



Capital Strategy **2013/14 – 2017/18**

**Incorporating the Capital Programme for 2013/14 to 2017/18
and the Corporate Property Asset Management Plan 2013/14**

1 INTRODUCTION

- 1.1 The Capital Strategy sets out the financial and policy context within which the Council can plan for long term investment in its assets. The Capital Strategy incorporates both the Asset Management Plan and the five year Capital Programme, which defines the amount of planned investment over the next five years and how this investment is to be funded. This strategy is also closely related to the Medium Term Financial Strategy (MTFS), and together these documents help to deliver the overarching Council Strategy.
- 1.2 The aim of the Capital Strategy is to:
- Enable the Council's assets to be maintained and improved in order to help deliver the Council's key priorities as set out in the Council Strategy 2013 to 2017;
 - To ensure that capital investment is affordable within the terms of the MTFS;
 - To ensure that capital investment is prioritised to take account of Council priorities, in particular improving Education and Highways, within available resources;
- 1.3 The five year programme for the period 2012/13 to 2016/17 totalled £93.6 million, an average of £18.7 million per year. This included Council funded capital spending in the in the region of £5 million per year from 2015/16 onwards. This level of Council funded spending compares with an average of around £15 million per year between 2009/10 and 2013/14. This was in line with the reduction in the annual increase in revenue funding of borrowing costs to support capital expenditure from £900,000 in 2010/11 to £510,000 per year in the MTFS for 2012-2015, which was made in response to the continuing pressure on the Council's revenue budget.
- 1.4 The starting point for the new capital strategy is the previously approved level of Council funded capital spending for 2013/14 to 2016/17. This was based on the assumption that the revenue budget for borrowing costs to support capital would continue to increase by £510,000 per year in the three years 2015/16 to 2017/18. (This is rate of increase is reflected in the proposed MTFS 2013-16, also on this agenda).
- 1.5 However there has been an increase in the level of capital receipts expected to be available to support the capital programme over the next five years, as additional assets have been identified as available for sale (although final decisions on the sale of some of these assets have still to be taken). A more detailed, longer term forecast of borrowing costs has also been undertaken, which has identified some savings in the revenue cost of borrowing from 2016/17 onwards because of the planned repayment of a number of existing loans.
- 1.6 The proposed programme is also based on estimates of future funding from government grants and developers' contributions, taking into account recent trends. However, there is still considerable uncertainty around the future of capital

grants for Education and the overall level and basis of distribution of the Community Infrastructure Levy (CIL) which will mostly replace Section 106 developers contributions from 2014 onwards. If the actual level of government grants, developers contributions and capital receipts are lower than expected e.g. if the Council decides to not to dispose of some assets which are currently earmarked for disposal, or not to sell them at their full market value, then the planned level of spending in the later years of the programme will have to be reviewed.

- 1.7 The expected level of capital receipts, the forecast savings in borrowing costs and revenue savings from invest to save capital schemes, would enable an additional £6.7 million capital investment over the next five years which will help to fund the emerging budget pressures outlined below while maintaining the rate of increase in revenue funding for capital assumed in the proposed MTFs for 2013-2016.
- 1.8 The most significant budget pressure arises from the basic need for additional school places. This is due to an ongoing shortage of in primary school places in parts of Newbury and Thatcham and because of unexpectedly high demand for school places for September 2012 and 2013 across the rest of West Berkshire. Depending whether the increase in pupil numbers across the district relates to one cohort of pupils or an ongoing trend in the intake of pupils, the level of budget pressure is currently estimated to be between a lower level of £6.6 million and a higher level of £10.3 million over the five year period 2013 to 2018. It will not be known which of these scenarios will apply until the latest pupil number forecasts have been fully analysed. Furthermore, the level of government capital support for Basic Need has not yet been notified.
- 1.9 In addition the priorities for investment in ICT, which will be required to ensure the continued efficient running of Council services, have been reassessed. The previously approved capital allocation for ICT of approximately £400,000 in 2013/14, falling to only £110,000 per year from 2015/16 onwards, is not sufficient to fund the highest priority schemes. Investment of least £550,000 per year on average will be needed, which represents an increase of £1.8 million in funding for ICT over the five years of the new capital programme.
- 1.10 The additional resources which have been identified from capital receipts and savings in borrowing costs are expected to be sufficient to contribute £4.9 million towards the additional pressure on the Education capital programme (leaving an estimated minimum shortfall of £1.7million) and £1.8 million additional investment in ICT. These additional sums are included in the draft capital programme, which is set out in appendices 1 and 2. This allows for total capital expenditure over five years of £100.9 million, of which £45.1 million is funded from government grants, £15.6 million from developers contributions and £40.2 million, or an average of £8.0 million per year, is funded by Council resources from borrowing and capital receipts.
- 1.11 In order to fund the remaining £1.7 million of the lower level of Education pressure and the further £3.6 million which may be required to fund the higher level of pressure, it is likely to be necessary to make further savings from within the proposed programmes for Education and/or other services. The proposed level of

Education capital commitments will therefore be kept under review until future levels of government grant funding are known. It will also necessary to finalise more detailed and accurate estimates of future pupil numbers and the cost of works required to provide sufficient school places, before decisions can be made whether to delete schemes from the Education Programme and/or from other services' programmes in order to accommodate the emerging budget pressures.

1.12 The remainder of the strategy document is structured as follows:

Section 2: The Capital Strategy for 2013/14 to 2017/18 which explains how the proposed programme helps to deliver the Council Strategy and also sets out the funding frameworks for the programme

Section 3: An analysis of the funding of the initially proposed programme over the next five years

Section 4: Details of the new pressures on the capital programme

Section 5: An overview of the Proposed Capital Programme 2013/14 to 2017/18

Appendix 1: Summary of the Proposed Capital Programme 2013/14 to 2017/18 at its currently approved level

Appendix 2: The detailed Capital Programme for 2013/14 to 2017/18 at its currently proposed level

Appendix 3: Details of estimated pressures and possible savings in the Education programme.

