

CABINET – 19 DECEMBER 2023

CAPITAL PROGRAMME UPDATE AND MONITORING REPORT

Report by the Executive Director of Resources

Recommendations

1. The Cabinet is RECOMMENDED to:

Capital Programme

1. Accept the latest capital monitoring position for 2023/24 set out in Annex 1.
2. Approve the updated Capital Programme at Annex 2 incorporating the changes set out in this report, noting the return of £3.8m corporate funds from the 20mph Programme (paragraph 58).

Additions to the Capital Programme

3. Approve a budget increase of £5.965m to £13.959m for the new primary school in Wallingford (St Nicolas Church of England Primary School). The additional budget will be met from s106 contributions and from basic need (paragraph 55).
4. Approve the inclusion of the capital grant of £17.330m towards the A34 Lodge Hill scheme (paragraph 59).
5. Approve the acceptance and inclusion of £3.8m from the Department for Science, Innovation and Technology (DSIT) 5G Innovation Region funding to implement a project to be known as 'England's Connected Heartland' (paragraph 64).
6. Approve the use of Gainshare funding previously awarded for Digital Infrastructure projects in the event of deliverability issues to the 'England's Connected Heartland' project or to fund further development of the project (paragraphs 65 and 66).

Executive Summary

2. The Council's Strategic Plan has set out a clear vision for the county, centred around strong local communities, healthy places to live, and a zero-carbon economy that benefits everyone. The strategic plan has nine priorities with a set of objectives for each. The capital and investment strategy agreed in February 2023 articulates how the Council's capital investment will help achieve this vision and the nine priorities.

3. The Capital programme also supports statutory functions such as school placements and urgent health and safety capital maintenance works.
4. The ten-year Capital Programme sets out how the Council will use capital expenditure to deliver these council priorities. 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.
5. This is the third capital programme update and monitoring report for 2023/24 and sets out the monitoring position based on activity to the end of August 2023. The report also provides an update to the Capital Programme approved by Council in February 2023 taking into account additional funding and new schemes. The updated programme also incorporates changes agreed through the Capital Programme Approval Reports to Cabinet during the financial year as well as new funding.
6. The forecast programme expenditure for 2023/24 is £216.5m (excluding earmarked reserves). This has decreased by £10.4m compared to the latest capital programme for 2023/24 approved by Cabinet in October 2023. The updated programme reflects the spend profile from the latest delivery timeframes and the inclusion of new grants received by the Council.
7. Due to a number of new inclusions and changes, the total ten-year capital programme (2023/24 to 2032/33) is now £1,284.2m. The updated capital programme summary is set out in Annex 2. The main changes since the report to Cabinet in October 2023 are set out in this report.

