strategy. This is

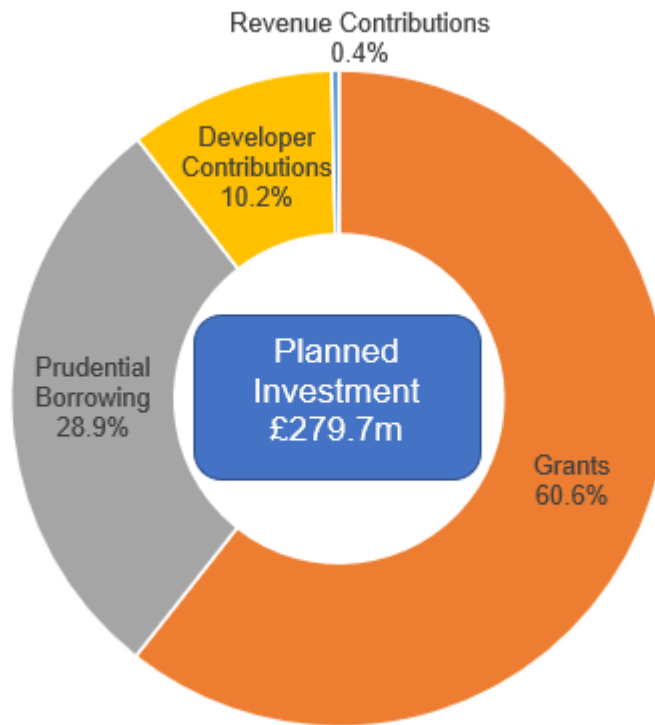
agreed annually by Council alongside the revenue budget and Medium Term Financial Strategy.

8. The capital programme is currently structured as follows:
  - **Pupil Place Plan:** including basic need (new schools and expansion), maintenance, health and safety and improvements
  - **Major Infrastructure:** including Growth Deal Infrastructure programme
  - **Highways and structural maintenance:** including street lighting, and bridges
  - **Property and Estates:** including health & safety, maintenance, improvements and the Investment Strategy
  - **ICT Strategy:** including broadband and equipment
  - **Passported Funds:** including Disabled Facilities Grant and Devolved Schools Capital
  - **Vehicles and Equipment:** including fire and rescue vehicles and equipment
  
9. Each strand of the programme is underpinned by supporting strategies which set out the need for capital investment and the contribution of that planned investment towards the council's priorities. These include:
  - Pupil Place Plan and Special Educational Needs and Disability (SEND) Sufficiency Plan
  - Oxfordshire Infrastructure Strategy (OxIS)
  - Highways Asset Management Plan
  - Investment Strategy for Property Investment and Property Strategy
  - ICT Strategy
  
10. The original capital programme for 2021/22 was agreed by Council in February 2021 as part of the Capital and Investment Strategy. This set out an expected programme of spend of £279.7m. This included £33.8m (12.1% of the overall programme) for the provision of additional school places and new schools in housing developments and £165.5m (59.2% of the overall programme) planned expenditure on major infrastructure projects, including large road improvement schemes, and road maintenance. Funding required to be passported to other organisations was £58.4m and spend on Property, Estates and Investment £9.9m. The chart below shows the planned spend and the proportion of the overall programme by programme area.

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11. As shown in the chart below it was planned to fund the planned investment of £279.7m from grants and contributions £169.6m (60.6% of the planned investment), developer contributions £28.4m (10.2%), prudential borrowing £80.7m (28.9%) and revenue contributions of £1.0m (0.4%).



12. The capital programme is updated four times each year to reflect the latest forecast profile of expenditure. The latest updated programme was agreed by Cabinet in March 2022. This included planned investment of £191.4m in 2021/22.
13. Annex 1a sets out a summary of actual expenditure for 2021/22 by strategy area compared to both the original budget and latest budget.

