

## CABINET – 19 JULY 2022

### CAPITAL PROGRAMME UPDATE AND MONITORING REPORT

Report by the Director of Finance

#### Recommendations

1. The Cabinet is RECOMMENDED to:

##### Re-profiling

- a) Agree the re-profiling of HIF1, HIF2, A40 and the Banbury & Bicester programmes (paragraphs 19,20)

##### Grant funding

- b) Agree the inclusion in the Capital Programme of the following grant funding updates and allocation:
- High Needs Provision Capital Allocations for 2022/23 and 2023/24 of £15.7m to the basic need programme to address SEN provision (Paragraph 61),
  - £2.2m Sustainable Warmth Fund for Home Upgrade grant (Paragraph 70),
  - Highways Structural Maintenance Programme between 2022/23 and 2024/25 of £25.2m towards the annual maintenance programmes (Paragraph 65)

##### Capital Programme Governance and prioritisation

- c) Endorse the changes to Capital Programme governance, noting the enhanced role of Cabinet and rollout of changes to strengthen internal structures and procedures. (paragraph 78 and annex 3, structure chart).
- d) Agree to a full review of the Capital Programme, in light of pressures and rising inflation costs (paragraph 80)
- e) Agree that the Housing & Growth Deal should be reported at project level rather than programme level, as set out in paragraph 32.
- f) Endorse the latest capital monitoring position for 2022/23 set out in Annex 1, noting the return of £1.7m corporate funds from the Defect Liability Programme.
- g) Approve the updated Capital Programme at Annex 2 incorporating the changes set out in this report.

#### Executive Summary

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2. This report is the first Capital programme update and monitoring report for 2022/23. This report sets out the monitoring position for 2022/23 based on activity to the end of May 2022 and provides an update to the Capital Programme approved by Council in February 2022 taking into account additional funding and new schemes.
3. The forecast programme expenditure for 2022/23 is £245.8m (excluding earmarked reserves). This has decreased by £50.3m compared to the original capital programme for 2022/23 approved by Council in February 2022. This reflects the spend profile from the latest delivery timeframes and the inclusion of new grants received by the Council.
4. Due to a number of new inclusions and changes, the total ten-year capital programme (2022/23 to 2031/32) is now £1,308.3m, an increase of £60.2m compared to the capital programme approved by Council in February 2022. The updated capital programme summary is set out in Annex 2. The main variations are set out in this report.
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.
6. New governance arrangements are being put in place to provide more rigour and support given the rising challenges and complexity of the Council's capital programme.

### Introduction

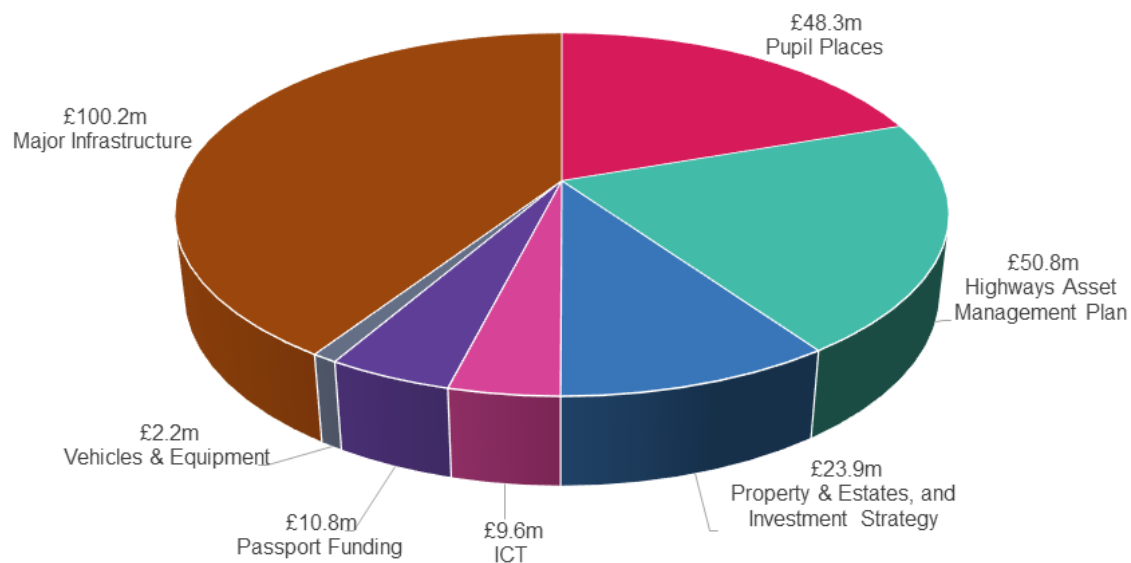
7. Capital expenditure is defined as spending that creates an asset for the Council (e.g. buildings, vehicles and equipment), and spending which meets the definition in regulations specified under the Local Government Act 2003 which includes spend on non-current assets that are not owned by the Council such as academies and the award of capital grants and funding agreements.
8. The Capital Programme sets out how the Council will use Capital expenditure to deliver the Council's priorities as set out in the Strategic Plan 2022-25. The Capital Programme is updated quarterly and fully refreshed annually as part of the Budget and Business Planning Process to ensure that it remains aligned to the latest priorities, reflects the latest cost projections and profile for delivery, and incorporates the current funding position.
9. The capital programme is 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

