

**TO: THE EXECUTIVE
12 FEBRUARY 2019**

**CAPITAL PROGRAMME 2019/2020 - 2021/2022
(Director: Finance / 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 2019/20 - 2021/22 for consultation on 18 December 2018. The main focus was inevitably departmental spending needs for 2019/20, 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 27th February 2019. 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 £33.437m for 2019/20 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 £1.145m of expenditure to be funded from S106 and SANG as outlined in paragraph 5.33.**
- d) **That those schemes that attract external grant funding are included within the Capital Programme at the level of funding received.**
- e) **That S106 funding of £0.1m be approved for works at Easthampstead Park School as outlined in paragraph 5.28**

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

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 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 2019/20 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. Community Infrastructure Levy (CIL) contributions and some small miscellaneous property sales should enable £5m 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 only 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 2019/20 – 2021/22. 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 2018/19 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.

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.

- 5.7 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	3,105	
	Priority 2C & 2D	16,042	
	Lower Priorities	30,530	49,677
Corporate Properties	Priority 1C & 1D	1,856	
	Priority 2C & 2D	3,964	
	Lower Priorities	6,131	11,951
Total		<u>61,628</u>	

- 5.8 The overall maintenance liability has increased from £50.4m in 2018/19 to £61.6m. However, the increase is seen in the Schools portfolio and these figures are currently being reviewed and further testing carried out. There have been notable inflationary increases in the construction industry over the last few years. 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 up to date. 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 is now used to manage this data lends itself to better recording. What this means is that much of the value attributed to lower priority works is for things that are likely to be required over the next several years. The exact time span varies from one item to the next. Because of the five year survey cycle, it has taken a while for the impact of these changes to manifest themselves. Finally, some buildings are deteriorating faster than they can be fixed with the funds that are typically available. In some cases, this means that the work required becomes more expensive the longer it is left unattended. In determining the amount of funding to be made available for maintenance, a balance needs to be struck between short-term affordability and longer-term costs that will arise if assets are allowed to deteriorate significantly.

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 2019/20 of £1.499m 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 2019/20 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 £1.32m 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.

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, this is recommended to continue.

Changes since Consultation

Council Car Parks (Additional £0.2m)

- 5.16 Currently the High Street Car Park is undergoing resurfacing repairs from LG to L2 to replace worn surfacing. Whilst undertaking the works, it has become apparent

that the structural condition of the car park deck has declined since previously inspected. From our findings as part of the works it is estimated that 10% of the complete structural deck has deteriorated and therefore requires attention.

- 5.17 These repairs include both the removal of spalled concrete and repairs to steel reinforcement which are necessary to prevent sections of concrete falling away and impacting vehicles and service users. In addition, surfaces require attention as worn sections and delaminated finishes pose a slip hazard to service users. Failure therefore to carry out these repairs is not a realistic option and could lead to closure of the car park.
- 5.18 An estimate of the works required amounts to £1.5m which is proposed to be undertaken over a 5 year period with the highest priority areas rectified first. A budget of £100k was included in the initial Capital Programme proposals – however it is deemed necessary to increase this by £200k in 2019/20 and to allow for a rolling programme of £300k in future years to complete the works over a 5-year period and to alleviate the risks associated with the defects identified.
- 5.19 Furthermore, upon a visual inspection of Braccan Walk car park to assess the condition of the car park surfacing, a number of significant defects were observed to the structure which requires urgent investigation. In particular, the pattern of cracking and other visual defects, which are especially prevalent to the top floors, suggest that the cantilevered structure requires investigation and possibly remediation. The full extent of these needs to be urgently assessed to ensure that the structure of this car park is preserved. However the cost of any repairs and refurbishments to this car park also requires consideration. Upon inspection, it was found that the car park was considerably under used. Therefore any costs to attend to this structure needs to be carefully considered against whether these would be economical.
- 5.20 The revenue impact of this amounts to £6k interest in a full year and an on-going MRP cost of £5k. As such the impact in 2019/20 will be £3k, and £11k in future years.

Heathlands

- 5.21 Considerable on-going work is taking place developing the business case for the Heathlands project, which will be presented to the Executive in March. The latest costing exercise suggests that additional capital budget provision of £0.95m will be required for the building construction. However, latest monitoring of the Community Capacity Grant and the Disable Facilities Grant suggest these additional costs can be met from these funding sources. As such there will be no financial impact on the Council's revenue account

Town Centre Regeneration (Additional £4.5m)

- 5.22 As highlighted elsewhere on the agenda, the Council has been working with the Bracknell Regeneration Partnership (BRP) to understand and help secure their plans for further development in the Lexicon. A commercial deal is proposed that, if agreed, will see work commence this Spring on a major refurbishment of Princess Square and help secure delivery of The Deck by 2021.
- 5.23 The proposed arrangement with BRP would be funded initially by an additional £4.5m of borrowing, to be repaid from capital receipts on the disposal or development of the core town centre sites identified as part of the Strategic Case for a joint venture. The revenue costs of borrowing pending the capital receipts would be met from the additional business rates income to be received as a result of the Council's Business Rate Pilot status in 2019/20. The amount required to fulfil this

commitment is estimated to be £4.5m resulting in an interest cost of £0.11m in a full year – and as such £0.055m in 2019/20. A charge for MRP amounting to £0.05m would also be required in a full year. It is proposed to meet this additional interest cost and MRP from the Town Centre Reserve and as such will not have an impact on the revenue budget in 2019/20.

