



Capital Strategy **2011/12 – 2015/16**

Incorporating the Capital Programme for 2011/12 to 2015/16

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 asset base. It takes into account the resources available, in the context of the Medium Term Financial Strategy (MTFS) and provides a framework for prioritising investment over a five year period.
- 1.2 The Capital Strategy and Capital Programme, like the MTFS, are part of an inter-related group of strategic documents that help to deliver the Council Plan. The aim of the strategy is to
- Ensure that capital resources are available to assist in the delivery of the Council's key priorities as set out in the Council Plan and the Sustainable Communities Strategy (SCS);
 - take account of any new statutory duties and investment needs; and
 - take account of key asset issues highlighted in the Council's Asset Management Plan.
- 1.3 It has been necessary to undertake a fundamental review the current capital strategy and programme to take account of a number of external factors which present new challenges for the Council. These include:
- The Comprehensive Spending Review (CSR) and its effect on revenue funding and borrowing costs
 - The review of Members' service priorities in anticipation of the CSR and in response to public consultation on the budget through the budget simulator exercise
 - The change of focus on national priorities, including the ending of major capital investment programmes, such as the Building Schools for the Future programme
 - Other changes to capital grants including those for Highways schemes
 - Other new government policies such as the Academies Bill, which could potentially reduce the number of school buildings which are the Council's responsibility to maintain.
- 1.4 While addressing these issues and funding pressures, service managers have found significant savings in Council funded capital expenditure over the next five years. Wherever possible this has been achieved by maximising the use of Government grants, developers' contributions and other sources of funding. This enables the Council to continue to meet its most urgent capital investment needs while reducing the capital financing pressure on the revenue budget.

1.5 The proposed average level of new Council funded capital spending for the next five years is approximately £7.1 million per year (including capitalised highways maintenance), as compared with over £18 million per year on average over the last four years. This reduces the need to increase the revenue cost of borrowing by approximately £330,000 per year.

1.6 The remainder of this report is structured as follows:

Section 2: The impact of the Comprehensive Spending Review and the Local Government Funding Settlement

Section 3: The affordable level of capital spend over the next five years

Section 4: An overview of progress made with the current year's capital programme

Section 5: The Capital Strategy for 2011/12 to 2015/16 including the detailed policy and funding frameworks

Section 6: An overview of the Proposed Capital Programme 2011/12 to 2015/16

Appendix 1: Summary of the Proposed Capital Programme 2011/12 to 2015/16

Appendix 2: The detailed Capital Programme for 2011/12 to 2015/16.

2. IMPACT OF THE COMPREHENSIVE SPENDING REVIEW AND LOCAL GOVERNMENT FUNDING SETTLEMENT

2.1 As part of the government's strategy to address the national budget deficit, the Comprehensive Spending Review and the Local Government Funding Settlement for 2011-12 to 2012-13 has led to a reduction in revenue resources available to the Council. This also means that resources are not sufficient to meet internal pressures on the Council's budget including the cost of Adult Social Care. The impact of the settlement is explained more fully in the report on the Medium Term Financial Strategy also on this agenda.

2.2 In previous years West Berkshire has been allocated a supported borrowing allowance i.e. an element of revenue grant to cover borrowing costs to aid capital investment in its services. However the latest funding settlement includes no supported borrowing. The CSR also included an increase of approximately 1% in interest rates charged by the Public Works and Loans Board (PWLB), the main source of loans to fund capital spending for Local Government. These two measures are part of the government's strategy to reduce the level of local government debt. Both these changes contribute to a reduction in the amount which the Council can afford to borrow to fund its capital programme.

