

# CABINET – 18 OCTOBER 2022

## CAPITAL PROGRAMME UPDATE AND MONITORING REPORT

### Report by the Director of Finance

#### Recommendations

1. The Cabinet is RECOMMENDED to:

#### OCC Capital revised programme and prioritisation

- a) Endorse the capital prioritisation framework (Annex 1)
- b) Approve the review of the OCC Capital Programme (paragraph 13)
- c) Approve the latest capital monitoring position for 2022/23 (Annex 2) and the associated updated capital programme at Annex 3, incorporating the changes set out in this report
- d) Note the approval made under delegated authority of the Leader of the Council for:
  - i. Marlborough School (paragraph 24)
- e) Approve the updated budget requirements:
  - i. Orion School (paragraph 22)
  - ii. Banbury Library (paragraph 48)

#### Re-profiling

- f) Agree the re-profiling (Annex 2 and 3)

#### Funding

- g) Agree the inclusion in the Capital Programme of the following grant funding updates and allocation:
  - i. Active Travel Phase 3 of £10.4m (Paragraph 57),
  - ii. Bus Service Implementation Plan of £8.7m (Paragraph 58)
- h) To note the inclusion of £10m towards Oxford Station (OCC acting as the accountable body on behalf of the OxLEP) (paragraph 59)

#### Future Oxfordshire Partnership's (FOP) Housing and Growth Deal

- i) Note the [Housing and Growth Deal revised programme](#) as approved by the Future Oxfordshire Partnership and note the implications for the Council's Capital Programme (paragraph 39)
- j) Note the approval made under delegated authority of the Leader of the Council for schemes that are part funded by the Council and other funding sources including the housing and growth deal:
  - A40 Oxford North (Northern Gateway) Scheme (Paragraph 28),
  - Science Transit Phase 2 (Eynsham Park and Ride) (Paragraph 29)
  - Benson Relief Road (paragraph 34)

## Executive Summary

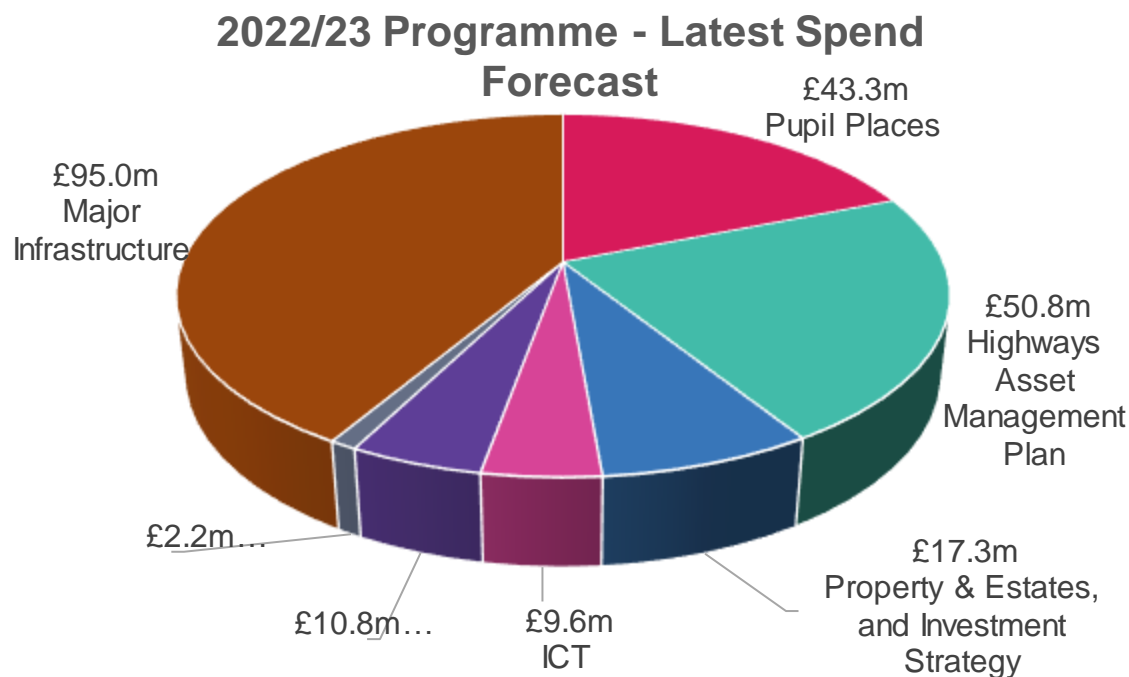
2. This report is the second capital programme update and monitoring report for 2022/23. This report sets out the monitoring position for 2022/23 based on activity to the end of August 2022 and provides an update to the Capital Programme approved by Cabinet in July 2022 taking into account additional funding and new and/or changes to schemes.
3. The forecast programme expenditure for 2022/23 is £229.0m (excluding earmarked reserves). This has decreased by £16.8m compared to the latest approved capital programme (Annex 2). 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 £1,338.1m, an increase of £29.7m compared to the capital programme approved by Cabinet in July 2022. The updated capital programme summary is set out in Annex 3. The main variations are set out in this report.
5. As highlighted in the first capital report for 2022/23 inflationary increases in contract prices are increasing the risk to the deliverability and cost of capital schemes. This is reflected in several recent business cases and included within this report.

