

CABINET – 19 MARCH 2024

CAPITAL PROGRAMME UPDATE AND MONITORING REPORT

Report by the Executive Director of Resources

Recommendations

1. The Cabinet is RECOMMENDED to:

Capital Programme

1. Accept the latest capital monitoring position for 2023/24 set out in Annex 1.
2. Approve the updated Capital Programme at Annex 2 incorporating the changes set out in this report.

Budget Changes / Budget Release

3. approve the inclusion of a programme of work to replace prefabricated classrooms with permanent provision at North Hinksey CE Primary School into the Capital Programme, at a cost of £1.443m to be funded by s106 developer contributions, the remaining cost of the scheme will be met by the Oxford Diocesan Schools Trust (paragraph 49)
4. approve the inclusion of the expansion of Mabel Prichard Special School into the capital programme with an indicative budget of £2.230m to be funded from the Special Educational Needs (SEN) High Needs capital allocation 2021/22-2023/24 (paragraph 50).
5. approve an increase in budget of £3.6m from £6.897m to £10.497m for the Tramway Road Accessibility Improvement scheme. The increase in budget is funded through the Housing & Growth Deal and was agreed as part of the latest Growth Deal Programme review exercise, included in the Capital Programme approved at Council on 20 February 2024 (paragraph 52).
6. approve the inclusion of Redbridge Household & Recycling Centre (HWRC) stabilisation works into the capital programme at a cost of £1.400m to be funded by corporate resources, of which £0.7m was agreed by Cabinet on 21 February 2023 and a further £0.7m agreed on 27 February 2024 (paragraph 54).
7. to note the release of an initial development budget of £1.813m to redevelop Speedwell House (paragraph 56).
8. To approve the inclusion of the £3.1m Decarbonisation Grant into the capital programme and the release of a total budget

provision of £8.2m to commence carbon reduction measures in the Council property portfolio to progress measures towards the 2030 Climate Action Framework (paragraph 58).

