



# **Capital Strategy** **2014/15 – 2018/19**

**Incorporating the Capital Programme for 2014/15 to 2018/19 the  
Corporate Property Asset Management Plan 2014/15**

## 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 and systems to be maintained and improved to enable the effective and efficient delivery of 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;

### Overview of the Proposed Capital Programme 2014-2019

- 1.3 The starting point for the new capital strategy is the previously approved level of Council funded capital spending for 2014/15 to 2017/18. This has been updated to take account of:
- £1.2 million investment in surface treatment of the A4 in 2014/15 which is proposed to be funded partly from savings in patching costs over 10 years from 2014/15 to 2023/24 and partly from capital receipts;
  - Savings in the 2014/15 to 2017/18 highways capital maintenance programme to fund the £1.4 million investment in emergency repairs to highways in 2013/14 following serious deterioration of roads in the winter of 2012/13;
  - The latest estimates of future school pupil numbers and the cost of providing additional primary school places to accommodate them;
  - Provisional capital grant allocations for Education, which were announced on the 18<sup>th</sup> December 2013, including basic need grant allocations for 2015/16 to 2016/17 of £14.6 million in total, which reflects the Council's forecasts for future pupil number growth and which is a significantly higher grant settlement than was previously expected;
  - The latest estimates of capital receipts expected to be available to fund capital expenditure over the next five years;

- The current level of interest rates for borrowing from the Public Works and Loans Board to fund capital expenditure and the latest assumptions about future rates.

### Funding of the Capital Programme

- 1.4 The proposed average level of Council funded capital spend is approximately £7.6 million per year. This figure takes account of the higher than average level of capital receipts between 2013 and 2015, which the Council agreed in March 2013 to use to boost investment in ICT and to help meet the pressure on primary school pupil numbers. It also includes some funding brought forward from previous years. The underlying level affordable of Council capital investment from 2017/18 onwards is approximately £5 million per year.
- 1.5 Council capital funds come partly from capital receipts, with the remainder from prudential borrowing. The proposed level of Council funded programme is based on the assumption that the revenue budget for borrowing costs will increase by £510,000 in 2014/15, £607,000 in 2015/16 to allow for the additional investment in highways infrastructure and then by approximately £500,000 per year from 2016/17 onwards to reflect future highways savings. These figures are in line with the proposed MTFS for 2014 to 2017, also on this agenda.
- 1.6 The programme makes use of government grants and developers contributions which have already been received or allocated. It also takes into account estimates of future grants and contributions, based recent trends and other available data. The total proposed five year programme including external funding, amounts to £115.2 million or an average of £23.0 million per year.
- 1.7 However if the actual level of future government grants and developers' contributions is lower than expected, the planned level of spending in the later years of the programme will have to be reviewed. This will also be necessary if 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.

### Service Specific Issues – Education

- 1.8 The level of the provisional capital grant settlement for Basic Need for 2014/15 to 2015/16 from the Department for Education (DfE) reflects the pupil number forecast model and the schools capacity (SCAP) return submitted by Education Services. The amount allocated for this period is significantly higher than was previously expected.
- 1.9 The proposed programme is expected to be sufficient to provide for the main capital investment priorities for Education in 2014/15 and 2015/16. These include additional school places in Newbury and other parts of the district, some improvements to the condition and suitability of school buildings and provision for universal free school meals to reception and key stage 1 pupils. However, the level of government funding for school maintenance for 2015/16 onwards is not yet known and current pupil number forecast data also suggests that the number of

additional places planned to be provided in Newbury may not be sufficient in the medium to long term. These factors may result in further pressure on Council funding.

- 1.10 Pupil number forecast data will continue to be reviewed and updated and Education managers will carry out a further review of condition and suitability needs of all schools by planning area over the coming year. This additional data will provide increasing clarity on the medium to long term pressures, which will be taken into account in revising the Capital Programme for the next five year period of 2015 to 2020.

## ICT

- 1.11 Additional funding has been allocated for the extension of the Superfast Broadband project across West Berkshire.
- 1.12 The ICT Programme Board will also continue to review its priorities for investment in the Council's systems, in the context of a longer term ICT strategy, and will work in conjunction with the Capital Strategy Group over the coming year to propose ways in which further investment in the most important projects can be funded from within available resources.