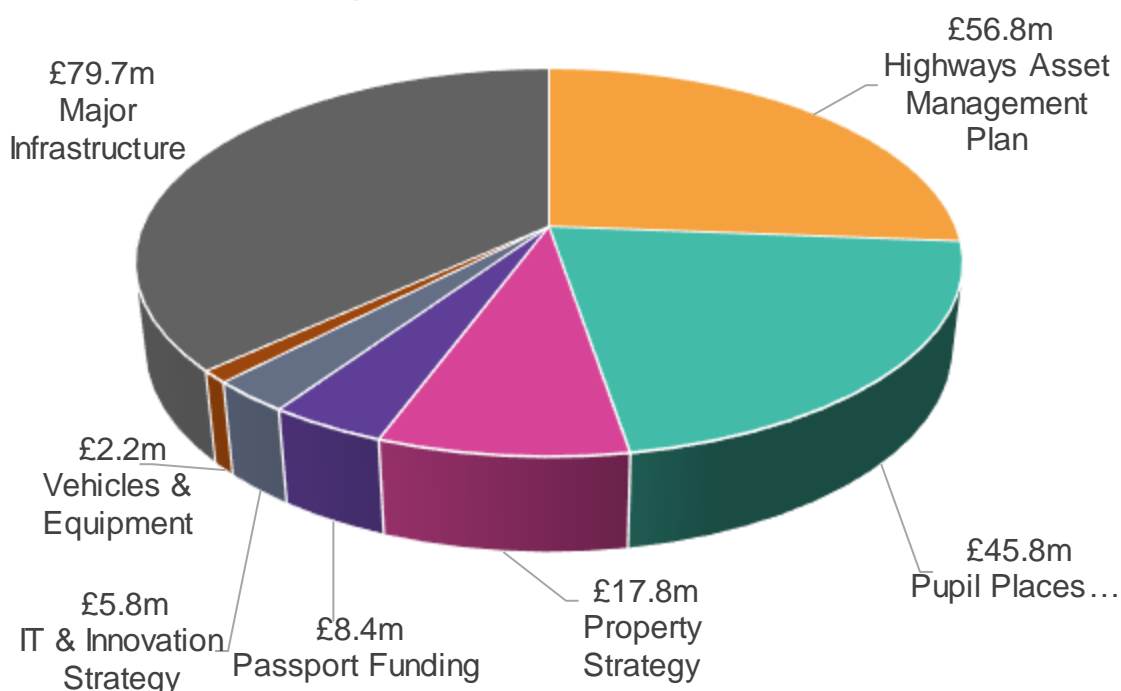
Introduction

8. Capital expenditure is defined as spending that creates an asset for the council (e.g. buildings, vehicles and equipment) as well as spending which meets the definition in regulations specified under the Local Government Act 2003. This 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.
9. The capital programme supports the delivery of the council's priorities as set out in the Strategic Plan. The 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.
10. The 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

- **Property Strategy:** including health & safety, maintenance, improvements, the Investment Strategy and climate change measures,
- **IT, Digital & Innovation 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

11. The detailed investment profile for the 2023/24 Capital Programme is set out below:

2023/24 Programme - Latest Spend Forecast



12. This is the third capital programme update and monitoring report for the financial year and focuses on the delivery of the 2023/24 capital programme based on projections at the end of October 2023 and new inclusions within the overall ten-year capital programme.

13. The following annexes are attached:

- Annex 1 Capital Programme Monitoring 2023/24 (Summary)
- Annex 2 Updated Capital Programme 2023/24 – 2032/33 (Summary)

2023/24 Capital Monitoring

14. The capital monitoring position set out in Annex 1, shows forecast expenditure for 2023/24 of £216.5m (excluding earmarked reserves). This has decreased by £10.4m compared to the latest capital programme

approved by Cabinet in October 2023. The updated programme reflects the year end position for 2023/24 and the impact of re-profiling expenditure into 2024/25 where necessary to reflect the anticipated scheme delivery.

The table below summarises the changes since October 2023 by strategy area:

Strategy Area	Last Approved Programme 2023/24 * £m	Latest Forecast Expenditure 2023/24 £m	Variation £m
Pupil Places Plan	46.0	45.8	-0.2
Major Infrastructure	90.1	79.7	-10.4
Highways Asset Management Plan	55.2	56.8	+1.6
Property Strategy	17.9	17.8	-0.1
IT, Digital & Innovation Strategy	7.1	5.8	-1.3
Passported Funding	8.4	8.4	+0.0
Vehicles & Equipment	2.2	2.2	+0.0
Total Strategy Programmes	226.9	216.5	-10.4
Earmarked Reserves	0.5	0.5	+0.0
Total Capital Programme	227.4	217.0	-10.4

* Approved by Cabinet 17 October 2023

15. Actual capital expenditure at the end of October 2023 was £95.4m. The combined spend to date and current forecasted in-year commitments for the Capital Programme is £158.2m or 73% of the revised estimate for the year. The rate of expenditure is expected to increase in the remaining months of the year due to several schemes reaching the delivery stage.