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- **Property and Estates:** including health & safety, maintenance, improvements and the Investment Strategy
- **ICT Strategy:** including broadband and End User equipment
- **Passported Funds:** including Disabled Facilities Grant and Devolved Schools Capital
- **Vehicles and Equipment:** including fire and rescue vehicles and equipment

10. The detailed investment profile for the 2022/23 Capital Programme is set out below:

2022/23 Programme - Latest Spend Forecast



11. This is the first capital programme update and monitoring report for the year and focuses on the delivery of the 2022/23 capital programme based on projections at the end of May 2022 and new inclusions within the overall ten-year capital programme.

12. The following annexes are attached:

- Annex 1 Capital Programme Monitoring 2022/23 (Summary)
- Annex 2 Updated Capital Programme 2022/23 – 2031/32 (Summary)
- Annex 3 Governance

## 2022/23 Capital Monitoring

13. The capital monitoring position set out in Annex 1, shows the forecast expenditure for 2022/23 of £245.8m (excluding earmarked reserves). This has reduced by £50.3m compared to the capital programme approved by Council in February 2022. The updated programme reflects the year end position for 2021/22 and the impact of re-profiling expenditure into 2022/23 where relevant.

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The table below summarises the changes by strategy area:

Strategy Area	Last Approved Programme 2022/23 * £m	Latest Forecast Expenditure 2022/23 £m	Variation £m
Pupil Places	47.9	48.3	0.4
Major Infrastructure	150.9	100.2	-50.7
Highways Asset Management Plan	55.7	50.8	-4.9
Property, Estates & Investments	20.4	23.9	+3.5
ICT	10.2	9.6	-0.6
Passport Funding	8.7	10.8	+2.1
Vehicles & Equipment	2.3	2.2	-0.1
<b>Total Strategy Programmes</b>	<b>296.1</b>	<b>245.8</b>	<b>-50.3</b>
Earmarked Reserves	1.00	0.0	-1.0
<b>Total Capital Programme</b>	<b>297.1</b>	<b>245.8</b>	<b>-51.3</b>

\* Approved by Council 8 February 2022

### Pupil Places

14. The forecast expenditure for the Pupil Places Programme in 2022/23 has increased by £0.4m to £48.3m. This reflects the latest expenditure profiles on the delivery timeframe on the various projects within the programme and not any cost pressure changes.
15. The Basic Need Programme has a forecast expenditure of £16m and includes the following nine projects that are within the construction phase of the programme:
  - John Watson Special School, Wheatley (Secondary base) – expansion to provide an additional 16 SEN places plus permanent sixth form accommodation.
  - Radley CE Primary School – expansion to provide an additional 105 primary pupil places and improved schools hall (part funded by Radley Parish Council).
  - Blessed George Napier, Banbury – expansion to provide an additional 300 secondary pupil places delivered by Pope Francis Catholic Multi Academy via a funding agreement.
  - Kingfisher Special School, Abingdon – expansion to provide an additional 16 SEN places by Propeller Academy Trust via a funding agreement.
  - Lord Williams’s School, Thame – expansion to provide an additional 150 secondary pupil places delivered by Thame Partnership Academy Trust via a funding agreement.
  - St Nicholas CE Primary School (East Challow) – expansion to provide new 26 place nursery delivered by Vale Academy Trust via a funding agreement.
  - Wallingford School – expansion to provide an additional 300 secondary pupil places delivered by The Merchant Taylors Oxfordshire Academy Trust via a funding agreement.

