



## Appendix A

# **Capital Strategy** **2016/17 – 2020/21**

**Incorporating the Capital Programme for 2016/17 to 2020/21, an overview of the Council's Property Asset Strategy and the Highways Asset Management Strategy 2014/15 to 2018/19**

## 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. It defines the amount of planned investment over the next five years and shows how this is to be funded.

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 2015 to 2019;
- 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.

### Key Issues addressed in the Capital Programme 2016-2021

1.3 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 (as at December 2015);
- ii. Additional pressures on the schools programme, including permanent provision of universal infant free school meals, and the need to maintain and improve the condition and suitability of school buildings;
- iii. New capital grant allocations for Highways including £5.7 million for improvements to the A339 and £5.0 million to convert street lights to energy saving LED bulbs.
- iv. 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);
- v. The Council's commitment to invest a further £1.5 million in the extension of Superfast Broadband to the maximum possible number of premises across West Berkshire which is also supported by additional investment of approximately £19.8 million from Central Government and the contractors delivering the project;
- vi. 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;
- vii. The need for major redevelopment of the strategically important Gypsy and Travellers' site at Four Houses Corner to ensure that the site remains fit for purpose and to enable the lease for the site to be extended.

viii. The implementation of the Community Infrastructure Levy (CIL), which will mostly replace Section 106 funding from April 2015 and is expected to provide a lower level of funding;

1.4 The Capital Programme for 2016 to 2021 will help to deliver many of the Council's strategic priorities including:

- More than £110,000 million capital investment over the next four years;
- Delivery of superfast broadband to rural areas;
- Highways schemes to improve road surfaces and reduce congestion;
- Conversion of street lights to LEDs;
- Ongoing maintenance of public rights of way;
- Additional primary school places in Hungerford and Newbury;
- A new units for children with autism in the primary and secondary phases;
- Permanent extensions to school kitchens.

1.5 The Council's strategic priorities also include the provision of more affordable housing and the provision of extra care housing in the east of the district. There is currently no specific provision in the Capital Programme to deliver these objectives, but officers and members will continue to work together to explore ways using existing capital resources and Council assets to help achieve these aims.

1.6 Officers and members will also continue to review the Capital Programme to determine whether it is possible to make any further savings in capital expenditure which would generate additional revenue savings from 2017/18 onwards, without serious detriment to the Council's strategic objectives.

1.7 The remainder of the draft strategy document is structured as follows:

**Section 2:** The Capital Strategy for 2016/17 to 2020/21 which explains how the programme helps to deliver the Council Strategy

**Section 3:** An analysis of how the programme is funded

**Section 4:** An over view of the Capital Programme 2016/17 to 2020/21

**Appendix C:** A Summary of the of the Capital Programme 2016/17 to 2020/21

**Appendix D:** A detailed breakdown of the Capital Programme for 2016/17 to 2020/21

**Appendix E:** An overview of the Council's Asset Management Strategy

**Appendix F:** Highways Asset Management Plan 2014/15 to 2018/19

## **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 2015-2019;
- Making best use of government capital grants (in particular for Education and Highways) to minimise the need for borrowing to fund capital investment;
- 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 and effective use of developers' contributions;
- 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 which will deliver long-term efficiency savings as well as financing the initial capital investment;
- 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;
- Ensuring that the Council's property assets are fit for purpose and disposing of those assets which are no longer needed
- Taking account of key asset issues highlighted in the Council's Highways Asset Management Plan.

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

## **2.3 Better Educated Communities**

2.3.1 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.

## **2.4 A Stronger Local Economy**

### Key Infrastructure Improvements in Relation to Roads

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 F 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 Department for Transport.

#### Enabling the Completion of More Affordable Housing

2.4.3 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.

2.4.4 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. These include:

- 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 registered social housing providers to fund development from their own reserves
- Using the Council's own land for development where appropriate (an option that may have an impact on the level of capital receipts available to fund the Capital Programme).

2.4.5 However, government announcements on rental income and welfare reform are impacting on the affordable housing market place and as a result the delivery of affordable housing, particularly in terms of forms of tenure, may look different in the future. The Council will therefore need to keep a watching brief on emerging trends and keep our approach to delivering new affordable housing under review

2.4.6 Over recent years the Council has also successfully focussed on the prevention of homelessness which reduces the need for temporary housing. However 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.

