

CABINET – 19 OCTOBER 2021

CAPITAL PROGRAMME UPDATE AND MONITORING REPORT

Report by the Director of Finance

Recommendations

1. The Cabinet is RECOMMENDED to:
 - a) Agree that the following scheme should be added to the capital programme:
 - a provisional budget allocation of £1.2m towards a new Free School in Faringdon for pupils with Special Educational Needs and Disabilities (SEND).
 - b) Approve the updated Capital Programme at Annex 2.

Executive Summary

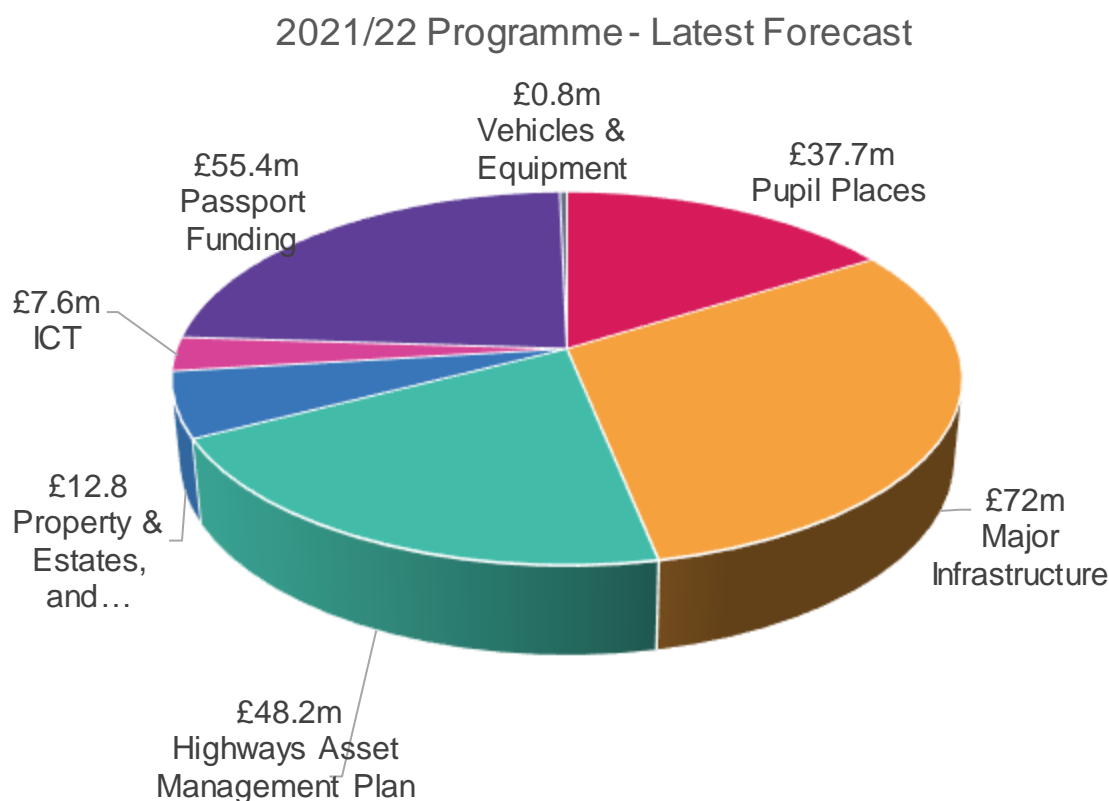
2. This report is the second monitoring report and Capital Programme update for 2021/22. Cabinet considered the first monitoring report for 2021/22 at its meeting on 20 July 2021. This update sets out the monitoring position based on activity to the end of August 2021. It also provides an update to the Capital Programme overview approved by Council in July 2021 taking into account additional funding and new schemes.
3. The latest outturn forecast for the capital programme for 2021/22 is **£234.5m** (excluding earmarked reserves). This has decreased by **£48.6m** compared to the latest approved capital programme. This reflects the anticipated spend profile from the latest delivery programme.
4. The total ten-year capital programme (2021/22 to 2030/31) is now **£1,370.9m**. This has increased by **£7.6m** compared to the capital programme approved by Cabinet in July 2021. The updated capital programme summary is set out in Annex 2. The main variations are set out in this report.

