(ITEM)

TO: THE EXECUTIVE
15 DECEMBER 2009

CAPITAL PROGRAMME 2010/2011 - 2012/2013
(Borough Treasurer)

1 PURPOSE OF DECISION

1.1 Under the Council's Constitution, the Executive are required to issue their budget proposals for consultation for a minimum period of six weeks prior to making their recommendations to full Council on 16 February 2010. The capital programme forms an important part of the overall budget proposals and is a key means by which the Council can deliver its medium term objectives. This report draws together each service's proposals so that the Executive can agree a draft capital programme for 2010/11-2012/13 as the basis for consultation. In compiling the draft programme the main focus is inevitably on determining the requirements for 2010/11, although future year's schemes do form an important part of the programme.

1.2 The financial implications of the recommendations in this report are reflected in the subsequent reports on the Council's draft revenue budget. Any revisions to the proposals put forward by each service would also need to be reflected in this report which will also be published as the basis for consultation following the Executive's meeting.

2 RECOMMENDATIONS

That the Executive:

2.1 Endorses Bracknell Forest Borough Council's Capital Strategy 2009 as set out in Annex A.

2.2 Approves, for consultation, an initial General Fund capital programme of £8.069m for 2010/12 summarised in Annex B, including the schemes listed in Annexes C – G.

2.3 Approves for consultation, the inclusion of an additional budget of £1m for Invest to Save schemes.

2.4 Approves the £25,000 of funding allocated in the Mercury Abatement for 2010/11 to be brought forward into 2009/10 as set out in paragraph 5.13.

2.5 Approves the £200,000 of funding allocated for low-cost home ownership mortgages for 2010/11 to be brought forward into 2009/10 as set out in paragraph 5.14.

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 Strategy

5.1 Bracknell Forest's first capital strategy was prepared in 2001 and has been updated and amended on several occasions to reflect updated guidance from Government and the Council's changing requirements. This latest version has been updated to make the document reflect more closely the Council's current requirements and provide the basis for developing and managing future year's capital programmes.

5.2 The latest version of the strategy is organised into the following sections:

1. Introduction
2. Background and Characteristics of Bracknell Forest
3. Framework for Bracknell Forest's Capital Strategy
4. Approach to Prioritising Investment
5. Capital Receipts
6. Resources
7. Monitoring Progress
8. Managing Assets – Asset Management Group

Annex A. Invest To Save Schemes

Attention is particularly drawn to the following highlights:

- The strategy is intended to be an overarching document that provides the framework for the capital investment plans set out in individual service strategies and in the Asset Management Plan.
- Services bidding for external support need to ensure that funding is 'cash backed', as schemes funded by supported or unsupported borrowing will have an adverse impact on the Council's revenue budget. This is because there is no immediate increase in central government funding whilst the Council's Formula Grant remains set at the floor.
- The Council's policy is to treat all capital receipts as a corporate resource, enabling investment to be directed towards those schemes or projects with the highest corporate priority. The only exemptions are where legislation specifies otherwise or where the Executive agrees to an exemption.
- Given the resource constraints faced by the Council it is unable in to fund all works identified as the Priority 1 within the property condition surveys, however investment will be targeted on those areas that are deemed to be of the most critical nature, recognising that this will have an impact on the maintenance backlog by only dealing with the most urgent works. In addition schools are required to finance Priority 1 works from within their own resources. Whilst it is expected that the majority of these works will be met from their devolved formula capital there will be instances where the grant received does not match the cost of the works that need to be undertaken.
- Annex A(i) to the strategy sets out how the 'Invest To Save' budget will be managed.

Capital Resources

5.3 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

5.4 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.

5.5 The Council's estimated total usable capital receipts at 31st March 2010 are zero. The impact of the "Credit-Crunch" and the substantial deterioration in the property market is unlikely to improve opportunities for disposal at optimal prices in the near term.

5.6 As a result of the LSVT Transfer of the Council's housing stock to Bracknell Forest Homes in 2008 the Council will benefit from a share of future Right-to-Buy sales and from the VAT Shelter. At the time of the transfer it was estimated that this would deliver annual receipts of approximately £3m over the proceeding 10 years. This is now expected to be lower in the short-term as a result of the recession and the on-going uncertainty in the capital markets. As such it is assumed that receipts in 2009/10 and 2010/11 will amount to £2m.