- 1.13 The remainder of the strategy document will be structured as follows:

**Section 2:** The Capital Strategy for 2014/15 to 2018/19 which explains how the proposed programme helps to deliver the Council Strategy and also explains the funding framework for the programme;

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

**Section 4:** An overview of the Proposed Capital Programme 2015/15 to 2018/19.

**Appendix 1:** A Summary of the proposed Capital Programme 2014/15 to 2018/19

**Appendix 2:** The detailed Capital Programme for 2014/15 to 2018/19

**Appendix 3:** The Council's Asset Management Plan for 2014/15.

## **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 and the Disabled Facilities Grants (DFG) programmes 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 vulnerable 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 government grants, 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 2.5.1 to 2.5.5).

## **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. The Highways and Transport Capital programme is driven by a number of key plans and strategies including the Council's Local Transport Plan 2011 to 2026 (LTP3). 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

- 2.4.2 The programme is also driven by the Highway Asset Management Plan which provides guidance on the delivery of value for money highway maintenance services with the aim of providing a safer highway network, improved travelling conditions for all highway users, and ensuring greater care of the local environment.
- 2.4.3 There is also a continued emphasis on partnership working, with stakeholders including the Environment Agency, Thames Water, Sovereign Housing and Network Rail to ensure our limited funds stretch as far as possible

### Housing

- 2.4.4 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.
- 2.4.5 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:
- 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 may have an impact upon the Council's ability to fund its Capital Programme).
- 2.4.6 Over recent years the Council has successfully focussed on the prevention of homelessness which reduces the need for temporary housing, but the Council still maintains a small supply of temporary accommodation to meet its statutory duty in this area. In addition, the Council provides assistance to support the improvement of private sector housing. 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.

## Town Centre Visions

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

2.5.1 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.

2.5.2 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 started in 2013 and is planned to be completed in the summer of 2014.

2.5.3 Capital investment will also 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 order to enhance the health and wellbeing of West Berkshire residents. In particular, a programme of investment in the structural maintenance and refurbishment of Leisure Centres will continue over the next five years in order to ensure that these facilities continue to provide a safe and enjoyable environment for service users. This investment is partly funded from savings in service revenue budgets from 2013 to 2018. After that period, a view will need to be taken whether to repeat a similar exercise in order to maintain the level of capital maintenance.

2.5.4 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.

2.5.5 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.



## 2.6 Improving Education

- 2.6.1 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 suitable and 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 21<sup>st</sup> 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.
- 2.6.2 Government funding for capital investment in Education Facilities by Local Authorities remains 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.”
- 2.6.3 The bulk of maintenance funding is currently allocated to local authorities, in order to support local prioritisation and larger capital maintenance 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 Academy programme has the effect of reducing the capital maintenance allocations year on year, as more of the total national funding pot is diverted to the Academy Maintenance Programme.

- 2.6.4 The medium term scope of responsibility for the maintenance and development of school buildings is still somewhat uncertain. In December 2013 the government published a progress update on the Review of Education Capital undertaken in 2011. Within that document the government finally confirmed that the concept put forward in the review of a single, flexible funding pot, with strategic planning and spend managed at a local level by local authorities, was not accepted. However, the progress update goes on to say that there are alternative ways of achieving strategic planning to explore. The Property Team will therefore have to adapt and ensure it is appropriately resourced to deal with to any changes in responsibility.
- 2.6.5 The level of Council capital funds available for Education schemes in the later part of the programme is minimal. For the duration of the 5-year programme available resources are likely to be targeted only at basic need and urgent capital maintenance, with little or no funding available for modernisation of school buildings. However, with the recent basic need capital settlement with allocations for the first three years of the programme it does seem likely at present, given the current indications of growth in pupil numbers over the next three years, that there will be sufficient resources within the programme to fully meet these objectives.

## **2.7 Protecting the Environment**

- 2.7.1 The Council's energy management strategy is targeted at measures which will help save energy and reduce carbon emissions and work is underway to ensure that energy saving features are incorporated into building projects wherever possible. In addition it is proposed, where possible, to use revenue savings achieved in energy costs to meet the capital financing costs of additional investment in energy saving and carbon reduction schemes in future years.
- 2.7.2 Care of the environment also includes the stewardship of the public open spaces and historically important buildings and ensuring access to the countryside. Planned investment of Council resources in these areas will be limited over the period of the strategy. However, every opportunity will be taken to attract external funding and additional resources through partnership arrangements (e.g. with the Berkshire and Oxfordshire Wildlife Trust – BBOWT), with a view to maintaining and improve these important community assets.

