

Meeting of the Cabinet – 11th February 2019

Joint Report of the Chief Executive and Chief Officer, Finance and Legal Services

Capital Programme Monitoring

Purpose of Report

1. To report progress with the implementation of the Capital Programme.
2. To propose amendments to the Capital Programme.
3. To propose the “Prudential Indicators” as required to be determined by the CIPFA Prudential Code for Capital Finance in Local Authorities and the Local Government Act 2003.
4. To propose the Council’s Capital Strategy.
5. To propose the Council’s Minimum Revenue Provision (MRP) Policy for 2019/20.

Recommendations

6. That the Council be recommended:
 - That progress with the 2018/19 Capital Programme, as set out in Appendices A and B be noted, and that budgets be amended to reflect the variances reported in Appendix A.
 - That the replacement of the push wall of the Green Waste Barn be approved and included in the Capital Programme, as set out in paragraph 10.
 - That the replacement of the CCTV system at Lister Road Depot be approved and included in the Capital Programme, as set out in paragraph 11.
 - That the expenditure of £40,000 residual grant in respect of the Cradley Forge project be approved, and included in the Capital Programme, as set out in paragraph 12.
 - That the project to restore Stevens Park, Quarry Bank be approved and the capital element included in the Capital Programme as set out in paragraph 13.
 - That the Tackling Roadside Nitrogen Dioxide allocation be noted and the associated projects included in the Capital Programme, as set out in paragraph 14.
 - That the car parking improvements at Brierley Hill and Stourbridge Family Centres be approved and included in the Capital Programme, as set out in paragraph 15.

- That subject to the relevant revenue budget strategy proposal being agreed, the Dudley Interchange contribution of £3m be approved and included in the Capital Programme, as set out in paragraph 16.
- That the former Museum and Dudley Town Hall project be approved and included in the Capital Programme, as set out in paragraph 17.
- That subject to the relevant revenue budget strategy proposal being agreed, the Closed Circuit Television (CCTV) Control Room project be approved and included in the Capital Programme, as set out in paragraph 18.
- That the Urgent Amendment to the Capital Programme, as set out in paragraph 19, be noted.
- That the Prudential Indicators as required to be determined by the CIPFA Prudential Code for Capital Finance in Local Authorities and the Local Government Act 2003, as set out in Appendix C, be agreed.
- That the Capital Strategy set out in Appendix D be approved.
- That the Minimum Revenue Provision (MRP) Policy for 2019/20 be approved as set out in paragraph 23.

Background

7. The table below summarises the *current* 3 year Capital Programme updated where appropriate to reflect latest scheme spending profiles.

	2018/19	2019/20	2020/21
	£'000	£'000	£'000
Public Sector Housing	36,652	38,230	37,732
Private Sector Housing	12,457	4,108	350
Environment	2,400	11,795	7,950
Transport	12,283	7,931	4,816
Regeneration & Cultural	3,331	23,484	7,227
Schools	14,445	16,899	5,758
Social Care, Health and Well Being	882	1,040	0
Chief Executive's	435	0	0
Total spend	82,885	103,487	63,833
Revenue	8,161	2,962	3,943
Major Repairs Reserve (Housing)	23,113	23,451	23,920
Capital receipts	17,899	22,763	14,907
Grants and contributions	32,830	9,137	8,292
Capital Financing Requirement	882	45,174	12,771
Total funding	82,885	103,487	63,833

Note that the capital programme for future years is in particular subject to government grant allocations, some of which have not yet been announced.

8. Details of progress with the 2018/19 Programme are given in Appendix A. An update on progress with the Council's most significant capital schemes is shown in Appendix B. It is proposed that the current position be noted, and that budgets be amended to reflect the variances reported in Appendix A.
9. The report on the Housing Revenue Account elsewhere on this agenda contains details of the proposed updated Public Sector Housing capital programme.

Environment

10. Green Waste Barn
To avoid likely future failure, it is necessary to replace the "push wall" of the green waste barn. The estimated cost of £50,000 can be financed by prudential borrowing with repayments funded from existing revenue resources.

It is proposed that the project be approved and included in the Capital Programme.
11. Lister Road Depot – Replacement of CCTV System
Specialist Council officers have reviewed the site and consider a wholesale replacement of the CCTV system is necessary to improve security and safety management. The estimated cost of £100,000 can be financed by prudential borrowing with repayments funded from existing revenue resources. Installation of the above is being considered in line with the council's strategy for CCTV Control Room inter-operability.

It is proposed that the project be approved and included in the Capital Programme.
12. Cradley Forge Mushroom Green Culvert Replacement
Residual grant from the Environment Agency after completion of the scheme amounts to £40,000. Additional works to enhance the area have been identified to fully utilise the resource available.

It is proposed that the expenditure be approved and included in the Capital Programme.
13. Restoration of Stevens Park, Quarry Bank
The capital element of this project involves the refurbishment and extension of Tintern House. This will be leased to the Emily Jordan Foundation which works with people with learning needs, creating workshop space, community café, offices, retail space and toilets. Green Care will rent office space on the first floor. There will also be improvements to heritage features in the park such as entrances, signs and other furniture, access improvements to the Peace Gardens, bio-diversity improvements to the landscape, improvements to footpaths and creation of new routes.

The revenue element of the project will see events and activities being developed alongside the work of the Emily Jordan Foundation delivering horticultural training, bike recycling and metal recycling, and other projects such as a community café.

The total project value is £1,831,000. Following a successful bid the Heritage Lottery has offered grant funding of £1,395,000. The balance is available from contributions in kind and already identified Council resources.

It is proposed that the project be approved and the capital expenditure element of £1,404,000 included in the Capital Programme.

Transport

Tackling Roadside Nitrogen Dioxide

14. The Council has been awarded £1,066,438 by the Department for Environment Food and Rural Affairs and Department for Transport to support new measures identified for tackling roadside nitrogen dioxide concentrations, specifically traffic signal optimisation on the A461 re. Castle Gate Island and A491 High St, Wordsley.

It is proposed that the allocation be noted and the projects included in the Capital Programme.

Regeneration

Family Centres (One Public Estate)

15. Family Solutions are approaching the end of a 2 year modernisation process. The final part of the process is the updating and rebranding of the five Family Centres that sit at the heart of the Borough's townships. Having already completed rebranding across the centres there are areas that still require transforming to ensure the centres are fit for purpose going forward.

At two of the centres (Brierley Hill & Stourbridge) car parking facilities are in need of improvement. The estimated cost of £50,000 can be funded from Troubled Families resources.

It is proposed that the project be approved and included in the Capital Programme.

Dudley Interchange

16. Dudley bus station is one of the busiest bus stations in the West Midlands. It serves approximately 5.2m passengers per year.

It is however one of the oldest bus station facilities owned by WMCA and does not meet the requirements of what a world class bus station should look like, and therefore fails to provide the customer with a high quality experience. It is in need of a redevelopment scheme to improve this interchange to meet WMCA's aspiration of a 'Best in Class' organisation and provide an improved facility.

In addition to this the delivery of the WBHE Metro route to Dudley town centre is proposed by 2023, hence the interchange scheme is required to be constructed in advance of the Metro project as the route dissects the eastern edge of the existing bus station, rendering it as inoperable in the current configuration.

