



## Appendix A

# **Capital Strategy** **2015/16 – 2019/20**

**Incorporating the Capital Programme for 2015/16 to 2019/20,  
the Corporate Property Asset Management Plan 2015/16 and  
the Highways Asset Management Strategy 2014 to 2018**

## 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 the asset management plans for both property and highways and the five year Capital Programme. It defines the amount of planned investment over the next five years and shows 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 2014 to 2018;
  - To ensure that capital investment is affordable within the terms of the MTFS;
  - To target funding at Council priorities, within available resources, in particular to maintain and improve the Highway network and Schools and to improve the efficiency of Council services through investment in ICT.

### Overview of the Proposed Capital Programme 2015-2020

- 1.3 The starting point for the new capital strategy is the previously approved level of Council funded capital spending for 2015/16 to 2018/19, which is supported by an annual increase in the revenue budget for capital financing of approximately £500,000 per year, allowed for in the current MTFS.
- 1.4 The proposed capital programme also takes into account the following issues:
- i. The latest estimates of future school pupil numbers and the cost of providing additional school places to accommodate them;
  - ii. Provisional Basic Need Grant allocations for additional school places already announced by the Department for Education (DfE) for 2015/16 to 2016/17 of £14.6 million in total – this figure which reflects the Council's forecast of pupil number growth, but is not expected to meet the full cost of providing the places required;
  - iii. Additional pressures on the schools programme, over and above the level of grant funding available, for additional school places, permanent provision of universal infant free school meals, and to maintain and improve the condition and suitability of school buildings;

- iv. Significant additional capital grant allocations for Highways including, in 2014/15, £1.5 million for flood recovery and £1.2m for widening of the A4 at Calcot. In 2015/16 and 2016/17, £4.7m has been awarded for improvements to the A339 and the Kings Road Link. Annual capital maintenance grant have also been allocated for the next six years with an increase of nearly £1.8 million over the next three years 2015/17 to 2017/18.
- v. The need for ongoing savings in the highways capital maintenance programme to fund post winter repairs to highways in 2013/14 (to be funded over the 4 years to 2017/18) and investment in surface treatment of the A4 in 2014/15 (to be funded over the 10 years to 2024/25);
- vi. The estimated level of capital grants for transforming Adult Social Care (approximately £260,000 per year for the last 4 years) and Disabled Facilities (expected to remain at approximately £726,000 per year);
- vii. The Council's commitment to invest in the extension of Superfast Broadband to the maximum possible number of premises across West Berkshire;
- viii. The need to replace the RAISE system (for management of social care cases and budgets) and to provide other ICT solutions to support the transformation of other Council services in order to achieve further service improvements and efficiency savings;
- ix. The implementation of the Community Infrastructure Levy (CIL) which will mostly replace Section 106 funding from 2015/16 and is expected to provide a lower level of funding;
- x. The latest estimates of capital receipts expected to be available to fund capital expenditure over the next five years;
- xi. The current level of interest rates for borrowing from the Public Works and Loans Board to fund capital expenditure and forecast future rates.

#### Funding of the Capital Programme

- 1.5 Council capital funds come partly from capital receipts, with the remainder from prudential borrowing. The average level of the Council funded programme 2015 to 2020 is approximately £8.1 million per year (as compared with £7.6 million per year in the 2014-2019 programme). Council funding is higher in the first two years of the programme because of a relatively high level of capital receipts which we expect to apply mainly in 2015/16, to help to boost investment in ICT and to help meet the pressure on primary school pupil numbers.

- 1.6 From 2017/18 onwards the ongoing level of new Council funded capital is approximately £5.6 million per year. This is an increase from the ongoing level of funding assumed in the 2014 to 2019 programme of £5.0 million per year. This increase has been achieved by reviewing the level of capital receipts and the longer term borrowing strategy. However, this increased level of Council funded spend from 2017/18 onwards is still based on the assumption that the revenue budget for borrowing costs will increase by £603,000 in 2015/16 (to allow for the additional investment in highways infrastructure) and then by approximately £500,000 per year from 2016/17 onwards, i.e. no increase is proposed in the revenue provision for capital in the MTFS.
- 1.7 The forecast revenue cost of borrowing to fund capital expenditure allows for a 0.5% increase in the bank of England base interest rate each year from 2015/16 to 2018/19 (from its current level of 0.5% to a peak of 2.5%). The cost of borrowing will be higher than this if interest rates increase by more than this. However, this would be offset in part by additional interest earned on the Council's short term investments.
- 1.8 The total five year programme, including external funding from government grants and developers' contributions, is £135.2 million or an average of £27.0 million per year (as compared with £23.0 million per year in the original 2014-2019 programme). 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.