Appendix 4: The Council's Asset Management Plan for 2013/14

2 CAPITAL STRATEGY

2.1 The Council's Capital Strategy is guided by the following principles:

- Resources are aligned with the priorities and principles identified in the Council Strategy for 2013-2017;
- Making best use of government capital grants (in particular for Education and Highways) to minimise the need for borrowing to fund capital investment;
- Disposing of surplus assets at market value where possible and appropriate in order to maximise the level of capital receipts and reducing the need to borrow to fund capital expenditure
- When borrowing is necessary to fund capital expenditure, ensuring that it is affordable, sustainable and prudent in keeping with the principles of the Prudential Code and that the revenue costs are affordable within the context of the MTFS;
- Seeking additional funding and capacity e.g. through partnership working, developers' contributions and/or the proposed new Community Infrastructure Levy (CIL);
- Making best use of matched funding wherever available to enable schemes which otherwise might not be undertaken;
- Enabling "Invest to Save" bids through the provision of up front capital funding to deliver long-term efficiency savings;
- A corporate framework involving both Officers and Members to ensure value for money through the evaluation and prioritisation of capital bids and the management and monitoring of projects;
- Ensuring full integration with the planning frameworks of both this Council and our key partners; and
- Taking account of key asset issues highlighted in the Council's Property and Highways Asset Management Plans.

2.2 The links between the Capital Strategy and Programme and the key priorities in the Council Strategy are set out in the following paragraphs.

2.3 Caring for and Protecting the Vulnerable

Adult Social Care and Disabled Facilities Grants

- 2.3.1 One of the Council's key priorities is to support and enhance the quality of life and safety of vulnerable people. The Adult Social Care capital programme and the Disabled Facilities Grants (DFG) programme in Commissioning and Housing and Safeguarding support this priority by providing occupational health equipment and home adaptations for older people and individuals with a learning disability, or a physical or sensory disability. In this way these people are helped to maintain their independence, with the minimum of support from the Council.
- 2.3.2 Opportunities are also being sought to incorporate additional provision for extra care housing into the capital programme, as an alternative to residential care. This priority is being addressed by exploring the potential for further partnership working with social housing providers and the possible use of section 106 contributions, CIL and/or capital receipts to help fund future extra care housing schemes.

Children and Young People

- 2.3.3 The Children's Services programme also provides funding for home adaptations to enable foster carers better to care for vulnerable children. The Education capital programme includes improvements to educational facilities for children with special educational needs (see also section on improving Education). The quality of life of all vulnerable groups is also enhanced by improvements to open spaces and cultural facilities (see paragraphs 2.4.15 to 2.4.18 below).

2.4 Promoting a Vibrant District

Highways and Transport

- 2.4.1 The transport network keeps the local economy moving, supports future economic development and helps deliver a better quality of life for local people.
- 2.4.2 The Highways and Transport Service is very much delivery driven and given the current economic climate it is necessary to strive ever harder to ensure value for money. The coming years will see a sharp focus on enhancing the service's approach to procurement and contract management. Year on year there has been re-investment in the Capital Programme from savings delivered through the existing term contract and from savings in procuring works and services through the Council's e-procurement portal. The future will see the Service building on this good work to further explore imaginative ways to achieve the best possible value.
- 2.4.3 The service faces a number of challenges over the coming years with the level of LTP Grant funding unknown beyond 2015 and a shift from S106 funding to Community Infrastructure Levy which could have a detrimental impact on available resources.

- 2.4.4 There is an emphasis on partnership working and creative procurement to ensure our limited funds stretch as far as possible. Partnership working with the Environment Agency, AWE, Network Rail and other stakeholders has seen key strategic schemes such as the Newbury Flood Alleviation scheme and the Aldermaston Footway/Cycleway delivered in 2012/13. Building on this essential experience will be crucial to delivering an extensive programme of works in these challenging times. A whole host of partnering and cross-boundary schemes must be developed and delivered over the coming years including education transport, a number of flood alleviation schemes and a significant part of the Reading Local Sustainable Transport fund settlement.
- 2.4.5 The Highways and Transport Capital programme is driven by a number of key plans and strategies. Foremost amongst these are the Council Strategy 2013 to 2017 and the Council's Local Transport Plan 2011 to 2026 (LTP3). This is the Council's third Local Transport Plan which sets the framework for the delivery of all aspects of transport and travel for West Berkshire. LTP3 is informed by a number of service specific plans and strategies as detailed below:
- Freight strategy
 - Smarter choices strategy
 - Passenger transport strategy
 - Road safety strategy
 - Sustainable modes of travel strategy
 - Parking strategy
 - Network Management Plan
 - Highway Asset Management Plan.
- 2.4.6 The Council's Highway Asset Management Plan (HAMP) was adopted in 2012. The HAMP provides guidance on the delivery of value for money highway maintenance services, consistent with the aims and ambitions of the Council Strategy 2012-2016 where 'Focus on carrying out essential highways maintenance' is defined as a key outcome under the 'Promoting a Vibrant District' priority. The HAMP seeks to do this by providing a safer highway network, improved travelling conditions for all highway users, and ensuring greater care of the local environment.
- 2.4.7 The HAMP's foundation strategy utilises a logical and systematic approach in accordance with 'value for money' and 'asset management principles', and continuous improvement. Essential elements include statutory obligations, responsiveness to needs of the community and maintaining asset value. Regard is given to the relevance of condition standards and the key issue of Safety, Serviceability and Sustainability. HAMP policies, objectives and standards have been formulated for each maintenance activity and will be reviewed regularly to ensure that they remain compliant with national objectives and respond to changes brought about by new legislation and technology.

