

Agenda Item 17

For publication

Bedford Borough Council – Executive

19 September 2018

Report by the Finance Portfolio Holder and the Assistant Chief Executive & Chief Finance Officer

Subject: CAPITAL PROGRAMME UPDATE AND NEW BIDS – 2018/2019 to 2020/2021

1. Executive Summary

To consider the Capital Programme for the period 2018/2019 to 2020/2021, and for future years, and, in particular, new and revised bids for capital investment.

2. Recommendations

The Executive is requested to consider the report and, if satisfied, to:

- (a) Recommend to Full Council the revised capital schemes identified at Appendix A for inclusion in the Capital Programme including bids for Wixams Railway Station and Bromham Road Cycle Bridge that are subject to consultation;**
- (b) Acknowledge the adjustments in the Capital Receipts forecast over the period of the Programme;**
- (c) Recommend to Full Council the revised Capital Programme outlined at Appendix B;**
- (d) Approve that a sub committee of the Executive is formed to approve the funding of neighbourhood projects in unparished areas through Community Infrastructure Levy (CIL), with composition to be determined by the Mayor.**

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3. Reason for Recommendations

To enable the Executive to consider additions and variations to the Capital Programme 2018/2019 to 2020/2021 plus significant schemes in future years and the impact of new capital bids on the Council's capital resources.

4. Key Implications

4.1 Legal Issues

The Local Government Act 2003 provides the legal basis for capital finance, namely a general power to borrow and a duty to set an affordable borrowing limit. The Local Authorities (Capital Finance and Accounting) Regulations 2003 provides operational detail and specifically states that Authorities must have regard to CIPFA's Prudential Code when setting and reviewing borrowing limits.

4.2 Policy Issues

The Council's approved Capital Investment Strategy requires the Council to undertake public consultation on the proposed new scheme bids for inclusion in the Council's Capital Programme. Under the Capital Investment Strategy Wixams Railway Station and Bromham Road Cycle Bridge are required to be consulted upon.

4.3 Resource Implications

The Capital Programme is financed from a number of sources including specific grants/external funding, capital receipts, direct revenue financing, CIL, Section 106 and borrowing. Borrowing defrays the cost of the capital spending over a predetermined period of time and gives rise to the Minimum Revenue Provision (MRP) being the setting aside of Revenue Budget for the repayment of debt. The overall programme must be assessed in terms of estimated revenue implications of each scheme including their impact on Council Tax in terms of affordability.

4.4 Risk Implications

Capital schemes must be affordable (i.e. there is identified capital resource to fund schemes) and capital budgets must be adequate to avoid over spending with consequent financial implications.

Assumptions have had to be made about the level of Government Grants available to support future capital expenditure based on current levels and other knowledge.

4.5 Environmental Implications

There are no environmental implications arising directly from the report. The environmental impacts of each capital scheme are considered as part of the implementation.

4.6 Equality Analysis

In preparing this report, due consideration has been given to the Borough Council's statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010.

A relevance test for equality has been completed. The equality test determined that the content of the report has no relevance to Bedford Borough Council's statutory equality duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relation. An equality analysis is not needed. Individual capital bids may, however, have specific equality impacts that need to be considered and evaluated.

5. **Details**

New Scheme Bids

- 5.1 The Capital Investment Strategy requires the Executive to consider all new bids for capital investment, taking into consideration whether each scheme requires public consultation before making recommendations to Full Council.
- 5.2 It should be recognised that the Council has finite resources and there are competing pressures and affordability issues that need to be taken into account. The approved Capital Investment Strategy states that the corporate focus of capital investment will be to:
- (a) Invest where the Council has a statutory, contractual or safety obligation including unavoidable requirements emanating from the Council's Corporate Asset Plan;
 - (b) Invest in discretionary schemes that meet the Council's Corporate Plan priorities and which are also consistent with the Sustainable Communities Strategy;
 - (c) Invest in schemes that provide value for money (i.e. invest to save) provided they are consistent with Corporate Plan priorities.

