

CABINET – 16 JULY 2019

CAPITAL PROGRAMME UPDATE AND MONITORING REPORT

Report by the Director of Finance

Recommendations

1. The Cabinet is **RECOMMENDED** to:
 - (a) approve the updated Capital Programme at Annex 2 and the associated changes to the programme in Annex 1c;
 - (b) approve the basic need programme up to September 2020 set out in Annex 3;
 - (c) approve the School Structural Maintenance Programme for 2019/20 set out in Annex 4;
 - (d) approve the revised budget provision of £12.750m for the replacement and expansion of Northfield School project, an increase of £3.250m;
 - (e) agree the inclusion of the Watlington Relief Road project in the Capital programme with a budget of £12.508m and release of £0.250m for project development;
 - (f) approve the revised budget provision of £16.6m for the Eastern Arc, Access to Headington scheme, an increase of £1.96m; and
 - (g) note the approvals made under delegated authority of the Leader of the Council for:
 - i. the revised budget provision of £9.015m towards the Barton Park new primary School, an increase of £1.8m,
 - ii. release of £1.8m budget provision towards the replacement of the Data Centre Infrastructure.

Executive Summary

2. The capital monitoring position set out in Annex 1a, shows the forecast directorate programme expenditure for 2019/20 is **£181.6m** (excluding school's local capital). This has decreased by **£8.3m** compared to the latest approved capital programme. The main variations are in the Adults programme, with the inclusion of **£5.9m** of Disabled Facilities Grant and in the Transport programme, where several schemes have been re-profiled in line with latest delivery timeframes.
3. The total ten-year capital programme (2019/20 to 2028/29) is now **£870.4m**, an increase of £36.6m compared to the capital programme approved by Council in February 2019. The updated capital programme is set out in Annex 2. However, taking into account the slippage in 2018/19 as set out in the outturn position, the capital programme has actually increased by **£9.4m**. The main variations are set out in paragraphs 16 to 18 of the report.
4. The report includes a number of new inclusions to and changes in the Capital Programme, which Cabinet is recommended to approve, including the school's basic need programme to September 2020; the school's

structural maintenance programme for 2019/20; an increased budget for the replacement and expansion of Northfield School, an increased budget for the Eastern Arc, Access to Headington scheme and the inclusion of the Watlington Relief Road project in the Capital Programme.

5. The report also sets out the capital programme approvals made under delegated authority of the Leader of the Council in consultation with the Director of Finance, in line with the Council's constitution, on the increased budget for the new Primary School at the Barton Park Housing development and the release of funding to replace the Council's Data Centre facilities.

Introduction

6. This is the first capital programme update and monitoring report for the year and focuses on the delivery of the 2019/20 capital programme based on projections at the end of May 2019 and new inclusions within the overall ten-year capital programme.

7. The following annexes are attached:

- Annex 1 Capital Programme Monitoring
- Annex 2 Updated Capital Programme
- Annex 3 Basic Need Programme
- Annex 4 School Structural Maintenance Programme 2019/20

2019/20 Capital Monitoring

8. The capital monitoring position set out in Annex 1a, shows the forecast directorate programme expenditure for 2019/20 is **£181.6m** (excluding school's local capital). This has decreased by **£8.3m** compared to the latest approved capital programme. The table in the next paragraph summarises the variations by portfolio area.
9. The variations in 2019/20 take into account the 2018/19 outturn position and schemes that have been re-profiled accordingly. Significant in-year variations for each directorate are listed in Annex 1b. New schemes and total programme/project budget changes are listed in Annex 1c.

Portfolio Area	Last Approved Programme * £m	Latest Forecast Expenditure £m	Variation £m
Children's Services	37.6	37.6	+0.0
Adult Services	1.4	7.4	+6.0
Communities: Transport	91.4	81.1	-10.3
Communities: Other Property Resources	23.9	22.9	-1.0
	35.6	32.6	-3.0
Total Directorate Programmes	189.9	181.6	-8.3
Schools Local Capital	0.8	0.8	+0.0
Earmarked Reserves	27.8	4.8	-23.0
Total Capital Programme	218.5	187.2	-31.3

