

CABINET – 21 DECEMBER 2021

CAPITAL PROGRAMME UPDATE AND MONITORING REPORT

Report by the Director of Finance

Recommendations

1. The Cabinet is **RECOMMENDED** to:
 - a) Agree the increase in the budget for the following schemes:
 - £1.415m for the Lord Williams's School, Thame expansion by 1 form entry funded from basic need programme contingency.
 - £1.198m increase to the Kennington Bridge Maintenance Scheme funded from capital programme contingency.
 - b) Approve the updated Capital Programme at Annex 2.

Executive Summary

2. This report is the third 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 and the second on 19 October 2021. This update sets out the monitoring position based on activity to the end of October 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 spend for the capital programme for 2021/22 is **£205.3m** (excluding earmarked reserves). This has decreased by **£29.2m** 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 **£1,345.8m**. This has decreased by **£25.1m** compared to the capital programme approved by Cabinet in October 2021. The updated capital programme summary is set out in Annex 2. The main variations are set out in this report.

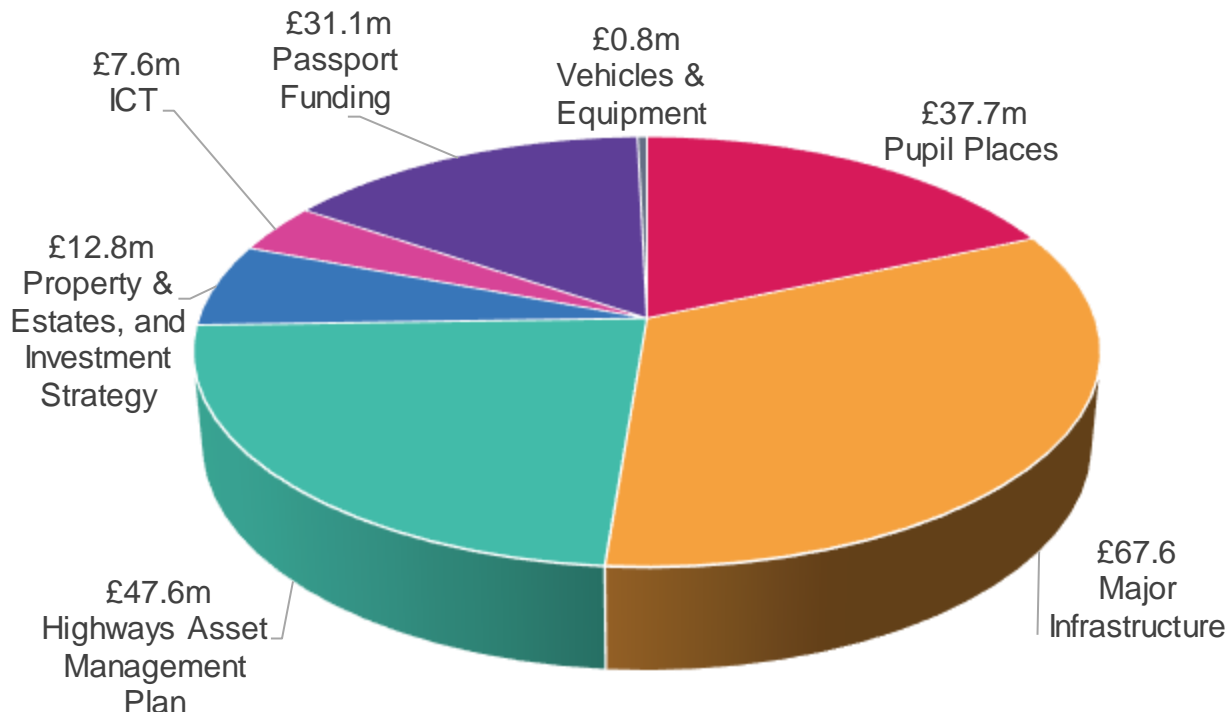
Introduction

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.

