

TO: THE EXECUTIVE
19 DECEMBER 2017

CAPITAL PROGRAMME 2018/2019 - 2020/2021
(Borough Treasurer/Chief Executive)

1 PURPOSE OF DECISION

- 1.1 Under the Council's constitution, the Executive is required to consult on its detailed budget proposals with the Council's Overview & Scrutiny Commission and any other interested parties or individuals for a period of at least six weeks. This report summarises the current position on the Council's Capital Programme budget preparations for 2018/19.
- 1.2 This report draws together each department's proposals so that the Executive can agree a draft capital programme for 2018/19-2020/21 as the basis for consultation. In compiling the draft programme the main focus is inevitably on determining the requirements for 2018/19, although future year's schemes do also form an important part of the programme.
- 1.3 The financial implications of the recommendations in this report are reflected in the subsequent report on the Council's draft revenue budget. Any revisions to the proposals put forward by each service would also need to be reflected in that report which will also be published as the basis for consultation following the Executive's meeting.

2 RECOMMENDATIONS

That the Executive:

- 2.1 Approves, for consultation, an initial Council funded capital programme (excluding the Commercial Property Investment Strategy budget) of £10.546m for 2018/19 as set out in paragraph 5.16 and summarised in Annex A, including the new schemes listed in Annexes B – F.
- 2.2 Approves, for consultation, the inclusion of an additional budget of £1m for Invest-to-Save schemes.
- 2.3 Approves, for consultation, the inclusion of £3.48m of expenditure to be funded from S106 as outlined in paragraph 5.19.
- 2.4 Approves, for consultation, the inclusion of £13.850m of expenditure to be externally or self funded as outlined in paragraph 5.19.
- 2.5 Waive the Contract Standing Order (CSO) requirements relating to the Procurement Plan, Competition and Advertising elements for the procurement of offsite road works at the Blue Mountain development, the details of which are set out below (paragraph 5.26) and agree the appointment of Ringway (an existing BFC Term contractor) for the delivery of these works

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 Council's total usable capital receipts at 31st March 2017 are zero. The Council is partly reliant on capital receipts and other contributions 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 offset borrowing.
- 5.3 The proposed capital programme for 2018/19 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 this has largely been made up of the VAT and Right-to-Buy sharing agreement contributions from Bracknell Forest Homes – these schemes have now ended. However receipts from two large sites and CIL contributions should enable £8m of the capital programme to be funded from receipts. Internal resources will be used in the first instance and borrowing from external sources (e.g. the PWLB) will be used when necessary. 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

- 5.4 Within the general financial framework outlined above, Service Departments have considered new schemes for inclusion within the Council's Capital Programme for 2018/19 – 2020/21. 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.

Other Unavoidable & Committed schemes

- 5.5 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 2017/18 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)

- 5.6 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.
- 5.7 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 2018/19 schools and corporate planned maintenance programmes.

The priorities can be broken down as follows:

Maintenance Backlog

		£ (000)	£ (000)
Schools	Priority 1C & 1D	2,245	
	Priority 2C & 2D	8,028	
	Lower Priorities	24,478	34,751
Corporate Properties	Priority 1C & 1D	1,640	
	Priority 2C & 2D	2,107	
	Lower Priorities	11,894	15,641
Total			50,392

- 5.8 The overall maintenance liability has reduced from £54.6m in 2017/18 to £50.4m. The last couple of years have seen large increases in building costs however this has been offset by previous maintenance programmes and the rationalisation of council properties.

Schools

- 5.9 Historically the Schools Maintenance Programme has been funded from the Capital Maintenance grant allocation from the Department for Education (DfE). The indicative allocation from the DfE for 2018/19 of £1.912m will be used to tackle the highest priority items identified in the condition surveys indicated above.

Non-schools

- 5.10 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 2018/19 Revenue Budget proposals to meet these liabilities.
- 5.11 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 £1.125m is recommended to address the most pressing 1C & 1D priorities.
- 5.12 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, that efficiencies are maximised in the procurement of works and that maintenance which will result in energy efficiencies are undertaken through the invest-to-save programme.

Rolling programmes

- 5.13 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

- 5.14 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. The net cost of schemes which attract partial external funding are included in the schemes put forward.

Invest-To-Save Schemes

- 5.15 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

Capital Programme 2018/19 – 2020/21

- 5.16 A summary of the cost of new schemes proposed by Departments is set out in the table below and in Annex A. A detailed list of suggested schemes within the draft capital programme, together with a brief description of each project, for each service is included in Annexes B – F.
- 5.17 The Executive on 21st November 2017 recommended that Council agree a further £30m be approved for investment in commercial property in line with the accepted Commercial Property Investment Strategy. This is included within the overall spending plans below.
- 5.18 Total Council funding for schemes amounts to £10.546m. However excluding the funding for the new Kings Academy School and the Civic Centre Accommodation the total Council funding requested is £5.411m in 2018/19 and this is reflected in the Revenue Budget proposals.

Capital Programme 2018/19-2020/21				
Annex	Service Area	2018/19 £000	2019/20 £000	2020/21 £000
B	Adult Social Care, Health & Housing	8,473	0	0
C	Children, Young People & Learning	8,289	850	250
D	Resources	2,135	70	0
E	Council Wide	32,313	363	388
F	Environment Culture & Communities	6,666	6,465	1,960
	Total Capital Programme	57,876	7,748	2,598
	Less Externally and Self Funded	17,330	5,685	1,475
	Less Commercial Property Investment	30,000	0	0
	Total request for Council funding	10,546	2,063	1,123

Externally Funded Schemes

- 5.19 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. However as a result in a change to the capital funding formula and the perceived relative need for school places in Bracknell compared to other areas of the country, the Council will receive no Basic Needs Grant in 2018/19. This is the first year this has happened.

