

Divisions: N/A

CABINET – 22 JUNE 2021

CAPITAL PROGRAMME REPORT 2020/21

Report by Director of Finance

RECOMMENDATION

The Cabinet is RECOMMENDED to note the performance against the capital programme for 2020/21 as set out in the report.

Executive Summary

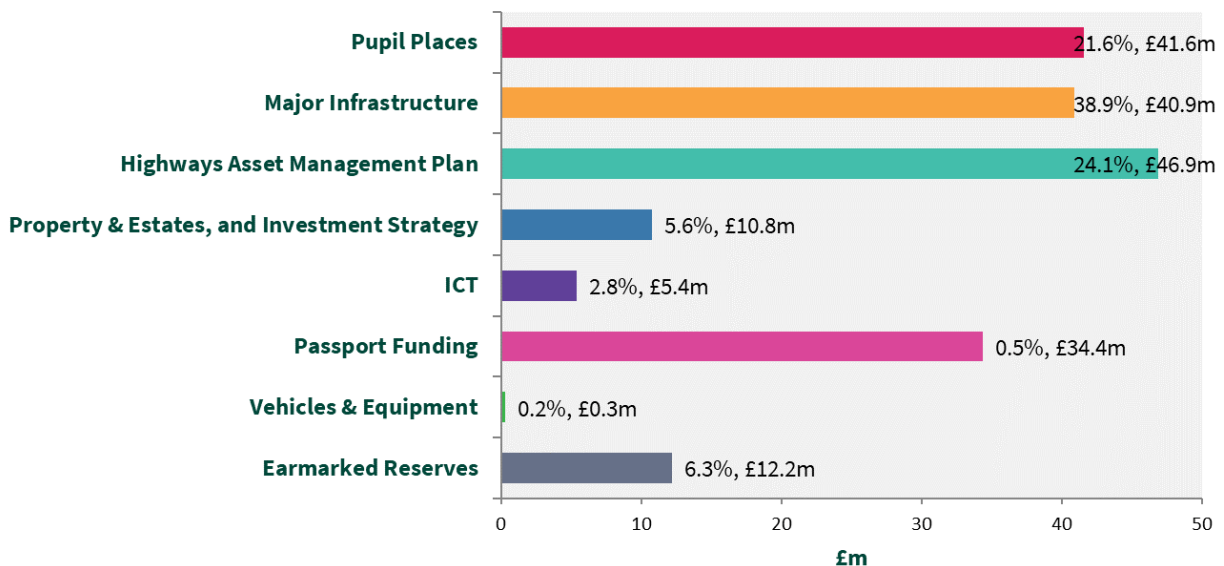
1. The Council's ten-year Capital Programme sets out the agreed capital investment to deliver the priorities identified in the Council's Capital and Investment Strategy. This report sets out the performance against the planned capital programme for 2020/21. Figures shown in the report reflect those to be included in the Council's Statement of Accounts for 2020/21.
2. The capital programme is updated throughout the year to reflect the latest delivery profiles and cost estimates for each programme. The capital programme for 2020/21 was last updated in February 2021. Expected spend for the year totalled **£174.1m**. Actual capital programme expenditure for the year 2020/21 was **£153.5m**. The variation between the latest programme and the actual expenditure is **-£20.6m** (-12%). Of this variation, **£11.1m** relates to four individual projects.
3. The Capital Programme expenditure of **£153.5m** was funded by **£123.5m** of capital grants and other external contributions, **£28.2m** of developer contributions, **£1.6m** of revenue contributions, and **£0.2m** of prudential borrowing.

Introduction

4. The Council's ten-year Capital Programme sets out the agreed capital investment to deliver the priorities identified in the Council's Capital and Investment Strategy which is agreed annually by Council alongside the revenue budget and medium term financial strategy.
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 is structured as follows:

CA8

- **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
7. Each strand of the programme is underpinned by supporting strategies which set out the need for capital investment and the contribution of that planned investment towards the Council's priorities.
8. The original capital programme for 2020/21 was agreed by Council in February 2020 alongside the Capital and Investment Strategy. This set out an expected programme of spend of **£192.4m**, including **£12.2m** for programme contingency within Earmarked Reserves. This included **£41.6m** on providing additional school places and new schools in housing developments and **£40.9m** on major infrastructure projects, including large road improvement schemes, and road maintenance:



9. It was planned to fund this from grants and contributions **£142.2m**, developer contributions **£30.8m** and prudential borrowing **£19.4m**:



10. The capital programme is updated three times each year to reflect the latest forecast profile of expenditure. The latest updated programme was agreed by Council in February 2021. This included planned investment of **£174.5m** (excluding earmarked reserves of £12.2m). This was a reduction of **£6.2m** from the original budget of which **£5.0m** related to grants passported to third parties where the scheme delivery is outside the direct control of the Council.
11. Annex 1a sets out a summary of actual expenditure for 2020/21 by strategy area compared to both the original budget and latest budget.