* Approved by Council 12 February 2019

10. Within the Children's Programme there has been no change in the overall forecast project expenditure profiles since the last capital programme update, a number of significant changes are reported in individual projects and programmes. The main variations to note are:
 - a) Rephasing/reduction of **£0.9m** on the Growth Portfolio. The completed projects at Didcot Great Western Park (the Secondary School and second Primary School) have resulted in an underspend of **£1.8m**. These new schools were funded from developer contributions. The **£2.0m** contribution towards the Swan School has been made in this financial year following confirmation the school will open in September 2019.
 - b) **£2.1m** was brought forward from 2018/19 in the Schools Structural Maintenance Programme and related to seven planned projects that were not completed within the last financial year, **£1.8m** of this is profiled within 2019/20.
11. The basic need programme budget provision for the year is **£15.5m**. Whilst this has not changed from the figure reported previously, several projects are awaiting Section 77 consent for building on school playing fields. Due to this, a number of projects that were expected to be delivered in-year have been rephased to complete by August 2020. A number of pre-agreed contingency plans will be implemented in order to accommodate the additional pupils.
12. Announced in May 2019, the Adult Services programme now includes **£5.9m** of Disabled Facilities Grant that will be received in 2019/20. The funding, which is part of the Better Care Fund, is issued to the County Council but passed to the City and District Councils. This is used to support the provision of preventative adaptations and equipment to service users.
13. Within Communities, the Transport Programme is **£81.1m**, a decrease of **£10.3m** to the overall forecast project expenditure profiles since the last capital programme update, with a number of significant changes reported in individual projects and programmes. The main variations to note are:
 - a) There was a **£0.5m** underspend on the Harwell Link Road scheme at completion.
 - b) **£1.0m** on the Featherbed Lane scheme has been reprofiled to later years of the capital programme while this project is redeveloped to also improve Rowstock junction.
 - c) **£1.5m** has been reprofiled on the Loop Farm Link Road due to the ongoing review of the scheme.
 - d) The 2019/20 budget on the Harwell Oxford Entrance scheme has been increased by **£0.6m** due to acceleration of the delivery timetable.
 - e) **£2.0m** has been reprofiled on the A34 Lodge Hill Slips scheme to reflect the latest delivery timetable.

- f) The Housing & Growth Deal Infrastructure fund is showing an overall reduction of **£7.3m** (with £5.0m of this being in 2019/20) to reflect that an element of the grant is revenue funding and is being used to fund the initial costs on some projects before they enter the capital programme.
 - g) The Structural Maintenance Annual Programme is reporting a **£2.8m** reduction in 2019/20 because the funding has been transferred to fund the Tetsworth Embankment Works and A40 London Road schemes as highway maintenance projects over £0.5m are shown as separate projects in the capital programme.
14. Within the Communities Property Programme there has been a decrease of **£1.0m** in the overall forecast project expenditure profiles since the last capital programme update, with a number of significant changes reported in individual projects and programmes. The main variations to note are:
- a) Reprofiting of **£1.1m** into later years of the capital programme to reflect the delivery timescales for the new Carterton Fire Station. The temporary arrangements were completed in December 2018.
 - b) Reprofiting of **£0.6m** to reflect the revised programme for the transformation works at Didcot Library.
 - c) At the end of March 2019, **£1.2m** had been spent on various projects within the Defect Programme. This has resulted in a reprofile of - **£0.7m** to the overall programme in 2019/20.
 - d) **£1.4m** has been brought forward into 2019/20 to reflect the latest delivery timeframe of the Deddington Highways Depot Salt Store and site works.
15. Within the Resources Programme, **£1.3m** has been reprofiled to future years on the Operational Asset and Organisation Redesign portfolio blocks that were established through the capital budget setting process. Funding from these blocks will be released when business cases are presented for approval. A further **£1.7m** relating to the Local Growth Fund projects were brought forward into 2018/19. These relate to financial contributions to schemes delivered by third parties that have been agreed by the Oxfordshire Local Enterprise Partnership (OxLEP).

Ten Year Capital Programme Update

16. The total ten-year capital programme (2019/20 to 2028/29) is now **£870.4m**, an increase of £36.6m compared to the capital programme approved by Council in February 2019. The updated capital programme is set out in Annex 2. However, taking into account the slippage in 2018/19 as set out in the outturn position, the capital programme has actually increased by **£9.4m**. The following table summarises the variations by directorate and the main reasons for these variations are explained in the following paragraphs.

Portfolio Area	Last Approved Total Programme (2019/20 to 2028/29) * £m	Latest Updated Total Programme (2019/20 to 2028/29) £m	Variation £m	Variation in the size of the overall programme (including 2018/19) £m
Children Services	177.0	189.2	+12.2	+3.2
Adults Services	19.6	26.6	+7.0	+6.0
Communities: Transport	479.1	485.9	+6.8	-6.6
Communities: Other	80.8	90.8	+10.0	+0.1
Resources	77.3	77.9	+0.6	+6.7
Total Directorate Programmes	833.8	870.4	+36.6	+9.4
Schools Local Capital	5.1	5.2	+0.1	+0.6
Earmarked Reserves	81.7	86.6	+4.9	-5.7
Total Capital Programme	920.6	962.2	+41.6	+4.3