Executive Summary

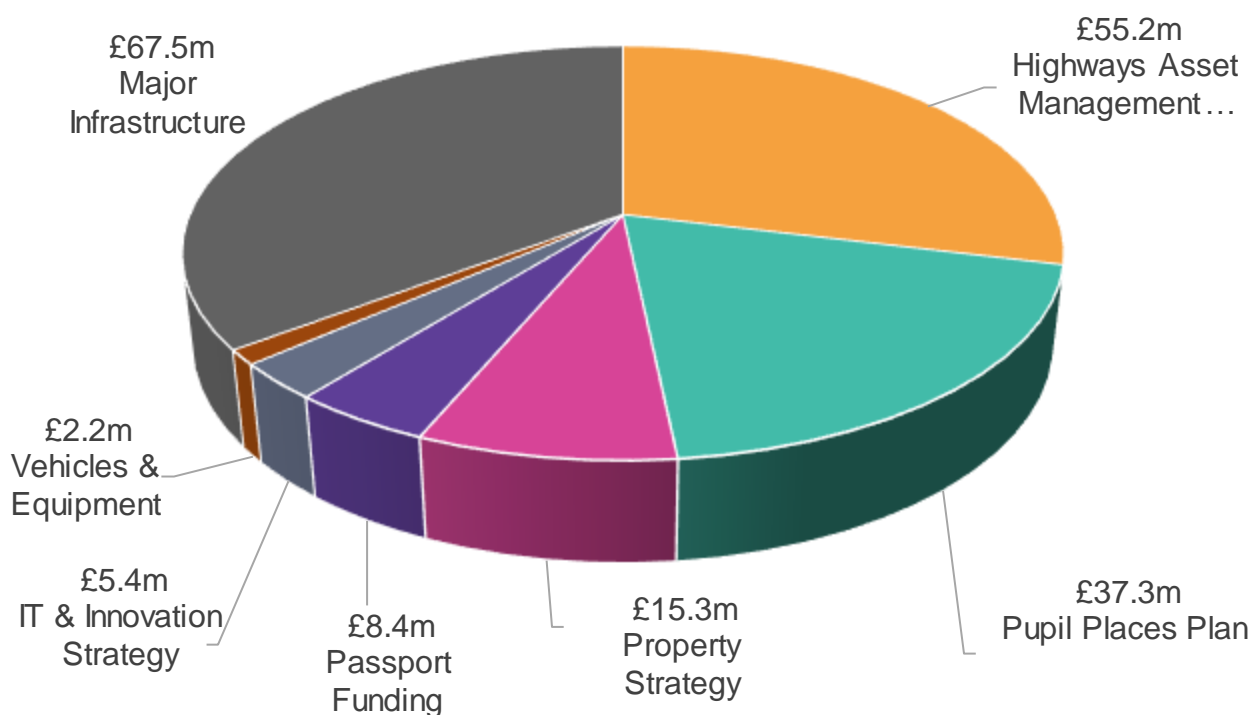
2. The Council's Strategic Plan has set out a clear vision for the county, centred around strong local communities, healthy places to live, and a zero-carbon economy that benefits everyone. The strategic plan has nine priorities with a set of objectives for each. The capital and investment strategy agreed in February 2024 articulates how the Council's capital investment will help achieve this vision and the nine priorities.
3. The Capital programme also supports statutory functions such as school placements and urgent health and safety capital maintenance works.
4. The ten-year Capital Programme sets out how the Council will use capital expenditure to deliver these council 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.
5. This is the fourth capital programme update and monitoring report for 2023/24 and sets out the monitoring position based on activity to the end of January 2024. The report also provides an update to the Capital Programme approved by Council on 20 February 2024 taking into account additional funding and new schemes. The updated programme also incorporates changes agreed through the Capital Programme Approval Reports to Cabinet during the year as well as new funding.
6. The forecast programme expenditure for 2023/24 is £191.3m (excluding earmarked reserves). This has decreased by £18.3m compared to the latest capital programme for 2023/24 approved by Council on 20 February 2024. The updated programme reflects the spend profile from the latest delivery timeframes and the inclusion of new grants received by the Council.
7. The total ten-year capital programme (2023/24 to 2033/34) is £1,495.1m. The updated capital programme summary is set out in Annex 2. The main changes since the report to Council on 20 February 2024 are set out in this report.

Introduction

8. Capital expenditure is defined as spending that creates an asset for the council (e.g. buildings, vehicles and equipment) as well as spending which meets the definition in regulations specified under the Local Government Act 2003. This 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.

9. The capital programme supports the delivery of the council's priorities as set out in the Strategic Plan. The 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.
10. The programme is structured as follows:
- **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 Strategy:** including health & safety, maintenance, improvements, the Investment Strategy and climate change measures,
 - **IT, Digital & Innovation Strategy:** including broadband and equipment
 - **Passported Funds:** including Disabled Facilities Grant and Devolved Schools Capital
 - **Vehicles and Equipment:** including fire and rescue vehicles and equipment
11. The detailed investment profile for the 2023/24 Capital Programme is set out below:

2023/24 Programme - Latest Spend Forecast



12. This is the fourth capital programme update and monitoring report for the financial year and focuses on the delivery of the 2023/24 capital

programme based on projections at the end of January 2024 and new inclusions within the overall ten-year capital programme.

13. The following annexes are attached:

- Annex 1 Capital Programme Monitoring 2023/24 (Summary)
- Annex 2 Updated Capital Programme 2023/24 – 2032/33 (Summary)

2023/24 Capital Monitoring

14. The capital monitoring position set out in Annex 1, shows forecast expenditure for 2023/24 of £191.3m (excluding earmarked reserves). This has decreased by £18.3m compared to the latest capital programme approved by Council on February 2024. The updated programme reflects the year end position for 2023/24 and the impact of re-profiling expenditure into 2024/25 where necessary to reflect the anticipated scheme delivery.

