

TELFORD & WREKIN COUNCIL

**CABINET - 25 FEBRUARY 2016
COUNCIL - 3 MARCH 2016**

SERVICE & FINANCIAL PLANNING 2015/16 – 2018/19: CAPITAL PROGRAMME

REPORT OF THE MANAGING DIRECTOR, CHIEF FINANCE OFFICER (THE ASSISTANT DIRECTOR: FINANCE & HUMAN RESOURCES), THE DIRECTOR: CUSTOMER, NEIGHBOURHOOD & WELL-BEING SERVICES AND THE ASSISTANT DIRECTOR: CUSTOMER & NEIGHBOURHOOD

LEAD MEMBER: CLLR LEE CARTER

PART A – SUMMARY REPORT

1. SUMMARY OF MAIN PROPOSALS

The report details the revised capital programme for 2015/16 and the proposed capital programme for 2016/17 to 2018/19, together with the Capital Strategy (including the proposed Asset Management Plan and related Building Maintenance and the Highways and Transport capital investment programme).

2. RECOMMENDATIONS

2.1 Members are asked to approve the report and associated capital estimates for 2015/16 and 2016/17 – 2018/19, 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).

2.2 Members are asked to delegate authority to the Assistant Director: Development, Business & Employment to deliver the planned programme of works within the Asset Management Plan and to the Assistant Director: Neighbourhood & Customer 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 priority plan objectives?*

Yes/No *All priorities are covered by the report. The overall budget framework contains funding to support the Council's work to promote*

Equalities & Diversity across the Borough. As part of the Planned Maintenance funding an allocation had been identified to improve accessibility, and service delivery from the Authority's buildings

Will the proposals impact on specific groups of people?

Yes/No 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.

TARGET COMPLETION / DELIVERY DATE

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.

FINANCIAL/VALUE FOR MONEY IMPACT

Yes/No Where appropriate these are detailed in the body of the report.

LEGAL ISSUES

Yes/No All proposals are covered by the legislative framework within which the council operates

OTHER IMPACTS, RISKS AND OPPORTUNITIES

Yes/No The Council's current strategic risks has been considered as part of allocating resources in the overall programme

IMPACT ON SPECIFIC WARDS

Yes/No Proposals affect all wards in the Borough

PART B – ADDITIONAL INFORMATION

4.0 SUMMARY

- 4.1 This report presents the Council's Capital Strategy for 2015/16 – 2018/19 and later years and a capital programme of £250.438 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 2016/17 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 2016/17 budget and future projections, while the cost of government supported allocations is currently met through a combination of what remains of Revenue Support Grant after the significant cuts of recent years and

direct capital grants. No new government supported allocations will be issued, this is offset by a partial switching to capital grant.

- 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 2016/17. The building maintenance programme has been set in accordance with the proposed budget 2016/17 – 2018/19.

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 Government - the Council is facing the challenge of making significant savings, totalling over £80m over the past 6 years 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.
- Being a Cooperative Council and reshaping the relationship between the Council, its employees, the community and partners to:
 - **Improve and bring public services together;**
 - **Involve local people and our employees more in planning and running our services;**
 - **Strengthen and develop our communities and encourage people to do more to help their own communities;**

Both of these drivers have required the Council to review its 'priorities' which have been adopted as:

As a Cooperative 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, 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:

- “Pride in your Community” – we are completing the second year of this programme which includes an investment of £8m capital and £1.86m revenue funding over 2 years (2014/15 and 2015/16) across the Borough to regenerate communities by improving the physical environment and the appearance of our neighbourhoods. This is a resident focused investment programme, to complement the Council’s business and housing growth agenda and will help ensure that the Borough is an attractive place for people to live in and to locate businesses in so supporting our growth agenda.
- A commercial Housing Investment Programme which will see over 400 housing units built for private rent by a wholly owned company producing an income to help reduce the cuts to essential front-line services as well as creating an appreciating asset and associated commercial development by the Council’s Property Investment Portfolio.
- “Investing in our Roads” - The Council is committing to a programme of £2m pa (over and above the allocations that we receive from Government and the part of the “Pride in your Community” funding that will also supplement the roads programme) to maintain our road network for the next 3 years – a total investment by the Council over this period of £6m.
- Investing in land stability schemes to protect the Ironbridge Gorge – the area’s biggest tourist attraction and the West Midlands region’s only World Heritage Site.
- Nearly £200m will have been invested in Building Schools for the Future which will see seven new secondary schools re-built and a further six secondary schools re-modelled, alongside two re-built Primary Schools and new or refurbished community leisure facilities.
- A commitment to re-run the very successful Community Pride Fund in 2017/18 making a further £1m of capital grants available to our community.