- 2.3 There have also been significant changes to the levels of capital grants available to local authorities. In recent years, West Berkshire has received large amounts of capital grant for Education, including a major allocation from the Building Schools for the Future fund to support the rebuilding of St Bartholomew's School. Allocations from the Targeted Capital Fund have supported work at Brookfields and Denefield Schools and increases in the Schools Modernisation and Primary Capital grants have funded a range of work across the school estate. In the summer of 2010, however, the government announced the ending of the Building Schools for the Future scheme and the Department for Education is currently undertaking a fundamental review of schools capital funding. It is anticipated that the national total of Education grants will remain at roughly the same level as in 2011/12 but that changes will be made to the allocation mechanism and the management of those allocations from 2012/13 onwards. The results of the review are expected to be announced early in 2011.
- 2.4 In respect of its Capital funding, the Council has so far been notified of the following allocations of capital grant for Highways from 2011/12 to 2014/15 and for Education for 2011/12 only. These allocations are shown in comparison with 2010/11 grants in the following table:

Table 1: Capital Grant Allocations 2010/11 to 2014/15					
	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Highways:					
Integrated Transport Grant	100	735	784	784	1,103
Highways Capital Maintenance	-	3,531	3,420	3,319	3,126
Total for Highways	100	4,266	4,204	4,103	4,229
Education:					
Modernisation, targeted capital and primary capital	13,476	-	-	-	-
ICT	705	-	-	-	-
Sure Start	1,015	-	-	-	-
Basic need	-	1,340	TBA	TBA	TBA
Capital Maintenance	-	3,611	TBA	TBA	TBA
Total non devolved Education Grants	15,072	4,951			
Voluntary aided schools maintenance and other grants devolved to schools	4,237	1,435	TBA	TBA	TBA
Total for Education	19,309	6,386			

- 2.5 The allocation for highways is significantly higher than in earlier years, but this new funding replaces previous years' allocations of supported borrowing.

- 2.6 The grant allocation for Education is slightly higher than was initially expected for 2011/12. Nevertheless this represents a decrease of 67% in non devolved capital grant from 2010/11. This is in addition to the removal of supported borrowing (£1.1 million in 2010/11). Schools' devolved funding has also reduced by 66%. This will result in an increase in the Council's liability for essential maintenance of school buildings, which would previously have been met from schools' devolved budgets.
- 2.7 The shift of resources from schools to the Council is helpful in some ways, as it enables managers to plan more strategically and target capital investment where it is most needed. However the existing Education Capital Programme is built on the assumption of significant investment in school buildings by schools themselves, together with contributions from schools to the Council's capital programme. The reduction in schools' grants will mean that schools ability to contribute to Council schemes will be reduced and so increase the pressure on the Council's resources.

3. THE AFFORDABLE LEVEL OF CAPITAL SPENDING FROM 2011/12 TO 2015/16

- 3.1 The size of Capital Programme is determined by the amount which the Council can afford to borrow to fund capital spending, in addition to the amount available from government grants, Section 106 Developers Contributions and Capital Receipts. The MTFs therefore sets aside an annual increase in the Minimum Revenue Provision (MRP) to fund the additional cost of repaying the loans to support the each year's capital expenditure.
- 3.2 Because of the reduction in revenue resources available to the Council in 2011/12 and 2012/13, the MTFs assumes that MRP will be uplifted by an average of only £0.3 million per year or £1.5 million over the five year period from 2011/12 to 2015/16 (not including the additional borrowing costs of capitalised highways maintenance – see below). This is significantly lower than the annual increase in revenue provision in recent years e.g. £0.9 million in 2010/11.
- 3.3 In addition, £2.3 million of Highways maintenance work which was previously treated as revenue expenditure can, under the latest accounting standards, be treated as capital. The additional revenue cost of borrowing to fund capitalised highways maintenance will be approximately £270,000 per year, bringing the total annual increase in MRP over five years of £2.8 million.

- 3.4 The capitalisation of Highways maintenance increases the five year capital funding envelope by £11.5 million to £35.5 million total, an average of £7.1 million per year. This level of spending represents about one third of the annual level of Council funded capital over the last four years, as shown in the following table:

Table 2: Actual/Estimated Capital Spending 2007/08 to 2010/11				
	2010/11 Approved Programme £000	2009/10 Actual £000	2008/09 Actual £000	2007/08 Actual £000
Council funded capital spend	19,433	23,752	21,341	15,791

- 3.5 However, by funding investment wherever possible from government grants (in particular those awarded for Education and Highways), developers' contributions and other sources of funding, the proposed programme is designed to meet the most urgent needs for investment in the Council's assets.
- 3.6 The total proposed five year programme also includes £70 million external funding mainly consisting of new government grants and developers' contributions, although not all the grant allocations for the five year period are yet known. It has been assumed that Education grants from 2012/13 onwards will be slightly lower than in 2011/12 and that the Highways grant for 2015/16 will be the same as the allocation which has already announced for 2014/15.
- 3.7 £5.6 million Council funding already allocated for 2010/11 and £9.8 million of Education capital grants already received in 2010/11 or earlier years is also planned to be carried forward to help fund the new five year programme. This gives total projected capital investment over five years of £121 million.

