

TELFORD & WREKIN COUNCIL

**CABINET - 28 FEBRUARY 2013
COUNCIL - 7 MARCH 2013**

SERVICE & FINANCIAL PLANNING 2012/13 – 2015/16: CAPITAL PROGRAMME

REPORT OF THE MANAGING DIRECTOR, CHIEF FINANCE OFFICER (ASSISTANT DIRECTOR: FINANCE, AUDIT & INFORMATION GOVERNANCE), THE ASSISTANT DIRECTOR: DEVELOPMENT, BUSINESS & HOUSING AND THE ASSISTANT DIRECTOR: ENVIRONMENTAL & LEISURE SERVICES

PART A – SUMMARY REPORT

1. SUMMARY OF MAIN PROPOSALS

The report details the revised capital programme for 2012/13 and the proposed capital programme for 2013/14 to 2015/16, together with the Capital Strategy (including the proposed Asset Management Plan and related Building Maintenance Plan and the Highways and Transport capital investment programme).

2. RECOMMENDATIONS

Members are asked to approve the report and associated capital estimates and variations for 2012/13 and 2013/14 – 2015/16, which incorporates the Capital Strategy, the Capital Programme (Annex I), the Planned Building Maintenance Programme (Annex II), and Asset Management Plan (Annex III) and the three year Highways and Transport capital investment programme (Annex IV).

Members are asked to delegate authority to the Assistant Director: Development, Business & Housing to deliver the planned programme of works within the Asset Management Plan and to the Assistant Director: Environmental & Leisure Services the Highways and Transport capital investment programme in line with the approved budgets with any variations or changes to schemes in these programmes, that remain within overall approved budgets, after consultation with the appropriate Cabinet Members.

3. SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT *Do these proposals contribute to specific priorities?
Yes/No All priorities are covered by the report.
Will the proposals impact on specific groups of people?*

	<i>Yes/No</i>	<i>An element of the capital improvements to Council buildings will be focused on improving accessibility. The allocation is prioritised using the full range of asset management data and specifically using the accessibility audits as well as working with Assistant Directors and the Equalities team.</i>
TARGET COMPLETION / DELIVERY DATE		<i>There are many different capital projects and each one has a different target completion date. Some of the programmes are ongoing, others will complete during the period of the programme as shown in Annex I.</i>
FINANCIAL/VALUE FOR MONEY IMPACT	<i>Yes/No</i>	<i>Where appropriate these are detailed in the body of the report.</i>
LEGAL ISSUES	<i>Yes/No</i>	<i>all proposals are covered by the legislative framework within which the Council operates</i>
OTHER IMPACTS, RISKS AND OPPORTUNITIES	<i>Yes/No</i>	<i>The Council's current Strategic Risk Register has been considered as part of allocating resources in the overall programme</i>
IMPACT ON SPECIFIC WARDS	<i>Yes/No</i>	<i>Proposals affect all wards in the Borough</i>

PART B – ADDITIONAL INFORMATION

4.0 SUMMARY

- 4.1 This report presents the Council's Capital Strategy for 2012/13 – 2015/16 and later years and a capital programme of £287.306m that includes the proposed investments included in the overall budget strategy. It also sets out the Council's Asset Management Plan and proposed planned Building Maintenance programme, particularly focusing on 2013/14 and the three year Highways & Transport capital investment programme.
- 4.2 The strategy and programmes address our corporate priorities in conjunction with the service and financial planning strategy.
- 4.3 The revenue cost of the use of the Council's own resources and unsupported borrowing are built into the proposed 2013/14 budget and future projections, while the cost of government supported allocations is currently met through a combination of Revenue Support Grant and direct capital grants.
- 4.4 The Asset Management Plan sets out the framework for assessing and prioritising property related issues. The approved framework has been adhered to in prioritising the planned building maintenance programme for 2013/14. The building maintenance programme has been set in accordance with the proposed budget 2013/14 – 2015/16.

5.0 **STRATEGIC OVERVIEW**

In the short to medium term, Telford & Wrekin Council is in a period of significant transformation and change. The drivers of this are:

- The retrenchment of public spending by the coalition Government - the Council is facing the challenge of making significant savings of £40m over a three-year period whilst trying to protect front-line services as far as possible. Our Service and Financial Planning Strategy sets out our response to this challenge and how these savings are being identified and delivered.
- Becoming a Co-operative Council and ultimately a Co-operative Borough to reshape the relationship between the Council, its employees, the community and partners to:
 - **Improve and bring services together;**
 - **Deliver the things that matter to local people;**
 - **Strengthen and develop our communities;**

Our Co-operative Council “adopter programme” sets out our pathway to becoming a Co-operative Council.