#### Potential for New Project to be Added to the Programme

- 1.9 Since 2010 the Council's street lighting team have gradually been replacing lighting units with more energy efficient LED's using the available revenue and capital budget. Work to date has been well received by the public and has generated energy savings. The Highways team is now working on a proposal to invest approximately £7.2 million in 2015/16 and 2016/17, which will provide LED street lighting throughout West Berkshire. This scheme has the potential to be funded on an invest to save basis, as it is forecast to generate a reduction of more than 50% in energy consumption for street lighting. However government grant is also being sought as an alternative source of funding for this project, which, if successful, would result in even greater revenue savings. A further report, seeking approval for this project to be added to the programme, will be brought to Executive when the most appropriate funding stream has been agreed.

## Potential Pressures on the Capital Programme

- 1.10 The proposed Education programme fully funds the estimated cost of additional school places to meet forecast levels of demand and permanent provision for universal infant free school meals. However there are still some Education capital schemes proposed for the later years of the programme which are not yet fully funded within the five year programme. In addition a need has recently been identified for extensive refurbishment of one of the Council's Gypsy and Travellers' sites and funding has not yet been allowed for this scheme within the overall programme.
- 1.11 The programme as proposed will, therefore, be kept under close review by officers and members, by seeking savings in the cost of schemes already included the proposed programme and/or in borrowing costs, with a view to identifying additional funding as required.
- 1.12 The remainder of the strategy document is be structured as follows:

**Section 2:** The Capital Strategy for 2015/16 to 2019/20 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 capital programme 2015/16 to 2019/20

**Appendix 1:** A Summary of the proposed Capital Programme 2015/16 to 2019/20

**Appendix 2:** The detailed Capital Programme for 2015/16 to 2019/20

**Appendix 3:** The Council's Property Asset Management Plan for 2015/16

**Appendix 4:** The Council's Highways Asset Management Plan for 2015/16

## **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 2014-2018;
- 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 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 the 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 provides funding for home adaptations to enable foster carers better to care for vulnerable children. The Education capital programme also includes improvements to educational facilities for children with special educational needs (see also paragraphs 2.5.1 to 2.5.5). The quality of life of all vulnerable groups is also enhanced by improvements to open spaces and cultural facilities (see paragraphs 2.4.8 to 2.4.10).

## **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. The full Highways Asset Management Plan is included as Appendix 4 of this report. Previous years of developing and implementing asset management principles has been recognised nationally, with the Council receiving a favourable maintenance grant settlement from the DfT.
- 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 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 provides for refurbishment of temporary accommodation in support of the Council's statutory housing duties and the regeneration and improvement of private sector stock occupied by vulnerable people. Opportunities are also being sought for partnership working with social housing providers to facilitate the delivery of new affordable housing
- 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 boost the local economy, improve the town centre environment and generate income for the Council.

### Parks, Open Spaces and Sporting and Cultural Facilities

2.4.8 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 encouraged to make positive use of their leisure time it adds to their personal development but can also help to reduce levels of anti-social behaviour within communities.

2.4.9 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 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 reductions in service revenue budgets from 2013 to 2018.

2.4.10 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.

## **2.5 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 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.

2.5.2 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.”

2.5.3 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 the 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.

2.5.4 The medium term scope of responsibility for the maintenance and development of school buildings is remains still somewhat uncertain, especially in light of the general election this year. 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 went on to say that there are alternative ways of achieving strategic planning to explore. One year on and there has been no further development in this area. It still remains the case that the Property Team will have to adapt and ensure it is appropriately resourced to deal with to any changes in responsibility.

2.5.5 Although the level of Council capital funds available for Education schemes has been increased slightly, 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 non basic need priorities, such as modernisation, reorganisations and supporting other government initiatives. The basic need capital grant allocations for the first two years of the programme, combined with additional support from Council capital funds mean that our current mainstream basic need pressures can be met. However, the requirement to provide additional funding support to meet our basic need pressures has further limited the ability to deliver other priorities. It therefore seems likely at present that there will be a significant pressure on resources within the latter half of the programme, given the current indications of growth in pupil numbers over the next three to five years, urgent non-basic need pressures and the likely need to continue to have to provide additional funding support to basic need, capital maintenance and other government initiatives.