## Performance Summary 2021/22

14. A summary of actual expenditure compared to the latest capital programme update is set out in the table below.

Strategy Programmes	Jan' 2022 Capital Monitoring (Cabinet March 2022) £m	Actual Capital Expenditure 2021/22  £m	Variation to Latest Capital Programme  £m	Variation to Latest Capital Programme  %
Pupil Places	38,735	31,786	-6,949	-18
Major Infrastructure	61,570	56,444	-5,126	-8
Highways Asset Management Plan	42,700	39,978	-2,722	-6
Property & Investment Strategy	10,519	8,368	-2,151	-20
ICT	7,660	7,249	-411	-5
Passport Funding	29,460	29,410	-50	0
Vehicles & Equipment	800	142	-658	-82
<b>Total Strategy Programmes Expenditure</b>	<b>191,444</b>	<b>173,377</b>	<b>-18,067</b>	<b>-9</b>

15. Actual capital programme expenditure for 2021/22 was £173.4m compared with £153.5m in 2020/21 an increase of £19.9m (13%).

### Pupil Places

16. Actual expenditure on pupil places was £31.8m in 2021/22. This is £6.9m lower than the last monitoring report. The Pupil Place Strategy includes 3 main programmes:
- Basic Need - these are usually school expansion projects that are funded by central government grant and/or Section 106 developer funding to ensure there are enough school places for children within Oxfordshire.
  - Growth Portfolio – these are usually new school projects within large housing sites allocated in local plans that are funded from contributions sought from developers via a Section 106 agreement towards the costs of providing community and social infrastructure.
  - Schools Annual Programmes – this includes the School Structural Maintenance Programme (SSMP) which addresses the highest condition-based priorities within the school estate enhancing the school stock condition and reducing the backlog maintenance, and the School Access Programme which ensure that mainstream buildings are accessible for pupils with Special Educational Needs and Disabilities.

17. Projects in the basic need and growth portfolio programmes are either delivered directly by the Council, delivered by a housing developer or by a third party (usually an Academy Trust or Diocese) via a funding agreement. Regardless of how they are delivered, each project brings benefits to residents living in Oxfordshire by improving the quality and facilities at existing schools; providing additional pupil places allowing greater parental choice and ensuring that housing developments have the infrastructure necessary for them to become thriving communities.
18. The Basic Needs Programme invested £17.5m during 2021/22. This has created 500 additional pupil places and 28 additional Special Education Needs (SEN) places. Two temporary classrooms have also been replaced. Completed schemes include
- Cholsey Primary School – this has been expanded to create an additional 105 primary pupil places and the onsite preschool has also been expanded.
  - Hanborough Manor CE Primary School – has been expanded to create an additional 105 primary pupil places.
  - St Blaise, Milton CE Primary School – has been expanded to provide an additional 105 pupil places.
  - Five Acres Primary School, Ambrosden – two temporary classrooms were replaced with a new teaching block.
  - Stanton Harcourt CE Primary School – has been expanded to provide an additional 35 pupil places and was delivered by Eynsham Partnership Academy via a funding agreement.
  - Bardwell Special School, Bicester – this has been expanded to create an additional 16 SEN places and a new school hall and was delivered by The Gallery Trust via a funding agreement.
  - Southwold Primary School, Bicester – new 12 place resource base for pupils with SEN, this was delivered by The White Horse Federation.
  - Icknield Community College – this has been expanded to create an additional 150 pupil places and was delivered by The Acer Trust.
19. A further seven projects are currently in construction and are due to be completed by September 2022 creating further additional pupil places in readiness for the 2022/23 academic year. The £2.6m variation from the latest capital programme relates mainly to these expansions.
20. The Growth Portfolio programme invested £11.6m during the year. Two new schools opened to pupils in readiness for the start of the 2021/22 academic year:

- Windrush CofE Primary School (Witney) – this is a new school which has created 315 primary pupil places, 39 full-time equivalent nursery places and an 8 place resource base for pupils with Special Educational Needs & Disabilities (SEND). This was delivered by the developer.
  - Orion School, Oxford – (the former Northfield Special School) which has been re-built and expanded by 32 places to accommodate 108 pupils.
21. A further new school is in construction; Folly View Primary School, Faringdon. This supports the expansion and relocation of Faringdon Infants School and is due to be completed by September 2022 creating further additional pupil places in readiness for the 2022/23 academic year.
22. The -£3.8m variation from the latest monitoring report relates mainly to the new primary school at Faringdon. The spend to date is £2.0m lower than the planned spend profile, however the new school building remains forecast to complete in time for the start of the 2022/23 academic year and within the expected project cost.
23. Schools Annual Programmes invested £2.7m, mainly through the Schools Structural Maintenance (SSM) Programme, delivering 26 of the 44 planned key projects. Five projects are aligned with the Public Sector De-Carbonisation Grant Programme (PSDG) that will enable carbon reduced solutions and 13 projects will be carried forward to be delivered in 2022/23. The remaining projects are planned to be completed by the summer of 2022. The final expenditure in 2021/22 was £0.4m lower than the latest forecast.
24. A school condition survey is being planned to be carried out during the summer holiday period 2022. Each maintained school will have a detailed building and asset condition report compiled and to compliment this it is planned that an energy audit will also be carried out as part of this process. It is envisaged the reports will be ready for end of September 2022 and each school will be provided with their individual copy. The condition report will provide a more detailed view of the condition of the school stock and help inform the schools structural maintenance program and also feed the carbon neutral agenda identifying opportunities to improve the council's carbon footprint.