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- William Morris Primary School, Banbury – expansion to provide an additional 35 primary pupil places and replacement of temporary classrooms delivered by GLF Schools Academy Trust via a funding agreement
- Glory Farm Primary School, Bicester – contribution (£106 funding) towards the replacement of 4 temporary classrooms delivered by Bernwode School Trust via a funding agreement

Where the schemes are being delivered via a funding agreement they will still be monitored by the Council's governance framework

16. The Growth Portfolio Programme has forecast expenditure of £26m and includes the following three projects that are either within the construction phase or expect to commence construction shortly:

- Folly View Primary Primary School, Faringdon – a new school facility to support the expansion and age range of Faringdon Infant School, providing 420 primary pupil places, 90 nursery places and Special Educational Needs & Disabilities (SEND) support spaces.
- Graven Hill Primary School, Bicester – a new school to create 420 primary pupil places and 90 nursery places and is being delivered by the housing developer.
- St Johns Academy, Wantage – a new school to create 420 primary pupil places, 60 nursery places and SEND support spaces.

17. Further projects are in pre-construction for delivery in 2023/24. Depending on the delivery timeframe, some of these will reach the construction phase later this financial year. These are a mixture of expansions to existing schools, new schools and includes the relocation of the Oxfordshire Hospital School.

18. Schools Structural Maintenance (SSM) is part of the schools' annual programme. The revised 2022/23 programme includes 17 projects carried over from the previous year, and 18 new projects. The 35 projects have a forecasted budget requirement of £5.7m towards the repair and upgrades to school buildings primarily consisting of the replacement of boilers with hybrid low carbon heat pump solutions and flat roof replacement projects.

### **Major Infrastructure**

19. The Major Infrastructure Programme is £100.2m and has reduced by £50.7m compared to the original capital programme budget. The programme is divided into 5 sub-programme areas as shown in the table below:

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Major Infrastructure	Original Budget	Latest Forecast	Variation
	£'000	£'000	£'000
Housing Infrastructure Fund 1 (HIF1)	21,200	14,800	-6,400
Housing Infrastructure Fund 2 (HIF2) & A40	48,112	30,675	-17,437
Banbury & Bicester	19,287	6,199	-13,088
Oxford	28,671	23,704	-4,967
South & Vale	27,098	19,806	-7,262
<b>Major Infrastructure Sub-total</b>	<b>144,368</b>	<b>95,184</b>	<b>-49,184</b>
Other Programmes	6,500	5,000	-1,500
<b>Major Infrastructure – Total</b>	<b>150,868</b>	<b>100,184</b>	<b>-50,684</b>

20. The in-year variation on the HIF1, HIF2 & A40 and the Banbury & Bicester programmes relates primarily to land purchase/access issues and design phase delays which mean a significant proportion of the in-year budget has been re-profiled to 2023/24. The complexity and sensitivity of the Oxford locality programme has required significant additional resource capacity to reach the pre-construction phase. The South & Vale programme is delayed due to land acquisition issues and resource/capacity issues.
21. Any delays to compulsory purchase orders are expected to be manageable within the totality of the delivery timetables.

### HIF1 Programme

22. The HIF1 programme has undergone a major review and as a result the profiling of the programme has changed. Alongside the on-going negotiations with Homes England, the reported in-year slippage is now profiled into 2023/24. The Grant Determination Agreement (GDA), agreed by Cabinet in June 2022, outlines that the programme is still scheduled to deliver by the end of March 2026.

### HIF2 & A40

23. There have been delays in the HIF2 & A40 programme, with delays to the start date of the Eynsham Park & Ride work re-profiling circ. £12m into next year, however the construction phase is due to begin in the next quarter, subject to full business case approval. Delays in the overall HIF2 programme have seen a re-profiling of around £6m into 2023/24. Risks relating to the delays are being actively managed by the Major Infrastructure Programme Board, reporting no overall impact on the programme end date, at this stage. Given the current macro economic factors (rising costs, resource access, inflation increases etc), value engineering activities are being prioritised on each scheme to determine the best way to retain the scope while reducing costs.

### Banbury & Bicester

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24. This programme has seen a significant change to its in-year profile due to some schemes in the programme slipping into future years, and others being paused.

### **Oxford**

25. The emerging Central Oxfordshire Transport Strategy will enable a more holistic review of transport in and around Oxford City. It is expected that this new Strategy will provide further opportunities and identification of further transport improvements across Oxford.

### **South & Vale**

26. Land acquisition issues for Watlington Relief Road and Milton Heights Bridge have led to the re-profiling of £7.3m of the in-year budget into 2023/24.

