

**TO: THE EXECUTIVE
16 DECEMBER 2014**

**CAPITAL PROGRAMME 2015/2016 - 2017/2018
(Borough Treasurer/Chief Executive)**

1 PURPOSE OF DECISION

- 1.1 Under the Council's constitution, the Executive is required to consult on its detailed budget proposals with the Council's Overview & Scrutiny Commission and any other interested parties or individuals for a period of at least six weeks. This report summarises the current position on the Council's Capital Programme budget preparations for 2015/16.
- 1.2 This report draws together each department's proposals so that the Executive can agree a draft capital programme for 2015/16-2017/18 as the basis for consultation. In compiling the draft programme the main focus is inevitably on determining the requirements for 2015/16, although future year's schemes do also form an important part of the programme.
- 1.3 The 2015/16 Capital Programme marks a step change in the Council's capital spending plans. The inclusion of significant capital projects such as the Town Centre redevelopment enabling works, the Binfield Learning Village at Blue Mountain and Coral Reef Transformation represent a substantial investment in the future of the Borough and all three projects will be a major feature of future year's capital programmes as well as in 2015/16.
- 1.4 The financial implications of the recommendations in this report are reflected in the subsequent report on the Council's draft revenue budget. Any revisions to the proposals put forward by each service would also need to be reflected in that report which will also be published as the basis for consultation following the Executive's meeting.

2 RECOMMENDATIONS

That the Executive:

- 2.1 **Approves, for consultation, an initial Council funded capital programme of £16.818m for 2015/16 as set out in paragraph 5.24 and summarised in Annex A, including the schemes listed in Annexes B – F.**
- 2.2 **To approve as a supplementary capital approval funding in 2014/15 of £0.447m for Binfield Learning Village at Blue Mountain, as outlined in the Funding Model agreed by Executive in October 2014.**
- 2.3 **Approves, for consultation, the inclusion of an additional budget of £1m for Invest to Save schemes.**
- 2.4 **Approves, for consultation, the inclusion of £1.880m of expenditure to be funded from S106 as outlined in paragraph 5.25.**
- 2.5 **Approves, for consultation, the inclusion of £17.804m of expenditure to be externally funded as outlined in paragraph 5.25.**

2.6 Approves the virements totalling £0.33m to the 2014/15 Children Young People and Learning Programme, as set out in Annex I, in order to meet the demands of the School Places Plan.

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 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 to repay this internal borrowing. Once the Council's current level of investments is exhausted, which is expected to be within 2016, the Council will need to borrow externally.

5.4 The Council's estimated total usable capital receipts at 31st March 2014 are zero. As a debt free authority the Council is partly 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. The Council still receives a share of any Right-To-Buy proceeds from Bracknell Forest Homes in addition to a share of capital receipts from the VAT Shelter scheme.

5.5 The proposed capital programme for 2015/16 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 £2.5m 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 2015/16 – 2017/18. 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.

- 5.7 Within this framework however, the proposed programme does include three significant items, each of which represents a major investment in the future of the Borough in its own right. These relate to the imminent regeneration of the Bracknell town centre, the creation of the new Binfield Learning Village at Blue Mountain and the maintenance and enhancement at the Corel Reef leisure pool.

Town Centre Redevelopment Works

- 5.8 Now that the stage has almost been reached when the Development Agreement with Bracknell Regeneration Partnership (BRP) will become unconditional, the Council will need to undertake its own planned investment on wider Town Centre infrastructure. In order to facilitate the Town Centre redevelopment works it is proposed that the Council should invest up to £12.4m (excluding Stamp Duty which may become payable depending on the nature of the transactions) over the period 2014/15 to 2017/18. This will include the purchase of the Bracknell Town Centre Bus Station alongside investment in a new replacement Park and further public realm and highway works. Further details of the expenditure can be found on a separate Report on tonight's Agenda. The expenditure is shown as committed on the draft capital programme on the assumption that Full Council will approve the expenditure at its January meeting.

- 5.9 All of these items have a much wider impact than the new development itself and will benefit the whole Borough. However the expenditure needs to be co-ordinated with the specific work that BRP are planning to carry out.

Town Centre Infrastructure Works

- 5.10 Similarly in order to facilitate transport movements around the Borough, including the planned Town Centre redevelopment, it is necessary to continue to fund a number of infrastructure schemes. As such a funding need of £2.0m has been identified in the 2015/16 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. As such spending levels of around £2m per annum are likely to be required until the new Northern Retail Quarter area is open for trading. This additional expenditure is aimed at maximising the positive experience of visiting the regenerated town centre.

