

TELFORD & WREKIN COUNCIL

**CABINET - 15 FEBRUARY 2018
COUNCIL - 1 MARCH 2018**

SERVICE & FINANCIAL PLANNING 2017/18 – 2020/21: 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 2017/18 and the proposed capital programme for 2018/19 to 2020/21, 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 2017/18 and 2018/19 – 2020/21, 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 to deliver 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.

2.3 Members are asked to note that following changes to the Prudential Code in late December, the Council is required to approve a summary Capital Strategy before the end of 2018/19. This will be presented to Full Council for consideration and approval during 2018/19 once final guidance has been received.

3. SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	<p><i>Do these proposals contribute to specific priority plan objectives?</i></p> <p><i>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</i></p> <p><i>Will the proposals impact on specific groups of people?</i></p> <p><i>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.</i></p>
TARGET COMPLETION / DELIVERY DATE	<p><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></p>
FINANCIAL/VALUE FOR MONEY IMPACT	<p><i>Yes/No Where appropriate these are detailed in the body of the report.</i></p>
LEGAL ISSUES	<p><i>Yes/No All proposals are covered by the legislative framework within which the council operates</i></p>
OTHER IMPACTS, RISKS AND OPPORTUNITIES	<p><i>Yes/No The Council's current strategic risks has been considered as part of allocating resources in the overall programme</i></p>
IMPACT ON SPECIFIC WARDS	<p><i>Yes/No Proposals affect all wards in the Borough</i></p>

PART B – ADDITIONAL INFORMATION

4.0 SUMMARY

- 4.1 This report presents the Council's Capital Strategy for 2017/18 – 2020/21 and later years and a capital programme of £254m 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 2018/19 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 full revenue cost of the use of the Council's own resources and unsupported borrowing are built into the proposed 2018/19 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.
- 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 2018/19. The Building Investment Programme and Highways & Transport Investment Programme have been set in accordance with the proposed budget for 2018/19 – 2019/20.
- 4.5 Changes to the Prudential Code were published in late December 2017 which includes the requirement for local authorities to produce a summary Capital Strategy covering capital expenditure and financing, treasury management and non-treasury investments. Due to the timescales this does not have to be approved before the start of the financial year and it is therefore proposed that this will be prepared and presented to Full Council for approval during 2018/19 once final guidance has been received.

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 has faced the challenge of making significant savings, totalling £110m since 2010 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 to live, learn, work and do business'

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***
- ***support neighbourhoods most in need, ensure that local people can 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. Further information can be found in the Council Plan which is also on this agenda.

6.0 CAPITAL STRATEGY: 2017/18 – 2020/21

- 6.1 During 2018/19, we are planning to invest **£84.667m** as part of a **£254.025m** medium-term 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	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Later Years £m
Adult Social Care	1.596	1.147	0.449	0.000	0.000	0.000
Development Business & Employment	112.022	52.198	41.684	13.366	4.274	0.500
Customer & Neighbourhood Services	73.217	22.411	23.006	15.048	12.752	0.000
Education & Corporate Parenting	35.413	10.235	9.442	15.569	0.167	0.000
Health & Well-Being	0.394	0.394	0.000	0.000	0.000	0.000
Co-Operative Council & Commercial Delivery	2.097	2.097	0.000	0.000	0.000	0.000
Legal Procurement & Commissioning	0.723	0.537	0.062	0.062	0.062	0.000
Finance & Human Resources	9.012	4.727	4.095	0.095	0.095	0.000
Commercial Services	19.551	7.907	5.929	2.662	3.053	0.000
	254.025	101.653	84.667	46.802	20.403	0.500

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;
- 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
 - Council Plan, also on the agenda for this meeting – 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 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 2018/19 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 2017/18 – 2020/21 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 of regular reports to the senior Management Team, Cabinet and full Council where amendments to the approved policy and budget framework are required .

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 2018 /20202 has identified a condition backlog of £5.7m for Operational Properties (excluding schools) and £18.7m for Schools / education properties. The school condition back log has been significantly addressed over the past 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 2018/19 is £1.067m for Educational Assets and £0.7m for all other Operational Assets. The budget allocations do not take into account the capital investment relating to expansion of schools. In addition to the above capital allocations, schools are also in receipt of Devolved Formula Capital (DFC) which is used fundamentally for maintaining and investing in 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

		2012	2013	2014	2015	2016	2017
Schools	P1-P3	£30,652,623	£24,617,893	£21,529,991	£18,939,529	£17,144,675	£18,719,548
Operational	P1-P3	£8,770,020	£8,369,886	£7,480,279	£6,806,221	£5,852,620	£5,700,431

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 2018/19 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 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 4 January 2018. As capital programmes are being rolled out there will be a need to consider where further consultation with the public is required/appropriate.