## **Major Infrastructure**

25. Total capital expenditure for 2021/22 was £56.4m compared to the latest forecast of £61.6m. The programme is divided into 5 sub-programme areas as shown in the table on the next page.

Major Infrastructure	Latest Monitoring	Actual	Variation
	£'000	£'000	£'000
Housing Infrastructure Fund 1 (HIF1)	8,900	8,529	-371
Housing Infrastructure Fund 2 (HIF2) & A40 Banbury & Bicester	23,650	21,616	-2,034
Oxford	9,168	9,030	-138
South & Vale	11,975	10,753	-1,222
<b>Major Infrastructure Sub-total</b>	<b>58,293</b>	<b>53,926</b>	<b>-4,367</b>
Other Programmes	3,277	2,518	-759
<b>Major Infrastructure – Total</b>	<b>61,570</b>	<b>56,444</b>	<b>-5,126</b>

26. The main reasons for the in-year variation for the HIF2 & A40 programme relate to a longer than anticipated period to obtain Department for Transport (DfT) approval of the Full Business Case for the Oxford Science Transit Phase 2 and the completion of the A40 Oxford North works slipping into Quarter 1 of 2022/23.

27. The main reduction with the Oxford programme is due to delays in both the Woodstock Road and Banbury Road improvement programmes.

28. Though the overall programmes remain on track, delays resulting from cost pressures and changes in some projects scope requiring further funding partner negotiations and funding approvals have meant that stages originally expected to be completed in 2021/22 will now fall into 2022/23.

29. The majority of the Major Infrastructure programme comprises three main funding areas:

#### HIF1 Programme

30. The HIF1 programme is in design stage and spent £8.5m in 2021/22. In total, this programme is expected to invest £296.2m in infrastructure around Didcot Garden Town to facilitate housing and employment growth in South and Vale districts and includes:

- Widening the A4130 from A34 Milton Interchange towards Didcot from single to dual carriageway,
- New Science Bridge over the A4130, Great Western railway Line and Milton Road,
- New Didcot to Culham bridge between the A4130 and A415 including a new crossing of the River Thames river.
- Clifton Hampden bypass.

#### HIF2 & A40

31. HIF2 & A40 Locality programme spent £21.4m. In total, the HIF2 and Oxford Science Transit programmes will invest £158.3m in infrastructure along the A40 corridor. These include:

- Extension of the A40 dual carriageway from Witney to the proposed Eynsham Park & Ride,
  - Extension of the A40 westbound bus lane from west of Duke's Cut canal and railway bridges to the proposed Eynsham Park & Ride,
  - A40 capacity and connectivity improvements to widen access at Duke's Cut canal and railway bridges, extending bus priority lane.
32. The A40 Oxford North scheme is nearing completion and incurred a further £5.3m expenditure in 2021/22. This scheme will upgrade the A40 west of the Wolvercote roundabout with a new eastbound bus lane, dedicated cycle lanes and widened footpaths.