5.7 In previous years the Council has been able to borrow funds "internally" to support its capital programme. However it was still required to make a revenue contribution towards these "internal borrowing costs" and as such there was a real revenue cost to be paid in relation to this investment. Following the capital receipt from the housing LSVT, the "internal borrowing" was effectively paid off and as such there was a corresponding reduction reflected in the 2009/10 General Fund. However the Council will return to a position of internal borrowing in 2010 and as such a revenue contribution is required. Once the Council's current level of investments is exhausted, which is expected to be within the next 3 years the Council will need to borrow externally.

5.8 The proposed capital programme for 2010/11 has been developed, therefore, on the assumption that it will be funded by a combination of £2m of capital receipts, Government grants, other external contributions and some internal borrowing. The financing costs associated with the General Fund Capital Programme have been provided for in the Council's revenue budget plans which appear on tonight's agenda.

New Schemes

5.9 Within the general financial framework outlined above, Service Departments have considered new schemes for inclusion within the Council's Capital Programme for 2010/11 - 2012/13. Given that capital resources are under pressure, each Department has evaluated and prioritised proposed schemes into the broad categories, set out in the Council's Corporate Capital Strategy and in line with the Council's Asset Management Plan.

Unavoidable (Including committed schemes)
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 statutory legislation etc. Committed schemes are those that have been started as part of the 2009/10 Capital Programme. By their nature, schemes in this category form the first call on the available capital resources.

Maintenance (Improvements and capitalised repairs)
The Council is responsible for a significant number of properties and assets. As part of the established asset management planning process, property condition surveys are carried out and updated annually to assess the overall maintenance needs. Historically the Council has funded all Priority 1 maintenance works identified in these surveys. These represent the works that are necessary, within the next 12 months, to maintain buildings in beneficial use through the prevention of closure, dealing with health and safety items and potential breaches of legislation. The latest assessment based on condition surveys undertaken in 2009 identified a backlog of urgent outstanding repairs of £9.2m. However £4.1m of this requirement relates to schools and as such must be a first call on their capital resources. The Council has provided for an allocation within its Capital Programme as a contingency for where urgent works cannot be met from within their devolved budgets.

As such, based on the most recent survey data, £5.1m of the Priority 1 urgent repairs relate to Council buildings other than schools. Given the resource restraints of the Council, the Capital Programme is restricted to £2.081m (inclusive of Schools contingency) and as such this will result in £3.2m of urgent repairs being deferred to future years and increasing the overall level of backlog maintenance. The implications of failing to maintain Council buildings and to address the backlog will be a major 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
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 Medium Term Objectives and established Asset Management Plans.

Other Desirable Schemes
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 and the Council's Medium Term Objectives. The net cost of schemes which attract partial external funding are included in the schemes put forward.

Invest To Save Schemes
These are schemes where the additional revenue income or savings arising from their implementation exceeds the additional revenue costs. The Council's approach to Invest to Save schemes is included in its Capital Strategy and in accordance with the Capital Strategy it is proposed that a

further £1m be included in the 2010/11 capital programme for potential Invest to Save schemes.

5.10 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 C – G. As indicated above, in some cases, the schemes within the proposed programme modify previously agreed programmes to reflect the latest available information on the phasing of expenditure and revised priorities. A summary of the cost of schemes proposed by Departments (net of those schemes identified as self funding) is set out in the table below and in Annex B. This shows that the total net funding requested is £8.069m in 2010/11.

Capital Programme 2010/11-2012/13				
Annex	**Service Area**	**2010/11 £000**	**2011/12 £000**	**2012/13 £000**
C	Corporate Services	0	55	0
D	Council Wide	2,989	3,221	3,145
E	Children, Young People & Learning	1,065	1,060	1,000
F	Adult Social Care & Health	375	0	0
G	Environment Culture & Communities	3,640	4,255	3,279
	Total request for Council funding	**8,069**	**8,591**	**7,424**
Externally funded and self-funded projects are excluded from the above.				

5.11 Schemes funded from the LSVT Transfer receipt and a number of self-funding schemes are included within the proposed Capital Programme and are all included within Environment, Culture and Communities totalling £3.38m in 2010/11.