Performance Summary 2020/21

12. Actual capital programme expenditure for 2020/21 was **£153.5m** compared with **£105.7m** in 2019/20 an increase of **£47.8m** (44%). Just over half of the increase represents additional delivery within the Pupil Places, Major Infrastructure and Highways Asset Management Plan Strategies, while **£21.7m** was issued through the Passported Funding route as part of the OxLEP capital programme and the Affordable Housing Programme within the Growth Deal.
13. A summary of actual expenditure compared to budget is set out in the table on the next page. Further comments explaining the key movements within each strategy area are set out below. A detailed analysis of the variations by scheme is shown in Annex 1c.

Strategy Programmes	Latest Capital Programme (Council Feb 2021) £m	Actual Capital Expenditure 2020/21 £m	Variation to Latest Capital Programme £m	Variation to Latest Capital Programme %
Pupil Places	44.555	38.025	-6.530	-15%
Major Infrastructure	36.536	33.212	-3.324	-9%
Highways Asset Management Plan	48.207	39.458	-8.749	-18%
Property & Investment Strategy	9.627	4.890	-4.737	-49%
ICT	5.714	4.015	-1.699	-30%
Passport Funding	29.367	32.874	3.507	12%
Vehicles & Equipment	0.050	0.980	0.930	1860%
Total Strategy Programmes Expenditure	174.056	153.454	-20.602	-12%

Pupil Places

14. The total capital expenditure for the year 2020/21 was **£38.0m (£5.9m higher than in 2019/20)**. This is **£6.5m** lower than the latest capital programme.
15. The New Schools Growth Portfolio invested **£19.1m** with the successful completion of 3 new primary schools which created an additional 945 primary pupil places and capacity for up to 240 part time equivalent nursery places:
 - Barton Park Primary School - Oxford,
 - Cherry Fields Primary School - Banbury
 - GEMS Wantage Primary School - Wantage
16. A new secondary school, Whiteland Academy - Bicester, was also completed, creating an additional 600 pupil places.
17. The variation from the latest capital programme of **-£3.0m** relates mainly to the replacement and expansion of Orion Academy (formerly Northfield Special School) in Oxford. The spend to date is **£1.8m** lower than the planned spend profile, however the new school building remains forecast to complete to schedule in October 2021.
18. The Basic Needs Programme invested £16.5m during the year. The expansion of six primary schools was successfully completed creating an additional 490 pupil places:
 - Benson CE Primary School
 - Longworth Primary School

- John Blandy Primary School – Southmoor
- Marcham CE Primary School
- Chesterton CE Primary School
- West Witney Primary School

19. The variation from the latest capital programme of **-£1.3m** relates mainly to the expansions of primary capacity at Chosley Primary School (forecast completion August 2021) and secondary capacity at Wallingford School. Both projects are on-site but spend in 2020/21 was less than originally planned. The Published Admission Number was increased by one form entry in 2019 for Wallingford School. The scheme is a two form entry expansion project to enable the school to grow to nine form entry and consists of a two-storey teaching block to provide 20 classrooms. In 2019 a temporary double classroom building was installed on-site to meet the school's increased numbers until 2021. The Chosley Primary school expansion identified a project completion date of August 2020. This date has been pushed back due to delays to entering contract caused by COVID-19. This project also required a temporary single classroom building to be installed to meet the school's increased numbers until the completion of the four additional classrooms.
20. Schools Annual Programmes invested **£2.0m**, mainly through the Schools Structural Maintenance Programme, delivering 11 of the 18 planned key projects. The slipped projects, which primarily explain the variation from the latest capital programme of **-£1.7m**, are planned to be completed next year.