#### Growth Deal Programme and Other Funding

33. 2021/22 is the fourth year of the five year Capital Growth Deal totalling £142.7m<sup>1</sup> agreed with the Department for Levelling Up, Housing and Communities (DLUHC) and Homes England. The majority of schemes are now progressing through the pre-construction phases with the expectation that construction will begin in 2022/23 for most schemes.
34. The A4095 Underbridge and Underpass scheme, Phase 1-3 of the Botley Road Corridor, A361 Improvements and the Bicester & Witney Active Travel programme were completed in 2021/22.
35. Within the Growth Deal Programme, a decision was made, endorsed by the Future Oxfordshire Partnership (FOP), to cease work on the A4095 re-alignment project, with its funding being re-allocated to other Growth Deal projects.
36. A delay in the construction stage of the A4095 Banbury Road Roundabout scheme (NW Bicester) reflects forecast cost pressures being reviewed through a value engineering exercise and additional funding being identified.
37. The design contracts for the A423 Improvements Programme (including Kennington Bridge) are now in place and the work is progressing.
38. As part of the Active Travel Phase 2 project, a range of cycling and walking infrastructure improvements have been introduced in Bicester between Middleton Stoney Road and the Town Centre in Bicester. Similar measures have been introduced along the 1.6-mile corridor running from the Tower Hill cycle track, through the town centre and onto Madley Park in the east of Witney. A range of schemes will be introduced in Oxford City in 2022/23.

### **Highways Asset Management Plan**

39. Total capital expenditure was £40.0m in 2021/22. This was £2.7m lower than forecast in the last monitoring report.

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<sup>1</sup> Total Growth Deal infrastructure grant funding is £150m allocated as £142.7m capital & £7.3m revenue.



40. The annual planned target total surfacing programme (excluding patching) for 2021/22, was calculated at 3% of the network. The expectation was that this would enable the council to maintain the 4,656km of network that it is responsible for in as close as possible to a 'steady state' within the funding available. By the year end, 3.09% of the network had been resurfaced as follows:
- a) Over 140km of the network was, either wholly or in part, reconstructed or resurfaced,
  - b) Approximately 25km of the network was renewed to an 'as new' condition,
  - c) Approximately 120km of the network's surface was treated in order to slow down deterioration, delaying the need for more extensive repairs, often by well over ten years,
  - d) Approximately 2.5km of the network prone to road traffic accidents were prioritised for works to improve and enhance the likelihood of future collisions,
  - e) One road/rail level crossing was refurbished,
41. Like all Highways Authorities, additional funding is needed to appropriately maintain the network; the cost of getting the network into a 'Green' condition is estimated to be in excess of £60m. The last Road Condition surveys of the highway network showed the most critical Road Condition Indicator (RCI) range 'Red' increased from 10.3% to 12.1% from 2016 to 2021.
42. The annual Structural Maintenance Programme invested £31.7m in line with previous forecasts. This includes additional funding of £16m in 2021/22 as part of the third year of a five year programme to invest an additional £80m on the highway network. The key structural maintenance deliverables in 2021/22 are shown in the table on the next page:

Project	Schemes/ Units Planned	Schemes/ Units Delivered	Comments on actual compared to planned delivery
Surface Treatments (schemes)	155	142	Higher than anticipated site ancillary costs on the Micro Asphalt programme meant less schemes could be delivered within the funding available
Carriageways (schemes)	17	19	Acceleration of one future scheme, and one unplanned scheme to renew a road/rail level crossing
Structural Highways Improvements (schemes)	24 0	25 142	Acceleration of one future scheme Delivered additional 'planned-reactive' minor patching schemes throughout the year
Footways (schemes)	17 63	20 52	Footways resurfaced/reconstructed 6 slurry seal schemes deferred due to road space conflicts, 5 schemes deferred due to supply chain availability
Drainage (schemes)	0	139	Delivered as 'planned-reactive' improvement schemes throughout the year
Bridges (schemes)	8 0	8 27	2 planned schemes currently on site, 2 unplanned schemes incorporated. Delivered as 'planned-reactive' Minor Structural Repairs throughout the year
Public Rights of Way	0 0	120 30	New/ Refurbished Kit Bridges (delivered as 'planned-reactive') Improved Pedestrian Access Points (delivered as 'planned-reactive')
Electrical	13,340 18	7,611 20	LED Replacements - various supply chain issues Traffic Signal scheme
Section 42 contributions (schemes)	22	22	Oxford City Council delivered schemes

43. The annual Improvement Programme invested £3m in line with latest forecasts. This includes 62 Road safety and traffic improvements including road markings, cycle provision improvements, pedestrian crossings, footway improvements and speed limit alterations. The programme also includes enhancement to support journey time reliability which also aid bus movements, and traffic signal improvement schemes.
44. Further expenditure of £1.2m was incurred on the A423 Kennington Railway Bridge maintenance project during 2021/22 to support the interim stabilisation work before the commencement of the A423 Improvement Programme that is part of the Major Infrastructure programme.
45. The Street Lighting LED replacement programme completed a further £3m of works, this takes the spend to date to £7.5m within the overall £40.8m

programme total. This was £2.7m lower than forecasted in the last report. 7,610 lanterns were fitted compared to 13,340 planned. The remaining 5,730 are expected to be converted early in 2022/23 and it is anticipated that the programme will still meet its original expectations within the original timeframe set.