Country Park (Additional £2.6m)

- 5.24 The Parks and Countryside review forms part of the Council's Transformation Programme and over the last nine months it has been exploring ways in which the savings target of £400,000 could be achieved whilst transforming the way in which the service is delivered. The outcome of the Gateway review demonstrated that a saving in the region of £476,000 could be delivered over 3 years and a Country Park was included as a potential £85,000 per annum.
- 5.25 This proposal for a new country park is aligned with the strategic direction agreed at both the Analyse and Plan Phase Gateways Reviews. This focuses on enhancing and maintaining existing services and exploring income generation as an alternative to making savings through cuts to the funding of popular open spaces. In May 2018 the Executive supported the recommendation for planning the development of Horseshoe Lake as a Country Park using a modular approach following further feasibility work.
- 5.26 There are three major capital cost elements to the project finance. The total investment required is £2.6 million.
- The first element comes as part of the recommendation to sell two properties (currently used as staff housing) the gateway review supported the proposal to the ring fence the capital receipt from these sales, estimated at £650k for investment into the Country Park project.
 - The second element was identified as part of research and identified some funds available from built sports and open space S106 contributions. This channel of funding has been explored further to ensure it can be used for this purpose and has not been earmarked for other projects.
 - And finally, the third element is an 'invest to save' application for the remainder of the investment required.
- 5.27 The details of the scheme and the financial appraisal are set out in a report on tonight's Agenda.

Easthampstead Park School – Release of S106 Funding 2018/19 (£0.1m)

- 5.28 Approval is required to release s106 funding in the current year to carry out works at Easthampstead Park school. The amount required is over £50k and as such needs approval by Council.
- 5.29 This funding will contribute to the ongoing refurbishment/upgrading of accommodation at Easthampstead Park school. Specific items that will be addressed including the creation of new changing facilities adjacent to the performing arts block, replacement of temporary toilets and refurbishment of modular buildings. The school auditorium and dance studio have recently been subject of a project to renew all of the audio visual equipment including lighting and sound system. This brings these facilities up to modern 21st century standards which is of great benefit to teaching and learning in the school, and also of significant interest to external performing arts organisations.
- 5.30 The lack of changing rooms has however been an issue for the school for some time and the school manages by having girls change in the dance studio and boys change in an adjacent room/corridor. This has been identified as a significant

safeguarding issue. Provision of proper changing rooms will put these facilities into proper fit for purpose use by the school. A secondary benefit will be to make the performing arts building accessible to external organisations who may wish to rent the facilities outside of school hours. The new changing rooms will be provided in the form of a dedicated modular building sited adjacent to the performing arts building.

Capital Programme 2019/20 – 2020/21

- 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 £18.451m.

Capital Programme 2019/20-2021/22				
Annex	Service Area	2019/20 £000	2020/21 £000	2021/22 £000
B	Delivery	6,424	3,560	3,560
C	People	15,473	0	0
D	Central Directorates	6,740	1,120	920
E	Non Departmental	4,800	300	300
	Total Capital Programme	33,437	4,980	4,780
	less Externally Funded schemes	14,387	2,445	2,445
	Council Funded Programme	19,050	2,335	2,135
	Less Previously Committed schemes	7,700	0	0
	Total request for Council funding	11,350	2,535	2,335

- 5.32 Of this total, schemes amounting to £7.7m have been committed in previous years and funding allowed for – the largest of these being the Heathlands project. As such new expenditure that will need to be met from the council’s available funding sources amounts to £11.35m in 2019/20.

Externally Funded Schemes

- 5.33 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 has received no Basic Needs Grant (BNG) in 2018/19 and is expecting a relatively small allocation in 2019/20 of £0.735m.

However the Council has clear need for investment in school places in the Borough and has identified a number of schemes that require funding in the coming years and are set out in Annex C. The available BNG will be applied to fund these schemes and the shortfall will be met from Council funding.

A second key constituent of capital grant funding relates to the Highway Maintenance and the Integrated Transport Block totalling £1.92m for 2019/20. A matched funding bid has also been accepted for the work on Downshire Way – this will attract grant of £2.29m to be matched with £0.2m of Council funding and developer contributions.

Section 106 (£1.145m)

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 2019/20, where funding becomes available. These are summarised below

Department	Schemes	Budget
		<i>£000</i>
Central Directorates	Country Park	120
Central Directorates	Local Transport Plan	500
Delivery	Potential Leisure & Culture	125
Central Directorates	SANGS	150
People	Various School Schemes	250
	Total	1,145

On-going Revenue Costs

- 5.34 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 2019/20. These total £12,000 and relate to the licence and maintenance contracts associated with the new IT hardware investment.

Funding Options

- 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 £4m is an appropriate assumption for 2019/20.
- 5.36 The proposed capital programme for 2019/20 has been developed, therefore, on the assumption that it will be funded by a combination of approximately £5.59m of capital receipts (CIL and other miscellaneous property disposals), 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 Any capital expenditure approved over and above capital receipts and external contributions will require the Council 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 Provision (MRP) in addition to an interest charge depending on the maturity of the loan.
- 5.38 Current long-term borrowing rates are approximately 2.75% and as such the programme as it stands will have a revenue impact of £0.08m in 2019/20 and a full –year ongoing impact of £0.15m in future years with regards to interest. The MRP charge reflects the life of individual assets that are being funded – the charge is not payable until the year after the assets come into being. The MRP charge in relation to the capital programme for 2019/20 is estimated to be £0.45m and will be charged in 2020/21.
- 5.39 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.
- 5.40 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.

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.

Director of Finance

- 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 2019/20 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 2019/20, 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 2019/20 report on tonight's agenda outlining the results of the budget consultation

Background Papers

None

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