## **2.6 Protecting the Environment**

2.6.1 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.

2.6.2 Care of the environment also includes the stewardship of the public open spaces and historically important buildings and ensuring access to the countryside. 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 improving these important community assets.

## **2.7 Putting People First**

2.7.1 The Council continuously seeks to improve and modernise the delivery of services to the public. A key part of this strategy is to enhance and modernise the ICT infrastructure and tools to support service delivery. The Capital Programme plays an important role primarily through investment in 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 3.12-3.16 below.

### 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. 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 3.9-3.11 below).

### Section 106 Developer Contributions

2.8.4 In November 2004 the Council adopted Supplementary Planning Guidance (SPG04/4) which enables it to obtain contributions from developers towards appropriate capital schemes using 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 between the Council and the developer specify the amounts which must be spent on particular Council services and in what geographical areas. In some cases a specific project is specified.

2.8.5 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

- 2.8.6 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 CIL Amendment Regulations came into force in 2011, 2012, 2013, and 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.
- 2.8.7 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.
- 2.8.8 Local Authorities can choose whether or not to adopt CIL. However the new regulations will limit the use of S106 planning obligations with effect from April 2015, to the funding of affordable housing and the direct impact of specific developments, e.g. a new road junction for a new development.
- 2.8.9 It has therefore been necessary for West Berkshire Council to adopt CIL in order to continue to receive funding from developers towards its capital programme. The Council adopted a CIL for West Berkshire in March 2014 and will start to charge CIL on applicable planning permissions granted on or after 1<sup>st</sup> April 2015. 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

- 2.8.10 The proceeds from disposal of surplus assets may be used to fund new capital schemes or the increases in costs to existing schemes, so reducing the revenue cost of borrowing to fund the capital expenditure. It is therefore important for officers and members 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 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 principal 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 on average 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 CAPITAL PROGRAMME 2015-2020**

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 for the five year period 2015/16 to 2019/20 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 available to help fund the capital programme, will not be known until final decisions have been taken about the disposal of surplus assets and final sale prices have been agreed. However, based on estimated value of the assets currently expected to be disposed of, we estimate that there will be approximately £4.1 million capital receipts available to contribute towards the cost of the Council funded capital programme in the period 2015-2020.

3.4 The largest part of this sum relates to the proposed sale of the Pound Lane Depot. Before finalising this sale, alternative options will be considered in the light of the changing social care environment. However any alternative proposals will be required to provide sufficient revenue savings to cover the cost of borrowing additional funds, if they are required to replace the potential capital receipt.

3.5 It has also been assumed that some or all of the proceeds of the following properties will be available to fund the overall capital programme:

- Land adjacent to the Phoenix Centre
- The Starting Gate pub
- Surplus school land

3.6 It should also be noted that Local Authorities are coming under increasing pressure from Central Government and the HCA to provide land at no cost to Registered Social Housing Providers for new social housing developments. This policy may restrict the ability of the Council to generate capital receipts from some surplus land assets in the future.

- 3.7 If capital receipts are used to avoid borrowing over a long period e.g. 40 years, as for building improvements, there will be a greater total saving over the life of the asset. 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.
- 3.8 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 capital spend may have to be reviewed.

### The Cost of Borrowing to Fund the Capital Programme

- 3.9 The annual increase in the Council's revenue budget to accommodate borrowing to fund the five year capital programme, is shown in Table 1 (below):

<b>Table 1 –Annual Cost of Borrowing to Fund Approved Level of Programme 2015-2020</b>						
	<b>2015/16 £000</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>5 year Total £000</b>
<b>Annual Increase in cost of borrowing</b>	603	500	500	500	500	2,603

- 3.10 The higher level of borrowing in 2015/16 is to help fund investment in the resurfacing of the A4 in 2014/15, which will be offset by savings in the Highways capital maintenance programme over the next 10 years. It is anticipated that the revenue cost of borrowing will continue to increase by £500,000 per year beyond the period shown to at least 2023, in order to continue to support the proposed level of capital investment. These figures do not include funding for future invest to save capital schemes, where additional borrowing is funded from savings in existing revenue budgets because such schemes are revenue cost neutral.
- 3.11 The estimated cost of borrowing shown is based on the assumption that the Bank of England base rate each will increase by 0.5% each year from 2015/16 to 2018/19 (i.e. from its current level of 0.5% to a peak of 2.5% in 2018/19). The cost of borrowing will be higher if interest rates increase more quickly and/or to a higher level. However, this would be offset in part by additional interest earned on the Council's short term investments.

