

Performance Scrutiny Committee – 8 January 2015

CAPITAL PROGRAMME 2015/16 – 2018/19

Background & Purpose

1. This paper sets out the estimated additional capital resources available (from adding an extra year to the programme), the current known pressures and the impact on the surplus/shortfall of the capital programme. Details are attached at Annex 1 to 7.

Summary Position

2. The following table shows the estimated funding available for allocation, the current known pressures and the overall capital programme shortfall. The detail is provided in the ensuing paragraphs.

	£m	Notes
<u>Estimated Funding Available:</u>		
Additional Estimated Funding Up to and for 2018/19	29.702	Annex 1
Capital Receipt Pressure	-1.334	
Release of Earmarked Reserves	7.327	Annex 2
Use of the Rolling Fund within the Capital Programme	6.329	Annex 3
TOTAL ESTIMATED FUNDING AVAILABLE	42.024	
<u>Funding Requirement:</u>		
Contingency	-7.280	Annex 4
Statutory Requirements and Annual Programmes	-18.067	Annex 5 & 6
New Pressures/Proposals	-16.677	Annex 5
TOTAL FUNDING REQUIREMENT	-42.024	
TOTAL SURPLUS (+)/ SHORTFALL (-)	0.0	

Estimated Funding Available

3. Annex 1 shows the assumptions on government grant allocations. The current capital programme assumptions have been revised and an extra year included for 2018/19 to give additional estimated funding of £29.700m.

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4. The additional funding includes an increase of £10.840m from the Highways Maintenance allocations announced in December 2014. The Department for Transport announced a six year allocation, 2015/16 to 2020/21, with the final three years being indicative as formula data will be refreshed at that point. The allocations up to 2018/19 have been included in the capital programme.
5. In addition, the un-ringfenced grant allocation for Adult Social Services has been removed from 2015/16 onwards as the allocation will become ringfenced as part of the Better Care Fund.
6. Annex 2 shows the amounts that are proposed to be released from earmarked reserves and the current capital programme, a total of £7.327m. These budgets and earmarked reserves are no longer required to be held and can be released to allocate to new pressures.
7. The Asset Rationalisation Programme (ARP) budget of £5m was created several years ago and was identified as fully funded from the capital receipts values from the disposal of future sites that formed part of the programme. At the time insufficient sites were identified and therefore an income target was established to ensure that adequate capital resources were generated. Despite several sites being added to the capital programme, the current income target is £2.184m. It is proposed to remove this from future resources thus producing a funding shortfall. Future sites identified for disposal from the ARP will be added to earmarked reserves to be reallocated as part of future service & resource planning process.
8. A review of the valuations of identified disposals has been undertaken and has generated additional resources of £0.850m; this has offset part of the reduction in the paragraph above.
9. Annex 3 shows the position on the rolling fund. There is a current unallocated budget of £6.329m. This is available funding for the capital programme and has been included within the resources available to be allocated to current pressures.

Contingency

10. Annex 4 sets out the calls on the capital programme contingency that have been made since February 2014. The contingency is maintained at 3% of the overall capital programme forecast expenditure. To replace the calls on contingency made in 2014 and to reflect the increased size of the overall capital programme, a contribution of £7.280m is needed to restore the contingency to the 3% level.

Basic Need Funding Gap 2015/16 - 2017/18 – Annex 7

11. In last year's capital budget process, the 2015/16 and 2016/17 basic need funding allocation compared to previously forecast values gave a funding gap of approximately £12m. It was also prudent to continue this funding level into 2017/18 and therefore the capital programme reported an £18.4m funding shortfall within the 4 year period. To address this shortfall, a number of possible actions were reported to the Capital & Asset Programme Board in July 2014 and have been included within the Service & Resource Planning Process. These include funds already held in earmarked resources (removal of Schools Energy Reduction Programme and 2013/14 outturn position with returned contingencies and underspends within the CEF programme),

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utilisation of earmarked reserves and revised forecast of future annual funding allocations.

12. The adoption of these measures could result in the removal of the funding gap for 2015/16 to 2016/17 of £12m and leave the remaining shortfall of £6.4m for 2017/18. A further review of annual budget allocations in 2017/18 could result in a further £0.650m being identified and placed into earmarked reserves to be held against this remaining shortfall.
13. The utilisation of earmarked reserves includes releasing £6.178m of the growth portfolio reserve. There is an allocation held in the capital programme earmarked reserves to fund the expected shortfall between the actual cost of building a new school on strategic sites and the developer contribution received for the building of the school.

Additional needs within the 5 Year Programme 2015/16 to 2018/19

14. Annex 5 sets out the known pressures on the capital programme.

Schools Basic Need – £2.680m

15. The current basic need programme 2014/15 to 2017/18 totals £45.7m. The identified £27.5m gross pressure arises from a combination of adding another year to the planning period and some new pressures on the existing programme.
16. The current basic need programme is addressing the provision of school places in primary, secondary and special schools. A total of 26 projects have been identified which can be categorised as follows:
 - Six self-managed projects due to small S106 contributions,
 - Six basic need projects with minimum input of S106 funding,
 - 14 potential projects to expand existing schools from large style housing growth.
17. The above includes four Secondary School projects for the expansion by 1FE across the County, including two for Oxford in addition to the Cheney Academy project expansion already in the programme.
18. Several of the projects have been listed as cost neutral due to the expectation that the project will be fully funded from developer contributions. The final scope, budget and resources available will only be known once all the housing developments identified for that particular area are agreed. The corporate requirement is forecasted at £2.680m with the remaining £24.769m is forecast funding from s106 contributions, of which only half is currently secure.