The Council is working with Avenbury developers who have proposals to develop the immediate area surrounding the Interchange to accommodate a large mixed use (student accommodation and commercial) private sector development, known as the Porterfield development and this will include associated highway infrastructure improvements to facilitate the additional predicted traffic generation.

With this and the WBHE Metro route, it is imperative that the interchange is redeveloped to provide a coherent scheme that will accommodate all major proposals on the basis of a fully holistic scheme, and will provide a high quality facility to meet existing and future capacity demands.

The project is currently forecast to cost £18m. WMCA has provisionally allocated £10m from the Transforming Cities Fund towards the project and is seeking partnership contributions of £5m from the Black Country Local Enterprise Partnership and £3m from the Council.

The current revenue budget strategy proposals include provision for the debt charges which would result from such a contribution. It is proposed that subject to the relevant revenue proposal being agreed, the project be approved and included in the Capital Programme.

Former Museum and Dudley Town Hall

17. A capital project has been developed to refurbish the former Museum building at a cost of £850,000 and create an improved bar and catering facility at Dudley Town Hall at a cost of £650,000. The project will ensure that the former Museum building is brought back into use as office/training facilities and will allow the Town Hall to maximise income from bar and catering, something that we currently cannot do. The catering facility at the Town Hall will also be used to provide catering for delegates attending training at the former Museum building.

The total cost of £1,500,000 can be funded from £150,000 of Transformation reserves and £1,350,000 from disposal of assets no longer required, including those freed up by relocating training facilities to the former Museum site. Net forecast revenue savings rising to £200,000 per year are reflected in the currently proposed revenue strategy.

It is proposed that the project be approved and included in the Capital Programme.

CCTV Control Room

18. The Council is required to have a strategy in place that, working in conjunction with other agencies, does all it reasonably can to prevent crime and disorder within the Borough. The provision of CCTV plays a major role in that strategy. The CCTV control room is currently located at the Sedgley Police Station. Further to WM Police's decision to dispose of that building, capital expenditure of £1.680m is required to upgrade and relocate the control room to 7 St James's Road. Upgrading the CCTV system generally is also compatible with fulfilling the Council's wider regeneration aspirations for its town centres, will provide an opportunity to improve operations by providing a single point of contact as recommended in the Surveillance Code of Practice, and presents the Council with opportunities to generate income once the system is operational.

The current revenue budget strategy proposals include provision for the resulting debt charges. It is proposed that subject to the relevant revenue proposal being agreed, the project be approved and included in the Capital Programme.

Urgent Amendments to the Capital Programme

Town Centre Recycling Bins

19. Waste Care are looking into a number of initiatives to increase the Council's recycling rate. As part of this work the Cabinet Member requested the installation of on-street recycling bins at various locations across the Borough. It was proposed to install 5 recycling bins in each of the Borough's 5 major town centres, i.e. Brierley Hill, Dudley, Halesowen, Sedgley and Stourbridge and 2 in each of the 24 wards.

The installation of the bins would allow residents to recycle paper, cardboard, plastic bottles and drinks cans while being out and about in the Borough. Plastic contamination is now recognised as a major threat to the environment and local authorities should do all they can to facilitate the safe disposal of plastic bottles as a matter of urgency.

The location of the bins in the wards was to be determined through consultation with ward members, and where possible located next to an existing litter bin.

It was estimated that the cost of purchasing the bins would be around £50,000, with a further revenue contribution of £5,000 for installation costs. It was proposed to fund the £50,000 purchase costs through prudential borrowing over five years resulting in costs of £15,000 in 18/19 followed by a further four years of £10,000.

No resource has been allocated for the emptying of the bins and this will therefore need to be undertaken using existing resources. The impact on the Waste Collection service will be monitored. Usage of the recycling bins will be monitored to determine frequency of emptying and contamination levels.

In order to progress the scheme prior to the Christmas period when usage was likely to be high a decision (ref. PLA/46/2018) was made by the Leader of the Council in consultation with the Chief Officer, Finance and Legal Services and the Strategic Director, Place on 15th November 2018 to include the cost of installing on-street recycling bins in the Borough's major town centres and appropriate locations in each ward in the Capital Programme.

The CIPFA Prudential Code for Capital Finance in Local Authorities

20. The Local Government Act 2003 introduced a system of "prudential borrowing" which allows councils to set their own borrowing limits subject to criteria of prudence, affordability, and sustainability. The CIPFA Prudential Code sets out the indicators that authorities must use, and the factors they must take into account, to demonstrate that they have fulfilled this objective.
21. Details of the various indicators required, and the proposed figures to be set in relation to each indicator are set out at Appendix C. The most recent update to the Code requires authorities to produce a Capital Strategy. The proposed Capital Strategy for the Council is set out in Appendix D.

Minimum Revenue Provision (MRP) Policy Statement

22. Before the start of each financial year each authority must agree its policy on making Minimum Revenue Provision (MRP) for repayment of non-HRA borrowing incurred to fund Capital expenditure, in respect of that financial year. (There is no requirement to make MRP in respect of HRA borrowing.) The Department for Communities and Local Government (DCLG) has recently consulted on proposals to amend its guidance (to which authorities must have regard) on MRP. The proposed Policy below, and the detailed calculations of the Council's MRP, reflect existing guidance. Any necessary changes to the Policy arising from the outcome of the consultation, or any significant impact on detailed calculations, will be reported to Cabinet and Council in due course.
23. It is proposed that the Council agrees the following MRP Policy for 2019/20, being unchanged from the underlying 2018/19 Policy:

- MRP for all borrowing and credit arrangements be calculated on an annuity basis over the initial estimated life of the relevant assets. *(This is how a standard repayment mortgage operates, with less principal repaid in the early years so that the total of interest and principal repaid each year remains constant over the mortgage period.)*

Finance

24. This report is financial in nature and information about the individual proposals is contained within the body of the report.

Law

25. The Council's budgeting process is governed by the Local Government Act 1972, the Local Government Planning and Land Act 1980, the Local Government Finance Act 1988, the Local Government and Housing Act 1989, and the Local Government Act 2003.

Equality Impact

26. These proposals comply with the Council's policy on Equality and Diversity.
27. With regard to Children and Young People:
- The Capital Programme for Schools will be spent wholly on improving services for children and young people. Other elements of the Capital Programme will also have a significant impact on this group.
 - Consultation is undertaken with children and young people, if appropriate, when developing individual capital projects within the Programme.
 - There has been no direct involvement of children and young people in developing the proposals in this report.

Human Resources / Transformation

28. The proposals in this report do not have any direct Human Resources / Transformation implications.

Commercial Implications

29. The former Museum and Town Hall project will allow the Town Hall to maximise income from bar and catering.

30. Upgrading the CCTV system presents the Council with opportunities to generate income once it is operational.



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List of Background Papers

Relevant resource allocation notifications.
CIPFA Prudential Code for Capital Finance in Local Authorities.