## **2.8 Putting People First**

- 2.8.1 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).

## **2.9 Capital Financing**

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

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

### Government Grants

2.9.2 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 3.10-3.16 below.

### Prudential Borrowing

2.9.3 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. 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 3.7-3.9 below).

### Section 106 Developer Contributions

2.9.4 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 SPG was updated to a Supplementary Planning Document (SPD) in June 2013. The aim of the SPD 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. In some cases a specific project is specified.

2.9.5 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

- 2.9.6 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 April 2013, and further amendment regulations are due to come into force by the end of January 2014. 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.
- 2.9.7 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.
- 2.9.8 Local Authorities can choose whether or not to adopt CIL. However the new regulations which are about to come into effect will limit the use of S106 planning obligations with effect from April 2015 (previously 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.
- 2.9.9 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 been working on the adoption of a CIL for West Berkshire, with the current timetable allowing for adoption by 1st April 2014. A report setting out proposals for the adoption and implementation of CIL will be taken to a meeting of Full Council in March 2014. It should be noted that the level of funding from this source is likely to be lower than has been received through the S106 regime in recent years (approximately £5 million per year since 2004/05).

## Capital Receipts

- 2.9.10 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.
- 2.9.11 If the decision is taken to offer an asset for sale, the Asset Management and Capital Strategy Groups will 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.

## **2.10 Minimum Revenue Provision Statement**

- 2.10.1 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.
- 2.10.2 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 draft Capital Programme for the five year period 2014/15 to 2018/19 is summarised in appendix 1. This shows 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).

#### Estimated Capital Receipts Available to Fund the Capital Programme

- 3.3 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 of the assets currently expected to be disposed of, we estimate that there will approximately £4 million capital receipts available to contribute towards the cost of the Council funded capital programme in the period 2014-2019.
- 3.4 It has been assumed that some or all of the proceeds of the following properties will be available to fund the overall capital programme:
- Taceham House
  - The Control Tower
  - Pound Lane Depot
  - Land adjacent to the Phoenix Centre
- 3.5 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.
- 3.6 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 Cost of Borrowing to Fund the Capital Programme

- 3.7 The annual increase in the revenue cost of borrowing, which would be required to fund the initially proposed five year capital programme, is shown in Table 1 (below):

<b>Table 1 –Annual Cost of Borrowing to Fund Approved Level of Programme 2014-2019</b>						
	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>	<b>2017/18 £000</b>	<b>5 year Total £000</b>
<b>Annual Increase in cost of borrowing</b>	510	607	500	500	500	2,617

- 3.8 This differs from the assumptions in 2013-18 Capital Strategy, which anticipated an average annual increase in the cost of borrowing of £510,000 each year, or £2,550 over five years. This is because of the proposal to front fund approximately £1.2 million investment in highways in 2014/15 of which £270,000 is proposed to be funded by capital receipts, with the remaining £1 million to be met from savings in the Highways capital maintenance programme over 10 years.
- 3.9 These figures are based on the current level of PWLB interest rates. Rates are not now expected to increase significantly over the next two years, although rates do fluctuate slightly depending on the level of demand for government gilts. In mid January 2014, rates were slightly higher than was assumed when the 2013-2018 capital programme was approved e.g. 1.8% for annuity loans over five years and 4.3% over 40 years, as compared with 1.3% and 3.8% in January 2013. (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, in estimating future capital financing costs, it has been assumed that PWLB interest rates will increase by around 0.5% each year in 2016/17 and 2017/18 (i.e. by 1% in total).