Binfield Learning Village at Blue Mountain

- 5.11 The Binfield Learning Village at Blue Mountain is a priority for the Council. The programme will deliver statutory places required in the Borough alongside meeting the need for new housing and the associated community facilities. Based on the most recent feasibility study the total cost of the Learning Village, if commenced now, is £39.07m plus £3m contingency costs. As per the current programme the building works will start in January 2016 and as such costs are likely to increase between now and then due to inflation. As the programme progresses and further milestones are met the impact of inflation will be reported and budget approvals updated. The Executive agreed the Funding Model in October 2014 and as such the approvals for 2014/15 through to 2017/18 are sought in this report.

Coral Reef Transformation

- 5.12 The main roof structures at Coral Reef are complex and have required extensive monitoring and maintenance for the latter part of its life. At 25 years old they are reaching the end of their practical lifespan and need to be replaced in a planned

way. While the major issue lies with the main roof over the pool hall, all other roofs are of the same construction and in due course will need to be replaced too. In addition a number of options, including two additional flumes and a new flume tower, to improve the leisure offer are being proposed alongside a significant refurbishment of the building to enhance the Borough's "signature" leisure offer. A separate, more detailed report, will be considered by the Executive on tonight's agenda outlining the project and identifying the revenue impact of the scheme. The overall capital cost of the scheme is estimated to be £11.229m and this is included in the draft Capital Programme.

Other Unavoidable & Committed schemes

- 5.13 This category covers schemes which must proceed to ensure that the Council is not left open to legal sanction and includes items relating to health and safety issues, new legislation etc. Committed schemes also include those that have been started as part of the 2014/15 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.
- 5.14 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 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 and is outlined in Annex G.

Maintenance (Improvements and capitalised repairs)

- 5.15 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.

<p>Definition of Condition Categories:</p> <p>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.</p>
<p>Priority:</p> <ol style="list-style-type: none"> 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.

- 5.16 The figures below are based on the information held in the Construction and Maintenance Groups' property management system. They have been adjusted to exclude those works that are already budgeted for within existing 2014/15 schools and corporate planned maintenance programmes.

The priorities can be broken down as follows:

Maintenance Backlog

		£ (000)	£ (000)
Schools	Priority 1C & 1D	2,204	
	Priority 2C & 2D	2,276	
	Lower Priorities	11,639	16,119
Corporate Properties	Priority 1C & 1D	1,235	
	Priority 2C & 2D	2,497	
	Lower Priorities	5,420	9,152
Total			25,271

- 5.17 The overall maintenance liability has reduced from £40.1m in 2011/12 to £25.3m and reflects the investment that the Council has made in its property asset base and a number of disposals.

Schools

- 5.18 Historically the Schools Maintenance Programme has been funded from the Capital Maintenance grant allocation from the Department for Education. The allocations from the DfE are expected on or after the publication of the Provisional Settlement and will be used to tackle the highest priority items identified in the condition surveys indicated above.

Non-schools

- 5.19 From an initial analysis of the work required it is clear that some works, whilst urgent, cannot be legitimately capitalised and must be met from a revenue budget. An allowance of £200,000 is available in the 2015/16 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 £1.235m is recommended to address the most pressing 1C & 1D priorities.
- 5.20 The implications of failing to maintain Council buildings and to address the backlog will be a significant issue for the Council over the coming years and efforts will be focussed on ensuring that the highest priority items are tackled first, that efficiencies are maximised in the procurement of works and that maintenance which will result in energy efficiencies are undertaken through the invest-to-save programme.

Rolling programmes

- 5.21 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

- 5.22 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

- 5.23 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 2015/16 capital programme for potential Invest to Save schemes.

Capital Programme 2015/16 – 2017/18

- 5.24 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. For reasons of commercial confidentiality the proposed IT schemes are detailed in Annex H (Restricted). A summary of the cost of schemes proposed by Departments is set out in the table below and in Annex A. Total Council funding amounts to £16.818m. However excluding the funding for Binfield Learning Village at Blue Mountain, Coral Reef Transformation and the Town Centre Redevelopment the total Council funding requested is £8.312m in 2015/16 and this is in line with recent years programmes.

Capital Programme 2015/16-2017/18				
Annex	Service Area	2015/16 £000	2016/17 £000	2017/18 £000
B	Adult Social Care, Health & Housing	2,383	0	0
C	Children, Young People & Learning	10,930	31,598	14,221
D	Corporate Services	50	0	0
E	Council Wide	7,407	5,580	3,901
F	Environment Culture & Communities	13,852	15,036	8,752
	Total Capital Programme	34,622	52,214	26,874
	Externally Funded	17,804	11,803	8,876
	Total request for Council funding	16,818	40,411	17,998

Externally Funded Schemes

- 5.25 A number of external funding sources are also available to fund schemes within the capital programme. External support has been identified from three main sources:

Government Grants

A number of capital schemes attract specific grants. It is proposed that all such schemes should be included in the capital programme at the level of external funding that is available.