## External Funding – Government Grants

- 3.12 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.
- 3.13 The Highways Integrated Transport grant for 2015/16 has been confirmed at £900,000 and it has been assumed that this grant will remain at this level for the period of the programme. Capital maintenance allocations have been announced of £4.3 million for 2015/16, £4.0 million for 2016/17, £3.8 million for 2017/18 and £3.5 million per year from 2018/19 to 2020/21. The allocation for 2015/16 to 2017/18 represents an increase of nearly £1.8 million over the previously expected allocation of around £3.4 million per year. However the Department for Transport has also indicated that it will no longer make available additional capital grants to address severe weather events, which is likely to place additional pressure on the Council's capital resources.
- 3.14 A significant amount of grant funding for highways has also been allocated in 2015/16 and 2016/17 by the Local Transport Body. This consists of £2.2 million for the widening of the A339 adjacent to the London Road Industrial Estate, to support the regeneration of the estate and £2.5 million for the Kings Road Link.
- 3.15 £279,000 Social Care Capital Grant (part of the Better Care Fund) has been allocated for 2015/16. No assumptions have been made about future Social Care Capital Grants. Disabled Facilities Grants (DSG) of £726,000 has been allocated for 2015/16 (an increase of £64,000 from 2014/15) and DSG is assumed to remain at the same level the period of the programme.
- 3.16 For Education, provisional allocations of Basic Need grant for 2015/16 to 2016/17 of £7.1 million and £7.5 million respectively have been received. These allocations are significantly higher than for the 2013/14 and 2014/15 and are in line with the forecast increase in demand for primary school places. No announcements have yet been made about Basic Need grants from 2017/18 or Education Capital Maintenance from 2015/16 onwards. Future Basic Need Grant has been estimated in line with forecast demand for school places and estimated government funding per place. However future maintenance grant is currently expected to be at a lower level than in recent years. This is because the national level of funding for this grant will be top sliced for Academies and free schools and Local Authority allocations are expected to reflect the DfE's analysis of centrally gathered condition data, which is thought likely to disadvantage West Berkshire, relative to other authorities.



<b>Table 2: Actual and Estimated Capital Grant Allocations 2013/14 to 2017/18</b>					
	<b>2013/14 £000</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>
<b>Highways:</b>				<i>Est.</i>	<i>Est.</i>
Integrated Transport Grant	784	1,103	900	900	900
Highways Capital Maintenance	3,918	3,447	4,314	3,955	3,836
Pinchpoint Fund (re A4 Calcot)	800	1,192			
Local Transport Body grant for (re A339 and Kings Road Newbury)			1,539	1,740	1,454
Flood recovery grant		1,490			
Local Sustainable Transport Fund		135			
			<i>Est.</i>	<i>Est.</i>	<i>Est.</i>
DfT grant for Newbury Car Club			50		
DEFRA funding for flood defence	974	1,500	1,054	1,093	1,346
<b>Total for Highways</b>	<b>6,476</b>	<b>8,867</b>	<b>7,857</b>	<b>7,688</b>	<b>7,536</b>
<b>Care Commissioning Housing and Safeguarding:</b>				<i>Est.</i>	<i>Est.</i>
Disabled Facilities Grant	648	661	726	726	726
<b>Adult Social Care:</b>					
Social Care Capital Grant	269	275	279		
<b>Education:</b>					
Basic need	1,330	1,330	7,122	7,478	5,180
Universal Infant free school meals		366			
Targeted Basic Need	138	1,932			
Demographic Growth Capital Fund for Brookfields School	364				
			<i>Est.</i>	<i>Est.</i>	<i>Est.</i>
Capital Maintenance	2,483	2,309	2,000	1,800	1,800
<b>Total non devolved Education Grants</b>	<b>4,315</b>	<b>5,937</b>	<b>9,122</b>	<b>9,278</b>	<b>6,980</b>

