
Meeting of the Select Committee on the Environment – 13th November 2006

Report of the Director of Finance

Update of the Council's Capital Strategy

Purpose of Report

1. To consider the update of the Council's Capital Strategy.

Background

2. The production and annual update of a Capital Strategy is considered to be "Best Practice", and is taken into account in Councils' Comprehensive Performance Assessment (CPA) scores - although there is no longer a direct connection with the allocation of capital resources.
3. The Strategy document is intended to describe how the deployment of capital resources contributes to the achievement of the Council's goals, and to help ensure that assets - and the resources tied up in them - are efficiently and effectively used.
4. It forms an integral part of the strategic financial and service planning within the annual budget setting process and supports decisions on Councils' capital investment under the new "Prudential" system.
5. The Capital Strategy also forms part of the Council's Budget and Policy Framework, and can therefore be amended only by the full Council following consideration by the Select Committees.
6. The draft Capital Strategy attached has been thoroughly reviewed compared with the 2005 document. The intention of this has not been to change its fundamental thrust, but to make it a genuinely strategic document, rather than an ever-growing list of detailed issues. Repetition of information more appropriately set out in other documents has also been excluded.
7. It now also clearly sets out the key Capital Investment Priorities for each Directorate over the next five years, linked to the relevant Council Plan theme(s).

Finance

8. As described above, the Capital Strategy forms an integral part of the Council's strategic financial and service planning and supports decisions on capital investment under the "Prudential" system.

Law

9. Section 111 of the Local Government Act 1972 enables the Council to do anything which is calculated to facilitate or which is conducive or incidental to the discharge of any of its statutory functions.

The production of the strategy is incidental to the Council's various functions outlined in the strategy which are undertaken by the Council pursuant to a range of Local Government related legislation.

Equality Impact

10. The proposed Capital Strategy complies with the Council's policy on equal opportunities.
11. With regard to Children and Young People:
- The Capital Investment Priorities for Children's Services wholly relate to improving services for children and young people. Other Directorates' investment priorities will also have a significant impact on this group.
 - Consultation is undertaken with children and young people, if appropriate, when developing individual Capital projects.
 - There has been no direct involvement of children and young people in developing the proposals in this report.

Recommendation

10. It is recommended that the Select Committee considers the attached draft Capital Strategy and raises any issues it wishes to be taken into account when the Strategy is considered by full Council.



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List of Background Papers

Community Strategy
Council Plan



Capital Strategy

2006

DUDLEY METROPOLITAN BOROUGH COUNCIL CAPITAL STRATEGY 2006 - 2011

Introduction

- 1 Dudley has a strong reputation for being an outward-looking Council, working with its diverse communities, customers and other partners to identify and work together on local priorities to improve quality of life. We have recognised that tackling crosscutting issues such as regeneration, social exclusion and sustainable development needs a joined-up approach across Council services, and between the Council and its partners. Our key priorities and targets are set out in the Dudley Borough Community Strategy. This Strategy sets out a vision for our community over a 15-year period. It agrees the most important areas for us to work together with our partners, and sets out what we need to do to achieve that vision.
2. At the heart of the Community Strategy is our aim of working together to achieve Stronger Communities. The strength of our community, including its future success requires that everyone has the opportunity to contribute to and achieve their full potential. The Community Strategy outlines six priorities through which progress towards a Fairer Society will be led. These are:
 - **Creating a prosperous borough**
 - **Promoting a sense of well-being and good health for everyone**
 - **Celebrating our heritage and local cultural life**
 - **Safeguarding and improving the environment**
 - **Promoting individual and community learning**
 - **Making Dudley a safe and peaceful place in which to live**
3. We recognise that these six priorities do not stand in isolation. Success in one area often depends on success in one or more of the others, but by highlighting them as key issues, the Community Strategy provides a clear signpost to the areas that we intend to concentrate upon.
4. Within the framework of the Community Strategy, the Council has also adopted a 3 Year Council Plan, which focuses the overall strategic direction of the authority on a clear set of priorities for deployment of resources. The Council Plan contains six key themes, which meet the aspirations of the council's overall vision Local People Matter. It clearly sets out the key priorities, objectives and targets for each theme and its local impact. These themes are:
 - **Caring Matters**
 - **Environment Matters**
 - **Learning Matters**
 - **Regeneration Matters**
 - **Safety Matters**
 - **Quality Service Matters**
5. The Capital Strategy is one of the means by which the priorities of the Community Strategy and 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. The Council's Constitution also recognises the importance of the Capital Strategy by making it one of the key documents which can be revised only by the Full Council.

