

Capital Programme 2019-20

Cabinet

Date: 6th February 2019

Authors: Cabinet Member for Finance

Director of Finance

Wards: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 To report new Capital Programme requirements for the year 2019/20 and the Capital Strategy for 2019/20 to 2023/24.
- 1.2 The effective management of financial resources through robust financial management processes underpins the Council's ability to achieve its plans and priorities.
- 1.3 Responsible budget management underpins the Council's strategic objective of consistently making the best use of all available resources as well as providing focus for its change programmes.

2. Recommendations

Cabinet is recommended to:

- 2.1 Approve that the Devolved Formula Capital Grant is distributed once it has been received from Government as detailed in paragraph 3.12 below.
- 2.2 Approve a budget of £1.018m for the schemes referred to in paragraphs 3.3 to 3.12 below and detailed at Appendix 1.
- 2.3 Approve a total budget of £5.074m for the 2019/20 local priority Highways and Transport schemes, referred to in paragraphs 3.13 to 3.22 below and detailed at Appendix 2.
- 2.4 Approve a total budget of £3.676m for 2018/19 for Corporate & Property schemes as referred to in paragraphs 3.23 to 3.32 and detailed at Appendix 3.
- 2.5 Approve a total budget requirement of £1.317m for Children's & Older Peoples proposals as referred to in paragraph 3.33 to 3.36 and detailed at Appendix 4.
- 2.6 Approve the use of CIL receipts as detailed in paragraph 3.37 to support the existing capital programme of works at Junction 16.
- 2.7 Approve the Capital Strategy 2019/20 – 2023/24 as attached at Appendix 5
- 2.8 Recommend the Investment Strategy attached as Annexe 3 to Appendix 5, for approval by Full Council on 21st February 2019.

Further information on the subject of this report can be obtained from Ian Burbidge on Direct Dial No. 464384 or Email iburbidge@swindon.gov.uk

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3. Detail

Capital Programme – 2019/20

- 3.1 The Council approved, on Cabinet's recommendation, a 2018/19 programme in February 2018 with indicative costs in years beyond reflecting the Government's decision to approve grants on a yearly basis.
- 3.2 This report details the Capital Programme approval requirements for 2019/20, and indicative requirements for 2020/21.

Education Services Schemes

- 3.3 The Government allocates two main capital grants to support expenditure on school assets; maintenance grant and basic need grant. Maintenance funding is provided for maintenance and repair to existing school buildings, and Basic Need funding supports the Councils statutory requirement to provide new pupil places in new or expanded maintained schools. The Basic Need funding does not include any uplift to reflect the higher costs of providing Special Educational Needs places. Neither grant is ring-fenced to schools, but given the pressures in this area it is recommended that these funds are used as proposed in this paper.
- 3.4 **Basic Need grant of £2.550m** has been awarded for 2019/20, with currently no funding being awarded for 2020/21. The DfE expects that any schools required as a result of development are to be funded from S106 contributions, Basic Need grant is not provided to support new developments. Any schools provided as a Free School would be funded directly through the Education and Skills Funding Agency ("ESFA") and where this school is required as a result of a new development any S106 receipts will be required to support this provision.
- 3.5 Currently there are no specific schemes that require funding in 2019/20 although there is an expectation that the Council will need to fund either expansion or new construction in the town centre to meet demand in 2020/21. A capital bid will be brought forward to a future meeting once the full requirements are known.
- 3.6 **Capital Maintenance grant** for 2019/20 has not been notified at the date of writing this report but is estimated at **c£0.9m** (2018/19 £1.119m). The level of grant is reduced every time a school converts to an academy as academies are funded directly from the EFA. Notification of the exact sum is not expected until spring 2019. Currently only £0.4m of this grant has been allocated to schemes, leaving £0.5m as a contingency to deal with any emerging condition issues at schools.
- 3.7 There is a demand for new schools to be opened over the next 3 years that were expected to be provided by the free school programme, however there is

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currently no information on when the next bidding round will open and what types of school may be eligible for funding from this source. In the event that these are not approved an update will be provided to Cabinet outlining alternative options to meet the need for these schools.