## 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, Adult Social Care and Disabled Facilities Grants.

- 3.11 The Highways grant for integrated transport schemes and capital maintenance has already been confirmed for 2014/15 at £4,550,000. This figure includes the increase in the highways maintenance capital grant for 2014/15, which was announced in the 2012 Autumn Statement. The Highways maintenance capital grant for 2015/16 to 2018/19 is currently assumed to remain at the level originally allocated for 2014/15 of £3,126,000. £2,164,000 additional grant funding has also been awarded from the Department for Transport's Pinchpoint Fund in 2013/14 and 2014/15 for widening of the A4 at Calcot. The 2014/15 to 2016/17 programmes also include flood defence schemes which are expected to be funded by grant funding from the Department for Food and Rural Affairs (DEFRA) and transport grants from the Local Transport Body.
- 3.12 Community capacity grants (to promote and improve personalisation, reform and efficiency of adult social care) have been awarded from 2012/13 to 2014/15. The Disabled Facilities Grant for 2014/15 has also been confirmed at £661,000, a small increase (in line with inflation) on its 2013/14 level.
- 3.13 For Education, provisional allocations of basic need grant for 2014/15 to 2016/17 of £7.1 million and £7.5 million respectively have now been received. These allocations are significantly higher than for the 2012 to 2014 and are more in line with the increase in demand for primary school places from September 2012 onwards. Basic need grants from 2017/19 onwards are not yet known.
- 3.14 Bids were also submitted in the spring of 2013 for Targeted Basic Need Grant (for new primary school places) and the Demographic Growth Capital Fund (DGCF - for the expansion of sixth form facilities). These bids were successful in obtaining £2.4 million additional grant for specific schemes. £645,000 of the DGCF grant was awarded to Trinity School and will be paid directly to the school, so is not included in the Council capital programme. The balance of these grants not expected to be spent by the end of March 2013 is included the new programme, mainly in 2014/15.
- 3.15 A new capital grant of £366,000 has also been awarded in 2014/15 to help meet the capital costs of the requirement for universal free school meals for reception and key stage 1 pupils.
- 3.16 The Education capital maintenance grants for 2014/15 has been confirmed at £2.3 million. Maintenance grants from 2015/16 onwards have also been estimated £2.3 million per year.



<b>Table 2: Actual and Estimated Capital Grant Allocations 2012/13 to 2016/17</b>					
	<b>2012/13 £000</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>
<b>Highways:</b>				<i>Est.</i>	<i>Est.</i>
Integrated Transport Grant	784	784	1,103	1,103	1,103
Highways Capital Maintenance	3,420	3,918	3,447	3,126	3,126
Pinchpoint Fund	0	800	1,364	0	0
			<i>Est.</i>	<i>Est.</i>	<i>Est.</i>
DEFRA funding for flood defence	0	974	1,622	1,055	2,118
Local Transport Body	0	0	0	1,480	929
<b>Total for Highways</b>	<b>4,204</b>	<b>6,476</b>	<b>7,536</b>	<b>6,764</b>	<b>7,276</b>
<b>Care Commissioning Housing and Safeguarding:</b>				<i>Est.</i>	<i>Est.</i>
Disabled Facilities Grant	648	648	661	661	661
<b>Adult Social Care:</b>					
Community Capacity Grant	258	269	275	0	0
<b>Education:</b>					
Basic need	765	1,330	1,330	7,122	7,478
Universal Infant free school meals	0	0	366	0	0
Targeted Basic Need	0	121	1,935	0	0
Demographic Growth Capital Fund for Brookfields School	0	364	0	0	0
				<i>Est.</i>	<i>Est.</i>
Capital Maintenance	2,831	2,483	2,309	2,300	2,300
<b>Total non devolved Education Grants</b>	<b>3,596</b>	<b>4,298</b>	<b>5,940</b>	<b>9,422</b>	<b>9,778</b>