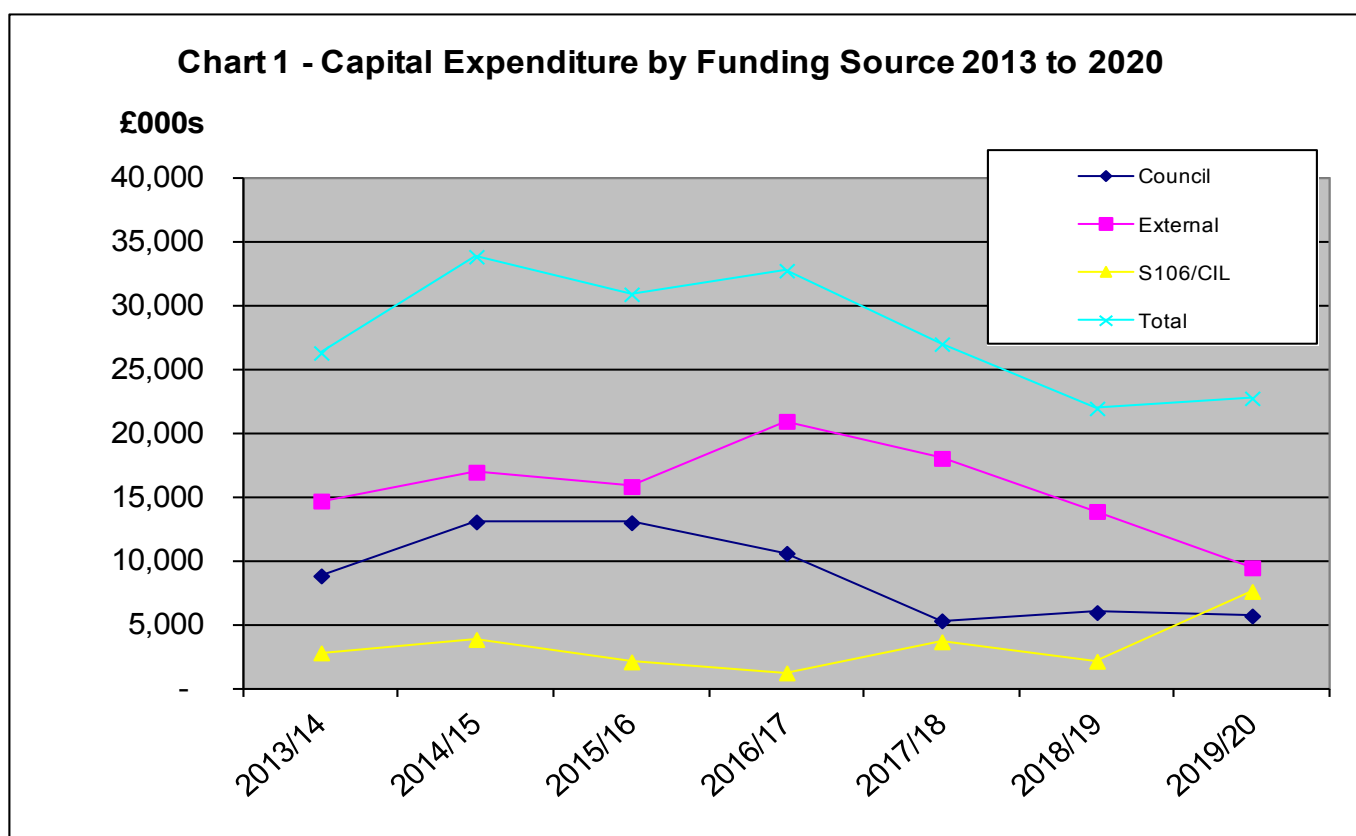
## Section 106 Developers Contributions/Community Infrastructure Levy (CIL)

- 3.17 The proposed programme includes £16.7 million to be funded from section 106 developers' contributions and/or CIL for Education and Highways schemes. Most of the S106 contributions included in the proposed Highways and Education programmes 2015/16 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 or CIL (see also paragraphs 2.8.6-2.8.9 above). The likely level of income from the CIL is not yet known and it is now expected that the new framework will result in lower levels of capital contributions than the current S106 regime. This is expected to result in overall lower levels of funding particularly for Highways, Education, countryside and open spaces from 2016/17 onwards.
- 3.19 Section 106 agreements are still applicable however, where infrastructure is required entirely because of a particular development, for example the need for a new Primary School in 2019/20 associated with the Sandford housing development in Newbury. This is why the level of developers' contributions increases in 2019/20, although the underlying trend is downwards.

