

CABINET – 15 DECEMBER 2020

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
 - (b) Note the approval made under delegated authority of the Leader of the Council for:
 - i. Inclusion of £1.4m contribution to Active Travel Programme from OxLEP.
 - (c) approve the revised budget provision of £8.4m for the A40 Oxford North (Northern Gateway) scheme, an increase of £2.5m.
 - (d) agree the inclusion of the new NE Didcot 2FE Primary School in the capital programme with a budget of £12.9m.
 - (e) delegate agreement of Heads of Terms to enable the Council to pass funding to the DfE for the new Grove Airfield Secondary School to the Director of Finance and Director for Property, Investment & Facilities Management in consultation with the Cabinet Member for Finance and Property.
 - (f) Agree the inclusion of the Active Travel (Tranche 2) grant of £2.4m into the capital programme

Executive Summary

2. This report sets out the latest monitoring position for 2020/21 capital programme based on activity to the end of October 2020 and provides an update on latest ten-year capital programme to 2029/30.
3. The capital monitoring position shows the forecast directorate programme expenditure for 2020/21 is **£184.4m** (excluding earmarked reserves). This has decreased by **£14.5m** compared to the latest approved capital programme. The main variations are set out in paragraphs 7 to 14 of the report.
4. Due to a number of new inclusions and changes, the total ten-year capital programme (2020/21 to 2029/30) is now **£1.318bn**, an increase of **£128.3m** compared to the latest approved capital programme. The updated capital programme is set out in Annex 2. The main variations are set out in paragraphs 15 to 17 of the report.

Introduction

5. This is the second capital programme update and monitoring report for the year and focuses on the delivery of the 2020/21 capital programme based on projections at the end of October 2020 and new inclusions within the overall ten-year capital programme.

6. The following annexes are attached:

- Annex 1 Capital Programme Monitoring
- Annex 2 Updated Capital Programme

2020/21 Capital Monitoring

7. The capital monitoring position set out in Annex 1, shows the forecast directorate programme expenditure for 2020/21 is **£184.4m** (excluding earmarked reserves). This has decreased by **£14.5m** compared to the capital programme approved by Cabinet in September 2020.
8. The table below summarises the variations by strategy area:

Strategy Area	Last Approved Programme * £m	Latest Forecast Expenditure £m	Variation £m
Pupil Places	43.6	43.6	+0.0
Major Infrastructure	84.4	69.2	-15.2
Highways AMP	47.6	47.8	+0.2
Property, Estates & Investments	10.8	11.0	+0.2
ICT	5.4	5.7	+0.3
Passport Funding	6.8	6.8	+0.0
Vehicles & Equipment	0.3	0.3	+0.0
Total Strategy Programmes	198.9	184.4	-14.5
Earmarked Reserves	7.5	1.4	-6.1
Total Capital Programme	206.4	185.8	-20.6

* Approved by Cabinet 15 September 2020

9. To date, there has been a minimal impact on the overall programme for 2020/21 arising from the impact of Covid-19, however there are some risks of increased costs and delays. As reported previously, any identified cost pressures to date have either been met from project or programme contingencies. Where these cannot be managed within the project budget a revised business case will be brought forward for inclusion in the programme. A small number of projects in the construction phase have received early warning notices which are likely to incur additional costs. These are under review, and there is a risk that these costs may exceed some contingency budgets.
10. The Basic Need and Growth Portfolio programmes identified 13 projects to be completed this financial year to generate 2,195 new pupil places and 65 new nursery places. To date 1,670 places have already been delivered which includes the completion of three new primary schools and one secondary school.
11. The Major Infrastructure Programme is now forecast to be **£69.2m** in 2020/21, a decrease of **£15.2m** due to changes in forecast project expenditure profiles since the last capital programme update. This includes a re-profile of **£20.8m** on the Affordable Housing Programme within the Growth Deal which has been extended into 2021/22 as highlighted in the previous report. The Affordable Housing element of the

Housing & Growth Deal is received by the County Council as the Accountable Body and passported to the District and City Councils for the delivery of Affordable Housing as agreed with Homes England. The programme delivery is therefore out of the direct control of the County Council but through our partnership arrangements this element is overseen through the Growth Deal Programme Board. The movement in the forecast includes a re-profile of **£20.8m** on the Affordable Housing Programme which has been extended into 2021/22 as highlighted in the previous reports.