- 2.4.8 The HAMP defines the key elements of the highway asset describing appropriate levels of service depending on the position in the network hierarchy and the understanding and management of the impact of risk. This enables priority for maintenance within the available budget to be established.
- 2.4.9 An appropriate highway maintenance service is provided through a combination of revenue and Council funded capital budgets, while highway improvement projects are funded through the capital grants from the Department for Transport. These essential forward planning documents have enabled the Highway and Transport Service to develop a Three Year Highway Improvement Programme which not only enables its proposals for a better road network to be well publicised in advance, thus helping to manage expectations, but which has also resulted in a gradual improvement in road condition across the network.

Housing

- 2.4.10 Housing also impacts on many areas of life – health, education, community safety, social care and care for the environment. High quality social housing is key to building communities which are inclusive and where people have a sense of belonging. The Council's Capital programme supports the delivery of new affordable housing, the provision and refurbishment of temporary accommodation in support of the Council's statutory housing duties and the regeneration and improvement of private sector stock.
- 2.4.11 The Council's approach to affordable housing requires consideration of new and innovative ways of working in order to maximise the funding that is available and ensure delivery of new affordable housing. This includes working with a wider range of partners who may be able to bring additional value to affordable housing delivery and ensuring that grant funding, where available, is targeted towards the most significant areas of need and towards schemes that maximise its value.
- 2.4.12 The Council's current strategy for the provision of new affordable housing includes the following:
- Seeking grant from the Homes & Communities Agency through their development programme via our Registered Provider (RP) partners.
 - Seeking on-site affordable housing provision through S106 Agreements with no public subsidy on above-threshold development sites.
 - Seeking commuted sums in lieu of on-site affordable housing provision on above-threshold development sites and utilising the monies to provide affordable housing on alternative sites.
 - Encouraging RP partners to fund development from their own reserves.
 - Using the Council's own land for development (an option that will have an impact upon the Council's ability to fund its Capital Programme).

- 2.4.13 Over recent years the Council has successfully focussed on the avoidance of homelessness and the need for temporary housing. However the Council still maintains a small supply of temporary accommodation to meet its statutory duty in this area. Whilst some stock has already been refurbished, the Capital programme is supporting the improvement of the remaining temporary accommodation to ensure that it meets the national Decent Homes standards and that it is fit for purpose.
- 2.4.14 In addition, the Council provides assistance to support the improvement of private sector stock in the district in line with the Council's policy for private sector stock renewal. The Council's view is that it is primarily the responsibility of private sector owners to maintain their own property, but it recognises that some owners, particularly the elderly and most vulnerable, do not have the necessary resources to repair or improve their homes. The Council offers loans to home owners seeking to improve or repair their home, with grants available for those who are not eligible for a loan.

Health and Wellbeing - Parks, Open Spaces and Sporting and Cultural Facilities

- 2.4.15 The health and wellbeing of residents is considerably enhanced by access to good quality parks and open spaces and by opportunities to participate in sport, physical activity, performing and visual arts, and other leisure interests. In particular it is important to provide play and social opportunities for children and young people. Where children and young people can be attracted to make positive use of their leisure time it adds to their personal development but can also have an impact on levels of anti-social behaviour within communities.
- 2.4.16 A significant improvement to the Council's cultural facilities will be achieved with the help of a grant of approximately £1 million from the Heritage Lottery Fund to support for the restoration of the museum buildings in Newbury. By combining this grant with the Council funding which would be required to undertake the minimum level of maintenance to the building, it will be possible to develop a modern visitor attraction that enhances the town centre. Construction is planned to start in early 2013 and to be completed the following year.
- 2.4.17 It is not anticipated that any other new cultural or leisure facilities will be developed over the period 2013–2018. However, capital investment will be targeted at ensuring that the existing network of libraries, leisure centres, parks, recreation grounds and rights of way are accessible, safe to use and meet the reasonable expectations of users. In particular, it is planned to invest an additional £300,000 in the structural maintenance and refurbishment of Leisure Centres over the next five years in order to ensure that these facilities continue to provide a safe and enjoyable environment for service users. It is proposed to fund this increased capital investment by using existing service revenue budgets, while also making savings in the revenue budgets for maintenance of Leisure Centres.

2.4.18 The quality of life of West Berkshire residents is also enhanced by access to the countryside, through the maintenance of country parks, rights of way and countryside conservation projects.

2.4.19 The Council will also work in partnership with other organisations including schools, links with Parish and Town Councils and voluntary organisations to enhance the provision of cultural facilities across the district.

Town Centre Visions

2.4.20 The capital programme also provides funds to help pump prime town centre redevelopment schemes. These schemes have the potential to contribute to the local economy and to improve the town centre environment and the income generating potential of Council owned land.

2.5 Improving Education

2.5.1 The aim of the Council is to enable all children and young people to maximise their potential while intervening positively to ensure that the most vulnerable have an equal opportunity to succeed. The Council has a number of strategic service specific plans to support this aim through capital investment. These are the Education Asset Management Plan, the Primary Strategy for Change, the Secondary Strategy and the School Places Plan. These plans drive capital investment in schools and Early Years settings, with the following key strategic outcomes:

- i. the provision of sufficient school places across the district;
- ii. the provision of buildings and grounds that meet all legislative requirements, are in good condition, and are safe and secure;
- iii. the creation of flexible, adaptable and stimulating learning environments designed and equipped for 21st century learning;
- iv. the provision of high quality sustainable ICT infrastructure to support learning, teaching and management, to improve engagement and raise pupil attainment, and promote community learning outside school hours;
- v. schools to act as facilities and learning hubs for the communities they serve, including the provision of extended services;
- vi. the provision of learning environments that are examples of the practical application of sustainable construction, improving value for money and driving further down the carbon footprint of schools;
- vii. supporting the outcomes of the Small Schools Review;
- viii. the continuing improvement in the accessibility of schools; and
- ix. inclusion of pupils with SEN into mainstream education where appropriate.

2.5.2 Government funding for capital investment in Education Facilities by Local Authorities is now focussed on Basic Need and Maintenance. Basic Need funding "is to be used for the needs of all taxpayer funded schools in the area. Local

authorities are responsible for ensuring sufficient school places in their area, and where planning for growth in numbers, all sectors should be considered in prioritising this funding. This includes schools in the voluntary aided sector, open academies and especially proposals for new free schools where they can address basic need pressures.”