## Introduction

6. Capital expenditure is defined as spending that creates an asset for the Council (e.g. buildings, vehicles and equipment), and spending which meets the definition in regulations specified under the Local Government Act 2003 which includes spend on non-current assets that are not owned by the Council such as academies and the award of capital grants and funding agreements.
7. 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.
8. 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
  - **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

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



10. This is the second 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 August 2022 and new inclusions and changes within the overall ten-year capital programme. In future, it will be made more explicit which components of the capital programme are included due to the Council's accountable body role (particularly for Housing and Growth Deal and OxLEP). These will be reported for accounting purposes, although the performance and delivery monitoring of these schemes is undertaken by the relevant bodies.

### **Prioritisation Framework**

11. The report to Cabinet in July 2022 highlighted significant pressure on the Council's Capital Programme due to the wider macro-economic climate. It also noted this pressure was expected to continue to place further demands on our resources and our ability to meet the Council's ambitions, expected outcomes and benefits. It was therefore agreed that a fundamental review of the current capital programme be undertaken to prioritise the schemes and initiatives.

12. Cabinet is asked to endorse a new prioritisation framework (Annex 1). This will be used to review the current schemes against to avoid future overspends while still delivering major projects for the benefit of Oxfordshire communities within the footprint of the finances available. It should be noted that future work may be required to happen later than

would otherwise be envisaged and some work may be scaled back from its original plan. Individual projects have been analysed and assessed on their own merits and based on individual situations.

### Reviewing the Council's current capital programme against the framework

13. Applying the prioritisation framework, the following changes are proposed to the Capital Programme:

Programme / Project	Budget*	Status
	<b>£'000</b>	
Building & Site Enhancements Programme	11,000	Programme paused -awaiting outcomes from pending strategy and condition survey
Carterton Community Safety Centre	3,600	Pause scheme – awaiting outcomes from pending strategy
<b>Property Capital Programme - Total</b>	<b>14,600</b>	
Blackbird Leys Regeneration (Relocate Library)	1,000	Project is awaiting further funding sources and strategy development. Pause scheme
Didcot Library & Community Hub (CS19)	0	Project is awaiting further funding sources (all external funded), pause scheme
Westgate office/library	485	Closedown project
<b>Property (Libraries) - Total</b>	<b>1,485</b>	reallocate any available funding within Property (libraries) capital programme
Drayton Depot	250	Closedown project - reallocate funding within highways
Network Electrification Bridge	1,700	Closedown programme - reallocate funding within highways
Structural Maintenance Annual Programmes	0	Maintain spend within funding in the current year
<b>Highways Capital Programme – Total</b>	<b>1,950</b>	reallocate available funding within the Highways Capital Programme
Basic Need & Growth Portfolio	0	Meet within existing provision, review non-statutory (classroom) projects eg. Hall & Temporary classrooms
<b>Pupil Places Capital Programme – Total</b>	<b>0</b>	
HIF1, HIF2 & A40 Corridor Housing & Growth Deal Programme	0	Meet within existing provision
	0	Meet within existing provision
A423 Improvements	6,000	Return £5m to capital contingency (due to scope change) and allocate £1m towards A40 Oxford North
<b>Major Infrastructure Capital Programme - Total</b>	<b>6,000</b>	

## 2022/23 Capital Monitoring

14. The capital monitoring position set out in Annex 2, shows the forecast expenditure for 2022/23 of £229.0m (excluding earmarked reserves). This has reduced by £16.8m compared to the latest approved capital programme.

