**( ITEM )**

**TO: THE EXECUTIVE**
**07 FEBRUARY 2023**

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**CAPITAL PROGRAMME 2023/2024 - 2025/2026**
**(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 2023/24 – 2025/26 for consultation on 13 December 2022. The main focus was inevitably departmental spending needs for 2023/24, 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 22nd February 2023. 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 Programme of £14.987m for 2023/24 in respect of those schemes listed in Annexes A – D, of which £6.621m be funded from Council resources.**

**b) Approves the inclusion of £8.366m of expenditure to be externally funded (including £2.930m 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.**

## 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

<u>**Capital Resources**</u>

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 2022 are zero as all receipts have been applied to fund prior capital investment – all receipts during 2022/23 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 at 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.

**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. Given that by definition such schemes can have, at worst, a neutral impact on the Council's finances, their approval is delegated to the Chief Executive. 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. Where such schemes would increase the Council's long-term indebtedness, they will be referred to the Executive for approval.

**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 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**

5.6 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 2022/23 Capital Programme – major schemes started in 2022/23 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 2022. 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 £79m (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 £1.57m 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 2023/24

| 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** |

5.10 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 2023/24 will be drawn from building condition surveys carried out by the Council's Managing Partner Atkins Ltd and there is approximately £2m 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 £1.86m 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 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**

5.14 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.

**<u>Capital Programme 2023/24 – 2025/26</u>**

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 – Berkshire Records Office (£0.194m)**
  **West Berkshire has been leading on the extension of the Berkshire Records Office, for which it holds responsibility through a joint arrangement on behalf of the six unitary authorities. An options appraisal for additional storage has concluded that best value would be achieved by extending the existing Berkshire Record Office building. Approval for the construction of a two-storey extension has been agreed and under the terms of the joint arrangement the associated capital expenditure is to be apportioned amongst the six councils. The total to be apportioned to Bracknell Forest is expected to amount to £0.254m, with £0.194m to be incurred in 2023/24.**

- **New Scheme – Opladen Way (£1.777m S106, £0.723m Invest-to-Save)**
  **The council has access to a small stock of temporary accommodation to meet the needs of homeless households. Currently there is a lack of one-bedroom units within this stock for temporary placement of single homeless people and increasing pressure on the available 3-bedroom properties for larger households. There is an opportunity to develop additional temporary accommodation on vacant council-owned land at Opladen Way to help alleviate these pressures and avoid additional revenue costs to the council. The proposal seeks approval to proceed with a council-led development to provide up to seven new temporary homes for homeless households on the site, including a mix of single person and family homes which will be provided at affordable rents. Grant funding has been secured to provide a new access road to enable housing to be built on the site in the Council's ownership which sits on a section of land enclosed by the A322 Bagshot Road, an existing petrol station and Opladen Way. The site was previously used as an open-aircar storage compound and no alternative uses have come forward as the only access is through the existing petrol station forecourt. Currently the land consists of a disused piece of tarmac hardstanding surrounded by mature woodland, where small amounts of fly tipping regularly take place. Rent will be charged at 90% of the**

**Reading Local Housing Allowance level and the revenue impact at the end of the first year is expected to be neutral. Thereafter, the development would generate a surplus, currently estimated to be £0.32m over the lifetime of the development, which will be used to support the repair and maintenance costs of the properties over the coming years.**

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 2023/24-2025/26 | | | | |
|---|---|---|---|---|
| **Annex** | **Service Area** | **2023/24 £000** | **2024/25 £000** | **2025/26 £000** |
| B | Delivery | 5,387 | 1,696 | 797 |
| C | People | 4,708 | 0 | 0 |
| D | Central Directorates | 4,892 | 4,650 | 4,750 |
| | **Total Capital Programme** | **14,987** | **6,346** | **5,547** |
| | less Externally Funded schemes | 8,366 | 3,270 | 3,270 |
| | **Council Funded Programme** | **6,621** | **3,076** | **2,277** |

**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 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 2032/24.

Section 106 (£2.930m)
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 2023/24, where funding becomes available. These are summarised below

| **Department** | **Schemes** | **Budget** |
|---|---|---|
| | | ***£000*** |
| People | Opladen Way | 1,777 |
| Delivery | Warfield Memorial Grounds | 800 |
| People | Ascot Heath - Security | 23 |
| Central | Local Transport Plan Schemes | 100 |
| Central | SANG | 230 |
| | **Total** | 2,930 |

**On-going Revenue Costs**

5.20 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**

5.21 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.

5.22 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.

5.23 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 4.6%.

5.24 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 £101k, 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.

5.25 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.

5.26 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.

5.27 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 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 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.

6.5 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 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.

## 7 CONSULTATION

7.1 See the General Fund Revenue Budget 2023/24 report on tonight's agenda outlining the results of the budget consultation

Background Papers
None

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