### **Housing & Growth Deal – Housing from Infrastructure (Hfi) Programme**

27. The Infrastructure Programme grant totals £150m. The investment in infrastructure will accelerate at least 6,549 planned homes that might not otherwise have come forward at this pace. The current 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.
28. The grant funding is being paid to Oxfordshire County Council, as the Accountable Body in five equal annual instalments of £30.0m. 2022/23 is the fifth and final year of the funding. The overall funding has been allocated as £142.7m capital and £7.3m revenue. Oxfordshire County Council are the delivery partner for the infrastructure elements of the Hfi which are delivered through the capital programme.
29. The majority of schemes have now progressed through the pre-construction phases and planning submitted in 2021/22 to enable construction to commence from 2022 onwards.
30. The schemes within the programme are subject to reviews in accordance with the County Councils capital governance framework to ensure that it continues to demonstrate alignment with the core programme objectives and deliverable within available funding and timescales.
31. A revised programme has recently been considered and supported by the Future Oxfordshire Partnership (FOP) with proposals for individual scheme budget allocations adjusted to remain within the overall parameters of the programme. Given the current risks and pressures (see paragraphs 81-84), it seems most prudent to only re-allocate at this stage to the schemes with a full business case that are projecting cost pressures (and entering their construction phase), namely North Oxford Corridor Cassington Loop

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Road (£5.0m). The short term funding pressure will be considered as part of a full review of the programme and an assessment of any additional schemes in September 2022.

32. The Capital Programme and Monitoring Report presented to Cabinet in March 2020 agreed to report the Growth Deal at a programme level to enable resources to be moved between schemes. However, the Council is now experiencing wider pressures (relating to the construction industry challenges and inflationary increases articulated in this report) as the individual schemes and programme of work progress through the key stages of delivery. This is resulting in frequent changes across the programme in terms of scheme deliverability, delivery approach and/or forecast cost. It is therefore recommended that the Housing & Growth Deal infrastructure programme be reported at project level to enable each scheme to be considered, within the overall programme total of £143m, mitigating financial risks to the County Council.

### Highways Asset Management Plan

33. The total in-year capital forecast for 2022/23 is estimated to be £50.8m compared to the original capital programme budget of £55.7m, a reduction of £4.9m. The programme is divided into 4 sub-programme areas as shown in the table below:

Highways Asset Management Plan	Original Budget	Latest Forecast	Variation
	£'000	£'000	£'000
Structural Maintenance Annual Programme	30,230	31,699	+1,469
Improvement Programme	3,000	3,000	0
Structural Maintenance Major Schemes	21,545	15,199	-6,346
Other Programmes	900	900	0
<b>Highways Asset Management Plan – Total</b>	<b>55,675</b>	<b>50,798</b>	<b>-4,877</b>

34. The annual planned target total surfacing programme (excluding patching) for 2022/23, is calculated at 3% of the network. The expectation is 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.
35. The annual Structural Maintenance Programme plans to invest £31.7m. The table below shows the planned key structural maintenance deliverables for 2022/23:

Project	Schemes/ Units Planned	Comments
Surface Treatments (schemes)	71	Schemes to restore the condition or prolonging the life of existing carriageways.



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Project	Schemes/ Units Planned	Comments
Carriageways (schemes)	17	Surfacing/reconstruction/strengthening of roads and embankments.
Structural Highways Improvements (schemes)	19	Additional “planned reactive” minor patching schemes will be delivered throughout the year.
Footways (schemes)	40 (+30)	Repair/construction of footways and cycleways. Further schemes out for assessment which could increase the current plan by a further 30.
Drainage (schemes)	17	Repair/renewal of existing drainage infrastructure and provision of new infrastructure to resolve known drainage issues.
Bridges (schemes)	35	Strengthening/replacement/imposition of management measures on weak structures.
Public Rights of Way	Figures being finalised	New/Refurbished Kit Bridges (delivered as planned-reactive). Improved Pedestrian Access Points (delivered as planned reactive dependent upon need).
Section 42 contributions (schemes)	Figures being finalised	Programme awaiting finalisation. OCC officers working with ODS/City colleagues to identify works. Ongoing discussion in terms of scope of wider maintenance works.