6.0 CAPITAL STRATEGY: 2015/16 – 2018/19

- 6.1 During 2016/17, we are planning to invest **£98.895m** as part of a **£264.299m** 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	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	Later Years £m
Adult Social Services	1.222	1.022	0.200	0.000	0.000	0.000
Development, Business & Employment	49.478	7.898	24.091	10.053	7.436	0.000
Customer & Neighbourhood Services	91.456	22.696	32.594	19.933	7.860	8.373
Education & Corporate Parenting	45.912	37.080	4.895	3.084	0.153	0.700
Health & Well-Being	2.470	1.705	0.153	0.153	0.153	0.306
Cooperative Council & Commercial Delivery	5.981	0.167	5.814	0.000	0.000	0.000
Legal Procurement & Commissioning	0.246	0.060	0.062	0.062	0.062	0.000
Finance & Human Resources	0.495	0.185	0.170	0.070	0.070	0.000
Commercial Services	67.039	18.287	30.916	16.937	0.789	0.110
	264.299	89.100	98.895	50.292	16.523	9.489

- 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.

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 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:

- 'Shaping Our Future: Our Journey to 2020' – what the Council and its partners will focus on over the next six years;
- Medium-term Council Plan – what the Council will focus on over the next three years.

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 service and financial planning 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 and financial planning process;
- Consideration of appropriate procurement strategies and potential funding regimes.
- 'Pay back'/Invest to Save potential.

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 2016/17 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 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 2015/16 – 2018/19 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 level and corporately. The Asset Management Plan ensures that relevant property 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 2016 /2019 has identified a condition backlog of £7.5million for Operational Properties (excluding schools) and £21.5m 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 2016/17 is £1.073m for Educational Assets and £0.7m 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

		2010	2011	2012	2013	2014	2015
Schools	P1-P3	£29,352,678	£28,593,580	£30,652,623	£24,617,893	£21,529,991	£18,939,529
Operational	P1-P3	£11,080,659	£12,766,526	£8,770,020	£8,369,886	£7,480,279	£6,806,221

*Note: Hadley PFI / Jigsaw / Madeley Academy / Abraham Darby Academy / Phoenix 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 2016/17 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

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 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 8 January 2016. 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 still to be used are, no future allocations will be received:

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	Later Years £m
Education & Corporate Parenting	1.336	0.000	0.000	0.000	0.000
Customer & Neighbourhood Services	0.062	0.000	0.000	0.000	0.000
Total	1.398	0.000	0.000	0.000	0.000

The government have announced that no new borrowing approvals funded from RSG would be issued.

11.2 Supplementary Grants

While information is still awaited on some allocations, the following allocations have been built into the overall resources position

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	Later Years £m
Adult Social Services	0.672	0.000	0.000	0.000	0.000
Development, Business & Employment	0.87	1.395	0.007	0.000	0.000
Customer & Neighbourhood Services	9.620	24.416	12.276	2.778	8.373
Commercial Services	2.847	0.500	0.000	0.000	0.000
Health & Well-Being	0.507	0.096	0.096	0.096	0.192
Education & Corporate Parenting	15.016	3.084	2.783	1.025	0.000
Total	29.449	29.491	15.162	3.899	8.565

11.3 Capital Receipts

The capital programme places a significant reliance on future capital receipts, totalling £51.529m 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. The Government have offered some flexibility in the use of capital receipts generated during the 3 years starting April 2016. New capital receipts may be used to fund revenue costs associated with reform projects that generate ongoing revenue savings provided that full Council approves an "Efficiency Plan". Telford & Wrekin Council has taken advantage of this flexibility offered by the Government and the service and financial planning strategy has been prepared to allow the flexibility to do so with the anticipated Capital Receipts in 2016/17 of £5.814m being allocated to fund capitalisation of revenue spending in relation to efficiency expenditure. Prudential borrowing has increased as a consequence.

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	Later Years £m
Total	2.868	5.814	7.037	10.810	25.000

11.4 Prudential Borrowing Regime

Within the budget strategy for 2015/16 to 2018/19 the level of Prudential Borrowing assumed is as follows:

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	Later Years £m
Total	49.626	52.351	22.082	0.278	-24.076

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	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	Later Years £m	Total £m
Government Allocations						
Customer & Neighbourhood Services	0.062	0.000	0.000	0.000	0.000	0.062
Education & Corporate Parenting	1.336	0.000	0.000	0.000	0.000	1.336
	1.398	0.000	0.000	0.000	0.000	1.398
Grant Allocations						
Adult Social Services	0.672	0.000	0.000	0.000	0.000	0.672
Development, Business & Employment	0.787	1.395	0.007	0.000	0.000	2.189
Customer & Neighbourhood Services	9.620	24.416	12.276	2.778	8.373	57.463
Health & Well-Being	0.507	0.096	0.096	0.096	0.192	0.987
Commercial Services	2.847	0.500	0.000	0.000	0.000	3.347
Education & Corporate Parenting	15.016	3.084	2.783	1.025	0.000	21.908
	29.449	29.491	15.162	3.899	8.565	86.566
Other Resources						
Capital Receipts	2.868	5.814	7.037	10.810	25.000	51.529
Revenue/External	5.759	11.239	6.011	1.536	0.000	24.545
Prudential Borrowing	49.626	52.351	22.082	0.278	-24.076	100.261
	58.253	69.404	35.130	12.624	0.924	176.335
Total	89.100	98.895	50.292	16.523	9.489	264.299

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.

13. PREVIOUS MINUTES

13.1 Cabinet 7 January 2016 – Service & Financial Planning 2016/17 to 2017/18

14.1 Background Papers

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

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