### Section 106 Developers Contributions/Community Infrastructure Levy (CIL)

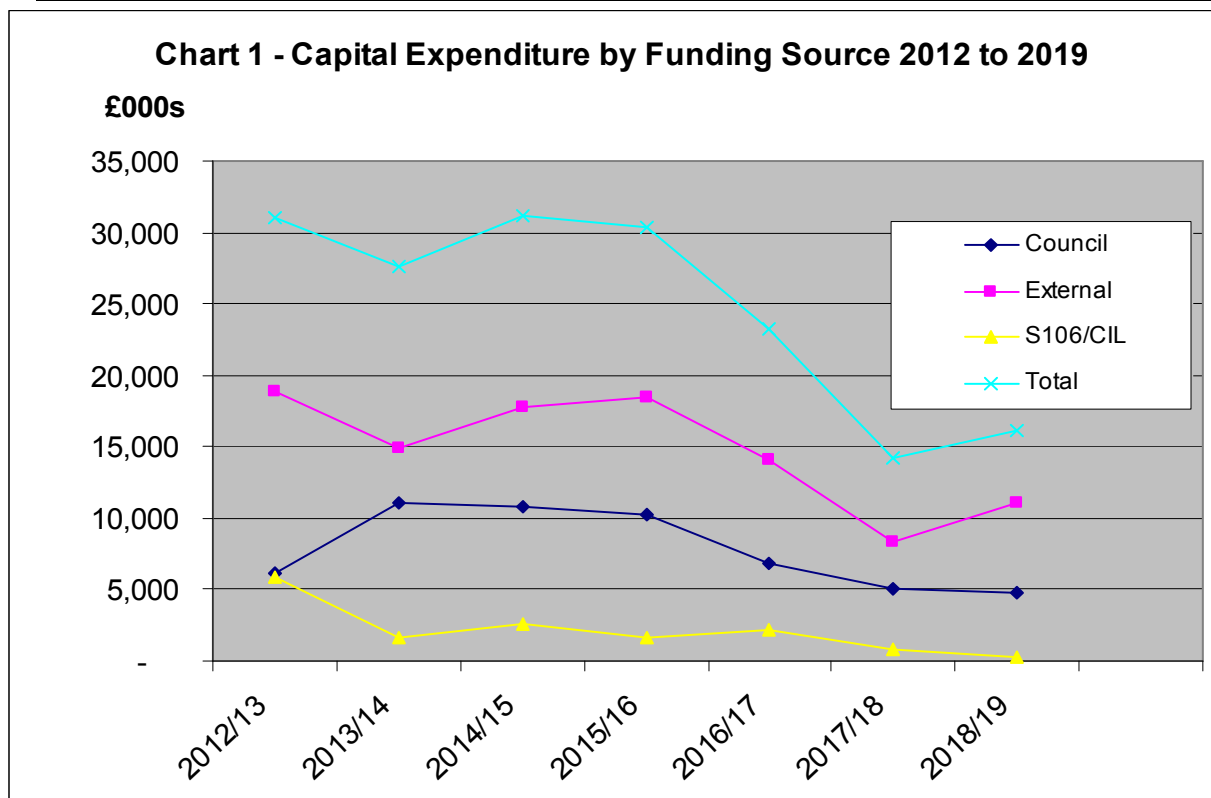
3.17 The proposed programme includes £7.6 million to be funded from section 106 developers' contributions and/or CIL for Education and Highways schemes. Most of the S106 contributions which are included in the funding for the proposed programme from 2013/14 to 2015/16 for Highways and Education have already been formally agreed with and/or received from developers.

3.18 From April 2015, the current Section 106 framework will, to a large extent, be replaced by the Community Infrastructure Levy (CIL - see also paragraphs 2.9.6-2.9.9 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.

### Total Forecast Capital Spending 2014 to 2019

3.19 Total planned capital expenditure for the five years of the capital programme for 2014 to 2019 (as shown in Appendix 1) is £115.2 million. This figure consists of £37.9 million from Council resources, £7.7 million from S106 contributions and/or CIL and £69.6 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 2013/14 and actual expenditure in 2012/13.

	2012/13 Actual £000	2013/14 Planned £000	2014/15 Planned £000	2015/16 Planned £000	2016/17 Planned £000	2017/18 Planned £000	2018/19 Planned £000
<b>Borrowing</b>	4,410	9,134	10,471	6,617	6,865	5,071	4,785
<b>Capital Receipts</b>	1,781	1,741	350	3,700	0	0	0
<b>Total Council Funds</b>	<b>6,191</b>	<b>11,060</b>	<b>10,821</b>	<b>10,317</b>	<b>6,865</b>	<b>5,071</b>	<b>4,785</b>
<b>External</b>	18,847	14,855	17,797	18,414	14,120	8,291	11,021
<b>S106/CIL</b>	5,943	1,703	2,616	1,655	2,227	879	277
<b>Total</b>	<b>30,981</b>	<b>27,433</b>	<b>31,234</b>	<b>30,386</b>	<b>23,212</b>	<b>14,241</b>	<b>16,083</b>



#### **4. CAPITAL PROGRAMME 2012/13 TO 2016/17**

- 4.1 The proposed capital programme for 2014/15 to 2018/19 is summarised in Appendix 1 and Appendix 2 gives a more detailed breakdown of the programme. 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.
- 4.2 The main elements of the proposed programme for each service grouping are also summarised below.