## Total Forecast Capital Spending 2015 to 2020

3.20 Total planned capital expenditure for the five years of the capital programme for 2015 to 2020 (as shown in Appendix 1) is £135.2 million. This figure consists of £40.4 million from Council resources, £16.7 million from S106 contributions and/or CIL and £78.0 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 in comparison with forecast expenditure for 2014/15 and actual expenditure in 2013/14.

	2013/14 Actual £000	2014/15 Forecast £000	2015/16 Planned £000	2016/17 Planned £000	2017/18 Planned £000	2018/19 Planned £000	2019/20 Planned £000
Borrowing	6,315	12,939	10,211	10,080	5,294	5,141	5,674
Capital Receipts	2,496	100	2,764	500	-	800	-
<b>Total Council Funds</b>	<b>8,811</b>	<b>13,039</b>	<b>12,975</b>	<b>10,580</b>	<b>5,294</b>	<b>5,941</b>	<b>5,674</b>
External	14,672	16,932	15,808	20,914	18,014	13,858	9,446
S106/CIL	2,783	3,830	2,077	1,215	3,651	2,125	7,593
<b>Total</b>	<b>26,266</b>	<b>33,801</b>	<b>30,860</b>	<b>32,709</b>	<b>26,959</b>	<b>21,924</b>	<b>22,713</b>



## **4. OVERVIEW OF THE CAPITAL PROGRAMME 2015-2020**

- 4.1 The proposed capital programme for 2015/16 to 2019/20 is summarised in Appendix 1. 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 and Corporate Support

- 4.3.1 Officers and Members have reviewed the Council's priorities for investment in ICT. As a result they have identified a range of projects to enable the maintenance of existing systems and use of new technology where possible to enhance the efficient delivery of Council's systems and services for the next five years. In order to fund the main priorities, the level of investment in corporate ICT systems proposed for 2015 to 2020 has been increased from around £630,000 per year in the 2014-2019 programme, to £710,000 per year on average from 2015/16 to 2020. This has been achieved using savings in other services, by extending the time period over which some hardware is funded, by making use of revenue savings resulting from capital investment, and by reviewing the long term borrowing strategy.
- 4.3.2 In addition, the programme also includes £1.7 million for the extension of Superfast Broadband to the majority of the rural areas of West Berkshire (shown under Corporate schemes in Appendices 1 and 2). This is expected to provide superfast broadband to over 95% of homes in West Berkshire. The contribution of £1.7 million from West Berkshire Council forms part of the total public funding for Superfast Broadband in Berkshire of £9.75 million. This consists of £4.6 million from the Berkshire Local Authorities and £5.15 million from central government grant.

#### Strategic Support

- 4.3.3 The Strategic Support programme includes approximately £140,000 per year to support community projects across West Berkshire through the Parish Plans, Vibrant Villages and Members' Bids programmes, as well as the Shopmobility scheme in Newbury. It also includes £45,000 per year in 2015/16, 2016/17 and 2017/18 to support the visions for the development of the east of the area and Newbury, including the redevelopment of Newbury Town Centre. The Council's investment in these projects is planned to reduce to £25,000 per year from 2018/19 onwards but investment by partner organisations such as private developers and the Greenham Common Trust is expected to increase.

## 4.4 Environment

### Highways

4.4.1 The largest element of the Environment programme consists of Highways and Transport improvements. The 2015/16 Highways Capital Programme is funded at approximately £10.2 million comprising the following sources:

- Council funded capital maintenance: £1.04 million;
- Local Transport Plan Grant funding from the Department for Transport (DfT): £5.2 million (including £900,000 for Integrated transport and £4.3 million Maintenance block funding);
- DEFRA Grant in Aid Flood Defence funding: £1.05 million (subject to successful bids);
- Local Growth Funding through the Local Enterprise Partnership towards the construction of a new junction into the London Road Industrial Estate:- £1.54 million;
- S106 developer contributions: £1.3 million.

4.4.2 In line with Central Government guidance the main focus of the programme centres on maintenance of the highways infrastructure and management of the asset. £1.04 million of Council funding and £4.3 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, sign and road marking upgrades 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, demand management improvements in Newbury along with other essential themes including network management improvements, road safety, public transport and walking and cycling improvements. Of particular note is the potential widening of the Boundary Road Bridge (subject to agreement with Network Rail) and commencement of the design for the Kings Road Link Road.