2018/19 Capital Programme Progress to Date

Service	Budget £'000	Forecast £'000	Variance £'000	Comments
Public Sector Housing	36,652	39,610	2,958	See note 1
Private Sector Housing	12,457	12,407	-50	See note 2
Environment	2,400	2,399	-1	See note 3
Transport	12,283	12,272	-11	See note 4
Regeneration & Cultural	3,331	3,331	0	
Schools	14,445	14,445	0	
Social Care, Health and Well Being	882	882	0	
Chief Executive's	435	435	0	
Total	82,885	85,781	2,896	

Note 1: Extra spend required on Empty Homes element of programme, reflecting increased number of voids.

Note 2: Reduction in forecast spend to reduce revenue funding requirement.

Note 3: Minor outturn saving on Outdoor Gym project.

Note 4: Final outturn saving on Himley Rd. / Bull St. scheme.

Progress with Major Capital Schemes

Public Sector Housing

New Council Housing

Works commenced on site March 2017, completing in phases by 2019/20, for 130 new homes in a mixed tenure development at Middlepark Road, Russells Hall of which 42 will be new Council homes. The first 10 Council owned homes were completed March 2018. The remaining 32 Council homes are all now completed and the private sale scheme will complete late Summer 2019.

Work commenced in October 2017 for 16 apartments at Beech Road, Kingswinford, initially with the demolition of the existing structure. The scheme was completed November 2018.

Work commenced in October 2017 for 12 one bedroom apartments at Wolverhampton St, Dudley, as part of the Wolverhampton St regeneration corridor. Completion due March 2019.

Work commenced in March 2018 for 12 bungalows at Crowle Drive, Stourbridge. Completion due March 2019.

Work commenced in March 2018 for 10 new houses at Wychbury Rd, Stourbridge. Completion due March 2019.

Planning approval has been received for the following 2 schemes with starts on site before March 2019 likely:

- 14 houses at Stewarts Rd, Halesowen -
- 6 new Council houses at Uplands, Dudley, (a revised scheme to address parking concerns following refusal of planning permission in April 2018)

Planning applications are in progress for a number of schemes, including:

- 8 houses at Portway Close, Kingswinford - start on site before March 2018 possible, if successful
- 13 bungalows, off The Broadway, Norton, Stourbridge
- 8 houses and 2 bungalows at Worcester Rd, Netherton (site of former Darby End Estate Office)
- 3 new houses at Kinfare Rise

Feasibility work is ongoing for other infill sites across the borough and discussions are ongoing with Planning and Highways.

Private Sector Housing

Homes for Sale

This will deliver 59 homes for sale at market prices and 20 affordable homes (25% of the homes being developed) for rent by the HRA.

Planning approval has been received for all four schemes.

Work has now completed at:

- Wenlock Gate (Wrens Nest Road) – a development of 8 new homes with 4 for private sale (all 4 sold).

Work has commenced at:

- Red House Mews (King William St / Brettell Lane Amblecote) – a development of 20 new homes with 16 for private sale. Completion due Autumn 2019 (4 plots reserved as at December 2018)
- Mill Grange (Mere Road, Norton) – a development of 18 homes with 14 for private sale. Completion due Winter 2019
- Castle Court (Beechwood Rd, Dudley) development of 33 homes with 25 for private sale. Completion due Spring 2020

Environment

Lister Road Depot Redevelopment

Following feedback received from the initial planning application, the designs of the development have been reviewed and amended to address these concerns. The full planning application has been approved at Development Control Committee. Procurement options for the construction works are currently being considered and enabling works are due to commence by March 2019.

Transport

Street Lighting (Invest to Save)

Around 3,100 street lighting lantern conversions to LED technology on main roads have been completed. This is around 45% of the total works. The programme will continue to progress during the remainder of 2018/19 and throughout 2019/20. Over 500 additional lanterns have already been purchased ready for installation. New columns and lanterns will be programmed for installation during this year and next. In addition, external contractors have installed around 100 of over 370 12 metre columns forming part of this project.

Regeneration and Cultural

Dudley Townscape Heritage Initiative

The Townscape Heritage (TH) programme is funded through the Heritage Lottery Fund which offers grant assistance to carry out repair, reinstatement and refurbishment works to historic buildings, as well as a programme of complementary education and community engagement activities.

The Phase 2 TH programme, which is operating with a grant budget of £1.178m from the HLF and £300,000 matchfunding from the Council, commenced in February 2017. It will run for 4 years and focuses on buildings in the town centre's historic core. The work at 203/204 Wolverhampton Street completed in July and the new owners, Met Recruitment, have been operating from the premises since completion. Grant offers for neighbouring properties at 208 and 209 Wolverhampton Street have been confirmed and work is now expected to commence in the New Year. Other projects identified as priorities within the bid, including 204a Wolverhampton Street, 216 Wolverhampton Street and 14 New Street, are being progressed with the private owners with a view to work being undertaken in years two and three.

The activities are also being progressed and developed in conjunction with teams in Adult and Community Learning, Museums and Communications and Public Affairs, with events such as the Heritage Open Day held in September and the continued development of the volunteer training programme. We are also liaising with Dudley College to facilitate training in conservation skills. The TH programme is being progressed in line with the Action Plan.

One Public Estate

The Council's Estate Strategy 2017–2022 was approved by Cabinet in December 2017 and is now a live document. Issues meriting specific reference include the implementation of five Family Centres across the borough enabling Children's Services to develop their Early Help strategy with Family Centres supporting children and young people aged 0-18, (up to 25 years for those who have a learning difficulty/disability). All of the Family Centres have had an element of refurbishment on varying scales and are supported by a facilities management service provided by Corporate Landlord Services.

The Care Leavers Team has moved from Studley Court to Saltwells prior to completion of an extension project at Corbyn Road. This temporary move was a result of a recommendation made by Ofsted.

West Midlands Police previously based at Dudley Police Station have taken up occupation at 7 St James Road in a serviced building supported by a formal lease agreement. Negotiations are also in progress with regard to the Police taking a lease of vacant Council premises in Stourbridge.

In relation to assets considered surplus to operational requirements, work continues to dispose of them by the most beneficial method including on the open market and via Community Asset Transfer. Some £3.8m of (General Fund) capital receipts have been realised since 1st April 2017 with approximately £1.9m (General Fund) sold subject to contract or under offer. Where necessary, to increase value or to make a sale more viable, some site remediation is being considered prior to future disposal.

Corbyn Road Extension

Detailed design work is now in progress and following procurement it is currently planned to start building work in March 2019 with completion anticipated in late September 2019.

Low Carbon Place Strategy

Although the council was originally awarded £2.5m of European Regional Development Funding (ERDF), a late condition placed on that award significantly reduced deliverability. As a result the project has been re-designed with an increased focus on improving the energy efficiency of council housing stock by installing new gas boilers and smart heating controls. Funding is also being sought to improve the energy efficiency of heating and lighting in corporate buildings. The total value of the grant remains at £2.5m, with £2.5m of match funding to be met from existing HRA budgets. The project is being reassessed by the Ministry for Homes and Local Government (MHCLG) for eligibility with a decision expected during the 2018/19 financial year.

