

**TO: THE EXECUTIVE
08 FEBRUARY 2022**

**CAPITAL PROGRAMME 2022/2023 - 2024/2025
(Chief Executive/Director: Resources)**

1 PURPOSE OF REPORT

- 1.1 As part of the Council's financial and policy planning process, the Executive issued draft Capital Programme proposals for 2022/23 – 2024/25 for consultation on 14 December 2021. The main focus was inevitably departmental spending needs for 2022/23, although future years' schemes do also form an important part of the programme. This report sets out the final proposed capital programme, following the consultation exercise, for consideration by the Executive prior to submission to the Council on 23rd February 2022. 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 £16.311m for 2022/23 in respect of those schemes listed in Annexes A – D**
- b) Approves the inclusion of £7.037 of expenditure to be externally funded (including £1.133m of S106 funding) as outlined in paragraph 5.19.**
- c) That those schemes that attract external grant funding are included within the Capital Programme at the level of funding received.**
- d) Agrees that capital schemes that require external funding can only proceed once the Council is certain of receiving the grant**
- e) The inclusion of an additional budget of £1m for Invest to Save schemes.**
- f) Approve the virement of £35k within the 2021/22 Schools Capital Programme as outlined in paragraph 5.29**

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 these main sources:
- the Council's capital receipts
 - Government Grants
 - other external contributions
 - internal and external borrowing
- 5.2 The Council's total usable capital receipts at 31st March 2021 are zero as all receipts have been applied to fund prior capital investment – all receipts during 2021/22 will be used to finance the 2021/22 Capital Programme. The Council is partly reliant on capital receipts and other contributions to fund its capital programme, although interest generated from capital receipts can also help support the revenue budget in the short term. However, with investment rates at historic lows it makes more economic sense to offset borrowing.
- 5.3 The proposed capital programme for 2022/23 has been developed, therefore, on the assumption that it will be funded by a combination of Government grants, other external contributions, capital receipts and borrowing only if required. Community Infrastructure Levy (CIL) contributions and some small miscellaneous property sales should enable £3.25m of the capital programme to be funded from receipts. Internal resources will be used in the first instance and borrowing from external sources (e.g. the PWLB) will be used only when necessary. 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.

Invest-to-Save

- 5.4 The Council has for many years allocated £1m each year within its capital programme proposals to be available to fund capital investment in schemes that will make a return either through revenue savings or income generation, at least equal to the cost of the financing. This has proved successful in recent years. The key criteria used to assess proposals to access this funding is that the investment needs to recover the cost of the financing (i.e. repay the amount and the interest associated with the borrowing) over time. This recognises that many initiatives, including some related to climate change, will have an element of future cost savings. Furthermore there will be opportunities where a mix of funding could be utilised where the total savings do not cover the full costs, meaning that a mix of Invest-to-Save and other funding sources can be used to achieve the level of investment needed to support policy initiatives.

New Schemes

- 5.5 Within the general financial framework outlined above, Service Departments have considered new schemes for inclusion within the Council's Capital Programme for 2022/23 – 2024/25. Given that both capital and revenue resources are under pressure, each Department has evaluated and prioritised proposed schemes into broad categories in line with the Council's agreed Asset Management Plan approach. Having done this, only the very highest priority schemes and programmes are being recommended for inclusion in the Capital Programme.

Other Unavoidable & Committed schemes

- 5.6 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 2021/22 Capital Programme – major schemes started in 2021/22

which have not yet completed will be carried forward as per normal capital expenditure rules. 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.

Maintenance (Improvements and capitalised repairs)

5.7 The figures below are based on the information held in the Building Groups' property management system as of August 2021. In addition to this, several more comprehensive surveys have been included namely the Commercial Depot, Waterside Park and a major update of the Council's housing stock. The Commercial Depot makes up almost £2m of Corporate Property's priority costs and should be viewed in light of the proposals for its re-development which are included in this report.

5.8 The Council's overall maintenance liability remains in the region of £80m (see table below). In line with the policy adopted in previous years the Asset Management Board (AMB) 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 £1.587m is recommended to address the most pressing 1C & 1D priorities.