Introduction

5. 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.
6. The Capital Programme sets out how the Council will use Capital expenditure to deliver the Council's 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.

7. The capital programme is currently structured as follows:
- **Pupil Place Plan:** including basic need (new schools and expansion), maintenance, health and safety and improvements
 - **Major Infrastructure Schemes:** including the 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
8. The investment profile for the 2021/22 Capital Programme is shown below and in the summary table at paragraph 12.



9. This is the second update and monitoring report for the year. The report sets out an update on the delivery of the programme based on projections at the end of August 2021 and new inclusions within the overall ten-year capital programme.
10. The following annexes are attached:
- Annex 1 Capital Programme Monitoring 2021/22 (Summary)
 - Annex 2 Updated Capital Programme 2021/22 – 2030/31 (Summary)

2021/22 Capital Monitoring

11. The capital monitoring position set out in Annex 1 shows forecast directorate programme expenditure for 2021/22 totalling **£234.5m** (excluding earmarked reserves). This has decreased by **£48.6m** compared to the latest approved capital programme.
12. The table below summarises the variations by strategy area:

Strategy Area	Last Approved Programme 2021/22 * £m	Latest Forecast Expenditure 2021/22 £m	Variation £m
Pupil Places	35.3	37.7	+2.4
Major Infrastructure	115.7	72.0	-43.7
Highways Asset Management Plan	48.2	48.2	+0.0
Property, Estates & Investments	15.9	12.8	-3.1
ICT	11.0	7.6	-3.4
Passport Funding	55.4	55.4	0.0
Vehicles & Equipment	1.6	0.8	-0.8
Total Strategy Programmes	283.1	234.5	-48.6
Earmarked Reserves	0.00	0.0	0.0
Total Capital Programme	283.1	234.5	-48.6

* Approved by Cabinet 20 July 2021

13. The total ten-year capital programme (2021/22 to 2030/31) is now **£1,301.4m** (excluding earmarked reserves). This has increased by **£8.6m** compared to the capital programme approved by Cabinet in July 2021.

Strategy Area	Last Approved Total Programme (2021/22 to 2030/31) * £m	Latest Updated Total Programme (2021/22 to 2030/31) £m	Variation £m
Pupil Places	233.3	233.8	+0.5
Major Infrastructure	647.7	647.7	0.0
Highways AMP	246.7	246.7	0.0
Property, Estates & Investments	69.4	69.4	0.0
ICT	23.4	31.5	+8.1
Passport Funding	62.9	62.9	0.0
Vehicles & Equipment	9.4	9.4	0.0
Total Strategy Programmes	1,292.8	1,301.4	+8.6
Earmarked Reserves	70.5	69.5	-1.0
Total Capital Programme	1,363.3	1,370.9	+7.6

* Approved by Cabinet 20 July 2021

14. The updated capital programme is set out in Annex 2. Changes in each programme area are set out in Annex 1 and detailed below.

Pupil Places

15. Within the Pupil Places Programme there has been a **£2.4m** increase to the forecast expenditure profile for 2021/22 since the last capital programme update, although the overall ten - year programme remains on budget. The forecast change reflects a revised delivery timeframe for schemes within the programme, including projects expecting to be completed this financial year, and projects commencing for completion in 2022/23.
16. All projects within the Pupil Places Programme which were due to be completed in time for the start of the new academic year (September 2021) have been. These include:
- Orion School – (the former Northfield Special School) which has been re-built and expanded to accommodate 108 pupils, providing 32 additional SEND school places.
 - Cholsey Primary School – this has been expanded to create an additional 105 primary pupil places and the onsite preschool has expanded.
 - Windrush Primary School (Witney) – this is a new school, delivered by the housing developer, which has created 315 primary pupil places, 39 full-time equivalent nursery places and an 8 place resource base for pupils with Special Educational Needs (SEND).
 - Hanborough Manor CE Primary School – has been expanded to create an additional 105 primary pupil places.