Pupil Places Plan

16. Forecast expenditure for the Pupil Places Plan is £45.8m. The decrease of £0.2m compared to the latest budget for 2023/24 reflects the latest forecasted expenditure profiles on the delivery timeframe on the various projects in the programme. The planned scheme spend incorporates the Basic Need and Growth Portfolio Programmes as well as Schools' Structural Maintenance.
17. The Basic Need Programme is forecasting expenditure of £13.6m with no overall change compared to the latest approved budget. The programme includes the following nine projects that have been completed or are in the construction phase:

Completed:

- Radley CE Primary School – expansion to provide an additional 105 primary pupil places.
- Glory Farm Primary School, Bicester – replacing 4 temporary classrooms delivered by Bernwode Schools Trust via a funding agreement.

In Construction:

- Blessed George Napier School, Banbury – expansion to provide an additional 300 secondary pupil places delivered by Pope Francis Catholic Multi Academy via a funding agreement.
- Bloxham Primary School – new hall and reconfiguration of internal spaces to create new kitchen.
- Lord William’s School, Thame – expansion to provide an additional 150 secondary pupil places delivered by Thame Partnership Academy Trust via a funding agreement.
- North Leigh CE Primary School – enlarge two classrooms and the hall delivered by Oxford Diocese School Trust via a funding agreement.
- Oxfordshire Hospital School – extension and refurbishment.
- St Edburg’s CE Primary School, Bicester – expansion to provide an additional 210 primary pupil places delivered by Oxford Diocese Board of Education via a funding agreement.
- Woodstock CE Primary School – expansion to provide an additional 105 primary pupil places.

Where the schemes are being delivered through a funding agreement, they continue to be monitored through the Council’s governance procedures.

18. The Growth Portfolio Programme has a forecast expenditure of £27.0m and is unchanged since the last update. It includes the following four projects that have been completed or are in the construction phase:

Completed:

- Graven Hill Primary School, Bicester – a new school to create 420 primary places and 90 nursery places and being delivered by the housing developer. This achieved Practical Completion and was successfully handed over to the Warriner Multi Academy Trust to welcome pupils from 11 September 2023.
- St John’s CE Academy, Grove – a new school to create 420 primary places, 60 nursery places and SEND support spaces and being delivered by the housing developer. This achieved Practical Completion and was successfully handed over to the Vale Academy Trust to welcome pupils from 18 September 2023.

In Construction:

- Sires Hill Primary Academy, Didcot – a new school to create 420 primary places and 90 nursery places. The Omnia Learning Trust were able to move into the school on 11 September 2023 under a partial possession enabling the school to open and operate as planned whilst the remainder of the works are completed by ISG leading to a full Practical Completion scheduled for December 2023.

- Shrivenham CE Primary School – a new school to create 315 primary places and 75 nursery places, is still under construction and will be completed in time for the Summer Term 2024.

Where schemes are being delivered by the housing developer, they will still be monitored through the Council's governance procedures.

19. Further projects are in pre-construction for delivery in 2024/25. Depending on the delivery timeframe, some of these will reach the construction phase later this financial year.
20. The School Structural Maintenance Programme is expected to incur expenditure of £4.7m, with no change from latest budget. Current year projects include new boilers, roof replacements, improvement to school structure and fire alarm replacement.
21. Condition surveys of all maintained schools have been completed and these will be used to prioritise investment requirement. Energy surveys will be delivered over 2023/24 and 2024/25.
22. There were a total of 35 school projects within the School Structural Maintenance Programme:
 - 15 projects are complete,
 - 8 projects are on site/in construction,
 - 6 projects to be completed by end of 2023/24,
 - 5 projects will be carried forward into 2024/25,
 - 1 project is on hold as the school is now an academy converter.
23. £0.2m of the Early Years Capacity Fund has been reprofiled to 2024/25. The government intends to increase the entitlement to free early years childcare for working families. The new entitlements will phase in from April 2024, with 15 hours a week for 2 year olds in working families, and then extend to children from 9 months old from the following September. By September 2025 this will include 30 hours a week free childcare for children from 9 months until they start school. Officers are reviewing the sufficiency data for these new entitlements and will then update the scope of the early years' capacity building programme. This is needed to ensure that the remaining funds are targeted to the areas of predicted greatest shortfall. It is likely that this expenditure will be largely in 2024/25.

