

TO: THE EXECUTIVE
17 DECEMBER 2019

CAPITAL PROGRAMME 2020/2021 - 2022/2023
(Chief Executive/Director: Finance)

1 PURPOSE OF REPORT

- 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 2020/21.
- 1.2 This report draws together each department's proposals so that the Executive can agree a draft capital programme for 2020/21-2022/23 as the basis for consultation. In compiling the draft programme the main focus is inevitably on determining the requirements for 2020/21, although potential 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, a Council funded capital programme of £4.79m for 2020/21 as set out in paragraph 5.11 and summarised in Annex A, including the new schemes listed in Annexes B – C.**
- 2.2 **Approves, for consultation, the inclusion of £13.91m of expenditure to be externally funded (including £3.97m of S106 funding) as outlined in paragraph 5.12.**
- 2.3 **Approves, for consultation, the inclusion of an additional budget of £1m for Invest-to-Save schemes.**

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 these main sources:
- the Council's capital receipts
 - Government Grants
 - other external contributions
 - internal and external borrowing
- 5.2 The Council's total usable capital receipts at 31st March 2019 are zero as all receipts have been applied to fund prior capital investment – all receipts during 2019/20 will be used to finance the 2019/20 Capital Programme. 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 2020/21 has been developed, therefore, on the assumption that it will be funded by a combination of Government grants, other external contributions, capital receipts and borrowing only if required. 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 2020/21 – 2022/23. 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 agreed Asset Management Plan approach. 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 2019/20 Capital Programme – major schemes started in 2019/20, such as Heathlands, which have not yet completed, will be carried forward as per normal capital expenditure rules. 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)

- 3.1 The Council's overall maintenance liability remains in the region of £62m (see table below), similar to last year. In line with the policy adopted in previous years the Asset Management Board (AMB) 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 £1.545m is recommended to address the most pressing 1C & 1D priorities.

| | | £'000 | £'000 |
|----------------------|------------------|--------|---------------|
| Schools | Priority 1C & 1D | 3,000 | |
| | Priority 2C & 2D | 16,000 | |
| | Lower Priorities | 31,000 | 50,000 |
| Corporate Properties | Priority 1C & 1D | 2,000 | |
| | Priority 2C & 2D | 4,000 | |
| | Lower Priorities | 6,000 | 12,000 |
| Total | | | 62,000 |

3.2 There are remaining Landlord liabilities left with the Council with regard to the Leisure sites and based on updated condition surveys these works are necessary in order for the Council to fulfil these responsibilities. The table below summarises the key investment areas for planned maintenance in 2020/21.

| | |
|--|-------------------|
| Bracknell Leisure Centre Re-Roof Sports Hall & Link Walkways | £300,000 |
| 14 Market Street Internal Making Good & Alarm Upgrades | £200,000 |
| High Street MSCP4 Resurface car park (floors 3, 4 & 5) | £300,000 |
| The Look Out Lift Replacement | £60,000 |
| Harmans Water Swirarium Re-Roofing | £60,000 |
| Westmorland Park Pavilion Refurb Works to centre | £80,000 |
| Larchwood Heating System Replacement | £60,000 |
| Sandhurst Library Upgrade BMS System | £25,000 |
| Bracknell Central Library External Security Lighting | £25,000 |
| Coral Reef Flow Meters & Pipework | £100,000 |
| Bracknell Leisure Centre Pump Replacements | £25,000 |
| Leisure Centres - Reactive Landlord. | £50,000 |
| South Hill Park Arts - Fire Improvement Works Phase II | £50,000 |
| Easthampstead Park Cem & Crem Replace Facias | £60,000 |
| Commercial Depot Reactive works | £100,000 |
| H&S at Residential Properties | £50,000 |
| Total | £1,545,000 |

3.3 From an analysis of the work required some works, whilst urgent, cannot be legitimately capitalised and must be met from a revenue budget. An allowance of £200,000 is available to meet these liabilities; however this will not be sufficient to meet the level of works that continue to be identified within the 1C and 1D categories considered to be of a revenue nature. It is becoming clear that there is a diminishing proportion of the 1C and 1D works that can be legitimately met from the Capital Budget. Unless additional revenue funds are identified then the level of outstanding works will increase. These combined bids will go some way to addressing the most urgent works within the estimated backlog identified above, with the potential to resolve some of the works currently prioritised as 1C and 1D. However, other essential, albeit slightly lower priority, works will still remain. The implications of failing to maintain buildings are progressive deterioration leading to building closures, health & safety problems, service delivery impacts and reduced property values.

Schools

5.6 The Schools Maintenance Programme is funded from the Capital Maintenance grant allocation from the Department for Education (DfE). Identified planned maintenance for 2020/21 will be drawn from building condition surveys carried out by the Council's Managing Partner Atkins Ltd and there is approximately £3m of Priority 1 (Urgent) planned maintenance works in schools on the current building condition surveys. A Schools Planned Works Programme of £1.499m is being put forward based on the level of grant expected to be received from DfE. The programme of works will be matched to the available budget.