5.12 The Council gave a commitment to spend 75% of the available receipt on new affordable housing and the 2010/11 – 2012/13 programme includes an allocation of £9.3m, with £1.28m earmarked for 2010/11. The remainder of the receipt will be used in subsequent years.

5.13 The Executive agreed in October 2008 a £1m investment in the crematorium facilities in order to abate mercury emissions as required by new legislation. As a result of more up-to-date data, it is considered that funding of £1.1m will be required to complete this project. However the total funding request of £1.1m can still be self-funded over the 20-year working life of the investment. In order to undertake the work to meet the legislative requirements, a request is made for £25,000 of this budget request to be made available in the current financial year in order to fund the tender exercise and to undertake investigative works.

5.14 The third self-funding scheme relates to the provision of mortgages for the purchase of low-cost home ownership properties in partnership with local Registered Social Landlords. The Executive agreed an allocation of £1m on the 17th November 2009 and this has been included within the 2010/11 Programme. In order to meet any potential demand in the coming months a recommendation to release £200,000 for immediate use is made.

Externally Funded Schemes

5.15 A number of external funding sources are also available to fund schemes within the capital programme, amounting to an additional £28.8m of investment. 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. Examples include Building Schools for the Future and Local Transport Plan funding

Section 106
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 £4.15m.

Officers have identified a number of schemes that could be funded from Section 106 funds in 2010/11. Under the constitutional arrangements, the Council must approve the release of such funding. However, this does not preclude the Executive bringing forward further schemes to be approved by the Council to be funded from Section 106 funds during the year.

Annexes C - G also include details of all schemes that will be funded from the various external sources in the next year.

Funding Options

5.16 There are a number of important issues concerning the long term funding of capital expenditure. Following the transfer of the housing stock in 2008, the Council's capital receipts are limited to miscellaneous asset sales and the contribution from the VAT Shelter Scheme and Right-to-Buy claw back agreed as part of the transfer. As noted earlier in this report, these receipts are likely to be depressed by the general economic conditions and as such receipts in 2010/11 are estimated to be in the region of £2m.

5.17 The proposed capital programme for 2010/11 has been developed, therefore, on the assumption that it will be funded by a combination of £2m of capital receipts, Government grants, other external contributions and some internal borrowing. The financing costs associated with the Capital Programme have been provided for in the Council's revenue budget plans.

5.18 Should any additional capital receipts be generated in 2010/11 the interest earned on these will be used to mitigate the revenue cost of the capital programme.

5.19 In practice it is unlikely that the Council will need to resort to external borrowing as it will be able to utilise revenue resources held internally. However the Capital Finance Regulations, require the General Fund to set aside an amount which would be broadly equivalent to the amount the Council would need to pay if it borrowed externally. 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.

5.20 The reduction in available capital receipts has placed greater emphasis on the capital programme and its impact on the revenue budget. 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.

5.21 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 2010/11 to 2012/13 in March 2010, alongside its consideration of the specific budget proposals for 2010/11 and the Council's medium-term financial prospects.

5.22 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 2011/12 onwards, will need to be undertaken during next summer. In particular an indicative rolling programme budget of £500,000 has been included within Children, Young People and Learning to provide investment for a range of schemes that were identified as part of the capital programme proposals in 2010/11. The scheme will include investment at Foundation Stage across a range of Primary schools, in addition to funding for school kitchen refurbishments and sustainability issues.

Meeting the Council's Medium Term Objectives

5.23 The integrated budget package prioritises resources according to the five overarching priorities of the Council and continues to invest mainly through targeted capital expenditure, in services designed over the next three years to:

Medium Term Objective 2 - Protect and enhance the environment of the Borough, through spending;

- £2.3m on highways infrastructure maintenance
- £2.3m on new affordable housing
- £3.3m on other measures to protect and enhance the environment

Medium Term Objective 3 – Promoting health and achievement in the Borough through spending;

- £0.8m on promoting achievement and learning

Medium Term Objective 4 - Create a borough where people are, and feel safe by investing in;

- £0.3m on access improvement programmes

- £0.4m on a new Carers Accommodation Strategy

Medium Term Objective 5 - Provide value for money through spending on:

- £0.8m on continued investment in Information Technology
- £0.4m on other investment priorities.