- 3.8 The Council has to meet the cost of expanding schools to meet need where it is not practical to build new schools. In addition the LA has responsibility for maintaining its special school and special resource provision.
- 3.9 Cabinet has previously been notified of the **Special Education Needs and Disability (SEND) Capital investment Fund Strategy** Grant of £978k that has been awarded to Swindon over a three year period. The Council has been notified that it will receive a further £227k in 2019/20, it is proposed to add this to the existing budget and allow it to be bid for in line with the processes already established.
- 3.10 The Council has also been notified that it will receive £104k from **the Healthy Pupils Capital Fund** as its share of the national soft drinks industry levy. This funding is designed to support capital projects in maintained schools and it is proposed to establish a bidding process to enable schools to apply for a share of this funding.
- 3.11 This report seeks approval for the following Education Services schemes:-
- 3.11.1 £400,000 required for condition works, funded from Maintenance grant, which relates to high priority condition issues outside of the schools ability to fund from their own delegated funding (which is fairly small), such as replacement heating systems.
- 3.11.2 The full programme of grants and anticipated spend is contained in **Appendix 1**.
- 3.12 The Council will also receive from the DfE Devolved Formula Capital Grant during 2019/20 estimated at £287k. This grant is ring fenced for maintained schools and the Council passport to each of the maintained schools via a methodology prescribed by the DfE. The funding is to support schools in undertaking minor capital schemes as part of their management of the school premises and for IT. Permission is sought for this grant to be distributed to the maintained schools when it is received from Government.

Local Priority Highways, Transport and Landscapes Schemes

- 3.13 The Government provided an indication that the Local Transport Plan (LTP) grant funding for 2019/20 will be £4.1m (2018/19 £4.1m). This is non-ring-fenced funding and the proposed 2019/20 programme has been developed within this envelope of funding to ensure no further Council borrowing is required.

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- 3.14 More comprehensive information around the specific allocations of the budget to highways schemes will be contained within the Swindon Local Transport Plan Implementation Plan 2019/20 report which will be brought to a future Cabinet.
- 3.15 Officers are proposing that the following schemes are also included in the 2019/20 capital programme:
- 3.16 £13k from S106 contributions to be added to the current Great Western Community Forest Project budget. It is proposed that any future s106 that is specifically identified for this project will be added to the budget automatically when it is received.
- 3.17 £2k from s106 contributions to be added to the current Blagrove roundabout project.
- 3.18 £72k from S106 contributions to be added to the current Rapid Transport Corridor Project. This funding is the first instalment of funding from the Tadpole Farm development, it is proposed that any future s106 that is specifically identified for this project will be added to the budget automatically when it is received.
- 3.19 £349k from S106 contributions to be added to the current Moulton Hill Country Park Project. This covers recent funding received from the Abbey Farm development, it is proposed that any future s106 that is specifically identified for this project will be added to the budget automatically when it is received.
- 3.20 £348k from s106, Parish Council and Sport England to fund the construction of a Multi-Use Games Area (MUGA) at Blunsdon. The Parish Council are supportive of the construction of a MUGA next to St Leonard Primary School and are providing £50k of funding towards its construction. The council has received £150k of s106 funding and is expecting a further £48k shortly that can be used to support this project. Officers are in discussion with the Parish about submitting a bid to Sport England for £100k to provide the balance of funding required to deliver this project. The Parish have acknowledged that they will be responsible for future maintenance requirements.
- 3.21 £190k from s106, Public Open space, St Andrews Parish. The Parish Council are in discussions with the land owners to purchase a piece of land adjacent to one of their community centres to be used for public open space. The parish has requested that the Council transfer the s106 funding to them to enable them to complete the purchase. The Parish have acknowledged that they will be responsible for future maintenance requirements.
- 3.22 In the absence of any firm funding notification beyond 2019/20, officers are recommending that Cabinet only make new approvals for 2019/20. The total

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2019/20 scheme value of **£5.075m** is detailed at **Appendix 2**; this also shows indicative requirements for 2020/21.