- 2.5.3 The bulk of maintenance funding is currently allocated to local authorities, in order to support local prioritisation and larger projects with co-ordinated and more efficient procurement. The Council is therefore responsible for maintenance and health and safety work in all schools except academies, which receive maintenance funding directly from DfE. The scope of responsibility for the maintenance and development of school buildings may, however be changed following the government’s review of education capital funding.
- 2.5.4 The availability of Council and external funding is expected to be severely limited over the next five years and beyond. It is likely that all available resources will need to be targeted at the provision of sufficient school places, to accommodate the forecast growth in pupil numbers across West Berkshire, and to address the most critical condition issues in school buildings. Until the longer term prospects for pupil number forecasts and government grants are firmed up, it is not yet known whether there will be sufficient resources within the existing programme to accommodate these needs. In any case, there is likely to be little or no funding available for the modernisation of school buildings.

2.6 **Protecting the Environment**

- 2.6.1 The Council is committed to helping save energy and reduce carbon emissions and work is underway to ensure that energy saving features are incorporated into building projects wherever possible. A new energy management strategy for the Council is now being prepared and available capital funds will be targeted at measures which will help to implement this strategy. In addition it is proposed, where possible, to use further savings achieved in energy costs to meet the capital financing costs of additional investment in energy saving and carbon reduction schemes in future years.
- 2.6.2 Care of the environment also includes the stewardship of the public open spaces and historically important buildings and ensuring access to the countryside. Whilst investment in these areas will be limited over the period of the strategy, every opportunity will be taken to attract external funding that can be used to maintain and improve these important community assets.

2.7 **Putting People First**

2.7.1 The Council has always seen better services to the public and modernisation of the Council as a key driver and e-government expenditure is critical to supporting these goals by enhancing and modernising the ICT infrastructure and tools to support -service delivery. The Capital Programme plays an important role primarily through investment in Information Communications Technology (ICT).

2.8 **Capital Financing**

2.8.1 The Council's capital programme is financed from the following main sources of funding:

- Government Grants
- Prudential borrowing
- Developer Contributions
- Capital Receipts

Government Grants

2.8.2 Wherever possible the Council aims to fund capital spending from grants in order to minimise the revenue impact of borrowing. The main government grants which support the proposed programme are set out in paragraphs 3.13-3.17.

Prudential Borrowing

2.8.3 The Prudential Framework places the emphasis on affordability. Local authorities may decide how much they can afford to borrow and the costs of this borrowing must be met from the revenue budget. This differs from the previous regime where local authority borrowing levels were set by Government which were then subsequently issued as credit approvals.

2.8.4 In establishing its Prudential Framework the Council is required to look at the investment required to maintain its asset base fit for purpose and to prevent deterioration to the fabric of the assets it holds. This level of required investment must then be considered against the revenue impact of repaying the funds it borrows. (The basis of the affordable level of borrowing to support the programme is discussed in more detail in paragraphs 3.9 to 3.12 below).

Section 106 Developer Contributions

- 2.8.5 In November 2004 the Council adopted Supplementary Planning Guidance (SPG04/4) which enables it to obtain contributions towards capital schemes from developers through S106 agreements (also known as developers' contributions or planning obligations). The aim of this guidance is to ensure that the impact of new developments on Council infrastructure and services is met in full by the developer. The level of charge is based on the nature of the development, and its impact. S106 agreements specify the amounts which must be spent on particular Council services and in what geographical areas.
- 2.8.6 The Council maintains a database showing the details of the planning application, the application site, and proposals for development. The database also contains information on all S106 contributions agreed and received, and amounts allocated to and spent on specific projects and expenditure.

Community Infrastructure Levy

- 2.8.7 The S106 framework has now been affected by the introduction of the Community Infrastructure Levy (CIL) Regulations, which came into force on 6 April 2010. Further Amendment Regulations came into force in April 2011 and April 2012, and further amendment regulations are planned. The CIL enables local planning authorities to raise a standard levy on any new development in their area. The levy is to be used to fund improvements to the infrastructure of the Council area as a whole e.g. roads, schools, hospitals and parks.
- 2.8.8 CIL is intended to make it easier for developers to predict how much they will be asked to contribute; it should increase fairness by broadening the range of developments requiring a contribution; it allows the cumulative impact of small developments to be better addressed and enables important sub-regional infrastructure to be funded.
- 2.8.9 Local Authorities can choose whether or not to adopt CIL. However the regulations also limit the use of S106 planning obligations, with effect from April 2014, to the funding of affordable housing and the direct impact of specific developments (e.g. a new road junction for a new development).
- 2.8.10 It will therefore be necessary for West Berkshire Council to implement CIL in order to continue to receive funding from developers towards its capital programme. The Council has therefore started work on the implementation of the CIL, with the timetable allowing for adoption by 1st April 2014. However the level of funding from this source is likely to be lower than has been received in recent years (approximately £5 million per year since 2004/05).

Capital Receipts

- 2.8.11 By maximising the capital receipts which are available to fund capital expenditure, the revenue cost of borrowing to fund the capital programme can be kept to a minimum. It is therefore important for the Asset Management group to monitor and review the use of the Council's assets, in particular land and buildings, to consider whether they continue to offer good value for money for operational purposes, or whether they should be considered for future development or for disposal.
- 2.8.12 If the decision is taken to offer an asset for sale the Asset Management and Capital Strategy Groups should consider the potential use of the capital receipt before any recommendations are made to allocate receipts to fund any new capital schemes or the increases in costs to existing schemes.