The table below summarises the changes since February 2024 by strategy area:

Strategy Area	Last Approved Programme 2023/24 * £m	Latest Forecast Expenditure 2023/24 £m	Variation £m
Pupil Places Plan	39.2	37.3	-1.9
Major Infrastructure	80.0	67.5	-12.5
Highways Asset Management Plan	56.0	55.2	-0.8
Property Strategy	18.0	15.3	-2.7
IT, Digital & Innovation Strategy	5.8	5.4	-0.4
Passported Funding	8.4	8.4	+0.0
Vehicles & Equipment	2.2	2.2	+0.0
Total Strategy Programmes	209.6	191.3	-18.3
Earmarked Reserves	0.0	0.0	+0.0
Total Capital Programme	209.6	191.3	-18.3

* Approved by Council 20 February 2024

15. Actual capital expenditure at the end of January 2024 was £129.2m. The combined spend to date and current forecasted in-year commitments for the Capital Programme are £160.8m or 84% of the revised estimate for the year. The rate of expenditure is expected to increase in the remaining months of the year due to several schemes reaching the delivery stage.

Pupil Places Plan

16. Forecast expenditure for the Pupil Places Plan is £37.3m. The decrease of £1.9m compared to the latest budget for 2023/24 reflects the latest

forecasted expenditure profiles on the delivery timeframe on the various projects in the programme. The planned scheme spend incorporates the Basic Need and Growth Portfolio Programmes as well as Schools' Structural Maintenance.

17. The Basic Need Programme is forecasting expenditure of £11.6m with no overall change compared to the latest approved budget. The programme includes the following nine projects that have been completed or are in the construction phase:

Completed:

- Lord William's School, Thame – expansion to provide an additional 150 secondary pupil places delivered by Thame Partnership Academy Trust via a funding agreement.
- North Leigh CE Primary School – enlarge two classrooms and the hall delivered by Oxford Diocese School Trust via a funding agreement.
- Radley CE Primary School – expansion to provide an additional 105 primary pupil places.
- Glory Farm Primary School, Bicester – replacing 4 temporary classrooms delivered by Bernwode Schools Trust via a funding agreement.

In Construction:

- Blessed George Napier School, Banbury – expansion to provide an additional 300 secondary pupil places delivered by Pope Francis Catholic Multi Academy via a funding agreement.
- Bloxham Primary School – new hall and reconfiguration of internal spaces to create new kitchen.
- Oxfordshire Hospital School – extension and refurbishment.
- St Edburg's CE Primary School, Bicester – expansion to provide an additional 210 primary pupil places delivered by Oxford Diocese Board of Education via a funding agreement.
- Woodstock CE Primary School – expansion to provide an additional 105 primary pupil places.

Where the schemes are being delivered through a funding agreement, they continue to be monitored through the Council's governance procedures.

18. The Growth Portfolio Programme has a forecast expenditure of £22.2m and is £0.1m lower when compared to the previous forecast. It includes the following four projects that have been completed or are in the construction phase:

Completed:

- Graven Hill Primary School, Bicester – a new school to create 420 primary places and 90 nursery places delivered by the housing developer. This achieved Practical Completion and was successfully

handed over to the Warriner Multi Academy Trust to welcome pupils from 11 September 2023.

- St John's CE Academy, Grove – a new school to create 420 primary places, 60 nursery places and SEND support spaces and delivered by the housing developer. This achieved Practical Completion and was successfully handed over to the Vale Academy Trust to welcome pupils from 18 September 2023.

In Construction:

- Sires Hill Primary Academy, Didcot – a new school to create 420 primary places and 90 nursery places. The Omnia Learning Trust were able to move into the school on 11 September 2023 under a partial possession enabling the school to open and operate as planned whilst the remainder of the works are completed by ISG leading to a full Practical Completion scheduled for March 2024.
- Shrivenham CE Primary School – a new school to create 315 primary places and 75 nursery places, is still under construction and will be completed in time for the Summer Term 2024.

Where schemes are being delivered by the housing developer, they will still be monitored through the Council's governance procedures.