4. PROGRESS IN 2010/11 TO DATE

Outturn 2009/10 and Forecast Outturn 2010/11

- 4.1 The Council has continued to invest in its capital projects and good progress continues to be made in the delivery of the rolling five year programme. Total capital spend in 2009/10 was £67.3m and in 2010/11 is predicted to be in the region of £58.1 million against a programme of £64.5 million. The largest part of the predicted underspend against the 2010/11 programme relates to Education and Community Services.

Progress on Education Schemes

- 4.2 Uncertainty over future levels of government capital funding for Education has led to some considerable project delays in 2010/11. These include the remodelling and partial rebuilding of the Winchcombe School and the major project to review secondary school accommodation. Both these projects are now making good progress. However, approximately £4.4 million of the 2010/11 council funded programme is now expected to be reprofiled into 2011/12.

- 4.3 In addition approximately £9.7 million Education capital grants, mainly from the targeted capital and modernisation funds allocated in 2010/11 and previous years remains unspent. It is proposed to carry forward this allocation to support the 2011/12 and 2012/13 programmes. The largest part of this funding is allocated to the secondary schools accommodation strategy.
- 4.4 Phase 1 of the Building Schools for the Future (BSF) Pathfinder project to construct a new School on the St Bartholomew's site in Newbury reached practical completion in November 2010.
- 4.5 Post-16 accommodation projects at Castle and Brookfields Schools have also been completed, and good progress made with new accommodation at Denefield.

Progress on Community Care and Housing

- 4.6 The 2010/11 programme for Community Services includes £349,000 for the redevelopment of the Newbury Museum. This project is now expected to start in 2011/12 when consultants will develop the detailed proposals to support a round 2 bid to the Heritage Lottery Fund. The project will only proceed if the bid is successful. The spending profile has been adjusted to recognise that the majority of the WBC supplied partnership funding will not be needed until the 2013/14 financial year.
- 4.7 In addition £500,000 spend on the temporary accommodation needs of West Berkshire residents (mainly in respect of Taceham House) has been held back during 10/11 due to uncertainty over the longer term future of temporary accommodation units and lack of capacity within the team responsible for these properties. A management restructure has addressed capacity issues. There is now greater clarity regarding the future use of the units currently within the service portfolio of properties and other opportunities for use of units elsewhere in the council's estate.
- 4.8 Underspends totalling £278,000 are also expected on the programmes for home repairs, discretionary assistance and empty homes. A total of £1,127,000 from the 2010/11 Community Services is therefore planned to be carried forward to support the 2011/12 programme.

Progress on Highways and Transport

- 4.9 Good progress is being made with the 2010/11 Highways and Transport programme, but slight delays are predicted to the projects at Midgham railway bridge, Hungerford foot bridge and Langley Hill. These projects will be completed in 2011/12.

Capital Resources to be Carried Forward to 2011/12

4.10 The total amount of Council resources expected to be carried forward into 2011/12 and future years from the 2010/11 programme is therefore £5.8 million, together with £9.7 million capital grant. These amounts are included in the summary of the 2011–2016 programme in Appendix 1 and the detailed project costs shown in Appendix 2. They represent resources over and above the requirement for new capital funding set out in section 3 above.

Capital Monitoring and Governance

4.11 Finance staff continue to work closely with budget managers to improve forecasting and profiling of capital spend to ensure that the most effective use of resources can be achieved in any one financial year.

