

**TO: THE EXECUTIVE
10 FEBRUARY 2015**

**CAPITAL PROGRAMME 2015/2016 - 2017/2018
(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 2015/16 - 2017/18 for consultation on 16 December 2014. The main focus was inevitably departmental spending needs for 2015/16, 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 25th February 2015.
- 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 £16.798m for 2015/16 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 £2.219m of expenditure to be funded from S106 as outlined in paragraph 5.25.**
- d) **That those schemes that attract external grant funding are included within the Capital Programme at the level of funding received.**
- e) **To bring forward funding of £20k for Superfast Broadband from 2015/16 into 2014/15.**
- f) **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 the Executive in October 2014.**

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 2016/17 and 2017/18 in the light of resources available and spending priorities in December 2015.

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, it 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 2015 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 anticipated 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.

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 Coral Reef leisure pool.

Town Centre Redevelopment Works

- 5.8 Now that the stage has been reached 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. The Council agreed on 21st January to include £12.4m over the period 2014/15 to 2017/18 to fund the purchase of the Bracknell Town Centre Bus Station alongside investment in a new replacement Park and further public realm and highway works. All of these items have a much wider impact than the new development itself and will benefit the whole Borough.

Town Centre Infrastructure Works

- 5.9 To facilitate transport movements around the Borough, including the planned Town Centre redevelopment, it is necessary to continue to fund a number of other infrastructure schemes. An on-going funding need of £2.0m per annum has been included 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. These spending levels are likely to be required until the new Northern Retail Quarter area is open for trading and is aimed at maximising the positive experience of visiting the regenerated town centre, thereby helping ensure that new economic, social and cultural heart of the borough is an immediate success.

Binfield Learning Village at Blue Mountain

- 5.10 The Binfield Learning Village at Blue Mountain is a priority for the Council. The programme will deliver statutory school places required in the Borough whilst helping meet 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. 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

- 5.11 The main roof structures at Coral Reef are complex and have required extensive monitoring and maintenance for the latter part of its life. They are now reaching the end of their practical lifespan and will need to be replaced in a planned way. In addition a number of new facilities, 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. The Council agreed the details of the scheme on 21st January 2015. The overall capital cost of the scheme is estimated to be £11.229m and this is now included in the Capital Programme.

Other Unavoidable & Committed schemes

- 5.12 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.
- 5.13 Within this category, 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

as outlined in Annex G, and a programme of works has been planned across a range of service areas for the coming year.

Maintenance (Improvements and capitalised repairs)

- 5.14 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:	
<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>	
Priority:	
<p>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.</p>	

- 5.15 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	

- 5.16 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 along with a number of strategic disposals.

Schools

- 5.17 Historically the Schools Maintenance Programme has been funded from the Capital Maintenance grant allocation from the Department for Education (DfE). The allocations from the DfE are expected before the start of the financial year and will be used to tackle the highest priority items identified in the condition surveys indicated above.

Non-schools

- 5.18 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 priorities.
- 5.19 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

- 5.20 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

- 5.21 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

- 5.22 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.

Changes since Consultation

- 5.23 There are only a few minor changes since the Consultation exercise commenced that affect both the Programme and more importantly the level of internal funding. These are detailed below
1. The final allocations for the Local Highways Maintenance Block Grant funding were announced in December, providing an additional £51,000 on the indicative amount.
 2. Progress on the Superfast Broadband scheme that has been running for 3-years is suitably advanced so funding identified for 2015/16 can be brought forward into 2014/15 to enable the scheme to be completed.
 3. Schools Programme – Details of the Capital Maintenance Grant have still not been received. Furthermore, whilst the Council has been notified it has been

successful in bidding for funding for Universal Infant Free School Meals Grant, the actual amount of the award has not yet been published. As such only funding that has been formally announced has been included within the Capital Programme in relation to the grant awards from DfE. Following the announcement of the grant allocations, officers will prepare a programme of works that meet the highest priorities and will seek approval from Executive Members for the allocations proposed.

4. Funding of £339,000 can be released from S106 funds for contributions towards a number of School schemes. Of this £164,000 relates to the expansion at Garth Hill College, with the remainder earmarked for a number of smaller schemes including Eastern Road and schemes at Cranbourne, Sandhurst and Edgbarrow schools.
5. Officers have been developing a programme of works to deliver on the Sustainable Alternative Natural Green Space (SANGS) Strategy and have identified works amounting to at least £150,000 that can be delivered in 2015/16, including works at Englemere Pond, Ambarrow Court, Shepherd Meadows and Manor Farm/Anneforde Place bridges. This is funded through external contributions and is £75,000 more than included in the consultation programme in December.

Capital Programme 2015/16 – 2017/18

- 5.24 A summary of the cost of schemes proposed by Departments is set out in the table below and in Annex A. A detailed list of suggested schemes within the draft capital programme for each service is included in Annexes B – F. For reasons of commercial confidentiality the proposed IT schemes are detailed in Annex H (Restricted). Total Council funding amounts to £16.798m. 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 £8.292m 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	7,315	23,550	10,550
D	Corporate Services	50	0	0
E	Council Wide	7,387	5,580	3,901
F	Environment Culture & Communities	13,978	15,036	8,752
	Total Capital Programme	31,113	44,166	23,203
	Externally Funded	14,315	3,755	5,205
	Total request for Council funding	16,798	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. The 2015/16 Basic Need block has been announced as part of a 2-year settlement in 2014/15 and is £3.477m. Historically the Schools Maintenance Grant has been approximately £2m but confirmation of the final award is still pending. The Department will review and reprioritise its schemes, bringing the total costs in line with the final external grant allocations.

A second key constituent of capital grant funding relates to the Highway Maintenance and Integrated Transport Block. Grant approvals of £2.421m have been allocated for 2015/16.

Section 106 (£2.219m)

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 apply to almost all of this.

Officers have identified a number of schemes that could be funded from Section 106 funds in 2015/16. These are summarised below

Department	Schemes	Budget
		<i>£000</i>
ASCHH	Affordable Housing	777
CYPL	Schools	339
Corporate Services	Community Centre & Library	393
ECC	Leisure & Culture	110
ECC	Local Transport Plan	600
	Total	2,219

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. These costs 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, the receipts to be generated in 2015/16 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.

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 2015/16, 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 2015/16 report on tonight's agenda outlining the results of the budget consultation

Background Papers

None

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