19. Further projects are in pre-construction for delivery in 2024/25. Depending on the delivery timeframe, some of these will reach the construction phase later this financial year.
20. The School Structural Maintenance Programme is expected to incur expenditure of £3.2m, a reduction of £1.5m compared to the previous forecast. Current year projects include new boilers, roof replacements, improvement to school structure and fire alarm replacement. The revised forecast is due to internal and external resourcing challenges and the re-profiling of projects (e.g. delaying boiler projects to outside of the heating season which means the project will be undertaken next financial year).
21. Condition surveys of all maintained schools have been completed and these will be used to prioritise investment requirement. Energy surveys will be delivered over 2023/24 and 2024/25.
22. There were a total of 32 school projects within the School Structural Maintenance Programme:
 - 17 projects are complete,
 - 8 projects are on site/in construction,
 - 6 projects will be carried forward into 2024/25,
 - 1 project is on hold as the school is now an academy converter.

Major Infrastructure

23. The latest forecast position for the Major Infrastructure Programme is £67.5m. The programme is divided into sub-programme areas as shown in the table below. Overall, there is a reduction of £12.5m compared to the latest capital programme budget.

Major Infrastructure	Latest Budget	Latest Forecast	Variation
	£'000	£'000	£'000
Housing Infrastructure Fund 1 (HIF1)	5,700	6,100	+400
Housing Infrastructure Fund 2 (HIF2) & A40	18,525	17,335	-1,190
A423 Improvement Programme	3,000	3,000	+0
Active Travel Phase 3	1,350	925	-425
Banbury & Bicester	2,995	3,500	+505
Oxford	16,056	14,634	-1,422
South & Vale	8,795	8,220	-575
Major Infrastructure Sub-total	56,421	53,714	-2,707
Other Programmes	23,554	13,747	-9,807
Major Infrastructure – Total	79,975	67,461	-12,514

HIF1 Programme

24. The current forecast of £6.1m for the HIF1 programme in 2023/24 reflects an agreed profile of spend with Homes England covering the last quarter of the year, to optimise the mix of minimum spend, whilst reducing the risk of programme delay.

HIF2 & A40

25. The HIF2 & A40 programme in-year forecast of £17.3m is £1.2m less than the latest budget. This is mainly due to the recovery of forward payments to utility companies for statutory works resulting from the rescoping of the programme.
26. The Eynsham Park & Ride programme continues to progress well through its final phase to completion, due May 2024.

Active Travel Phase 3

27. The Active Travel P3 programme in-year forecast of £0.9m is £0.4m less than the latest budget. This is mainly due to project slippage some of which is associated with increased consultation exercises with stakeholder groups.

Growth Deal Programme and Other Funding

28. This programme is forecasting spend of £26.4m in 2023/24, £1.5m less than the latest approved budget.
29. This is due to a several smaller in-year variations for a number of projects within the programme.

Integrated Transport Programme

30. The Integrated Transport Programme is forecasting year end spend of £13.7m. This is £9.8m less than the latest budget. With a reduced in-year forecast on the East West Rail programme (-£0.3m), a delay in formalising the arrangement for the contribution to the Oxford Station project (-£1.0m) and a reduction to the in-year payment under the Zero Emission Bus Regional Areas (ZEBRA) programme (-£8.5m), anticipated in previous reports, but realised now, due to a short pause in the programme. The anticipated March payment will now be due in the first quarter of the new financial year.

Highways Asset Management Plan

31. The total in-year capital forecast for 2023/24 is estimated to be £55.2m, a decrease of £0.8m compared to the latest budget. The programme is divided into 4 sub-programme areas as shown in the table below:

Project	Schemes/ Units Planned	Schemes/ Units Completed	Comments
Surface Treatments (schemes)	43	43	Schemes to restore the condition or prolonging the life of existing carriageways. There are also pre-works for next year's programme, however these schemes are not included in this number, but are currently underway.
Carriageways (schemes)	17	14	2 schemes were deferred due to cost increase. Surfacing/reconstruction/strengthening of roads, with one scheme currently taking place.
Structural Highways Improvements (schemes)	65	65	Surface inlay and minor patching schemes across the county. There will also be minor works carried out in addition to this throughout the year.
Footways (schemes)	33	30	Repair/construction of footways and cycleways. Some schemes still to be delivered in-year and 4 schemes were deferred due to utility works.
Drainage (schemes)	130	110	Repair/renewal of existing drainage infrastructure and provision of new infrastructure to resolve known drainage issues. There is also planned reactive work which will be carried out.
Bridges (schemes)	14	8	Strengthening/replacement/imposition of management measures on weak structures. 4 schemes were deferred to next year. One scheme currently taking place Additional area bridges programme is determined during the year.
Public Rights of Way	8	6	Improved Pedestrian Access Points (delivered as planned-reactive schemes) in which two schemes have been deferred. In addition to this there are also some new/refurbished kit bridges which are not included in this figure (delivered as planned-reactive with in-house resource).

Section 42 contributions (schemes)	78	51	Programme delivered by the City Council and covers all the unclassified roads and footways within the City. Over 20 schemes have been rescheduled to the next year, due to funding.
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Highways Asset Management Plan	Latest Budget	Latest Forecast	Variation
	£'000	£'000	£'000
Structural Maintenance Annual Programme	36,300	36,000	-300
Improvement Programme	3,350	3,350	+0
Structural Maintenance Major Schemes	15,294	14,840	-454
Other Programmes	1,010	1,000	-10
Highways Asset Management Plan – Total	55,954	55,190	-764

32. The annual planned target total surfacing programme (excluding patching) for 2023/24, is calculated at 3% of the network. The expectation is that this would enable the council to maintain the 4,656km of network that it is responsible for in as close as possible to a 'steady state' within the funding available.
33. The annual Structural Maintenance Programme plans to invest £36.0m. The forecast is £0.3m less when compared to the latest budget. The table below shows the planned key structural maintenance deliverables for 2023/24:
34. The annual Improvement Programme is forecasting to spend £3.4m. The programme includes 63 road safety and traffic improvements including road markings, cycle provision improvements, pedestrian crossings, footway improvements and speed limit alterations. The programme also includes enhancement to support journey time reliability which also aid bus movements, and traffic signal improvement schemes.
35. Structural Maintenance Major Schemes are forecasting to invest £14.8m and the table below shows the key planned deliverables for 2023/24:

Project	Schemes/ Units Planned	Schemes/ Units Completed	Comments
Electrical	6,513	5,575	LED Replacement units being installed this year.
20mph Speed limit (schemes)	34 84	34 39	Phase 1 - schemes slipped from last year. Phase 2 - schemes this year. A further 30 schemes to be implemented in 2023/24, remainder moving to Q1 24/25. Revised speed limit orders and install signs in towns and parishes.

Property Strategy

36. The Property Strategy is forecasting expenditure of £15.3m in 2023/24, a decrease of £2.7m compared to the latest budget.

37. The programme is forecasting to spend £7.1m on corporate estate development including provision for new Children's Homes, including the acquisition and refurbishment of new sites. The intention is to provide four new homes within Oxfordshire (two four-bedroom houses and two six bedroom houses) to support solo provision for children with autistic spectrum disorders and children who have experienced adverse childhood experiences.
38. The corporate estate condition programme is forecasting to spend £1.9m during 2023/24. This has reduced by £1.6m when compared to the previous forecast and is due to the reprofiling of projects from the decarbonisation programme in response to internal and external resourcing requirements. It is planned that a further £1m is incurred on the Defect Liability programme during 2023/24 to increase the overall outlay through the programme to £10m.
39. Current investment through the Resonance Fund is £3m out of the £5m provision, with the timescale of the remaining balance currently being reviewed to finalise refurbishment works across the property portfolio.
40. The Environmental & Climate Change programme is forecasting to spend £4.9m during 2023/24, this is unchanged. This includes the various grants through the Green Home Grant / Sustainable Warmth Fund.