6. The Capital Strategy itself was developed, and is reviewed annually, by a working group of senior officers including representatives of all Directorates, with input from Directors, and Cabinet & Select Committee members, prior to consideration by the Full Council.

Links to other Strategies and Plans

7. Under the umbrella of the Community Strategy & Council Plan, the Capital Strategy, like the Best Value Performance Plan is one of the key overarching policy documents of the Council that form a framework for the more operational strategies within particular spending or service areas. These include:

- Corporate Property Policy, Office Accommodation Strategy, Commercial Property Policy and Directorate Asset Plans.
- Our developing Local Area Agreement (LAA)
- Schools Asset Management Plan
- Housing Strategy and Housing Investment Programme (HIP)
- Education Development Plan
- Local Transport Plan (LTP) and Highways Asset Plan
- Economic Strategy
- 5 Year ICT Strategy
- Directorate Strategic Plans

The Capital Strategy is consistent with these and other Council plans and policies but should be specifically considered in conjunction with the Corporate Property Policy. The Corporate Property Policy pulls together the Council's various objectives for property and its impact on the wider role of the Council into a coherent framework of values.

8. The Council's Procurement Strategy is also fundamental to Capital Investment processes, and sets out how best value will be achieved in this and all other areas of procurement activity.
9. The Council now has five year Directorate Asset Plans in place for each Directorate. Reviewed annually these documents consider the needs and aspirations of all services in the context of current and future accommodation needs. They are consistent with strategic plans and policies and inform the capital programming process.
10. As these and other policy or strategy documents are developed or revised, they will show clearly how they contribute to the Capital Strategy. The cross-departmental management framework established to develop the Capital Strategy will ensure that the necessary consistency and feedback into service strategies is achieved.

Key Capital Investment Priorities

11. Key Capital Investment priorities for each of the Council's Directorates, and how they contribute to the Council Plan themes (recognising that all services contribute in some way to all themes), are as follows.

Children's Services

Schools

12. *Learning Matters* - By providing high quality accommodation conducive to a stimulating learning environment for school pupils and members of the community, ensuring that educational standards continue to rise. Over the next five years the priorities will be to

maximise external investment in the infrastructure, and to ensure that overall patterns of investment from all sources are both “joined-up” and take account of Council priorities. In this broad context, the key investment priorities over the next five years will be:

- To address the backlog of urgent repairs and maintenance identified by condition surveys for all schools.
- To address issues identified by schools regarding the unsuitability of teaching areas - including the replacement of mobile classroom accommodation in a number of schools and the enhancement of existing provision to make it more appropriate for quality teaching and learning.
- To address the lack of teaching accommodation where projected pupil numbers are higher than provided for through revised calculations of More Open Enrolment figures for all schools in accordance with DfES Sufficiency criteria.
- To address the issues of surplus capacity in the both the primary and secondary sectors in line with projects arising from the review of primary and secondary school places.
- To explore potential for further PFI projects to replace those school buildings with the most urgent need, as identified by the principles of Asset Management Planning, including condition and suitability of existing provision and assessment of sufficiency of pupil places, and in particular to develop proposals for the DfES “Building Schools for the Future” (BSF) secondary school replacement and refurbishment programme.
 - To continue effective bidding for external funding especially Targeted Capital Funding (TCF) to replace those school buildings with the most urgent need as identified by the principles of Asset Management Planning.
- To develop the infrastructure required to deliver the Special Educational Needs (SEN) Strategy.
- The development of integrated Children's Centres in the context of the overall Sure Start programme.
- To continue addressing issues regarding access for disabled persons to all buildings.
- To explore the use of innovative methods of procurement and building that will deliver cost-effective and high quality buildings for education and lifelong learning.
- To address effectively issues relating to asbestos in schools.

