

## CABINET – 20 JULY 2021

### CAPITAL PROGRAMME UPDATE AND MONITORING REPORT

#### Report by the Director of Finance

#### Recommendations

1. The Cabinet is RECOMMENDED to:
  - a) agree the inclusion in the Capital Programme of the following grants funded schemes:
    - i. £1.5m Green Homes Grant programme (Paragraph 27);
    - ii. £2.1m Public Sector De-Carbonisation Grant programme (Paragraph 28),
  - b) agree the inclusion in the Capital Programme of the following schemes:
    - i. the New St Edburg's expansion to 3 Form Entry Primary School with a budget of £10.3m funded from s106 contributions (Paragraph 42);
    - ii. the A420 Coxwell Road Junction scheme with a budget of £1.80m funded from s106 contributions (Paragraph 44),
  - c) agree the increase in the budget for the following schemes:
    - i. £2.2m for the Benson Relief Road scheme funded from Housing & Growth Deal grant and s106 contributions (Paragraph 46);
    - ii. £0.5m for the Carterton Community Safety Centre funded from s106 contributions (Paragraph 29),
  - d) note the risk that forward funding of up to £7.0m may be required on the A40 Access to Witney scheme (Paragraph 48) ahead of receipt of s106 contributions,
  - e) approve the updated Capital Programme at Annex 2 (taking into account recommendations 1-4)

#### Executive Summary

2. This report is the first monitoring report and Capital Programme update for 2021/22. Cabinet considered the Capital Programme Performance Report for 2020/21 at its meeting on 22 June 2021. This report sets out the monitoring position for 2021/22 based on activity to the end of May 2021 and provides an update to the Capital Programme approved by Council in February 2021 to take into account additional funding and new schemes.
3. The forecast programme expenditure for 2021/22 is **£283.1m** (excluding earmarked reserves). This has increased by **£3.4m** compared to the latest approved capital programme. This reflects the spend profile from the latest delivery timeframes and the inclusion of new grants received by the Council.
4. Due to a number of new inclusions and changes, the total ten-year capital programme (2021/22 to 2030/31) is now **£1,292.8m**, an increase of

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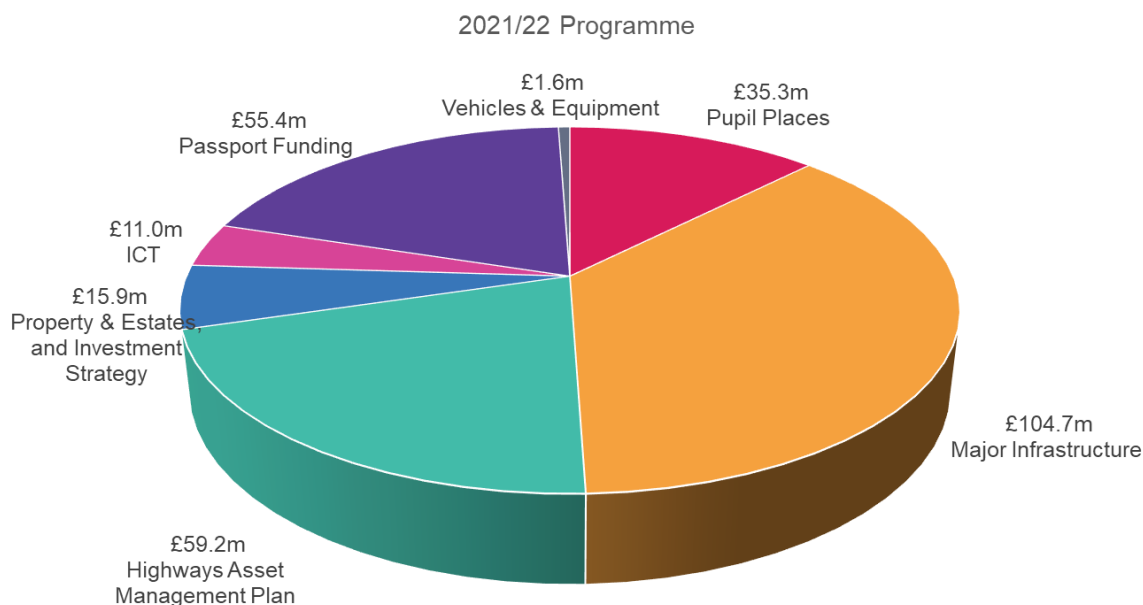
**£49.2m** compared to the capital programme approved by Council in February 2021. The updated capital programme summary is set out in Annex 2. The main variations are set out in this report.