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	48.3	43.3	-5.0
Major Infrastructure	100.2	95.0	-5.2
Highways Asset Management Plan	50.8	50.8	0.0
Property, Estates & Investments	23.9	17.3	-6.6
ICT	9.6	9.6	0.0
Passport Funding	10.8	10.8	0.0
Vehicles & Equipment	2.2	2.2	0.0
<b>Total Strategy Programmes</b>	<b>245.8</b>	<b>229.0</b>	<b>-16.8</b>
Earmarked Reserves	0.00	0.0	0.0
<b>Total Capital Programme</b>	<b>245.8</b>	<b>229.0</b>	<b>-16.8</b>

\* Approved by Cabinet 19 July 2022

15. Actual capital expenditure at the end of August 2022 was £46.3m. The combined spend to date and current forecasted in-year commitments for the Capital Programme is £120.6m or 53% of the revised estimate for the year but the rate of expenditure is expected to increase in the remaining part of the year due to several major infrastructure schemes reaching the construction stage.

### Pupil Places

16. The forecast expenditure for the Pupil Places Programme in 2022/23 has decreased by £5.0m to £43.3m. This reflects the latest profile of expenditure against the delivery timeframe of projects within the programme. There are no changes relating to either cost pressures or savings in 2022/23
17. The Basic Need Programme has a forecast expenditure of £15.2m, a decrease of £0.8m. This is a result of the re-profiling of budgets between 2022/23 and 2023/24. Annex 5 provides a full breakdown of the re-profiling and references further detail for the projects mentioned below.
18. In the Summer Term 2022, four projects have been successfully completed in time for the start of the 2022/23 academic year and a further five projects are in construction. There are also a further 10 projects in the pre-construction phase. 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.

19. The Growth Portfolio Programme has forecast expenditure of £22.8m, a decrease of £3.2m compared to previously reported. This is as a result of reprofiling of budgets between 2022/23 and 2023/24. Four projects are in construction and a further three projects in the pre-construction phase. Again, depending on the delivery timeframe, some of these will reach the construction phase this financial year.
20. The Education & Skills Agency (ESFA) are on-site for the new Special Educational Needs (SEN) school in Bloxham, Grove, and in pre-construction stages on the potential delivery of a further two new Schools. Schools Structural Maintenance (SSM) is part of the schools' annual programme. The 2022/23 programme included 35 projects with 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.
21. Some projects, including the installation of heat pumps, which were required to be delivered during the school summer holiday period have been moved into the following year. The latest forecast is £4.7m with £1m re-profiled into 2023/24.
22. The construction of the new Orion School was completed in September 2021 while the demolition of the previous school was completed in June 2022. During the construction period a number of changes occurred. These included provisional sums being amended to reflect actual costs, design changes and delays in the completion of wayleaves to connect main services. The approved budget at the construction stage for the relocation and expansion of Orion School was £12.8m. The project submitted a construction stage variance of £0.3m to increase the budget provision to £13.1m. During the construction period there have been several contract additions; provisional sums under the contract later attracting additional cost, design changes requested. The revised budget requirement is £13.8m. The additional £0.7m will be funded from the SEN sufficiency budget provision within the Capital Programme.
23. As with all projects, this scheme will be reviewed for lessons learned with the council's technical consultants and contract administrators to identify any approaches that can be undertaken for future complex projects of this nature.
24. The Marlborough CE School in Woodstock is managed by the River Learning Trust (RLT). The project extends the school from six forms of entry to seven, providing 150 additional pupil places. The original budget of £2.2m was funded entirely from S106 developer contributions secured by the Council. The latest cost plan has resulted in a request to increase the funding provision by £1.8m to £4.0m to enable provision of a six-classroom block and ancillary facilities to support the schools' expansion. The information has been reviewed by the council's Property Team to ensure the scope of work is proportionate to the requirements for expanding the school and confirmed as acceptable. It is expected that further S106 contributions will be secured, and that the additional funding requirement will be met from these future S106 contributions. Depending

upon the progress and delivery of the housing developments, the Council may need to forward fund the cost of the project until all S106 contributions are received.

