

TELFORD & WREKIN COUNCIL

**CABINET – 14 FEBRUARY 2019
COUNCIL - 28 FEBRUARY 2019**

SERVICE & FINANCIAL PLANNING 2019/20 – 2021/22: 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 2018/19 and the proposed capital programme for 2019/20 to 2021/22, 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 2018/19 and 2019/20 – 2021/22, 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 two year Highways and Transport capital investment programme (Annex IV).
- 2.2 Members are asked to delegate authority to the Assistant Director: Business, Development & Employment and Assistant Director: Commercial Services to deliver the planned programme of works within the Asset Management Plan and to the Assistant Director: Customer & Neighbourhood 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.

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 and accessibility requirements will be addressed in the Planned Maintenance programme of works.

Will the proposals impact on specific groups of people?

Yes/No Accessibility requirements will be addressed in the Planned Maintenance programme of works.

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 Programme for 2018/19 – 2021/22 and later years at a value of £189.4m that includes the proposed investments included in the overall budget strategy. The report also sets out the Council's Asset Management Plan and proposed planned Building Maintenance programme, particularly focusing on 2019/20 and the two year Highways & Transport capital investment programme.
- 4.2 The 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 2019/20 budget and future projections.

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 2019/20. The Building Investment Programme and Highways & Transport Investment Programme have been set in accordance with the proposed budget for 2019/20 – 2020/21.

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 £117m 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 have been progressed / delivered through targeted capital investment. Further information can be found in the Council Plan.

6.0 **CAPITAL PROGRAMME: 2018/19 – 2021/22**

6.1 During 2019/20, we are planning to invest **£77.458m** as part of a **£189.418m** 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	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Later Years £m
Adult Social Care	1.080	1.010	0.070	0.000	0.000	0.000
Development Business & Employment	63.433	22.766	26.588	13.579	0.500	0.000
Customer & Neighbourhood Services	61.408	24.800	21.856	12.752	2.000	0.000
Education & Corporate Parenting	34.026	8.992	20.550	4.484	0.000	0.000
Health & Well-Being	0.057	0.057	0.000	0.000	0.000	0.000
Co-Operative Council	2.091	2.091	0.000	0.000	0.000	0.000
Governance, Procurement & Commissioning	0.448	0.262	0.062	0.062	0.062	0.000
Finance & Human Resources	7.048	2.763	4.095	0.095	0.095	0.000
Commercial Services	19.827	9.037	4.237	3.353	3.200	0.000
	189.418	71.778	77.458	34.325	5.857	0.000

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 Programme 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 programme 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 Programme 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 Programme 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

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 2019/20 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.

- 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 2018/19 – 2021/22 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 2019/2023 has identified a condition backlog of £5.42m for Operational Properties (excluding schools) and £18.43m 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 2019/20 is

£0.934m for Educational Assets and £1.0m for all other Operational Assets (inc. miscellaneous 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

		2013	2014	2015	2016	2017	2018
Schools	P1-P3	£24,617,893	£21,529,991	£18,939,529	£17,144,675	£18,719,548	£18,434,265
Operational	P1-P3	£8,369,886	£7,480,279	£6,806,221	£5,852,620	£5,700,431	£5,417,208

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 2019/20 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 3 January 2019. 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 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Later Years £m
Total	23.968	11.008	9.698	3.162	0.050	0.050

11.2 Supplementary Grants

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

	Total £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Later Years £m
Adult Social Care	0.009	0.009	0.000	0.000	0.000	0.000
Development Business & Employment	0.000	0.000	0.000	0.000	0.000	0.000
Customer & Neighbourhood Services	20.193	8.361	6.965	4.867	0.000	0.000
Education & Corporate Parenting	32.134	7.832	19.818	4.484	0.000	0.000
Health & Well-Being	0.057	0.057	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	0.200	0.200	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	2.837	2.645	0.096	0.096	0.000	0.000
Total	55.430	19.104	26.879	9.447	0.000	0.000

11.3 Capital Receipts

Customer & Neighbourhood Services	8.361	6.965	4.867	0.000	0.000	20.193
Education & Corporate Parenting	7.832	19.818	4.484	0.000	0.000	32.134
Health & Well-Being	0.057	0.000	0.000	0.000	0.000	0.057
Legal Procurement & Commissioning	0.200	0.000	0.000	0.000	0.000	0.200
Commercial Services	2.645	0.096	0.096	0.000	0.000	2.837
	19.104	26.879	9.447	0.000	0.000	55.430
Other Resources						
Capital Receipts	11.015	6.490	8.340	3.410	3.500	32.755
Revenue/External	11.008	9.698	3.162	0.050	0.050	23.968
Prudential Borrowing	30.651	34.391	13.376	2.397	-3.550	77.265
	52.674	50.579	24.878	5.857	0.000	133.988
Total	71.778	77.458	34.325	5.857	0.000	189.418

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 3 January 2019 – Service & Financial Planning 2019/20 to 2021/22

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

Ed Rushton, Group Accountant: Corporate and Health & Well-Being Finance (01952 383750)
Ken Clarke, Assistant Director: Finance & Human Resources (01952 383100)
Angie Astley, Assistant Director: Customer & Neighbourhood Services (01952 382400)
Fliss Mercer, Assistant Director: Commercial Services (01952 384300)
Katherine Kynaston, Assistant Director: Business, Development & Employment (01952 384012)