### 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 as set out in the Corporate Plan. 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 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 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

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8. The detailed investment profile for the 2021/22 Capital Programme is set out in the graph below:



9. This is the first capital programme update and monitoring report for the year and focuses on the delivery of the 2021/22 capital programme based on projections at the end of May 2021 and new inclusions within the overall ten-year capital programme.
10. The following annexes are attached:

- Annex 1 Capital Programme Monitoring 2021/22 (Summary)
- Annex 2 Updated Capital Programme 2021/22 – 2030/31 (Summary)

### 2021/22 Capital Monitoring

11. The capital monitoring position set out in Annex 1, shows the forecast directorate programme expenditure for 2021/22 of **£283.1m** (excluding earmarked reserves). This has increased by **£3.4m** compared to the latest approved capital programme. This takes into account the 2020/21 year end position and the impact of re-profiling schemes into 2021/22 from 2020/21.

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12. The table below summarises the variations by strategy area:

Strategy Area	Last Approved Programme 2021/22 * £m	Latest Forecast Expenditure 2021/22 £m	Variation £m
Pupil Places	33.8	35.3	+1.5
Major Infrastructure	103.6	104.7	+1.1
Highways AMP	59.2	59.2	0.0
Property, Estates & Investments	12.6	15.9	+3.3
ICT	10.5	11.0	+0.5
Passport Funding	58.4	55.4	-3.0
Vehicles & Equipment	1.6	1.6	0.0
<b>Total Strategy Programmes</b>	<b>279.7</b>	<b>283.1</b>	<b>+3.4</b>
Earmarked Reserves	0.00	0.0	0.0
<b>Total Capital Programme</b>	<b>279.7</b>	<b>283.1</b>	<b>+3.4</b>

\* Approved by Council 9 February 2021

13. The following paragraphs set out the latest and forecast programme activity and performance by strategy area for 2021/22.

### Pupil Places

14. Within the Pupil Places Programme there has been a **£1.5m** change to the forecast project expenditure profile for 2021/22 since the last capital programme update. The main variation is **£1.2m** brought forward from 2020/21 in the Schools Structural Maintenance Programme relating to 7 planned projects that were not completed within the last financial year.
15. Schemes within the Pupil Places Programme expected to be completed in 2021/22 include:
- Orion School - the former Northfield Special School) which is being re-built and expanded to accommodate 108 pupils.
  - Windrush Primary School (Witney) - which will create 315 primary pupil places, 39 full-time equivalent nursery places and a resource base for pupils with Special Educational Needs (SEND).
  - A further 3 schools will be expanded creating an additional 280 primary pupil places – Cholsey Primary School, Five Acres Primary School and St Blaise Church of England Primary School. In addition, the temporary classroom block at Five Acres Primary School will be replaced with a permanent building.

### Major Infrastructure

16. The Major Infrastructure Programme is **£104.7m**, an increase of **£1.1m** to the overall forecast project expenditure profiles since the last capital programme update.