11.0 RESOURCES

11.1 Revenue/External

The main revenue / external allocations still to be used are set out below:

	Total	2017/18	2018/19	2019/20	2020/21	Later Years
	£m	£m	£m	£m	£m	£m
Total	32.140	13.170	13.418	5.145	0.407	0.000

11.2 Supplementary Grants

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

	Total	2017/18	2018/19	2019/20	2020/21	Later Years
	£m	£m	£m	£m	£m	£m
Adult Social Care	0.551	0.551	0.000	0.000	0.000	0.000
Development Business & Employment	1.975	1.975	0.000	0.000	0.000	0.000
Customer & Neighbourhood Services	31.064	14.009	7.723	4.465	4.867	0.000
Education & Corporate Parenting	29.778	4.842	9.200	15.569	0.167	0.000
Health & Well-Being	0.394	0.394	0.000	0.000	0.000	0.000
Co-Operative Council & Commercial Delivery	0.000	0.000	0.000	0.000	0.000	0.000
Legal Procurement & Commissioning	0.480	0.480	0.000	0.000	0.000	0.000
Finance & Human Resources	0.000	0.000	0.000	0.000	0.000	0.000
Commercial Services	2.294	2.006	0.096	0.096	0.096	0.000
Total	66.536	24.257	17.019	20.13	5.130	0.000

11.3 Capital Receipts

The capital programme places a significant reliance on future capital receipts, totalling £41.029m 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. When the provisional funding settlement for 2018/19 was announced, the Secretary of State announced that this temporary flexibility would be extended for a further 3 years. 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 2017/18 of £4m being allocated to fund capitalisation of revenue spending in relation to efficiency expenditure. Prudential borrowing has increased as a consequence. It is anticipated that we will repeat this in 2018/19 by £4.0m.

	Total £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Later Years £m
Total	41.029	7.440	10.943	6.734	10.412	5.500

11.4 Prudential Borrowing Regime

Within the budget strategy for 2017/18 to 2019/20 the level of Prudential Borrowing assumed is as follows:

	Total £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Later Years £m
Total	114.313	56.779	43.287	14.793	4.454	-5.000

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	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Later Years £m	Total £m
Government Allocations						
Education & Corporate Parenting	0.007	0.000	0.000	0.000	0.000	0.007
	0.007	0.000	0.000	0.000	0.000	0.007
Grant Allocations						
Adult Social Care	0.551	0.000	0.000	0.000	0.000	0.551
Development, Business & Employment	1.975	0.000	0.000	0.000	0.000	1.975
Customer & Neighbourhood Services	14.009	7.723	4.465	4.867	0.000	31.064
Health & Well-Being	0.394	0.000	0.000	0.000	0.000	0.394

Commercial Services	2.006	0.096	0.096	0.096	0.000	2.294
Legal Procurement & Commissioning	0.480	0.000	0.000	0.000	0.000	0.480
Education & Corporate Parenting	4.842	9.200	15.569	0.167	0.000	29.778
	24.257	17.019	20.130	5.130	0.000	66.536
Other Resources						
Capital Receipts	7.440	10.943	6.734	10.412	5.500	41.029
Revenue/External	13.170	13.418	5.145	0.407	0.000	32.140
Prudential Borrowing	56.779	43.287	14.793	4.454	-5.000	114.313
	77.389	67.648	26.672	15.273	0.500	187.482
Total	101.653	84.667	46.802	20.403	0.500	254.025

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;
- to invest in schemes such as NuPlace and the Telford Growth Fund that deliver revenue surpluses, additional income from business rates, council tax and new homes bonus as well as creating employment opportunities and providing good quality, well managed homes for rent.

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 4 January 2018 – Service & Financial Planning 2018/19 to 2019/20

14. BACKGROUND PAPERS

- 14.1 Funding notifications, investment proposals, cabinet reports on various schemes, previous Capital Strategy documents and capital programmes.
- 14.2 The Council Plan
- 14.3 Driving Delivery of the Council's Priorities
- 14.4 2018/19 Service & Financial Planning 2018/19 to 2019/20

Report prepared by

Ken Clarke, Assistant Director: Finance & Human Resources (01952 383100)

Ed Rushton, Principal Accountant (01952 383750)

Bernie Morris, Group Accountant (01952 383702)

Angie Astley, Assistant Director: Customer & Neighbourhood Services (01952 382400)

Katherine Kynaston, Assistant Director: Business, Development & Employment (01952 384012)