## Major Infrastructure

25. The Major Infrastructure Programme in-year expenditure is forecasted to be £95.0m compared to the latest capital programme budget of £100.2m, a reduction of £5.2m. The capital monitoring report to Cabinet in July 2022 reported a reprofile of £50.7m into future years compared to the original capital programme budget agreed in February 2022 – this latest variation extends this to £55.9m. The programme is divided into 5 sub-programme areas as shown in the table below:

Major Infrastructure	Original Budget	Last Approved Budget	Latest Forecast	Variation
	£'000	£'000	£'000	£'000
Housing Infrastructure Fund 1 (HIF1)	21,200	14,800	6,500	-8,300
A40 Corridor (inc Housing Infrastructure Fund 2 (HIF2))	48,112	30,675	28,986	-1,689
Banbury & Bicester	19,287	6,199	6,888	689
Oxford	28,671	23,704	27,079	3,375
South & Vale	27,098	19,806	18,306	-1,500
<b>Major Infrastructure Sub-total</b>	<b>144,368</b>	<b>95,184</b>	<b>87,759</b>	<b>-7,425</b>
Other Programmes	6,500	5,000	7,200	2,200
<b>Major Infrastructure – Total</b>	<b>150,868</b>	<b>100,184</b>	<b>94,959</b>	<b>-5,225</b>

### HIF1

26. Forecast expenditure on HIF1 in 2022/23 has reduced by £8.3m. This is due to a review of the programme's procurement strategy. This has reduced the total number of contracts required, providing the programme with better contract control and value for money but means that the start of the detailed design will now begin in 2023/24, resulting in related movement of spend. Detailed design, utilities diversion and land costs have all moved from the current financial year to 2023/24. Because most of the spend in 2022/23 is expected to be incurred in the last quarter of the financial year, there is a risk that if the procurement process is further delayed, there will be greater slippage into 2023/24. Risk mitigations, including soft market testing/engagement to ensure potential bidders are aware and keen to engage when procurement opens and establishing there is sufficient procurement resource to support the exercise in January are being actively managed by the Major Infrastructure team.

### A40 Corridor (inc HIF2)

27. The HIF2 programme is reporting variations of -£2.2m re-profiled into 2023/24 resulting from delays associated with the Compulsory Purchase Order process. This is offset by a £0.5m increase in the estimated cost of

the A40 programme. This includes the increase in the in-year forecast for the Eynsham Park & Ride project now that the construction contract has been awarded, with work planned to start on site around mid-October 2022.

28. The approved budget at the construction stage for the A40 Oxford North scheme was £8.4m. This was expected to fund the implementation of public highway improvements in accordance with the A40 strategy and to mitigate the effects of the Oxford North mixed-use development. The instructed contract works were completed in July 2022. During the construction work various additions to the scope have been instructed and implemented. These were required to ensure progress, minimize contractor downtime, reconcile utility design, and to implement evolving client requirements for safety, design, and non-motorized use. The revised budget requirement is £10.7m. The increase of £2.2m will be funded from £0.9m external funding and £1.3m from the Capital Programme contingency provision.
29. The full business case for the A40 Science Transit Phase 2 (STP2), aimed at capacity improvements with the focus on improved and more reliable journey times for express bus services along the A40, was approved by the Department for Transport in 2021. The £51.5m scheme will create new park and ride facility to the north-west of Eynsham. The works will form the first part of the wider A40 transport programme which includes the HIF 2 A40 Smart corridor proposals.
30. The budget requirement for the park and ride works is £31.9m. This represents an increase in forecast costs from the original business case. Factors contributing to the increase in costs include inflation, initial under estimation at feasibility stage and remeasurement of works. For delivery scope and cost efficiency, the second element of STP2, the eastbound bus lane, has been merged into the Integrated Bus Lanes (IBL) project as part of HIF2. The remaining £19.5m budget from STP2 will be transferred to the IBL project.

### **Banbury & Bicester**

31. An increase of £0.7m in 2022/23 is due mainly to the recommencement of the A4095-B4100 Banbury Road Roundabout scheme following agreement to meet additional costs from the Housing & Growth Deal.

### **Oxford**

32. This programme is forecasting an increase of +£3.4m predominately due to the works on the A44 Corridor Improvement scheme. Construction has begun following the approval of the Full Business Case.

### **South & Vale**

33. Re-profiling of -£1.5m to future years is primarily due to the Wantage Eastern Link Road (WELR) scheme, where there are delays caused by land acquisition and procurement issues. These are being managed and the project is currently on track.