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17. Within 2021/22 it is planned that the following schemes will be fully completed:
- A40 [Oxford North] – New Bus Lane (east bound), improved urbanised corridor supporting connection to the new commercial and residential area.
  - 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.
  - 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
  - Phase 1.2 of the Botley Road Corridor works – a series of improvements between Eynsham Road and Binsey Lane.
18. A number of other schemes which were substantially completed in 2020/21 are being finalised and going through snagging in advance of final accounts being produced.
19. **£30.0m** is forecasted to spent on schemes funded through the annual Growth Deal Allocation. 2021/22 is the fourth year of the five-year deal with the Ministry of Housing, Communities and Local Government (MHCLG) and Homes England totalling £150.0m. The majority of schemes are now progressing through the pre-construction phases with planning submissions expected in 2021/22 and construction and completion from 2022 onwards. The annual profile of schemes is subject to change and an update will be provided in the next report.
20. 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) on 19 May 2021 and, subject to its approval, the scheme will move into contract for both the Design and Construction elements.
21. HIF1 (Didcot) and HIF2 (A40) programmes are progressing to plan and a number of reports will be progressing through Cabinet leading to the formal planning applications later in 2021.

### Highways Asset Management Plan

22. The Structural Maintenance Programme is forecasted to invest **£31.3m** across all assets of which approximately **£19.9m** spent on carriageways by surfacing and treating 134km (or 3%) of the network through eight programmes over 224 sites. This includes an additional **£16m** per year through the **£80m** prudential borrowing additional funding investment between 2019/20 and 2023/24.
23. A further **£11.4m** of the **£40.8m** LED street lighting replacement programme is forecasted to be spent during 2021/22. The programme commenced in 2019/20 and will convert the remaining traditional lanterns

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to LED lanterns. The full programme includes the replacement of 47,500 lanterns of which 21,000 columns that are at the end of their life will be replaced entirely. The five-year programme is still expected to be completed by the end of 2024/25 as planned when all 60,000 units will be fitted with LED Technology. The remaining lanterns were either originally installed as LED or been replaced as part of the maintenance programme.

24. A total of 7,800 units were converted to LED in 2020/21. By the end of March 2022, 55% of the lanterns will have been fitted with LED equipment (13,300 forecasted to be completed in year). The installation of energy efficient lighting will result in significant cost reductions through reduced maintenance and lower energy consumption. The programme will help reduce the Council's exposure to rising energy prices. The LED streetlights will reduce energy consumption by around 70% helping the Council to meet carbon reduction targets.
25. The Kennington Bridge scheme is currently reported within the Highways Asset Management Plan but will be moved to the Major Infrastructure Programme in future reports. The scheme is currently being reviewed in detail. The current scheme would provide a replacement bridge and additional bus infrastructure along with enabling work for the Environment Agency's Oxford Flood Alleviation scheme (OFAS). A commercial led review of cost estimates is underway and a joint approach to delivering the programme alongside the interdependent OFAS is being developed. Planning permission paper for the Kennington Bridge scheme will be submitted in late 2021.

### Property, Estates and Investments

26. The Property & Estates Programme for 2021/22 is **£15.9m**, an increase of **£3.3m** to the forecast project expenditure profiles since the last capital programme update.
27. Grant funding of **£1.5m** has been awarded from Department for Business, Energy and Industrial Strategy (BEIS) towards the targeting of 150 homes with energy ratings below a D, experiencing fuel poverty for energy efficiency retrofit measures. Cabinet is recommended to approve inclusion of the scheme and associated grant funding in the Capital Programme for 2021/22.
28. Grant funding of **£2.135m** has been awarded under the Public Sector Decarbonisation Scheme (PSDS) as an opportunity for the public sector to implement property decarbonisation measures. The fund from BEIS under the Covid-19 response is to support job retention whilst also addressing a reduction in carbon emissions. A total of 11 sites have been included within the programme, and comprises a mixture of four maintained schools, two Fire Stations, two Children & Family Centre's, a Library and other corporate buildings. Cabinet is recommended to approve inclusion of the scheme and associated grant funding in the Capital Programme for 2021/22.