IT, Innovation & Digital Strategy

41. The total forecast expenditure for 2023/24 is £5.4m, a reduction of £0.4m from previous budget mainly due to the reprofiling of the Rural Gigabit Hub Sites programme.
42. The Rural Gigabit Hub Sites programme commenced in 2021/22 and has progressed well to enable fibre infrastructure to be built for county council buildings (where gigabit broadband infrastructure does not exist), other public buildings such as schools and GP practices, and a range of community-based buildings such as village halls. The latest forecast for 2023/24 is £2m (reduction of £0.4m), with the remaining budget moved into future years.
43. The delivery of the ITID Strategy continues as planned. A key foundational capital project to replace the Wide Area Network with a secure and cost-effective network at OCC sites will complete in March 2024.
44. The Social Care Data Warehouse & Power BI project to implement Power BI dashboards for Adults and Childrens is progressing and has delivered a first set of dashboards, with further reports being planned in the remaining few months of the project.
45. Expenditure on other capital projects to implement the ITID strategy remain within agreed budgets.

Passported Funding

46. Expenditure for 2023/24 is forecasted to be £8.4m, with no change compared to the latest budget.
47. The Disabled Facilities Grant for 2023/24 announced in May 2023 confirmed funding of £6.658m as per the forecast within the capital programme. This funding, which is part of the Better Care Fund, is issued to the County Council but must be passed directly on to the City and District Councils in accordance with the grant determination. An additional grant of £0.581m was received in September 2023 and this has been included within the capital programme.

Vehicles and Equipment

48. Expenditure for 2023/24 is forecasted to be £2.2m, no change compared to the latest budget.

CAPITAL GOVERNANCE APPROVALS

Pupil Places Plan

North Hinksey CE Primary School

49. North Hinksey Primary School is a one-form entry primary school, operated by the Oxford Diocesan School Trust (ODST). This programme of works will address a number of accommodation issues, including the replacement of classrooms currently housed in prefabricated buildings. This work will ensure that there is sufficient, permanent accommodation to support the continued operation of the school. The total cost of the project is £2.524m. Of the total, £1.443m will be funded from s106 contributions and the remaining £1.081m will be met by ODST.

Mabel Prichard Special School

50. Mabel Prichard Special School caters for pupils with a range of severe learning difficulties and is managed by the Gallery Trust (TGT). It is co-located with Orchard Meadow Primary School, also an academy, managed by the United Learning Trust (ULT). It is proposed that Orchard Meadow Primary School will relocate their foundation stage accommodation into surplus space elsewhere on site, enabling the provision of approximately 23 additional school places for children with special educational needs.
51. The indicative capital budget required to complete the programme of work is £2.230m to be funded from the SEN High Needs capital allocation 2021/22-2023/24.

Major Infrastructure

Tramway Road Accessibility Improvements, Banbury

52. The Tramway Scheme will deliver improved access to Banbury Station, improve bus journey reliability into the town and remove congestion from Bridge Street junction. Due to a number of factors including a change to design and additional recommendations by the Road Safety Audit, the budget has increased by £3.6m from £6.897m to £10.497m.
53. Approval is required to increase the budget by £3.6m and will be funded by the reallocation of Growth Deal funds, approved at Council on 20 February 2024.

Property

Redbridge Stabilisation Works

54. Redbridge Household Waste & Recycling Centre, just off the Oxford ring road, serves Oxford City with around 250,000 customer visits per year. Condition assessments were carried out in September 2022 and some urgent and remedial works were recommended and actioned. Following detailed sampling, a report made further recommendations for a wider scope of work.
55. Funding of £0.7m was secured in February 2023 with a further £0.7m agreed by Full Council in February 2024 to carry out the remedial works.

Speedwell House

56. An implementation plan for the City Centre Accommodation Strategy was approved at Cabinet on 23 January 2024, with the preferred option being to consolidate in Speedwell House, dispose of County Hall and to progress the project through the Council's capital governance and reporting process.
57. Cabinet is asked to note the release of the initial development budget of £1.813m to commence design and initial works for this project.

