

**TO: THE EXECUTIVE
13 FEBRUARY 2018**

**CAPITAL PROGRAMME 2018/2019 - 2020/2021
(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 2018/19 - 2020/21 for consultation on 19 December 2017. The main focus was inevitably departmental spending needs for 2018/19, 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 28th February 2018.
- 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 £58.221m for 2018/19 in respect of those schemes listed in Annexes A – E, including £30m previously approved by Council on 29 November 2017 for commercial property investments to be made available in the current financial year.**
- b) **The inclusion of an additional budget of £1m for Invest to Save schemes.**
- c) **The inclusion of £3.480m of expenditure to be funded from S106 as outlined in paragraph 5.23.**
- d) **That those schemes that attract external grant funding are included within the Capital Programme at the level of funding received.**

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

2.3 Agrees that the decision to award the construction contract for the care home at Heathlands be delegated to the Director of Adult Social Care, Health and Housing in consultation with the Executive Member for Adults Services, Health and Housing is in order to be able to move quickly to commence the contract in view of the need to deliver the savings in care costs as quickly as possible as set out in paragraphs 5.17 to 5.20.

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 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

- 5.3 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

- 5.4 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)

- 5.5 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.	

- 5.6 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

- 5.7 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 particularly the on-going rationalisation of council properties.

Schools

- 5.8 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

- 5.9 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.
- 5.10 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.
- 5.11 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

- 5.12 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

- 5.13 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

- 5.14 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.

Changes since Consultation

Other Changes

- 5.15 During the consultation period further work has been undertaken on evaluating two of the schools improvement schemes – namely College Town Amalgamation and Wooden Hill. Scope and costs have been revised at Wooden Hill resulting in a reduction in the funding request. However the latest feasibility for College Town Amalgamation has shown that the total cost of all potential works would be in the order of £750k. Within this, the highest priority items are refurbishment and creation of a single shared staff room and admin offices as well as a single formal entrance and public reception area and the amalgamation of ICT across the school site. These works would improve the day to day management of staff and realise value for money on running costs going forwards.
- 5.16 It is proposed that the draft budget allocation for the College Town Amalgamation of £300k is supplemented by the addition of £150k of funding that is available from the current year's Basic Needs grant to enable the highest priority works to go ahead from the feasibility report and that further engagement is undertaken with the Headteacher on the detailed works to be undertaken with this level of funding.
- 5.17 Previously the Executive approved plans for the joint commissioning of Elderly Mentally Infirm (EMI) care home beds in Bracknell Forest. Specifically, the

Executive agreed to enter into a funding agreement with NHS and Local Authority partners to finance the development of a Full Business Case in respect of developing a new care home on part of the Heathlands site. The Executive approved a provisional allocation of £7m of Council funding (matched by £3m of funding from NHS England) which was ratified by Council in November 2017. After allowing for the cost of capital (both principal repayment and interest costs) the Council will save approximately £200k per year in reduced costs of care. It is also expected that the facility will help keep other care prices in the area in check and thereby realise additional savings.

- 5.18 Further work has been carried out on the detailed costings for the care home and these have shown costs to have increased by approximately £500k. It is therefore proposed to increase the budget previously approved by this sum.
- 5.19 The procurement plan (extract below) agreed by the Executive Member and Director indicates that contract award is expected to be made in August 2018 in order to have the site handover and operational by September 2019. The tender evaluation will be on the basis of Quality (40%)/Cost (60%).

Tenders received	March 2018
Tenders evaluated, preferred bidder identified	April 2018
Executive member/ Director approves award of works contract	July 2018
Letter of intent for mobilisation and site set up	August 2018
Contract award	August 2018
Construction starts	September 2018
Construction completion	September 2019

- 5.20 To facilitate this it is requested that Executive approves that the tender acceptance for the Heathlands contract be delegated to the Executive Member and the Director for ASCHH, subject to it being within the capital estimates agreed in this report. With the timeline above this delegation will enable the project to be implemented 2 - 3 months earlier than would otherwise be the case, maximising the saving to the Council.
- 5.21 The table below identifies the funding impact of the above proposals.

Total Pre Dec £000	Total Post Dec £000	Scheme	2018/19 £000	2019/20 £000
		Schemes Revised		
300	450	CYPL - College Town Amalgamation	+150	0
875	470	CYPL - Wooden Hill Classrooms	-305	-100
		Total	-155	-100
		Schemes Added		
7,000	7,500	ASCHH – Heathlands	500	0
		Change in Council Funding	-345	-100

Capital Programme 2018/19 – 2020/21

- 5.22 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 £40.741m.

Capital Programme 2018/19-2020/21				
Annex	Service Area	2018/19 £000	2019/20 £000	2020/21 £000
A	Adult Social Care, Health & Housing	8,973	10,000	0
B	Children, Young People & Learning	8,134	750	250
C	Resources	2,135	70	0
D	Council Wide	32,313	363	388
E	Environment Culture & Communities	6,666	6,465	1,960
	Total Capital Programme	58,221	17,648	2,598
	Externally Funded	17,480	8,685	1,475
	Total request for Council funding	40,741	8,963	1,123

It should be noted that the largest single item in the programme is £30m in support of delivering the Commercial Property Investment Strategy, which has previously been approved by Council on 29 November 2017 to be available in the current year and is shown above for completeness only.

Externally Funded Schemes

- 5.23 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 various schools across the Borough 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
		£000
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

- 5.24 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

- 5.25 The proposed capital programme for 2018/19 has been developed on the assumption that it will be funded by a combination of approximately £9.8m of capital receipts (including £3m of CIL), 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.
- 5.26 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.
- 5.27 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.
- 5.28 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.

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 2018/19 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 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 See the General Fund Revenue Budget 2018/19 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