36. The annual Improvement Programme is forecast to spend £3m in line with the latest budgets. 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.
37. Structural Maintenance Major Schemes are forecasted to invest £15.2m and the table below shows the key planned deliverables for 2022/23:

Project	Schemes/ Units Planned	Comments
Electrical	20,195	LED Replacement units being installed in respect of the revised outturn forecast
	9	Traffic Signal sites – refurbishment schemes for delivery in-year with additional LED conversions and smarter junction technology.
20mph Speed limit (schemes)	75	Revised speed limit orders in towns and parishes

38. Due to restrictions of the availability of materials in the market at present the maximum of 20,195 LED Lanterns can be replaced this year. This means that the 2022/23 planned spend of the Street Lighting programme budget of £6m has been re-profiled into 2023/24.

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39. The 20mph programme consists of 75 schemes for delivery by end of March 23. The programme is progressing well with several major towns out for public consultation in the coming months.

### **Property, Estates and Investments**

40. The Property, Estates and Investment Programme for 2022/23 is forecasted at £23.9m and has increased by £3.5m compared to the original budget. This generally relates to new funding or the carry forward of programmes from 2021/22.
41. Grant funding towards the Public Sector Decarbonisation Scheme (PSDS) has been carried forward into 2022/23 and the programme is forecasted to be completed by June 2022. This has increased the forecasted spend profile by £1.3m in 2022/23.
42. The corporate Minor Works programme consists of 11 projects of which 8 projects have been carried forward from 2021/22. This has increased the forecasted spend profile by £0.3m in 2022/23.
43. It is planned that a further £3m is incurred on the Defect Liability programme during 2022/23 to make the overall outlay to £10m. It is forecasted that a further 7 major projects are completed during the year. £1.7m of corporate funds not now required by the Defect Liability programme will be added to the capital programme reserves for future priorities.
44. A further £2m investment (cumulative of £4m from the £5m provision) is planned to be made to the Resonance Supported Homes Fund in 2022/23. A further update will be provided during the year on the progress made to secure accommodation to support people with learning disabilities and autism.
45. Additional funding has been awarded from the Sustainable Warmth Fund / Green Homes Fund for £2.2m that is time limited to March 2023. This is in addition to the additional £1.2m grant awarded in December 2021. A total of £3.6m is planned for 2022/23 as the remaining £0.2m from the first grant was carried forward into this financial year.

### **ICT**

46. The overall forecast expenditure profile for 2022/23 is £9.6m, a reduction of £0.6m. The main areas of the programme are detailed below.
47. The Broadband in Rural Oxfordshire (BiRO) programme is on track to complete in the June 2022. The budget provision of £6.3m is entirely grant funded and the current overall total forecast is £5.2m. The funding is claimed in arrears from the grant provider and therefore we will not be able to claim all of the grant.

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48. The Rural Gigabit Hub Sites programme commenced in 2021/22 and is planning a further £2.3m in 2022/23 to 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.
49. The Children Education Systems project is planned to spend a further £2.2m during the year (total of £3.3m) and remains on schedule to deliver phase 2 (Early Years & Education System) and Phase 3 (Admissions) in 2022/23.
50. The remaining part of the IT Infrastructure Programme is forecasting £4m during the year covering a wide range of projects. These include the replacement of the Property System, network connectivity, commencement to implement a new One Fleet transport asset management system, developing the Digital Presence and Customer Service Centre System and purchase of equipment to update aging laptops, mobiles and other devices. The programme board are reviewing the procurement and disposal approaches to support the Councils climate action, inclusion and wellbeing priorities. A carbon reduction hierarchy tool will be incorporated into IT procurement decisions to prioritise the options that are more sustainable and emit less carbon. Additionally, considering offering redundant but good quality equipment to a local initiative which securely wipes and refurbishes donated devices, and then provides them to people who need them through a collaborative, partnership approach. Extending the lifetime of devices in this way, will avoid unnecessary carbon emissions.
51. The Property Services Management System project is replacing Atrium and other property systems. The benefits include faster and easier access to accurate data, which in turn will enable better analysis, response to requests and provide up to date information on the facilities, contracts and costs for the County Council's properties. It is anticipated that the new system will be implemented in 2022/23.

### **Passported Funding**

52. The increase of £2.1m in the forecasted expenditure for Passported Funding to £10.8m is mainly due to the 2021/22 outturn position on the Local Growth Fund and the Getting Building Fund through the issue of grants to third party schemes from the OxLEP programme.
53. A total of £2.8m remains to be issued this financial year from the grant funding received in previous financial years. 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 2022/23.
54. The annual Disabled Facilities Grant announced in May 2022 confirmed funding of £6.658m as per the forecast within the capital programme. The funding, which is part of the Better Care Fund, is issued to the County Council but passed directly on to the City and District Councils in

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accordance with the 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 the person's needs and kitchens designed for a wheelchair user.