Other Children’s Services

13. *Caring Matters* - by maintaining and developing an asset base which allows the directorate to modernise and improve social care services, further securing high quality and relevance. Priorities are:

- development of integrated services in the context of the Children Bill/Act;
- development of a Children’s Resource Centre focussing on outcomes for looked after children which will also support the implementation of the outcomes of “Every Child Matters.”

The recently published National Service Framework (NSF) for children will need a sub-regional and/or local focus to increase capacity to meet placement need, especially for more specialist settings, e.g. Children & Adolescent Mental Health Services. The Directorate is investigating and leasing additional staff accommodation to alleviate the pressure on existing accommodation caused amongst other things by new initiatives in Children’s Services, presently being delivered with the aid of central government funding.

Adult, Community & Housing

Housing

14. *Environment Matters; Quality Service Matters* - by ensuring everyone has access to a home that is warm, dry and affordable in a secure environment and that homes are compatible with people's needs. Following a rigorous appraisal of the options available to finance a modern housing service by the Council and its stakeholders, in July 2005 Government Office West Midlands signed off the Housing Option Appraisal report which recommended the 'Stay with the Council' option. This provided a clear endorsement that the key investment priorities for Housing up to 2010/11 were to provide a repair service to maintain and improve the Council's housing stock to ensure that Government Decent Homes standards and targets are met.

Other Housing investment priorities for the next 5 years are:

- Use of grant and loan aid to deal with unfitness and substantial disrepair in the private sector;
- To sustain our improved performance in providing Disabled Facilities Grants;
- Continued direction of Housing Corporation funding towards schemes that support regeneration and sustainable priorities and continuing to maximise available and appropriate resources to ensure that local needs determined from the Housing Needs Survey are met.

Libraries, Archives and Adult Learning

15. *Learning Matters* - by the following investment priorities:

- Move of Archives and Local History Service to Kingswinford site from Coseley;
- Improving the Libraries building stock to create an excellent modern library service.

Other Adult & Community

16. *Caring Matters* - by maintaining and developing an asset base which allows the directorate to modernise and improve social care services, further securing high quality and relevance. The changing policy environment for the most vulnerable groups in contact with the Directorate focuses on promoting independence and providing community-based and person-centred solutions. The need for capital to be used to support this focus drives our capital strategy.

In addition, there is a clear expectation locally and from the Government that services need to be seamless and, wherever appropriate and in the best interests of Dudley citizens, integrated with health care services.

These four goals - community based, person centred, seamless and integrated - also drive our approach to effective partnership working as a vehicle for enhancing limited mainstream capital resources.

For adult social care, developments will be required that meet the aims and ambitions of the Community Services White Paper "Our Health, Our Care, Our Say". Aspects of this include continued close working with the local PCTs and linkage with other solutions such as Extra Care Housing.

Current investment priorities are therefore:

- People with Disabilities: work is continuing with partners in the NHS in using the 'flexibilities' of the Health Act 1999 to secure progress on our shared agenda.
- Older People: our residential home provision must comply with care standards and be appropriate to the needs of residents. Continued investment to comply with the various legislative requirements will continue for the foreseeable future,
- ICT: is continuing to be developed so that it further enhances service delivery for all the vulnerable groups, e.g. through closer working with health services, and ICT-supported assessment processes.
- General Accommodation: improving accommodation for staff and where possible integrating these facilities with relevant partners. Specifically the LIFT project with Health which is due to commence in 2007 will see staff from both organisations being co-located in the same building at a number of sites within the borough.