#### **4.3 Resources**

##### ICT

- 4.3.1 The currently proposed level of investment in Council ICT systems in the proposed programme for 2014 to 2019 is approximately £632,000 per year on average over five years, or £3,162,000 in total. This has been increased slightly from the level of the 2013 to 2018 programme (of £486,000 per year), by extending the time period over which some hardware is funded, and by making use of revenue savings as a result of capital investment wherever possible.
- 4.3.2 The ICT Programme Board has reviewed its priorities and identified a range of additional projects which are likely to be required to enable the most efficient running of the Council's systems and services for the next five years. The proposed programme provides sufficient funding for the most critical and urgent schemes and invest to save schemes, but there is still a shortfall of £1.2 million to fund all the important and strategic (priorities 3 and 2) items identified by ICT Strategy Board.
- 4.3.3 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.
- 4.3.4 The ICT Programme Board will continue to review its priorities in the context of a longer term ICT strategy and will work in conjunction with the Capital Strategy Group over the coming year to propose ways in which the most important projects can be funded from within available resources.
- 4.3.5 The programme also includes £700,000 for the Superfast Broadband project (listed under Corporate Projects in appendices 1 and 2).

## Members Bids and Community Planning

4.3.6 The capital programme for the resources directorate also includes £78,000 per year on average for the members bids programme, managed with the Finance Service. The Strategic Support programme consists of £97,000 per year on average to support community oriented projects including the implementation of Parish Plans, improvements to rural services, the shopmobility scheme in Newbury and the development visions for Newbury and the east of the district.

### **4.4 Environment**

#### Highways

4.4.1 The largest element of the Environment programme consists of Highways and Transport improvements. The 2014/15 Highways Capital Programme is funded at approximately £11.7 million comprising the following sources:

- Council funded capital - £2.2 million (this includes £1.2 million additional funding for lifecycle investment in the A4);
- LTP (DfT) Grant funding - £4.6 million (including £300k – 2<sup>nd</sup> year of the 2012 Autumn Statement funding);
- Defra Grant in Aid Flood Defence funding - £1.6 million (subject to successful bids);
- A4 Calcot Pinch Point funding - £1.4 million;
- S106 developer contributions - £2.0 million.

4.4.2 In line with Central Government guidance the main focus of the programme centres on maintenance of the highways infrastructure. £2.2 million of Council funding and £3.5 million of the DfT grant funding is to be spent on Maintenance. Of this approximately 85% 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).

4.4.3 A number of key Transport Improvements will be funded from S106 developer contributions and from the £1m Integrated Transport element of the DfT Grant. These include a continuation of the roll-out of Real Time Passenger Information at bus stops, on street parking and demand management improvements in Newbury along with other essential themes including network management improvements, road safety, and public transport, walking and cycling improvements.

4.4.4 2014/15 will see further progress in delivering flood alleviation measures across the District. 2013/14 will see the successful delivery of a number of key flood defence schemes including the Newbury Flood Alleviation Scheme, the Cold Ash retention pond phase 1 and property level protection to 40 residences in Oak End Way, Padworth. Building upon this success the service is looking to secure funding to deliver Tull Way and Cold Ash Phase 2 retention ponds as part of the Thatcham Surface Water Management Plan, Boxford Flood Alleviation Scheme and Lambourn Surface Water Management Plan, along with funding for a number of studies across the District.

#### Planning and Countryside

4.4.5 The Planning and Countryside programme consists of an average of £122,000 per year investment in the maintenance and improvement of rights of way, public conveniences and children's play areas.

#### Culture and Environmental Protection

4.4.6 The programme for Culture and Environmental Protection includes £200,000 to complete the restoration and redevelopment of the Newbury Museum. 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 (in line with the conditions of Heritage Lottery Funding for the building) and an average of £164,000 per year on maintenance and modernisation of Leisure Centres. The current programme does not allow for the completion of the permanent car park for Shaw House at an estimated cost of £220,000.

4.4.7 The programme also includes £234,000 for improvements to the energy efficiency and carbon footprint of Council Buildings. This is funded through revenue savings achieved through energy efficiency schemes which have been implemented in the last three years.