4.12 Officers and elected Members also continued to work closely together through the Capital Strategy Group on the development and monitoring of the capital programme. The benefits of this approach to governance include:

- Further improvement in the delivery of the capital programme through a more open and transparent process of monitoring and resource allocation;
- Improved understanding of the linkages between the costs of funding the programme and the impact within the revenue budget and MTFs;
- Earlier development and review of future years' programmes; and
- The opportunity to challenge future programmes and look at the options for reductions in the programme and their impact in terms of revenue cost and service provision.

5. CAPITAL STRATEGY

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

- Resources are aligned with the outcomes and priorities identified in the Sustainable Community Strategy and Council Plan;
- 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, the economic situation and Government spending reviews;
- Making best use of matched funding wherever available to enable schemes which otherwise might not be undertaken;
- Seeking external funding and capacity e.g. through partnership working, developers' contributions and/or the proposed new Community Infrastructure Levy (CIL);
- Enabling "Invest to Save" bids through the provision of up front capital funding to deliver long-term efficiency savings;
- Effective consultation and scrutiny to enhance local accountability;
- Adopting a corporate framework involving both Officers and Members to ensure value for money through the evaluation and prioritisation of capital bids and the specification, commissioning, 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 Asset Management Plan.

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

Successful Schools and Learning

- 5.3 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. Whilst the recent change in government has meant a refocus in national priorities, these plans continue drive capital investment in schools and Early Years settings, with the following key strategic outcomes:
- the provision of sufficient school places across the district;
 - the provision of buildings and grounds that meet all legislative requirements, are in good condition, and are safe and secure;
 - the creation of flexible, adaptable and stimulating learning environments designed and equipped for 21st century learning;
 - 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;
 - schools to act as facilities and learning hubs for the communities they serve, including the provision of extended services;
 - 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;
 - supporting the outcomes of the Small Schools Review;
 - the continuing improvement in the accessibility of schools; and
 - inclusion of pupils with SEN into mainstream education where appropriate.
- 5.4 With the election of the new government there has been a significant shift in government capital investment priorities. For 2011/12 all previous capital investment programmes have been discontinued, with a refocus to Basic Need and Maintenance. Local Authorities have only received grant allocations for 2011/12 at this stage. Changes to the allocation mechanism may be made from 2012/13 onwards, which may make it necessary for Members to take further decisions about future investment in school buildings.
- 5.5 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.”

- 5.6 Funding for capital maintenance in schools will, by and large, be handed over to local authorities. This follows criticism by the Audit Commission of previous allocations of large sums to schools that were not targeted to building need. The bulk of maintenance funding is therefore allocated to local authorities, in order to support local prioritisation and larger projects with co-ordinated and more efficient procurement. The Council will therefore become responsible for maintenance and health and safety work in all our schools, and also in Children's Centres. The Education Assets Team and Property Services will need to develop systems for managing this additional maintenance responsibility.
- 5.7 Academies will receive maintenance funding directly from DfE.

Affordable Housing

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

- 5.11 Under the Housing Act 1996 (as amended by the Homelessness Act 2002), local authorities may have a duty to provide temporary accommodation whilst the homelessness investigation is undertaken, and if a homelessness duty is accepted, temporary accommodation may be required until permanent accommodation is found. In 2004 the Government set a target to halve the number of households living in temporary accommodation by 2010. West Berkshire had 190 households in temporary accommodation in December 2004 and had a target to halve this to 95 by 2010. West Berkshire Council achieved this target in 2008, two years ahead of the Government's target.
- 5.12 Despite the successful focus on prevention, the Council maintains a small supply of temporary accommodation to meet this duty. Whilst some stock has already been refurbished, the Capital programme is supporting the improvement of the remaining temporary accommodation to ensure that it meets the nationally set Decent Homes standards and is fit for purpose.
- 5.13 In addition, the Council provides assistance to support the improvement or private sector stock in the district in line with the Council's policy for private sector stock renewal. The Council's view is that it is primarily the responsibility of private sector owners to maintain their own property, but it recognises that some owners, particularly the elderly and most vulnerable, do not have the necessary resources to repair or improve their homes. The Council offers loans to home owners seeking to improve or repair their home, with grants available for those who are not eligible for a loan.
- 5.14 In November 2010, the Government published a consultation paper 'Local Decisions: a Fairer Future for Social Housing'. The proposals represent a fundamental reform of social housing, including the introduction of a new affordable rent tenure. Over the course of the next year, as confirmation of the proposed changes emerge, the Council will review its approach to affordable housing to ensure that it maximises the new opportunities arising from the reforms.