2.9 Minimum Revenue Provision Statement

- 2.9.1 Statutory guidance on Local Authority capital spending requires the Council to set a policy for its Minimum Revenue Provision (MRP) for the repayment of debt to fund capital expenditure. The policy must be approved by Full Council each year. The guidance offers four options for calculation of MRP, of which West Berkshire applies Option 3, the Asset Life Method. This method is the equivalent of charging to revenue each year the full cost of interest and principle repayments on annuity loans which are taken out over the life of the asset to be funded.
- 2.9.2 This is achieved by undertaking any new prudential borrowing on an annuity basis with the length of loan linked to the life of the asset. We also make an annual provision for the future payment of the Council's outstanding maturity loans, which were all inherited from the former Berkshire County Council. This provision is equivalent to the annual repayments which would be made if these loans were refinanced on an annuity basis. The amount of revenue provision to fund the capital programme, allowed for in the MTFs, is arrived at on this basis.

3 FUNDING OF THE PROPOSED CAPITAL PROGRAMME 2012-2017

- 3.1 The size of the Capital Programme is determined by the amount which the Council can afford to borrow together with other sources of capital funding, including capital receipts, government grants and developers' contributions.
- 3.2 The Capital Programme proposed by the Capital Strategy Group for the five year period 2013/14 to 2017/18 is summarised in appendix 1 and shown on a scheme by scheme basis in Appendix 2. Both appendices also show the amounts proposed to be funded from Council funds (including prudential borrowing and capital receipts), Section 106/CIL contributions and other external funds (mainly government grants).
- 3.3 The proposed programme is based on the existing approved programme for 2013/14 to 2016/17. However, additional capital receipts, savings in borrowing costs and revenue savings from invest schemes have been used to generate £6.9 million additional capital funds, over the five years of the programme. The additional funds are necessary to contribute to the budget pressure from basic need for school places, school building condition issues and for additional investment in ICT, to ensure the continued efficient operation of Council services. These budget pressures are explained in more detail in section 4 of the report. Appendix 3 also gives further details of the Education pressures.

Estimated Capital Receipts Available to Fund the Capital Programme

- 3.4 The exact amount of capital receipts which will be available to help fund the capital programme will not be known until final decisions have been taken about the disposal of surplus assets and sale prices have been agreed. However, based on estimated value the assets expected to be disposed of, we estimate that there will approximately £4.0 million capital receipts available to contribute towards the cost of the Council funded capital programme in the period 2013-2018.
- 3.5 A list of assets for disposal will be included in the Asset Management Plan (see appendix 3, Table 1 – Asset Disposal Programme 2011 – 2014). It has been assumed that some or all of the proceeds of the following properties will be available to fund the overall capital programme:
- Waring House
 - Greenham House
 - Taceham House
 - Pound Lane Depot
 - Land at Winchcombe School

- 3.6 If capital receipts are used to offset the need to borrow over a long period e.g. 40 years, as for building improvements, there would be a greater total saving over the whole repayment period, than if they are used to offset borrowing over a shorter term. However using capital receipts to offset borrowing over a shorter period (e.g. five to ten years) will produce the highest level of saving in annual borrowing cost as a percentage of capital spend in the short term. In order to make capital spending plans affordable over the next five years, the strategy for financing the proposed capital programme therefore assumes that capital receipts will be used mainly to offset the need to borrow to fund assets with a useful life of five or ten years in 2013/14 and 2015/16.
- 3.7 If the actual level of capital receipts is significantly lower than the amount assumed, e.g. if the Council decides to not to dispose of some assets which are currently earmarked for disposal, or not to sell them at their full market value, then the planned level of spending in the later years of the programme will have to be reviewed.

The Council Funded Programme

- 3.8 The annual increase in the revenue cost of borrowing required to fund the proposed five year capital programme will be approximately £510,000 per year over the next five years, as shown in Table 1 (below). This is in line with the amount allowed for in the proposed MTFS for 2013-2016 (also on this agenda):

Table 1 –Annual Cost of Borrowing to Fund Approved Level of Programme 2013-2018 in Comparison with MTFS						
	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	5 year Total £000
Annual Increase in cost of borrowing	508	509	510	510	514	2,551

- 3.9 PWLB borrowing rates are currently very low. At the time of writing, rates range from approximately 1.3% for annuity loans over five years to 3.8% over 40 years. (These rates include the 0.2% “certainty” discount currently being offered to those local authorities, including West Berkshire, which have shared their medium term capital spending and borrowing plans with HM Treasury). However, it has been assumed that PWLB interest rates will increase by around 0.5% each year in 2014/15, 2015/16 and 2016/17 (i.e. by 1.5% in total). If interest rates remained at their current level there would be a saving of £139,000 over the five years of the programme, or £28,000 per year. If interest rates increased by 1% per year from 2014/15 to 2016/17, then there would be an additional cost of £145,000 or £29,000 per year over this period. If interest rates are higher than allowed for over the next five years, it will therefore be necessary to review either the level of revenue provision for capital financing or the level of Council Funded capital spending.

External Funding – Government Grants

- 3.10 The externally funded element of the proposed programme set out in Appendix 1 mainly consists of government grants. The main elements of capital grant funding are for Highways, Education and Disabled Facilities (to help people with disabilities remain independent in their own homes). Of these, only the Highways grant for integrated transport schemes and capital maintenance has yet been confirmed for the next two years 2013/14 to 2014/15. The highways maintenance capital grant for highways was also increased in the 2012 Autumn Statement by £599,000 to £3,918,000 in 2013/14 and by £321,000 to £3,447,000 in 2014/15. The estimated level of Highways maintenance capital grant for 2015/16 to 2017/18 is currently assumed to remain at the level originally allocated for 2014/15 of £3,126,000. The Highways capital programme also includes flood defence schemes which are expected to be funded by grant funding from the Department for Food and Rural Affairs (DEFRA).
- 3.11 Education and Disabled Facilities grants for 2013/14 have not yet been announced. The grant figures for these service areas have therefore been estimated on the basis of recent years' trends. Disabled Facilities Grants have been consistent over the last three years and are therefore expected to remain at a similar level. The picture for Education capital grants, however is less certain. A summary of the actual and estimated capital grant allocations from 2011/12 to 2015/16 is shown in table 2 below (estimated figures are shaded).