A significant element of the grant-funded capital programme relates to the planned investment in Schools. The schools investment programme included in this report reflects the highest priority schemes identified by the Department. However it is not expected that the two main Department for Education grants (Basic Need and Schools Maintenance) will be sufficient to finance all these schemes. The final grant allocations are unknown at this stage; however the 2015/16 Basic Need block has been announced as part of a 2-year settlement in 2014/15 and is expected to be £3.477m. Historically the Schools Maintenance Grant has been approximately £1.8m. As such a total of £5.277m is anticipated at this stage. Excluding Binfield Learning Village at Blue Mountain, the total identified need for Schools is £7.43m, leaving a gap of approximately £2.2m. At this stage the Department will continue to review and reprioritise the schemes with the aim of bringing the total scheme costs in line with the anticipated external grant allocations.

A second key constituent of capital grant funding relates to the Highway Maintenance and Integrated Transport Block. Grant approvals of £2.37m are currently anticipated for 2015/16.

Section 106 (£1.880m)

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 £4.2m, 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 2015/16, where funding becomes available. These are summarised below

Department	Schemes	Budget
		<i>£000</i>
ASCHH	Affordable Housing	777
Corporate Services	Community Centre & Library	393
ECC	Leisure & Culture	110
ECC	Local Transport Plan	600
	Total	1,880

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

Local Growth Fund (£5.6m in 15/16 and a further £1.4m in 2017/18)

Working with the Thames Valley Local Enterprise Partnership (LEP), the Council was successful in bidding to include various Infrastructure improvement schemes as part the Thames Valley Strategic Economic plan and was awarded £7m. This funding was awarded as part of the Local Growth Fund which is aimed creating economic growth such as unlocking housing and commercial development. The funding breakdown includes £2.1m for Coral Reef Junction (Anticipated spend 2015/16), £3.5m towards Warfield link road (Anticipated spend 2015/16), and £1.4m

towards improvements to Martins Heron Junction and London Rd (Anticipated spend 2017/18).

On-going Revenue Costs

- 5.26 Schemes may have associated on-going revenue costs and tend to become payable in the year after implementation. As such will be included within the Council's Commitment Budget for 2016/17. These total £6,000 and relate to the Network Refresh programme.

Funding Options

- 5.27 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 £2.5m.
- 5.28 The proposed capital programme for 2015/16 has been developed, therefore, on the assumption that it will be funded by a combination of £2.5m 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.
- 5.29 Should any additional capital receipts be generated in 2015/16 the interest earned on these will be used to mitigate the revenue cost of the capital programme.
- 5.30 For 2015/16 it is unlikely that the Council will need to resort to external borrowing as it will be able to utilise resources held internally, however there remains the possibility given the substantial investment proposed in the Town Centre, Coral Reef and the Binfield Learning Village at Blue Mountain that short term borrowing for cash-flow purposes may be required in this year. Given the investment proposed in 2016/17 for these schemes it is inevitable that the Council will be required to borrow externally and may decide, from a treasury management standpoint, to borrow earlier in the cycle.
- 5.31 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.
- 5.32 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.
- 5.33 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 2015/16 to 2017/18 in February 2015, alongside its consideration of the specific budget proposals for 2015/16 and the Council's medium-term financial prospects.

- 5.34 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 2016/17 onwards, will need to be undertaken during next summer.

Virements in 2014/15 CYPL Capital Programme

- 5.35 To ensure that the Council is able to provide sufficient school places if required, advance design for new schemes is required now and approval is sought for a number of schemes, where further funding is requested in 2015/16, to be added to the 2014/15 Capital Programme. These virements amount to £190,000. In addition to this it has been deemed essential to undertake internal remodelling to Wooden Hill Primary School to alleviate unacceptable noise levels resulting from it being the last primary school in the Borough to have open plan classrooms. Taken together these virements exceed the delegated limit of £250,000, and as such require Council approval. More detail on each of the schemes is contained in Annex I

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 2015/16 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. 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
 - 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 2015/16, there will be a further build up in the maintenance backlog and a risk that the deterioration in Council assets will hamper the ability to deliver good services.

7 CONSULTATION

7.1 The Overview & Scrutiny Commission will be consulted on the budget proposals and may also choose to direct specific issues to individual overview and scrutiny panels. Targeted consultation exercises will be undertaken with business rate payers, the Schools Forum, town and parish councils and voluntary organisations. Comments and views will be sought on both the overall budget package and on the detailed budget proposals. In addition, this report and all the supporting information are publicly available to any individual or group who wish to comment on any proposal included within it. To facilitate this, the full budget package will be placed on the Council's web site at <http://consult.bracknell-forest.gov.uk/portal>. There will also be a dedicated mailbox to collect comments.

7.2 The timetable for the approval of the 2015/16 Budget is as follows

Executive agree proposals as basis for consultation	16 December 2014
Consultation period	17 December 2014 - 27 January 2015
Executive considers representations made and recommends budget.	10 February 2015
Council considers Executive budget proposals	25 February 2015

Background Papers

None

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