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29. A budget provision of **£3.5m** has been included within the capital programme for the Fire Service Review which identified the provision for the New Carterton Community Safety Centre as a priority. The preferred site relied upon progression of a new housing development delayed progression of the project until 2019 when land was secured through a S106 agreement. At this stage, a brief and scope of works was prepared to review options for additional facilities over and above the provision of a fire station.
30. The project is part of a transformational programme to build a new Community Emergency Services Centre to support Thames Valley Police, South Central Ambulance Service and Oxfordshire Fire & Rescue Service with one location to provide response, prevention and protection services.
31. In addition, within the capital programme a separate budget provision was identified of **£0.6m** towards the Relocation of the Rewley Road Training Centre. Based on the feasibility study, Fire & Rescue Service requirements and the wider property strategy, it was recognised to include an integrated training centre.
32. Part of the original **£3.5m** budget was used towards the delivery of the temporary accommodation for Carterton Fire Station. Following the feasibility and option appraisal studies, a revised cost plan has been agreed with a project programme estimated for the site to become operational in Summer / Autumn 2023 at **£4.4m**. The budget is funded from the remaining original budget provision identified plus the utilisation of identified s106 contributions totalling **£0.5m**. Cabinet is recommended to approve the increase in the scheme cost.

## ICT

33. An ICT Service Modernisation programme has been established to deliver the ICT Strategy. In 2021/22 there are 4 major capital programmes of work:
  - Technology and Communications which includes a new customer contact centre system (CCaaS), replacement mobile phone contract and unified communications (UCaaS)
  - WAN replacement project, replacing a fixed network with a secure, flexible and “access anywhere” alternative
  - Customer kit refresh, an ongoing programme of work to continually refresh mobile phones and laptops. This underpins and enables the developing agile working strategy.
  - Property Management System project, to implement a property management system, to enable wider service redesign and improved solutions
34. The Broadband (Digital Infrastructure) programme saw the Better Broadband for Oxfordshire (BBFO) complete last year with all project deliverables being met. The Broadband for Businesses in Rural

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Oxfordshire (BiRO) project which started delivery in 2020/21 is planned to be completed this year, with a number of very high cost structures have been de-scoped, reducing the overall cost of the project, though it is anticipated the funding will be returned to Defra.

35. The Children Education Systems project costing **£3.3m**, due to deliver the replacement of the main case management line of business systems, plan to deliver phase 1 (Education & Health Care Plan) & phase 2 (Early Years & Education System) this year, with phase 3 (Admissions) implemented in 2022/23. The programme has been reprofiled to align with the latest timeframe.

### Passported Funding

36. The reduction in the forecasted expenditure for Passported Funding is mainly due to the higher than budgeted grant funding issued to the district councils in 2020/21 as part of the four year Affordable Housing Programme within the Affordable Housing and Growth Deal. This has reduced the remaining budget available to **£34.5m**. The issue of grant is related to the number of affordable homes that satisfied the contractual start conditions of the **£60m** funded programme.
37. The Affordable Housing element of the Housing and Growth Deal is received by the County Council as the Accountable Body and passported to the District and City Councils for the delivery of Oxfordshire Affordable Housing Programme (OAHP), with Homes England providing programme oversight. Programme delivery is therefore out of direct control of the County Council but through our partnership arrangements this element is overseen through the Growth Deal Programme Board.
38. The original programme included planned spend of **£60.0m** over three years as set out in the Housing & Growth Deal Delivery Plan agreed in February 2018. The quarterly issue of grant is related to the number of affordable homes that satisfied the contractual start on site (CSOS) conditions of the **£60.0m** funded programme. Following CSOS of 658 additional housing units with a spend of **£25.5m** in the first three years of the programme (to year end 2020/21) the remaining budget is **£34.5m**. This is accounted for in the final year of the programme. In 2020, an agreement was reached with the Growth Deal, Homes England and MHCLG to extend the programme into a fourth year (2021/22). Discussions are taking place to confirm that any schemes that do not achieve a Contractual Start on Site in Year 4, but can demonstrate a clear delivery trajectory, can go into Year 5 on a case-by-case basis.
39. The Disabled Facilities Grant was announced in May 2021 and as per 2020/21 includes an additional **£0.8m** of funding, to increase the overall grant to **£6.658m**. The funding, which is part of the Better Care Fund, is issued to the County Council but passed directly on to the City and District Councils in accordance with the grant determination. Households are eligible to apply for the grant for home adaptations if a child or adult in the household has a substantial and permanent disability. Types of adaptations funded by the grant include stairlifts, level access showers,



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ground floor extensions designed around the disability, kitchens designed for a wheelchair user.