Major Infrastructure

24. The latest forecast position for the Major Infrastructure Programme is £79.7m. The programme is divided into sub-programme areas as shown in the table below. Overall, there is a reduction of £10.4m compared to the latest capital programme budget.

Major Infrastructure	Latest Budget	Latest Forecast	Variation
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	£'000	£'000	£'000
Housing Infrastructure Fund 1 (HIF1)	6,300	6,300	0
Housing Infrastructure Fund 2 (HIF2) & A40	23,631	18,525	-5,106
A423 Improvement Programme	3,500	3,000	-500
Active Travel Phase 3	2,200	1,350	-850
Banbury & Bicester	3,509	2,879	-630
Oxford	17,271	16,627	-644
South & Vale	8,394	7,464	-930
Major Infrastructure Sub-total	64,805	56,145	-8,660
Other Programmes	25,284	23,554	-1,730
Major Infrastructure – Total	90,089	79,699	-10,390

HIF1 Programme

25. The current forecast of £6.3m for the HIF1 programme in 2023/24 reflects an assumption that an agreement with Homes England covering the last quarter of the year, will optimise the mix of minimum spend whilst reducing the risk of programme delay. The minimum forecast for 2023/24, based on the current Waiver letter is £5.8m, so depending on what is approved by Homes England, the reported forecast could vary and will be updated in the next report when there is increased certainty.

HIF2 & A40

26. The HIF2 & A40 programme in-year forecast of £18.5m is £5.1m less than the latest budget. This is mainly due (-£4.8m) to the HIF2 A40 Smart Corridor programme, where there is a continuing dialogue with Homes England to formalise the agreement of a rescoped programme. In addition to this the upfront payments to utility companies to undertake their statutory works is being returned to the council, due to the delay and rescoping of the programme.
27. The Eynsham Park & Ride programme continues to progress well through the construction phase.

Growth Deal Programme and Other Funding

28. This programme is forecasting spend of £27.0m in 2023/24, £2.2m less than the latest approved budget.
29. £1.3m of this variation relates to the Benson Relief Road (BRR) scheme, where the newly agreed construction schedule increases the spend that will take place in 2024/25.

Integrated Transport Programme

30. The Integrated Transport Programme is forecasting year end spend of £23.6m. This is £1.7m less than the current budget. The majority of this variation relates to the reposition of the Bus Service Implementation Plan (BSIP) budget provision to other areas of the Capital Programme so that it is held against the appropriate Accountable Officer.

31. The Zero Emission Bus Regional Areas (ZEBRA) programme is predicting a year end spend of £21.6m. Although confirmation of the in-year delivery and spend levels have been provided for the ZEBRA payments to the Bus companies, this is an optimistic forecast and may not be fully realised by year end. Payments will be made based on actual spend by the bus companies.

Highways Asset Management Plan

32. The total in-year capital forecast for 2023/24 is estimated to be £56.8m, an increase of £1.5m compared to the latest budget. The programme is divided into 4 sub-programme areas as shown in the table below:

Highways Asset Management Plan	Latest Budget	Latest Forecast	Variation
	£'000	£'000	£'000
Structural Maintenance Annual Programme	35,839	36,300	+461
Improvement Programme	2,880	3,930	+1,050
Structural Maintenance Major Schemes	15,530	15,510	-20
Other Programmes	1,000	1,010	+10
Highways Asset Management Plan – Total	55,249	56,750	+1,501

33. The annual planned target total surfacing programme (excluding patching) for 2023/24, 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.
34. The annual Structural Maintenance Programme plans to invest £36.3m. The forecast has increased by £0.5m compared to the latest budget, which will be supported by funding brought forwards from 2024/25. The table below shows the planned key structural maintenance deliverables for 2023/24:

Project	Schemes/ Units Planned	Schemes/ Units Completed	Comments
Surface Treatments (schemes)	43	43	Schemes to restore the condition or prolonging the life of existing carriageways. There is also pre-works for next year's programme, however these schemes are not included in this number, but are currently underway.
Carriageways (schemes)	15	12	Surfacing/reconstruction/strengthening of roads. 2 schemes were deferred due to cost increase, with one scheme still to be delivered in February
Structural Highways Improvements (schemes)	65	65	Surface inlay and minor patching schemes across the county. There will also be minor works carried out in addition to this throughout the year.