12. Following the revised programme being endorsed by the Growth Board in September 2020, the capital programme has been updated with the latest delivery timescales of the programme. Any changes to 2020/21 are minimal and have been offset against other projects. The current spend profile is for **£16m** out of the **£30m** capital grant to be spent this financial year. The service is looking at ways to accelerate the expenditure on certain schemes that could offset any in-year underspend and also to utilise the growth deal grant.
13. **£4.2m** has been added to this year's programme for Local Growth Fund schemes. This relates to financial contributions to schemes delivered by third parties that have been agreed by the Oxfordshire Local Enterprise Partnership (OxLEP), for which Oxfordshire County Council is the accountable body.
14. Actual capital expenditure at the end of October was **£58.5m**. The combined spend to date and commitments for the Capital Programme is **£108m** or 59% of the revised budget for the year.

Ten Year Capital Programme Update

15. The total ten-year capital programme (2020/21 to 2029/30) is now **£1.318bn** (excluding earmarked reserves), an increase of **£128.3m** compared to the capital programme approved by Cabinet in September 2020. The updated capital programme is set out in Annex 2. The following table summarises the variations by strategy and the main reasons for these variations are explained in the following paragraphs.

Strategy Area	Last Approved Total Programme (2020/21 to 2029/30) * £m	Latest Updated Total Programme (2020/21 to 2029/30) £m	Variation £m
Pupil Places	230.6	233.8	+3.2
Major Infrastructure	510.6	633.2	+122.6
Highways AMP	321.9	322.0	+0.1
Property, Estates & Investments	82.8	84.4	+1.6
ICT	26.4	27.2	+0.8
Passport Funding	17.1	17.1	+0.0
Vehicles & Equipment	0.8	0.8	+0.0
Total Strategy Programmes	1,190.2	1,318.5	+128.3
Earmarked Reserves	82.3	75.7	-6.6
Total Capital Programme	1,272.5	1,394.2	+121.7

Approved by Cabinet 15 September 2020

16. The latest capital programme incorporates the additional funding reported in the previous capital monitoring report, which have increased the provision towards the School Condition Programme **£1.3m** and the OxLEP Programme by **£8.4m** through the Getting Building Fund.
17. Within the Major Infrastructure Programme, the total forecast capital programme is **£633.2m** which is an increase of **£122.6m** compared to the total programme value reported previously of £510.6m. This includes the inclusion of the **£102.0m** Housing Infrastructure Fund to provide significant upgrade to the A40 West of Oxford, the inclusion of the Getting Building Fund, and the inclusion of the remaining funding from earmarked reserves relating to the Local Growth Fund projects as financial contributions to schemes delivered by third parties that have been agreed by the Oxfordshire Local Enterprise Partnership (OxLEP).

Capital Programme Approvals Delegated to the Leader of the Council

18. In accordance with Financial Procedure Rules, due to timescales, the following projects have been approved by the Leader of the Council in consultation with the Director of Finance and are now reported to Cabinet.

Active Travel Programme

19. Additional funding of **£1.4m** has been agreed from OxLEP's Local Growth Fund to support the Council's Active Travel Programme which will also include funding from tranche 2 of the Department for Transport's (DfT) Emergency Active Travel Programme (see paragraphs 25 and 26 below).
20. The budget of **£1.4m** was released to commence design and delivery of schemes in advance of the DfT funding allocation being confirmed under the delegated authority of the Leader of the Council in consultation with the Director of Finance. The Local Growth Fund must

Capital Programme Approvals

21. The following projects are recommended to Cabinet for approval.

A40 Oxford North (Northern Gateway)

22. An additional development budget has been released to enable the commencement of enabling works prior to the proposed highway improvements arising from the A40 Oxford North development. The previous approved budget was **£5.9m**. The project is fully funded by the Local Growth Fund through OxLEP and the latest estimated budget requirement is **£8.4m**. It is anticipated that the final contract let value is known in December 2020. Cabinet is recommended to approve a budget increase of **£2.5m** for this scheme.

2 Form Entry New NE Didcot Primary School

23. As set out in the Pupil Place Plan, a new 2 Form Entry (2FE) Primary School located is required to ensure the provision of sufficient primary school places to meet the demand generated by housing developments in NE Didcot. The indicative budget is **£12.9m** and while the project is expected to be funded from developer contributions, a potential funding gap of up to **£2.0m** is currently forecasted. This will be reviewed as part of the capital governance gateway process for the project. Cabinet is recommended to approve a budget of **£12.90m** for this project.