46. The total number of assets fitted with LED lanterns at the end of March 2022 was 27,080. 45% of the streetlights within the County are now fitted with efficient LED equipment compared to the target of 55% as at the end of March 2022. Delays in the procurement process, contract mobilisation and material shortages have impacted on the programme.
47. Although the number of conversions completed in 2021/22 was lower than the target, the in-year energy savings to date show an improvement of 25% against the baseline so energy and carbon savings targets have been met.

### **Property & Estates, Investment Strategy**

48. The total capital expenditure in 2021/22 was £8.5m, £2.0m lower than the latest monitoring report. The majority of this relates to the Defect Liability Programme and the Public Sector De-Carbonisation Programme. Expenditure during the year relates to the following areas:
49. Grant funding of £1.5m was awarded from the Department for Business, Energy and Industrial Strategy (BEIS) towards the targeting of 150 homes with energy ratings below a D, experiencing fuel poverty for energy efficiency retrofit measures. Expenditure in 2021/22 totalled £1.3m. The delivery period runs until end of May 2022. The council has also received an additional £1.1m and £2.2m under the Home Upgrade Grant and Sustainable Warmth Funds respectively for delivery in 2022/23.
50. Grant funding of £1.2m was awarded from the Office for Zero Emission Vehicles (OZEV) towards installing 238 electric vehicle charging points (119 charging units) in 19 District Council car parks across Oxfordshire. To date 64 electric vehicle charging points (32 charging units) are operational with expenditure of £0.7m incurred. The remaining work is expected to be completed by end of June 2022.
51. Grant funding of £2.135m was awarded from Department for Business, Energy & Investment Strategy (BEIS) under the Public Sector Decarbonisation Scheme (PSDS) as an opportunity for the public sector to implement property decarbonisation measures. Eleven sites are included within the programme; four maintained schools, two fire stations, two children & family centres, a library and other corporate buildings. The completion date for these projects has been extended by BEIS to 30 June 2022 and all projects are currently being delivered to meet this timescale. To date expenditure of £1m has been incurred.

52. The Defect Liability programme completed a further £2.1m works, the majority across various schools within the 2021/22 programme. This takes the overall programme expenditure to £7.2m.

#### Investment in the Resonance Supported Homes Fund

53. As set out in the report to Cabinet in June 2021, the council will invest £5m in the Resonance Supported Homes Fund to deliver supported living accommodation for up to 25 people with learning disabilities and autism. £2m was invested in 2021/22. Resonance's procurement team has been set up and an approved framework of registered providers established in Oxfordshire. The framework includes agreement for the service to have nomination rights to rent the accommodation. The service has completed a review and update of the mix, and type of accommodation, the current market price, scale of adaptations and the plan is to procure the 25 housing units over the next 18 months. This will be achieved through a blended approach of new clustered own front door flats or bungalows and new shared accommodation. The intention is that this will enable individuals to live closer to their family, networks of support and embedded within local communities thus supporting positive quality of life outcomes.

## **ICT**

54. The total capital expenditure on ICT schemes in 2021/22 was £7.3m compared to the forecast of £7.7m noted in the March report.
55. A further £0.8m was spent on the Children Education Systems project (overall programme budget £3.3m) and is on track to deliver the replacement of the main case management line of business systems. This encompasses the delivery of phase 1 (Education & Health Care Plan) in 2021/22, with phase 2 (Early Years & Education System) and phase 3 (Admissions) being implemented in 2022/23.
56. The Broadband for Businesses in Rural Oxfordshire (BiRO) programme which started delivery in 2020/21 is planned to be completed in 2022/23. The full grant funded £6.3m programme, incurred expenditure of £3.3m in 2021/22. This project is on track to complete in June 2022. It has currently enabled nearly 900 very rural businesses and residential properties to access full fibre broadband and which by contract completion will rise to almost 1,500. These premises previously had very poor broadband and the project meets a number of corporate priorities – tackling rural inequalities, improving access for children to online educational content, helping small businesses, and addressing the climate emergency by enabling people to avoid work travel.
57. The Rural Gigabit Hub Sites programme which commenced during 2021/22 incurred expenditure of £0.6m for build work completed in the initial phase of the programme. This will enable fibre infrastructure to be built for county council buildings (where gigabit broadband infrastructure does not exist), other public buildings such as schools and GP practices, and a range of community-based buildings like village halls. This project is funded partly by Department for