Project	Schemes/ Units Planned	Schemes/ Units Completed	Comments
Footways (schemes)	32	21	Repair/construction of footways and cycleways. Some schemes still to be delivered in-year and 4 schemes were deferred due to utility works.
Drainage (schemes)	94	54	Repair/renewal of existing drainage infrastructure and provision of new infrastructure to resolve known drainage issues. There is also planned reactive work which will be carried out.
Bridges (schemes)	14	2	Strengthening/replacement/imposition of management measures on weak structures. Additional area bridges programme is determined during the year.
Public Rights of Way	8	3	Improved Pedestrian Access Points (delivered as planned-reactive – dependent upon need). In addition to this new/refurbished kit bridges (delivered as planned-reactive with in-house resource).
Section 42 contributions (schemes)	78	51	Programme delivered by ODS and covers all the unclassified roads and footways within the City.

35. The annual Improvement Programme is forecasting to spend £3.9m, £1m more than the latest budget, due to repositioning of the Bus Service Improvement Plan (BSIP) budget provision, however, the forecast is lower than previously reported due to delays in the BSIP Traffic Signals scheme. The programme includes 63 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.

36. Structural Maintenance Major Schemes are forecasting to invest £15.5m and the table below shows the key planned deliverables for 2023/24:

Project	Schemes/ Units Planned	Schemes/ Units Completed	Comments
Electrical	6,513	4,397	LED Replacement units being installed this year.
20mph Speed limit (schemes)	34 84	33 24	Phase 1 - schemes slipped from last year Phase 2 - schemes this year Revised speed limit orders and install signs in towns and parishes.

Property Strategy

37. The Property Strategy is forecasting expenditure of £17.8m in 2023/24, a decrease of £0.1m compared to the latest budget.

38. The programme is forecasting to spend £6.6m on corporate estate development including provision for new Children's Homes, including the acquisition and refurbishment of new sites. The intention is to provide four new homes within Oxfordshire (two four-bedroom houses and two six-bedroom houses) to support solo provision for children with autistic spectrum disorders and children who have experienced adverse childhood experiences.
39. The corporate estate condition programme is forecasting to spend £3.8m during 2023/24. This includes the commencement of £1.8m new decarbonisation works. It is planned that a further £1m is incurred on the Defect Liability programme during 2023/24 to increase the overall outlay through the programme to £10m.
40. Current investment through the Resonance Fund is £3m out of the £5m provision, with the timescale of the remaining balance currently being reviewed to finalise refurbishment works across the property portfolio.
41. The current properties now purchased provide a geographical spread across Oxfordshire including Banbury, Witney, Bicester, Horspath, and Kidlington with an additional purchase planned for Kennington. The first property, a five-bed shared property in Witney for supported living with a focus on maximising independence and skills building for adults with a learning disability will be ready for occupation in January 2024. The property models are a mix of shared properties, predominately ground floor bespoke accommodation and clustered flat arrangements to ensure an achievable specialist supported housing rent model.
42. The properties will provide 27 new tenancies for supported living in future proof accommodation within everyday community settings to meet the needs of those currently waiting for support, young people in transition, and provide greater options within County to ensure people can remain close to family and friends within their preferred communities. The Landlord for the properties will be Golden Lane Housing, a national specialist supported housing provider for people with a learning disability and autism.
43. The Environmental & Climate Change programme is forecasting to spend £4.9m during 2023/24. This includes the various grants through the Green Home Grant / Sustainable Warmth Fund.
44. Home Upgrade Grant 1 (HUG1) was launched in 2022 and completed at the end of June 2023. The total grant was £2.2m with the delivery date of June 2023 stipulated by the Department for Energy Security and Net Zero (DESNZ). Although the total budget was not spent and £0.7m unspent budget will be returned to the grant provider, Oxfordshire was amongst the top performing authorities in the country for delivery of the scheme. There were a number of factors contributing to the underspend. These relate to the availability of accredited installers, early capacity issues and the award of funds under HUG2 which meant HUG1 could not continue once HUG2 was in operation.
45. A further £6.4m has been secured for phase II of the Home Upgrade Grant. This will benefit over 300 further residents, specifically those not using mains-gas for heating (targeting coal, oil, Liquid Petroleum Gas (LPG) and