		£ (000)	£ (000)
Schools	Priority 1C & 1D	2,352	
	Priority 2C & 2D	11,320	
	Lower Priorities	30,968	44,640
Corporate Properties	Priority 1C & 1D	1,936	
	Priority 2C & 2D	8,176	
	Lower Priorities	14,289	24,401
Total			79,001

5.9 There are remaining Landlord liabilities left with the Council with regard to the Leisure sites and based on updated condition surveys these works are necessary in order for the Council to fulfil these responsibilities. The table below summarises the key investment areas for planned maintenance in 2022/23

Area	£
Car Parking	100,000
Commercial Estate	160,000
Corporate Buildings	100,000
Housing	250,000
Leisure	320,000
Other	232,000
South Hill Park	210,000

- 5.10 Some works, whilst urgent, cannot be legitimately capitalised and must be met from a revenue budget. An overall allowance of £200,000 is available to meet these liabilities; however this will not be sufficient to meet the level of works that continue to be identified within the 1C and 1D categories considered to be of a revenue nature. It is becoming clear that there is a diminishing proportion of the 1C and 1D works that can be legitimately met from the Capital Budget. Unless additional revenue funds are identified then the level of outstanding works will increase. These combined bids will go some way to addressing the most urgent works within the estimated backlog identified above, with the potential to resolve some of the works currently prioritised as 1C and 1D. However, other essential, albeit slightly lower priority, works will still remain. The implications of failing to maintain buildings are progressive deterioration leading to building closures, health & safety problems, service delivery impacts and reduced property values.

Schools

- 5.11 Identified planned maintenance for 2022/23 will be drawn from building condition surveys carried out by the Council's Managing Partner Atkins Ltd and there is approximately £2.352m of Priority 1 (Urgent) planned maintenance works in schools on the current building condition surveys. Capital funding for planned maintenance is allocated for schools, but non school buildings (Youth Service, Childrens Social Care, Adult Learning and Early Years) form part of the Council-Wide programme. The Asset Management Board recommends the Council-Wide programme of works, and the Schools Planned Works Programme Board recommends the programme of works for schools.
- 5.12 A Schools Planned Works Programme of £2m is being put forward based on the level of grant expected to be received from DfE. This includes Planned Maintenance, Fire Safety, Asbestos and Legionella works which is normally funded from DfE Schools Capital Maintenance Grant. The programme of works will be matched to the available budget.

ICT Schemes

- 5.13 To support new ways of working that have become the norm in recent times, the Council will be required to invest in technology and IT infrastructure over the coming years. Some of the key areas are highlighted below and more details on specific areas of spend are laid out in the Annexes.
- Investment in additional home-working equipment
 - Laptop refresh and replacement programme
 - Core Network Upgrades

Rolling programmes

- 5.14 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 established Asset Management Plans.

Other Desirable Schemes

- 5.15 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. The net cost of schemes which attract partial external funding are included in the schemes put forward.

Capital Programme 2022/23 – 2024/25

- 5.16 A summary of the cost of new 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, together with a brief description of each project, for each service is included in Annexes B – D.
- 5.17 A number of amendments have been made during the consultation period as outlined below.
- **New Scheme - Play Area Renewal Schemes (£160k)**
Many of the borough’s play sites are now old and equipment is reaching the end of its end of its lifespan. Historically the council has replaced the equipment within one play area per year to try and keep pace with the inevitable loss of equipment over time, as pieces become beyond economical repair. The Play Area renewal project priorities for 22/23 will be at Snaprails Park in Sandhurst and at South Hill Park
 - **New Scheme - Transplant Field Bridge at Shepherd Meadows (£55k)**
The Transplant Field Bridge at Shepherd Meadows is an essential part of the site. The bridge is relied upon by the public because without it the most popular circular walk would not be possible leaving half the site only accessible after a mile-long linear ‘out and back’ walk. Not replacing the bridge will significantly restrict public access, preventing circular walks, taking in both sides of a beautiful riverside location.
 - **New Scheme - Borough Greening and Security (£300k)**
There are specific areas in the Borough in need to substantial maintenance and renewal. In some cases, these works can be capitalised, whilst others are of a revenue nature. As such a budget package is being proposed, being a mix of Capital and Revenue to achieve the aspirations of Members
 - **Change in Budget – Garth Hill Balconies**
Working alongside the Council’s insurers and seeking specialist advice, a detailed feasibility study has been undertaken and has identified a lower cost scheme that addresses the initial concerns and satisfies all parties. This has reduced the initial estimate from £700k to £150k.
- 5.18 Total requested Council funding for schemes amounts to £9.274m, which includes £5.285m for schemes that have been committed in previous years and will continue into 2022/23.