* Approved by Council 12 February 2019

17. Within the Children's Programme, the total forecast capital programme (2019/20 to 2028/29) is **£189.2m** which is an increase of **£3.2m** compared to the total programme value reported previously. The main variations to the Children's programme are the result of the following:
- Additional funding of **£1.7m** from developer contributions towards projects within the basic need programme.
 - A reduction of **£1.8m** on the two completed projects at Didcot, Great Western Park, with a further **£0.9m** reduction on two developer delivered projects at Crab Hill in Wantage and Curbridge in West Witney.
 - The latest cost plan at the stage 1 gateway for the new primary school at Barton Park has increased the overall budget provision by **£1.8m** to **£9.015m**. This is expected to be fully funded from S106 developer contributions and reflects the latest delivery timeframe to let the contract to enable the school to open for September 2020 (see paragraphs 35 and 36).
 - The latest cost plan at the stage 1 gateway for the new primary school at Southam Road, Banbury has increased the overall budget provision by **£0.8m** to £6.980m. This is expected to be fully funded from S106 developer contributions and reflects the latest delivery timeframe to let the contract to enable the school to open for September 2020.
 - Inclusion of **£1.1m** additional Special Educational Needs (SEN) Capital Fund grant. The total SEN capital grant for 2018-21 is **£4.5m**, with the original allocation funding projects at Bardwell and John Watson Secondary Special Schools.
18. Within the Transport Programme, the total forecast capital programme (2019/20 to 2028/29) is **£485.9m** which is a decrease of **£6.6m** compared

to the total programme value reported previously. The main variations to note are:

- a) A reduction in the Housing & Growth Deal profile of **£7.3m** explained at paragraph 13f above.
- b) Additional s106 funding of **£0.6m** towards small value projects.

19. Overall changes to the Adult and Resources programme include:

- (a) The inclusion of £5.9m of Disabled Facilities Grant in the Adult Services programme set out in paragraph 12 above.
- (b) Financial contributions to Local Growth Fund projects of **£6.8m** delivered by third parties have been agreed by the OxLEP (Resources).

Capital Programme Approvals

20. The Community Infrastructure Programme Board (CIPB) recommend that Cabinet approve the following schemes and programmes for inclusion in the capital programme. The business case documents presented to CIPB are available as background papers.

Basic Need Programme for September 2019 and September 2020

21. The Basic Need Programme sets out the prioritisation for investment to create additional pupil places in existing schools. The two-year firm programme for projects planned up to September 2020 is set out in Annex 3 (including current named projects already in the capital programme). Further projects are planned and will be delivered subject to forecasted pupil numbers and local housing developments.
22. Cabinet is recommended to approve the projects and budget provision identified within the Basic Need Programme as detailed in Annex 3.

Schools Structural Maintenance Programme for 2019/20

23. The School Structural Maintenance Programme sets out the prioritisation for investment in the school estate. The one-year programme for the school's structural maintenance activities is set out in Annex 4 and has been developed to reflect current needs to ensure that prioritisation of projects enables the Council to derive the greatest value from the funding available.
24. Cabinet is recommended to approve the projects and budget provision identified within the 2019/20 School Structural Maintenance Programme as set out in Annex 4.

Northfield School

25. The Northfield School project has reached stage 1 gateway, and as the additional budget requirement exceeds £1.0m it requires approval by Cabinet.

26. The latest cost plan at the stage 1 gateway for the replacement and expansion of Northfield School in Oxford has increased the overall budget by **£3.250m to £12.750m**. The additional budget requirement will be met from the SEN sufficiency provision held within the capital programme within the Schools Estate portfolio block to support the SEND Sufficiency Strategy requirement reported to Cabinet in December 2018. Cabinet is recommended to approve a budget increase of **£3.250m** for the Northfield School project.
27. The tender documentation is 95% complete and various surveys have been undertaken which has enabled a review of costs to be carried out. This has resulted in a requirement to increase the budget provision. The reason for the increased cost estimate is due to:
- Indexation - the business case had a cost base of 2019 whilst the latest estimate now accounts for the completion date in 2021/22 and results in an increase of **£0.450m**.
 - An increase in the floor area of 84m² results in an increase of **£0.300m**.
 - Following the feasibility work, Externals have increased by **£0.700m**; Demolition costs have increased by **£0.130m**; and Contingency & Risk has been increased by **£0.750m**.
 - Current market conditions and data obtained regarding delivery costs of SEN schools for this cohort and an understanding of the required base rate has led to an increase of **£1.050m**.