low efficiency electric heating), in energy inefficient properties, and for homeowners or privately renting tenants who are fuel poor / low income, beginning from June 2023. A total of £2.8m has been included within the 2023/24 forecast.

IT, Innovation & Digital Strategy

46. The total forecast expenditure for 2023/24 is £5.8m, a reduction of £1.3m from previous budget mainly due to the reprofiling of the Rural Gigabit Hub Sites programme.
47. The Rural Gigabit Hub Sites programme commenced in 2021/22 and has progressed well 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 such as village halls. The budget for 2023/24 was profiled at £3.7m and the expenditure to date is £1.48m, with a further £0.6m in anticipated expenditure in 2023/24. This represents a reduction in spend of £1.6m for 2023/24, due to careful contract management and contract savings achieved by the Digital Infrastructure Programme team. The underspend in 2023/24 has been reinvested with some additional funding from OxLEP to extend the programme into 2024/25 to deliver improvements in IT digital infrastructure to 18 additional community buildings across the County.
48. The network connectivity programme will complete the migration of all council sites to a secure zero trust¹ network – providing higher bandwidth at lower cost. Revenue savings of approximately £0.3m to meet savings built into the 2023/24 budget will be achieved by these improvements.
49. The Social Care Data Warehouse & Power BI project is a significant investment of £1.0m to improve the timeliness of key data to social care managers in Adult Social Care and Children's Services, so that they can take data driven operational decisions. It is anticipated that this will form part of the foundation for wider sustainable and secure use of data and dashboards across the council. This project is scheduled to complete in early 2024/25.
50. The Children's Services Education System project has been completed. Work is now focussed on working with the service to consolidate the improvements implemented.
51. Forecast spend on other IT Innovation and Digital capital funded projects in 2023/24 includes:
 - £0.2m on continued work to improve the council's digital presence building on the content improvements delivered for the music hub and recruitment.

¹ A **zero trust** network is an approach to system design where inherent **trust** in the **network** is removed. Instead, the **network** is assumed hostile and each access request is verified

- £0.25m towards the procurement and implementation of a vehicle telematics system to track and enable the optimisation of vehicle use by the council.
- £0.3m on the implementation of an applicant tracking solution or service to provide an easier and more welcoming recruitment experience for people applying for council careers and jobs.
- Up to £0.9m laptop and mobile refresh to ensure staff have suitable modern devices for agile working.
- £0.2m on replacing public network PCs in libraries and community sites to improve their performance, reduce downtime so more availability for residents, and make them more energy efficient.

Passported Funding

52. Expenditure for 2023/24 is forecasted to be £8.4m, with no change compared to the latest budget.
53. The Disabled Facilities Grant for 2023/24 announced in May 2023 confirmed funding of £6.658m as per the forecast within the capital programme. This funding, which is part of the Better Care Fund, is issued to the County Council but has to be passed directly on to the City and District Councils in accordance with the grant determination. An additional grant of £0.581m was received in September 2023 and this has been included within the capital programme.

Vehicles and Equipment

54. Expenditure for 2023/24 is forecasted to be £2.2m, no change compared to the latest budget.

CAPITAL GOVERNANCE APPROVALS

Pupil Places Plan

St Nicholas CE Primary School, Wallingford

55. The S106 Agreement for the strategic housing development at Slade End, Wallingford includes a site for a new primary school. The proposal is to relocate St Nicholas Infants' School onto the new site, enabling it to extend its age range to become a Primary School. The new school will be delivered by Oxford Diocesan Schools Trust (ODST), who will appoint a contractor to deliver the project.
56. The previous budget provision approved in January 2021 was £7.965m. The latest cost plan is £13.959m. Benchmarking validation exercises have been completed and demonstrated that the proposed budget is in line with in-house cost data and costs are comparable with another primary school currently being delivered by the Council. It is anticipated that the full

business case will be submitted towards the end of 2024, which will include a fully priced, contract let price. The forecasted completion is now June 2026 due to the delivery of new housing and the corresponding need for pupil places slowing in recent years.