34. The Benson Relief Road will provide development areas with direct access to the B4009 and A4074 and will remove the need to drive through Benson. The previous approved budget of £4.0m was submitted in quarter 1 2021. The revised budget at construction stage is £5.5m, with an additional £1.5m funded from the Growth Deal allocation. This cost increase includes an additional allowance for inflation to reflect current price rises in the construction industry and a revised risk allocation. There is also an additional £0.5m in design fees and land acquisition costs.

### **Other Programmes**

35. This programme is reporting an increased expenditure forecast of £2.2m predominately due to the inclusion of the contribution towards Oxford Station development, which is explained further in paragraph 59.

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

36. The Infrastructure Programme grant was expected to total £150m. The investment in infrastructure was planned to 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.
37. The grant funding was expected to be paid to Oxfordshire County Council, as the accountable body. This was expected to be paid in five equal annual instalments of £30.0m with the final instalment in 2022/23. Following the decision by the Future Oxfordshire Partnership (FOP) to end the Oxfordshire Plan 2050, the Department for Levelling Up, Housing and Communities are reviewing the implications along with the final £30.0m instalment of the grant funding. With several projects being delivered at the end of the programme period and construction phases to begin this financial year, there is still the ability to cap expenditure at £120.0m if the further £30.0m is not forthcoming. Spend and commitments will be monitored closely to ensure that action is taken as necessary.
38. Notwithstanding this, the FOP has approved a revised programme on the assumption the final £30.0m grant will be received. This review was undertaken in light of current cost pressures and market conditions. If the £30.0m is not available, the FOP agreed to revisit the programme to further assess against the £120m cap (as noted above). As the accountable body, the County Council will need to ensure the monitoring of commitments and spend, including amounts for contingency for schemes already proceeding, is capped at the £120.0m and will continue to update and monitor to the FOP accordingly. Risks to the county council are being actively monitored by the Director of Finance and Director of Director of Transport and Infrastructure.
39. Some schemes within the Growth Deal programme have supplementary funding from other sources, including council funding and s106 contributions. Annex 4 provides a breakdown of the split of funding

sources and highlights schemes with potential risk to the Council's Capital Programme. In particular:

1. Lodge Hill
2. Tramway
3. Benson Relief Road
4. Watlington Relief Road
5. A40 Access to Witney

### **Highways Asset Management Plan**

40. The total in-year capital forecast for 2022/23 is estimated to be £50.8m, and is unchanged from the previous forecast. Of this £31.7m is forecasted to be spent on the structural maintenance annual programme with a further £12.0m on the Street Lighting LED replacement programme.
41. 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.
42. Annex 6 shows the planned key structural maintenance deliverables for 2022/23. The annual Improvement Programme in 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.
43. The Structural Maintenance Major Schemes forecast to spend £15.3m. Annex 6 shows the planned key structural maintenance deliverables for 2022/23.
44. Just over 49% of the currently planned LED lantern conversions have been delivered. The greater spend is related to column replacements which are programmed to be delivered in the latter part of the year. This does bring a risk that not all planned columns will be replaced as planned due to weather and material availability, and as such some of this programme may slip into 2023/24.
45. The 20mph programme consists of 75 schemes for delivery by end of March 2023. The programme is progressing well with several major towns out for public consultation in the coming months.

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

46. The Property, Estates and Investment Programme for 2022/23 is forecasting to spend £17.3m and has decreased by £6.6m compared to the previous update.
47. Carterton Community Safety Centre scheme was expected to reach the construction phase during 2022/23. Because of cost pressures the

scheme has been reviewed as part of the council's prioritisation of the capital programme. This temporary pause has resulted in the reprofiling of £3.4m out of 2022/23.

