TO: THE EXECUTIVE
14 FEBRUARY 2017

CAPITAL PROGRAMME 2017/2018 - 2019/2020
(Borough Treasurer/Chief Executive)

1 PURPOSE OF DECISION

1.1 As part of the Council's financial and policy planning process, the Executive issued draft Capital Programme proposals for 2017/18 - 2019/20 for consultation on 13 December 2016. The main focus was inevitably departmental spending needs for 2017/18, although future year's schemes do also form an important part of the programme. This report sets out the proposed capital programme, following the consultation exercise, for consideration by the Executive prior to submission to the Council on 1st March 2017.

1.2 The revenue implications of the recommendations in this report are reflected in the subsequent report on the Council's revenue budget proposals. Any revisions to the proposals put forward for each service would also need to be reflected in the revenue budget report.

2 RECOMMENDATIONS

That the Executive:

2.1 Recommends to the Council

a) General Fund capital funding of £69.083m for 2017/18 in respect of those schemes listed in Annexes A – E.

b) The inclusion of an additional budget of £1m for Invest to Save schemes.

c) The inclusion of £0.942m of expenditure to be funded from S106 as outlined in paragraph 5.32.

d) That those schemes that attract external grant funding are included within the Capital Programme at the level of funding received.

e) That funding of £0.473m be released through a supplementary capital approval in 2016/17 for the schemes included in para 5.30

2.2 Agrees that capital schemes that require external funding can only proceed once the Council is certain of receiving the grant.

2.3 Reviews the indicative programme for 2018/19 and 2019/20 in the light of resources available and spending priorities in December 2017.

3 REASONS FOR RECOMMENDATIONS

3.1 The reasons for the recommendations are set out in the report.

4 ALTERNATIVE OPTIONS CONSIDERED

4.1 The alternative options are considered in the report.

5 SUPPORTING INFORMATION

Capital Resources

5.1 Each year the Council agrees a programme of capital schemes. In the past these schemes have been funded from three main sources:

- the Council's accumulated capital receipts
- Government Grants
- other external contributions

5.2 The Local Government Act 2003 brought in radical changes to the financing of capital expenditure and from that date, the Government no longer issued borrowing approvals. Instead, under a new "prudential framework", Councils can set their own borrowing limits based on the affordability of the debt.

5.3 As the Council's accumulated capital receipts have been fully utilised, the Council returned to a position of internal borrowing in 2010 and as such a revenue contribution is required each year to repay this internal borrowing. Once the Council's current level of investments is exhausted, which is expected to be during 2016/17, the Council will need to borrow externally.

5.4 The Council's estimated total usable capital receipts at 31st March 2016 are zero. As a debt free authority the Council is partly reliant on capital receipts to fund its capital programme, although interest generated from capital receipts can also help support the revenue budget in the short term – however with investment rates at historic lows it makes more economic sense to defer borrowing. The Council still receives a share of any Right-To-Buy proceeds from Bracknell Forest Homes in addition to a share of capital receipts from the VAT Shelter scheme, however this is now coming close to the end of the 10-year agreement.

5.5 The proposed capital programme for 2017/18 has been developed, therefore, on the assumption that it will be funded by a combination of Government grants, other external contributions and borrowing in addition to capital receipts. Historically capital receipts have averaged around £5m per annum, however with the introduction of CIL and the forthcoming sale of the Sandy Lane land there is potential for a much larger level of capital receipts in 2017/18. However the exact value received will depend largely on the value of receipts from Sandy Lane and the timing of the sale. Borrowing from external sources (e.g. the PWLB) will be taken when needed, although internal resources will be used in the first instance where this is possible. The financing costs associated with the General Fund Capital Programme have been provided for in the Council's revenue budget plans which also appear on tonight's agenda.

New Schemes

5.6 Within the general financial framework outlined above, Service Departments have considered new schemes for inclusion within the Council's Capital Programme for 2017/18 – 2019/20. Given that both capital and revenue resources are under pressure, each Department has evaluated and prioritised proposed schemes into broad categories in line with the Council's Asset Management Plan. Having done this, only the very highest priority schemes and programmes are being recommended for inclusion in the Capital Programme.

Town Centre

5.7 Following the conclusion of the Development Agreement with Bracknell Regeneration Partnership (BRP) the Council set out its own planned investment on wider Town Centre infrastructure as part of the 2015/16 Capital Programme. These previously agreed investment plans follow through into 2017/18.