5.3 Each new capital bid is based on a business case in accordance with the Capital Investment Strategy. This covers, amongst other things, project risks, resource implications and compliance with the key priorities of the Council. Bids are then evaluated and identified as falling into one or more of the following categories:

- (1) Legally/contractually unavoidable;
- (2) Essential for health and safety reasons;
- (3) Support corporate objectives;
- (4) Benefit from external funding opportunities; and
- (5) “Invest to Save” projects (for which regard should be given to the length of the investment payback period).

Appendix A sets out all of the proposed changes to the capital programme since it was approved at Executive in June 2018. These changes include the re-profiling of existing schemes based on the latest estimates of project completion dates and cash flows. These revisions are not reflected in the Medium Term Financial Strategy as they have not yet been approved by Full Council.

New Capital Schemes

5.4 There are eight new capital bids included in **Appendix A**:

- a) **A6 Wilstead Bypass Reconstruction** (£2.750 million Gross / £2.750 million Net). The highway maintenance projects seeks to provide a long term value for money solution to the ongoing maintenance issues associated with this strategic route. The A6 provides a strategic north-south corridor through Bedford Borough and provides transport links to Central Bedfordshire to the south and Northamptonshire to the north. The Wilstead Bypass section of the A6 is a 2km long single carriageway road that carries approximately 19,000 vehicles per day and abuts the Central Bedfordshire border.
- b) **Amalgamation of George Beal House and Brookside** (£1.362 million Gross / £1.362 Net). The project involves the refurbishment and remodelling of George Beal House to enable it to be amalgamated with Brookside, both of which are residential care homes. The former is currently used for respite care and the latter as a care home. This will result in the closure of Brookside and delivery of savings together with service improvements for residents and service users. The project is part of the BB2020 SCO-A6 savings target and is key to its success, bringing forward part of the £1.2 million savings through proposed staff team restructures and colocation efficiencies, as well as providing improved facilities for residents.

- c) **Healthy Pupil Programme** (£0.109 million Gross / £0 million Net). The objectives of the Healthy Pupil Programme are to improve children's and young people's physical and mental health by improving and increasing availability for facilities in relation to physical activity, healthy eating, mental health and wellbeing and medical conditions. It is grant funded with the grant allocated on the same basis as the methodology used in relation to the School Condition Allocation Grant.
- d) **Bedford Bus Station Vehicle Apron Renewal** (£1.000 million Gross / £1.000 million Net). The project will undertake construction and repair of the Bus Station apron and approach, to ensure the safety of all pedestrians and vehicles which access the Bus Station. The condition of the surface is causing significant concern where uneven surfaces reoccur at locations where concrete slabs abut. Although the uneven surfaces have been patched more than once, in order to minimise trip hazards, the height differences have reoccurred. This now leads the Engineering Services Team to suspect that the shifting of the concrete slabs may be due to the condition of the sub structure. Further investigation works have been commissioned in order to determine what future permanent repairs are required.
- e) **Bromham Road Cycle Bridge** (£3.000 million Gross / £0 million Net). The project delivers a separate footway / cycle bridge adjacent to Bromham Road Railway Bridge on the north side of Bromham Road. The bridge will provide additional capacity for pedestrians and cyclists, and reduce conflict between vehicles and non-motorised users. The scheme is anticipated to be externally funded.
- f) **Norse Road Cemetery & Crematorium Grounds Works** (£0.106 million Gross / £0.106 million Net). Works are required to improve drainage at the site and install grasscrete at various locations to ensure the ground is protected in relation to overflow car parking.
- g) **Wixams Railway Station (£27.400 million Gross / £14.000 million Net)**. Wixams is a major area for housing and jobs growth in Bedford Borough. The station has failed to be delivered as originally envisaged with part funding from the developer and government support. The developer's business case for the station (developed in 2012 and updated in 2016) has been subject to an initial review by the Council's consultants. This has indicated that a positive case exists for the station, both on a stand-alone basis and in terms of its overall effect on the rail industry. The funding model is predicated on the Council being fully reimbursed for the cost of borrowing through an income stream from the forecast operating income.

The delivery of Wixams station comprises one of the major sustainability elements on which the development of the new settlement was based. A rail station with regular Thameslink services has the potential to reduce vehicle trips within the settlement and on the A6 which in itself has the potential to reduce local congestion, improve air pollution and provide opportunities for active travel.