Major Infrastructure

21. The total capital expenditure for the year 2020/21 was **£33.2m (£11.8m** higher than in 2019/20). This compares to planned spend of **£36.5m** in the latest programme.
22. The four projects within the HIF1 programme are now in design stage and spent **£5.9m** in 2020/21. In total, this programme will invest **£230.8m** in infrastructure around Didcot Garden Town over the next four years to facilitate housing and employment growth in South and Vale districts and includes:
- Widening the A4130 from A34 Milton Interchange towards Didcot from single to dual carriageway,
 - New Science Bridge over the A4130, Great Western railway Line and Milton Road,
 - New Didcot to Culham bridge between the A4130 and A415 including a new crossing of the River Thames river.
 - Clifton Hampden bypass.
23. Anticipated delays, due to ground investigation and archaeological surveys, were a major factor contributing to the **-£0.7m** variation, pushing some elements of planned spend into the first quarter of 2021/22.
24. The four main projects/programmes within the HIF2 & A40 Locality programme spent **£7.4m**. The total investment in the A40 Corridor over the next four years will be **£156.6m**. The projects within the HIF2 programme are progressing through the

pre-construction phases, securing access to land and land acquisition and includes:

- Extension of the A40 dual carriageway from Witney to the proposed Eynsham Park & Ride,
- Extension of the A40 westbound bus lane from west of Duke's Cut canal and railway bridges to the proposed Eynsham Park & Ride,
- A40 capacity and connectivity improvements to widen access at Duke's Cut canal and railway bridges, extending bus priority lane.

25. The A40 Oxford North project has now moved into the construction phase which will upgrade the A40 west of the Wolvercote roundabout with a new eastbound bus lane, dedicated cycle lanes and widened footpaths. The other two schemes are the A40 Science Transit scheme (Cabinet December 2020) and Access to Witney (Shore's Green) junction improvements.
26. The majority of the other schemes within the Major Infrastructure programme are fully or partly funded through the annual **£30.0m** Growth Deal allocation. 2020/21 is the third year of the five year deal with the Ministry of Housing, Communities and Local Government (MHCLG) and Homes England totalling **£150m**. The majority of schemes are now progressing through the pre-construction phases with planning submissions expected in 2021/22 and construction and completion from 2022 onwards.
27. During the course of 2020/21, 21 contracts were sealed representing commitment to **£40.5m** worth of investment. These contracts covered all aspects of the programme lifecycle and included contracts relating to feasibility, preliminary design, detailed design, and construction phases.
28. In year, the 11 projects within the Bicester & Banbury Locality programme spent **£6.6m**.
29. The construction of an Underbridge and Underpass through the embankment supporting the Railway line at Bicester to provide access for the realigned A4095 (steel underbridge) and connectivity for pedestrians and cyclists (concrete underpass) has commenced. Both structures will open up the land either side of the railway to housing and commercial development potentially delivering up to 6,000 new homes.
30. A funding agreement with Highways England has been concluded to provide new and improvements to the existing junction to provide capacity to support the on-going housing development taking place at the former RAF base at the Upper Heyford site (Heyford Park) near junction-10 of the M40 Motorway. The funding agreement will enable to Highways England to design and construct the scheme.
31. The 13 projects of the Oxford Locality programme spent **£7.0m**, with slippage to the Riverside Routes to Oxford City Centre and the Active Travel Phase 2 projects predominately contributing to the **-£1.3m** variation.

32. The Access to Headington Scheme was completed in October 2020 and included junction upgrades, improved cycling facilities and pedestrian crossings linking the Universities, Churchill, Nuffield and John Radcliffe Hospitals with adjacent residential and business areas.
33. As part of the Active Travel Phase 2 project, a range of cycling and walking infrastructure improvements have been introduced in Bicester between Middleton Stoney Road and the Town Centre in Bicester. Similar measures have been introduced along the 1.6-mile corridor running from the Tower Hill cycle track, through the town centre and onto Madley Park in the east of Witney. The 2021/22 year will see a similar range of schemes being introduced in Oxford City.
34. The 10 projects of the Countywide Locality programme spent **£5.5m**. This included the completion of the Science Vale Cycle Network Improvement programme. The cycling and footpath scheme, which cost **£5.8m** in total, improves links between three large employment centres with nearby towns by upgrading and creating more than 10km of cycling provision along six key routes