Capital Funding

Property Strategy

Public Sector Decarbonisation Fund

58. The Council declared a climate emergency in 2019 with a target of 2030 to bring the Council's operations and activities to net zero. This target is reflected in the Council's Climate Action Framework and Property Strategy. In 2022/23 the Council's property accounted for approximately 33% (3,467 T CO₂e) of the emissions that need to be reduced to meet the net zero target by 2030.
59. The transition to electric heating will predominantly be via heat pumps and infrared heating. Due to the lower operating temperatures of the heat

pumps improvements are required in thermal building fabric (e.g. single glazing to double or triple glazing, insulation installations, etc.) to decrease the potential running costs.

60. The Public Sector Decarbonisation Fund (PSDS) is a central government grant fund awarded to public sector bodies to replace fossil fuelled heating systems from buildings, whilst also conducting thermal fabric improvements, electrical efficiency improvements and solar PV deployments amongst other measures. The council has secured £3.1m of central government grant funding, which has to be spent by March 2025. This together with £5.1m of council resources will enable 26 properties to meet the Council's property requirements and reduce the expected carbon savings associated with these properties by 425T CO₂e per year, or 12% of the property emissions.
61. Council resources of £5.1m includes the £2.6m identified for capital priorities in the budget & business planning process approved in Council in February 2024.

Ten Year Capital Programme Update

62. The total ten-year capital programme (2023/24 to 2033/34) is now £1,384.7m (excluding earmarked reserves) an increase of £7.9m when compared to the latest capital programme approved by Council on 20 February 2024. A summary of the updated capital programme is set out in Annex 2. The main reason for the increase is the inclusion of the announcement of the Public Sector Decarbonisation grant with the release of budget provision held in earmarked resources to support the decarbonisation programme, and the inclusion of the new primary school in Didcot at Valley Park which was approved as part of the Capital Approvals report to Cabinet on 27 February 2024.

Strategy Area	Last Approved Total Programme (2023/24 to 2033/34) * £m	Latest Updated Total Programme (2023/24 to 2033/34) £m	Variation £m
Pupil Places Plan	248.5	250.7	+2.2
Major Infrastructure	701.3	701.3	+0.0
Highways Asset Management Plan	268.8	268.8	+0.0
Property Strategy	92.1	97.8	+5.7
IT, Digital & Innovation Strategy	16.7	16.7	+0.0
Passported Funding	21.8	21.8	+0.0
Vehicles & Equipment	27.6	27.6	+0.0
Total Strategy Programmes	1,376.8	1,384.7	+7.9
Earmarked Reserves	113.0	110.4	-2.6
Total Capital Programme	1,489.8	1,495.1	+5.3

Approved by Council 20 February 2024.

Capital Funding Update

Prudential Borrowing

63. The ten-year Capital Programme includes a requirement to fund £272.3m through prudential borrowing. The latest borrowing expected to be taken in 2023/24 is £72m. The majority of this relates to schemes that have already been delivered but have, until now, been funded temporarily by borrowing from other funding sources within the Capital Programme to delay the need to apply the prudential borrowing. The borrowing in 2023/24 is expected to include a further £45m from the £120m agreed in 2018. £32m relates to additional investment in the Highways Asset Management Plan and £13m for general funding to support capital investment priorities. A further £5m for the £41.7m borrowing supporting the OxLEP City Deals programme, and the first drawdown of £20m supporting the £40.8m Street Lighting LED replacement programme.
64. The use of prudential borrowing will increase the Council's Capital Financing Requirement. The Council is required under statute to set aside a Minimum Revenue Provision to pay down the Capital Financing Requirement. Prudential borrowing is generally paid over 25 years. The Medium-Term Financial Strategy takes account of this cost. As the Capital programme includes the OxLEP City Deal Programme, the borrowing costs relating to this scheme (for which the Council is the Accountable body) will be fully funded through Enterprise Zone 1 retained business rates.