- 2.4.7 The capital strategy will also need to take account of the fact that welfare reforms and freezing of local housing allowance levels are likely to increase demand for temporary accommodation. The redevelopment of Council and housing association owned sites will mean the loss of nearly half of the temporary accommodation currently available. We will therefore need to consider how we replace or sustain our supply of temporary accommodation.

### Regeneration and The Digital Economy

- 2.4.8 The capital programme 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

- 2.4.9 The Council is also working in partnership with other Local Authorities and parish councils, central government and the telecoms industry to enable the delivery of superfast broadband to all areas of West Berkshire by 2017. This major project involves total investment of more than £20 million of which West Berkshire Council is contributing approximately £2 million.

## **2.5 Protect and Support Those Who Need it**

### Safeguarding Children and Vulnerable Adults

- 2.5.1 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.
- 2.5.2 The Adult Social Care capital and the Disabled Facilities Grants (DFG) programmes also 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.
- 2.5.3 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.

## **2.6 Maintaining a High Quality of Life Within our Communities**

- 2.6.1 Quality of life is considerably enhanced by access to good quality parks, open spaces, countryside and heritage, and by opportunities to participate in sport, physical activity, performing and visual arts, continuing learning 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.
- 2.6.2 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.
- 2.6.3 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.

## **2.7 Strategy for Management of the Council's Property Assets**

- 2.7.1 As well as aiming to deliver the policy and service priorities outlined above, officers and members also 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 redevelopment or for disposal. The key principals for reviewing the suitability and future use of property assets are set out in appendix E of this report.
- 2.7.2 Where appropriate, assets which are no longer needed for operational purposes will be sold to generate capital receipts which can 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.

### **3. FUNDING OF THE CAPITAL PROGRAMME 2016-2021**

- 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 2016/17 to 2020/21 is summarised in Appendix C. 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).

#### Proposed Use of Capital Receipts

- 3.3 Capital receipts are normally required to be used either to fund capital spending or repay debt. West Berkshire's usual capital strategy is to use capital receipts to fund capital expenditure in order to minimise the amount of new borrowing required. However, in 2016/17, Local Authorities have been given the flexibility to use capital receipts to fund the cost of restructuring or transforming services to achieve ongoing revenue savings. (The strategy for use of Capital Receipts is explained in more detail in Appendix O of the Revenue Budget Report, also on this agenda).
- 3.4 The main capital receipt expected in 2016/17 will be from the sale of the former Pound Lane depot. It is proposed to use this to fund the cost of transforming Council services to help achieve savings in the revenue budget. £450,000 other capital receipts are proposed to be used to fund the 2016/17 capital programme including the proceeds of the sale of the Starting Gate Pub and overage on the sale of property in previous years. We also anticipate that additional receipts of at least £800,000 will become available in the later years of the programme, as there are expected to be other buildings which will no longer required by the Council for operational purposes. In setting the Capital Programme it has been assumed that this sum will be available to fund capital spend in 2017/18 or 2018/19.
- 3.5 If the actual level of capital receipts is significantly lower than the amount assumed, e.g. if the Council decides to not to sell or let some of its surplus assets , or not to sell or let them at their full market value, then the planned level of capital spend may have to be reviewed.

#### Minimum Revenue Provision Statement

- 3.6 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.

- 3.7 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 Cost of Borrowing to Fund the Capital Programme