48. This re-location project will provide a modern, well equipped, easily accessible place to work and study for the residents in and close to Banbury. The current library provides a poor customer experience due to inadequate heating and insulation. As a result of inflation increases and rises in construction costs, the scheme costs have increased by £1.8m to £3.2m (this includes additional financial contingency due to current market conditions). This has resulted in £1.0m being reprofiled into future years as part of the prioritisation process.
49. A review of other programmes within the property area, mainly in the Condition Programmes (Estate Decarbonisation and Defect Liability Programme) have also resulted in an in-year reprofile of £1.8m out of 2022/23. The emerging Property Strategy and anticipated condition survey reports are expected to provide a revised programme of schemes, for both 2022/23 and future years.
50. A further £2.0m investment (taking the total investment to date to £4.0m of the £5.0m provision) is planned to be made to the Resonance Supported Homes Fund in 2022/23. Four schemes are currently progressing to purchase (working with partners Resonance and registered provider) an additional 18 supported living options for people with a learning disability and / or autism. The schemes are sited in Banbury, Bicester, Kidlington and Witney. Detailed property specification development is in progress to plan refurbishment costs and finalise rent model testing, alongside nomination rights agreements and support provider specifications to go to the market to procure appropriate support. An additional property is planned to bring the total of new shared living options up to 25.

### **Green Homes Grant / Sustainable Warmth Fund**

51. Funding of £1.5m was secured to implement energy efficiency retrofit measures for up to 150 homes with energy ratings below D and experiencing fuel poverty. The scheme received 312 eligible enquiries. Of these, 141 homes received retrofit measures at an average installation cost of £8,426 per property. The works included external wall insulation, loft insulation, cavity wall insulation, solar panels, electric storage heating, and, in one case, an air source heat pump. Feedback was extremely positive with customers noting that their homes had felt warmer through the winter months while using less energy to heat them. The remaining costs were towards fees to manage the installation process and the overall programme. The scheme finished in March 2022. After maximising costs that can be charged against the funding it is estimated that £0.090m will need to be returned to the grant provider.
52. The council is now delivering a further £3.3m of retrofit schemes under separate funding arrangements.

### **ICT**

53. Forecast expenditure for 2022/23 is estimated to be £9.6m and is unchanged from the previous forecast. While the overall programme

forecast remains the same, a number in-year changes have been made within the Broadband and ICT infrastructure programmes which net to zero.

### Passported Funding

54. The total in-year capital forecast for 2022/23 is estimated to be £10.8m, with no change from the previous forecast. £6.7m of the total is Disabled Facilities Grant that is required to be passported to the district councils. A further £2.8m relates to the final elements of the Local Growth Fund and Getting Building Fund where the county council is acting as the accountable body.

### Vehicles and Equipment

55. The total in-year capital forecast for 2022/23 is estimated to be £2.2m, no change from the previous forecast.

### Ten Year Capital Programme Update

56. The total ten-year capital programme (2022/23 to 2031/32) is now £1,338.1m (excluding earmarked reserves), an increase of £29.7m compared to the latest approved capital programme in July 2022.

Strategy Area	Last Approved Total Programme (2022/23 to 2031/32) * £m	Latest Updated Total Programme (2022/23 to 2031/32) £m	Variation £m
Pupil Places	231.3	233.6	+2.3
Major Infrastructure	686.4	714.1	+27.7
Highways AMP	267.0	266.8	-0.2
Property, Estates & Investments	74.3	74.2	-0.1
ICT	23.5	23.5	0.0
Passport Funding	16.5	16.5	0.0
Vehicles & Equipment	9.4	9.4	0.0
<b>Total Strategy Programmes</b>	<b>1,308.4</b>	<b>1,338.1</b>	<b>+29.7</b>
Earmarked Reserves	79.0	63.8	-15.2
<b>Total Capital Programme</b>	<b>1,387.4</b>	<b>1,401.9</b>	<b>+14.5</b>

\* Approved by Cabinet 19 July 2022

### Capital Funding Update

#### New fully funded Programmes coming into the Capital Programme

57. The Active Travel Phase 3 programme has been included within Major Infrastructure Capital Programme (£10.4m grant plus other funding of £1.1m). On 18 March 2022, confirmation was given by the Department for Transport that Oxfordshire had secured funding for 12 schemes, including active travel, quietways, and infrastructure improvements. All spend needs to be committed before 31 March 2023, though an extension is currently being negotiated, due to the lateness of the grant being received.
58. Bus Service Improvement Plan has been included within Major Infrastructure Capital Programme (£8.7m capital grant). On 8 August 2022 confirmation was given from the DFT that Oxfordshire had secured funding to support the upgrade of Bus Priority infrastructure, including countywide traffic signal upgrades, improvements to the Cherwell Street Bus Lane in Banbury and Connecting Oxfordshire, through upgraded bus priority traffic filters.
59. The financial contribution of £10m to Network Rail towards the proposed works at Oxford Station has been added to programme in this update. The funding of £10m has been secured through OxLEP (Oxfordshire Local Enterprise Partnership) within the City Deal Programme. The funding is received by the Council on behalf of OxLEP in the Council's role as Accountable Body. The Council, as highway Authority, will enter into the £10m Funding Agreement with Network Rail.

