

**TO: THE EXECUTIVE
14 DECEMBER 2010**

**CAPITAL PROGRAMME 2011/2012 - 2013/2014
(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 2 March 2011. 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.
- 1.2 This report draws together each service's proposals so that the Executive can agree a draft capital programme for 2011/12-2013/14 as the basis for consultation. In compiling the draft programme the main focus is inevitably on determining the requirements for 2011/12, although future year's schemes do also form an important part of the programme.
- 1.3 The financial implications of the recommendations in this report are reflected in the subsequent 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 that report which will also be published as the basis for consultation following the Executive's meeting.

2 RECOMMENDATIONS

That the Executive:

- 2.1 **Approves, for consultation, an initial Council funded capital programme of £10.458m for 2011/12 summarised in Annex A, including the schemes listed in Annexes B – F.**
- 2.2 **Approves, for consultation, the inclusion of an additional budget of £1m for Invest to Save schemes.**
- 2.3 **Approves, for consultation, the inclusion of £2.5m of expenditure to be funded from S106 as outlined in para 5.10**
- 2.4 **Approves, for consultation, the inclusion of £2.764m of expenditure to be externally funded as outlined in para 5.10**

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 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.
- 5.3 The Council's estimated total usable capital receipts at 31st March 2011 are zero. The Council is constantly looking for opportunities to rationalise its property holding to reduce costs. However, the impact of the "Credit-Crunch" and the substantial deterioration in the property market means it is unlikely that many opportunities will be available for disposal at optimal prices in the near term.
- 5.4 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 now assumed that receipts in 2011/12 will amount to £2m rising to £3m in 2012/13 as the economy picks up.
- 5.5 As the Council's accumulated capital receipts have been fully utilised the Council returned to a position of internal borrowing in 2010 and as such a revenue contribution is required each year. Once the Council's current level of investments is exhausted, which is expected to be within the next 2 years, the Council will need to borrow externally.
- 5.6 The proposed capital programme for 2011/12 has been developed, therefore, on the assumption that it will be funded by a combination of Government grants, other external contributions and some internal borrowing in addition to the £2m of capital receipts. 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

- 5.7 Within the general financial framework outlined above, Service Departments have considered new schemes for inclusion within the Council's Capital Programme for 2011/12 - 2013/14. Given that both capital and revenue 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. Having done this, only the very highest priority schemes and programmes are being recommended for inclusion in the Capital Programme.

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 also include those that have been started as part of the 2010/11 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. Schemes in this category form the first call on the available capital resources.

Within these categories provision has been made to address the disabled access requirements to both school buildings (£0.1m) and all other Council buildings (£0.1m). The works have been identified through independent access audits and have been prioritised to meet the needs of pupils and the users of these buildings. Significant progress has been made in past years and a programme of works has been planned across a range of service areas.

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, identified a backlog of urgent outstanding repairs of £8.47m. However £4.47m 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 (£0.2m) within its Capital Programme as a contingency for urgent works that cannot be met from within the schools devolved budgets.

As such, based on the most recent survey data, £4.0m 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 £1.145m (exclusive of Schools contingency). An additional £0.2m has been added to the revenue budget in 2011/12 to address some of the shortfall that cannot be legitimately met through the capital programme – this relates to work that is not of a capital nature or below the Council's deminimus level, but has been highlighted in the condition surveys as requiring urgent attention. This level of investment will result in £2.655m 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 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, as set out in the Council's Asset management Plan 2010

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. The number of Council funded schemes within this category is severely constrained this year, but does include some money to allow a full £4m refurbishment programme at Kennel Lane School to proceed. This reflects the priority given to the scheme when the Executive considered the education capital programme in October.

Invest To Save Schemes

These are schemes where the additional revenue income or savings arising from their implementation exceeds the internal borrowing 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 2011/12 capital programme for potential Invest to Save schemes.