Note that £0.200 million revenue has been requested in the Trends report to complete the next stage feasibility study for this project.

- h) **Broadmead Lower – Expansion Project** (£2.250 million Gross / £0 million Net). An extra form entry at Broadmead Lower School is proposed to meet statutory basic needs in the area due to significant housing growth.

Revised Schemes

5.5 Since the Executive meeting, held on June 2018, a number of further changes to the capital programme have emerged to reflect recent developments and expectation of the timing of expenditure. These changes are summarised below:

- a) **School capital project – highways works** (£0.400 million Gross / -£3.200 million Net). A Key Decision for additional capital funding for the highway works associated with rebuilding the Cotton End Primary School was made on 3 July 2018. Community Infrastructure Levy has been allocated to fund the scheme.
- b) **I-hub 26 Cauldwell Street** (£0.025 million Gross / £0 million Net). Additional funding has been identified from the Property R&R Reserve to meet the costs of the new business incubator centre.
- c) **Public Open Spaces Footbridges** (£0.346 million Gross / £0.346 million Net). The scheme incorporates and replaces the “Mill Meadows Bridge” and now includes essential maintenance works for other public open spaces pedestrian bridges.
- d) **Schools Maintenance** (-£0.203 million Gross / £0 million Net). The reduction in gross budget reflects the recently published Schools Condition Allocation (SCA). Income and expenditure budgets have been reduced accordingly.
- e) **Temporary Classrooms – Replacement** (£2.040 million Gross / £0 million Net). The project will see temporary classrooms at the Pupil Referral Unit and Marston Vale Middle School removed and replaced with permanent classrooms.
- f) **Schools Building Works – Devolved Formula Capital** (-£0.012 million Gross / £0 million Net). The reduction in gross budget reflects the recently published Devolved Formula Capital grant allocation. Income and expenditure budgets have been reduced accordingly.

- g) **Highways (BBC Funded)** (£2.000 million Gross / £2.000 million Net). It is proposed to invest a further £2.000 million in maintenance of the Borough's roads and footways.

Scheme Re-profiling

- 5.6 The review of the programme identified one scheme requiring a re-profiling of budget. This has reduced the gross budget for 2018/2019 by £0.505 million (£0 million net) and is included in **Appendix A**.

Existing Committed Schemes

- 5.7 The Council is committed to supporting the East-West Railway project, a project to ultimately connect Oxford and Cambridge by rail. An existing index linked commitment of £2.600 million for the Western Section (Oxford-Bedford) (approved by Executive on 6th November 2013) funded from the Community Infrastructure Levy is included in **Appendix A**.

Capital Programme Financing

- 5.8 The Council relies on borrowing to fund capital investment where there is no other source of funding and this has a direct impact on the revenue budget. The level of borrowing is a factor that needs to be considered by the Council and excessive borrowing must be considered with caution as repayment of any loans would fall on Council Tax at a time when significant budgetary savings must be made to avoid an unacceptable increase in Council Tax or reductions in key services.
- 5.9 The ability to generate capital receipts to contribute to the capital programme funding is vitally important to the Council to ensure borrowing is kept to a manageable level. The capital receipts forecast has marginally increased over the current life of the capital programme.
- 5.10 The use of Capital Receipts is prescribed by Regulations made under the Local Government Act 2003. Where excess Capital Receipts are held, i.e. not needed to finance capital expenditure in year, then the Council can either (i) carry any unapplied balance forward into subsequent years or (ii) redeem external debt thereby reducing the Capital Financing Requirement and as a consequence reduce MRP (i.e. generate a revenue saving with effect from the following year).
- 5.11 The Capital Programme includes provision for £1.000 million in 2018/2019 for the revenue costs of implementing the Council's Transformation Programme, permissible under the governments capital receipts flexibility programme.
- 5.12 The table below sets out the forecast capital receipts received and applied for each year of the programme.