Both of these challenges have required the Council to review its ‘priorities’ which have been adopted as:

As a Co-operative Council, we will work with our communities to create:

‘Telford & Wrekin – the Place of Enterprise, Innovation & Partnership’

We will:

- ***put our children and young people first***
- ***protect and create jobs as a ‘Business Supporting, Business Winning Council’***
- ***improve local people’s prospects through education and skills training***
- ***protect and support our vulnerable children and adults***
- ***ensure that neighbourhoods are safe, clean and well maintained***
- ***improve the health and wellbeing of our communities and address health inequalities***
- ***regenerate those neighbourhoods in need and work to ensure that local people have access to suitable housing***

Capital investment clearly plays a key role in the achievement of our local priorities. Through our Asset Management Plan and Capital Strategy **we seek to maximise the value and opportunities of our assets to take forward the delivery of emerging strategic priorities.**

Our Capital Strategy and Asset Management programme are not, however, just about ‘concrete, tarmac and buildings etc’, they are about making a positive difference to the quality of local people’s lives through specific projects, services, technology and facilities. In recent years, key initiatives progressed/ delivered through targeted capital investment include:

- Improvements to roads, pavements and street lighting;
- Redevelopment of the local centres
- Development of new ‘state of the art’ schools commencing with Abraham Darby Academy and Woodlands Primary

6.0 CAPITAL STRATEGY: 2012/13 – 2015/16

6.1 During 2013/14, we are planning to invest **£107.199m** as part of a **£287.306m** capital programme, to build and improve the facilities, assets and infrastructure to support the delivery of these objectives. This investment has been secured primarily through a combination of Government grants and supported borrowing allocations, use of the Council’s own resources (capital receipts), and Prudential Borrowing by the Council. Over the planning period, our capital programme is as follows:

Priority Area	Total £m	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	Later Years £m
Protect and create jobs as a ‘Business Supporting, Business Winning Council’	33.958	14.769	17.496	1.693	0.000	0.000
Improve local people’s prospects through Education and Skills Training	157.663	34.904	60.007	51.303	10.048	1.401
Protect and support our vulnerable children and adults	6.111	4.012	2.099	0.000	0.000	0.000
Ensure that neighbourhoods are safe, clean and well maintained	55.209	10.019	16.352	19.588	9.250	0.000
Improve the health and well being of our communities and address health inequalities	7.298	4.435	1.690	0.223	0.950	0.000
Regenerate those neighbourhoods in need and work hard to ensure that local people have access to housing	16.100	9.174	5.985	0.941	0.000	0.000
Managing the Organisation	10.967	2.357	3.570	2.270	2.270	0.500

	287.306	79.670	107.199	76.018	22.518	1.901
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- 6.2 Supporting Telford & Wrekin’s role as a focus for continued growth and development until 2026 underpins all our priorities. This is very much a ‘capital’ agenda – though it must be supported by the day-to-day delivery of high quality and efficient and improving services for the community - and we will look creatively to utilise local resources such as the Council’s land assets and land owned by other partners, and external funding and investment to turn vision into reality.
- 6.3 Details of the major projects and investments that we are looking to resource are detailed in Annex I. Many of these investments contribute in to the delivery of more than one Priority.

7.0 CAPITAL PLANNING FRAMEWORK

7.1 The Council’s Capital Strategy is driven by our shared Vision for the Borough and our Priorities. All our plans and spending proposals (both capital and revenue) are developed within a partnership framework. The capital strategy is seen as a key opportunity to:

- drive forward the Vision and Priorities for the Borough;
- influence the development of the Borough and the actions of other agencies;
- work in partnership with other bodies to pursue national and regional objectives;
- ensure that funding mechanisms are used effectively and external funding maximised;
- maintain and improve the condition and suitability of our assets.

7.2 A key feature of our approach is that capital and revenue expenditure are considered together through one integrated service and financial planning framework and process. The Capital Strategy process brings together all aspects of capital planning and management. It guides and acts as the focus for all work on capital issues. The capital strategy process is given firm leadership:

- at officer level by the Senior Management Team;
- at member level by the Cabinet.

Progress and the outcomes of capital expenditure are also considered by the Council’s scrutiny committees as part of their service and financial performance monitoring role. They also input specifically to the strategy development process through scrutiny of the Draft Budget Strategy.

(i) Approach

7.3 Our approach to the Capital Strategy Process is described below. This process is continually evolving and has been developed to enable the Council to respond effectively to the developments in Capital and Asset Management Planning.