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 2010/11 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. The additional revenue costs of the proposed Capital Programme of £8.069m for 2010/11 after allowing for projected capital receipts of £2m and the cash-flow requirements associated with the Garth Hill redevelopment, but excluding the self-funding Invest to Save schemes will be £100,000 in 2010/11 and £600,000 in 2011/12. 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 (especially when bids are still to be submitted or the results of current bids are unknown)
- Building delays due to unavailability of materials or inclement weather
- Availability of staff with appropriate skills to implement schemes and IT projects in particular.

6.6 These can be managed through the use of appropriate professional officers and following best practice in project management techniques.

6.7 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 2010/11, there will be further build up in the maintenance backlog and a risk that the deterioration in Council assets will hamper the ability to deliver first class services.

7 CONSULTATION

Principal Groups Consulted

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 Senior Citizens' Forum, Parish Councils and voluntary organisations. 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 Bracknell-forest.gov.uk. There will also be a dedicated mailbox to collect comments.

7.2 The timetable for the approval of the 2010/11 Budget is as follows

Executive agree proposals as basis for consultation	15 December
Consultation period	16 December - 26 January
Executive considers representations made and recommends budget.	16 February
Council considers Executive budget proposals	03 March

Background Papers

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CAPITAL STRATEGY 2009

1. Introduction

1.1 The Capital Strategy is a key element of Bracknell Forest's medium term financial strategy and planning process. It describes how the investment of capital resources will contribute to the achievement of the Council's priorities and is intended to be an overarching document that provides the framework for the capital investment plans set out in individual service strategies, details of which are included in departmental Service Plans. As such it is a key document for demonstrating how the Council integrates financial planning with the strategic and service planning process on a medium to long-term basis.

1.2 Whilst there are many service strategies the most significant are likely to be the Housing Strategy Statement, Local Transport Plan and Education Asset Management Plan Local Policy Statement. The Capital Strategy has been endorsed by the Corporate Management Team and the Council's Executive.

1.3 The Capital Strategy will describe how the deployment of capital resources contributes to the achievement of the Council's goals. It will also help to ensure that issues around property and other assets are reflected in the Council's corporate planning process and responds to the investment requirements of the Borough.

1.4 This is Bracknell Forest Borough Council's fifth Corporate Capital Strategy and is reviewed when circumstances require.

2. Background and Characteristics of Bracknell Forest

2.1. Bracknell Forest is located in the heart of the Thames Valley, 25 miles west of London. One fifth of the Borough is forest and another fifth is protected for its high wildlife value. There are six parishes within the Borough, each with different characteristics. Bracknell Town consists of eleven residential neighbourhoods, three industrial areas and the town centre, for which there are ambitious redevelopment plans.

2.2. Bracknell Forest Council serves a population of around 110,000 and employs around 3,500 staff. The Council aims to provide services of the highest quality at a cost that is acceptable to Council Tax payers and users of services. A significant emphasis is placed on the needs of customers and on being cost conscious and efficient.

3. Framework for Bracknell Forest's Capital Strategy

3.1. The Council's vision for Bracknell Forest is:

> "To make Bracknell Forest a place where all people can thrive; living, learning and working in a clean, safe and healthy environment."

3.2. It is a Government requirement under the Local Government Act 2000 that all local authorities prepare a Sustainable Community Strategy to improve the economic, social and environmental well being of their area. The third Sustainable Community Strategy for Bracknell Forest is an overarching strategy for the Borough. It sets out a long-term vision for the future which reflects community needs and aspirations. The Sustainable Community Strategy acts in two ways. First, it acts as a business planning tool for public service providers, aligning funding and service delivery based on everyone working towards a common goal and engaging the local community within the overall financial planning process. Second, it acts as a public summary of partnership priorities. The Strategy is structured in three sections to reflect the Borough's key priorities:

Section 1: A Thriving Population
Priority a. Opportunities for everyone
Priority b. Nurturing the Next Generation
Priority c. Supporting the Older Generation
Priority d. People who require Additional Support

Section 2: A Desirable Place
Priority a. Sustainable Development
Priority b. Protecting the Environment
Priority c. Travelling around the Borough