Culture, Media and Sport (DCMS), and partly out of the first Gainshare payment now received from BT under the completed Better Broadband for Oxfordshire project (£5m). This will reduce the cost of connections required for OCC's buildings, help tackle inequalities in Oxfordshire (a number of schools in socially deprived areas are included in the project), and by connecting a number of Community Centres will help provide a platform for local delivery of health and social care, facilitate a reduction in isolation, and provide the means for these important local assets to be at the heart of the community. The Better Broadband for Oxfordshire programme physical build phase finished in 2020 and £0.4m is capitalised programme team costs relating to work relating to the formal contractual closure which took place in 2021/22.

58. The digital infrastructure programme (to deliver the outcomes of the ICT Strategy) incurred expenditure of £2.1m. This included:
- £0.9m on the purchase of approximately 1,550 laptops to support agile and hybrid working for council staff providing better performance for staff when working with large amounts of data, images, maps etc.
  - Over £0.5m to support various packages including network connectivity project which will ensure staff can work agilely from multiple locations, not just council sites. The bulk of the costs will start in 2022/23 as equipment is purchased. Developing the Digital Presence and Customer Service Centre Systems, on how the council should present and transact with residents through a wider variety of channels appropriate to the audience and service. The implementation of these recommendations from 2022/23 will lead to an improved customer experience for residents
  - Other costs have been spent on rolling out the lone work service to 600+ staff in Children's Services to ensure they can set alerts and alarms when working in vulnerable situations; on specialist services to help develop IT Services processes and ways of working to ensure the service aligns with customer expectations; and on project management to work on new strategic projects for property services management system, and for a One Fleet transport asset management system both of which to be implemented in 2022/23.

## **Passported Funding**

59. The total capital expenditure for passported funding in 2021/22 was £29.4m compared to £29.5m forecasted in the latest monitoring report.
60. Disabled Facilities Grant of £6.7m, was passed to the City and District Councils in accordance with the Better Care Fund grant determination. Households are eligible to apply for the grant for home adaptations if a child or adult in the household has a substantial and permanent disability. Types of adaptations funded by the grant include stairlifts, level access showers, ground floor extensions designed around a person's needs and kitchens designed for a wheelchair user.

61. Schools Devolved Formula Capital expenditure was £0.4m higher than the original programme and totalled £1.1m. The additional expenditure was funded through a combination of carry forward balances, revenue contributions, and donations.
62. The Affordable Housing element of the Housing & Growth Deal is received by the County Council as the Accountable Body for the Deal and passported to the District and City Councils for the delivery of Affordable Housing as agreed with Homes England. The original programme, as set out in the Housing & Growth Deal Delivery Document agreed in February 2018, was expected to be £60m over the three-year life of the programme.
63. The programme was extended by a further year into 2021/22. During 2021/22, £10m was invested in 213 affordable homes that satisfied the contractual start conditions of the funding as of 31 March 2022. The overall programme total is £35.6m which supported 876 units of affordable housing.
64. A further £11.4m was spent against a forecast of £11.6m between the Local Growth Fund and the Getting Building Fund through the issue of grants to third party schemes from the OxLEP programme. Grant funding is received by the Council on behalf of OxLEP in the Council's role as Accountable Body. Only a few remaining schemes remain to be completed, which are forecasting completion in the early part of 2022/23.
65. The Getting Building Fund was announced by the Government in August 2020 and aims to help kick-start the UK's economic recovery from the pandemic, OxLEP secured £8.4m for Oxfordshire of which £7.3m has been spent. Much of this investment will support a number of emerging clean energy projects and contribute to job creation in the county.