2021/22 Programme - Latest Spend Forecast



9. The following annexes are attached:

- Annex 1 Capital Programme Monitoring 2021/22 (Summary)
- Annex 2 Updated Capital Programme 2021/22 – 2030/31 (Summary)
- Annex 3 Housing & Growth Deal Infrastructure Programme – Capital Funding Allocations

Overview

10. The capital monitoring position set out in Annex 1 shows forecast directorate programme expenditure for 2021/22 totalling **£205.3m** (excluding earmarked reserves). This has decreased by **£29.2m** compared to the latest approved capital programme.
11. The table below summarises the changes by strategy area:

Strategy Area	Last Approved Programme 2021/22 * £'m	Latest Forecast Expenditure 2021/22 £'m	Change £'m
Pupil Places	37.7	37.7	+0.0
Major Infrastructure	72.0	67.6	-4.4
Highways Asset Management Plan	48.2	47.7	-0.5
Property, Estates & Investments	12.8	12.8	+0.0
ICT	7.6	7.6	+0.0
Passport Funding	55.4	31.1	-24.3
Vehicles & Equipment	0.8	0.8	+0.0
Total Strategy Programmes	234.5	205.3	-29.2
Earmarked Reserves	0.00	0.0	0.0
Total Capital Programme	234.5	205.3	-29.2

* Approved by Cabinet 19 October 2021

12. The total ten-year capital programme (2021/22 to 2030/31) is now **£1,275.4m** (excluding earmarked reserves). This has decreased by **£26.0m** compared to the capital programme approved by Cabinet in July 2021.
13. Actual capital expenditure at the end of October 2021 was **£70.7m**. The combined spend to date and current forecasted in-year commitments for the Capital Programme is **£133.8m** or 65% of the revised estimate for the year but this is expected to increase in the remaining months of the year.

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	233.8	233.8	+0.0
Major Infrastructure	647.7	644.6	-3.1
Highways Asset Management Plan	246.7	248.4	+1.7
Property, Estates & Investments	69.4	70.5	+1.1
ICT	31.5	30.1	-1.4
Passport Funding	62.9	38.6	-24.3
Vehicles & Equipment	9.4	9.4	+0.0
Total Strategy Programmes	1,301.4	1,275.4	-26.0
Earmarked Reserves	69.5	70.4	+0.9
Total Capital Programme	1,370.9	1,345.8	-25.1

* Approved by Cabinet 19 October 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. The Pupil Places Programme is forecast to spend to budget (**£37.7m**) for 2021/22 and there are no overall programme changes. Eleven projects (8 expansions, 2 new schools and SEND resource bases at two schools) have been completed in year.
16. The remaining project within the Pupil Place programme for 2021/22 is due to be complete by the end of 2021/22. This is at John Watson School, Wheatley for the expansion to accommodate an additional 16 SEND secondary pupil places and provide a permanent sixth form classroom.
17. A number of projects planned to be completed in 2022/23 are currently on-site or about to start construction. These include:
- Wallingford Secondary School – Expansion by 2 form entry (FE) to create 300 additional places being delivered by the Trust.
 - William Morris Primary School, Banbury – Improvements to support 1FE and replacement of Temporary Classrooms being delivered by the Trust.
 - Blessed George Napier School, Banbury– Expansion by 2FE to create 300 additional secondary school places being delivered by the Trust.
 - St Nicholas Primary School, East Challow – lowering age range to 3-11 to provide places for 3-year-olds. The project is being delivered by the Trust.
 - Radley Primary School – Expansion to 1FE to create 105 additional places.