### Ten Year Capital Programme Update

40. The total ten-year capital programme (2021/22 to 2030/31) is now **£1,292.8m** (excluding earmarked reserves), an increase of **£49.2m** compared to the capital programme approved by Council in February 2021. This includes **£21.3m** which has slipped (and underspends) from 2020/21 to 2021/22. The updated capital programme is set out in Annex 2. Details of the slippage from 2020/21 were set out in the Capital Programme Report for 2020/21 reported to Cabinet on 22 June 2021. After taking into account the slippage from 2020/21 the overall ten-year capital programme has increased by **£27.9m**. 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 (2021/22 to 2030/31) * £m	Latest Updated Total Programme (2021/22 to 2030/31) £m	Variation £m	Variation in the size of the overall programme (including 2020/21) £m
Pupil Places	215.5	233.3	+17.8	+11.3
Major Infrastructure	581.4	596.0	+14.6	+11.3
Highways AMP	289.8	298.5	+8.7	-0.1
Property, Estates & Investments	61.0	69.3	+8.3	+4.2
ICT	21.5	23.4	+1.9	+0.2
Passport Funding	65.1	62.9	-2.2	+1.3
Vehicles & Equipment	9.3	9.4	+0.1	-0.3
<b>Total Strategy Programmes</b>	<b>1,243.6</b>	<b>1,292.8</b>	<b>+49.2</b>	<b>+27.9</b>
Earmarked Reserves	48.8	70.5	+21.7	+21.7
<b>Total Capital Programme</b>	<b>1,292.4</b>	<b>1,363.3</b>	<b>+70.9</b>	<b>+49.6</b>

\* Approved by Council 9 February 2021

### Capital Programme Approvals

41. In relation to years beyond 2021/22, the following new schemes are recommended to Cabinet for approval and inclusion in the Capital Programme:

St Edburgs Primary School – Expansion to 3 Form Entry

42. In 2016 the Oxford Diocese delivered via a funding agreement a new 2 Form Entry (FE) Primary School within the South West Bicester Strategic

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Housing Site. This was the relocation and expansion of the existing St Edburg's Primary School. The S106 agreement for the Kingsmere development includes a site and funding for a second primary school (1 Form Entry). The provision of additional primary phase school places within the Kingsmere development will be met by expanding the existing St Edburg's Primary School to become a 3 Form Entry Primary School. This will split the school onto an additional "Satellite" site which will accommodate Nursery, Reception and Key Stage 1 provision with Key Stage 2 provision to stay on the current site. The School age range will be lowered to 2-11 years to ensure a sufficient supply of early years places.

43. The proposed budget at this stage is estimated at **£10.345m** including contingency which is available from s106 contributions and is planned for completion in September 2023.

### A420 Coxwell Road Junction

44. The A420 Coxwell Road Junction scheme to mitigate the traffic impact of the residential development in Faringdon. The proposed budget at this stage is estimated at **£1.8m** funded from s106 contributions (both County Council & Vale of White Horse District Council). The scheme is planned to be delivered directly by a developer.
45. Cabinet is recommended to approve the increase in cost of the following existing scheme:

### Benson Relief Road

46. The Benson Relief Road will provide developments areas with direct access to the B4009 and A4074 without the need to travel through Benson and provide LGV's and HGV's with an alternative route. Through design development of the scheme, this has identified additional design, construction and land costs. The budget has increased by **£2.2m** to **£4m** and will be funded through developer contributions and Growth Deal funding.
47. Cabinet is asked to note the risk associated with the funding requirements for the following project:

### Access to Witney – Shores Green

48. The A40 Access to Witney scheme current cost plan exceeds the available funding held by the Council by **£6.8m**. There is an expectation that future S106 arising from the East Witney Strategic Development Area (SDA) and other areas will cover the funding gap. However, it is possible that the timescale to negotiate and finalise the S106 agreements will mean that funding is not secured until after the estimated contract date of Summer 2022. Once the funding is secured, the project will need to be temporarily funded from other resources within the Capital Programme until the developer contributions are received. The timing of the receipt of the Section 106 funding will be dependent on the progress of the associated housing development and could be up to 10 years after delivery. An

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additional report relating to this scheme is elsewhere on the Cabinet agenda.

49. In forming the ten year Capital Programme from 2022/23, the following scheme will be brought forward for inclusion:

### Zero Emission Bus Regional Areas (ZEBRA) scheme

50. At the meeting on 22 June 2021, Cabinet agreed to authorise officers to finalise and submit an Expression of Interest for the Government's Zero Emission Bus Regional Areas (ZEBRA) funding initiative.
51. A successful bid would contribute significantly towards the Council's strategic objectives and priorities for transport improvement. It would support a number of the key corporate priorities related to health and well-being, climate action, air quality and healthy place shaping. A reduction in bus emissions in Oxford would contribute to better air quality, better environments for all users and a reduction in transport's contribution to climate change.
52. Oxford Bus Company and Stagecoach have indicated that they will likely require additional financial assistance to make the ZEBRA scheme financially feasible. Cabinet agreed that additional capital grant funding will be made available to the bus operators of up to **£6.0m**.
53. This scheme will be formally included in the proposed Capital Programme for 2022/23 which will be approved by Council in February 2022. This will also set out how the **£6.0m** capital contribution will be funded.

## Capital Funding Update

54. Since the budget was set in February 2021, there have been further funding announcements of one-off funding and updates to recurring block allocations. As these announcements impact the recurring base allocation for future years, the additional funding will be included within the Budget and Business Planning process which will consider the prioritisation of capital funding and budget requirements over the ten-year programme. This process will also ensure that the programme delivers the priorities set out in the Council's new Corporate Plan which will be formulated during the autumn for approval by Council in February 2022.
55. During February 2021, the Department for Education (DfE) confirmed that the 2022/23 School Places capital allocation was **£3.4m** for Oxfordshire, compared to the forecast funding of nil included in the latest capital programme. The forecasts for both 2021/22 and 2022/23 were included as nil due to the larger than expected **£27.0m** awarded for 2020/21. The additional funding will be included within the Budget and Business Planning process to determine long term school capacity requirements arising from the Pupil Place Plan.
56. The School Condition Allocation (SCA) for 2021/22 was announced in April 2021. Oxfordshire will receive a formulaic allocation of **£4.6m**, compared

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to the forecast funding of **£2.3m** included in the latest Capital Programme, additional funding of **£2.3m**. This is due to the significant increase in the overall SCA capital settlement allocation. Last year, additional SCA funding was announced mid-year and the Council received an additional £1.3m on top of the annual funding allocation of **£2.8m**.