Section 3: Cohesive Communities
Priority a. Engaged & Empowered Communities
Priority b. Enjoying Life
Priority c. Being & Feeling Safer
Priority d. Sustaining a Vibrant Economy

3.3. In May 2007, the Council developed a set of new Medium Term Objectives under five priorities. In the autumn of 2008 a sixth priority was added to reflect the economic situation resulting from the global economic downturn. These priorities form the basis of the work of the Council for the period 2008-11. They are

Priority one:	A town centre fit for the 21st century
Priority two:	Protecting and enhancing our environment
Priority three:	Promoting health and achievement
Priority four:	Create a borough where people are, and feel, safe
Priority five:	Value for money
Priority six:	Sustain economic prosperity

3.4. Departmental Service Plans take the Council's Medium Term Objectives and break them down into a detailed set of objectives and actions which form the basis for Individual Performance Appraisals. These Service Plans contribute to the Council's strategic approach to asset management ensuring that asset management plans are fully integrated within the corporate and strategic planning process.

3.5. A robust performance management process is completed by regular monitoring through Performance Monitoring Reports and a Corporate Performance Overview Report to senior officers and members. These include regular progress reports on the implementation of schemes within the Capital Programme.

4. Approach to Prioritising Investment

4.1. Capital expenditure is defined as all expenditure on the acquisition, creation or enhancement of tangible fixed assets and is set out in The Local Government (Capital Finance and Accounting) Regulations 2003 (as amended).

4.2. The Capital Programme forms an integral part of the Council's overall budget package. The Council has adopted a rolling three-year Capital Programme that includes schemes according to the priorities set out below:

Unavoidable – to meet statutory and legislative requirements in the provision of services. It includes specific items such as asbestos management, water hygiene and fire safety. By their nature, these schemes form a first call on available resources.

Maintenance – the Council is responsible for a significant number of properties and infrastructure assets. As part of the established capital planning process property condition surveys are carried out to inform the maintenance needs. These ensure that assets are protected and at the same time contribute to the continuous improvement of the environment. (see paragraphs 6.4 to 6.5 for further detail)

Rolling Programmes – these programmes cover more than one year and give a degree of certainty for forward planning of schemes to improve service delivery. This area will include investment to enhance Council property to improve the sustainability and suitability of services such as library, leisure and community centre refurbishments.

Other Desirable Schemes – these include high priority schemes that meet the Council's needs and objectives and enhance the quality of life for those living and working within the Borough.

Invest to Save Schemes – these are schemes where the additional revenue income or savings arising from their implementation exceeds the additional revenue costs. These schemes will contribute to the efficiency savings target set for the authority. Further details of how the Invest to Save process works are set out in Annex A to this Strategy.

4.3. Schemes which have been approved and started as part of the capital programme and will take more than one year to complete are treated as ongoing commitments.

4.4. Schemes attracting partial external funding, such as grants for private sector housing, are included within the above categories and assessed accordingly. These schemes are only included within the capital programme if they meet the Council's needs, objectives and priorities. Schemes attracting 100% external funding are included automatically within the capital programme. Such schemes are usually supported by Capital Grants, or receipts from agreements under Section 106 of the Town and Country Planning Act 1990.

4.5. In all instances external funding needs to be 'cash backed' to avoid any adverse impact on the Council's revenue budget. Opportunities to take up supported borrowing will not be pursued as there is no immediate increase in central government financial support whilst the Council's Formula Grant remains set at the floor.

4.6. At the start of the capital planning process in late August/early September each department will submit its capital proposals using a standard Project Appraisal Sheet, which includes the following:

- Description of the project
- Project outcomes, (including how it supports the Council's key objectives)
- Key dates and milestones
- Alternative options
- Analysis of options
- Cash flow forecasts
- Revenue implications
- Options for business process re-engineering
- Partners
- Energy management issues
- Risks
- Detailed financial proposal using pay back and net present value techniques, where appropriate.