Table 2: Actual and Estimated Capital Grant Allocations 2011/12 to 2015/16					
	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Highways:					<i>Est.</i>
Integrated Transport Grant	735	784	784	1,103	1,103
Highways Capital Maintenance	3,531	3,420	3,918	3,447	3,126
DEFRA funding for flood defence			<i>Est</i> 974	<i>Est</i> 151	<i>Est</i> 1,784
Total for Highways	4,266	4,204	5,676	4,701	6,013
Social Care Commissioning and Housing:			<i>Est</i>	<i>Est</i>	<i>Est</i>
Disabled Facilities Grant	648	648	648	648	648
Adult Social Care Community Capacity Grant		258	269	275	
Education:			<i>Est</i>	<i>Est</i>	<i>Est</i>
Basic need	1,340	765	1,100	600	600
Capital Maintenance	3,611	2,831	2,200	1,900	1,600
Total non devolved Education Grants	4,951	3,596	3,300	2,500	2,200

Assumptions About Future Capital Grants for Education

- 3.12 The Department for Education (DfE) has yet to make any announcement, in the light of the 2011 James Review of capital funding for Education, on the long term scope of Local Authorities' responsibility for capital funding of schools in their area, to take account of the new landscape of education provision, including Free Schools and Academies. The overall level and basis of distribution of capital funding for Local Authorities therefore remains uncertain. Assumptions about the level of capital funding for Education in West Berkshire have therefore been made taking into account recent years' trends adjusted for forecast pupil numbers.
- 3.13 In 2012/13 the Basic Need grant for additional school places was £575,000 or 43% lower than in 2011/12. Significant growth in pupil numbers has been identified for September 2012, so some increase in this grant is assumed for 2013/14, but the overall trend in this allocation is expected to be downwards. Based on previous years' trend, the capital maintenance grant is also expected to decrease by about 20% per year to a low of £1.6 million by 2015/16.

Grants for Other Services

- 3.14 A new capital grant for increasing capacity in Adult Social Care has also been awarded for three years from 2012/13 to 2015/16. The purpose of this grant is to promote and improve personalisation, reform and efficiency in the service. The 2012/13 grant of £258,000 has been allocated to projects including supported living, telecare, aids and adaptations. Plans for use of the 2013/14 and 2014/15 grants of £269,000 and £275,000 have not yet been developed, but these will be agreed over the next few months with the portfolio holder, the Adult Social Care Programme Board and the Capital Strategy Group. For this reason the grants for 2013/14 and 2014/15 have not yet been built into the programme shown in appendices 1 and 2. It is not yet known whether this grant will continue after 2014/15, so no assumptions have been made about future years' funding.
- 3.15 The proposed programme for Cultural Services also incorporates a grant of just under £1.0 million awarded by the Heritage Lottery Fund. This is to support the redevelopment of the Newbury Museum in 2013.

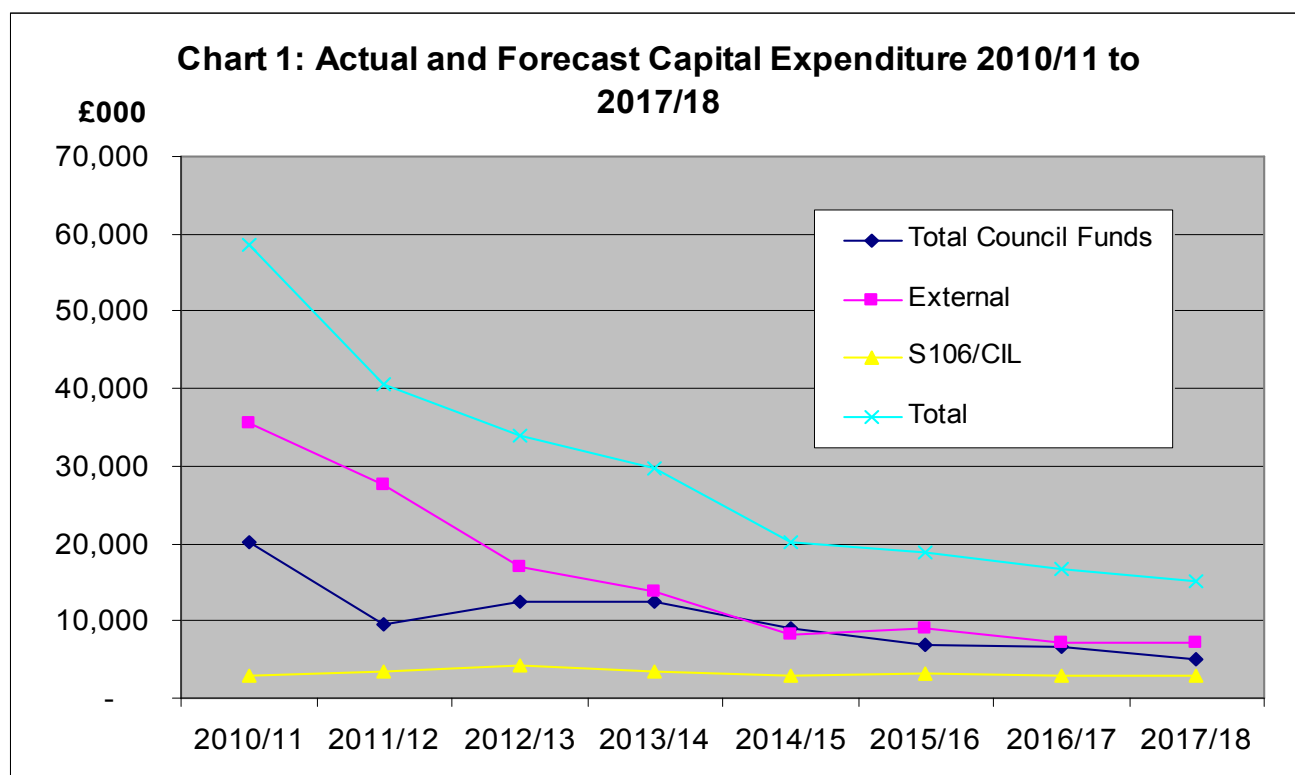
Section 106 Developers Contributions/Community Infrastructure Levy (CIL)