- 3.8 Since 2013/14 the Council has planned to increase its provision for revenue funding of capital by approximately £500,000 each year to meet the increase in the cost of borrowing to fund capital spend and to make provision for the future repayment of maturity loans. (The next group of these loans, totalling approximately £16 million, will become due for repayment in around 2031).
- 3.9 In order to minimise the pressure on the revenue budget in 2016/17, we have reviewed our capital financing strategy and propose to extend the periods over which we borrow to fund capital assets with longer useful lives from 25 years to 30 years (e.g. to fund building maintenance and highways improvements) and from 40 years to 50 years (for new build schemes – mainly schools). It is also possible to reduce the amount which we plan set aside over the next five years for the future repayment of maturity loans. This can be compensated for by a higher annual provision from 2021 onwards when we anticipate that the annual increase in debt repayment costs will have reduced slightly, as some of the loans first taken out from 2010/11 onwards will then start to have been repaid in full. In addition the level of PWLB interest rates is lower at present than was predicted when the capital strategy for 2016/17 onwards was first compiled. All these factors enable us to make a lower than planned increase in the 2016/17 the revenue budget for capital financing of £450,000.
- 3.10 The planned increase in the overall revenue budget to allow for the cost of capital financing does not include funding for invest to save capital schemes. Such schemes will require a bigger increase in the revenue budget for financing of the capital programme, but this increase will be offset by savings in existing revenue budgets. These schemes are, therefore, revenue cost neutral for the Council as a whole. However these arrangements will commit the Council to repaying loans over the life of the asset to be provided, and so may, to some extent, limit its ability to make revenue savings in service budgets. Funds to be transferred from service revenue budgets to help fund capital expenditure relate to the replacement of street lights with LEDs, capital investment in leisure centres, occupational health equipment previously funded from the Adult Social Care revenue budget, and efficiencies from investment in ICT and energy management.
- 3.11 The overall increases in the capital financing budget, including the element to be financed from savings in existing revenue budgets are as follows:

<b>Table 1 –Annual Cost of Borrowing to Fund Approved Level of Programme 2016-2021</b>						
	<b>2016/17 £000</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>5 year Total £000</b>
<b>Annual Increase overall revenue budget to accommodate the cost of borrowing</b>	450	500	500	500	500	2,450
<b>Funds transferred from existing revenue budgets to fund invest to save schemes</b>	187	40	43	31	44	345
<b>Total Annual increase in capital financing budget</b>	637	540	543	531	544	2,795

3.12 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 2016/17 to 2019/20 (i.e. from its current level of 0.5% to a peak of 2.5% in 2019/20). 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

3.13 The externally funded element of the proposed programme set out in Appendix C mainly consists of government grants. The main elements of capital grant funding are for Highways, Education, Adult Social Care and Disabled Facilities Grants.

3.14 The Highways Integrated Transport grant for 2016/17 has been confirmed at £910,000 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 £4.0 million for 2016/17, £3.8 million for 2017/18 and £3.5 million per year from 2018/19 to 2020/21. 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 may place additional pressure on the Council's capital resources.

- 3.15 The Highways Service has been successful in bidding for additional grant funding from the Department for Transport (DfT) Challenge Fund to support the LED Street Lighting Programme (£5.0 million between 2015/16 and 2016/17) and improvements to the A339 corridor in Newbury (£5.7 million between 2015/16 and 2017/18). A further £5.2 million has also been allocated between 2016/17 and 2017/18 by the Local Transport Body funding for the widening of the A339 adjacent to the London Road Industrial Estate, the Kings Road Link and access to the proposed Sandford development.
- 3.16 Final allocations of Social Care Capital Grant and Disabled Facilities Grants (DFG) have yet been announced for 2016/17 onwards. These grants are currently assumed to continue at their 2015/16 levels (£279,000 and £726,000 respectively) the period of the programme.
- 3.17 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 2014/15 and are in line with the forecast increase in demand for primary school places. The Department for Education has indicated provisionally that no basic need grant allocation will be made in 2017/18. It is expected that grant allocations from 2018/19 onwards will reflect the Council's pupil number forecast and provide a proportion, but not all of the funding needed to meet the full cost of providing the additional school places required.
- 3.18 Education Capital Maintenance grant for 2016/17 is expected to be around £1.85 million has been allocated for 2015/16, which is approximately £450,000 less than the level of grant in recent years and the estimated ongoing level of need for maintenance spending. However the level of maintenance grant is expected to decrease further from 2017/18 onwards due to the removal of floor level of formula grant funding, which is likely to result in a lower level of maintenance grant for West Berkshire.