However the Council has clear need for investment in school places in the Borough and have identified two schemes that require funding in the coming years and are set out in Annex B. In addition to this Council funding a total of £2.178m will be invested in schools from specific capital grants

A second key constituent of capital grant funding relates to the Highway Maintenance and the Integrated Transport Block totalling £2.089m for 2018/19. A matched funding bid has also been accepted for the work on Downshire Way – this will attract grant of £3.29m to be matched with £1.4m of Council funding and developer contributions.

Section 106 (£3.480m)

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

Officers have identified a number of schemes that could be funded from Section 106 funds in 2018/19, where funding becomes available. These are summarised below

Department	Schemes	Budget
		<i>£000</i>
ASCHH	Edenfield-Stonewater	233
CYPL	Various School Schemes	2,236
ECC	Leisure & Culture	511
ECC	Local Transport Plan	350
ECC	SANGS	150
	Total	3,480

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

- 5.20 Schemes may have associated on-going revenue costs and tend to become payable in the year after implementation. As such will be included within the

Council's Commitment Budget for 2018/19. These total £39,000 and relate to the licence and maintenance contracts associated with the new IT hardware investment.

Funding Options

- 5.21 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 £3m is an appropriate assumption for 2018/19.
- 5.22 The proposed capital programme for 2018/19 has been developed, therefore, on the assumption that it will be funded by a combination of approximately £8m 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.
- 5.23 Given the level of investment agreed in 2017/18 and proposed in 2018/19, in particular Binfield Learning Village, the Council is now 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. Any external borrowing will require a sum to be set aside Minimum Revenue Position in addition to an interest charge depending on the maturity of the loan.
- 5.24 If any amendments are made to the capital programme, the revenue consequences will need to be adjusted accordingly. Executive Members will therefore need to consider the impact of the capital programme as part of the final revenue budget decisions.
- 5.25 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.
- 5.26 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 2018/19 to 2020/21 in March 2018, alongside its consideration of the specific budget proposals for 2018/19 and the Council's medium-term financial prospects.
- 5.27 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 2019/20 onwards, will need to be undertaken during next summer.

Other Issues

- 5.28 The Executive on 19 July 2016 approved the award of the Main Works contract to Mace Limited for the construction of the Binfield Learning Village (the new Kings Academy School) and the supporting upgrade works to roads and utilities along with the updated procurement plan.

- 5.29 The construction of the new school is well underway and remains on time and within the allocated budget. The school is due to open in September 2018. The contract administration by the Council requires continual monitoring of the contractor's performance, programme of works, cost analysis and risk management.
- 5.30 Offsite road works (consisting of Wood Lane improvements, new toucan crossing on Temple Way, Popeswood Roundabout improvements, new northern car park and associated junction works) are an important element of the project deliverables. In accordance with the planning permission for the project and the associated conditions, the off-site road works need to be completed by the Council prior to occupation of the school buildings and dwellings.
- 5.31 On analysis of Mace's updated cost submission for the scope of works for Wood Lane improvements and the risk of delay to the completion (which would trigger extension of time claims by the contractor), it is prudent to omit the offsite road works from Mace's works contract and in its place appoint Ringway (Bracknell Forest Council's term contractor for highways works) to undertake the design and construction works. The estimated value of the works for Ringway to deliver the road improvements is c. £956k including design fee but excluding S278 fee and overhead and loss for Mace.
- 5.32 Works over £400k require Executive approval under the Contracting Standing Order (CSO). Hence, a waiver to the CSO is requested from the Executive for changing contractors from Mace (school works contractor) to Ringway (BFC term contractor) for delivering the offsite road works.

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 final budget proposals will potentially impact on all areas of the community. A detailed consultation process is planned in order to provide individuals and groups with the opportunity to comment on the draft proposals. This will ensure that in making final recommendations, the Executive can be made aware of the views of a broad section of residents and service users. Where necessary, impact assessments on specific schemes within the capital programme will be undertaken before work commences.

Strategic Risk Management Issues

- 6.4 The most significant risk facing the Council is the impact of the capital programme on the revenue budget. The scale of the Council's Capital Programme for 2018/19 will impact upon the revenue budget and will itself be subject to consultation over the coming weeks. All new spending on services will need to be funded from new capital receipts or borrowing from internal resources. This effect is compounded by future year's capital programmes. As revenue resources are limited it is clear that a capital programme of this magnitude is not sustainable in the medium term without significant revenue economies. 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 significant.

- 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 2018/19, 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 The Overview & Scrutiny Commission will be consulted on the budget proposals and may also choose to direct specific issues to individual overview and scrutiny panels. Targeted consultation exercises will be undertaken with business rate payers, the Schools Forum, town and parish councils and voluntary organisations. Comments and views will be sought on both the overall budget package and on the detailed budget proposals. In addition, this report and all the supporting information are publicly available to any individual or group who wish to comment on any proposal included within it. To facilitate this, the full budget package will be placed on the Council's web site at <http://consult.bracknell-forest.gov.uk/portal>. There will also be a dedicated mailbox to collect comments.
- 7.2 The timetable for the approval of the 2018/19 Budget is as follows.

Executive agree proposals as basis for consultation	19 December 2017
Consultation period	20 December 2017 - 30 January 2018
Executive considers representations made and recommends budget.	13 February 2018
Council considers Executive budget proposals	28 February 2018

Background Papers

None

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