5.8 Similarly in order to facilitate transport movements around the Borough, including the planned Town Centre redevelopment, it is necessary to continue to fund a number of infrastructure schemes. As such a funding need of £1.5m has been identified in the 2017/18 proposals (and a further £0.5m in 2018/19) to ensure that the regenerated town centre functions as a "whole centre" and not just as an isolated shopping outlet. Spending levels of this magnitude are likely to be required until the new Northern Retail Quarter area is open and established for trading. This additional expenditure is aimed at maximising the positive experience of visiting the regenerated town centre.

5.9 All of these items have a much wider impact than the new development itself and will benefit the whole Borough. However the expenditure needs to be co-ordinated with the specific work that BRP are planning to carry out.

Commercial Investment Strategy

5.10 The Council's Medium Term Financial Strategy forecasts a substantial budget gap over the next three financial years. The Transformation Programme initiated during 2015 is critical to the achievement of our financial objectives.

5.11 A key project within the Transformation Programme is a Commercial Property Investment Strategy (as outlined in the Report to 16th November Executive) designed to deliver additional income of £1m in 2017/18 with a further £1m in 2018/19 and a further £1m in 2019/20. Assuming an average net yield of 5% per annum this will require the Council to invest £20m per annum in commercial property during 2016/17, 2017/18 and 2018/19.

Other Unavoidable & Committed schemes

5.12 This category covers schemes which must proceed to ensure that the Council is not left open to legal sanction and includes items relating to health and safety issues, new legislation etc. Committed schemes also include those that have been started as part of the 2016/17 Capital Programme. Also included within this category are those schemes that were previously funded from the General Fund Revenue Account, but which by their nature could be legitimately capitalised, thereby reducing pressure on the revenue budget. Schemes in this category form the first call on the available capital resources.

Maintenance (Improvements and capitalised repairs)

5.13 An assessment has been made of the condition of the Council's property assets to arrive at an estimate of the outstanding maintenance works required. An assessment is made of the state of each building element and its repair priority with a condition rating and repair urgency.

Definition of Condition Categories:
A: Good – Performing as intended and operating efficiently. B: Satisfactory – Performing as intended but showing minor deterioration. C: Poor – Showing major defects and/or not operating as intended. D: Bad – Life expired and/or serious risk of imminent failure.

Priority:
1 Urgent works that will prevent immediate closure of premises and/or address an immediate high risk to the health and safety of the occupants and/or remedy a serious breach of legislation. 2 Essential work required within two years that will prevent serious deterioration of the fabric or services and/or address a medium risk to the health & safety of the occupants and/or a minor breach of the legislation. 3 Desirable work required within 3 to 5 years that will prevent deterioration of the fabric or services and/or address a low risk to the health & safety of the occupants and/or a minor breach of the legislation. 4 Long-term work required beyond a period of 5 years that will prevent deterioration of the fabric or services.

The figures below are based on the information held in the Construction and Maintenance Groups' property management system. They have been adjusted to exclude those works that are already budgeted for within existing 2016/17 schools and corporate planned maintenance programmes. The priorities can be broken down as follows:

Maintenance Backlog

		£ (000)	£ (000)
Schools	Priority 1C & 1D	2,914	
	Priority 2C & 2D	8,539	
	Lower Priorities	26,237	37,690
Corporate Properties	Priority 1C & 1D	2,553	
	Priority 2C & 2D	2,758	
	Lower Priorities	11,574	16,885
Total			**54,575**

5.14 The overall maintenance liability has increased from £52.5m in 2016/17 to £54.58m. The last couple of years have seen large increases in building costs. As the Council is now running a five year programme of condition surveys, some of the older data was quickly becoming out-of-date and, as a consequence, adjustments have been applied to that data to bring it in line with current costs. Secondly, the nature of the condition surveys has evolved such that more emphasis is now given to predicting the need for works further in advance than was previously the case. This is partly because of the five year programme approach mentioned above and partly because the asset management package that we now use to manage this data lends itself to better recording. As such much of the value attributed to lower priority works is for things that are likely to be required over the next several years. However it should be noted that the work being done as part of the property review Transformation Programme, which is seeking to consolidate the number of council buildings and make more intensive use of those we will continue to operate, should help reduce the maintenance backlog in future.

Schools

5.15 Historically the Schools Maintenance Programme has been funded from the Capital Maintenance grant allocation from the Department for Education (DfE). The allocation from the DfE for 2017/18 of £1.931m will be used to tackle the highest priority items identified in the condition surveys indicated above.