<b>Table 2: Actual and Estimated Capital Grant Allocations 2014/15 to 2018/19</b>					
	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>
<b>Highways:</b>			<i>Indicative</i>		
Integrated Transport Grant	1,103	910	910	910	910
Highways Capital Maintenance	3,447	4,314	3,955	3,836	3,472
Pinchpoint Fund (re A4 Calcot)	1,192				
DfT Challenge fund grant for A339		2,486	1,753	1,371	
DfT Challenge fund grant for LED Streetlights		3,000	2,028		
Local Transport Body grant for (re A339, Kings Road Link and Sandleford Access Newbury)		500	2,440	2195	600
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	1,500	1,054	1,625	1,346	
<b>Total for Highways</b>	<b>8,867</b>	<b>12,314</b>	<b>12,711</b>	<b>9,658</b>	<b>4,982</b>
<b>Care Commissioning Housing and Safeguarding:</b>			<i>Est.</i>	<i>Est.</i>	<i>Est.</i>
Disabled Facilities Grant	661	726	726	726	726
<b>Adult Social Care:</b>					
Social Care Capital Grant	275	279	279	279	279
<b>Education:</b>				<i>Est.</i>	<i>Est.</i>
Basic need	1,330	7,122	7,478	0	1,059
Universal Infant free school meals	366	232			
Targeted Basic Need	1,932				
			<i>Indicative</i>		<i>Est.</i>
Capital Maintenance	2,309	1,854	1,854	1,600	1,600
<b>Total non devolved Education Grants</b>	<b>5,937</b>	<b>9,208</b>	<b>9,332</b>	<b>1,600</b>	<b>2,659</b>

Key:	Firm allocation	Indicative Allocation	Estimated future Allocation	Grant not applicable
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## Section 106 Developers Contributions/Community Infrastructure Levy (CIL)

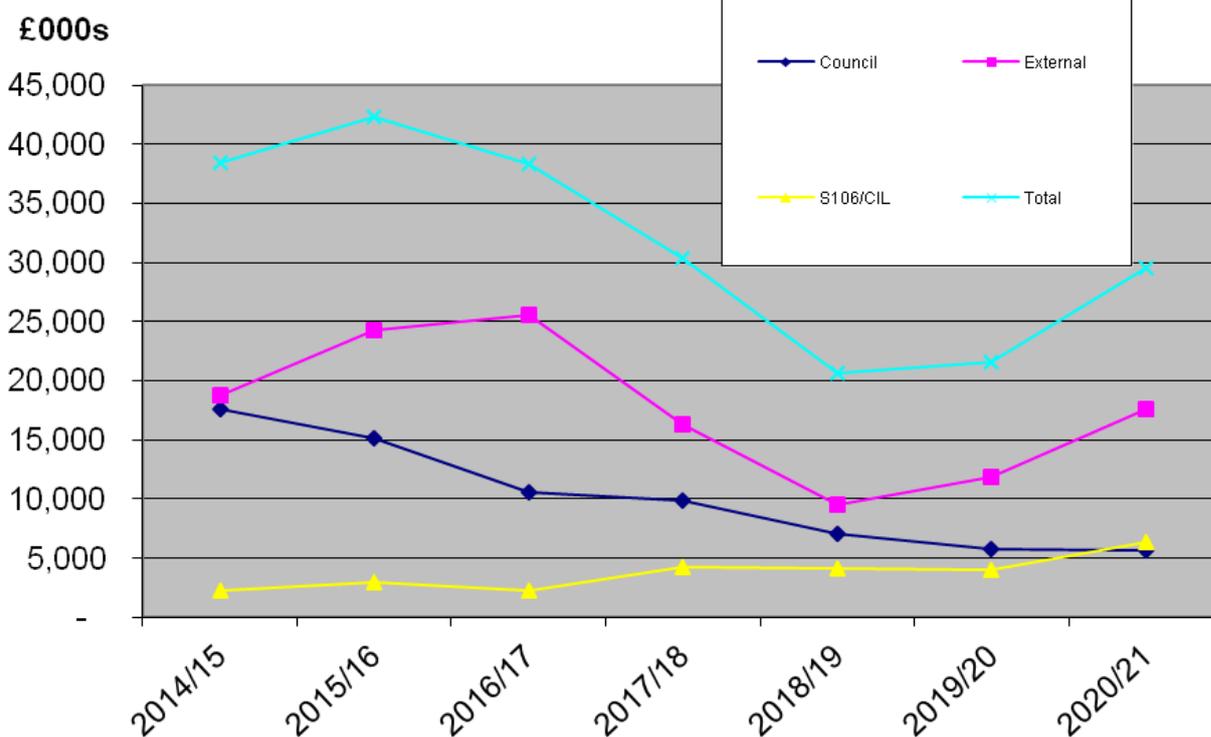
- 3.19 The proposed programme includes £20.9 million to be funded from section 106 developers' contributions and/or CIL for Education and Highways schemes. Most of the S106 contributions included in the proposed Highways and Education programmes 2015/16 have already been formally agreed with and/or received from developers.
- 3.20 From April 2015, the current Section 106 framework has to a large extent been replaced by the Community Infrastructure Levy or CIL . 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 S106 regime. This is expected to result in lower overall levels of capital funding, particularly for Highways, Education, countryside and open spaces from 2016/17 onwards.
- 3.21 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 associated with the Sandford housing development in Newbury. This is why the level of developers' contributions increases in 2020/21, although the underlying trend is downwards.