7.4 The Prudential Code of Borrowing requires us to look at capital and revenue spend in an integrated way. Under this regime, the Council has much more freedom to invest in capital projects as long as the borrowing is determined to be **affordable, prudent, sustainable and represents value-for-money**. The prudential system of capital finance makes the capital strategy a much more integral and essential part of the annual budget setting process and medium term financial strategy; developed through an emerging 3-year forward planning framework which brings together service and financial planning priorities and proposed developments to support delivery of our priorities.

(ii) Capital Strategy Process

a) Strategic Review of Needs

7.5 We annually review plans and priorities for capital spending. This is done as part of the annual corporate planning process, the development of key planning documents such as Priority Plans, and the outcome of major policy and/or service reviews. In seeking to determine priorities for investment and action, it is important to understand the key issues, needs and opportunities that need to be addressed. The following documents in particular map these out in detail, these are:

- The LSP's Vision 2026, Community Strategy and Local Area Agreement;
- The Council Plan/Priority Plans;

7.6 The result is a clear strategic view of priorities which identifies both **pressures and developments** in terms of:

- Projects required to progress the Vision for the Borough – whether partner, Council or joint (developments);
- Projects required to meet service priorities (pressures and developments);
- Maintenance spending required on assets (pressures).

This process is done collaboratively through dialogue with partners and is also informed by the Council's annual consultation strategy. This framework encourages a joined-up focus on outcomes, on major strategic initiatives and partnership working. The outcome is a broadly-based overview of capital spending priorities, business needs and opportunities, and outcomes to be realised.

b) Strategic Consideration of Priorities, Resources and Resource Implications

7.7 The financial implications of new capital spending requirements are carefully assessed within a business case in terms of:

- Overall resource availability including the anticipated results of asset disposals;
- Identification and consideration of whole life costings;
- Identification of significant revenue implications for capital proposals, with overall decisions on capital programme being made (and consulted on) as part of the overall service, financial planning and value-for-money process;

- Consideration of appropriate procurement strategies and potential funding regimes.
- 'Pay back'/Invest to Save potential, such as for example investment in Waste Recycling facilities to reduce the future impact of Landfill Tax increases.

7.8 The Prudential Code of Borrowing highlights the need, in making decisions on capital investment, to have regard to a number of core factors. As such, the Capital Strategy and Programme for 2013/14 has been developed around the following principles and processes:

- Corporate Strategic Planning Assessment:

7.9 Revenue and capital budgets are planned together as far as practicable each year. Desired spending has been prioritised and narrowed down into an overall capital strategy taking account of local, national and regional priorities. National priorities are considered within the parameters of the Government's Annual Capital Guidelines (ACG's) for major service areas.

- Options Appraisal to Secure Value for Money:

7.10 In developing the capital programme, the Council has sought to identify which of a number of alternative ways is the best way to fund and deliver a capital project to meet its objectives. Also, to ensure that the Council's approach to prudential borrowing is affordable, prudent and sustainable, a set of prudential indicators have been developed to monitor performance. The business case for capital investment requires consideration/identification of how such spend represents or will improve value-for-money to the community.

c) Detailed Capital Programme

7.11 The Strategic Assessment of capital spending priorities is then subjected to further internal and external consultation and translated into an achievable phased programme across the whole Council with clearly agreed and identified:

- Revenue implications.
- Procurement Arrangements;
- Timescales, project management arrangements and accountabilities;

Annex I sets out details of our committed Capital Programme 2012/13 – 2015/16 and Detailed Analysis of Capital Grants.

d) Control, Monitoring, Performance Management & Review

7.12 A corporate framework for project management exists for capital schemes. Regular monitoring of progress and spend takes place both at service and corporate levels. The Asset Management Plan ensures that relevant property performance indicators (PIs) have been incorporated into corporate performance monitoring arrangements and into the monitoring of the management of the capital programme. In-year progress is highlighted as part of the reporting arrangements of the Service & Financial Performance Management Framework.