Stourbridge Crematorium

The upgrade of the cremators and enhancement works to the chapel at Stourbridge Crematorium are now scheduled to commence in the summer of 2019. The start date has been pushed back due to a re design of the area where the cremators are to be installed. The contract will be awarded shortly. The spend is forecast to be within budget.

Very Light Rail (VLR)

Two Very Light Rail test tracks are to be installed between Castle Hill Bridge and Cinder Bank with a test passenger platform located at the Cinder Bank end of the tracks. Full track length will be approximately 2km. The eastern track will be bedded on stone ballast and western track bedded on concrete track form system, the western track to form a later phase of work. The existing use of the track-way is a disused freight track-way which is subject to lease terms on the land which will be shared with the landowner (Network Rail) and the test

track operator WMG. A planning application was submitted on 10th November 2017 and determined with reserved matters on 25th January 2018.

A planning application for the proposed new building for the 'Very Light Rail National Innovation Centre'(VLRNIC), including a pedestrian foot bridge link to Tipton Road and links to future metro line, car parking, rail vehicle test track sidings and linking lines into the VLRNIC engineering hall was submitted on 12th December 2017 and determined with conditions to be discharged on 2nd March 2018.

Building regulations conditional notification was received on 22nd February 2018 and Conditional Approval received on 25th May 2018.

Phase 1 advance enabling site works and surveys commenced in December 2017 and are now complete albeit additional minor surveys may be undertaken if scheme design development dictates.

The Phase 1 main works (including Metro Retaining Wall, see below) are due to commence after contract award and are forecast to complete in early 2021.

The Council has been formally advised that the ERDF bid for £5.35m was rejected by the MHCLG on grounds of two key issues – state aid advice did not adequately demonstrate that the scheme was State Aid compliant and the business plan did not give the assurance that there would be sufficient return on investment.

The next call for “Priority 1” ERDF funding took place in October 2018 and an outline application was submitted on the 23 November 2018. The team has taken legal advice (from both our advisors and those recommended by the ERDF team) and is confident that the resubmission will now adequately demonstrate compliance with State Aid. Similarly, the business plan has been amended and expanded upon to overcome MHCLG reservations and now provides a robust plan for the required term of 15 years. The resubmission is therefore expected to be successful and expenditure is continuing on that basis. It is anticipated that the final full submission will be made in early February 2019.

The latest cost plan is indicating cost exceeding the budget slightly and the project team is reviewing a number of savings to ensure the scheme can be delivered within the budget.

Metro Retaining Wall

The West Midlands Combined Authority approved funding of £4,335,000 on 27th November 2017. It is estimated that this will be expended between November 2017 and January 2020.

The design works stage commenced in October 2017 and is currently under review based on recent changes made to the alignment of the new metro line and the Station Road Tram Stop. Approval of the revised design by the CA is expected in March 2019.

The Metro Retaining Wall construction is due to commence in the summer of 2019 and is forecast to complete in early 2020. Current estimates are indicating the wall costs breaching the available budget and an exercise is currently underway providing further refinement to the design to enable the budget to be maintained.

Leisure Centres

Officers have tested the leisure market to identify the most cost effective procurement options to deliver one new leisure centre in Dudley and refurbish Crystal and Halesowen leisure centres. Two project groups reporting to the Strategic Project Board are to be set up (Technical & Operational) involving in-house professionals, managers and the external specialist who will now move the project to the next stage of the process which includes detailed design works and budget costs.

Schools

Schools Basic Need Projects

The identification of the next phase of projects to be funded from Basic Need capital grant has been agreed with Brierley Hill Township secondary school places as a priority. Subject to the outcomes of statutory consultations, the plan is to expand both Wordsley and Crestwood Secondary Schools to meet projected growth by 2020.

Numbers for both primary and secondary school places continue to be closely monitored and processes are in place to recommend the next wave of capital projects to address any projected growth across both sectors.

A project at Brockmoor Primary School for the relocation of the Early Years Assessment Unit from Bromley-Pensnett Primary School to provide additional places using Basic Need Funds is underway and progressing well.

Priority Schools Building Programme

The Council has now received formal confirmation from the Education Skills Funding Agency (ESFA) of a revised grant allocation of £2,515,000 for the rebuild of the Key Stage 1 block at Huntingtree Primary School. The project has commenced on-site and is progressing well.

Healthy Pupil Capital Fund

As reported to Cabinet previously, the Council has been allocated £226,000 from the Healthy Pupils Capital Fund (HPCF) to improve children's and young people's physical and mental health by improving and increasing availability to facilities for physical activity, healthy eating, mental health and wellbeing and medical conditions. Funding is provided from the Soft Drinks Industry Levy, also known as the "Sugar Tax".

Officers have been looking at options on how best to disseminate the funding with the integration of a deprivation factor across the maintained school estate to address areas with most need. Community, foundation and voluntary controlled schools are likely to be asked to apply to the Council for funding towards a project that meets the fund criteria with bids being assessed to ensure that they comply with the bidding criteria before being informed of the outcome.

Social Care, Health and Wellbeing

Social Care ICT

Engagement with the supplier is underway. Timescales are subject to detailed project planning. The overall project (revenue and capital) is now estimated to cost £3.5m which can be funded from the one-off revenue allocation in 2017/18 and the use of earmarked reserves.

CIPFA Prudential Indicators

The indicators set out below are specified in the CIPFA *Prudential Code for Capital Finance in Local Authorities* (“the Code”), which is required to be complied with as “proper practice” by Regulations issued consequent to the Local Government Act 2003. They are required to be set and revised through the process established for the setting and revising of the budget, i.e. by full Council following recommendation by the Cabinet. Indicators for the forthcoming and following years must be set before the beginning of the forthcoming year, but may be revised at any time following due process.

The first group of indicators (1-4) are essentially concerned with the prudence and affordability of the Council’s capital expenditure and borrowing plans in the light of resource constraints. The remaining indicator (5) is primarily concerned with day-to-day borrowing and treasury management activity.

The proposed figures for each indicator have been developed in the light of the Council’s overall resource position and medium term financial strategy and have regard to the following matters as required by the Code:

- Service Objectives;
- Stewardship of Assets;
- Value for Money;
- Prudence and Sustainability;
- Affordability;
- Practicality.

Affordability and prudence are specifically addressed by the indicators set out below. The other matters listed form a fundamental part of the Council’s budget setting, management and monitoring procedures - as summarised in the Financial Management Regime (FMR) which forms part of the Constitution - and with particular relevance to capital expenditure, set out in more detail in the Council’s Capital Strategy.

Appropriate procedures have been established for proper management, monitoring and reporting in respect of all the indicators, and the risks associated therewith.

Indicators set for 2017/18, 2018/19 and 2019/20 this time last year have been reviewed and where necessary are proposed to be updated to reflect latest forecasts.

1. Estimated and Actual Capital Expenditure

This indicator forms the background to all the other indicators, given that the overall rationale of the prudential system is to provide flexibility for borrowing to fund capital investment. Estimated capital expenditure is required to be calculated for the next 3 financial years, and actual expenditure stated for the previous financial year, with totals split between HRA and non-HRA capital expenditure.

Subject to the other proposals in this report being agreed, together with those contained in reports elsewhere on the agenda, the proposed indicators are as follows.