### Total Forecast Capital Spending 2016 to 2021

- 3.22 Total planned capital expenditure for the five years of the capital programme for 2016 to 2021 (as shown in Appendix C) is £140.4 million. This figure consists of £38.8 million from Council resources, £20.9 million from S106 contributions and/or CIL and £80.7 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 2015/16 and actual expenditure in 2014/15.

	<b>2014/15 Actual £000</b>	<b>2015/16 Forecast £000</b>	<b>2016/17 Planned £000</b>	<b>2017/18 Planned £000</b>	<b>2018/19 Planned £000</b>	<b>2019/20 Planned £000</b>	<b>2020/21 Planned £000</b>
Borrowing	17,191	14,960	10,092	9,899	6,265	5,687	5,627
Capital Receipts	338	187	450	-	800	-	-
<b>Total Council Funds</b>	<b>17,529</b>	<b>15,147</b>	<b>10,542</b>	<b>9,899</b>	<b>7,065</b>	<b>5,687</b>	<b>5,627</b>
External	18,737	24,216	25,536	16,255	9,444	11,889	17,590
S106/CIL	2,223	2,884	2,287	4,184	4,110	3,944	6,344
<b>Total</b>	<b>38,489</b>	<b>42,247</b>	<b>38,365</b>	<b>30,338</b>	<b>20,619</b>	<b>21,520</b>	<b>29,561</b>

**Chart 1 - Capital Expenditure by Funding Source 2014 to 2021**



#### **4. OVERVIEW OF THE PROPOSED CAPITAL PROGRAMME 2016-2021**

4.1 The proposed capital programme for 2016/17 to 2020/21 is summarised in Appendix C. Appendix D 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 Investment in ICT to enable the maintenance of existing systems and to enhance the efficient delivery of Council's systems remains a priority for officers and members. Therefore the proposed level of investment in corporate ICT systems proposed for 2016 to 2021 has increased to an average of £756,000 per year (from £720,000 per year in the 2015 to 2020 programme).

4.3.2 In addition, the programme also includes £1.5 million for the extension of Superfast Broadband to the majority of the rural areas of West Berkshire (shown under corporate schemes in Appendices C and D). This is expected to provide superfast broadband to over 99% of homes in West Berkshire. This forms part of a total contribution of £1.9 million from West Berkshire Council to the project as a whole which in turn forms part of the total investment in Superfast Broadband in Berkshire by Local Authorities, Central Government and private sector broadband providers of £19.8 million.