### Vehicles and Equipment

55. Expenditure for 2022/23 is forecasted to be £2.2m, a decrease of £0.1m. The programme includes £1.5m towards the Fire & Rescue Service for the purchase of Vehicles and Fire Protective Equipment. A further £0.7m is planned investment at Libraries for the Kiosk Replacement and the Furnishing Enhancement Programmes.
56. The Kiosk Replacement programme relates to the self-service equipment in libraries that were first introduced in 2011-13. The first generation machines have now reached their end of life and need to be replaced to be compliant with current service needs and standards.

### Ten Year Capital Programme Update

57. The total ten-year capital programme (2022/23 to 2031/32) is now £1,308.3m (excluding earmarked reserves), an increase of £60.2m compared to the capital programme approved by Council in February 2022. This includes £22m which has slipped (and underspends) from 2021/22 to 2022/23. The updated capital programme is set out in Annex 2. Details of the slippage from 2021/22 were set out in the Capital Programme Report for 2021/22 reported to Cabinet on 21 June 2022. After taking into account the slippage from 2021/22 the overall ten-year capital programme has increased by £38.2m. The following table summarises the variations by strategy and the main reasons for these variations are explained in the following paragraphs.

Strategy Area	Last Approved Total Programme (2022/23 to 2031/32) * £m	Latest Updated Total Programme (2022/23 to 2031/32) £m	Variation £m	Variation in the size of the overall programme (including 2021/22) £m
Pupil Places	209.0	231.3	+22.3	+16.2
Major Infrastructure	684.2	686.4	+2.2	-7.0
Highways AMP	239.2	267.0	+27.8	+24.9
Property, Estates & Investments	69.6	74.2	+4.6	+3.7
ICT	22.4	23.5	+1.1	+0.7
Passport Funding	14.1	16.5	+2.4	+0.6

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Vehicles & Equipment	9.6	9.4	-0.2	-0.9
<b>Total Strategy Programmes</b>	<b>1,248.1</b>	<b>1,308.3</b>	<b>+60.2</b>	<b>+38.2</b>
Earmarked Reserves	64.6	79.0	+14.4	+14.4
<b>Total Capital Programme</b>	<b>1,312.7</b>	<b>1,387.3</b>	<b>+74.6</b>	<b>+52.6</b>

\* Approved by Council 8 February 2022

## Capital Funding Update

58. Since the budget was set in February 2022, there have been further funding announcements of one-off funding and updates to the annual funding allocations that support the capital programme. As these announcements impact the base allocation for future years, the additional funding will be included within the Budget and Business Planning process which will consider the prioritisation of capital funding and budget requirements over the ten-year programme. This process will also ensure that the programme delivers the priorities set out in the Council's updated Strategic Plan which will be formulated during the autumn for approval by Council in February 2023.

### Basic Need

59. At the end of March 2022, the Department for Education (DfE) confirmed that the 2023/24 and 2024/25 Basic Need (School Places) capital allocations were nil for Oxfordshire, as per the forecast included in the latest capital programme. The current Provision of School Places (Basic Need) element of the Capital Programme identifies school expansion requirements up to 2025/26 and these are based on available funding from previous years basic need allocations and Section 106 developer funding secured to ensure there are sufficient school places to meet local demand.

### School Condition Allocation

60. The School Condition Allocation (SCA) for 2022/23 was also announced by the DfE at the end of March 2022. Oxfordshire will receive a formulaic allocation of £4.5m, compared to the forecast funding of £4.0m included in the latest Capital Programme, additional funding of £0.5m. This will be added to the annual School Structural Maintenance Programme for maintained schools. The overall total including carry forward from previous years, is £8.7m. The current planned programme for 2022/23 is £5.7m with the remaining £3m carried forward into 2023/24.

### High Needs Provision Capital Allocation

61. In March 2022 the DfE announced two further years of High Needs Provision Capital Allocations (HNPCA) covering financial years 2022/23 and 2023/24. Oxfordshire will receive £7m in 2022/23 and £8.7m in 2023/24, This follows a previous announcement of £3.5m in 2021/22.