	2017/18 £m Actual	2018/19 £m Revised Estimate	2019/20 £m Revised Estimate	2020/21 £m Revised Estimate	2021/22 £m Estimate
Non - HRA	35.7	46.2	70.4	29.8	5.1
HRA	44.2	39.6	41.4	38.9	38.3
Total	79.9	85.8	111.8	68.7	43.4

2. Estimated and Actual Capital Financing Requirement (CFR)

The Capital Financing Requirement is a measure of the Council's underlying need to borrow to fund its capital expenditure once other sources of funding - grants, capital receipts and revenue - have been taken into account. The CFR increases when expenditure is incurred, and reduces when provision is made to repay debt.

The proposed indicators consistent with the level of capital expenditure set out above are as follows.

	2017/18 £m Actual	2018/19 £m Revised Estimate	2019/20 £m Revised Estimate	2020/21 £m Revised Estimate	2021/22 £m Estimate
Non - HRA	286.6	276.8	311.9	313.9	304.1
HRA	470.3	470.3	470.3	470.3	470.3
Total	756.9	747.1	782.2	784.2	774.4

The limit on the HRA CFR imposed on implementation of self-financing, plus subsequent approved increases was £470.3m. Such limits were abolished on 29th October 2018 with immediate effect.

3. Gross Debt and the Capital Financing Requirement.

In order to ensure that in the medium term, debt can be incurred only for capital purposes, this indicator requires that gross external debt does not (except in the short term) exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years.

It is anticipated that this requirement will be met for the years 2018/19 to 2021/22.

4. Estimated and Actual Ratio of Capital Financing Costs to Net Revenue Stream

This indicator is intended to demonstrate the affordability of capital investment decisions in terms of the ratio of capital financing costs to overall resources, expressed as a percentage. The proposed indicators consistent with the level of capital expenditure set out above are as follows.

	2017/18	2018/19	2019/20	2020/21	2021/22
	%	%	%	%	%
	Actual	Revised Estimate	Revised Estimate	Revised Estimate	Estimate
Non - HRA	3.8	8.3	9.2	9.8	10.1
HRA	45.8	46.5	48.0	46.9	46.6

The relatively low Non-HRA % for 2017/18 and to a lesser extent 2018/19 is mainly due to there being no Minimum Revenue Provision (MRP) for 2017/18 and reduced provision for 2018/19 following the review of MRP Policy in 2015/16.

5. The Authorised Limit, Operational Boundary, and Actual External Debt

These indicators are intended to ensure that levels of external borrowing are affordable, prudent and sustainable. The Authorised Limit for external debt is a statutory limit (as per section 3 of the Local Government Act 2003) that should not be breached under any circumstances. The proposed limits set out below have been calculated to take account of the Council's capital expenditure and financing plans and allowing for the possibility of unusual cash movements. If this limit is likely to be breached, it will be necessary for the Council to determine if it is prudent to raise the limit, or to instigate procedures to ensure that such a breach does not occur.

The Operational Boundary for external debt is a management tool for day-to day monitoring, and has also been calculated with regard to the Council's capital expenditure and financing plans allowing for the most likely, prudent, but not worst case scenario for cash flow. Temporary breaches of the operational boundary, due to variations in cash flow, will not be regarded as significant.

Both the Authorised Limit and the Operational Boundary are split between conventional borrowing and "other long term liabilities" such as leases and other capital financing arrangements which would result in the related assets appearing on the Council's Balance Sheet. Such arrangements would include for example finance leases for the procurement of vehicles. Provided that the total Authorised Limit and Operational Boundary are not exceeded, the Director of Finance may authorise movement between the constituent elements within each total so long as such changes are reported to the next appropriate meeting of the Cabinet and Council.

	2017/18	2018/19	2019/20	2020/21	2021/22
		Revised	Revised	Revised	
	£m	£m	£m	£m	£m
Authorised limit for external debt:					
Borrowing	n/a	911	933	899	889
Other long term liabilities	n/a	23	28	25	22
Total	n/a	934	961	924	911
Operational boundary:					
Borrowing	n/a	863	828	802	780
other long term liabilities	n/a	23	28	25	22
Total	n/a	886	856	827	802
Actual External Debt:					
Borrowing	821.7	n/a	n/a	n/a	n/a
Other long term liabilities	24.6	n/a	n/a	n/a	n/a
Total	846.3	n/a	n/a	n/a	n/a

Dudley MBC Capital Strategy

Background - The CIPFA Prudential Code for Capital Finance in Local Authorities

1. The Local Government Act 2003 introduced a system of “Prudential Borrowing” which allows councils to set their own borrowing limits subject to criteria of prudence, affordability, and sustainability. The CIPFA Prudential Code sets out the indicators that authorities must use, and the factors they must take into account, to demonstrate that they have fulfilled this objective.
2. The recently updated Code requires that: “In order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place a Capital Strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.”
3. The Strategy will be updated and approved by Full Council at least annually, along with the indicators required by the Prudential Code.

Capital Expenditure

4. A simple definition of Capital Expenditure is that expenditure which gives a future benefit or service potential to the Council for a period of more than one year. It is accounted for separately from revenue (day-to-day) expenditure, and funded from different sources from revenue expenditure.
5. More specifically, expenditure that can be capitalised includes:
 - purchase, reclamation, enhancement or laying out of land;
 - purchase, construction, preparation, enhancement or replacement of roads, buildings and other structures;
 - purchase of plant, machinery, vehicles, furniture & equipment (including ICT hardware);
 - purchase of ICT software programmes;
 - grants (and some loans) to third parties for any of the above.
6. During its life, an asset may pass through up to four basic stages:
 - a. Acquisition or construction;
 - b. Ongoing management and maintenance;
 - c. Major enhancement;
 - d. Obsolescence, decommissioning and disposal.
 Phases (a) and (c) may necessitate capital expenditure.
7. Capital expenditure extends further than direct acquisition and expenditure on assets by the Council. It also includes property and equipment that is leased for a significant part of its useful life or where the lease payments amount to a significant part of its value. Entering into such leases, and other similar credit arrangements, will therefore form part of the Council’s capital expenditure and must be authorised by Council and included in the Capital Programme (see process below) *before* any lease is entered into.

Strategic Context

8. Dudley Council has clear ambitions and plans, focussed on delivering priority outcomes for our communities and committed to ensuring that we build a Council which is fit for the future. The Council Plan sets out four priorities. The first three priorities:

- Stronger and safer communities;
- A cleaner greener place; and
- Growing the economy and creating jobs,

reflect the challenge in balancing the needs of vulnerable people, the core universal services that all residents depend on and investment in the economy of the borough to secure the future. The fourth priority “One Council, building an effective and dynamic organisation” ensures we have the organisation we need to deliver the first three priorities.

9. The Council Plan is supported by Chief Officer plans that provide more detailed information on the service actions we are taking to deliver our priorities. The plans are reviewed annually in support of the Council Plan.
10. The Capital Strategy is one of the means by which the priorities of the Council Plan will be achieved. We recognise that to accomplish our goals, best possible use needs to be made of existing public sector assets, while resources available for new investment must be deployed as efficiently and effectively as possible.