- 3.16 The proposed programme includes £15.6 million to be funded from section 106 developers' contributions and/or CIL for Education and Highways schemes. Most of the S106 contributions which are included in the funding for the proposed programme from 2013/14 to 2015/16 for Highways and Education have already been formally agreed with and/or received from developers.
- 3.17 From April 2014, the current Section 106 framework will, to a large extent, be replaced by the Community Infrastructure Levy (CIL - see also paragraphs 2.8.7-2.8.10 above). The likely level of income from the CIL is not yet known and it is currently thought possible that the new framework may result in lower levels of capital contributions than the current S106 regime. The proposed programme for 2015/16 to 2016/17, therefore, assumes £3 million per year future contributions from developers split between Highways and Education. However, this amount has not been allocated to specific schemes as it is not yet known exactly when and where new developments will arise, giving rise to new infrastructure needs.
- 3.18 Smaller amounts of Section 106 funding will also be available for other services over the period of the proposed programme, in particular for countryside, open spaces and housing. These have not yet been built into the proposed programme as decisions have not yet been taken about the individual capital schemes which they will support. The funding for these schemes will be agreed with the appropriate portfolio member and any changes to the capital programme will be reported to Executive through the quarterly capital monitoring process.

Total Forecast Capital Spending 2013 to 2018

3.19 Total planned capital expenditure for the five years of the capital programme for 2013 to 2018 (as shown in Appendix 1) is £100.9 million. This figure consists of £40.2 million from Council resources, £15.6 million from S106 contributions and/or CIL and £45.1 million from other external funding sources, mainly government grants. Annual expenditure for the period of the programme is summarised in table 3 and illustrated in chart 1 (below) in comparison with forecast expenditure for 2012/13 and actual expenditure the last two financial years.

Table 3 - Total Actual/Planned Capital Expenditure 2010/11 to 2017/18								
	2010/11 Actual £000	2011/12 Actual £000	2012/13 Forecast £000	2013/14 Planned £000	2014/15 Planned £000	2015/16 Planned £000	2016/17 Planned £000	2017/18 Planned £000
Borrowing	18,242	9,397	12,092	10,522	7,065	6,039	7,001	5,386
Capital Receipts	1,854	144	500	2,070	1,900	0	0	0
Total Council Funds	20,096	9,541	12,592	12,592	9,165	6,039	7,001	5,386
External	35,477	27,667	17,055	13,825	8,172	8,941	7,077	7,077
S106/CIL	2,954	3,321	4,326	3,524	3,048	3,057	3,000	3,000
Total	58,527	40,529	33,973	29,941	20,385	18,036	17,078	15,463



4 NEW PRESSURES ON THE CAPITAL PROGRAMME

Education

- 4.1 Due to an increase in reception class numbers in September 2012, many primary schools are now full, with particular pressure in Newbury and Thatcham. The situation is likely to continue in 2013 and will put pressure on the Council's five year programme in terms of needing to provide statutory school places. In addition, further pressure has been identified on the schools capital maintenance budget as a result of emerging condition issues, for example the need to replace outdated heating systems in a number of schools.
- 4.2 Two sets of indicative cost estimates to meet these budget pressures have been prepared, based on two alternative scenarios:
- (i) Assuming an ongoing need for additional school places in Newbury and Thatcham with an increase in only one year group elsewhere in the district, which can be accommodated by small expansions of schools, making use of temporary accommodation, where possible;
 - (ii) Assuming that all the 2012 pupil numbers represent an ongoing trend and that several schools across West Berkshire will require significant expansion to accommodate a larger form of entry on an ongoing basis.

It will not be clear which of these assumptions is correct until ongoing work to analyse longer term pupil number forecasts has been completed.

- 4.3 Appendix 3 shows the initial estimates for the cost of basic need and maintenance pressures, based on both of the above scenarios together with a number of savings from the previously approved programme and additional sources of income, which have been identified to offset part of these pressures. The net pressures on the Council funded programme (assuming the levels of external funding outlined in paragraphs 3.13 – 3.16) are estimated to be between a lower level of £6.6 million and a higher level of £10.3 million, depending on the assumptions made about future pupil number trends.
- 4.4 An additional sum of £4.9 million has been built into the proposed programme which will meet part of the cost of the additional schemes relating to the lower level of pressure. However, the full cost of the schemes required is currently estimated to be £6.6 million, giving a shortfall in funding of £1.7 million. These schemes include:
- the expansion of the Willows, Spurcroft and John Rankin Infant and Junior Schools;
 - a new Primary school for Newbury to meet the deficit of primary places in Newbury and Thatcham;
 - additional classrooms at Basildon, Francis Bailey, Theale and Hungerford Primary Schools to mitigate the impact of the increased number of reception

pupils in September 2012 and in some cases September 2013, as these pupils make their way through these schools;

- an increase in the budget for capital maintenance of schools of £400,000 per year from 2013/14 to 2015/16 and £420,000 per year in 2016/17 and 2017/18.

- 4.5 There remains a shortfall in funding to provide all the above schemes of approximately £1.7 million. Furthermore, if the increase in pupil numbers seen across the district in September 2012 proves to be a sustained increase, there would be a further shortfall of approximately £3.6 million, based on current estimates. If government grants are not significantly higher than currently expected, therefore, it will be necessary either to make savings within the existing capital programme for Education and/or other services.
- 4.6 The proposed level of Education capital commitments should therefore be kept under review until future levels of government grant funding are known. It will also be necessary to finalise more detailed and accurate estimates of future pupil numbers and the cost of works required to provide sufficient school places, before decisions can be made whether to delete schemes from the Education Programme and/or from other services' programmes in order to accommodate the emerging budget pressures.