- St Blaise CE Primary School – has been expanded to provide an additional 105 pupil places.
 - Five Acres Primary School – where two temporary classrooms will be replaced by a new teaching block (completion is imminent).
 - Stanton Harcourt Primary School 35 additional places, delivered by Eynsham Partnership Academy
 - Bicester, Bardwell Special School 16 additional SEN places and a new school hall delivered by The Gallery Trust
 - Bicester, Southwold Primary School and Gagle Brook Primary School - 24 new SEND resource base places (12 at each school), delivered by The White Horse Federation
 - Watlington, Icknield Community College 150 additional places delivered by The Acer Trust
17. Other projects within the Pupil Place programme which are due to complete by the end of 2021/22 include the John Watson School. This is being expanded to accommodate an additional 16 pupil places and provide a permanent Sixth Form classroom.

SEND Free School - Faringdon

18. The Faringdon Infant School site is owned by the council and will become vacant once the new two form entry primary school has been built in the area. The expansion and relocation of Faringdon Infant School provides an opportunity for the department for Education (DfE) to deliver a new SEND free school. A provisional budget allocation estimated at up to **£1.2m** towards any abnormal site costs for the new school has been added to the ten – year programme. The provisional budget will be funded from within the Special Educational Needs Sufficiency provision within the Pupil Places Capital Programme.
19. The conditions of the SEND free school application to the Department for Education requires the council to provide the site at nil cost and also meet the cost of any abnormal issues associated with the site or building. However, any costs arising from this will not be known until the relevant feasibility study and surveys have been undertaken. The use of the Faringdon Infant School site will result in a potential loss of a capital receipt of £0.8m which has also been factored into this proposal and the implications will be managed within the capital programme.
20. The overall ten-year programme for pupil places has increased by £0.5m since the last update. This reflects the addition of £1.2m for the SEND Free School at Faringdon, offset by a reduction of £0.8m in the cost of the new Faringdon Infant School. The remaining £0.1m is a combination of small changes to a number of schemes.

Major Infrastructure

21. £72m spend on the Major Infrastructure Programme is now forecast in 2021/22. Compared to the last capital programme update £43.7m is now expected to slip into 2022/23. This predominately relates to increased design activity leading to further work before the construction phases start. Further detail is provided below:
- **HIF 1 (-£11.6m)** – due mainly to the Didcot Science Bridge (-£3.3m) and Culham River Crossing (-£8.0m) projects, where the extended design stages of these projects has changed the spending profile. The HIF1 schemes are undergoing a detailed review of both cost and programme.
 - **HIF2 & A40 (-£6.5m)** – due mainly to the HIF2 Schemes, which include the A40 Westbound Bus Lane, A40 Dualling Witney/Eynsham and Dukes Cut Bridge projects (-£3.7m). The detailed design stages of these projects have now slipped into next year. The A40 Science Transit project (-£3.3m) is now in detailed design stage, however the delay in getting to that stage, due to longer than anticipated consent on planning, means that this stage will now finish next year.
 - **Banbury & Bicester (-£8.0m)** – due mainly to the A4095 Banbury Road Roundabout (-£4.0m) and Ploughley Road, A41 Bicester (-£2.5m) projects. Both projects have slipped predominately due to delays associated with complex procurement activities. The North-West Bicester underbridge alignment project (-£1.0m) is now forecast to deliver under budget.
 - **Kennington Bridge (-£9.1m)** - the scheme has now been handed over to the major infrastructure team and a review of the scheme profile and detailed cost estimate is being carried out. The initial output of the scheme profiling has resulted in a slippage to the work originally due for completion in 2021/22. There is a risk that the detailed review of the scheme may result in an increased cost compared to the budget allocation. Should this materialise, any increase will need to be considered as part of the Budget & Business Planning process and Council agreeing a Capital Programme for 2022/23 to 2031/32 in February 2022.
22. Within the other programmes, the East West Rail contribution for this year is estimated to be +£0.7m greater than originally planned, as the project catches up with delays in prior year contributions.
23. The following schemes are planned to be fully completed in 2021/22:
- A40 [Oxford North] – New Bus Lane (east bound), improved urbanised corridor supporting connection to the new commercial and residential area. Current Status: On-site and completion forecasted to be within 2021/22, though there is a risk that this project may slip into next year.
 - Active Travel [Bicester and Witney] – two pedestrian and cycle improvement schemes to promote Active Travel and provide better links to and from Bicester and Witney town centres respectively.