4.7. These proposals are submitted to Corporate Management Team for further consideration. The outline timetable for the approval of the capital programme is as follows:

Date	Action
Aug/Sept	Departmental Management Teams develop initial bids
Sept /Oct	Corporate Management Team review initial bids alongside resources available
Oct/Nov	Schemes reviewed/revised taking account of available resources
Dec	Executive agree draft capital programme for consultation
February	Executive considers the consultation responses and recommends final capital programme to Council
March	Council approves capital programme

4.8. The proposals drawn up in the Capital Programme are consulted upon with partners and stakeholders as part of the broader consultation exercise on the Council's annual budget. This is done through both face-to-face consultation with partners as well as an opportunity to comment on the proposals via the Council's web site. This ensures that partners, local residents and the business community are fully engaged with the investment priorities identified by the Council and given an opportunity to discuss and contribute to the future plans of the Council.

5. Capital Receipts

5.1. The Council is a debt free authority and has not been reliant on external borrowing to finance its Capital Programme. To date funding for the Capital Programme has been provided from three main sources:

- Accumulated capital receipts
- Government grants
- Other external contributions

5.2. The Council's policy is to treat all capital receipts as a corporate resource, enabling investment to be directed towards those schemes or projects with the highest corporate priority. This means that individual services are not reliant on their ability to generate capital receipts to fund investment although there are certain exceptions to the general policy, particularly where legislation specifies otherwise. The most notable example being Section 77 of the School Standards and Framework Act 1998 regarding the disposal of school land, which stipulates that any proceeds should be used for the improvement of sports facilities and the refurbishment/replacement of schools.

5.3. Further exceptions to the general policy of treating capital receipts as a corporate resource can be made, but only with the specific approval of the Executive.

5.4. The Council, as part of its approach to risk management, ensures through its Corporate Property department that the impact of market conditions on asset values are fully considered in any decision regarding the disposal or acquisition of assets.

5.5. Disposal proceeds are used to support the revenue budget by investing the capital receipt unless the disposal is linked to a specific sale-and-invest capital project. The disposals programme is monitored by the Asset Management Group as outlined later in this document.

6. Resources

6.1. As a result of the transfer of the Council's housing stock to Bracknell Forest Homes in February 2008, a significant capital receipt was achieved. The Council committed itself to spend 75% of the available receipt to fund new affordable homes over the following 5 years. It also pledged an extra £1m to go towards new Youth facilities in South Bracknell.

6.2. In addition to this one-off receipt the Council will also receive an on-going share of the VAT Shelter and Right-to-Buy agreement made with Bracknell Forest Homes. At the time of transfer these agreements were estimated to deliver £3m per year over the proceeding 10 years. These receipts are available to support future capital investment priorities.

6.3. Capital expenditure over and above the level of capital receipts will need to be funded from borrowing, however the Council will not need to resort to external borrowing given the level of internal investments. It is likely that internal borrowing will be sufficient to fund the capital programmes over the next two years, however Local Government accounting regulations will require the Council to set aside the “real” costs of this internal borrowing which must be met from within the General Fund. This cost of internal borrowing will be considered as part of the General Fund budget process.

6.4. Historically the Council has funded all Priority 1 maintenance works identified within the property condition surveys. These represent the works that are necessary, within the next 12 months, to maintain the buildings in beneficial use through the prevention of closure, dealing with health and safety items and potential breaches of legislation. The latest assessment based on condition surveys undertaken in 2009 identified a backlog of urgent outstanding repairs of £9.2m. However £4.1m of this requirement relates to schools and as such must be a first call on their capital resources. The Council has provided for an allocation within its Capital Programme as a contingency for where urgent works cannot be met from within their devolved budgets.

6.5. As such, based on the most recent survey data, £5.1m of the Priority 1 urgent repairs relate to Council Buildings other than schools. Given the resource restraints of the Council, the current Capital Programme is restricted to £2.08m (inclusive of the schools contingency) and as such this will result in £3.2m of urgent repairs being deferred to future years and increasing the overall level of backlog maintenance. The implications of failing to maintain Council Buildings and to address the maintenance backlog will be a major issue for the Council over the coming years and efforts will be focussed on ensuring that the highest priority items are tackled, 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..

6.6. The Disability Discrimination Act 1995 gives disabled people the right to challenge service provision if they feel they are not receiving the same level of service, in the same manner, as others. Access difficulties to buildings may place the Council at risk of legal action. The Council will, therefore, include within its unavoidable schemes a programme of access improvements identified through a range of access audits. The programme will cover schools and other corporate buildings.

