TO: THE EXECUTIVE
11 FEBRUARY 2014

CAPITAL PROGRAMME 2014/2015 - 2016/2017
(Borough Treasurer/Chief Executive)

1 PURPOSE OF DECISION

1.1 As part of the Council's financial and policy planning process, the Executive issued draft Capital Programme proposals for 2014/15 - 2016/17 for consultation on 10 December 2013. The main focus was inevitably departmental spending needs for 2014/15, although future year's schemes do also form an important part of the programme. This report sets out the proposed capital programme, following the consultation exercise, for consideration by the Executive prior to submission to the Council on 26th February 2014.

1.2 The revenue implications of the recommendations in this report are reflected in the subsequent report on the Council's revenue budget proposals. Any revisions to the proposals put forward for each service would also need to be reflected in the revenue budget report.

2 RECOMMENDATIONS

That the Executive:

2.1 Recommends to the Council

a) General Fund capital funding of £8.428m for 2014/15 in respect of those schemes listed in Annexes A – E.

b) The inclusion of an additional budget of £1m for Invest to Save schemes.

c) The inclusion of £1.335m of expenditure to be funded from S106 as outlined in paragraph 5.20.

d) That those schemes that attract external grant funding are included within the Capital Programme at the level of funding received.

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

2.3 Reviews the indicative programme for 2015/16 and 2016/17 in the light of resources available and spending priorities in December 2014.

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 2014 are zero. As a debt free authority the Council is heavily reliant on capital receipts to fund its capital programme, although interest generated from capital receipts can also help support the revenue budget in the short term. Historically the Council has been heavily reliant on housing sales to generate new receipts. Following the transfer of the housing stock to Bracknell Forest Homes (BFH) in 2008, the Council still receives a share of any Right-To-Buy proceeds from BFH in addition to a share of capital receipts from the VAT Shelter scheme. Nonetheless the disposal of other assets is increasingly seen with greater importance if the Council's spending plans are to continue to be realised. To support this there is a programme of disposals and all surplus, or potentially surplus, property is reported to every meeting of the Asset Management Group who co-ordinate and manage the Council's disposal programme.

5.4 At the time of the housing stock transfer it was estimated that the RTB Sharing and VAT Shelter schemes would deliver annual receipts of between £2m and £3m over the proceeding 10 years. However, added to the miscellaneous sales of surplus land and property planned for next year, including the receipt for Binfield Nursery, it is assumed that receipts in 2014/15 will amount to £5.0m.

5.5 The proposed capital programme for 2014/15 has been developed, 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 £5.0m 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

5.6 Within the general financial framework outlined above, Service Departments have considered new schemes for inclusion within the Council's Capital Programme for 2014/15 – 2016/17. 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 & Committed schemes

5.7 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 2013/14 Capital Programme. Also included within this category are those schemes that were previously funded from the General Fund Revenue Account, but which by their nature could be legitimately capitalised, thereby reducing pressure on the revenue budget. Schemes in this category form the first call on the available capital resources.

5.8 Within these categories, provision has been made to address the rolling programme of disabled access requirements to Council buildings (£0.1m). The works have been identified through independent access audits and have been prioritised to meet the needs of ongoing users of these buildings. Significant progress has been made in past years in improving disabled access and a programme of works has been planned across a range of service areas to continue this.

Town Centre Highway Works

5.9 In order to facilitate transport movements around the Borough, including in the medium term the planned Town Centre redevelopment, it is necessary to continue to fund a number of highway schemes. As such a funding need of £2.0m has been identified in the 2014/15 proposals with further commitments required in future years to ensure that the regenerated town centre functions as a "whole centre" and not just as an isolated shopping outlet. This "whole centre" approach is essential to ensure that key retailers are attracted to the town. Spending levels of around £2m per annum are likely to be required until the new Northern Retail Quarter is open for trading.

5.10 This additional expenditure, aimed at maximising the positive experience of visiting the regenerated town centre, should be more than repaid through a massively increased business rate base and increases in car parking revenue.

Maintenance (Improvements and capitalised repairs)

5.11 An assessment has been made of the condition of the Council's property assets to arrive at an estimate of the outstanding maintenance works required. An assessment is made of the state of each building element and its repair priority with a condition rating and repair urgency as follows.