Current Status: Complete, although additional S106 funding opportunities are being considered to enhance these schemes

- A4095 Underbridge and Underpass North West Bicester – the construction of an underbridge and underpass through the embankment supporting the twin train track (Marylebone to Aynho line) at Bicester. Current Status: On-site and completion forecasted to be within 2021/22.
 - Phase 1.2 of the Botley Road Corridor works – a series of improvements between Eynsham Road and Binsey Lane. Current Status: Complete.
24. The Full Business Case for the Science Transit Phase 2 scheme, aimed at capacity improvements with the focus on improved and more reliable journey times for express bus services along the A40, was submitted to the Department for Transport (DfT) on 19 May 2021 and, subject to its approval, the scheme will move into contract for both the Design and Construction elements.
25. HIF1 (Didcot) and HIF2 (A40) programmes are progressing to planning application later this year and a number of reports will be progressing through Cabinet leading to the formal planning applications later in 2021.
26. There is no change to the overall ten-year programme but issues that could impact on both existing and future schemes are noted in the risk section below.

Highways Asset Management Plan

27. The Highways Asset Management Plan Capital Programme is currently forecasted to spend in line with the overall budget of **£48.2** across all aspects of the programme. While a number of minor variations are being reported, these will be managed across the programme. These include:
- **Structural Maintenance (£0.0m)** – the bridges maintenance programme is currently predicted to increase spend in-year by +£0.7m, offset by -£0.6m in-year reduction in Street Lighting maintenance programme, the balance of -£0.1m, is the net variation from a number of other programmes and smaller projects. The total Street Lighting maintenance programme has not changed, while the impact on the bridges maintenance programme will be managed within the overall Structural Maintenance programme and implications address through the Highways Asset Management Plan Strategy.
 - **Major Schemes (£0.0m)** – the spend profile of the Street Lighting LED replacement programme has reduced by -£0.6m to £10.8m for 2021/22. The overall programme budget of £40.8m is unchanged. This is offset by a net forecast overspend of £0.6m in the Kennington Bridge repairs and maintenance programme.
28. There is no impact on the overall ten-year programme.

Property, Estates and Investments

29. Expenditure on the Property, Estates and Investments Programme for 2021/22 is forecasted to be **£12.8m**, a decrease of **£3.1m**.
30. The majority of the variations are within the following programmes:
- **Corporate Estate Programme (-£2.6m)** – due mainly to delays associated with the Deddington Salt Barn (**-£2.0m**) and other minor changes.
 - **Climate Action Programme (-£0.5m)** –The use of the Climate Action Recycling Fund (**-£0.4m**) has been delayed to ensure the council invests in decarbonisation that is aligned with the post COVID-19 property approach to realising carbon savings in the long term. There is also a reduction of £0.1m related to EV charging infrastructure.
 - **Structural Maintenance Programme (£0.0m)** – although this programme is reporting a nil variance is it due predominately to an overspend in the Defect Liability Programme (**+£0.9m**), where projects have been brought forward and offset by an underspend on the Asset Condition Programme (**-£1.0m**) where no work is currently planned for this year. The balance (**+£0.1m**) is due to several minor variations.
31. Following approval by Cabinet in June 2021, the council has now formally become an investor in the Resonance Supported Homes Fund and work has begun work to identify and purchase supported living properties in Oxfordshire. Updates will be provided in future reports.
32. There is no impact on the overall ten-year programme.