Grove Airfield Primary & Secondary School

24. The proposed new all through (primary and secondary provision) free school, which is to be split across two sites, 2FE primary and 4FE secondary provision, will be delivered through two separate agreements. The Department for Education (DfE) will deliver the secondary provision to an agreed specification utilising S106 contributions secured by the Council. The primary provision is to be directly delivered by the S106 housing developer. When the school is complete it will be operated by the Vale Academy Trust.
25. Heads of Terms are required by the DfE with the Council, because although the secondary provision is to be funded by S106 contributions, the DfE will need to forward fund the project until the S106 contributions are received subject to various payment clauses. The Councils exposure under the agreement with the DfE will be limited to the S106 funding received for secondary provision on the identified named agreements. This is forecasted to be approx. **£20m**. Cabinet is recommended to delegate to the Director of Finance and Director for Property, Investment & Facilities Management in consultation with the Cabinet Member for Finance and Property the agreement of the Heads of Terms to pass the funding to the DfE.

Emergency Active Travel – Tranche 2

26. In November 2020, DfT announced the funding from the second phase of the Active Travel Fund. A further **£2.985m** has been awarded with 80% designated as capital and 20% as revenue. The award was 25% higher than the indicative allocation and reflects the ambition of the active travel plans submitted.
27. Five schemes, three in Oxford, one in Bicester and one in Witney, are designed to reallocate road space to cyclists and pedestrians and create an environment that is safer for walking and cycling, while enabling residents to continue to benefit from reduced levels of air pollution.

Updates to the Capital Programme

East–West Rail

28. In 2013, the Council agreed to set aside **£11.0m** as a contribution towards the East-West Rail scheme to establish a strategic railway connecting Oxford with Central, Southern and Western England. Capital resources of **£1.3m** have been released from this budget towards the delivery of an enhanced bridge at Charbridge Lane in Bicester. An agreement will be entered into with Network Rail who are responsible for delivering the works. The Council contribution will allow for future widening of the Charbridge Lane highway (forms part of Bicester perimeter road).

OxLEP Local Growth Fund grant

29. The Local Growth Fund is a **£107.6m** capital investment programme managed by OxLEP which commenced in 2015/16. The funding is received by the Council as the Accountable Body for OxLEP. Under the performance framework set out by the Ministry of Housing, Communities and Local Government the grant funding should be spent by March 2021 with outcomes delivered by the projects by March 2025.
30. In order to achieve these deadlines OxLEP have proactively reviewed the schemes to be funded by the grant and have identified that the Oxfordshire Flood Alleviation Scheme will not spend the allocation or achieve the necessary outcomes within the prescribed timescales. As a result of this, OxLEP has reallocated the funding of **£25.7m** (allocated to the Environment Agency as the lead partner on the Oxfordshire Flood Alleviation Scheme) to Council schemes within the capital programme for 2020/21 that can meet the deadlines for spend and delivery of outcomes. This releases funding within the Council's capital programme.

31. The Kennington Bridge replacement scheme (total scheme value **£53.0m**) will deliver elements of the Oxfordshire Flood Alleviation Scheme with culverts included in the design of the structure. The current capital programme includes an expected contribution of **£18.5m** from the Environment Agency's budget for the flood scheme towards to cost of the culverts. As the LGF funding has now been received directly by the Council from OxLEP this contribution from the Environment Agency will be removed from the capital programme and replaced with the funding released by the LGF grant.
32. Officers are engaged in ongoing discussion with the Environment Agency to agree the final value of the saving to the Oxfordshire Flood Alleviation Scheme as a result of delivering the Kennington Bridge Scheme and to establish the resulting funding position of the Oxfordshire Flood Alleviation Scheme. The Council is the Lead Local Flood Authority for the county and is committed to the flood scheme which will reduce the flood risk to homes, businesses, services and major transport routes into the Oxford City. In addition to Kennington Bridge Scheme, the Council is a financial contributor to the Oxfordshire Flood Alleviation Scheme and a funding agreement of **£5.3m** is in place with the Environment Agency, funded from Council resources.
33. Proposals for the allocation of the balance of **£7.2m** grant will be brought forward as part of the updated ten-year Capital Programme to 2030/31 which will be considered by Cabinet in January 2021.

LORNA BAXTER
Director of Finance

Background papers:

Contact Officer: Hannah Doney, Head of Corporate Finance. Tel: 07584174654

November 2020