Better Roads and Transport

- 5.15 2011 will see the adoption of the third Local Transport Plan (LTP3) which will cover the period from 2011 to 2026. LTP3 will aim to build on the foundations laid down by the previous plans which were rated by government as being 'good'. To reflect this achievement reward funding was allocated for expenditure on transport infrastructure.
- 5.16 LTP3 is an important local document which supports the delivery of a number of West Berkshire's strategies and plans, in particular the Sustainable Community Strategy and the Local Development Framework. The timeframe for the LTP has therefore been chosen to be consistent with these plans.

- 5.17 LTP3 will provide the framework for all transport related expenditure within West Berkshire. LTP3 is informed by a number of service specific plans and strategies as detailed below:
- Freight strategy
 - Smarter choices strategy
 - Passenger transport strategy
 - Road safety strategy
 - Sustainable modes of travel strategy
 - Parking strategy
 - Network Management Plan
 - Transport Asset Management Plan
- 5.18 Highways capital funding has also enabled a district wide programme of land drainage and flood defence works to be delivered following the 2007 floods which fall outside the scope of the Local Transport Plan. This is essential work which has been targeted at providing additional protection for the two thousand residential properties flooded during 2007, as well as others potentially at risk.
- 5.19 Given the current economic climate and with limited resources available, the government has placed a focus on highway maintenance. Grant allocations for the Local Transport Plan have reflected this with £735k allocated as the Integrated Transport block and £3.5m allocated to the Highway Maintenance block for 2011/12. This grant is calculated through a needs based formula and similar indicative values have been allocated for the following 3 years. The highway maintenance element covers extended maintenance (carriageway resurfacing), as well as maintenance of bridges/ structures, highway drainage and traffic signals.
- 5.20 The Integrated Transport element of the capital programme covers essential themes including network management improvements, road safety, public transport, walking and cycling improvements. Some of the funding required for this can be supplemented by S106 contributions, however it is not possible to supplement the highway maintenance elements of the programme with S106. The Council is traditionally reliant on capital grant and revenue funding to support these programmes.
- 5.21 In accordance with The Code of Practice on Transport Infrastructure Assets, the Council has developed and adopted an evidence-based asset management approach to determine maintenance needs on the network which deliver efficiency savings, sustainable service delivery and robust capital planning and operation of the Prudential Code.
- 5.22 Transport networks are vital to economic prosperity both locally and nationally. The West Berkshire local highway network and other associated infrastructure assets together represent by far the biggest capital asset that the Council holds. The current estimated gross replacement cost of West Berkshire's local highway network is £1,171 million.
- 5.23 Of the £3.5m capital maintenance grant received for the 2011/12 programme, £1.7m is directly allocated to carriageway resurfacing. Another £400,000 of

resurfacing is also incorporated into other highway network improvement schemes. In addition to this £2.2m of what was previously revenue funding (capitalised in 2010/11 in accordance with the Code of Practice on Transport Infrastructure Assets) will be spent on surface and structural reconditioning making a total investment of £4.3m.

- 5.24 This fully funded programme will enable the Council to maintain the improvement in road condition seen over the last five years.

Cleaner and Greener

- 5.25 The Council is committed to helping reduce carbon emissions and work is underway to ensure that energy saving features are incorporated into building projects wherever possible. The Council has signed up to the Carbon Trust Carbon Management Plan and aims to reduce its carbon footprint by 25% over the 5 year period 2009 -2014. £250,000 was included in the programmes for 2009/10 and 2010/11 to initiate these projects. Although no further Council funding for this initiative is included in the programme from 2011/12 onwards, further savings achieved in energy costs will be used to meet the financing costs of the investment to enable this funding to continue into future years.
- 5.26 Care of the environment also includes the stewardship of the public open spaces and historically important buildings and ensuring access to the countryside. Whilst investment in these areas will be limited over the period of the strategy, every opportunity will be taken to attract external funding that can be used to maintain and improve these important community assets.
- 5.27 The 2011/12 programme also includes £163,000 to support the final implementation of the new waste management facility.