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62. The HNPCA funding is intended to primarily be used to meet the capital costs associated with providing new places and improving existing provision, for children and young people with complex needs, who have Education, Health and Care plans (EHCPs), and where appropriate other children and young people with Special Educational Needs and Disabilities (SEND) who do not have an EHCP. It can also be used to support pupils who require alternative provision (including children in AP settings without an EHCP)
63. The Local Area SEND Strategy was co-drafted over a period of 4 months by a governance group of representatives from Local Authority Education, Social Care (Children's and Adult), Health, Education Setting and Parent/Carers. Public consultation ran from 10 January to 10 March 2022, and was considered and approved by Cabinet in May 2022. The strategy will inform and steer the council's strategic priorities for future capital investment.

### Highways Maintenance

64. The Government's spending review, published in October 2021, committed over £2.7 billion of local highways maintenance funding between tax years 2022 and 2025 to local authorities, including the remainder of the pothole funding package announced in the Treasury's 2020 budget to help resurface the highway (preventing potholes).
65. At the end of February 2022, the individual funding allocations for the next three-year period 2022/23 to 2024/25 were published. It is recommended that the Oxfordshire allocation (£25.2m) be invested into the Highways Asset Management Plan (HAMP) portfolio's Structural Maintenance Annual Programme over and above the current MTFP allocation.
66. It is proposed that the majority of that fund will be invested in year 2024/25 when, owing to the end of a period of current additional funding from the County Council (£16m per year between 2019/20 to 23/24), the programme budget allocation would otherwise drop from approximately £31m per year to approximately £14m per year. It is important to note that a refresh of the HAMP is scheduled for consideration by the Cabinet in the Autumn 2022.
67. Whilst the funding allocation is therefore welcome and will allow a similar level of service to that currently offered to extend into 2024/25, it is important to note that the service nevertheless continues to operate with a funding shortfall, estimated to be approximately £20m per year in order to maintain the network in a steady state. That shortfall is potentially significantly under-estimated when the anticipated effects of inflation are taken into consideration.

### Air Quality Grant

68. Oxfordshire County Council and Oxford City Council are proposing to implement a Zero Emission Zone (ZEZ) in Oxford city centre. This follows implementation of the ZEZ Pilot which went live in February 2022. The

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ZEZ is an emissions-based charging scheme designed to reduce traffic levels, and therefore improve air quality, in and around Oxford city centre by encouraging modal shift from private car travel to walking, cycling and public transport and creating a direct incentive for road users to switch to zero or lower emission vehicles.

69. The Department for Environment, Food and Rural Affairs (Defra) provided Air Quality grant funding of £0.971m in May 2022. This will be used to fund ZEZ scheme development and implementation, and once implemented (subject to the outcomes of public consultation and final scheme approval), monitoring and evaluation. The Defra grant period ends March 2024.

### **Home Upgrade Grant (HUG1)**

70. A further grant award has been received for £2.2m from the Sustainable Warmth Fund for Home Upgrade Grant (SWF HUG1). The capital will be used to further the deliverables toward climate emergency targets, delivering fully funded measures to fuel poor householders on Oxfordshire. This fund is specifically for properties that do not use mains gas for their space heating and will install a range of measures on a fabric first approach, targeting up to 415 measures for 190 properties.
71. The grant funding was received in April 2022 and will be used by March 2023. Beneficiaries of this funding will be selected by strict eligibility criteria including low income and current EPC (Energy Performance Certificate) with the measures installed must result in an improved EPC rating.

### **Other Grants (not yet included in the capital programme)**

72. The Council has received £10.4m for the phase 3 of Active Travel initiatives (subject to further business case development).
73. Following the council's bid for £56m from the government's National Bus Strategy fund, submitted last year, Oxfordshire has been earmarked for £12.7 million of government funding from the Bus Service Improvement Plan. The Council was one of 31 successful applicants out of 79 to receive an 'indicative allocation' in the latest round bids.

### **Prudential Borrowing**

74. The ten-year Capital Programme includes a requirement to fund £272.4m through prudential borrowing. The latest borrowing expected to be taken in 2022/23 is £42.6m. The majority of this relates to schemes that have already been delivered but have, until now, been funded temporarily by borrowing from other funding sources within the Capital Programme to delay the need to apply the prudential borrowing. The borrowing in 2022/23 is expected to include a further £23m from the £120m agreed in 2018. £16m relates to additional investment in the Highways Asset Management Plan and £7.0m to the Property defect liability programme. £5m is further part of the £41.7m borrowing supporting the OxLEP City Deals programme with the remaining £15m from other agreed spending plans.