Definition of Condition Categories:
A: Good – Performing as intended and operating efficiently. B: Satisfactory – Performing as intended but showing minor deterioration. C: Poor – Showing major defects and/or not operating as intended. D: Bad – Life expired and/or serious risk of imminent failure.
Priority:
1 Urgent works that will prevent immediate closure of premises and/or address an immediate high risk to the health and safety of the occupants and/or remedy a serious breach of legislation. 2 Essential work required within two years that will prevent serious deterioration of the fabric or services and/or address a medium risk to the health & safety of the occupants and/or a minor breach of the legislation. 3 Desirable work required within 3 to 5 years that will prevent deterioration of the fabric or services and/or address a low risk to the health & safety of the occupants and/or a minor breach of the legislation. 4 Long-term work required beyond a period of 5 years that will prevent deterioration of the fabric or services.

5.12 The figures below are based on the information held in the Construction and Maintenance Groups' property management system as of the 21st November 2013. They have been adjusted to exclude those works that are already budgeted for within existing 2013/14 schools and corporate planned maintenance programmes.

The priorities can be broken down as follows:

Maintenance Backlog

		£ (000)	£ (000)
Schools	Priority 1C & 1D	2,088	
	Priority 2C & 2D	4,007	
	Lower Priorities	10,261	16,356
Corporate Properties	Priority 1C & 1D	1,780	
	Priority 2C & 2D	5,273	
	Lower Priorities	7,754	14,807
Total			**31,163**

5.13 The overall maintenance liability has reduced from £40.1m in 2011/12 to £31.2m and reflects the investment that the Council has made in its property asset base and a number of disposals.

Schools

5.14 Historically the Schools Maintenance Programme has been funded from the Capital Maintenance grant allocation from the Department for Education (DfE). Allocations for Basic Need, Capital Maintenance and additional funding to support the introduction of Universal Infant Free School Meals has been published by the DfE for 2014/15. The Council has been allocated £1.827m with respect to Capital

Maintenance and this will be used to meet the most urgent 1C and 1D areas identified above.

Non-schools

5.15 From an analysis of the work required it is clear that some works, whilst urgent, cannot be legitimately capitalised and must be met from a revenue budget. An allowance of £200,000 is available in the 2014/15 Revenue Budget proposals to meet these liabilities. In line with the policy adopted last year the Asset Management Group has considered only those works that fall within categories 1C and 1D. Given the financial constraints on both the revenue and capital budgets an allocation of £1.5m is recommended to address the majority of the 1C &1D priorities.

5.16 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. 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 / Other Desirable

5.17 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. 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. Given the financial challenges facing the Council, schemes included within this category are minimal.

Invest To Save Schemes

5.18 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 2014/15 capital programme for potential Invest to Save schemes.

<u>Capital Programme 2014/15 – 2016/17</u>

5.19 A list of proposed schemes within the draft capital programme for each service is included in Annexes A – E. A summary of the cost of schemes proposed by Departments is set out in the table below. This shows that the total council funding requested is £8.428m in 2014/15

Capital Programme 2014/15-2016/17				
Annex	**Service Area**	**2014/15 £000**	**2015/16 £000**	**2016/17 £000**
A	Adult Social Care, Health & Housing	2,513	2,320	2,000
B	Children, Young People & Learning	11,392	3,727	3,901
C	Corporate Services	250	50	0
D	Council Wide	2,820	1,813	1,681
E	Environment Culture & Communities	7,090	6,408	6,558
	Total Capital Programme	**24,065**	**14,318**	**14,140**
	Externally Funded	**15,637**	**6,877**	**7,201**
	Total request for Council funding	**8,428**	**7,441**	**6,939**

Externally Funded Schemes

5.20 A number of external funding sources are also available to fund schemes within the capital programme, amounting to £15.637m of investment in 2014/15. External support has been identified from two main sources:

Government Grants (£13.904m)
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 (and outlined in Annex B) reflects the latest position approved by the Executive in October 2013. In order to effectively deliver a schools investment programme the Government have announced two-year funding deals for schools capital investment. The report to the Executive on 15th October 2013 highlighted the levels of grant that had been initially allocated as a result of the bidding process and approved how these funds would be used. Additional Targeted Basic Needs Grant of £7.867m was initially awarded covering the period 2013/14 to 2014/15; however this has since been reviewed by DfE and reduced to £7.635m as the costs for one of the schemes is now classified as refurbishment rather than new-build and as such attracts a lower grant allocation. Additional funding to support the introduction of Universal Infant Free School Meals was published in late December by the DfE and Bracknell Forest was allocated £282,000. As noted above the Council has been allocated £1.827m with respect to Schools Capital Maintenance grant.