Property and Corporate Schemes

- 3.23 **Appendix 3** contains a summary of the property and assets related capital schemes requiring approval. There is a requirement for works totalling **£3.676m** in the following areas:
- 3.24 £1.522m – General Repairs & Maintenance. This includes Disability Discrimination Access requirements, work on “non-highways structures” such as bridges within parks and management of asbestos.
- 3.25 £158k – Children’s Mobile Working funded from borrowing. This will provide a mobile app and related infrastructure in support of the Children’s Social Care Case Management system.
- 3.26 £493k – Corporate EDRMS funded from borrowing. This will enable the Council to scope the data storage requirements to ensure that all data is stored in compliance with the GDPR regulations. It is anticipated that the solution will be implemented in 2021/22.
- 3.27 £410k – Capita One Education replacement funded from borrowing. The current software is part of the aspire contract that finishes in 2022, therefore it is necessary to commence the procurement process for a replacement system. Soft market testing has shown that a new system will help to cut revenue costs and provide improved functionality.
- 3.28 £100k – Digital Strategy Seed Money funded from borrowing. This will enable the IT department to purchase licences, equipment etc. as part of the proof of concept stage of delivering emerging digital technologies and developing the full business cases to support Council wide deployment.
- 3.29 £843k – Estates Rationalisation funded from capital receipts from sale of surplus property. The Council is working towards providing all services from the Civic Campus and 3 children’s locality hubs, this will involve works to improve the remaining buildings and the disposal of 5 surplus sites. It is estimated that the disposals will result in a capital receipt of £1.5m and annual operational savings of £122k.
- 3.30 £150k – Additional car parking at Lydiard house funded initially from borrowing with the resulting debt charges of £12k pa funded from future revenue income. This will provide for a redesign of the existing car park facilities and provide additional overflow parking that is usable following bad weather. It will also allow for contactless pay and display parking machines thus reducing the risk of vandalism.

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- 3.31 No specific funding is available for **£2.683m** of the new approvals detailed at paragraphs 3.23 to 3.28 above and therefore they will all need to be funded from borrowing, at a cost of approx. **£215k** per annum. This pressure will be budgeted from within the Treasury Management budget.
- 3.32 Items 3.29 and 3.30 (**£993k**) are to be funded from future capital receipts and revenue income respectively. There may therefore be some short term interest costs associated with these proposals as a result of the timing of the sale / savings being realised. Indicative proposals beyond 2019/20 are shown on **Appendix 3** but no approval is required at this stage.

Children's and Adults Schemes

- 3.33 **Appendix 4** contains details of three scheme approvals with a total budget requirement of **£1.317m** of which **£1.067m** is funded from grant contributions, leaving a balance of **£250k** to be funded from borrowing.
- 3.34 £1.067m – Disabled facilities grants, fully grant funded. Disabled Facilities Grants are mandatory grants (subject to claimants fulfilling certain conditions) for which Swindon receives grant funding of £1.067m (2019/20 indicative figure). There has been increased demand for these grants in recent years; any additional demand over and above the grant would need to be funded from borrowing. If this is likely to happen in 19/20 a further request will be made as part of a capital monitoring report. These grants support people to stay in their homes and remain independent.
- 3.35 £250k – Community equipment, funded from borrowing. Officers will keep the s106 contributions received under review, and if appropriate will look to use these to reduce the borrowing requirement. Officers have indicated that based on past experience the demand for Community Equipment is likely to exceed £1m. This proposal relates to expenditure that assists individuals to remain independent, staying in their own homes for longer and therefore potentially reduces demand on Adult Social Care services. This is a joint funded provision with Swindon Clinical Commissioning Group and the Councils share of this cost pressure is c£250k. Borrowing costs are estimated at around **£20k** per annum and will be funded through the treasury management budget.
- 3.36 Officers are recommending that only 2019/20 proposals are approved at this stage due to no firm funding indications beyond this period.