8.0 **ASSET MANAGEMENT PLANNING & PROGRAMME**

Our Strategic Approach

- 8.1 The Asset Management Plan (Annex III) and associated data on Property (i.e. condition, suitability, sufficiency, access, asbestos surveys) informs the Council's Building Investment Programme. The Council has completed all surveys for Operational Properties used for the delivery of its services and these are updated on a rolling programme each year. The Council's Asset Management Plan 2012 /2016 has identified a condition backlog of £8.7million for Operational Properties (excluding schools) and £30.6m for Schools / education properties. The school condition back log will be significantly addressed over the next few years with the investment from the Building Schools for the Future Programme (BSF). The Operational Property backlog will also show significant reductions as a result of Property Rationalisation and investment in retained buildings.
- 8.2 The Building Investment Programme as identified in Annex II, is set in accordance with the approved framework for prioritising condition backlog as included in the Asset Management Plan. The proposed level of investment included in the Capital Programme 2013/14 is £1.2m for Educational Assets and £1m for all other Operational Assets. The budget allocations do not take into account the capital investment relating to Schools and the secured investment relating to BSF which will greatly reduce the condition backlog for Education Properties as part of the building rationalisation process. In addition to the above capital allocations, Schools are also in receipt of Devolved Formula Capital (DFC) which is used fundamentally for repairing and maintaining the School building stock on a day to day basis.

Condition backlog as detailed in the Asset Management Plan

Priority 1

Urgent works that will prevent closure of premises and/or address a high risk to the health and safety of occupants and/or remedy a serious breach of legislation.

Priority 2

Essential work required within two years that will prevent serious deterioration of the fabric or services and/or address medium risk to the health and safety of the occupants and/or remedy a minor breach of legislation.

Priority 3

Desirable work required within 3 to 5 years that will prevent deterioration of the fabric or services and/or address a low risk to the health and safety of the occupants and/or a minor breach of legislation.

8.3 Previous year condition comparisons

		2008	2009	2010	2011	2012
Schools	P1- P3	£25,277,205	£27,657,372	£29,352,678	£28,593,580	£30,652,623
Operational	P1- P3	£11,984,120	£10,134,790	£11,080,659	£12,766,526	£8,770,020

*Note: Hadley PFI / Jigsaw / Madeley Academy / Abraham Darby Academy have not been included within the above figures.

8.4 The Asset Management Database is analysed on a yearly basis as the priorities may change due to new findings as part of continuing re-surveys of property. Emergencies that occur within the financial year may also lead to reprioritisation of the allocated budgets and a change to the programme identified.

8.5 In accordance with prioritisation as set out in the Asset Management Plan we have identified the building maintenance programme for 2013/14 as identified in Annex II; all schemes listed are deemed necessary in order to maintain service delivery.

9.0 PARTNERSHIP AND CROSS CUTTING ACTIVITY

9.1 There is a very well-developed Local Strategic Partnership, bringing together key local organisations and agencies across all sectors. The Partnership is overseen by an 'executive' Agenda Group which comprises the chief officers of the main public, private and voluntary organisations in Telford & Wrekin.

9.2 Partnership working is the framework through which all key local cross-cutting issues are tackled. The Partnership has a range of both 'thematic' and 'area based' sub-partnerships tackling local issues and informed by an extensive programme of consultation.

9.3 The Council actively works with partners to maximise assets. For example through various co-locations of services which is a key feature in particular of the Learning Communities that are being developed. Amalgamation and co-location of services and community facilities is a key aim that drives our asset management and service planning.

10.0 CONSULTATION

10.1 Over the past few months, the Council has been engaging widely with the local community around service and financial planning. Further details are set out in the over-arching Service and Financial Planning report considered by Cabinet on 22 December 2012. As capital programmes are being rolled out there will be a need for further consideration on consultation with the public.

11.0 RESOURCES

11.1 Mainstream Government Supported Borrowing

The main borrowing allocations received, along with forward indications of minimum future allocations are as follows:

	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	Later Years £m
Improve local people's prospects through Education and Skills Training	1.684	0.000	0.000	0.000	0.000
Ensure that neighbourhoods	0.372	0.257	0.000	0.000	0.000

are safe, clean and well maintained					
Total	2.056	0.257	0.000	0.000	0.000

In the comprehensive spending review the government announced that no new allocation would be issued for 2013/14 or 2014/15.

The revenue cost of utilising these government allocations should be funded by Revenue Support Grant although this is impacted by the RSG damping mechanism which withholds a substantial part of the additional revenue funding due to the Council to support the cost of these allocations at present.

11.2 Supplementary Grants

While information is still awaited on some allocations, the following new allocations have been built into the overall resources position: This takes into account the reduction in grant for Sports and Learning Communities discussed in 6.3 above.

