

Capital Programme to 2024/25

Cabinet

Date: 5th February 2020

Authors: Cabinet Member for Finance, Education and Skills
Corporate Director of Finance and Assets

Wards: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 To provide an update to the Capital Strategy and report new capital investment requirements through to 2024/25.
- 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 requested to:

- 2.1 Recommend to Council:
 - 2.1.1 the additions to the Capital Programme and funding sources for the schemes set out at Appendix 1;
 - 2.1.2 that further updates to the Capital Programme can be approved by Cabinet within the approved capital financing revenue budget and prudential indicators;
 - 2.1.3 approval of the Capital Strategy attached at Appendix 2
- 2.2 Note the impact on long term borrowing of the approvals sought in this paper as set out at paragraph 3.9;
- 2.3 Approve a budget for £24,922 in 2019/20 funded from S106 contributions for speed reduction measures on Thamesdown Avenue as set out at paragraph 3.6;
- 2.4 Approve that schools capital funding is distributed as detailed in paragraph 3.17.

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3. Detail

Capital Programme to 2024/25

- 3.1 The Council has historically approved a Capital Programme for the following financial year with indicative costs for future years which reflects the Government's approach to approve grants on a yearly basis.
- 3.2 The CIPFA *Prudential Code for Capital Finance in Local Authorities* Code ("the Code") introduced the requirement for authorities to produce a capital strategy and this was approved at Cabinet in February 2019 (minute 57(7) refers). 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.
- 3.3 This report therefore sets out the investment requirements that are subject to approval of this report and the impact of the additional borrowing requirement on the revenue budget to provide better budgetary links between capital investment plans and the Medium Term Financial Plan.
- 3.4 An annual capital programme report will still be submitted annually, but this will provide updates to the 5 year programme rather than focusing purely on the following financial year as has previously been the case. Schools capital funding will still be set out annually and is set out in detail elsewhere in this report.
- 3.5 The capital strategy, attached at Appendix 2, has been updated to reflect the approvals sought in this report.
- 3.6 In addition to approvals up to 2024/25, Cabinet is asked to approve a budget of £24,922 in 2019/20 for speed reduction measures on Thames Avenue funded from S106 contributions. It is reported that the current traffic speeds on Thames Avenue are greater than the current restricted road status of 30mph and residents have expressed concern. Much of this traffic using Thames Avenue is generated from developments in the Haydon area and the impact of this traffic has been the cause of concern to the local community.

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- 3.7 Appendix 1 sets out the approvals sought for the period through to 2024/25 and the proposed source of funding.
- 3.8 Where no borrowing is required, there is no impact on the revenue budget as these proposals are either of a "spend to save" nature (ie they either generate savings or reduce costs in excess of the related borrowing costs) or they are fully funded from either grant or capital receipts.

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- 3.9 The new approvals set out in this report require additional borrowing of £34.981m over the 5 years to 2024/25. The resulting estimated debt charges will be built into the Medium Term Financial Plan.

Education Services Schemes

- 3.10 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.
- 3.11 **No Basic Need grant** has been awarded for 2020/21, and currently no funding has been notified for 2021/22. 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.
- 3.12 Currently there are no specific schemes that require funding in 2020/21 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 2021/22. A capital bid will be brought forward to a future meeting once the full requirements are known.
- 3.13 **Capital Maintenance grant** for 2020/21 has not been notified at the date of writing this report but is estimated at c£0.9m (2019/20 £1.0m). 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 2020. Currently only £0.7m of this grant has been allocated to schemes, leaving £0.2m as a contingency to deal with any emerging condition issues at schools.
- 3.14 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 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.

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- 3.15 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.
- 3.16 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, 2020/21 will be the 3rd year of this funding.
- 3.17 This report seeks approval for the following Education Services schemes:-
- 3.17.1 £700,000 required for condition works, funded from Maintenance grant, This relates to high priority condition issues outside of the schools ability to fund from their own delegated funding, such as replacement heating systems.
- 3.17.2 The Council will also receive from the DFE Devolved Formula Capital Grant during 2020/21 estimated at £248k. 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.

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 an additional borrowing requirement of £34.9m and estimated debt charges over 5 years totalling £3.1m. These are reflected in the revenue budget report elsewhere on this agenda and will be built into the Medium Term Financial Plan. Actual charges will be dependent on both the timing of new borrowing and interest rates.
- 5.2 The proposals include a sum of £9.5m funded through borrowing for Kimmerfields enabling works and up to £2.5m of this is required in 19/20. Debt charges relating to this element being incurred within 19/20 can be accommodated within the existing capital financing budget.

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Legal and Human Rights Implications

- 5.3 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.

Climate Change Impact

- 5.4 The recommendations will seek to reduce the Council's carbon footprint through the improvement of thermal efficiency in the property stock.
- 5.5 In addition, ongoing work to move towards the use of more electric vehicles as the current fleet is replaced will reduce carbon emissions.

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 Corporate Director of Finance and Assets (Section 151 Officer) and Chief Legal Officer (Monitoring Officer) are consulted in respect of all reports.

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 Appendix 1 – Detailed Proposals
- 8.2 Appendix 2 – Capital Strategy 2020/21 to 2024/25
- 8.3 Annex 1 – Investment Strategy
- 8.4 Annex 2 - Property Investment and Disposal Strategy

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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 2020.