A Healthier Life

- 5.28 Physical and mental health are important elements in resident's assessments of the quality of their life. Access to good quality parks and public open space has an obvious impact on the quality of life for all residents living in urban settings. The quality of life of West Berkshire residents is also enhanced by access to the countryside, through the maintenance of country parks, rights of way and countryside conservation projects. Opportunities to participate in sport and physical activity, performing and visual arts, and other leisure interests also contribute to the physical and mental well being of all residents. However is particularly important to provide play and social opportunities for children and young people. Where children and young people can be attracted to make positive use of their leisure time it adds to their personal development but can also have an impact on levels of anti-social behaviour within communities.
- 5.29 Whilst it is not anticipated that any significant new facilities will be developed over the period 2011–2015, capital investment will be targeted at ensuring that the existing network of libraries, leisure centres, parks and recreation grounds and

rights of way are accessible, safe to use and meet the reasonable expectations of users.

- 5.30 In many cases, the provision of cultural facilities is best achieved by West Berkshire Council working in partnership with other organisations. This includes partnerships with schools, links with Parish and Town Councils often through Parish Plans, as well as key partners in voluntary organisations such as clubs and societies.
- 5.31 In 2011/12 the focus of the members bids programme will also be to support the provision of facilities for young people.

Thriving Town Centres

- 5.32 Where theatres, cinemas, libraries, galleries and museums are located within the central area of a community, they enhance the vibrancy of town centres. A four year programme will begin in 2011 to restore the museum buildings in Newbury and develop a modern visitor attraction that supports the town centre offer.
- 5.33 The Highways programme and projects to support localism and the big society will also contribute significantly towards this outcome.

Safer and Stronger Communities/Vibrant Villages

- 5.34 The Council continues to take forward a range of initiatives aimed at providing stronger community leadership through its Sustainable Communities Strategy. One element of this approach is to provide pump priming funding for local projects identified through Parish Plans and local visions. Approximately £114,000 is therefore being made available in each year of the programme for projects to support localism and the big society, which will contribute towards both Safer and Stronger Communities and Vibrant Villages.

Putting Customers First

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

Value for Money

5.36 The Council's existing accommodation strategy covers the period 2006 to 2011. One of its objectives is to make front line services to the public as accessible as possible. Flexible working initiatives are being implemented and a sustainable travel planning policy for staff has been developed. In addition the "Timelord" programme will be fully in place by 2011/12 to enable flexible and free working patterns, and reduce the Council's dependence on large office buildings and provide a sustainable accommodation strategy for the future.

Capital Financing

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

- Government Grants
- Prudential borrowing
- Developer Contributions
- Capital Receipts
- Contributions from schools and other bodies

Government Grants

5.38 Wherever possible the Council aims to fund capital spending from grants in order to minimise the revenue impact of borrowing. However the Council's flexibility over use of its grants is affected by changes to the government grant regime. For example the increase in Highways grant in place of supported borrowing assists with the aim of minimising borrowing. There has also been a shift in resources for schools maintenance from schools to the Council. This places greater pressure on the Council to maintain its schools estate from its own resources but also brings greater flexibility for the Council to manage its maintenance priorities strategically.

5.39 The proposed capital programme also makes use of £9.7 million Education capital grants, mainly from the targeted capital and modernisation funds from 2010/11 and previous years, which remains unspent. It is proposed to use these grants to support the 2011/12 and 2012/13 Education programmes.

Prudential Borrowing

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

- 5.41 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.
- 5.42 In the light of the 2011/12 revenue funding settlement, it is proposed to reduce the annual uplift in revenue provision for the borrowing costs associated with new capital spend to £2.8 million over the period 2011/12 to 2015/16 (this includes £1.3 million related to capitalised highways maintenance). This level of revenue provision will be sufficient to support new Council funded capital spending of £35.5 million over the five years of the programme.
- 5.43 This gives a total capital financing requirement for the period of the MTFs as follows:

Table 3 – Revenue provision to support the Capital Programme - 2010/11–2015/16							
	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	Total 11/12 to 15/16 £m
Increase in Revenue Provision	1.17	0.42	0.87	0.57	0.52	0.42	2.80
Total Revenue Provision	5.53	5.95	6.82	7.39	7.91	8.33	8.33

(The total revenue provision shown above includes resources already built into the revenue budget for repayment of debt in respect of previous years Capital Programmes, interest on temporary loans and investments and precepts and levies).