57. Cabinet is recommended to approve a budget increase of £5.965m to £13.959m for the new primary school. The budget will be met by an additional £1.083m of Section 106 funding and £4.882m from the basic need contingency provision.

Highways Asset Management Plan

20mph Scheme budget reduction

58. The 20mph programme was originally allocated an £8m budget provision. The programme is now taking no more new 20mph proposals and as such the overall budget has been reduced to £4.2m. The budget reduction of £3.8m has been returned back to council reserves and the use will be considered through the Budget & Business Planning process for 2024/25.

Capital Funding

Major Infrastructure

A34 Lodge Hill scheme – New Grant Allocation

59. The A34 junction at Lodge Hill, Between Abingdon and Oxford, currently has north-facing slip roads only. The proposed interchange improvements will add new south-facing slip roads to the A34, as well as traffic calming on the local network.
60. On 9 October 2023, Homes England, through the Brownfield Infrastructure & Land Fund (BIL) awarded £17.33m to the Council for the above scheme, subject to the funding being spent by the end of March 2026.
61. Approval from Cabinet is required to increase the budget for the scheme in the capital programme due to the additional grant award.

Highways Asset Management Plan

62. On 17 November 2023 the Government published highways and pothole funding profiles for local authorities from 2022/23 to 2033/34. Specific allocations are given through to 2024/25, with further allocations to be confirmed.
63. Additional grant allocations of £2.6m will be received in each of 2023/24 and 2024/25 in addition to a 2023/24 baseline of £20.8m. Further information is still awaited on the phasing of grant funding after 2024/25. This will be included within the annual budget and business planning process and be reflected in revised budgets submitted to Council in February 2024.

IT, Innovation & Digital Strategy

64. Oxfordshire County Council has been successful in securing funding of £3.8m from DSIT which seeks to unlock opportunities for sustainable economic growth using world-class digital infrastructure and 5G and other advanced wireless technologies are seen as key to harnessing digital transformation in building a more inclusive, competitive, and innovative digital economy known as the 'England Connected Heartland' project.
65. OCC will be the lead authority with Buckinghamshire, Central Bedfordshire, Cambridgeshire, & all Berkshire councils forming the Region. 5G Innovation Regions focus on developing innovative commercial models within specific targeted sectors will deliver outputs in two sectors - Rail Connectivity and R&D/Science Parks.
66. In the event of deliverability issues and/or delays in implementing the project, potentially resulting in additional cost pressure to the Council, it is proposed that the Gainshare funding previously awarded to the Council to be used for Digital Infrastructure projects, could be used to mitigate this risk, or to fund future project developments.

Ten Year Capital Programme Update

67. The total ten-year capital programme (2023/24 to 2032/33) is now £1,284.2m (excluding earmarked reserves) and has increased by £14.8m compared to the capital programme approved by Cabinet in October 2023. A summary of the updated capital programme is set out in Annex 2. The following table summarises the variations by strategy. The main reason for the increase is the inclusion of the grant announcement towards the A34 Lodge Hill Scheme and the return of budget provision from the 20mph programme. Other minor changes will include the release of provision held in earmarked reserves, closedown of projects and the addition of Section 106 contributions supporting projects already in the capital programme.