### **4.5 Communities**

#### Education

4.5.1 Capital investment within the Education programme remains predominantly focussed on delivering suitable and sufficient places to meet primary basic need pressures, urgent capital maintenance and health and safety needs across the school estate. In the first three years of the programme this accounts for approximately 80% of the capital investment in schools.

- 4.5.2 Numbers of pupils coming into reception classes remains consistently high across West Berkshire, with further significant increases forecast for Newbury and Hungerford. This will continue to place significant pressure on the 2014/15 programme and beyond, in order for the Council to meet its statutory obligation to provide a school place for every eligible child in West Berkshire who wants one. The aim of the proposed programme is to deliver of sufficient pupil places to meet the forecast growth in demand up to academic year 2017/18. However it is expected that schools will be running at close to 100% capacity by 2017/18.
- 4.5.3 Newbury is forecast to see the most significant levels of primary basic need over the next 5 years. Work is underway to develop solutions to meet this basic need pressure and £7.7m has been allocated from the 2-year 2015/16 and 2016/17 basic need allocation to deliver an additional 420 places. The ongoing and regular review of forecast data will provide increasing clarity on any medium to long term pressures in Newbury.
- 4.5.4 Levels of urgent capital maintenance need do not appear to be reducing. The programme has been running for some time on an annual capital investment of approximately £2.3m per year. It is anticipated that this level will need to continue for the duration of the current programme. The proposed programme is based on the assumption that government grant for capital maintenance will also remain at this level.
- 4.5.5 A significant project in the programme that supports both primary basic need and improved education outcomes is the proposed capital investment in John O'Gaunt school. This project will deliver additional primary places for Hungerford and also provide capital investment in the current building stock at the school to address condition and suitability issues.
- 4.5.6 Towards the latter part of the programme there is pre-project preparation and design work to address the secondary basic need pressures, which are likely to be a significant feature of the latter stages of the current and future programmes.

#### Corporate Buildings

- 4.5.7 The Corporate Buildings programme consists of approximately £950,000 per year for essential maintenance of other Council buildings, including and fire safety measures, plus approximately £709,000 per year for the salary cost of staff delivering building related programmes for all services (including the Education programme). This level of investment is expected to be able to meet the Council's highest priorities for building maintenance and safety over the next seven years.,

## Children's and Youth Services

- 4.5.8 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.

## Adult Social Care

- 4.5.9 The adult social care programme for 2014/15 includes £238,000 from Community Capacity Grant awarded by the Department of Health mainly in 2011/12 to improve the personalisation and efficiency of the service. These schemes, which include Telecare, pre-payment cards and aids and adaptations pre-payment client self-assessment and supported living are part of a three year efficiency programme started in 2012/13. A further £780,000 Community Capacity Grant is available from the 2012/13, 2013/14 and 2014/15 allocations. The Adult Social Care Efficiency Board is in the process of developing new capital projects to utilise these monies and the first of the resulting schemes are likely to commence in the second half of 2014/15.
- 4.5.10 The programme also provides £85,000 per year for occupational health equipment.

## Care Commissioning, Safeguarding and Housing

- 4.5.11 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.
- 4.5.12 The programme also provides for grants to help older, disabled and other vulnerable people on low incomes maintain their homes in a fit state, which are administered by an external consortium. It also includes funding to maintain the Council's temporary accommodation units fit for purpose.
- 4.5.13 In addition, in 2014/15 and 2015/16 it is proposed to invest £990,000 in a development of 73 affordable housing units by Thames Valley Housing Calcot. This scheme is to be funded from capital receipts and S106 funds for affordable housing.

## **4.6 Capital Salaries**

- 4.6.1 The programmes for Education, Corporate Buildings and Highways include a significant element for the cost of staff required to deliver the capital programme. The Countryside and Housing Programme each also allow for the cost of one post to help manage the programme. The total estimated cost of capital funded salaries in 2014/15 is £1.4 million.

4.6.2 Staffing levels required to deliver the capital programme are reviewed annually to take account of the size of the programme. For example, following a review of the structure of the Property Services team, the cost of property capital salaries is expected to be £93,000 lower in 2014/15 than in 2013/14 to take account of the decreasing level of capital building schemes going forward. The level of capital funded salaries, particularly for Education and Highways will continue to be reviewed over the next five years, with a view to achieving further savings where possible, while maintaining an appropriate level of resource to deliver the agreed programme.