A second key constituent of capital grant funding relates to the Highway Maintenance and Integrated Transport Block. The Council's 2014/15 allocation was provisionally announced as part of a two-year settlement last year, however the Maintenance block has been reduced by £143,000 in the announcement by Department of Transport on 27th December 2013, and whilst no explanation has been given it is believed the overall programme may have been top-sliced by the Department to fund programme streams elsewhere. An additional allocation from the Local Sustainable Transport fund is also expected in 2014/15.

<u>Section 106 (£1.335m)</u>
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 and have to be spent within a specific number of years. The total money available at present, which is not financially committed to specific projects, is £5.1m, although conditions restricting its use will apply to almost all of this.

Officers have identified a number of appropriate schemes that could be funded from Section 106 funds in 2014/15, where funding becomes available. These are summarised below

Department	**Schemes**	**Budget**
		£000
CYPL	Schools	250
ECC	Parks & Open Spaces	320
ECC	Local Transport Plan	765
	Total	1,335

The level of new funding available through Section 106 will reduce significantly in the future following the introduction of the Community Infrastructure Levy (CIL). However the more flexible CIL funding should offset this reduction.

On-going Revenue Costs

5.21 A number of schemes have associated on-going revenue costs relating primarily to maintenance and support costs (particularly IT schemes). These costs (totalling £54,000) tend to become payable in the year after implementation and as such will be included within the Council's Commitment Budget for 2015/16.

Funding Options

5.22 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 estimated to be in the region of £5.0m.

5.23 The proposed capital programme for 2014/15 has been developed, therefore, on the assumption that it will be funded by a combination of £5.0m 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.

5.24 Should any additional capital receipts be generated in 2014/15 the interest earned on these will be used to mitigate the revenue cost of the capital programme.

5.25 For 2014/15 it is unlikely that the Council will need to resort to external borrowing as it will be able to utilise 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.

5.26 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.

5.27 To achieve its aim of ensuring that capital investment plans are affordable, prudent and sustainable, the Local Government Act requires all local authorities to set and keep under review a series of prudential indicators included in the CIPFA Prudential Code for Capital Finance in Local Authorities. The Capital Programme recommended in this report can be sustained and is within the prudential guidelines. Full Council will need to agree the prudential indicators for 2014/15 to 2016/17 in February 2014, alongside its consideration of the specific budget proposals for 2014/15 and the Council's medium-term financial prospects.

5.28 Members will need to carefully balance the level of the Capital Programme in future years against other revenue budget pressures and a thorough review, including the prioritisation of those schemes planned for 2015/16 onwards, will need to be undertaken during next summer.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

6.1 The authorisation for incurring capital expenditure by local authorities is contained in the legislation covering the service areas. Controls on capital expenditure are contained in the Local Government Act 2003 and regulations made thereunder.

Borough Treasurer

6.2 The financial implications are contained within the report.

Equalities Impact Assessment

6.3 The Council's budget proposals impact on a wide range of services. A detailed consultation was undertaken on the draft budget proposals published in December to provide individuals and groups the opportunity to provide comments. Where necessary, impact assessments on specific schemes within the capital programme will be undertaken before work commences.

Strategic Risk Management Issues

6.4 The most significant risk facing the Council is the impact of the capital programme on the revenue budget. All new spending on services will need to be funded from new capital receipts or borrowing from internal resources. 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 may not be sustainable in the medium term. 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 2014/15, is a risk that the deterioration in Council assets will hamper the ability to deliver good quality services.

7 CONSULTATION

7.1 See the General Fund Revenue Budget 2014/15 report on tonight's agenda outlining the results of the budget consultation

Background Papers
None

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