### Strategic Support

4.3.3 The Strategic Support programme includes approximately £130,000 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 2016/17 Highways Capital Programme is funded at approximately £17.0 million comprising the following sources:

- Council funded capital maintenance: £1.03 million;
- Council investment to complete the roll out of LED street lights started in 2015 (funded from revenue savings from street lighting energy) of £0.9 million;
- £2.1 million challenge fund grant from the Department for Transport (DfT) for the completion of the LED street lights programme
- Local Transport Plan Grant funding from the DfT of £4.9 million (including £900,000 for Integrated transport and £4.0 million Maintenance block funding);
- £1.7m DfT challenge fund grant for improvements to the A339
- £2.4m Local Growth Funding through the Local Enterprise Partnership towards the construction of the Kings Road link and a new junction into the London Road Industrial Estate;
- DEFRA Grant in Aid Flood Defence funding: £1.6 million (subject to successful bids);
- S106 developer contributions: £2.1 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. £1.03 million of Council funding and £4.0 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 the delivery of a new public transport interchange at the Wharf in Newbury, demand management improvements in Newbury along with other essential themes including network management improvements, road safety, public transport and walking and cycling improvements.
- 4.4.4 In addition to the above, specific grants have been obtained from the DfT and the Local Enterprise Partnership to enable the commencement of a new access from the A339 into the London Road Industrial Estate and the Kings Road link.
- 4.4.5 Flood defence works to be undertaken in 2016/17 with financial support from DEFRA will include the completion of the Tull Way retention pond and Phase 2 of the Winterbourne Flood Alleviation scheme and commencement of work on the Dunstan Park retention pond.

#### Planning and Countryside

- 4.4.6 The Council funded programme for Planning and Countryside 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. £663,000 S106 contributions have also been allocated in 2016/17 and 2017/18 which includes the development of one or more new all weather pitches at Henwick worthy and to make improvements to other public open spaces. In addition the service plans to use the remainder of the severe weather recovery grant received in 2014 to complete repairs to flood damaged rights of way in 2016/17 and 2017/18.

#### Culture and Environmental Protection

- 4.4.7 £430,000 investment is planned for structural maintenance of Shaw House and its grounds Between 2016/17 and 2018/19. £280,000 of this sum is from allocations of £50,000 per year set aside for this purpose in previous years. Major works will to include the restoration of the historic boundary wall adjacent to Love Lane which is currently in a dangerous state of disrepair. It is also planned to continue to set aside £50,000 per year for ongoing maintenance of the house and grounds in line with the conditions of Heritage Lottery Funding for the building.

- 4.4.8 The five year programme also includes £1.2 million (an average of £243,000 per year on essential maintenance and modernisation of Leisure Centres. This sum includes £300,000 for refurbishment of Leisure Centres which will be funded from contributions from the revenue budget for Leisure and investment of around £100,000 per year in Leisure Centre equipment which is required under the contract to operate West Berkshire's Leisure Centres. It is anticipated that this level of investment will be needed in order to enable a new contract for operation of Leisure Centres to be negotiated on more favourable terms for the Council when the existing contract expires in 2022.
- 4.4.9 The Culture and Environmental Protection programme also includes £100,000 per year for structural maintenance of libraries and to fulfil the Council's maintenance responsibilities as landlord of the Corn Exchange.

## **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 91% 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 2016/17 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 new programme will be to deliver of sufficient pupil places to meet the forecast growth in demand up to academic year 2017/18. 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. Towards the middle part of the programme period pressure on Secondary school places is also expected to be felt, as the increase in primary pupils from September 2012 finds its way into secondary. Work is underway to develop solutions to meet this basic need pressure and the ongoing and regular review of forecast data will provide increasing clarity on any medium to long term pressures.