Non-schools

5.16 From an initial analysis of the work required it is clear that some works, whilst urgent, cannot be legitimately capitalised and must be met from a revenue budget. An allowance of £200,000 is available in the 2017/18 Revenue Budget proposals to meet these liabilities.

5.17 In line with the policy adopted last year the Asset Management Group has considered only those works that fall within categories 1C and 1D. Given the financial constraints on both the revenue and capital budgets an allocation of £1.775m is recommended to address the most pressing 1C &1D priorities.

5.18 A package of works related to Bracknell Sports and Leisure Centre have been included in the maintenance budget to avoid potential operators adding a risk premium to their bids when the Council tenders services in 2017/18. Failure to do so would result in higher revenue costs for the contracted services.

5.19 The implications of failing to maintain Council buildings and to address the backlog will be a significant issue for the Council over the coming years and efforts will be focussed on ensuring that the highest priority items are tackled first and that efficiencies are maximised in the procurement of works.

Rolling programmes

5.20 These programmes cover more than one year and give a degree of certainty for forward planning schemes to improve service delivery. They make an important contribution towards the Council's established Asset Management Plans.

Other Desirable Schemes

5.21 In addition to the schemes identified in the above categories, each service has requested funding for other high priority schemes that meet the needs and objectives of their service.

Invest-To-Save Schemes

5.22 These are schemes where the additional revenue income or savings arising from their implementation exceeds the Council's borrowing costs. In the past the Council has allocated £1m per annum to fund potential Invest-to-Save (ITS) schemes that may present themselves during the year, this is recommended to continue.

<u>Changes since Consultation</u>

Library Self Service

5.23 Further work has been undertaken in reviewing the needs of the scheme to introduce self-service technology assisted opening in Libraries. This scheme is fundamental to the delivery of the long-term Libraries service across the Council and the savings built into the Efficiencies Plan. The overall cost of the programme has been re-evaluated and additional costs have been identified if the scheme is to be successfully rolled out. This will not affect the funding required in 2017/18 but has added an additional need in 2018/19 of £0.124m

Civic Accommodation

5.24 Funding bids within the 2017/18 proposals included a number of projects that will support the Transformation Programme that is fundamental to delivering the savings needed to balance the Council's budget over the medium term. Two schemes can be started early in order to maximise the delivery of the changes needed in working patterns. This includes work on the Civic Accommodation at Time Square and the need to refresh the Council's intranet if it is to enable increased self-service and host a staff self-service portal.

5.25 The initial estimate for the work at Time Square to accommodate all staff from Easthampstead House has been updated to reflect the latest designs and inflation estimates. Work to create the Council Chamber and to provide an area for Members and the Chief Executive on the 4th Floor have increased costs by £0.737m. Furthermore by reviewing the programme plans it is possible to accelerate the project and to complete the project by February 2018, six months earlier than originally planned. This will require a re-profiling of the cash-flows, however it will enable the savings associated with having staff working on one site realised sooner. In turn, this will release the Easthampstead House site for redevelopment, with the proceeds helping to fund future capital investment.

Supported Housing Investment

5.26 An opportunity has arisen at a Council property (Holly House) that provides housing and related support for young single homeless people, including care leavers. Without this provision there would be additional costs for the Council in accommodating care leavers as well as some young people that would fall under the Council's homeless duty. A refurbishment of the property would enable the accommodation of care leavers with higher support needs on the basis of dedicated support arrangements. The Council would look to share the costs of the capital works necessary to enable this which could be self-funded (based on Invest-to-Save) from the savings achieved from placing these higher support-needs clients in a local provision. The supported housing services are due to be retendered in 2017/18 and any refurbishment would be reliant on the completion of this process. The share of the refurbishment costs met by the Council would be capped at £0.45m.

New Chapel at Cemetery and Crematorium

5.27 Funding for £1m was approved in the 2016/17 Capital Programme for the construction of a new Chapel at the Cemetery & Crematorium. The tender process was re-phased to accommodate the operational needs of the service and a number of bids have now been received. However, with inflation levels in the construction industry costs increasing, a supplementary capital approval of £0.15m is needed to complete the project. The project was brought forward as an invest-to-save scheme in 2016/17 and the additional funding requested will be supported by additional income based on the latest income projections for this project.

Other Changes

5.28 In addition to these schemes, it has been identified that the Council's Alert System (this provides a database to record and provide background information prior to a visit or reference to a particular resident, enabling staff to make an assessment of the risk and take appropriate action to protect their health and safety. All information held within the database is confidential) is no longer supported under its current contract and the risk identified with this position is deemed significant enough to request that the funding identified in the 2017/18 proposals be brought forward into the current year.