- Faringdon 2FE Primary School – this is a new school to replace Faringdon Infant School, providing 420 primary pupil places, a nursery and 8 SEND resource base places.
18. Lord Williams’s School in Thame is managed by the Thame Partnership Trust. The school operates from a Lower Site (years 7-9) and an Upper Site (years 10,11 and Post 16). The project to expand the school from 11 forms of entry (11fe) to 12 forms of entry (12fe) will provide 150 additional pupil places, with the immediate need to expend the lower site for September 2022.
 19. Thame Partnership Trust are self-delivering the expansion project. The current budget of **£4.774m** is funded through held S106 contributions. The latest cost plan has resulted in a request to increase the funding provision by **£1.415m** to **£6.189m** as a consequence of increased costs arising from detailed information regarding works to existing buildings and changes in market conditions. This will be funded from the basic need programme contingency totalling **£8.5m**. 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. As the additional cost is directly related to the delivery of additional pupil places to mitigate housing growth in the local area, the council will seek to recover this from future s106 agreements and / or funding secured through the Community Infrastructure Levy (CIL).
 20. The Trust have also reviewed the scope of works through a reduction in classroom provisions beneath recommended standards to mitigate the increased cost.
 21. There is no change to the overall ten-year programme.

Major Infrastructure

22. The Major Infrastructure Programme is now forecast to spend **£67.6m** in 2021/22. This is **£4.4m** less than the last capital programme. Further detail is provided below:
 - **HIF 1** – no change to the 2021/22 budget provision of **£7.7m**. Following a review of the cost and programme the funding allocated to this scheme is being considered as part of the council’s Budget & Business Planning Process.
 - **HIF2 & A40 (+£0.2m)** – revised up to **£24.9m** in current year spend profiles for the projects within the HIF2 & A40 programme. Overall budgets are unaffected.
 - **Banbury & Bicester (-£2.0m)** – revised to **£11.6m** in current year, due to the receipt of the final account for the North West Bicester Underbridge project (**-£0.7m**), which is less than the project budget. Reprofiling of the Upper Heyford A40 Junction project (**-£0.5m**) following revised spend profiles from National Highways, and the

balance due to reprofiles resulting from delays in some projects coming into contract.

- **Kennington Bridge (-£0.7m)** – the profile of existing planned spend has been updated to accommodate revised timings of the detailed design stage. The funding allocated to this scheme is being considered as part of the council's Budget & Business Planning Process.
- **Oxford (-£1.7m)** – revised to **£13.7m** in current year, revised completion of some elements of Phase 1.3 of the Botley Road project (**-£1.3m**) into early 2022/23 and delays in completing some elements of the Active Travel 2 programme (**-£0.6m**). Partially offset by increased in-year commitments on the Woodstock Road project (**+£0.4m**) due to acceleration of survey activities.

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 completed in Quarter 4 of 2021/22.
- 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: Construction complete and close down activities underway.
- 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: Construction completed and close down activities underway.
- Phase 1.2 of the Botley Road Corridor works – a series of improvements between Eynsham Road and Binsey Lane. Current Status: Complete and next phase (1.3) underway. This phase includes improvements to bus, cycle & pedestrian facilities on the section of Botley Road that junctions with the A34/A4210 slip road.

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) in May 2021. This has now been approved with funding from the DfT capped at **£35m**. The scheme is also funded through the Oxfordshire Housing & Growth Deal, Oxfordshire Local Enterprise Partnership and S106 contributions. It will now move into contract for both the Design and Construction elements.

25. The scheme will see a new park and ride facility built to the north-west of Eynsham, two new bus lanes created along the carriageway, taking bus-users eastbound from the new site to just before Dukes Cut, and westbound on the approach to Cassington. The works will form the first

part of the wider **£158m** A40 transport programme which includes the HIF 2 A40 Smart corridor proposals.

26. A number of schemes including HIF1 (Didcot) and HIF2 (A40) programmes, are expected to progress to planning application this year.
27. The initial Farmfield and Oxford Road junction improvement scheme was included within the capital programme with development budget provision only (feasibility stage only) as the full funding identified to support the scheme was not in place. As the appropriate S106 agreements are now being finalised, the scheme has been updated to include the full scheme budget provision of **£0.995m**, an increase of **£0.815m**. The scheme is expected to be fully funded from various S106 agreements.