- 5.44 Further details of the Council's prudential indicators are included in the report Annual Borrowing and Investment Strategy also on this agenda.

Developer Contributions

- 5.45 The Council adopted Supplementary Planning Guidance (SPG04/4) on 27th September 2004. The Guidance applies to all valid planning applications received on or after 1st November 2004, and seeks to ensure that any impact created from development is mitigated fully. Contributions are sought on residential schemes of 1 (net) dwelling or more. The level of charge is based on the nature of the development, and its impact.

- 5.46 For small developments (net increase of 1-4 dwellings) a contribution will usually be sought towards transport, education, open space, libraries, health care and adult social care. In addition there is a standard charge for legal and planning administration fees.
- 5.47 For larger developments there may also be requests for contributions towards other items including, environmental enhancement, community facilities and affordable housing (15+ units).
- 5.48 In addition, if a particular development has an identified adverse impact that is not covered in the SPG, the Council will seek to mitigate that impact, in accordance Regulation 122 of the Community Infrastructure Regulations.
- 5.49 In order to monitor S106 agreements and monies received, a dedicated database was developed in-house. It shows the details of the planning application, details of the application site, and proposals for development. The database also contains information on all S106 contributions agreed and received, together with details of allocations to projects and expenditure.
- 5.50 Reports are now produced on a regular basis and are considered by the S106 sub group CSG as part of the new capital governance process introduced following the 2008/09 review. The monitoring and update of the database is the responsibility of the Council's S106 Officer, a post funded by the planning administration fee. The record of allocations to schemes and spending is maintained by Finance.
- 5.51 In 2011/12, £4 million of capital expenditure is planned to be funded from developers' contributions. The total for the five year programme is £15 million.

Community Infrastructure Levy

- 5.52 The S106 regime will be affected by the introduction of the new Community Infrastructure Levy (CIL), which came into force in April 2010. Additional changes are proposed in the Localism Bill. The Council's methodology for implementing CIL must first be consulted on and subjected to an independent examination. The Council must have an adopted CIL by April 2014. Once the CIL has been adopted by the Council the regulations restrict the local use of S106 to ensure that individual developments are not charged for the same items by both CIL and S106. The Council currently has limited scope, in certain circumstances, to pool contributions made under different S106 agreements. However after adoption of CIL, or from April 2014, this flexibility will no longer be available

Capital Receipts

- 5.53 The Council owns assets including land and buildings. The Asset Management Plan assesses these assets as part of the asset challenge methodology. Assets which are no longer required for operational purposes or future development are marketed for disposal. The receipts from these disposals are available to support the funding of the Capital Programme.

Minimum Revenue Provision Statement

- 5.54 In March 2008 the Secretary for State for Communities issued statutory guidance recommending that each local authority should prepare a statement of policy setting out how it will make a prudent Minimum Revenue Provision (MRP) and submit that statement of policy to Full Council each year.
- 5.55 There are 4 options available to authorise under the guidance. Option 1 – The Regulatory Method has been adopted for capital investment utilising supported borrowing. The supported borrowing element of Revenue Support Grant is calculated on the same basis (although the Council has not been awarded any supported borrowing from 2011/12 onwards).
- 5.56 It is proposed that Option 3 – the Asset Life Method, should continue to be used for prudential borrowing. 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. This also means that there is a link between the revenue charge and the flow of benefits received from the asset. This approach also allows the Council to utilise the payments holiday while assets are under construction.

6. CAPITAL PROGRAMME 2011/12 TO 2015/16

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

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

Chief Executive

The Chief Executive's programme includes funding for the final stages of schemes to rebuild St Bartholomew's, Denefield and Brookfields schools. These schemes are being managed by the Special Projects service and are largely funded from Building Schools for the Future and Targeted Capital Fund grants received in previous years. There is approximately £6.3 million still to spend on these projects, which will mainly be spent in 2011/12 with some retention payments falling in 2012/13.