	2018/2019 £ million	2019/2020 £ million	2020/2021 £million
Receipts received and applied	19,029	11,189	6,148

Community Infrastructure Levy

- 5.13 The Council has been collecting Community Infrastructure Levy (CIL) contributions from developers since April 2014; CIL has in part replaced the previous approach for collecting developer contributions in the Borough through S106 agreements.
- 5.14 To date, over £3m has been collected through the CIL, and future receipts are expected to exceed that amount on an annual basis.
- 5.15 The majority of these receipts (70% - 80%) can be spent on any project identified in the council's Regulation 123 List, although it should be noted that the 123 List is to be reviewed in line with the new Local Plan's requirements.
- 5.16 Up to 5% of CIL can be applied towards its implementation and on-going administration costs.
- 5.17 The remaining proportion of CIL receipts are passed to the local town or parish councils for the area where the development takes place. It can be used for local priorities to support the development of the area. The proportion to be passed to the local councils is set at 15% of the relevant CIL receipts with a maximum cap of £100 per annum for each Council Tax dwelling in the parish. Where there are neighbourhood plans in place these proportions will change as neighbourhood funding will increase for planning permissions granted after adoption to 25% of the CIL receipt. In unparished areas the neighbourhood funding for local priorities is held by the Borough Council.
- 5.18 It is important to consider how the Council should use the neighbourhood proportion in unparished areas. Where there is no Parish or Town Council, the Borough Council is advised to engage with the communities where development has taken place.
- 5.19 It is proposed that Community Infrastructure Levy (CIL) funds for neighbourhood projects in the unparished area of the Borough be amalgamated into a single fund, to be used for infrastructure projects to the benefit of the area as a whole in support of the development of the area, and that a "Neighbourhood Community Infrastructure Levy Allocations Committee" be established with terms of reference to determine the allocations to projects from the single fund. The Mayor shall determine the composition of the Committee.

Prudential Framework

- 5.20 In determining its Capital Programme, the Council must comply with the regulations relating to the Prudential Framework for Capital Finance in Local Authorities and related Prudential Indicators, i.e. is it prudent, affordable (in terms of Council Tax) and sustainable (in the Medium Term).
- 5.21 The approved Capital Investment Strategy, therefore, requires the Council to consider the proposed Capital Programme having regard to the CIPFA Prudential Indicators and to consider the extent of borrowing based upon these indicators. The Executive and Council must, therefore, have regard to:
- (i) The estimate of available capital finance (from capital receipts and borrowing) needed to cover existing committed schemes and any residual sum available for uncommitted and future priority schemes;
 - (ii) The estimate of capital finance resources becoming available (from capital receipts and external borrowing) in the ensuing three years for uncommitted schemes and new priority schemes (e.g. from forecast new capital receipts or external funding);
 - (iii) The estimated revenue implications of the proposed total programme and impact on Council Tax in terms of affordability.
- 5.22 To enter into excessive long term borrowing would only exacerbate the position and, on this basis, it is strongly recommended that the council seriously considers the level of capital investment.

Revised Capital Programme

- 5.23 The approved Capital Investment Strategy requires the Capital Programme to be prepared on a three year rolling programme. Subject to the approval of the various changes to the Capital Programme outlined in the report, the table over the page summarises the revised Capital Programme for the period 2018/2019 to 2020/2021, and future years.

Summary Capital Programme	2018/2019	2019/2020	2020/2021	Future Years*	Total
	£000	£000	£000	£000	£000
Gross Directorate Budgets					
Children's Services	28,549	7,336	3,804	0	39,689
Environment	22,529	33,727	25,311	20,600	102,167
Customer	4,458	2,498	207	0	7,163
Enabling and Law & Governance	26,654	9,499	7,923	0	44,076
Gross Total	82,190	53,060	37,245	20,600	193,095
Financed by					
Grants/Contributions	-43,248	-24,839	-24,798	-12,600	-105,485
Revenue	-13,740	-7,955	-1,292	0	-22,987
Capital Receipts	-19,029	-11,189	-6,148	0	-36,365
Borrowing	-6,173	-9,077	-5,007	-8,000	-28,258
Total Financing	-82,190	-53,060	-37,245	-20,600	-193,095

* includes significant schemes not the rolling programme

Scheme Commitments

- 5.24 To help safeguard the Council capital resources, the Capital Investment Strategy only allows schemes to be actually committed when sufficient capital finance has been identified to cover the full forecast cost and where the estimated ongoing revenue consequences have been taken into account and approved by Council as affordable.