Capital Programme 2022/23-2024/25				
Annex	Service Area	2022/23 £000	2023/24 £000	2024/25 £000
B	Delivery	8,099	4,411	1,947
C	People	3,783	0	0
D	Central Directorates	4,429	2,820	2,820

	Total Capital Programme	16,311	7,231	4,767
	less Externally Funded schemes	7,037	2,820	2,340
	Council Funded Programme	9,274	4,411	2,427

Externally Funded Schemes

- 5.19 A number of external funding sources are also available to fund schemes within the capital programme. 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.

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 and the Education Capital Programme Board. However as a result of a change to the capital funding formula and the perceived relative need for school places in Bracknell compared to other areas of the country, the Council has received no Basic Needs Grant (BNG) in 2018/19 and only £0.735m in 2019/20. The allocation for 2021/22 suggests there will be no grant funding available to Bracknell Forest in 2022/23. However the Council has identified a number of schemes that require funding in the coming years and are set out in Annex B.

A second key constituent of capital grant funding relates to the Highway Maintenance and the Integrated Transport Block totalling £2.614m for 2022/23.

Section 106 (£1.133m)

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

Officers have identified a number of schemes that could be funded from Section 106 funds in 2020223, where funding becomes available. These are summarised below

Department	Schemes	Budget
		<i>£000</i>
Delivery	Warfield Memorial Grounds	150
People	10a Portman Close Flats	250
People	Warfield Migration Works	483
People	Garth Hill College	150
Central	Local Transport Plan Schemes	100
	Total	1,133

On-going Revenue Costs

- 5.20 There are £30k revenue costs associated with the schemes proposed for inclusion within the 2022/23 Capital Programme. These are reflected in the Revenue Budget report that follows on the agenda.

Funding Options

- 5.21 The Council introduced CIL in April 2015. It is difficult to estimate the potential amount of CIL that will be generated as this will depend on the delivery of additional housing development in the Borough, which is to a large extent outside of the control of the authority. However based on the most recent housing trajectory estimates and knowledge of development schemes that will come forward in the next 18 months, it is estimated that £3.25m is an appropriate assumption. However there is a downside risk to this if the current economic conditions and the impact of the pandemic continue to weigh on the national private-sector housing delivery developments
- 5.22 The proposed capital programme for 2022/23 has been developed, therefore, on the assumption that it will be funded by a combination of approximately £3.25m of capital receipts (CIL and other miscellaneous property disposals), Government grants, other external contributions and borrowing. The financing costs associated with the Capital Programme have been provided for in the Council's revenue budget plans.
- 5.23 Any capital expenditure approved over and above capital receipts and external contributions will require the Council to borrow externally. The timing of this will depend on the level of surplus cash held by the Council which will be used in the first instance to fund the Capital Programme commitments. Any external borrowing will require a sum to be set aside as a Minimum Revenue Provision (MRP) for debt repayment in addition to an interest charge, depending on the maturity of the loan. Current long-term borrowing rates are approximately 2.2%.
- 5.24 The redevelopment of the Depot should result in a capital receipt after the scheme is completed, most likely in 2024, estimated at a potential £1.8m. The Council also expects to receive a capital receipt in a similar timescale from the development of Coopers Hill, in excess of £2m. In addition, the Warfield Memorial Ground Enhancements represent a forward-funding approval that will be met by S106 receipts in future years.
- 5.25 Based on an internally funded Capital Programme of £9.274m (after taking account of potential capital receipts), and with long-term interest costs at 2.2%, the interest cost in 2022/23 would amount to £67k, and £133k in a full year. The MRP charge reflects the life of individual assets that are being funded – the charge is not payable until the year after the assets come into being. The MRP charge in relation to the capital programme for 2022/23 is estimated to be a maximum of £0.208m and will be charged from 2023/24.
- 5.26 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 2022/23 to 2024/25 in February 2022, alongside its consideration of the specific budget proposals for 2022/23 and the Council's medium-term financial prospects.

- 5.28 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. 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 2023/24 onwards, will need to be undertaken during next summer.

Schools Capital Programme Virement

- 5.29 An urgent requirement to replace the boilers at Kennel Lane School has arisen and funding is required to carry out this work in the coming weeks. The Schools capital maintenance budget is fully committed however there is budget available within the overall schools capital programme that can be vired to undertake this work. A sum of £35k is required and in line with financial regulations a request is made to approve this virement.

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.

Director: Resources

- 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 2022/23 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. 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 2022/23, 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 See the General Fund Revenue Budget 2022/23 report on tonight's agenda outlining the results of the budget consultation

Background Papers

None

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