

CABINET – 26 MAY 2020

PROVISIONAL CAPITAL OUTTURN 2019/20

Report by Director of Finance

Recommendation

1. **The Cabinet is RECOMMENDED to note the provisional capital outturn for 2019/20 as set out in the report.**

Executive Summary

2. The capital programme for 2019/20 was last updated in February 2020. Expected spend for the year totalled **£163.6m**. Actual capital programme expenditure for the year 2019/20 was **£105.7m**. The variation between the latest programme and the final outturn is **-£57.9m (-35%)**. Of this variation, **£29.8m** relates to the Housing & Growth Deal programme and **£7.0m** relates to schemes delivered on behalf of OxLEP.
3. The Capital Programme expenditure of **£105.7m** was funded by **£78.7m** of capital grants and other external contributions, **£26.3m** of developer contributions, **£0.6m** of revenue contributions and **£0.1m** of prudential borrowing.
4. The original capital programme for 2019/20 was agreed by Council in February 2019. This set out an expected programme of spend of **£218.5m**. However, in some cases, this reflected expected programmes rather than individually agreed schemes, so the position set out was over estimated.

Introduction

5. This report presents the provisional capital outturn for the Council and identifies variations of actual outturn against budgets in 2019/20. Figures shown in the report reflect those to be included in the Council's Statement of Accounts for 2019/20¹.
6. The capital programme is updated three times each year to reflect the latest forecast profile of expenditure. The original budget for the year is that agreed by Council in the February preceding the start of the financial year as part of the Medium Term Financial Plan (February 2019). The latest updated programme was agreed by Council in February 2020.

¹ Due to external accounting requirements the presentation of the figures may vary.

7. The summary outturn position is compared to both the original and latest capital programme and is shown in Annex 1a. For completeness year end accounting adjustments are included (e.g. capitalisation of revenue expenditure on equipment and vehicles).
8. Further comments explaining the key movements within each directorate are set out below. A detailed analysis of the variations by scheme is shown in Annex 1c.

Pupil Places

9. The total capital expenditure for the year 2019/20 was £32.1m (excluding schools local capital expenditure). This is £4.8m lower than planned against the original capital programme and £3.7m lower than the latest capital programme.
10. The New Schools Growth Portfolio spent £18.2m, with 5 new schools, The Free Swan school, delivered by Education & Skills Funding Agency (ESFA), a Secondary school at Whitelands – South West Bicester, and three Primary schools, one each at Barton Park – Oxford, Cherry Fields (Southam Road) – Banbury and Wantage (Crab Hill). All were originally planned to open in September 2020 for the new term, however, due to the current COVID-19 pandemic, this is now delayed, and temporary arrangements will be in place to support the basic need requirements.
11. The Basic Needs Programme spent £10.7m in 2019/20 on increasing pupil provision through 11 expansion projects. Four projects were completed in year, with the remaining projects that were started, continuing in 2020/21. Those expansion projects completed were:
 - Matthew Arnold – 1 form entry expansion
 - East Hanney, St. James – expansion to 1 form entry
 - Bloxham, Warriner – 2 form entry expansion
 - North Leigh – replacement of temporary classroom
12. Schools Annual Programmes spent £3.3m, mainly through the Schools Structural Maintenance Programme, with 14 key projects completed.

Major Infrastructure

13. The total capital expenditure for the year 2019/20 was £24.2m. This compares to planned spend of £71.3m in the original capital programme and planned spend of £60.1m in the latest programme. The vast majority of the slippage relates to the Housing & Growth Deal Programme, both the Infrastructure Programme and the Affordable Housing Programme elements.
14. The Council received £30m of funding for the Infrastructure element of the Housing & Growth Deal in 2019/20 of which £26m was capital grant. The remaining £4m was received as revenue grant reflecting the need to incur

revenue expenditure in the early stages of the programme, the balance carried forward in Earmarked Reserves to support the programme in future years.

15. Direct expenditure on Housing & Growth Deal Programme schemes totalled £8m with the remaining £18m capital grant used to fund existing schemes in the Council's capital programme approved by Homes England in 2018/19. This funding will be recycled back into the Growth Deal Infrastructure Programme during the later years. The total Housing & Growth Deal infrastructure programme remains at £152.1m, this includes over programming of £2.1m, as reported in the Capital Programme Update and Monitoring Report to Cabinet in March 2020.
16. The Affordable Housing element of the Housing & Growth Deal is received by the County Council as the Accountable Body and passported to the District and City Councils for the delivery of Affordable Housing as agreed with Homes England. The programme delivery is therefore out of the direct control of the County Council but through our partnership arrangements this element is overseen through the Growth Deal Programme Board. The original programme included planned spend of £21.5m as set out in the Housing & Growth Deal Delivery Document agreed in February 2018. Funding of £7.6m was received in 2019/20 for expected start on site schemes at the end of March 2020, but of this only £2.3m relating to 44 affordable homes had satisfied the contractual start conditions of the funding as at 31 March 2020. The remaining £5.3m has been treated as a Receipt in Advance and will be carried forward to 2020/21 and passported to the Districts when the conditions are met. These schemes will deliver a further 212 units.
17. In recognition that the programmes we are delivering through OCC are larger and more complex than they have been over the last decade, OCC is in the process of implementing a strengthened approach to programme management and delivery. This is taking time to embed but through 2020/21 we will see more control on the infrastructure programmes, and better predictability against forecast deliverables and spend profiles. The later years of the Housing and Growth deal and other infrastructure programmes will therefore see a significant increase in spend levels, to include the recycled funding elements.
18. The Major Infrastructure team delivered programmes funded through OxLEP; City Deal and Local Growth Fund Programmes totalling £7.7m in year, including £4.0m on access to Headington and £1.2m Science Vale UK.