4.4.4 In addition to the above, central government grants have been secured for a number of transport improvements including £1.55m towards the introduction of a new access from the A339 into the London Road Industrial Estate and £50k towards the development of a car club for Newbury.

4.4.5 Flood defence works during 2015/16 will build on the excellent work completed during 2014/15, which saw completion of Cold Ash Phase 1 retention pond, Winterbourne Flood Alleviation Phase 1, Cromwell Road Flood defences and property level protection to 40 residences in Oak End Way, Padworth. 2015/16 will see a continuation of the delivery of the Thatcham Surface Water Management Plan with completion of the Tull Way retention pond and commencement of the design for the Dunstan Park retention pond. Phase 2 of the Winterbourne Flood Alleviation scheme will be completed during 2015/16 and key schemes in Great Shefford and Purley will also be commenced.

#### Planning and Countryside

4.4.6 The Planning and Countryside programme consists of £125,000 per year investment in the essential maintenance and improvement of 1,100km of rights of way, public conveniences and children's play areas.

#### Culture and Environmental Protection

4.4.7 Over the five year period of the programme, £50,000 per year of Council funding is 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 £269,000 per year on essential maintenance and modernisation of Leisure Centres and Libraries. This includes investment of at least £100,000 per year in Leisure Centre equipment which is required under the contract to operate West Berkshire's Leisure Centres.

### **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 85% 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 the east of district. This will continue to place significant pressure on the 2015/16 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 as Basic Need funding allocations for 17/18 and beyond have yet to be announced. However it is expected that, with the pressures outlined above, schools will be running at close to 100% capacity by 2017/18.

- 4.5.3 Newbury and the east of the district are 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 with £15m allocated across the programme to deliver circa 840 places across Newbury and the East. The ongoing and regular review of forecast data will provide increasing clarity on any medium to long term pressures across these two areas.
- 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 £2.3 million per year. It is anticipated that this level will need to continue for the duration of the current programme. However the proposed programme is based on the assumption that government grant for capital maintenance will reduce to £2 million in 2015/16 and £1.8 million per year from 2016/17 onwards. It therefore appears likely that not all urgent maintenance priorities can be met from within the existing funding envelope.
- 4.5.5 Towards the middle 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 as the increase in primary pupils from September 2012 finds its way into secondary.

#### Corporate Buildings

- 4.5.6 The 2015/16 Corporate Buildings programme includes approximately £963,000 for essential maintenance of Council buildings other than schools, Adult Social Care and Cultural Services properties. This includes funding to improve fire safety. This level of spending is expected to reduce to approximately £700,000 per year from 2016/17 to 2018/19 and to £260,000 from 2019/20 onwards as a backlog of maintenance work is cleared and a programme of fire safety remedial works is completed. The programme also includes approximately £760,000 per year for the salary cost of staff delivering building related programmes for all services (including schools).

#### Children's Services

- 4.5.7 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

- 4.5.8 The Adult Social Care (ASC) programme for 2015/16 includes £1.04 million from Social Care Capital Grants awarded by the Department of Health between 2013/14 to 2015/16 to improve the personalisation and efficiency of the service. These schemes include the further development of Telecare services, redevelopment of residential accommodation and other capital costs of implementing the Care Act.

- 4.5.9 A contribution of £350,000 from Social Care Capital Grants is also being made towards the replacement of the RAISE system - the main client ICT system which supports both Adults and Childrens' social care services. The remaining £650,000 of the estimated £1 million cost will be met from Council resources. The replacement of this system is required because the existing system has reached the end of its useful life and needs to be replaced with an enhanced system which will meet the demands of the Care Act, Ofsted inspections, Health and Social Care integration, the Children and Families Act and the recommendations of the Munro report.
- 4.5.10 The ASC programme also provides £85,000 per year for occupational health equipment.

#### Care Commissioning, Safeguarding and Housing

- 4.5.11 Approximately £1.5 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 £726,000 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.

#### **4.6 Capital Salaries**

- 4.6.1 The programmes for 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 2015/16 is £1.4 million (approximately the same level as in 2014/15).
- 4.6.2 The level of capital funded salaries, particularly for Corporate Buildings 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.