Housing & Growth Deal Infrastructure Programme Funding

28. The Housing & Growth Deal Infrastructure programme remains on track to deliver by March 2023 with multiple schemes now in the process of submitting planning or entering their construction phases. The programme is continually monitored and assessed for its deliverability and for the infrastructure's ability to accelerate housing delivery as per the Housing & Growth Deal core agreement with Homes England.
29. As a result of this review of Housing & Growth Deal deliverability, **£14.2m** of Growth Deal funding has been re-allocated from the A4095 re-alignment scheme to the A34 Lodge Hill interchange and the Milton Heights Bridge schemes. This will lead to a cessation of work on the A4095 until an alternative funding and delivery source has been identified. The A34 Lodge Hill interchange is a new addition to the Housing & Growth Deal Infrastructure programme. As a result of this the anticipated Cherwell District Council contribution of **£4.25m** towards the A4095 re-alignment will now not be realised. The latest Growth Deal infrastructure funding allocations are included in Annex 3.
30. The overall ten-year programme has reduced by **£3.1m** due to the change in the NW Bicester A4095 Road Realignment Scheme and the full inclusion of the Farmfield & Oxford Road Junction Improvement scheme.

Highways Asset Management Plan

31. The Highways Asset Management Plan Capital Programme is currently forecasted to spend **£47.7m** and there is a **-£0.5m** variation to the latest approved budget. The main variations include:
 - **Structural Maintenance (+£0.2m)** – reduced spend of **£0.3m** in the annual Street Lighting maintenance programme which is offset by the additional **£0.5m** spend relating to the new traffic signals project. An additional grant of **£0.5m** has been received from the Department for Transport (DfT) to upgrade ageing traffic signal infrastructure to bring to modern standards at key locations across the county.
 - **Major Schemes (-£0.8m)** – Though the Street Lighting LED replacement programme as a whole is planned to be delivered on time

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(by end of 2023/24), the delays in the procurement of main suppliers for the replacement programme, will likely see further significant slippage in this year programme. To date the forecast has been reduced by **£0.6m** to **£10.8m** for 2021/22. The other major change relates to the increase costs of the maintenance scheme towards Kennington Bridge. The overall cost has increased by **£1.198m** in year (funded from the Capital Programme contingency provision) to **£4.663m**, as work concludes to clearly separate the safeguarding maintenance work from the main replacement scheme. The Network Rail Electrification Betterment programme of **£1.3m** has been moved to future years.

32. The overall ten-year programme has been increased by **£1.7m**. This includes the additional grant of **£0.5m** from the DfT and the funding of the additional budget required of **£1.2m** for the Kennington Bridge Maintenance Scheme.

Property, Estates and Investments

33. The year end forecast for the Property, Estates and Investment Programme for 2021/22 is forecasted at **£12.8m**, in line with the latest approved budget.
34. Several variations exist on certain projects/programmes that have resulted in a no change position, and these are identified below:
- **Corporate Estate Programme (-£1.2m)** – Aston Children’s Home revised profile to reflect the latest delivery timeframe of Quarter 4 2022/23. The overall budget provision has been reduced by **£0.450m** to **£2.550m** to reflect the revised plans for the provision of accommodation.
 - **Climate Action Programme (+£1.2m)** – the inclusion a new grant award of **£1.2m** towards installing 238 electric vehicle charging points (119 charging units) in 20 District Council car parks across Oxfordshire. Work has already commenced in 4 car parks and works are due to complete by the end of December 2021. Work will commence in further car parks at the rate of 2 per week up until mid-January 2022 and all works are planned to be completed by the end of March 2022.
35. The ten-year programme has increased by **£1.1m** mainly due to the additional **£1.2m** grant for electric vehicle charging points. The reduction of **£0.450m** in the Aston Children’s Home budget has been offset by several small changes including the Carterton Community Safety Centre project which has progressed through the Stage 1 gateway process with the budget increasing by **£0.150m** to **£4.512m**.