Highways Asset Management Plan

19. Total capital expenditure for the 2019/20 year was £33.4m. This is £10.7m lower than planned against the original capital programme and £0.7m less than the latest capital programme. The vast majority of slippage relates to the Street Lighting LED replacement programme. The programme implementation was slower at the start than originally planned but is expected to deliver within the original time-frame by delivering more replacements per period to achieve a shorter-term gain in efficiencies and energy savings.

20. The Structural Maintenance Programme spent £29.9m, the vast majority on Highways and Associated Infrastructure (£11.1m), Surface Treatments (£8.3m) and Carriageways (£3.6m). The balance of £6.9m was spent on Section 42 contributions to Oxford City Council, Street Lighting, Bridges, Drainage and Footways. Delivery of some bridge schemes has been slipped into 2020/21 to allow delivery of emerging higher priority schemes.
21. Structural Maintenance Major Schemes and other Programmes spent £3.6m, the vast majority on Cowley Road (£1.3m), Street Lighting LED replacements (£1.3m) and London Road A40 (£1.0m).

Property & Estates, Investment Strategy

22. The total capital expenditure for the year 2019/20 was £3.4m. This is £15.4m lower than planned against the original capital programme and a £6.9m lower than the latest programme. The vast majority of the slippage relates to the Defect Liability Programme and the Asset Condition Programme, where investigative works are complete, but planned repair works have not yet been undertaken. Completion of these works has slipped into 2020/21 and may be delayed due to the COVID-19 pandemic.

ICT

23. The total capital expenditure for the year 2019/20 was £3.5m. The vast majority of spend related to the Digital Infrastructure Programme (£2.1m).
24. The original programme was £16.2m and included £5m relating to ICT Transformation, and £7.1m relating to Better Broadband Programmes. No individual schemes were developed during the year relating to ICT Transformation so there was no spend in this programme. In relation to the Better Broadband Programmes, contract signing slipped during the year so the majority of spend will now happen in 2020/21.

Passported Funding

25. The total capital expenditure for passported funding in 2019/20 was £8.4m. This is £6.3m higher than the original capital programme and an increase of £0.8m against the latest forecast position. The vast majority of the increase against the original programme relates to the Disabled Facilities Grant (£5.9m), where the funding was announced after Council approved the programme in February 2019. Disabled Facilities Grant is passed directly on to the city and district councils in accordance with the grant determination. Both children and adults are eligible to apply for the grant but they must have a substantial and permanent disability. Types of adaptations include stairlifts, level access showers, ground floor extensions designed around the disability, kitchens designed for a wheelchair user.

26. Schools Devolved Formula Capital funding was £1.3m higher than the original programme and totalled £2.1m. The additional expenditure was funded through a combination of carry forward balances, revenue contributions and donations.

Vehicles and Equipment

27. The total capital expenditure for the year 2019/20 was £0.8m. This is £0.7m lower than planned against the original capital programme. The majority of the slippage against the original programme relates to Fire Protective Equipment and the additional capitalisation on Fire and Rescue replacement vehicles.

Capital Programme Financing

28. The table in Annex 1b summarises the outturn financing of the 2019/20 capital programme and compares it to the financing planned in the original and latest capital programme.
29. The level of the un-ringfenced grant balance in the Capital Grants Reserve has increased by **£0.9m** during the year to **£42.8m**, of which **£27.2m** relates to the 2020/21 basic need allocation which was received during 2018/19. As these grants are un-ringfenced and are not time limited, other funding sources are utilised before un-ringfenced grants. The variation to the latest capital programme of **-£12.8m** reflects changes to the timing of the application of grant funding to the capital programme but does not have an impact on the overall financing or affordability of the ten-year programme. The balance of grants is forecast to be spent over the programme period.
30. The level of Capital Grants unapplied ringfenced balance has increased by **£15.6m** to **£26m**, which includes the Local Growth Fund of **£11.9m** and Growing Places Fund of **£1m**, which are held on behalf of the Oxfordshire Local Enterprise Partnership (OxLEP). A further **£5.3m** is held on behalf of District Council's in respect of the Housing Deal (Affordable Housing) programme. There are no issues foreseen with utilising the remaining grants by their deadlines.
31. The capital receipts and capital reserve balances are **£24m** and **£18m** respectively. The capital receipts and reserve balances are forecast to be spent over the ten-year capital programme period.

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