Highways Asset Management Plan

35. Total capital expenditure for the 2020/21 year was **£39.5m** (**£6.1m** higher than in 2019/20). This is **£8.7m** less than budgeted in the latest capital programme.
36. The Structural Maintenance Programme invested **£28.7m** by surfacing and treating 137km (or 3.06%) of the network through 20 programmes over 220 sites. Within this, **£11.5m** was spent on Surface Treatments and Carriageways. A few schemes have slipped into the first quarter of 2021/22, contributing to the programme variation to planned spend of **-£1.4m**. A total of **£9.3m** was invested in Structural Highway Improvement schemes. Expenditure on the remainder of the Programme, covering footways, drainage, bridges and Section 42 contributions to Oxford City Council, totalled **£7.9m**.
37. Structural Maintenance Major Schemes and other Programmes invested **£10.7m**. Significant schemes in this area included Street Lighting LED replacements (**£3.1m**), Tetsworth Embankment (**£2.0m**), and Kennington Bridge (**£1.8m**).
38. The year end programme variation of **-£8.7m** included slippage on the Street Lighting LED replacements programme of **-£4.7m**.
39. The **£40.8m** LED street lighting replacement programme commenced in 2019/20 and will convert the remaining traditional lanterns to LED lanterns. The full programme includes the replacement of 47,500 lanterns of which 21,000 columns that are at the end of their life will be replaced entirely. The five-year programme is still expected to be completed by the end of 2024/25 as planned when all 60,000 units will be fitted with LED Technology. The remaining lanterns were either originally installed as LED or been replaced as part of the maintenance programme.
40. By the end of March 2021, a total of 19,500 lanterns were fitted with LED equipment. Of the total, 7,300 have been completed since April 2020 during the

second year of the programme. This is 66% of what was originally planned for delivery during 2020/21 but delivery will catch up in later years of the programme. The expected energy reduction at the end of year two is in line with the plan as higher energy consumption lanterns have been prioritised. The installation of energy efficient lighting will result in significant cost reductions through reduced maintenance and lower energy consumption. The programme will help reduce the Council's exposure to rising energy prices. The LED streetlights will reduce energy consumption by around 70% helping the Council to meet carbon reduction targets.

Property & Estates, Investment Strategy

41. The total capital expenditure for the year 2020/21 was **£4.9m**, **£4.7m** lower than the latest approved programme. The majority of the slippage relates to the Defect Liability Programme (**-£2.9m**) and the Corporate Structural Maintenance programmes (**-£0.5m**). This is due to the impact of closures of a number of buildings during the year which occurred in response to the COVID-19 pandemic. In respect of the defect liability programme, the building closures meant that works could not get started. The projects which have slipped beyond 31 March 2021 will now be completed by December 2021. In respect of the structural maintenance programme, the building closures has meant that there has been a reduction in the need to carry out emergency or reactive works during the year.
42. During the year significant work has been undertaken to progress projects within the Investment Strategy that will maximise the value of the Council's existing assets. These include:
- working with the Climate Action Delivery Team on the development of a business case for progressing a site in Stanford in the Vale and other sites as a solar farm investment project, to generate long term revenue to the Council.
 - development of business cases to redevelop Speedwell House and Rewley Road Fire Station to deliver optimised viable investments that generate long term revenue to the Council as leased accommodation.
 - preparing outline planning applications for a number of the Council's small holdings in order to crystallise capital value in line with the Capital Programme.

ICT

43. The total capital expenditure for the year 2020/21 was **£4.0m** compared to the original programme of **£5.4m**. The majority of spend related to the Digital Infrastructure Programme (**£2.5m**). The focus of the programme during the year was on investment in the end user. At the beginning of the year, expenditure on laptops and mobile phones was prioritised to enable home working in response to the change in working arrangements for staff resulting from measures to manage the COVID-19 pandemic. Further investment was made in the purchase of 1,000 mobile phones to replace the outdated Windows phones and around 120 additional laptops.

44. The original 2020/21 programme included **£1.8m** relating to Broadband for Businesses in Rural Oxfordshire. Delays to the supply chain due to COVID-19 have resulted in programme slippage of **£0.9m**.

Passported Funding

45. The total capital expenditure for passported funding in 2020/21 was **£32.9m** (**£21.7m** higher than in 2019/20). This is **£3.5m** lower than the latest approved programme.
46. Disabled Facilities Grant of **£6.9m**, including an additional **£0.8m** of funding announced in December 2020, was passed directly on to the City and District Councils in accordance with the grant determination. Households are eligible to apply for the grant for home adaptations if a child or adult in the household has a substantial and permanent disability. Types of adaptations funded by the grant include stairlifts, level access showers, ground floor extensions designed around the disability, kitchens designed for a wheelchair user.
47. Schools Devolved Formula Capital expenditure was **£0.4m** higher than the original programme and totalled **£1.2m**. The additional expenditure was funded through a combination of carry forward balances, revenue contributions, and donations.
48. The Affordable Housing element of the Housing & Growth Deal is received by the County Council as the Accountable Body for the Deal and passported to the District and City Councils for the delivery of Affordable Housing as agreed with Homes England. The programme delivery is therefore outside of the direct control of the County Council and is reported to the Growth Board. The original programme, as set out in the Housing & Growth Deal Delivery Document agreed in February 2018, included planned grant draw down and investment of **£32.0m** for 2020/21 which would be the final year of the three-year programme. The programme has now been extended by a further year into 2021/22. During 2020/21, **£16.5m** was invested in 275 affordable homes that satisfied the contractual start conditions of the funding as at 31 March 2021. The remaining funding of **£34.0m** from the original **£60m** programme is expected to be drawn down in 2021/22.