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75. The use of prudential borrowing will increase the Council's Capital Financing Requirement. The Council is required under statute to set aside a Minimum Revenue Provision to pay down the Capital Financing Requirement. Prudential borrowing is generally paid over 25 years. The Medium Term Financial Strategy takes account of this cost. As the Capital programme includes the OxLEP City Deal Programme, the borrowing costs relating to this scheme (for which the Council is the Accountable body) will be fully funded through Enterprise Zone 1 retained business rates.

### **Earmarked Reserves**

76. The level of earmarked reserves increased by £14.4m from the previous reported position (Feb 2022), after taking account of the outturn position, the return of £1.7m from the defect liability programme and £10.4m funding received in 2021/22 towards Active Travel. This includes the capital programme contingency for the delivery of the current ten-year capital programme plus identified provisions. The variation includes £1.8m returned to the programme due to the latest forecast S106 contributions towards new schools and the reduction of the potential funding gap for the project budget. A further £0.4m from the 2021/21 capital outturn position has also be added to the reserves which is available to be reallocated to priorities as part of the business and budget planning process. With other minor adjustments the revised earmarked reserves value increased to £79.0m.

### **Capital Reserves**

77. The current level of capital reserves (including capital receipts and capital grants reserves) is approximately £184.4m. This is expected to reduce to £58.6m at the end of 2024/25. The reduction is mainly due to the delivery of the Growth Deal Programme. Reserves can be used to temporarily fund schemes to delay the need for prudential borrowing or to help manage timing difference between the delivery of schemes and the receipt of Section 106 funding. The level of reserves impacts on the cashflow of the capital programme and the overall Council Balances and is already factored into the funding of the overall capital programme.

### **New Capital Governance**

78. As mentioned throughout this report, the Council is implementing changes to the governance of the capital programme. Annex 3 provides a summary overview of the new structure for decision making and management of the programme. This new approach is being rolled out over a 6-12 month period, striving to achieve sustainable changes to procedures, process and guidance. This will include training and support to all key roles as this is essential to ensure behaviours and competencies align to the Council's expectations and demands, notwithstanding the challenges and pressures on the programme, as outlined throughout this report.
79. The new strengthened arrangements are intended to improve future profiling of projects and, where needed, to re-baseline, and manage any



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operational aggregated risks across and within the programme board structure, including for Major Infrastructure Programme Board (chaired by the Director of Transport and Infrastructure) where we are currently reporting the most issues. The new governance will improve visibility and ensure the delivery of the programme is well monitored and managed, with issues and pressures escalated to the newly formed Strategic Capital Board (Chaired by the Director of Finance) and to Cabinet.

### Prioritisation

80. This reporting period highlights the significant pressure on the Council's Capital Programme. The current wider macro economic factors (as noted below in risk management) are expected to continue to place further demands on our resources and therefore place additional challenges on our ability to meet the Council's ambitions, expected outcomes and benefits. To help address this, a fundamental review of the current capital programme is proposed, prioritising the schemes and initiatives. The review is expected to report to Cabinet in September 2022.

### Risk Management

81. As noted in the report to Cabinet on 21 June 2022, 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.

82. 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:

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- Workforce – both skilled and unskilled
  - Availability of materials
  - Contract price (value and ability to maintain an agreed price)
83. 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 have been operational from May 2022 onwards and will be embedded as the year progresses.
84. There are two strategic risks being managed to mitigate impacts on the major infrastructure and property programmes in particular. These are reported in the Business Management Monitoring Report, as part of the Strategic Risk Register.

### **Financial Implications**

85. The paragraphs above set out the planned investment and available funding for the ten-year Capital programme including the risks associated with the delivery of the programme.
86. The following risks are inherent within the funding of the capital programme:
- Certainty over the timing and value of future capital receipts and Section 106 Contributions
  - Certainty of the value of future grant funding
87. If capital receipts or section 106 contributions are not received within the planned timeframe it may be necessary for the Council to temporarily fund capital expenditure through Prudential Borrowing. The Council has a Prudential Borrowing reserve to help manage the revenue impact of additional prudential borrowing.
88. Where additional funding is required to fund schemes on a permanent basis this will need to be addressed by reducing investment elsewhere within the programme (reprioritisation) or by permanently funding through prudential borrowing. This would require the identification of long term revenue funding as the Prudential Borrowing is usually repaid over 25 years through the Minimum Revenue Provision.

Comments checked by:  
Lorna Baxter, Director of Finance

## **Staff Implications**

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

## **Equality & Inclusion Implications**

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

## **Legal Implications**

91. 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

Comments checked by:  
Sukdave Ghuman, Head of Legal Services

**LORNA BAXTER**  
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