

TO: THE EXECUTIVE
12 DECEMBER 2022

CAPITAL PROGRAMME 2023/2024 - 2025/2026
Executive Director: Resources

1 Purpose of Report

- 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 2023/24.
- 1.2 This report draws together all service area proposals so that the Executive can agree a draft capital programme for 2023/24-2025/26 as the basis for consultation. In compiling the draft programme the main focus is inevitably on determining the requirements for 2023/24, although potential future year's schemes do also form an important part of the programme.
- 1.3 The financial implications of the recommendations in this report are reflected in the subsequent 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, a Council funded capital programme of £6.427m for 2023/24 as set out in paragraph 5.15 and summarised in Annex A, including the new schemes listed in Annexes B – C;**
- 2.2 **Approves, for consultation, the inclusion of £5.866m of expenditure to be externally funded (including £1.153m of S106 funding) as outlined in paragraph 5.17;**
- 2.3 **Approves, for consultation, the inclusion of an additional budget of £1m for Invest-to-Save schemes.**

3 Reasons for Recommendations

- 3.1 The reasons for the recommendations are set out in the report.

4 Alternative Options Considered

- 4.1 The final budget proposals will include consideration of any alternative options highlighted during the required consultation period.

5 Supporting Information

Capital Resources

- 5.1 Each year the Council agrees a programme of capital schemes. These schemes are 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 generated from disposing of assets at 31st March 2022 are zero as all receipts have been applied to fund prior capital investment. Similarly, all receipts realised during the current financial year will be used to finance the 2022/23 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 only starting to recover from historic lows it makes more economic sense to offset borrowing.
- 5.3 The proposed capital programme for 2023/24 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 £2.25m 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.

New Schemes

- 5.4 Within the general financial framework outlined above, Service Departments have considered priority schemes for inclusion within the Council's Capital Programme for 2023/24 – 2025/26. 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

- 5.5 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 2022/23 Capital Programme but not yet completed. These are carried forward automatically to ensure completion, 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)

- 5.6 The figures below are based on the information held in the Building Groups' property management system as of August 2022. 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 £1.570m (including Housing Properties) 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		<u>14,289</u>	<u>79,001</u>

- 5.7 There are also 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 2023/4

Service	£
Leisure Properties	390,000
Commercial Property	365,000
Housing Properties	250,000
Other	125,000
Community Centres	120,000
Cem and Crem	75,000
Library	75,000
Parks & Open Spaces	70,000
South Hill Park	70,000
Car Parks	30,000
Grand Total	1,570,000

- 5.8 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

- 5.9 Identified planned maintenance for 2023/24 will be drawn from building condition surveys carried out by the Council's Managing Partner Atkins Ltd and there is approximately £2.0m 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.
- 5.10 A Schools Planned Works Programme of £1.860m 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

- 5.11 To support the new ways of working, the Council will be required to invest in technology and IT infrastructure over the coming years. The two key areas requiring funding in 2023/24 are Laptop and Mobile Phone replacement. More details on specific areas of spend are laid out in the Annexes

Rolling programmes

- 5.12 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

- 5.13 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.

Invest-To-Save Schemes

- 5.14 These are schemes where the additional revenue income or savings arising from their implementation exceeds the Council's borrowing costs. In the past the Council has allocated £1m per annum to fund potential Invest-to-Save (ITS) schemes that may present themselves during the year. Any unspent budget is not carried forward and as such a request is made each year to enable new schemes (below £0.4m) to be brought forward and approved by Corporate Management Team. There have been no schemes approved to date however a number of schemes are being reviewed and may come forward in the coming year.

Capital Programme 2023/24 – 2025/26

- 5.15 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.

- 5.16 Total requested Council funding for schemes amounts to £6.427m, which includes £3.480m for schemes that have commenced in the current year or are committed on an annual basis and will continue into 2023/24.

Capital Programme 2023/24-2025/26				
Annex	Service Area	2023/24 £000	2024/25 £000	2025/26 £000
B	Delivery	5,193	1,636	797
C	People	2,208	0	0
D	Central Directorates	4,892	4,650	4,750
	Total Capital Programme	12,293	6,286	5,547
	less Externally Funded schemes	5,866	3,270	3,270
	Council Funded Programme	6,427	3,016	2,277

Externally Funded Schemes

- 5.17 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. As in previous years, 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 People Department and the Education Capital Programme Board. However as a result in 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 provisional allocation for 2023/24 suggest there will be no grant funding available to Bracknell Forest. However, the Council has identified a number of schemes that require funding in the coming years and these 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 £2.85m for 2023/24.

Section 106 (£1.153m)

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 2022/23, where funding becomes available. These are summarised below

Department	Schemes	Budget
		<i>£000</i>
Delivery	Warfield Memorial Grounds	800
People	Ascot Heath - Security	23
Central	Local Transport Plan Schemes	100
Central	SANG	230
	Total	1,153

On-going Revenue Costs

- 5.18 There are £19k revenue costs associated with the schemes proposed for inclusion within the 2023/24 Capital Programme. These are reflected in the Revenue Budget report that follows on the agenda.

Funding Options

- 5.19 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 largely outside of the control of the authority. However, based on the economic climate, the most recent housing trajectory estimates and knowledge of development schemes that will come forward in the next 18 months, it is estimated that £2m is an appropriate assumption. This is a more conservative estimate than in previous years.
- 5.20 The proposed capital programme for 2023/24 has been developed, therefore, on the assumption that it will be funded by a combination of approximately £2.25m 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.
- 5.21 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 4.6%.
- 5.22 Based on an internally funded Capital Programme of £4.177m (after taking account of potential capital receipts), and with long-term interest costs at 4.6%, the interest cost in 2023/24 would amount to £96k, and £192k 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 2023/24 is estimated to be £0.13m and will be charged from 2024/25.
- 5.23 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.

- 5.24 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 2023/24 to 2025/26 in February 2023, alongside its consideration of the specific budget proposals for 2023/24 and the Council's medium-term financial prospects.
- 5.25 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 2024/25 onwards, will need to be undertaken during next summer.

6 Consultation and Other Considerations

Legal Advice

- 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.

Financial Advice

- 6.2 The financial implications are contained within the report.

Other Consultation Responses

- 6.3 This report sets out the draft capital programme proposals that will form part of the Council's 2023/24 budget consultation. 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. There will also be a dedicated mailbox to collect comments.
- 6.4 The timetable for the approval of the 2023/24 Budget is as follows.

Executive agrees proposals as basis for consultation	13 December 2022
Consultation period	14 December 2022 - 24 January 2023
Executive considers representations made and recommends budget.	07 February 2023
Council considers Executive budget proposals	22 February 2023

Equalities Impact Assessment

- 6.5 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

- 6.6 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 2023/24 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.
- 6.7 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
- 6.8 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 2023/24, 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.

Climate Change Implications

- 6.9 The recommendations in Section 2 above will have no immediate impact on emissions of CO₂. Detailed consideration will be given to the impact of the final capital budget proposals in February 2023, although in general terms improvements to current assets and the construction of new facilities using modern designs and construction techniques are expected to have positive climate change implications.

Background Papers

None

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