6.7. The Local Government Act 2003 had the effect of replacing the current system of Local Government Capital Finance with a new one, known as the ‘Prudential Regime’ from 1 April 2004. In the Prudential Regime, instead of the historical practice of local authorities only being able to borrow in line with central government prescribed limits, each local authority must decide its own borrowing limits. These must take account of the authority’s financial situation, medium term plans and in particular affordability, as funding capital expenditure has an ongoing revenue cost which must be met from Council Tax. CIPFA has developed a Prudential Code of Capital Finance in Local Authorities which specifies those indicators that the Council must consider as a part of its budget setting process. These are included in the annual budget report to Council and will become an increasingly important aspect of the budget process when the Council commences external borrowing.

7 Monitoring Progress

7.1 Officers monitor implementation of the Capital Programme with reports being submitted monthly to Departmental Management Teams. The Council’s Corporate Management Team and Executive Members receive a more formal quarterly progress report, which enables them to adopt a more strategic approach. In addition the Executive Member for Finance, Resources and Assets is consulted widely on all issues relating to the Capital Strategy.

7.2 Financial performance is fundamental to the monitoring process, although this has been extended to ensure that the Council's objectives are achieved in full. Developments include service related targets and targets for scheme delivery.

7.3 A major challenge for the Council is to ensure that schemes included within the three year Capital Programme have realistic cash flows in order to improve the overall percentage of budget spent and to avoid crowding out schemes that could realistically commence during the year. This can also affect the level of external funding, especially from government departments, in future years. In developing the proposals put forward in the capital programme the Council seeks to identify the whole life transaction costs and the main factors that influence these as well as developing robust project cash flows for each major scheme.

8 Managing Assets - Asset Management Group

8.1 The Asset Management Group was established in 1998 and has evolved in line with the strategic needs of the Council. It is chaired by the Council's Chief Officer - Property and meets every three months. The group is attended by representatives of each department along with Finance, Legal and Planning representatives. Its terms of reference are comprehensive and include the following.

- **Strategic Property Planning**

In consultation with service and operational departments to jointly identify and annually review corporate property aims and objectives and to provide information to the departments of the Authority to assist in the development of long term strategies and plans.

- **Data Management**

Through regular reviews, to ensure that the Authority's property databases match requirements for asset management purposes and are comprehensive, accessible and accurate.

- **Property Performance**

To establish a robust property performance monitoring system in line with the principles of Best Value.

- **Individual Property Reviews**

To establish and annually review a five year rolling programme of reviews for every interest in landed property held by the Council.

- **Under-used Assets**

Where properties have become vacant or have been identified as no longer meeting the Council's service, administrative or financial requirements, to carry out comparative option appraisals with recommendations for the future use or disposal of the properties.

- **Disposals**

To oversee the Authority's acquisition and disposals programme.

- **Corporate Asset Management Plan**

To co-ordinate the Council's Corporate Asset Management Plan.

- **Generally**

To undertake the role of Corporate Landlord for all operational properties held by the Council and seek to optimise service department's utilisation of property assets in terms of service benefits and financial return.

9 Asset Management Planning

9.1 The existing Corporate Asset Management Plan was developed in 2000 and has been updated at intervals to meet challenging requirements. The last partial update occurred in August 2007 and as such to ensure the Council satisfies the new requirements of the Comprehensive Area Assessment Key Lines of Enquiry for Use of Resources, the whole Asset Management Planning process is currently under review.

9.2 The Council's strategic approach to Corporate Asset Management is created by the following plans and strategies, in addition to High Level national policies.

- Sustainable Community Strategy and Local Area Agreement
- Councils Service Plan, overarching priorities and Medium Term Objectives
- Masterplan for the Town Centre
- Local Development Framework
- Capital Strategy
- Asset Register
- Departmental Asset Management Plans
- Climate Change Action Plan
- Small Land Sales Policy
- Depot Rationalisation Report
- Cultural Strategy
- Play Strategy

In addition, the Social Care and Learning Department has developed its own Asset Management Plan, predominantly to meet the requirements of the DCSF. Parks and Open Spaces and Highways have Asset Management Plans.