- 4.5.4 The basic need grant of £7.5 million allocated for 2016/17 is not expected to be sufficient to deliver the required number of additional school places, because the grant is based on an assumed build cost of around £1,100 per m<sup>2</sup>, which is lower than the actual average cost new school buildings in West Berkshire. In addition, the basic need grant does not allow for the cost of additional land which is likely to be needed for several future planned schools expansions, as those schools with pressure on numbers which did have excess land available have now already been expanded.
- 4.5.5 Following the high level of basic need grants grant allocation in 2015/16 and 2016/17, the DfE has indicated that West Berkshire is likely to receive no basic need grant in 2017/18. It is hoped that grant allocations from 2018/19 onwards will reflect the number of new places needed, based on West Berkshire's submissions of pupil number forecasts. However it is anticipated that the shortfall in funding per place will continue and it is therefore expected to be necessary to allocate £7.8 million of available Council fund to help meet the demand for new school places over the five years of the programme.
- 4.5.6 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 £2.4 million per year. It is anticipated that this level will need to continue for the duration of the current programme. However the government grant for capital maintenance has reduced to £1.85 million in 2015/16 and 2016/17 and is expected to reduce further to around £1.6 million from 2017/18 onwards with further changes in the allocation formula which are expected to disadvantage West Berkshire. It is proposed to allocate £320,000 Council funding per year for maintenance from 2017/18 onwards to top up the maintenance grant. However this will only allow an annual budget of £2 million which is not expected to be sufficient to meet all urgent maintenance priorities.
- 4.5.7 After allowing for additional school places to meet demand and for the most urgent health and safety and maintenance needs, all available Council funding and government grant remaining will have to be allocated has been allocated to complete schemes already underway to improve the condition and suitability of buildings at Lambourn and Kennet Valley primary schools and John O' Gaunt Secondary School and to provide new primary and secondary Autistic Spectrum Disorder (ASD).

#### Corporate Buildings

- 4.5.8 The five year programme includes approximately £515,000 per year for survey and maintenance of corporate offices and other council buildings and for the remainder e a programme of fire risk remedial works which is expected to be completed 2019. The staffing cost of project management of corporate and Education capital projects is approximately £800,000 per year and £50,000 is allowed in 2016/17 for improvements to the layout of the West Street and Market Street offices to enable services to operate more efficiently.

## Adult Social Care (ASC)

- 4.5.9 The programme includes a number of schemes funded from grants from the Department of Health (DoH) to improve the efficiency and effectiveness of the service. These include telecare and self referral and assessment for clients. The programme also provides for the continuation of refurbishment of Council owned care homes.
- 4.5.10 In addition, £500,000 has been added to the programme for the acquisition of occupational therapy aids and equipment from the Berkshire Community Equipment Service. This equipment was formerly funded from the revenue budget and the additional capital expenditure will be funded partly from revenue savings with a contribution of £279,000 per year expected from DoH grants from 2017/18 onwards.

## Care Commissioning, Safeguarding and Housing (CCSH)

- 4.5.11 The CCSH programme includes £986,000 in 2016/17 and £1.2 million per year from 2017/18 onwards for disabled facilities grants (DFGs) to enable people with disabilities to live independently in their own homes. £726,000 of the annual budget is expected to be met by DoH grant. The 2016/17 budget will be supplemented by unspent funds from previous years which will give a total budget which is expected to meet the level of demand for DfGs of approximately £1.2 million per year. However these grants are mandatory and if the level of demand increases or the DoH grant is lower than expected, it will be necessary to increase the level of Council contribution.
- 4.5.12 A one off saving in DFGs due to a backlog of applications processed by the Home Improvement Agency in 2014/15 has enabled a contribution of £800,000 to be made for the extensive refurbishment required for the the Gypsy and Travellers' site at Four Houses Corner. This work is necessary to ensure that the site remains fit for purpose, because of the strategic importance of the site to the Council and to enable the lease for the site to be renewed. The total cost of the scheme is estimated to be in excess of £1 million.
- 4.5.13 The 2016/17 programme also includes £540,000 to complete the implementation of the Care Director System which will replace RAISE case management system. £40,000 of this will be met from DoH grant with the remainder being met from Council resources.

## **4.6 Capital Salaries**

The programmes for Corporate Buildings and Highways include a significant element for the cost of staff required to deliver the capital programme. The level of capital funded salaries, 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.

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**Subject to Call-In:**

Yes:  No:

- The item is due to be referred to Council for final approval
- Delays in implementation could have serious financial implications for the Council
- Delays in implementation could compromise the Council's position
- Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months
- Item is Urgent Key Decision
- Report is to note only

**Strategic Aims and Priorities Supported:**

The proposals will help achieve the following Council Strategy aims:

- BEC – Better educated communities**
- SLE – A stronger local economy**
- P&S – Protect and support those who need it**
- HQL – Maintain a high quality of life within our communities**
- MEC – Become an even more effective Council**

The proposals contained in this report will help to achieve the following Council Strategy priorities:

- SLE2 – Deliver or enable key infrastructure improvements in relation to roads, rail, flood prevention, regeneration and the digital economy**
- P&S1 – Good at safeguarding children and vulnerable adults**
- HQL1 – Support communities to do more to help themselves**
- MEC1 – Become an even more effective Council**

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**Officer details:**

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## Equality Impact Assessment - Stage One

We need to ensure that our strategies, policies, functions and services, current and proposed have given due regard to equality and diversity.