6. Summary of Consultations and Outcome

The following Council Units or Officers and/or other organisations have been consulted in preparing this report:

Management Team
Relevant Managers

No adverse comments have been received.

Report Contact Officer: *Andy Watkins, Assistant Chief Executive of Enabling Services*
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Previous Relevant Minutes: *Minute Number 60. 6th November 2013 Executive*

Background Papers: *None*

Appendices: *A: Capital Programme Revisions*
 B: Revised Capital Programme

CAPITAL PROGRAMME REVISIONS

Project Description	2018/2019		2019/2020		2020/2021		Future Years*		Total	
	Gross £000	Net £000	Gross £000	Net £000	Gross £000	Net £000	Gross £000	Net £000	Gross £000	Net £000
Capital Trends Executive Report Jun 2018	80,376	25,762	37,839	9,532	29,707	11,033	0	0	147,922	46,327
Revised Schemes										
School's capital project-highways works	400	-3,200							400	-3,200
I-hub 26 Caudwell Street	25								25	0
Public Opens Spaces Footbridges	70	70	138	138	138	138			346	346
Schools Maintenance	-203								-203	0
Temporary Classrooms - Replacement			2,040						2,040	0
Schools Building Works - Devolved Formula Capital	-12								-12	0
Highways (BBC funded)			1,000	1,000	1,000	1,000			2,000	2,000
Reprofiled Projects										
Additional Pupil Places		-228		1,000		-328			0	444
Schools 2 Tier Conversion				1,904		-3,448			0	-1,544
Schools Maintenance		868		164					0	1,032
New Gypsy and Traveller Pitches	-505		505						0	0
New Bids										
A6 Wilstead Bypass Reconstruction			2,750	2,750					2,750	2,750
Amalgamation of George Beal House and Brookside	1,362	1,362							1,362	1,362
Healthy Pupil Programme	109								109	0
Bedford Bus Station Vehicle Apron Renewal	500	500	500	500					1,000	1,000
Bromham Road Cycle Bridge			3,000						3,000	0

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Norse Road Cemetery & Crematorium Grounds Works	68	68	38	38						106	106
Wixams Railway Station			3,000	2,000	6,400	4,000	18,000	8,000		27,400	14,000
Broadmead Lower - Expansion project			2,250	1,240		-1,240				2,250	0
Existing Committed Schemes											
East-West Railway							2,600			2,600	0
Total Revisions	1,814	-560	15,221	10,734	7,538	122	20,600	8,000		45,173	18,296
Revised Capital Programme	82,190	25,202	53,060	20,266	37,245	11,155	20,600	8,000		193,095	64,623

* significant schemes, not the rolling programme

REVISED CAPITAL PROGRAMME 2018/2019 – 2021/2021

Project Description	2018/2019		2019/2020		2020/2021		Future Years*		Total	
	Gross £000	Net £000	Gross £000	Net £000	Gross £000	Net £000	Gross £000	Net £000	Gross £000	Net £000
Economic Development & Property										
Town Centre Development	17	17							17	17
Local Broadband Plan	174								174	0
i-worx workshop cluster MVBP	2,420								2,420	0
Superfast Broadband Project	1,190	990							1,190	990
I-hub 26 Caudwell Street	196	164							196	164
Benedict Bedford	2,000	2,000	3,000	3,000	4,000	4,000			9,000	9,000
Access Infrastructure (Land at Wootton)	123								123	0
Invest to Save - Leisure Facilities	374	374							374	374
Servicing of Land at Fairhill	507	507							507	507
Marston Vale Business Park infrastructure	4,500	4,500							4,500	4,500
Units 1-7 Wolseley Business Park	268	268							268	268
Private Sector Renewal - Disabled Facilities Grants	1,483	60	1,423		1,423				4,329	60
Adults Social Care Residential Homes	2,243	1,773							2,243	1,773
Demolition of Abbey Middle School	500	500							500	500
Property Investment & Development Fund	1,250	1,250	2,500	2,500	2,500	2,500			6,250	6,250
Amalgamation of George Beal House and Brookside	1,362	1,362							1,362	1,362
Transformation										
Transformation - Capital	8,047	6,425	2,576	1,900					10,623	8,325
Enabling Total	26,654	20,190	9,499	7,400	7,923	6,500			44,076	34,090