9.3 These plans and strategies along with the work of the Asset Management Group have enabled properties to be aligned to support the Council's Medium Term Objectives for 2008/2011.

INVEST TO SAVE SCHEMES

Introduction

Invest to Save schemes are those where the additional revenue income or savings arising from their implementation exceed the additional revenue costs (including borrowing costs associated with any capital investment). Examples might include an investment in an energy efficient boiler resulting in lower annual running costs, or an investment in a new car park generating an additional income stream.

Experience of operating the Invest to Save process has shown that some worthwhile schemes may be excluded because they do not meet exactly the above criteria. Typically, these are schemes that generate non cashable efficiency savings. Examples might include more effective working arrangements (bringing two teams together in a single location) or where an immediate capital investment will avoid longer term revenue costs (such as disabled access works reducing the cost of care packages or out Borough placements).

Whilst such schemes are clearly beneficial to the Council's longer term financial position, because there is no immediate additional revenue income or savings associated with the capital investment they would not be able to proceed under the above criteria. In future, therefore, if Directors can identify alternative cashable revenue savings or additional revenue income such schemes should be allowed to proceed.

The scheme is to be expanded to include those schemes that will benefit the Council from a combination of financial benefits and environmental savings. The eligibility terms will encompass the requirements of any future carbon-trading scheme that is likely to become mandatory for local authorities.

Process

- Each year the Council will include £1.0m in its three year capital programme for potential Invest to Save schemes.
- There will be no requirement to specify the exact nature of the schemes at the time the capital programme is approved. The inclusion of this item will not affect the impact of the capital programme on the revenue account as approval to spend will not be granted unless the financing costs are met from savings or additional income.
- At any time during the course of the financial year Directors may submit proposals to the Borough Treasurer who will review the robustness of the financial estimates (both for capital expenditure and revenue savings/additional income) and associated risk assessment before recommending to Corporate Management Team the release of funding from the Invest to Save budget.
- Priority will be given to those schemes making the greatest return over and above the cost of financing the capital expenditure, which will depend upon the estimated life of the asset.
- The cost of financing the capital expenditure will be calculated on the assumption that the amount borrowed will be repaid over the life of the asset together with interest at the rate of 6% p.a. The appropriate asset life will be determined by the Borough Treasurer, but the following table sets out indicative asset lives:

Type of Asset	Asset Life	Annual Repayment as % of Capital Sum
IT Equipment	4 years	31%
Vehicles & Plant	7 years	21%
Infrastructure	20 years	11%
Buildings	50 years	8%

- All decisions made by CMT will be reported through the Corporate Services Performance Management Report.
- Once agreed the Borough Treasurer will implement the necessary virements, which will be reflected in future revenue budget monitoring reports.
- Any savings or additional income in excess of that required to meet the cost of financing the capital expenditure can be retained by Departments as a part of their future budget savings.
- No individual scheme must exceed £400,000 as this represents a Key Decision which must be dealt with in accordance with the Council's Constitution.

Exceptions

Schools will be permitted to participate in Invest to Save. School budgets will not be adjusted to reflect the cost of financing capital expenditure, as outlined above. Instead, schools will be required to pay the Council the financing costs associated with money advanced from the Invest to Save budget.

SUMMARY GENERAL FUND CAPITAL PROGRAMME 2010/11

	Corporate £000	Council Wide £000	CYPL £000	ASCH £000	ECC £000	Total £000
Committed	0	808	65	40	3,788	4,701
Unavoidable	0	300	200	0	2,829	3,329
Sub Total	**0**	**1,108**	**265**	**40**	**6,617**	**8,030**
Maintenance/Capitalisation	0	1,881	200	0	268	2,349
Rolling Prog/Other Desirable	0	0	600	335	135	1,070
Total	**0**	**2,989**	**1,065**	**375**	**7,020**	**11,449**
Less						
LSVT Schemes					1,280	1,280
Self-Funded Schemes					2,100	2,100
Total Council Funded	**0**	**2,989**	**1,065**	**375**	**3,640**	**8,069**
Externally Funded	0	0	25,722	155	2,900	28,777
Total Capital Programme	**0**	**2,989**	**26,787**	**530**	**9,920**	**40,226**