- 5.8 A detailed list of suggested schemes within the draft capital programme, together with a brief description of each project, for each service is included in Annexes B – F. A summary of the cost of schemes proposed by Departments is set out in the table below and in Annex A. This shows that the total net funding requested is £10.458m in 2011/12.

Capital Programme 2011/12-2013/14				
Annex	Service Area	2011/12 £000	2012/13 £000	2013/14 £000
B	Corporate Services	320	825	270
C	Council Wide	2,364	2,875	2,605
D	Children, Young People & Learning	3,754	5,150	4,320
E	Adult Social Care & Health	0	60	0
F	Environment Culture & Communities	9,284	9,753	6,923
	Total Capital Programme	15,722	18,663	14,118
	Externally Funded	5,264	6,200	5,600
	Total request for Council funding	10,458	12,463	8,518

- 5.9 As part of the offer to tenants in the lead up to the housing stock transfer ballot the Council gave a commitment to spend 75% of the available receipt on new affordable housing and the 2011/12 – 2013/14 programme includes an allocation of £12.9m, with £4m earmarked for 2011/12. The remainder of the receipt will be used in subsequent years.

Externally Funded Schemes

- 5.10 A number of external funding sources are also available to fund schemes within the capital programme, amounting to £5.264m of investment in 2011/12. 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. There is significant uncertainty regarding the level of funding that the Council will receive, particularly in relation to funding from the Department for Education.

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, although conditions restricting its use will apply to almost all of this.

Officers have identified a number of schemes that could be funded from Section 106 funds in 2011/12, where funding becomes available. These are summarised below

Department	Schemes	Budget
Corporate Services	Community Centres	£250,000
CYPL	Schools	£250,000
ECC	Local Transport Plan	£750,000
ECC	Leisure, Culture & Visual Environment	£250,000
	Total	£1,500,000

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

Funding Options

- 5.11 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 2011/12 are estimated to be in the region of £2m.
- 5.12 The proposed capital programme for 2011/12 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.

- 5.13 Should any additional capital receipts be generated in 2011/12 the interest earned on these will be used to mitigate the revenue cost of the capital programme.
- 5.14 For 2011/12 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.
- 5.15 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.
- 5.16 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 2011/12 to 2013/14 in March 2011, alongside its consideration of the specific budget proposals for 2011/12 and the Council's medium-term financial prospects.
- 5.17 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 2012/13 onwards, will need to be undertaken during next summer.

Meeting the Council's Medium Term Objectives

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

Priority 2 - Protect and enhance our environment

- £1.2m on highways infrastructure maintenance
- £4.0m on new affordable housing
- £1.4m on other measures to protect and enhance the environment

Priority 3 – Promoting health and achievement

- £1.1m on promoting achievement and learning

Priority 4 - Create a borough where people are, and feel safe

- £0.2m on access improvement programmes

Priority 5 - Provide value for money

- £0.2m on continued investment in Information Technology

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 2011/12 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 £10.458m for 2011/12 after allowing for projected capital receipts of £2m but excluding the self-funding Invest to Save schemes will be £38,000 in 2010/11 and up to £425,000 (based on estimated short-term interest rates) in 2012/13. 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 2011/12, 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 good 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, the Schools Forum, 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 www.bracknell-forest.gov.uk. There will also be a dedicated mailbox to collect comments.

7.2 The timetable for the approval of the 2011/12 Budget is as follows

Executive agree proposals as basis for consultation	14 December 2010
Consultation period	15 December 2010 - 25 January 2011
Executive considers representations made and recommends budget.	15 February 2011
Council considers Executive budget proposals	02 March 2011

Background Papers

Contact for further information

Chris Herbert – 01344 355694

chris.herbert@bracknell-forest.gov.uk

Alan Nash -01344 352180

alan.nash@bracknell-forest.gov.uk

Calvin Orr – 01344 352125

calvin.orr@bracknell-forest.gov.uk

Doc. Ref

G:\Technical And Audit\Capital\Capital 2011-12\December Exec 2010\Capital Programme (Exec Dec 10) - Draft.Doc