Earmarked Reserves

65. The level of earmarked reserves has decreased by £2.6m from the previous reported position (Council 20 February 2024) to £110.4m due to the release of funding to support the Decarbonisation Programme following the announcement of the grant. The revised amount includes £63.7m of budget provisions approved through the capital budget & business planning process in February 2024 and previous years. This also includes the capital programme contingency for the delivery of the current ten-year capital programme plus other identified provisions.

Capital Reserves

66. The current level of capital reserves (including capital receipts and capital grants reserves) is approximately £190m. This is expected to reduce to approximately £46m at the end of 2025/26. The reduction is mainly due to the delivery of the Growth Deal Programme and the A423 Improvement Programme. Reserves can be used to temporarily fund schemes to delay the need for prudential borrowing or to help manage timing difference between the delivery of schemes and the receipt of Section 106 funding. The level of reserves impacts on the cashflow of the capital programme and the overall Council Balances and is already factored into the funding of the overall capital programme.

Risk Management

67. As reported previously, there are a mix of factors continuing to impact on the deliverability and cost of capital schemes. Where those schemes are grant funded (particularly Housing & Growth Deal, HIF1 and HIF2) there is

a risk that slippage could impact on the availability of grant funding as it is not possible to complete the scheme by the funding deadline. Inflationary pressures may also mean that costs increase further by the point the scheme reaches the construction phase eroding the value of the grant funding so that is insufficient to meet the revised scheme costs.

68. These risks are being managed through the council's capital governance process at both project and programme level and through the Strategic Capital Board. Where necessary action is being taken to adjust scheme deliverables and to use value engineering to maintain spend within the available funding.
69. HIF1 is a significant financial risk to the authority because the scheme cannot now be completed before the end date of reclaiming expenditure of March 2026. However, following the outcome of the planning inquiry a decision will be required to stop the scheme or alternatively an extension to time/additional funding/rescoping of the scheme would need to be agreed with Homes England. As such it is expected that the financial risks will be managed through either of those routes.
70. There are ongoing negotiations with Homes England in relation to the HIF2 scheme funding and timeline which presents a potential risk if a successful resolution is not reached.
71. Following a review of the council's strategic risk register in March 2023, the council is focussing on assessing and tracking seven strategic risks in 2023/24. One of these risks is "Major Infrastructure Portfolio Schemes become undeliverable". Updates on this risk are being reported through the Business Management & Monitoring Reports to Cabinet.

Financial Implications

72. The report sets out the planned investment and available funding for the ten-year Capital programme including the risks associated with the delivery of the programme.
73. The following risks are inherent within the funding of the capital programme:
 - Certainty over the timing and value of future capital receipts and Section 106 Contributions
 - Certainty over the receipt and security of future grant funding
74. If capital receipts or section 106 contributions are not received within the planned timeframe it may be necessary for the Council to temporarily fund capital expenditure through prudential borrowing. The council has a prudential borrowing reserve to help manage the revenue impact of additional prudential borrowing.
75. Where additional funding is required to fund schemes on a permanent basis this will need to be addressed by reducing investment elsewhere within the programme (reprioritisation) or by permanently funding through prudential borrowing. This would require the identification of long-term

revenue funding as the Prudential Borrowing is usually repaid over 25 years through the Minimum Revenue Provision.

Comments checked by:

Kathy Wilcox
Head of Corporate Finance

Staff Implications

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

Equality & Inclusion Implications

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

Legal Implications

78. In year changes to the capital programme must be approved by Cabinet in accordance with the Council's Financial Regulations. In particular paragraph 5.1.1(IV) sets out that where the total estimated resource allocation is above £1,000,000, then Cabinet can agree its inclusion into the Capital Programme, via the periodic Capital Report to Cabinet, based on the recommendations by Strategic Capital Board and the Section 151 Officer.

Comments checked by: Anita Bradley, Director of Law & Governance & Monitoring Officer

LORNA BAXTER
Director of Finance

Background papers:

Contact Officers: Kathy Wilcox, Head of Corporate Finance
Natalie Crawford, Capital Programme Manager

March 2024