Strategy Area	Last Approved Total Programme (2023/24 to 2032/33) *	Latest Updated Total Programme (2023/24 to 2032/33)	Variation
	£m	£m	£m
Pupil Places Plan	227.7	227.7	+0.0
Major Infrastructure	687.3	701.7	+14.4
Highways Asset Management Plan	242.2	241.8	-0.4
Property Strategy	58.1	58.9	0.8
IT, Digital & Innovation Strategy	12.9	12.9	0.0
Passported Funding	14.4	14.4	0.0
Vehicles & Equipment	26.8	26.8	0.0
Total Strategy Programmes	1,269.4	1,284.2	+14.8
Earmarked Reserves	87.9	85.0	-2.9
Total Capital Programme	1,357.3	1,369.2	+11.9

Approved by Cabinet 17 October 2023.

Capital Funding Update

Prudential Borrowing

68. The ten-year Capital Programme includes a requirement to fund £248.8m through prudential borrowing. The latest borrowing expected to be taken in 2023/24 is £72m. 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 2023/24 is expected to include a further £45m from the £120m agreed in 2018. £32m relates to additional investment in the Highways Asset Management Plan and £13m for general funding to support capital investment priorities. A further £5m for the £41.7m borrowing supporting the OxLEP City Deals programme, and the first drawdown of £20m supporting the £40.8m Street Lighting LED replacement programme.
69. 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

70. The level of earmarked reserves has decreased by £2.9m from the previous reported position (October 2023). This includes the release of some of the identified provision (£1.1m) to the capital programme, use of £0.5m of the capital programme contingency to forward fund schemes progressing in advance of secured funding and £1.1m from the previous approved £3m Tree Provision which includes £0.7m to cover expenditure classified as of a revenue nature and £0.4m back to Council Reserves. This includes the capital programme contingency for the delivery of the current ten-year capital programme plus identified provisions.

Capital Reserves

71. The current level of capital reserves (including capital receipts and capital grants reserves) is approximately £190m. This is expected to reduce to approximately £53m at the end of 2025/26. The reduction is mainly due to the delivery of the Growth Deal Programme and the A423 Improvement 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.

Risk Management

72. As reported previously, there are a mix of factors continuing to impact on the deliverability and cost of capital schemes. Where those schemes are grant funded (particularly Housing & Growth Deal, HIF1 and HIF2) there is a risk that slippage could impact on the availability of grant funding as it is not possible to complete the scheme by the funding deadline. Inflationary pressures may also mean that costs increase further by the point the scheme reaches the construction phase eroding the value of the grant funding so that is insufficient to meet the revised scheme costs.
73. These risks are being managed through the council's capital governance process at both project and programme level and through the Strategic Capital Board. Where necessary action is being taken to adjust scheme deliverables and to use value engineering to maintain spend within the available funding.
74. HIF1 is a significant financial risk to the authority because the scheme cannot now be completed before the end date of reclaiming expenditure of March 2026. However, following the outcome of the planning inquiry a decision will be required to stop the scheme or alternatively an extension to time/additional funding/rescoping of the scheme would need to be agreed with Homes England. As such it is expected that the financial risks will be managed through either of those routes.
75. Following a review of the council's strategic risk register in October 2023, the risk relating to "Major Infrastructure Portfolio Schemes become undeliverable" has been updated to focus more explicitly on the risks relating to HIF1 and HIF2 becoming undeliverable and/or potential financial risk to the council. Updates on this risk are being reported through the Business Management & Monitoring Reports to Cabinet.

Financial Implications

76. The report sets out the planned investment and available funding for the ten-year Capital programme including the risks associated with the delivery of the programme.
77. 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 over the receipt and security of future grant funding
78. 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.
79. 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:

Kathy Wilcox, Head of Corporate Finance

Staff Implications

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

Equality & Inclusion Implications

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

Legal Implications

82. In year changes to the capital programme must be approved by Cabinet in accordance with the Council's Financial Regulations. In particular paragraph 5.1.1(IV) sets out that where the total estimated resource allocation is above £1,000,000, then Cabinet can agree its inclusion into the Capital Programme, via the periodic Capital Report to Cabinet, based on the recommendations by Strategic Capital Board and the Section 151 Officer.

Comments checked by: Anita Bradley, Director of Law & Governance & Monitoring Officer

LORNA BAXTER

Executive Director of Resources (Section 151 Officer)

Background papers:

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