5.29 An additional grant from the Department for Education has been notified to the Council this month, this will be used to expand and adapt current provision to allow for Early Years providers to deliver more free childcare hours. This is a ring-fenced grant.

The table below identifies the funding impact of the above proposals. A Supplementary Capital Approval for 2016/17 amounting to £0.473m is requested alongside additional net funding of £0.861m

	Funding Changes since Consultation				
	Scheme	**2016/17 £000**	**2017/18 £000**	**2018/19 £000**	**2019/20 £000**
	Self Service Technology Assisted Opening in Libraries	0	0	124	0
	Civic accommodation*	90	1,862	-1,085	-40
	Intranet Development*	20	0	0	0
	Supported Housing Investment (Invest-to-Save) **	0	450	0	0
	New Chapel**	150	0	0	0
	Alert System*	18	0	0	0
	Early Years Capital Grant Funding***	195	0	0	0
	Total	**473**	**2,312**	**-961**	-40
	Included in original proposals*	128	0	0	0
	Additional Funding	**345**	**2,312**	**-961**	-40
	Less Self-funding proposals**	150	450	0	0
	Less External Grant***	195	0	0	0
	Change in Council Funding	**0**	**1,862**	**-961**	**-40**

5.30 If approved this additional funding will impact on the Revenue budget through additional interest of £22k (in a full year) and an MRP cost of approximately £30k (in 2018/19).

Capital Programme 2017/18 – 2019/20

5.31 A summary of the cost of schemes proposed by Departments is set out in the table below. A list of schemes within the capital programme for each service is included in Annexes A – E. Total Council funding amounts to £50.075m.

Capital Programme 2017/18-2019/20				
Annex	**Service Area**	**2017/18 £000**	**2018/19 £000**	**2019/20 £000**
A	Adult Social Care, Health & Housing	7,452	0	0
B	Children, Young People & Learning	20,540	3,574	574
C	Corporate Services	3,450	1,025	30
D	Council Wide	23,822	20,500	510
E	Environment Culture & Communities	13,819	5,398	3,400
	Total Capital Programme	**68,566**	**30,497**	**4,514**
	Externally Funded	**19,008**	**3,728**	**3,209**
	Total request for Council funding	**50,075**	**26,769**	**1,305**

Externally Funded Schemes

5.32 A number of external funding sources are also available to fund schemes within the capital programme. External support has been identified from two main sources:

Government Grants
A number of capital schemes attract specific grants. It is proposed that all such schemes should be included in the capital programme at the level of external funding that is available.

A significant element of the grant-funded capital programme relates to the planned investment in Schools. The schools investment programme included in this report reflects the highest priority schemes identified by the Department and the Education Capital Programme Board. A total of £11.327m will be invested in schools from specific capital grants.

A second key constituent of capital grant funding relates to the Highway Maintenance, Integrated Transport Block and grants from the Local Enterprise Partnership. Grant approvals of £5.132m are currently anticipated for 2017/18.

Section 106 (£0.942m)
Each year the Council enters into a number of agreements under Section 106 of the Town & Country Planning Act 1990 by which developers make a contribution towards the cost of providing facilities and infrastructure that may be required as a result of their development. Usually the monies are given for work in a particular area and/or for specific projects. The total money available at present, which is not financially committed to specific projects, is £3.8m, although conditions restricting its use will apply to almost all of this.

Officers have identified a number of schemes that could be funded from Section 106 funds in 2017/18, where funding becomes available. These are summarised below and highlighted in the Annexes to this report.

Department	Schemes	Budget
		£000
CYPL	Various School Schemes	423
ECC	Leisure & Culture	169
ECC	Local Transport Plan	350
	Total	**942**

The level of new funding available through Section 106 is expected to reduce in the future following the introduction of the Community Infrastructure Levy (CIL). However the more flexible CIL funding should offset this reduction.

On-going Revenue Costs

5.33 Schemes may have associated on-going revenue costs which tend to become payable in the year after implementation. These will be included within the Council's Commitment Budget for 2017/18, total £69,000 and relate to the licence and maintenance contracts associated with the new IT hardware investment.

Funding Options

5.34 Following the transfer of the housing stock in 2008, the Council's capital receipts are limited to miscellaneous asset sales, the contribution from the VAT Shelter Scheme and Right-to-Buy claw back agreed as part of the transfer and the new Community Infrastructure Levy (CIL).