Governance								0	0
Law & Corporate Governance Total								0	0
Customer									
IT Infrastructure & Software	4,458		2,498		207			7,163	0
Customer Total	4,458		2,498		207			7,163	0
Schools									
Schools Access Initiative	47							47	0
Schools Maintenance	1,874	868	500	164	2,000			4,374	1,032
School Land Purchases	194	194						194	194
Schools Building Works - Devolved Formula Capital	367		312		250			929	0
Children Other funded		-297						0	-297
Early Years	1,830							1,830	0
Schools 2 Tier Conversion	8,912	-945	1,000	-664		-3,448		9,912	-5,057
Relocation of Riseley Primary	602	-1,398						602	-1,398
Additional Pupil Places	9,375	-1,671			1,000	-328		10,375	-1,999
Wootton Lower - Expansion project	1,330		925		245			2,500	0
Special educational needs and/or disability	309		309		309			927	0
School's capital project-highways works	3,600							3,600	0
Broadmead Lower - Expansion project			2,250	1,240		-1,240		2,250	0
Temporary Classrooms Replacement			2,040					2,040	0
Healthy Pupil Programme	109							109	0
Children's Services Total	28,549	-3,249	7,336	740	3,804	-5,016		39,689	-7,525
Planning & Housing									
New Gypsy and Traveller Pitches			505					505	0
Affordable Housing	448	208						448	208

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Bringing Empty Homes Back into Use	924	924	924	924	924	924	2,772	2,772
BALES - Bedford Borough Schemes	31	31					31	31
Environment & Regulatory								
Elstow Landfill	2,013	2,013	1,520	1,520			3,533	3,533
River Bank Works	18	18					18	18
River Wall Repairs	51	44					51	44
Carbon Management Programme	1,340	1,340					1,340	1,340
Bin Replacement Programme	151		160		170		481	0
Allen Park Changing Pavillion - S106 Funded	10						10	0
Sluice Gates	70	70					70	70
Skate Park off Moor Lane, Cauldwell, Bedford	17						17	0
Moor Lane Outdoor Gym	18						18	0
Norse Road Cemetery & Crematorium Grounds Works	480						480	0
Cemetery Works	68	68	38	38			106	106
Highways & Transport								
Vehicle, Plant & Equipment Programme	2,013		2,965		915		5,893	0
Highways Maintenance (LTP)	2,444		2,402		2,402		7,248	0
Highways (BBC funded)	3,859	2,706	3,208	3,208	3,208	3,208	10,275	9,122
Integrated Transport Schemes (LTP)	2,243		1,153		1,153		4,549	0
Transporting Bedford 2020	3,177	67	6,710		8,600		18,487	67
Northern Gateway	1,100		2,400				3,500	0
Bedford Western Bypass Phase 2	97	97					97	97
Depot Enhancements	221	7	2,354	1,048	1,401	1,401	3,976	2,456
A6 Wilstead Bypass Reconstruction			2,750	2,750			2,750	2,750
Bedford Bus Station Vehicle Apron Renewal	500	500	500	500			1,000	1,000
Pavements and Highways	1,068						1,068	0
St Marys Car Park	68	68					68	68

Bromham Road Cycle Bridge					3,000							3,000	0
Wixams Railway Station					3,000	2,000	6,400	4,000	18,000	8,000		27,400	14,000
East-West Railway									2,600			2,600	0
Public Open Spaces Footbridges	100	100	138	138	138	138						376	376
Environment Total	22,529	8,261	33,727	12,126	25,311	9,671	20,600	8,000				102,167	38,058
GRAND TOTAL	82,190	25,202	53,060	20,266	37,245	11,155	20,600	8,000				193,095	64,623