57. As the 2021/22 programme already includes seven projects carried over from the previous year, the in-year additional funding and the long-term financial implications on the future annual block funding will be identified through the Budget and Business Planning process which will consider the prioritisation of capital funding and budget requirements over the ten-year programme.
58. The 2021/22 School Maintenance Programme will contain a total of 29 projects totalling **£4.0m** towards the repair and upgrades to school buildings primarily consisting of the replacement of boilers and flat roof replacement projects.
59. During April 2021, DfE announced the continuation of the SEN capital grant funding in the form of a new grant name, High Needs Provision Capital Allocation (HNPCA). Oxfordshire will receive **£3.5m** for 2021/22. Future year allocations are currently unknown. The grant is being provided as un-rungfenced and intended to assist in the delivery of new places or to improve existing provision for pupils with high needs across a range of different educational settings. The intentions of the funding setting out the details of provisional projects intended to be funded from the grant will be submitted to the DfE by the end of June 2021. These projects will then be included within this year's Budget and Business Planning process.
60. The DfT Highway Maintenance funding for 2021/22 was announced in February 2021. The Council will receive an allocation of **£24.6m** compared to the forecast funding of **£18.0m** included in the latest Capital Programme, an additional **£6.6m**. This includes an additional **£9.3m** from the Pothole Fund and a reduction of **£2.7m** on the annual transport and highway block allocation. The in-year additional funding and the long-term financial implications on the future annual block funding will be identified through the Budget and Business Planning process which will consider the prioritisation of capital funding and budget requirements over the ten-year programme.

### Prudential Borrowing

61. The ten-year Capital Programme includes a requirement to fund **£225.8m** through prudential borrowing. The latest estimate for 2021/22 is **£70m**. 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 commitment includes **£40.0m** in relation to the additional investment of **£120m**, agreed in 2018/19, of which **£32.0m** relates to additional investment in the Highways Asset Management Plan (two out of first three years) and **£8.0m** in relation to the Property defect liability programme. **£15m** of the total relates to the Street Lighting Programme which is an invest to save programme.

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62. Borrowing of **£15m** relates to the OxLEP City Deal programme. Borrowing for this programme had been delayed by temporary use of the Local Growth Fund. However, all Local Growth Fund grant is expected to be utilised by the end of 2021/22 and the expenditure, which has already been incurred, will need to be permanently funded.
63. 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. Costs relating the City Deal Programme will be fully funded by OxLEP through Enterprise Zone retained business rates.

### Earmarked Reserves

64. The level of earmarked reserves in February 2021 was **£48.8m**. This includes the capital programme contingency for the delivery of the current ten-year capital programme plus identified provisions. With the recent new funding announcements, additional funding of **£15.9m** has been included within the reserves. A further **£4.9m** from the 2020/21 capital outturn position has also be added to the reserves which is available to be reallocated to priorities as part of the business and budget planning process. With other minor adjustments the revised earmarked reserves value is now **£70.5m** compared to the overall capital programme value of **£1.3bn**.
65. The **£4.9m** balance is due to the **£2.8m** of COVID-19 funding allocated in 2020/21 towards cost pressures on various projects and programmes as reported to Cabinet in March 2021. These have previously been met from the capital programme contingency. The remaining balance is from the return of budget provisions on annual programmes that were unspent in 2020/21, interest from developer contributions and higher receipt of developer contributions than forecasted thus releasing council resources. The programme contingency is currently **£15.0m**.

### Capital Reserves

66. The current level of capital reserves (including capital receipts and capital grants reserves) is approximately **£98.2m**. This is expected to reduce to **£18.1m** at the end of 2022/23. The reduction is mainly due to the delivery of the Growth Deal Programme and the completion of schemes funded through the Local Growth Fund. 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

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67. There are a number of emerging factors that indicate that there is increased risk to the affordability and deliverability of capital schemes in 2021/22 and beyond:
- Brexit
  - Covid-19
  - HS2 project (project is absorbing market capacity)
68. The combined impact of these factors could affect delivery across three key areas:
- Workforce – both skilled and unskilled
  - Availability of materials
  - Price
- 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.
69. 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 a number of months, are now being held for a number of days, increasing price volatility.
70. The Capital Programme earmarked reserves contains a programme wide contingency budget of **£15m** to help manage unexpected cost pressures.
71. Specific to the HIF 1 and HIF 2 schemes, there are challenges to securing the necessary land to deliver the planned schemes relating to both cost and time. As these schemes are funded by government grant, additional funding is being sought from central government to offset known cost pressures.

## Financial Implications

72. The paragraphs above set 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 of the value 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

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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 Hannah Doney, Head of Corporate Finance

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Director of Finance

Background papers:

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