

TO: THE EXECUTIVE
12 DECEMBER 2023

CAPITAL PROGRAMME 2024/2025 - 2026/2027
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 2024/25.
- 1.2 This report draws together all service area proposals so that the Executive can agree a draft capital programme for 2024/25-2026/27 as the basis for consultation. In compiling the draft programme, the main focus is inevitably on determining the requirements for 2024/25, 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 £8.328m for 2024/25 as set out in paragraph 5.17 and summarised in Annex A, including the new schemes listed in Annexes B – D;**
- 2.2 **Approves, for consultation, the inclusion of £4.554m of expenditure to be externally funded (including £0.380m of S106 funding) as outlined in paragraph 5.18;**
- 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 2023 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 2023/24 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 borrowing rates at historically high levels it is advantageous to use capital receipts to reduce the level of external borrowing.
- 5.3 The proposed capital programme for 2024/25 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 £2.0m of the capital programme to be funded from receipts. Additionally, the one-off capital receipts from the Coopers Hill site being developed by the Council's Joint Venture with Countryside properties UK can be used to minimise the level of borrowing resulting from these proposals. 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 2024/25 – 2026/27. 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 were approved as part of the 2023/24 Capital Programme but profiled to spend in 2024/25. 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 June 2023. The bid agreed by Asset Management Board for 2024/25 of £1.84m is considered an acceptable level of maintenance to ensure the Council can effectively operate across its property portfolio.

5.7 The priorities can be broken down as follows:

Maintenance Backlog

		£ (000)	£ (000)
Schools	Priority 1C & 1D	1,567	
	Priority 2C & 2D	7,545	9,112
Corporate Properties	Priority 1C & 1D	3,319	
	Priority 2C & 2D	5,244	8,563
Total		17,675	

5.8 There are also 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. Annex E and the table below summarises the key investment areas for planned maintenance in 2024/25 for non-school properties. Based on anticipated capacity £1.689m will be spent in 2024/25 and the remaining £0.151m in 2025/26 (to allow for retentions and slippage).

Service	£
Community	65,000
Corporate Buildings	1,055,000
Culture	95,000
Leisure	435,000
Library	135,000
People	55,000
Grand Total	1,840,000

5.9 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 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 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

- 5.10 Identified planned maintenance for 2024/25 will be drawn from building condition surveys carried out by the Council's Managing Partner Atkins Ltd and there is approximately £1.6m 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.
- 5.11 A Schools Planned Works Programme of £1.324m 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

- 5.12 The Council will be required to invest in technology and IT infrastructure over the coming years as exiting hardware and infrastructure becomes obsolete. The two key areas requiring funding in 2024/25 are hardware and Infrastructure assets. More details on specific areas of spend are laid out in the Annexes.

Rolling programmes

- 5.13 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

- 5.14 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

- 5.15 These are schemes where the additional revenue income or savings arising from their implementation exceeds the Council's borrowing costs. Each year the Council has allocated £1m per annum to fund potential Invest-to-Save (ITS) schemes that may present themselves during the year. Those schemes that are less than £400,000 are considered by CMT for approval in that years Capital Programme.

Capital Programme 2024/25 – 2026/27

- 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 Total requested Council funding for schemes amounts to £8.328m, which includes £0.660m for schemes that have been committed in 2023/24.

Capital Programme 2024/25-2026/27				
Annex	Service Area	2024/25 £000	2025/26 £000	2026/27 £000
B	Delivery	3,937	2,062	490
C	People	1,790	1,695	250
D	Central Directorates	7,155	6,110	6,110
	Total Capital Programme	12,882	9,867	6,850
	less Externally Funded schemes	4,554	4,675	3,230
	Council Funded Programme	8,328	5,192	3,620

Externally Funded Schemes

- 5.18 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 (£4.174m)

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. A second key constituent of capital grant funding relates to the Highway Maintenance and the Integrated Transport Block totalling £2.85m for 2024/25.

Section 106 (£0.380m)

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 2024/25, where funding becomes available. These are summarised below.

Department	Schemes	Budget
		<i>£000</i>
Central	Local Transport Plan Schemes	100
Central	SANG	280
	Total	380

On-going Revenue Costs

- 5.19 There are £57k revenue costs associated with the schemes proposed for inclusion within the 2024/25 Capital Programme. These are reflected in the Revenue Budget report that follows on the agenda.

Funding Options

- 5.20 The Council introduced Community Infrastructure Levy, a charge that local authorities can impose on new developments to help fund the infrastructure needed to support them, 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.
- 5.21 The proposed capital programme for 2024/25 has been developed, therefore, on the assumption that it will be funded by a combination of approximately £2m 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.
- 5.22 In addition, the funding approach adopted for the Coopers Hill development being taken forward by the Bracknell Forest Cambium Partnership will result in a development loan repayment to the Council of £2.4m and a capital receipt of £0.3m representing the land value both being received during 2024/25. With the former having already been funded from use of the Council's reserves on a one-off basis, there will be no external loan to repay and therefore both of those sums will comprise additional one-off capital receipts that can be used to help fund the capital programme. However, this is a one-off arrangement and will not be repeated in future years.
- 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 6% reflecting a steep rise in the cost of borrowing over the last 18 months.
- 5.24 Based on an internally funded Capital Programme of £3.628m (after taking account of potential capital receipts), and with long-term interest costs at 5.7%, the interest cost in 2024/25 would amount to £106k, and £212k 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 2024/25 is estimated to be £0.08m and will be charged from 2025/26.
- 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 2024/25 to 2026/27 in February 2024, alongside its consideration of the specific budget proposals for 2024/25 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 2025/26 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 2024/25 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 2024/25 Budget is as follows.

Executive agrees proposals as basis for consultation	12 December 2023
Consultation period	13 December 2023 - 24 January 2024
Executive considers representations made and recommends budget.	06 February 2024
Council considers Executive budget proposals	28 February 2024

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 2024/25 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 2024/25, 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 and Ecological Impacts

- 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 2024, 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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