Additional year of Annual Programme Allocations - £15.387m

19. Annex 4 sets out the additional year of funding allocations to the annual programmes. The largest allocation is £11.500m for Highways Structural Maintenance. A further £0.737m for the East/West Rail Contribution and £3.150m towards school related programmes.

Capitalisation of Staffing - £0.750m

20. The Environment & Economy revenue savings proposals include a £0.250m ongoing saving relating to capitalising staff time that is spent on delivering projects. This needs to be reflected in the capital programme in each year as including this will increase the cost of projects already in the programme. Beyond the three-year period it is expected that bids for capital funding will include the element of staff time.

Use of Rolling Fund to Support the Revenue Budget - £3.525m

21. The rolling fund is a balance of accrued interest on developer contributions and the 2011/12 payment of the New Homes Bonus Funding (received for 6 years). The New Homes Bonus grant is received as revenue funding and is held in a revenue reserve. To balance the shortfall on the reserves position in the revenue budget, it is proposed to use this reserve in revenue rather than capital.

Asset Rationalisation Programme/Agile Working - £4.5m

22. The Councils Asset Rationalisation Programme has identified a number of premises, which require further studies to explore any potential implications on service delivery, could be removed from the Councils portfolio to reduce the Councils operating costs. The objectives of the Asset Rationalisation Programme will typically be achieved through:

- Implementation of the Councils Strategic Asset Management Plan – which identifies opportunities for property release, and,
- Agile working – which improves the utilisation of the remaining spaces.

23. These additional emerging offices give an opportunity to rationalise the wider Council estate to release premises operating costs and allow operational staff to co-locate. The additional requirement of £2m allows for the potential accelerated opportunity to generate the required revenue savings from 2018/19. Currently, £3.8m of the £5m budget provision has been committed (Cricket Road, Customer Service Centre, Abbey House & Cambridge Terrace).

24. The potential properties identified for disposal/lease surrender as part of this programme and their timescales need to be confirmed. The majority of the sites are leased, but were the Council owns the freehold, any capital receipts generated from the disposal will be added to the capital programme and be reallocated as part of future service & resource planning process.

25. In conjunction with the Agile working policy, a view will be taken on whether the workstation model is deliverable depending on how successful the early parts of the programme are in reducing space requirements and on the extent to which staff numbers fall.

Westgate Library - £1.5m

26. A budget of £1.5m is recommended to be added to the capital programme to refurbish the Central Westgate Library in Oxford in line with the timescale of the Westgate Centre redevelopment.

Oxfordshire Museum - £0.300m

27. A £0.300m budget is needed for structural repair work to a main staircase and wall at the Oxfordshire Museum in Woodstock.

Highways Maintenance - £6.102m

28. The E&E revenue budget savings proposals include a one-off capitalisation of structural patching repairs in 2015/16 of £1.5m (this work is normally capitalised at year end and funded by a revenue contribution to capital), this proposal is to fund the work from capital resources and release the revenue budget for other purposes in 2015/16. This pressure had been met within the Highways Asset Management work programme (attached at Annex 3a of the main report) before the highways maintenance allocations were announced. Now the highways maintenance funding is known and other pressures on the capital programme have been met, it is proposed to put the balance of funding available into the highways maintenance programme. This will meet the £1.5m revenue savings proposal and enable resources to be allocated to the bridges programme in 2017/18 and 2018/19 (currently no budget allocated to this area in these years as all funding has been brought forward to earlier years of the programme).

SS Mary & John CE Primary School - £0.350m

29. The Capital & Asset Programme Board in July 2014 agreed in principle to support SS Mary & John CE Primary School to consolidate on to a single site at Meadow Lane, Oxford. A loan of up to £0.350m will allow phase 1 of the required works to be undertaken. This funding will be fully recovered from the eventual capital receipt of the Hertford Street site.

Fire & Rescue Service – Utilisation of Fire Review Programme - £2.550m

30. Carterton Community Safety Centre project is a transformational programme to build a new Community fire station on a site offered by Carterton Town Council and is combined with various service partners. The project could release a capital receipt from Thames Valley Police in the region of £0.350m which could also be contributed towards the funding of the project.
31. The total Fire Review programme budget provision of £3.5m is currently in the capital programme funded through corporate resources and this is the first project to be committed against this programme. Any successful outcome to secure external resources will enable the corporate funds to be reused within the Fire Review Programme.

Adult Social Care Day Services - £4.250m

32. £4.250m of Section 106 monies is held for Adult Services. It is proposed to use this funding to provide/improve a number of buildings from which day services are provided as part of a comprehensive programme to improve services, rationalise some premises and ensure capacity to meet future pressures. Business cases will come forward for individual projects in the future.

Oxford Flood Relief Scheme - £5.0m

33. The Autumn Statement announced £42m of funding for the Oxford Flood Relief Scheme. Funding towards the scheme has also been secured through the Local Growth Fund. The scheme is being delivered by the Environment Agency in partnership with the County Council and Oxford City Council. To contribute towards the remaining funding shortfall, the Council are proposing a £5m contribution, to be funded by prudential borrowing. The cost of borrowing will be met from funding that was added to the E&E revenue budget for flooding in the 2014/15 service & resource planning process.