Eastern Arc, Access to Headington

28. The Eastern Arc, Access to Headington scheme will provide 6km of sustainable transport improvements to encourage the uptake of walking, cycling and bus usage in Headington. It is being delivered in five phases with a current budget of **£14.7m**:
- Phase 1: Gypsy Lane/Old Road junction - signals to boost ped/cycle accessibility – this phase is complete.
 - Phase 2: The Slade & Churchill Drive/Old Road - segregated cycleway and upgrade to signal junction – this phase is complete.
 - Phase 3: Headley Way & Cherwell Drive - continuous cycle provision and signals at JR access and Marsh Lane – this is the current phase
 - Phase 4: Windmill Road & Osler Road Bus gate - continuous cycle provision and new pedestrian crossing on London Road – this phase is partially complete.
 - Phase 5: Old Road - completing the link between The Slade and Phases 1 & 2 – this phase has not yet started.
29. The cost of the remaining works has been reviewed and exceed the current budget by **£1.96m**. The increase in the total cost can be allocated to the following main issues:
- Improved scope – additional funding was added as part of the growth deal for improving the level of amenity proposed on Phase 3, this improved scope has cost more than originally forecast by approximately **£0.550m**.

- Retaining wall design on Phase 3 – evolving ground conditions (exceptionally wet winter 17/18) and the discovery of higher than expected services to homes resulted in a requirement to redesign the wall from the original scope. The new design is now an improvement on the original proposal by way of buildability and pedestrian/cycle amenity but the requirement for re-design meant that the original plan to build the wall and other elements of Phase 3 concurrently could not be achieved requiring an extension of time. The cost of this is **£0.450m** for utilities works, **£0.650m** for the new wall design and **£0.450m** for the extension of time.
 - Delivery of highway maintenance (asset) works – whilst being reimbursed by the highway maintenance programme for **£0.560m** of carriageway surfacing work, the actual cost is **£0.060m** higher than the reimbursement.
30. The budget increase will be met from the overall capital programme contingency. The overall capital programme contingency is held for these purposes and the level of contingency will be reviewed each year during the Service & Resource Planning process depending on the usage in year and the value of the overall capital programme. Cabinet is recommended to approve the budget increase of **£1.96m** to enable the completion of the Access to Headington scheme.

Watlington Relief Road

31. The Watlington Relief Road (WRR) will connect the B4009 (southeast of Watlington) and the B4009 junction with Pyrton Lane/Station Road. The WRR will provide direct access to the B4009 whilst alleviating congestion in the town centre and improving the air quality.
32. The full project cost (the entire length of the road) is estimated to be **£12.508m** (subject to delivery mechanism). It is currently assumed that approximately half of the full cost will be funded/delivered by the private sector (developers). The remaining half will be funded by the Housing and Growth Deal.
33. Cabinet is recommended to approve the inclusion of the Watlington Relief Road in the Capital Programme with a budget of **£12.508m** and to release **£0.250m** for project development to the Stage 1 gateway.

Capital Programme Approvals Delegated to the Leader of the Council

34. Due to timescales, the following projects have been approved by the Leader of the Council in consultation with the Director of Finance.

Barton Park Primary School

35. The latest cost plan at the stage 1 gateway for the provision of a new primary school at Oxford, Barton Park has increased the overall budget requirement by **£1.8m** to **£9.015m**. This is expected to be fully funded from S106 developer contributions and reflects the latest delivery timeframe to let the contract to enable the school to open for September 2020. To meet the required timeframe this has been approved under

delegated authority of the Leader of the Council in consultation with the Director of Finance.

36. The design and site surveys have identified significant cost abnormalities that have increased the project costs. The increased costs are a consequence of; site specific conditions, compliance with the Council's specific brief which is above the ESFA baseline design, compliance with the S106 agreement to design in accordance with the Barton Design Code and developer comments on the design and amount to **£1.4m**. Further costs are attributable to the building area increasing by 4%.

Data Centre

37. Commencement of the process to replace the current ICT Data Centre Infrastructure is underway following the Information Technology assessment in February 2019. The current arrangements are past their serviceable life, lack support and have limited storage capacity and unable to benefit from the cloud focused solutions.
38. Savings are expected through the proposed reduction in data centre estate and reduction in annual support costs and these will be established through the design and procurement phase. A budget provision of **£1.8m** is required and will be released from the Operational Asset portfolio block within the current capital programme. To meet the required timeframe this has been approved under delegated authority of the Leader of the Council in consultation with the Director of Finance.

Capital Funding Update

39. During March 2019, the DfE confirmed that the 2021/22 School Places capital allocations will not be published until after the next Spending Review, the exact timing has not yet been announced.
40. A further **£1.1m** was awarded towards the SEN Capital Fund 2018-21 to increase the overall allocation to **£4.5m**. This will fund SEN schemes within the basic need programme.
41. The School Condition Allocation for 2019/20 was announced in April 2019. Oxfordshire will receive an allocation of **£3.056m**, compared to the forecast funding of **£3.0m** included in the latest Capital Programme. No budget changes are being made to the annual school programmes for 2019/20.

LORNA BAXTER

Director of Finance

Background papers:

Stage 0 Business Case - Watlington Relief Road

Stage 1 Business Case - Barton Park New Primary School (ED868)

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