Capital funding for ICT has been reduced from previous years. However the proposed programme allows for the services highest priorities for replacement and upgrading of hardware and software to help maximise security of data, stability of systems and efficiency of delivery of front line services.

The programmes for Finance and Policy and Communication include £100,000 for members bids (reduced from £250,000 in prior years) and £114,000 for projects to promote localism and the Big Society, including the implementation of Parish Plans, improvements to rural services and the development visions for Thatcham, Newbury and the east of the district.

Environment

The largest element of the capital programme for Environment consists of Highways and Transport improvements. Taking into account Council funds, government grants and section 106 contributions, it is planned to invest approximately £9 million in road maintenance and other highways and transport improvements in 2011/12.

The maintenance element of the programme includes carriageway resurfacing, maintenance of bridges and structures, highway drainage and traffic signals. The programme also includes improvements to network management, road safety, public transport, and facilities for pedestrians and cyclists.

The programme for Property Services provides £450,000 per year for essential maintenance of corporate buildings and an average of £500,000 per year for fire safety measures. The cost of the staff who deliver the capital schemes managed by Property Services is approximately £350,000 per year. This also includes the management of a number of Education schemes.

It is also planned to invest £200,000 in 2011/12 and £125,000 per year from 2012/13 onwards on the maintenance and improvement of rights of way, public conveniences and children's play areas.

Children and Young People

The proposed five year programme includes approximately £14 million for development and addressing basic need in secondary schools. This is planned to be spent mostly in 2011-2013. This reflects the plans which are underway to develop options for meeting basic need together with suitability and condition requirements in several of our secondary schools. Members have agreed to take three projects through to detailed design stage, and will then make decisions as to which specific projects will move through to construction. £8 million of the planned investment in these projects will be funded from government grants, most of which has already been received through the Targeted Capital Fund. Approximately £1 million is planned to be funded from Section 106 contributions and the remaining £5 million has been allocated from Council funds. Further consideration will be required as to levels of Council funding to be committed to these projects once the detailed design stage is completed.

The programme also allows for investment of a total of £3.6 million in the improvement and expansion of sixth form facilities including those at Theale Green School. Much of this investment will be funded by government grant with the addition of approximately £800,000 Council funding. It is also planned to use approximately £1.4 million S106 contributions to address the need for additional school places in the south of Newbury in response to planned housing developments in the area.

Major investment is also proposed to address the most urgent needs for improvements in the suitability and capacity of primary school buildings, including:

- Chieveley Primary School
- Burghfield St Mary's
- Kintbury St Mary's
- The Winchcombe School
- Theale Primary School
- Lambourn Primary
- The Willows Primary School
- Kennet Valley Primary
- Compton Primary School
- Hungerford Nursery School

6.13 The Education programme also includes £1.6 million per year for maintenance of schools and other Education Service buildings, to be funded from a combination of Council funds and government grants.

6.14 Education capital grant allocations from government for 2012/13 onwards have still to be announced. The proposed programme from 2012/13 onwards assumes levels of grant from which are slightly lower than the level awarded for 2011/12. However, if the actual grant allocations for future years are significantly different, the programme will need to be further reviewed.

Community Services

6.15 The Community Care and Housing programmes allows over £1.6 million per year for the provision of occupational therapy equipment, home repairs and adaptations to help elderly and disabled people maintain independent living in their own homes. This sum includes an estimated £650,000 from the Disabled Facilities Grant (DFG) which matches the Council's planned spend on adaptations for people with disabilities. (The assumed amount of DFG from 2011/12 is an estimate at present as the final grant allocation has yet to be announced).

6.16 The Cultural Services programme includes over £2 million for the restoration and redevelopment of the Newbury Museum. The progress of this project is dependent on the approval of a £1.2 million grant from the Heritage Lottery Fund. Over the five year period of the programme, £50,000 per year of Council funding is also planned to be invested in the ongoing maintenance of Shaw House and an average of £230,000 per year on maintenance and modernisation of Leisure Centres.