Links to other Strategies and Plans

11. The Capital Strategy is consistent with the Council's other strategies and plans. Of particular relevance is the Corporate Estate Strategy which reflects the key Council Plan aims, recognising that good asset management should help the Council to

- Empower communities and engender civic pride;
- Improve the economic wellbeing of an area;
- Increase co-location, partnership working and the sharing of knowledge;
- Reduce carbon emissions and improve environmental sustainability;
- Prioritise and align resources with the Customer Connect initiative to deliver exceptional services for citizens of and visitors to Dudley

12. The Estate Strategy comprises 3 main parts:

- The current position of the Council's estate;
- Its desired future position;
- How we propose to deliver it.

Partnership and External Funding

13. The Strategy not only covers all aspects of Capital expenditure within the Council, but also those areas where the Council works in partnership – for example using its own resources as matchfunding to maximise the overall resources available for its own and its partners' priorities.

14. It also informs the bidding for additional capital resources (e.g. from Central Government and other sources of external grant funding).

Capital Priorities

15. The Council's current capital investment priorities, including those where it is working in partnership, are as follows.

Public Sector Housing

16. Priorities:

- Planned programmes of expenditure to keep homes in good order by addressing efficient investment in key building components such as roofs, electrics, kitchens and bathrooms;
- Ensuring that as many of the Council's homes as are economically viable are available for occupation;
- Improving fuel poverty and energy efficiency for residents;
- Delivering social care programmes in residents' homes and improvements in sheltered schemes which increase the ability for residents to live independently in their own homes;
- Delivering regeneration, environmental and community safety improvements to estates;
- Strategic stock investment and de-investment programmes in accordance with the ongoing stock sustainability and appraisal work and providing necessary investment at affordable levels for communal facilities in flatted developments;
- Providing new affordable social housing within the borough;
- Providing an efficient repair service to undertake all statutory and compliance responsibilities, cyclical and routine maintenance.

Private Sector Housing

17. Priorities:

- Continued use of loan, grant and other forms of financial solutions to assist vulnerable occupiers living in the private sector to remain independent in their homes through property repair, improvement and adaptation;
- Winter Warmth / Energy Advice Service providing advice, practical support, equipment and repairs to ensure all vulnerable occupiers keep warm, healthy and heat their homes efficiently;
- Continued use of loan, grant and other forms of financial solutions to bring long term empty private properties back into use;
- Sustaining our improved performance in delivering adaptations for disabled persons through use of Mandatory Disabled Facilities Grants;
- Provision of rent deposit guarantees / loans to private sector landlords / potential tenants to facilitate access to accommodation for persons in need;
- Developing homes for private sale.

Highways and Transport

18. The Transport Capital Programme supports maintenance and improvement works on the Council's highway infrastructure and its associated assets, including street lighting, the repair and maintenance of pavements and public rights of way, structures, bridges and retaining walls.
19. Through effective asset management, the Council will continue to maximise opportunities offered by new technology using innovative ways of maintaining and improving its highway network.
20. By working with the Department for Transport, Transport for the West Midlands and the wider Combined Authority, West Midlands partners, local partners and the community, external funds will continue to be sought for existing and new projects. We will also, using Government Grants, continue to invest and improve the Borough's transport networks to ensure their safety, efficiency and minimise their environmental impact particularly associated with traffic congestion and air quality.
21. Current priorities:
 - Delivery of the Highway Maintenance Programme for roads and pavements;
 - Investment in the Street Lighting Infrastructure (to generate greater energy efficiency);
 - Works on highway structures, bridges and retaining walls;
 - Integrated Transport (minor schemes designed to improve the safety and increase the capacity of the highway network and encourage sustainable modes of travel);
 - Completion of major and minor highway schemes and other projects.

Economic Regeneration

22. External funds are maximised to support the delivery of key economic regeneration projects and initiatives. This includes Heritage Lottery Funds, European Regional Development Funds (ERDF), Growing Places funds, Local Growth Funds and funds accessible via the West Midlands Combined Authority.
23. External Funding has already been secured to support the regeneration of Dudley Town Centre through the Townscape Heritage Initiative, for the development of Castle Hill as a major tourism cluster and to deliver public realm improvements in Dudley Town Centre.
24. The Council will seek to maximise the use of external funds through its engagement in the preparation and delivery of the Black Country Strategic Economic Plan, Black Country European Union Structural and Investment Fund Strategy and the West Midlands Combined Authority Strategic Economic Plan for projects such as the Very Light Rail National Innovation Centre.

25. The Metro Extension through Dudley to Brierley Hill is potentially an economic regeneration game changer for Dudley. It will help to realise the following key benefits:

- Support our housing regeneration priorities through improved connectivity to areas of housing development opportunity;
- Support economic regeneration by improving accessibility to major employment sites including Castle Hill; Dudley Town Centre; our emerging DY5 Enterprise Zone; the Merry Hill Centre; Brierley Hill Town Centre as well as improving access to key visitor attractions such as the Black Country Living Museum and Dudley Zoological Gardens ;
- Encourage modal shift from private car by delivering a high quality and reliable public transport service;
- Support an integrated transport network through providing seamless interchange

The Council is working with Transport for West Midlands (TfWM) to facilitate delivery of the Metro and this may also involve capital expenditure on Urban Realm and Highways measures to complement the Metro

26. TfWM is also proposing the creation of a new Transport Interchange for Dudley Town Centre which will replace the existing Bus station and link with Metro and potentially Sprint. A planning application has been submitted and TfWM are seeking financial support through the West Midland Combined Authority Transforming Cities, the Black Country LEP and the Council.

27. A recurring budget funded mainly by borrowing will be used for structural maintenance of Council buildings which cannot be met from other resources. Projects arising from the Council's Estate Strategy, including those in pursuance of the "One Public Estate" strand of the Council's Transformation agenda will also be progressed subject to value for money assessment.

Environmental Services

28. Current priorities are:

- redevelopment of the Lister Road Depot;
- possible alternative sites for the Household Waste Recycling Centre;
- ongoing programme for replacement of vehicles used to deliver services;
- LED replacement programme on main road street lighting;
- Delivery of the Green Spaces Asset Management Plan.

Cultural

29. Current priorities are:

- replacement of Dudley Leisure Centre and major upgrading of Halesowen and Stourbridge Leisure Centres;
- replacement of cremators and upgrading of facilities at Stourbridge Crematorium.

Schools

30. The key investment priorities for the use of available capital resources (mainly funded by a number of Government grants) are:

- Maximise the efficient and effective use of resources in collaboration with partners to improve service delivery.
- To work in joint partnership with schools to target available resources in accordance with the asset management programme.
- To address the backlog of urgent repairs and maintenance identified by condition surveys for all schools using fair and transparent prioritisation processes.
- To continue to address the issues of Basic Need requirements ensuring sufficient school places across the primary and secondary schools sector (maintained and non-maintained) through effective place planning processes.
- To continue to develop the infrastructure required to improve the Special Educational Needs (SEN) provision including the issues of Basic Need requirements ensuring sufficient school places for Special Schools in line with the SEND Strategy.
- To continue to maximise bidding opportunities for external funding to replace or upgrade those school buildings with the most urgent need as identified by the principles of Asset Management Planning.
- To continue addressing issues regarding access for disabled persons to all buildings and to ensure appropriate Accessibility Plans are in place for all schools in line with latest regulations.
- To ensure the continuing delivery of the Directorate's asset management plan in accordance with DfE requirements especially for the collation of robust data on school places and condition.
- To ensure revisions to regulations and guidance for school buildings are adhered to and complied with.
- To address effectively issues relating to health and safety, including fire risk, asbestos, legionella and site security.