## **Vehicles and Equipment**

66. At year end, vehicles and equipment costing over £20,000 purchased for use by the Fire & Rescue Service and in-house Transport Service and are added to the Council's asset register under proper accounting practices. The value of vehicles and equipment purchased and funded by revenue budgets in 2021/22 was £0.1m. For the Fire & Rescue Service, the remaining revenue provision for 2021/22 of £0.7m was transferred into reserves. This has increased the balance available for future purchase of vehicles to £1.5m.

## **Comparison with Original Financial Plans**

67. The capital programme and monitoring report is submitted to Cabinet four times during the financial year. The table in Annex 1c sets out at programme level for each strategy area comparing the reporting information at each stage from the original budget to actual expenditure for 2021/22.

68. The original budget plans for 2021/22 was £279.7m. The various monitoring reports during the financial year reduced the expected outturn position to £191.4m compared to actual expenditure of £173.4m for 2021/22. This represents delivery of 62% on the original financial plan for the year.
69. The variations during the year were explained within the monitoring reports and can be identified within three main areas:

a) Major Infrastructure: Variation to original plan £58m

The report to Cabinet in October 2021 identified a £44m reprofile of the programme with extended design stages across HIF 1, HIF 2, Growth Deal schemes and A423 Improvements Programme (including Kennington Bridge).

During the year changes to forecasted spend plans were identified in the HIF1 programme. These resulted in extensive in-year negotiations with Homes England and other bodies to identify and agree how to address these pressures. Although key milestones were delivered within the programmes, progression to further stages could not proceed until full funding was agreed through Homes England and the council's Budget & Business Planning process with revised timeframes of the funding availability period.

b) Highways Asset Management Plan - Major Projects: Variation to original plan £11m

The latest position regarding the delivery of the Street Lighting LED replacement programme was reported through the Capital Investment Strategy to Cabinet in January 2022 and the capital monitoring report in March 2022. A further update is contained above within the Highways Asset Management Plan section of the report. Also, a new salt store and accommodation project has been temporarily deferred pending the resolution of outstanding planning consents.

c) Passported Funding: Variation to original plan of £29m

The report to Cabinet in December 2021 identified a budget reduction in the funding from the Housing & Growth Deal towards the Oxfordshire Affordable Housing programme of £24.4m and is explained within the Passported Funding section of the report.

## **Capital Programme Financing**

70. The table in Annex 1b summarises the financing of the 2021/22 capital programme and compares it to the financing planned in the original and latest capital programme.

71. Various capital grants totalling £100.8m have been used towards the funding capital investment during 2021/22. These include the various funding streams to support the major infrastructure programme including £20.3m of Housing Infrastructure Funds towards the Didcot Garden Town and A40 programmes, £21.8m on the Growth Deal infrastructure programme and a further £10m to support the Affordable Housing Programme.
72. Capital funding received from developer contributions amounted to £33.6m in 2021/22. Total developer contributions of £21.4m was used in 2021/22 to finance various capital projects with the majority of this towards the delivery of the Pupil Places programme. The balance of capital developer contributions held has increased to £219.8m as of 31 March 2022.
73. The level of the un-ringfenced grant balance in the Capital Grants Reserve has increased by £81.9m during the year to £125.3m. The increase includes £34.1m towards the Oxford Science Transit scheme that is expected to commence construction in 2022/23 and £10.4m for the Active Travel Phase 3 programme expected to be delivered later in 2022/23. These grants do not have conditions and are not time limited so can be used flexibly across the Capital Programme. Therefore, where available, other funding sources are used to fund capital expenditure before un-ringfenced grants. The balance of un-ringfenced grants is forecast to be spent over the ten-year capital programme period.
74. The balance of unapplied ringfenced Capital Grants held by the Council has reduced by £10.5m to £14.9m. The balance includes the remaining sum of £1.2m towards the Public Sector Carbonisation agenda and the next phase of £1.2m towards the Green Homes / Sustain Warmth fund, climate change agenda.
75. The capital receipts and capital reserve balances are £30.0m and £29.1m respectively. The capital receipts and reserve balances are forecast to be spent over the ten-year capital programme period.

### **Key performance Indicator**

76. A Key Performance Indicator (KPI) for capital projects requires that 80% or more of projects completed in year should be delivered on time and within budget. The baseline for the budget is set when the Outline Business Case is approved, and this is compared to the latest approved budget in the year the scheme is completed to calculate the measure.
77. During the year, 14 individual construction schemes were completed. Of these, five were completed within the baseline budget set out in the Outline Business Case. As shown in the table on the next page there was a mix of increases and decreases compared to the original baseline budgets. The combined change compared to the Outline Business Case was -£1.9m or -1.9%.