### **Prudential Borrowing**

60. The ten-year Capital Programme includes a requirement to fund £272.4m through prudential borrowing. This is unchanged from the last update. The latest borrowing requirement is expected to be taken as internal borrowing because of the level of cash balances in 2022/23 is £44.6m. 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). A further £7m (from the £41.7m) borrowing which supports the OxLEP City Deals programme with the remaining £15m from other agreed spending plans.
61. 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**

62. The level of earmarked reserves have decreased by £15.2m from the previous reported position. The reduction reflects the inclusion of the

£10m towards Oxford Station and £10.4m for the Active Travel Phase 3 programme funded by grant being added into the Capital Programme. As noted in paragraph 13, £5m has been returned to the Capital Programme contingency from the A423 Improvements Programme.

## Capital Reserves

63. The current level of capital reserves (including capital receipts and capital grants reserves) is approximately £184.4m. This is expected to reduce to £68m by 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.

## Risk Management

64. As noted in the report to Cabinet on 21 June 2022, there are a number of factors impacting on the future deliverability and cost of capital schemes. 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.

65. 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:

- Workforce – both skilled and unskilled
- Availability of materials

- Contract price (value and ability to maintain an agreed price)
66. Following the appointment of the new Prime Minister on 6 September 2022 the Chancellor of the Exchequer set out the Government's 'Growth Plan' on 23 September 2022. This followed the Bank of England's interest rate rise to 2.25% and mainly focussed on the wider UK economy and on tax reductions. Since this announcement there has been significant market volatility, the value of the pound has been affected and continues to fluctuate, and interest rates are expected to rise further. The situation is continuing to change but the reductions in the value of the Pound could impact on inflation, particularly in relation to fuel costs and the cost of other imports.
67. These risks are continuing to be managed at both project and programme level and up to the Strategic Capital Board. 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.
68. There are two strategic risks being managed to mitigate impacts on the major infrastructure (Core Schemes and Major Infrastructure Programme more broadly). These are reported in the Business Management Monitoring Report, as part of the Strategic Risk Register.
69. As noted above at paragraphs 37-39, the Department for Levelling Up, Housing and Communities are reviewing the final £30.0m instalment of the housing and growth deal grant funding. With several projects being delivered at the end of the programme period and construction phases to begin this financial year, there will be a need to cap expenditure at £120.0m if the further £30.0m is withheld and pending notification that the funding will be received. However, the choice of schemes to terminate will reduce as the year progresses and commitments made. Spend and commitments will be monitored closely to ensure that action is taken as necessary.

## **Financial Implications**

70. 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.
71. 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
72. 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.

73. Spend on schemes funded from the Housing & Growth Deal, for which the council is the accountable body, will need to be capped at £120.0m until confirmation about the final £30.0m is received. Because of the risk that this may not be forthcoming the Future Oxfordshire Partnership need to agree a revised programme that can be managed within the available funding.
74. 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**

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

### **Equality & Inclusion Implications**

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

### **Legal Implications**

77. In year changes to the capital programme must be approved by Cabinet in accordance with the councils Financial Regulations and in particular paragraph 5.1.1(IV) 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 Capital Programme Board and the Section 151 Officer.

Comments checked by: Kate Charlton Interim Head of Legal and DMO

**LORNA BAXTER**  
Director of Finance

Annexes:

Annex 1	Prioritisation Framework
Annex 2	Capital Programme Monitoring 2022/23
Annex 3	Updated Capital Programme 2022/23 to 2031/32



Annex 4                      Housing and Growth Deal Revised Programme (by  
the Future Oxfordshire Partnership) - implications  
for OCC  
Annex 5                      Pupil Places  
Annex 6                      Highways maintenance schedule

Background papers:

Contact Officers: Kathy Wilcox, Head of Financial Strategy. Tel: 07788 302163  
Belinda Dimmock-Smith, Capital Programme Manager  
[belinda.dimmocksmith@oxfordshire.gov.uk](mailto:belinda.dimmocksmith@oxfordshire.gov.uk)

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