Rolling programmes

5.7 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

5.8 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

5.9 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. Any unspent budget is not carried forward and as such a request is made each year to enable new schemes (below £0.4m) to be brought forward and approved by Corporate Management Team. There have been no schemes approved to date however a number of schemes are being reviewed and may come forward in the coming year.

Capital Programme 2020/21 – 2022/23

5.10 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 – D.

5.11 Total Council funding for schemes amounts to £4.790m.

| Capital Programme 2020/21-2022/23 | | | | |
|--|---------------------------------|-------------------------|-------------------------|-------------------------|
| Annex | Service Area | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 |
| B | Delivery | 2,180 | 1,835 | 1,835 |
| C | People | 3,972 | 50 | 0 |
| D | Central Directorates | 12,548 | 3,789 | 3,889 |
| | Total Capital Programme | 18,700 | 5,674 | 5,724 |
| | less Externally Funded schemes | 13,910 | 2,649 | 2,649 |
| | Council Funded Programme | 4,790 | 3,025 | 3,075 |

Externally Funded Schemes

- 5.12 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 only £0.735m in 2019/20. The provisional allocation for 2020/21 suggest there will be no grant funding available to Bracknell Forest. However the Council has identified a number of schemes that require funding in the coming years and are set out in Annex B.

A second key constituent of capital grant funding relates to the Highway Maintenance and the Integrated Transport Block totalling £2.09m for 2020/21. Significant funding will also be available from the Local Enterprise Partnership which is able to recycle funds from the Business Rates Pilot and other government funding sources.

Section 106 (£3.97m)

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 2020/21, where funding becomes available. These are summarised below

| Department | Schemes | Budget |
|-------------------|-----------------------------|---------------|
| | | <i>£000</i> |
| People | Rowans Pre-School | 84 |
| People | Sandy Lane School | 73 |
| People | Kennel Lane | 538 |
| Central | A3095 Improvements | 2,800 |
| Central | Section 106 Schemes (LTP) | 125 |
| Central | Natural Estate Improvements | 200 |
| Central | SANGS | 150 |
| | | |
| | Total | 3,970 |

On-going Revenue Costs

- 5.13 There are revenue costs of £7k associated with the schemes proposed for inclusion within the 2020/21 Capital Programme. These costs will be included within the Commitment Budget on the Revenue Budget 2020-21 paper on tonight's agenda.

Funding Options

- 5.14 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 2020/21.
- 5.15 The proposed capital programme for 2020/21 has been developed, therefore, on the assumption that it will be funded by a combination of approximately £5m 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.
- 5.16 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.
- 5.17 Current long-term borrowing rates are approximately 2.75% however as the proposed programme can be met by projected receipts there will be no revenue impact in 2020/21 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 2020/21 is estimated to be £0.115m and will be charged in 2021/22.
- 5.18 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.
- 5.19 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 2020/21 to 2022/23 in February 2020, alongside its consideration of the specific budget proposals for 2020/21 and the Council's medium-term financial prospects.
- 5.20 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. 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 2021/22 onwards, will need to be undertaken during next summer.

Property Joint Venture

- 5.21 In February 2019 the Executive authorised the Director: Finance to commence a procurement process to seek a Joint Venture partner to help deliver the agreed

vision and objectives for redevelopment of specific town centre sites. It was identified in the report seeking this approval that there would be a requirement for the Council to support the process of site feasibility and pre-development through a Joint Venture with assets and up to around £5m of cash. There would also be the potential for the Council to act as one of the senior lenders to the projects, should it choose to do so once site business plans had been developed and the risks and rewards fully articulated and assessed. Any such investment would secure loan note interest from the Joint Venture that would more than cover the Council's financing costs.

- 5.22 The procurement process is progressing well and competitive dialogue sessions have recently commenced with the final remaining three bidders at the invitation to submit detailed solutions (ISDS) stage. While there remains a great deal more work for the bidders to refine and finalise their design and commercial proposals and financial models, work to date has confirmed that the broad structure of the deal remains as originally envisaged, but there may be a need for the Council to input more than £5m in case to ensure that, together with the calculated land value, the Council's "equity" matches the private sector partner's. This investment would, however, attract additional loan note interest which would provide additional revenue funding for the Council through the development period.
- 5.23 A further financial update will be brought to the Executive and Council in Spring 2020 to seek formal authority for the level of investment required to support the Council's participation as a 50:50 partner in the JV.

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 2020/21 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. 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 2020/21, 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 2020/21 Budget is as follows.

| | |
|---|---------------------------------------|
| Executive agree proposals as basis for consultation | 17 December 2019 |
| Consultation period | 18 December 2019 - 28 January 2020 |
| Executive considers representations made and recommends budget. | 11 February 2020 |
| Council considers Executive budget proposals | 26 February 2020 |

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