Ref	Completed Schemes / Programmes 2021/22	Number of Schemes	Stage 1 OBC £'000	Latest Approved Budget £'000	Change £'000	Change %
1)	New Schools	2	13,650	13,824	174	1.3
2)	School Expansions	8	13,161	14,933	1,772	13.5
3)	Major Infrastructure	4	35,260	31,187	-4,073	-11.6
4)	Annual Programmes		34,634	34,910	276	0.8
	<b>Total</b>	<b>14</b>	<b>96,705</b>	<b>94,854</b>	<b>-1,851</b>	<b>-1.9</b>

78. Approximately 67% of the additional costs identified for school expansions incurred on the St Blaise project. The Outline Business Case for this scheme was originally completed in 2016 and the budget increase reflects a combination of factors including inflation, increased scope of internal alterations, abnormalities from access and other site restrictions. The build cost identified in the next stage was in line with current market rates using British Institute of Chartered Surveyors (BICS) indicators.
79. Major Infrastructure schemes completed in 2021/22 include the A4095 Underbridge scheme which required two bridges to be placed under the Aynho-Marylebone railway line. The nature of the scheme meant a significant risk and contingency allowance was required at the gateway position. As the design and engineering approach matured these risks reduced and ultimately works were successfully completed in early 2021/22 without requiring all of these provisions.

## Risk Management

80. There are a number of factors increasing the risk to the future deliverability and cost of capital schemes and the latest estimates indicate that construction inflation is expected to be around 11% in 2022/23. Factors contributing to this include:

Global Price of Energy	Increases in the price of gas and electricity affect all materials, especially those with high energy intensity involved in their manufacture i.e. cement, concrete, copper, plastic etc.
COVID-19	The legacy of COVID-19 as global demand increases; supply remains problematic leading to supply chain bottlenecks, slower delivery times, container shortages, port delays etc.
Brexit Trade Deals	Steep rises in shipping costs, surcharges, increased administration at UK ports and slower delivery times have affected imports.

Labour Market	A shortage in the labour markets including construction and building trade supervisors, general labourers, civil engineers, bricklayers, carpenters, plant and machine operatives.
Red Diesel Rebate	The removal of the tax discount on diesel used in construction plant from 1 April 2022 (Red Diesel) will have a significant effect on the cost of construction.

81. The combined impact of these factors has affected delivery across three key areas in 2021/22 and is expected to have a more significant impact on scheme delivery in 2022/23 and future years:
1. Workforce – both skilled and unskilled
  2. Availability of materials
  3. Contract price (value and ability to maintain an agreed price)
82. These risks are continuing to be managed at both project and programme level and up to the new Strategic Capital Board led by senior officers with the relevant cabinet portfolio holder being informed. Cabinet will be involved through the quarterly Capital Programme Update and Monitoring Report and the annual capital budget setting process. Capital governance within the council has been reviewed with a view to creating a more systematic and robust process. Funding for additional on-going staffing capacity to strengthen the co-ordination and oversight of the capital programme and the associated risks was agreed as part of the budget for 2022/23 and the new governance arrangements will be operational from May 2022 onwards.

### **Staff Implications**

83. There are no staffing implications arising directly from the report.

### **Equality & Inclusion Implications**

84. There are no equality and inclusion implications arising directly from this report.

### **Financial Implications**

85. This report is mostly concerned with finance and the implications are set out in the main body of the report.

Comments checked by:  
Lorna Baxter, Director of Finance

## **Legal Implications**

86. In year changes to the capital programme must be approved by Cabinet in accordance with Financial Regulation and in particular paragraph 5.1.1(IV) permitting Cabinet to agree resource inclusion into the capital programme via a periodic Capital Report to Cabinet, based on the recommendation of the Director of Commercial Development, Assets, and Investment and the S.151 Officer. Changes to the capital programme required as a result of the year end position will be agreed through the report to Cabinet in July 2022.

Comments checked by:  
Sukdave Ghuman, Head of Legal Services

### **LORNA BAXTER**

Director of Finance

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June 2022