	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	Later Years £m
Protect and create jobs as a 'Business Supporting, Business Winning Council'	3.394	1.496	0.000	0.000	0.000
Improve local people's prospects through Education and Skills Training	32.815	50.489	35.447	4.317	2.258
Protect and support our vulnerable children and adults	2.093	0.882	0.000	0.000	0.000
Ensure that neighbourhoods are safe, clean and well maintained	6.064	9.255	15.390	1.325	0.000
Improve the health and well being of our communities and address health inequalities	0.280	0.565	0.146	0.556	0.000
Regenerate those neighbourhoods in need and work hard to ensure that local people have access to housing	1.866	1.400	0.000	0.000	0.000
Total	46.512	64.087	50.983	6.198	2.258

11.3 Capital Receipts

The capital programme places a significant reliance on future capital receipts, totalling £112.774m shown in the table below. Any shortfall in the amounts received or re-phasing of schemes would have a revenue impact which is not built into the budget strategy. This would have to be mitigated through re-phasing of spend, re-prioritising schemes or incurring additional borrowing which would have a revenue impact which would have to be taken into account in future in the Medium Term Service & Financial Planning Strategy.

	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	Later Years £m
Total	33.139	39.127	11.813	12.350	16.345

11.4 Prudential Borrowing Regime

Within the budget strategy for 2012/13 to 2015/16 the level of Prudential Borrowing assumed is as follows:

	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	Later Years £m
Protect and create jobs as a 'Business Supporting, Business Winning Council'	7.430	-11.720	-1.545	0.000	0.000
Improve local people's prospects through Education and Skills Training	-0.808	0.000	10.386	-2.169	-8.107
Protect and support our vulnerable children and adults	1.357	1.177	0.000	0.000	0.000
Ensure that neighbourhoods are safe, clean and well maintained	-5.040	0.993	-9.295	7.925	0.000
Improve the health and well being of our communities and address health inequalities	4.067	-0.177	0.077	0.394	0.000
Regenerate those neighbourhoods in need and work hard to ensure that local people have access to housing	6.537	4.105	0.441	0.000	0.000
Managing the Organisation	-16.599	9.001	11.300	-2.180	-8.595
Total	-3.056	3.379	11.364	3.970	-16.702

11.5 Overall Resources Position

For planning purposes, some forward allocation indications have been included below. In these cases no firm scheme proposals will be put forward for approval until actual allocations are known.

Resources Available	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	Later Years £m	Total £m
Government Allocations						
Improve local people's prospects through Education and Skills Training	1.684	0.000	0.000	0.000	0.000	1.684
Ensure that neighbourhoods are safe, clean and well maintained	0.372	0.257	0.000	0.000	0.000	0.629
	2.056	0.257	0.000	0.000	0.000	2.313
Grant Allocations						
Protect and create jobs as a 'Business Supporting, Business Winning Council'	3.394	1.496	0.000	0.000	0.000	4.890
Improve local people's prospects through Education and Skills Training	32.815	50.489	35.447	4.317	2.258	125.326
Protect and support our vulnerable children and adults	2.093	0.882	0.000	0.000	0.000	2.975
Ensure that neighbourhoods are safe, clean and well maintained	6.064	9.255	15.390	1.325	0.000	32.034
Improve the health and well being of our communities and address health inequalities	0.280	0.565	0.146	0.556	0.000	1.547
Regenerate those neighbourhoods in need and work hard to ensure that local people have access to housing	1.866	1.400	0.000	0.000	0.000	3.266
	46.512	64.087	50.983	6.198	2.258	170.038
Other Resources						
Capital Receipts	33.139	39.127	11.813	12.350	16.345	112.774
Revenue/External	1.019	0.349	1.858	0.000	0.000	3.226
Prudential Borrowing	-3.056	3.379	11.364	3.970	-16.702	-1.045
	31.102	42.855	25.035	16.320	-0.357	114.955
Total	79.670	107.199	76.018	22.518	1.901	287.306

The revenue impact of the use of Council resources, government allocations and prudential borrowing in the proposed programme are built in to the budget summary.

12.0 CONCLUSION

12.1 Because Telford & Wrekin is a growing and changing area it has substantial capital spending needs:

- to support and meet the growing needs of the Borough and our aspirations to transform Telford & Wrekin;
- to maintain and develop the Council's own stock of capital assets;
- to address the 'New Town effect' of a commonly-ageing infrastructure.

- 12.2 As a former new town area, with the Council having limited land and asset holdings, we have a more limited capacity to generate capital receipts through disposals than some other authorities. We, therefore, take the capital strategy and its asset management planning very seriously. We look on capital spending as an integral element of our overall approach to Community Planning, partnership working and community engagement.
- 12.3 We are committed to maximising the effectiveness of our assets and capital spending and to identifying or creating opportunities to attract external funding resources. **Our focus is on delivering our priorities and policy objectives and on ensuring that our vision for the community can, each year, become more of a reality for local people.**

Background Papers

Funding notifications, investment proposals, cabinet reports on various schemes, previous Capital Strategy documents and capital programmes.

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