Vehicles and Equipment

49. At year end, vehicles and equipment purchased for use by the Fire Service and costing over £20,000 are added to the Council's asset register under proper accounting practices. For 2020/21 the value of vehicles and equipment was **£1.0m**.

Capital Programme Financing

50. The table in Annex 1b summarises the financing of the 2020/21 capital programme and compares it to the financing planned in the original and latest capital programme.
51. Various capital grants totalling **£123.4m** have been used towards the funding capital investment during 2020/21. These include basic need, condition funding and SEN grant towards the provision of pupil places, the highways maintenance block plus the highways challenge funding, various funding streams to support the major infrastructure programme including almost **£10m** of Housing Infrastructure Funds towards the Didcot Garden Town and A40 programmes, and **£48m** to support the Housing and Growth Deal and the Local Growth Fund programmes.
52. Capital funding received from developer contributions amounted to **£67.3m** in 2020/21. Total developer contributions of **£28.2m** was used in 2020/21 to finance various capital projects with **£27.1m** of this towards the delivery of the Pupil Places programme. The balance of capital developer contributions has increased to **£207.6m**.
53. The level of the un-ringfenced grant balance in the Capital Grants Reserve has increased by **£8.3m** during the year to **£43.4m**. The balance includes **£2.8m** of the 2021/22 Pothole funding received in March 2021 and **£8.3m** grant funding from Homes England and Cherwell District Council for various major infrastructure schemes in Bicester. These grants do not have conditions and are not time limited so can be used flexibly across the Capital Programme. Therefore, where available, other funding sources are used to fund capital expenditure before un-ringfenced grants. The balance of un-ringfenced grants is forecast to be spent over the ten-year capital programme period.
54. The balance of unapplied ringfenced Capital Grants held by the Council has reduced by **£0.6m** to **£25.4m**. The balance includes the remaining sum of the Local Growth Fund of **£8.0m** and the Getting Building Fund of **£3.9m**, which are held on behalf of the Oxfordshire Local Enterprise Partnership (OxLEP). A further **£3.6m** was received before the end of the financial year to support the Public Sector Carbonisation and Green Homes climate change agenda.
55. The capital receipts and capital reserve balances are **£25.1m** and **£29.1m** respectively. The capital receipts and reserve balances are forecast to be spent over the ten-year capital programme period.

Key performance Indicator

56. A Key Performance Indicator (KPI) for capital projects is reported in the Budget and Business Management Report annually. The KPI requires 80% or more of projects completed in year should be delivered on time and within budget. The baseline for the budget is set when the Outline Business Case is approved, and this is compared to the latest approved budget in the year the scheme is completed to calculate the measure.

57. During the year, 12 schemes were completed. Of these, five (42%) were completed within their baseline budget. If annual programmes are taken into account, based on the monetary value, then 73% of the completed capital programme was delivered within the original budget approval.

Ref	Completed Schemes / Programmes 2020/21	Number of Schemes	Stage 1 OBC £m	Latest Approved Budget £m	Change £m
1)	New Schools	4	33.0	31.1	-1.9
2)	School Expansions	6	8.4	13.7	5.3
3)	Major Infrastructure	2	16.1	23.4	7.3
4)	Annual Programmes		33.4	31.2	-2.2
	Total	12	90.9	99.4	8.5

58. For the School Expansion projects, majority of these started off under the previous construction contract with Carillion and then new procurement routes for both Technical Advisor and new construction contractor were needed. This resulted in additional costs due to due diligence, extended programme delivery resulting in cost inflation, providing additional temporary accommodation, change in scope and with projects being completed through the pandemic, additional costs associated with COVID-19.
59. In relation to the Major Infrastructure projects, for the Access to Headington project, additional funding of £3.5m was secured from the Oxfordshire Housing and Growth Deal to allow for previously descope elements to be re-introduced to the project and for emerging cost pressures to be met. The in-year completed projects also benefitted from additional funding of £0.4m (Highways Maintenance and City Council), £0.6m Local Growth Fund and a further £0.5m was allocated to meet additional COVID related constructions costs in the final phase of both Access to Headington and Science Vale Cycle Network Improvements.

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