ICT

- 4.7 The level of investment in ICT approved in March 2012 of approximately £400,000 in 2013/14, falling to only £110,000 per year from 2015/16 onwards, is not expected to be sufficient to meet the Council's highest priorities for investment in ICT hardware and systems, to ensure the continued efficient operation of its services.
- 4.8 The ICT Strategy Board has therefore reviewed its priorities and identified the most critical, urgent and important projects which are required to ensure the continued efficient running of the Council's systems and services for the next five years. As a result of this review, a programme for ICT of £2,771,000 over five years is now proposed. This represents an increase of £1,776,000 over the previously approved level of investment. This includes an "invest to save proposal" of £250,000 for to purchase replacement multi function printing devices (MFDs), which will be funded from savings in existing revenue budgets for the leasing and running costs of the old MFDs.
- 4.9 The proposed ICT programme is set out in full in Appendix 2.
- 4.10 It should also be noted that the proposed ICT programme only allows for maintenance and improvement of systems which support the Council's existing services and ways of working. It does not allow for any significant transformation of Council services to achieve major service improvements or efficiency savings e.g. through the development of more web-enabled service delivery. Any future plans for transformation of Council Services will therefore need to take into

account the additional cost of ICT based solutions which will be necessary to implement the changes.

5 CAPITAL PROGRAMME 2012/13 TO 2016/17

5.1 The proposed capital programme for 2011/12 to 2015/16 is summarised in Appendix 1 and broken down over individual schemes in Appendix 2. In both appendices the capital expenditure for each year is broken down into the elements which are funded from Council funding (mainly from borrowing), external funding sources (mainly government grants) and Section 106 developers' contributions.

5.2 The main elements of the proposed programme for each service grouping are also summarised below.

5.3 Resources

5.3.1 In addition to the pressures on the ICT programme outlined above, the programme for the resources directorate also includes £80,000 per year for the members bids programme, managed with the Finance Service. The Strategic Support programme consists of £106,000 for community oriented projects including the implementation of Parish Plans, improvements to rural services and the development visions for Thatcham, Newbury and the east of the district.

5.4 Environment

5.4.1 The largest element of the Environment programme consists of Highways and Transport improvements. The 2013/14 Highways Capital Programme is funded at approximately £8m comprising the following sources:

- Council funded capital - £1.54m (structural maintenance previously funded from revenue)
- LTP (DfT) Grant funding - £4.70m
- Defra Grant in Aid Flood Defence funding £0.97m
- S106 developer contributions - £1.32m.

5.4.2 In line with Central Government guidance the main focus of the programme centres on maintenance of the highways infrastructure. £1.54 million of Council funding and £3.9 million of the DfT grant funding is to be spent on Maintenance. Of this approximately 80% will be spent on surface and structural reconditioning, with the remaining funds spent maintaining other key highway assets (structures, drainage, traffic signals, street lighting upgrades, signs and road markings etc).

5.4.3 A number of key Transport Improvements will be funded from S106 developer contributions and from the £784,000 Integrated Transport element of the DfT Grant. These include a continuation of the roll-out of Real Time Passenger Information at bus stops, access and traffic management improvements at Thatcham Rail Station along with other essential themes including network

management improvements, road safety, public transport, walking and cycling improvements.

- 5.4.4 2013/14 will see further progress in delivering flood alleviation measures across the District. Requests for funding are currently being considered by the Environment Agency for studies and design work in Mortimer, Padworth, Burghfield and Thatcham which will build on the £800,000 already secured to further develop and deliver phase 1 of the Thatcham Surface Water Management plan at Cold Ash.
- 5.4.5 The Planning and Countryside programme consists of £125,000 per year planned investment in the maintenance and improvement of rights of way, public conveniences and children's play areas.
- 5.4.6 The programme for Culture and Environmental Protection includes £2.0 million to complete the restoration and redevelopment of the Newbury Museum, which includes approximately £1.4 million grant from the Heritage Lottery Fund. Over the five year period of the programme, £50,000 per year of Council funding is also planned to be invested in the ongoing maintenance of Shaw House and an average of £268,000 per year on maintenance and modernisation of Leisure Centres (funded from revenue savings).

5.5 Communities

Education

- 5.5.1 In addition to the issues affecting the schools programme explained in paragraphs 4.1 to 4.5, the Education Services programme also includes £950,000 per year for essential maintenance of other Council buildings, including and fire safety measures, and approximately £581,000 per year for the salary cost of staff delivering the programme.

Children's and Youth Services

- 5.5.2 The programme for Children's and Youth Services allow for £20,000 per year for adaptations to the homes of foster carers to facilitate care of looked after children.

Commissioning, Housing and Safeguarding

- 5.5.3 Approximately £1.4 million per year is provided for home repairs and adaptations to help elderly and disabled people maintain independent living in their own homes. This is needed to fund the mandatory Disabled Facilities Grant (DFG) programme and includes approximately £650,000 per year from government grant with the remainder matched from Council resources.

- 5.5.4 The programme also includes £0.5 million in 2013/14 for extra care housing units within the Priory social housing development in Hungerford to be provided in partnership with Sovereign Housing. A further £68,000 per year is provided for maintenance and improvements to temporary and private rented accommodation.

Adult Social Care

- 5.5.5 The adult social care programme includes £544,000 from government grant in 2013/14 and 2014/15 to improve the personalisation and efficiency of the service. The programme also provides £85,000 per year for occupational health equipment.

5.6 Corporate Schemes

- 5.6.1 In addition to a small contingency sum of £25,000 per year, the programme also includes a contribution of £90,000 in 2013/14 to an Environment Agency scheme aimed at reducing significantly the risk of flooding in Newbury. This scheme is also being supported by Newbury Town Council. In addition, £75,000 per year has been allocated in 2013/14 to 2015/16 to a scheme to improve superfast broadband coverage across the rural areas of West Berkshire. This funding will be matched by contributions from central government and parish councils.