5.35 The Council introduced CIL in April 2015. It is difficult to estimate the potential amount of CIL that will be generated as this will depend on the delivery of additional housing development in the Borough, which is to a large extent outside of the control of the authority. However based on the most recent housing trajectory estimates and knowledge of development schemes that will come forward in the next 18 months, it is estimated that £2m is an appropriate assumption for 2017/18.

5.36 The proposed capital programme for 2017/18 has been developed, therefore, on the assumption that it will be funded by a combination of approximately £14m of capital receipts, Government grants, other external contributions and borrowing. The financing costs associated with the Capital Programme have been provided for in the Council's revenue budget plans.

5.37 Given the level of investment proposed in 2016/17 and 2017/18, it is inevitable that the Council will soon be required to borrow externally. The timing of this will depend on the level of surplus cash held by the Council which will be used in the first instance to fund the Capital Programme commitments.

5.38 The use of these monies is known as internal borrowing and the Capital Finance regulations require the Council, through the General Fund, to set aside an amount, the Minimum Revenue Provision (MRP), which would be broadly equivalent to the amount the Council would need to re-pay if it borrowed externally. Any external borrowing will also require MRP in addition to an interest charge depending on the maturity of the loan.

5.39 The table below highlights the indicative funding of the Capital Programme, however it should be noted that the actual level of borrowing will depend on a number of factors; the progress made in implementing the 2016/17 and 2017/18 Capital Programme, the level of CIL and Capital receipts achieved in the year and the level of internal borrowing that is available (using working capital to fund investment).

2017/18 Programme & Funding	£'000
Total Programme	69,083
External Funding	19,008
Capital Receipts	14,000
External Borrowing	36,075

5.40 Following the introduction of the Prudential Borrowing regime local authorities are able to determine the level of their own capital expenditure with regard only to affordability on the revenue account. In practice this represents the amount of borrowing they can afford to finance, and will necessitate taking a medium-term view of revenue income streams and capital investment needs.

5.41 To achieve its aim of ensuring that capital investment plans are affordable, prudent and sustainable, the Local Government Act requires all local authorities to set and keep under review a series of prudential indicators included in the CIPFA Prudential Code for Capital Finance in Local Authorities. The Capital Programme recommended in this report can be sustained and is within the prudential guidelines. Full Council will need to agree the prudential indicators for 2017/18 to 2019/20 in March 2017, alongside its consideration of the specific budget proposals for 2017/18 and the Council's medium-term financial prospects.

5.42 Members will need to carefully balance the level of the Capital Programme in future years against other revenue budget pressures and a thorough review, including the prioritisation of those schemes planned for 2018/19 onwards, will need to be undertaken during next summer.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

6.1 The authorisation for incurring capital expenditure by local authorities is contained in the legislation covering the service areas. Controls on capital expenditure are contained in the Local Government Act 2003 and regulations made thereunder.

Borough Treasurer

6.2 The financial implications are contained within the report.

Equalities Impact Assessment

6.3 The Council's budget proposals impact on a wide range of services. A detailed consultation was undertaken on the draft budget proposals published in December to provide individuals and groups the opportunity to provide comments. Where necessary, impact assessments on specific schemes within the capital programme will be undertaken before work commences.

Strategic Risk Management Issues

6.4 The scale of the Council's Capital Programme for 2017/18 will impact upon the revenue budget. All new investment on services will need to be funded from new capital receipts or borrowing. This effect is compounded by future year's capital programmes. The generation of capital receipts in future years may mitigate the impact on the revenue budget, but as the timing and scale of these receipts is uncertain their impact is unlikely to be material.

6.5 There are also a range of risks that are common to all capital projects which include:

- Tender prices exceeding the budget
- Planning issues and potential delays
- Uncertainty of external funding

- Building delays due to unavailability of materials or inclement weather
- Availability of staff with appropriate skills to implement schemes

6.6 These can be managed through the use of appropriate professional officers and following best practice in project management techniques. The report also identifies the risk associated with the shortfall in maintenance expenditure compared to that identified by the latest condition surveys. With only those highest priorities receiving funding in 2017/18, there will be a further build up in the maintenance backlog and a risk that the deterioration in Council assets will hamper the ability to deliver good services.

7 CONSULTATION

7.1 See the General Fund Revenue Budget 2017/18 report on tonight's agenda outlining the results of the budget consultation

Background Papers
None

Contact for further information
Stuart McKellar -01344 352180
stuart.mckellar@bracknell-forest.gov.uk

Calvin Orr – 01344 352125
calvin.orr@bracknell-forest.gov.uk