Community Infrastructure Levy (CIL)

- 3.37 At its December meeting Cabinet was advised that this report would contain a recommendation for the use CIL receipts to support the capital programme.
- 3.38 It is proposed that any CIL receipts for 2019/20 continue to be used to support the improvement works at Junction 16. The value of CIL receipts for 2019/20 will be supplied to Cabinet as part of the Capital outturn report.

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Capital Strategy

- 3.39 The 2017 version of the CIPFA *Prudential Code for Capital Finance in Local Authorities* Code (“the Code”) introduced the requirement for authorities to produce a capital strategy. The purpose of the capital strategy is to firmly place decisions around borrowing in the context of the overall longer term financial position of the authority and to provide improved links between the revenue and capital budgets.
- 3.40 Paragraph 19 of the Code sets out that in order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place a capital strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes. The capital strategy should form a part of the authority’s integrated revenue, capital and balance sheet planning. The Capital Strategy is attached at Appendix 5.
- 3.41 In addition, recent updated Statutory Guidance on Local Government Investments sets out that a Local Authority should prepare at least one Investment Strategy, to be approved by Full Council prior to the start of the financial year. This strategy should be publically available on the Council’s website, and a public notice should be posted detailing how local residents can obtain a copy of the strategy, free of charge. The Council’s Investment Strategy is attached at Annex 3.

4. Alternative Options

- 4.1 Cabinet could choose not to approve the proposed additions to the capital programme.

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 The proposals contained in this report if approved will result in the Capital Financing Requirement of the Council increasing by £2.933m, this will result in an increase in debt charges of £235k per annum which will need to be funded through the Treasury Management budget.
- 5.2 Of the proposals included above the Estates rationalisation project is expected to deliver direct revenue savings of £122k pa, plus a capital receipt of around £1.5m, of which £834k is required to fund the works leaving a further sum of £666k available.
- 5.3 The debt charges resulting from investment in additional car parking at Lydiard will be funded from additional revenue income of £12k pa.

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- 5.4 These proposals support the Swindon programme by ensuring that the appropriate infrastructure is in place to support the 4 strands of the programme. They also seek to build sustainable platforms to support the digitisation objectives of the Council.

Legal and Human Rights Implications

- 5.5 All legal and human rights considerations have been taken fully into account in compiling this report. It is considered that the recommendations of this report are compatible with Convention rights.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.6 There are no such direct implications.

Diversity Impact Assessment

- 5.7 A Diversity Impact Assessment (DIA) has not been done as this report does not make any new recommendations that would have a detrimental impact on services. Service areas have undertaken DIA assessments for each of the proposals that they are recommending.

Risk Management

- 5.8 None other than those highlighted in the body of the report. Individual schemes will have individual Risk Assessments and DIAs.

6. Consultees

- 6.1 The Director of Finance (Section 151 Officer) and Interim Director of Law (Monitoring Officer) are consulted in respect of all Cabinet reports.

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 Overview of 2019/20 capital programme
 - 8.2 Appendix 1 – Education proposals
 - 8.3 Appendix 2 – Highways and Transport proposals
 - 8.4 Appendix 3 – Corporate and Property proposals
 - 8.5 Appendix 4 – Children's and Older Peoples proposals
 - 8.6 Appendix 5 – Capital Strategy
 - 8.7 Annex 1 – 5 Year Capital Investment
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- 8.8 Annex 2 – Highway Condition Survey
- 8.9 Annex 3 - Investment Strategy
- 8.10 Annex 4 – Property Investment and Disposal Strategy

9. Key Decision/Decision in Cabinet Work Programme

- 9.1 This is not a key decision and is included in the Cabinet Work Programme for February 2019.