ICT

33. The year end forecast for the ICT Programmes in 2021/22 is now estimated at **£7.6m**, **-£3.4m** less than the last approved budget. This is predominately due to a revised spend profile for the Broadband in Rural Oxfordshire (BiRO) project (**-£3.0m**). In addition, as the Better Broadband for Oxfordshire (BBFO) project is now complete, the remaining contingency provision allocated in 2021/22 (**-£1.5m**) is no longer required. These reductions are offset by the ICT Service Modernisation programme where there is greater in-year activity within the OCC/CDC Network Connectivity (WAN replacement) project. This is within the overall budget for this project. The Fibre Broadband for Public Building programme has also commenced as noted below.

Fibre Broadband for Public Buildings

34. At the meeting on 20 July 2021, Cabinet agreed to delegate authority to officers to award a contract for the fibre broadband for public buildings programme, up to the value of **£8.0m**.
35. The programme will enable fibre infrastructure to be built for county council buildings (where gigabit broadband infrastructure does not exist), other public buildings such as schools and GP practices, and a range of community based buildings like village halls.
36. This budget provision and the identified funding sources has been included within the latest capital programme projections. As the costs of this programme will be incurred in advance of the main funding source, the capital programme will need to forward fund up to **£5m** for a period of 5 years.
37. The overall ten-year programme has increased by **£8.1m** as result of the inclusion of this programme and other minor changes.

Passported Funding

38. The budget of **£55.4m** for capital funding passported to other organisations has not changed since the latest approved budget in May this year.
39. The Oxfordshire Affordable Housing Programme (OAHP) is expected to provide funding to support the delivery of up to 1,322 units of affordable housing. The programme has continued during the first four years of the Growth Deal following agreement to extend the original three-year programme by a year into 2021/22.
40. Following analysis of the current delivery plan, a bespoke approach has been agreed with Homes England and MHCLG to maximise the number of affordable homes deliverable in the remaining period of the deal. This approach will provide flexibility and support to the delivery of schemes this year, and as necessary, into the future.
41. There is no impact to the overall ten-year programme.

Capital Funding Update

42. Bids have either been submitted or are in the process of being submitted for various government funding streams. These include Active Travel 3, Signal Improvements and the Sustainable Warmth Competition.
43. The current ten-year capital programme contains a number of estimates in relation to the annual block funding allocations. While the pupil place basic need allocation has been announced for 2022/23, the School Condition Allocation has only been announced for 2021/22. Department for Transport Highway Maintenance funding has also only been announced for 2021/22 and therefore future budget provisions for these annual programmes are currently based on estimated funding allocations expected to be received.

44. Any increase or decrease of these funding allocations from 2022/23 onwards will need to be considered through the Budget and Business Planning process. This will also consider the prioritisation of the capital funding and budget requirements over the ten-year programme.

Risk Management

45. There are a number of factors increasing the risk to the deliverability and cost of capital schemes in 2021/22 and beyond. These include supply chain issues and inflation, the on-going impact of COVID-19 and the HS2 project absorbing market capacity.
46. The combined impact of these factors is affecting delivery across three key areas:
- Workforce – both skilled and unskilled
 - Availability of materials
 - Contract price
47. Difficulties in obtaining the right skills and or materials, at the right time could put further pressure on the overall cost of projects and will present increased challenges with programming.
48. General uncertainty in the market is also impacting on the risk contractors are comfortable to take when bidding for work. Prices, which used to be held for a number of months, are now being held for a number of days so contract prices are much more volatile.

Staff Implications

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

Equality & Inclusion Implications

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

Financial Implications

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

Comments checked by:

Lorna Baxter, Director of Finance

Legal Implications

52. 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:
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LORNA BAXTER

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Background papers:

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