ICT

36. The year end forecast for the ICT Programmes in 2021/22 is estimated at **£7.6m**, in-line with the latest approved budget.

37. Significant progress has been made on the OCC/CDC Connectivity Programme. The procurement of network equipment and connectivity is expected before end of March 2022. Procurement activities have commenced on the kit refresh and Joint Property Services Management system.
38. Progress continues to be made on the implementation of Children's Services Phase 2 project, although there are some delivery timeline issues to be resolved.
39. As reported in the second monitoring report, the Better Broadband for Oxfordshire (BBFO) programme is now complete, the remaining contingency provision of **£1.4m** is no longer required (held in future years). As this was a mixture of OCC and partner funding, the net balance of **£1.0m** has been returned to capital earmarked reserves to be used as part of the pain/gain share mechanism under the agreement of the BBFO programme.
40. The overall ten-year programme has therefore reduced by **£1.4m** as result of the removal of this provision from the programme.

Passported Funding

41. The spend forecast of **£31.1m** for capital funding passported to other organisations has decreased by **£24.3m** from the latest approved budget. An increase of **£0.2m** is due to the Local Growth Fund and the issue of grants to third party schemes from the OxLEP programme. The programme is funded by the Local Growth Fund grant which is received by the Council on behalf of OxLEP in the Council's role as Accountable Body. The expectation is that all remaining grants are issued this financial year.

Oxfordshire Affordable Housing Programme

42. 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 in order to deliver against the target.
43. The actual funding claimed is agreed periodically with Homes England (HE) based on the number of affordable housing units that are in contract to be delivered. To support the cashflow of the housing authorities, it has been agreed with Homes England to move from an annual claim to a quarterly claim process. This will also support the in-year monitoring by giving greater visibility of progress to date.
44. Funding of **£25.6m** was claimed in the first three years of the programme and supported 658 units of affordable housing.
45. Following analysis of the current delivery plan, a bespoke approach has been agreed with Homes England and the Department for Levelling Up, Housing & Communities (DLUHC) to maximise the number of affordable

homes deliverable in the remaining period of the deal. this year, and as necessary, into the future.

46. 86 units with combined grant requirement of **£4.8m** have been delivered in Quarter 1 and 2 of 2021/22. A further 115 units with a combined grant requirement of **£5.2m** are expected to be delivered in the second half of the year and will be funded from the revised OAHP budget of **£10.0m** confirmed by DLUHC.
47. The remaining deliverable schemes in the programme will be funded directly through Homes England's Affordable Housing Programme (AHP) and other government funding streams. This combined approach will provide flexibility and support to the delivery of schemes. DLUHC have agreed in principle that all these schemes will be recognised as contributing to the OAHP targets.
48. Some schemes in the original programme are not eligible for Homes England funding according to their criteria and alternative funding routes are being identified for these.

Capital Funding & Earmarked Reserves Update

49. The level of capital earmarked reserves previously reported was **£69.5m**. These have increased by **£0.9m** to **£70.4m**. Budget provision of **£1.0m** has been returned from the BBFO programme. A further **£1.0m** has also been added to the reserves which is available to be reallocated to priorities as part of the Budget and Business Planning process. This was from higher receipt of developer contributions than forecasted thus releasing council resources. The additional cost of **£1.2m** on the Kennington Bridge Maintenance Scheme has been met from the Capital Programme contingency provision.

Risk Management

50. As noted in the previous report 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.
51. The combined impact of these factors is affecting delivery across three key areas:
 - Workforce – both skilled and unskilled
 - Availability of materials
 - Contract price
52. 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.
53. 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 several months, are now being held for a number of days so contract prices are much more volatile.

Staff Implications

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

Equality & Inclusion Implications

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

Financial Implications

56. 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

57. 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

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