Social Care, Health and Well Being

31. The current key priority and ongoing capital project for Social Care, Health and Well Being is the new Social Care ICT system

Chief Executive's

32. Ongoing programme for replacement and upgrading of ICT infrastructure used to deliver services.

Capital Programme

33. The detailed Capital Programme for the Council's own expenditure on acquisition, development and maintenance of the assets required to deliver service outcomes will be updated on an ongoing basis in accordance with the Governance processes set out below.

Property Investment

34. The Council will incur capital expenditure on acquisition or development of property only where the primary purpose is service delivery and/or regeneration, and in the case of the latter then only where a development would not happen without Council involvement, and the potential regeneration gain justifies any financial or other risks. It will not invest in property for the sole or primary purpose of revenue income or other financial return.

Sources of Funding

Grants & Contributions

35. These are mainly provided by Central Government Departments or other Public Sector Agencies and are usually to fund specific projects or broader categories of spend, in line with the funder's priorities. They may be received in response to specific bids, or on a formula allocation basis. They may also require matchfunding from the Council's other capital resources, or from other local partners or spending beneficiaries.
36. To a lesser extent, contributions may be available in the form of "Section 106" planning agreements, Community Infrastructure Levy, or otherwise from local business partners.
37. Some Government capital grant funding is scheme specific to the extent that it cannot be used for anything else ("ringfenced") but is often only notionally allocated to specific areas of spend. Thus it can be spent at the Council's discretion, the only real condition usually being that it must be spent on capital rather than revenue items. However the Council has generally followed a process where such resources are (internally) earmarked to the relevant service area.

Revenue & Reserves

38. To the extent that revenue resources and reserves are available once day-to-day spending needs have been covered, these may be used to fund capital expenditure.

Borrowing (commonly known as Prudential Borrowing)

39. With the exception of Public Sector Housing investment (which is constrained by a Government imposed debt ceiling), the Council can borrow to fund capital expenditure so long as it has sufficient revenue resources to service the resulting debt charges – principal and interest.
40. Any proposals to fund capital expenditure from borrowing where the revenue costs can be met from existing resources (e.g. "spend to save" type initiatives) are considered by Cabinet and Council in the same way as any other capital projects.
41. Any proposals to fund capital expenditure from borrowing where the revenue costs cannot be met from existing resources must be considered along with other revenue budget pressures as part of the annual revenue budget setting and MTFs review process in the light of overall revenue resource availability.

Capital Receipts

42. Assets (usually land and buildings) no longer required for the provision of services may be declared “surplus to requirements” and sold. The detailed disposal process is set out in the Corporate Estate Strategy.
43. Proceeds from disposals of General Fund assets do not constitute available capital resources, but generate revenue savings by repaying existing borrowing or as a substitute for new borrowing (see above) that would otherwise be required. Proceeds from Right to Buy sales and other Public Sector Housing disposals are currently earmarked for Housing investment, subject to annual review.

Budget and Medium Term Financial Strategy

44. As set out above, any proposals to fund capital expenditure from borrowing where the revenue costs cannot be met from existing resources must be considered along with other revenue budget pressures as part of the annual revenue budget setting and MTFS review process in the light of overall revenue resource availability.
45. Likewise capital projects generating net savings may be brought forward, along with other savings proposals, as part of the overall budget and MTFS review process.
46. All forecast debt charges and other revenue costs arising from approved new capital spend (together with debt charges arising from past expenditure funded from borrowing, and the revenue costs of ongoing maintenance of existing assets) will be included in the revenue budget and MTFS of the General Fund or HRA as appropriate. Forecast revenue savings from reduced borrowing arising from asset disposals are also taken into account.

Treasury Management Strategy

47. Long term borrowing requirements to fund overall capital expenditure not met from other means - the “Capital Financing Requirement” (including the extent to which this can be met internally rather than from external borrowing) and short term cashflow requirements in respect of the Capital Programme and funding, are taken into account in the Council’s Treasury Management Strategy.

Affordability and Risk

48. The Capital Strategy sets out the framework within which individual capital projects are approved for inclusion in the Capital Programme and does not in itself authorise any capital expenditure. Affordability and risks are considered when proposals are brought forward for such inclusion. This will include risks relating to the capital expenditure itself, funding of that expenditure (e.g. grant availability and conditions), and ongoing revenue costs and/or income.
49. Risks relating to (treasury) management of borrowing to fund capital expenditure and overall revenue resource availability to fund debt charges and other revenue costs arising from capital expenditure are explicitly recognised in the Treasury Management Strategy and the overall MTFS (General Fund and HRA) as appropriate.

Governance

Inclusion of projects in the Capital Programme

50. All proposals to include projects in the Capital Programme must be approved by full Council following recommendation by Cabinet. This applies regardless of the source(s) of funding for the project.
51. The only exceptions to the requirement that all capital projects be approved by full Council are:
- i. In cases of urgency, a project may be included in the Capital Programme by Cabinet alone (if the decision cannot wait until the next meeting of Full Council).
 - ii. In cases of urgency, a project may be included in the Capital Programme by the Leader of the Council in consultation with the Chief Officer, Finance and Legal - using the Decision Sheet process (if the decision cannot wait until the next meeting of Cabinet). The Decision Sheet will need to cover the same issues as would be required for reporting to Cabinet (see below), and must also include an explanation of why the normal processes cannot be followed. If the degree of urgency is such that the normal requirements of the Constitution with regard to public notice and “call-in” would prejudice the delivery of the project, approval of the Chair of the appropriate Scrutiny Committee (to waive notice) and Mayor (to waive call-in) will also be required.

Note however that these “urgency” procedures are intended to be used only in exceptional circumstances and are not intended as a substitute for proper project planning. Use of the procedures is reported to the next available Council, or Cabinet & Council meetings as appropriate.

- iii. Other specific standing authorisations have been given to include particular categories of expenditure in the Capital Programme without individual Cabinet approval. These include:
 - Schools projects funded wholly from delegated budgets or fundraising activities (subject to prior approval by the Chief Officer for Children’s Services & the Chief Officer, Finance and Legal);
 - Highways, Schools, Green Space, Nature, Environmental Protection and Public Realm projects funded by s106 monies;
 - Projects funded from Risk Management resources;
 - Use of extra in-year Local Transport Plan (LTP) resources;
 - Dudley Town Centre Area Development Framework (ADF) projects;
 - Parks & Open Spaces projects funded as a result of “Friends” bids;
 - ICT Strategy projects.

Responsible Officers

52. Directors will identify a Responsible (Lead) Officer for each project who will take overall responsibility for coordinating all aspects of the project from initial proposal through to post completion review.