Please complete the following questions to determine whether a Stage Two, Equality Impact Assessment is required.

<b>Name of policy, strategy or function:</b>	Capital Strategy and Programme 2016/17 to 2020/21
<b>Version and release date of item (if applicable):</b>	Version 1 19 <sup>th</sup> January 2016
<b>Owner of item being assessed:</b>	Gabrielle Esplin
<b>Name of assessor:</b>	Gabrielle Esplin
<b>Date of assessment:</b>	12 <sup>th</sup> January 2016

Is this a:		Is this:	
Policy	No	New or proposed	No
Strategy	Yes	Already exists and is being reviewed	Yes
Function	No	Is changing	No
Service	/No		

1. What are the main aims, objectives and intended outcomes of the policy, strategy function or service and who is likely to benefit from it?	
<b>Aims:</b>	To target funding at Council priorities in order to enable the Council's assets and systems to be maintained and improved in a way which is affordable within the terms of the MTFS.
<b>Objectives:</b>	To enable the effective and efficient delivery of the Council's key priorities as set out in the Council Strategy 2015 to 2019.
<b>Outcomes:</b>	The Council's buildings, equipment and systems are maintained, renewed and improved.
<b>Benefits:</b>	Improvements in the effectiveness and efficiency of the Council's services.

<p><b>2. Note which groups may be affected by the policy, strategy, function or service. Consider how they may be affected, whether it is positively or negatively and what sources of information have been used to determine this.</b></p> <p>(Please demonstrate consideration of all strands – Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion or Belief, Sex and Sexual Orientation.)</p>		
<b>Group Affected</b>	<b>What might be the effect?</b>	<b>Information to support this</b>
Older people, people, people with disabilities, children with special educational needs and looked after children	The proposed capital programme includes a number of capital schemes to support services to these groups in particular the programme for services within the Communities directorate	See paragraphs 2.5 and 4.5 of Appendix B and Appendix D
<b>Further Comments relating to the item:</b>		
The capital strategy itself does not have any direct equalities impact, but more detailed equalities assessments will be carried out for any new schemes within the capital programme, or potential asset transfers, prior to implementation.		

<b>3. Result</b>	
<b>Are there any aspects of the policy, strategy, function or service, including how it is delivered or accessed, that could contribute to inequality?</b>	<b>No</b>
<b>Please provide an explanation for your answer:</b> The capital strategy seeks to improve the quality of buildings, equipment and systems in order to address improve accessibility for vulnerable groups.	
<b>Will the policy, strategy, function or service have an adverse impact upon the lives of people, including employees and service users?</b>	<b>No</b>
<b>Please provide an explanation for your answer:</b> The capital strategy seeks to improve the quality of buildings and equipment which are used by employees and for the benefit of service users	

**If your answers to question 2 have identified potential adverse impacts and you have answered 'yes' to either of the sections at question 3, or you are unsure about the impact, then you should carry out a Stage 2 Equality Impact Assessment.**

**If a Stage Two Equality Impact Assessment is required, before proceeding you should discuss the scope of the Assessment with service managers in your area. You will also need to refer to the Equality Impact Assessment guidance and Stage Two template.**

<b>4. Identify next steps as appropriate:</b>	
<b>Stage Two required</b>	No
<b>Owner of Stage Two assessment:</b>	
<b>Timescale for Stage Two assessment:</b>	
<b>Stage Two not required:</b>	

**Name:** Gabrielle Esplin

**Date:** 12<sup>th</sup> January 2016

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**Please now forward this completed form to Rachel Craggs, the Principal Policy Officer (Equality and Diversity) for publication on the WBC website**