53. The Responsible Officer role is key to the efficient operation of the Council's Capital Programme. Responsible Officer details will be held on the Council's financial systems, and any change must be notified to the relevant accountant so that these can be amended.

Justification

54. Prior to the inclusion of *any* project in the Capital Programme, each proposal must be justified against the following criteria in accordance with the Financial Management sections of the Council's Financial Regulations:
- i. Contributes towards the delivery of the Council's strategic objectives, e.g. as set out in the Council Plan;
 - ii. Contributes towards the achievement of a specific priority/objective(s) as set out in a Directorate Service Plan, and/or arises from agreed capital strategies e.g. Housing Investment Programme, Local Transport Plan, and/or assists the Council to meet its statutory objectives or respond to new legislative requirements, and/or contributes to the achievement of Best Value;
 - iii. Can be supported by a coherent funding strategy; will minimise use of the Council's own resources;
 - iv. Has a clear and well thought out brief which defines the objectives of the project and specifies any issues which are time critical; is otherwise achievable within the financial year concerned;
 - v. Has been fully evaluated against alternative methods of achieving the same objectives, and alternative funding sources. (See Option Appraisal section below.)

Option Appraisal

55. Every capital project must be evaluated against alternative methods of achieving the same objectives. In addition, Standing Orders relating to contracts over £155,000 (Capital & Revenue) specifically require that:

Before a decision to procure is made a detailed project appraisal including consideration of relevant service delivery options for the total scheme shall have been undertaken by the appropriate Director in accordance with the Corporate Guidance. The Director must approve the appraisal in writing before any further work in the project is undertaken.

56. Options appraisal must be an integral part of the decision-making process and the scale and nature of a project will determine the level of options appraisal detail needed to make a decision.

Prioritisation

57. In order that the limited resources available for capital investment are used in the most effective way, it is essential that robust and consistent prioritisation processes are used to determine which projects proceed.
58. In theory, it would be possible to devise a methodology for prioritising *all* potential capital projects against the resources available - to maximise the total benefit of the Council's capital investment as a whole. In reality however, this would pose major problems, not least the difficulty in devising a prioritisation methodology which could fairly compare and score bids for schemes of all magnitudes and degrees of complexity across the whole range of Council services.

59. Some Government capital grant funding is scheme specific to the extent that it cannot be used for anything else (“ringfenced”) but is usually only notionally allocated to specific areas of spend. Thus it can be spent at the Council’s discretion, the only real condition usually being that it must be spent on capital rather than revenue items.
60. However the Council has generally followed a process where such resources are (internally) earmarked to the relevant service area, but with an emphasis on demonstrating appropriate prioritisation *within* service programmes, and *within* spend headings.
61. As stated in Financial Regulations, it is the responsibility of the relevant Directors to make sure that such prioritisation is robust and stands up to scrutiny. Prioritisation should include formal scoring mechanisms or other objective methods wherever possible and appropriate.

Where a project relies on council resources prioritisation is achieved by including the revenue costs in the budget pressures process for consideration against other pressures in light of the overall resource position.

62. It should in particular be noted that even where capital resources are earmarked to particular spend areas, there is usually still a large degree of flexibility concerning allocation to specific projects. Likewise, where resources are being bid for (see below) there will usually be discretion over which particular projects are submitted. In such circumstances it is just as important in gaining best value from available resources to ensure that robust prioritisation is undertaken before bids are submitted.
63. Note that prioritisation and option appraisal are not the same – but are two distinct elements of the overall project selection process. Option appraisal is concerned with choosing the best way of achieving an objective, e.g. how to increase safety on a particular road. Prioritisation is concerned with which projects go ahead within limited resources, e.g. which road safety projects should proceed first.

Reporting

64. At the initial stage of project development, an Asset Decision Proforma (ADP) - see Appendix 1 – is completed in conjunction with Corporate Landlord Services (CLS) to capture key project information. Note that this proforma, and the requirement for CLS input relates to all major property decisions, and is not restricted to capital programme approvals. Any issues must be resolved before proceeding to the next stage of the process.
65. Each meeting of the Cabinet receives a Capital Monitoring Report which includes the details of proposals to include projects in the Capital Programme. (Exceptionally there may be a stand-alone report where a major project / service area is involved. In such cases a Proforma should still be completed and submitted as above.)
66. If following receipt of tenders, it is clear that costs will exceed the approved budget - or if any other circumstances change that materially affect the scheme as approved by Cabinet & Council - it will be necessary to report back to Cabinet & Council, in order for the budget to be amended, or any other changes approved.

Project Management & Monitoring

67. Capital expenditure must be in compliance with all relevant Standing Orders, Financial Regulations and Codes of Practice. Directors must ensure that all Responsible Officers are aware of these requirements, and that Responsible Officers are competent in Project Management skills.
68. Expenditure on and progress of each project will be monitored regularly.

Project Review

69. Standing Orders require:
- In addition to regular contract reviews, a post completion review of each revenue scheme over £500,000 and capital scheme valued in excess of £1m will be undertaken by the appropriate Director to ensure all lesson learned are documented and shared with relevant officers both within the Directorate and on the Procurement Support Group. Reviews will comply with corporate guidance.
 - A summary of the capital reviews shall be submitted to Cabinet within six months of practical completion for schemes which have:
 - Final costs in excess of budgets by 10%, or
 - Outcomes different to those approved by Cabinet

ASSET DECISION PROFORMA

Key Data

Directorate:	Division:
Lead (Responsible) Officer:	Phone:
Asset <i>(include address, accurate site plan and photos as necessary)</i> :	
Brief description of project <i>(i.e. acquisition via purchase or lease; alteration; extension; major refurbishment; change of use / relocation; disposal via sale or lease)</i> :	

Outcomes

Benefits to service delivery <i>(quantified hard and soft benefits to the Council anticipated from project, including benefits to customers and partners, e.g. shared use)</i> :
Link to Strategic Objectives <i>(refer to specific Community / Council Plan objectives)</i> :
Link to Directorate Asset Plan <i>(refer to specific action / objective)</i> :
Confirmation of consideration of ensuring improved energy efficiency for the asset by planned works <i>(Yes/no - describe outcome)</i>
<i>(For alteration and refurbishment) impact on Asset (i.e. value, useful life, flexibility of use)</i> :

Background Processes

Provide details of scoring mechanism or other process used to prioritise this project:
Provide details of option appraisal undertaken in accordance with Standing Orders <i>(including consideration of alternative sites and alternative delivery methods, together with costs/benefits of each)</i> :
Results of Feasibility Study:
Results of Risk Assessment <i>(including identification of key risks)</i> :
Results of Consultation:

Financial

(For acquisition, alteration, refurbishment)

- capital cost: £'000
- to be funded from £'000

Financial year(s) of proposed spend:

(For disposal)

- expected proceeds: £'000
- costs of disposal: £'000

(For all proposals) implications for revenue expenditure (and if net cost, how funded):

- costs: £'000
- savings: £'000

Signed: _____ (Responsible Officer)	Date: _____
Signed: _____ (Accountant)	Date: _____
Signed: _____ (on behalf of Corporate Landlord Services)	Date: _____
Signed: _____ (Director)	Date: _____