Prioritisation of resources between schemes is informed by legislative requirements, as well as property and service related data related to schemes under consideration.

The Council's vision for social care provision is based on a mixed economy of care, and decisions on capital expenditure are taken in this context.

Urban Environment

Transport

17. *Environment Matters; Regeneration Matters; Safety Matters* - by implementing schemes that will support sustainable economic development, offer genuine choice in transport modes, and protect the environment. Key investment priorities set out by the Department for Transport seek to address safety, air quality, accessibility and congestion. Schemes to be delivered in the West Midlands that address these priorities have been agreed with DfT and feature in the 2005 West Midlands Local Transport Plan (LTP), including:

- Extending Midland Metro from Wednesbury to Brierley Hill;
- Renewal / replacement of Dudley, Halesowen and Stourbridge Bus Stations;
- Re-establishment of the Walsall to Stourbridge line for rail freight;
- Continued Local Safety, Pedestrian Crossing, Cycleway, Road Maintenance and Bridge Strengthening programmes;
- Continued programme of renewing and upgrading street lighting, illuminated traffic sign and traffic signal installations;
- Examination of options for demand management through the Transport Innovation Fund;
- Consideration of highway improvements associated with potential Red Route designation for the A458.

The main priority is the Access Strategy for Brierley Hill.

Culture & Community

18. *Environment Matters; Safety Matters* - by safeguarding existing culture and heritage facilities, and developing new ones where appropriate. Key investment priorities over the next 5 years are:
- More resources for maintenance and improvements to Cemeteries and Crematoria, especially at Gornal, Stourbridge and Lye;

- More resources to improve facilities and security within the Borough's Parks and nature reserves;
- Addressing the key issues identified in the Playing Pitch Strategy;
- More resources to maintain and update the Borough's Leisure Centres;
- Continued investment in the Leasowes Restoration, including the provision of a visitor centre;
- Addressing access issues in all of our public leisure facilities to ensure that the Council fulfils its obligations under the Disability Discrimination Act;
- Feasibility study into the potential amalgamation of the Council's Glass Heritage facilities to create a single iconic Museum and Tourism facility – 'Melting Pot';
- Feasibility study into the development of a Sports Village complex in Dudley;
- The development of Skate / Wheeled Sports facilities within the Borough to be located within each of the Area Committee areas in accordance with the Council's approved strategy for provision;
- Investment from the ODPM Liveability Fund which will see approximately £3.4m being spent on Parks and Open Spaces in the Borough, of which around £2m will be capital expenditure.

Regeneration

19. *Regeneration Matters* - by using the Council's enabling role to stimulate economic regeneration. Key investment priorities over the next 5 years are:

- Support to the development of the Wrens Nest National Nature Reserve as a heritage destination through both the Black Country Urban Park Peoples Millions bid to the Big Lottery Fund and Dudley's bid to the Heritage Lottery Fund;
- Seeking resources from DEFRA to enable replacement of the Mines Drainage system at Pensnett;
- Regeneration of the borough's town, district and local centres;
- Maximum use of regeneration funding such as European Regional Development Fund (ERDF), and Regeneration Zone resources, for the Council and its partners' regeneration initiatives;
- Work with partner organisations to bring forward brownfield sites for development and open space purposes;
- Implementing the borough's Canal Strategy as part of the Black Country's potential application for World Heritage status for its canals.

Other DUE Services

20. *Safety Matters* - by the following investment priorities:

- Identification and remediation of Contaminated Land in line with the Council's Contaminated Land Inspection Strategy, in order to meet our legal obligations under the Environmental Protection Act 1990.

Chief Executive's

21. *Safety Matters; Quality Services Matter* - by the following key investment priorities:

- Investment in projects directly contributing to the local Community Safety Strategy;
- Development of Customer/Citizen Access to Services through Dudley Council Plus and other initiatives as appropriate. This will also give the Council an opportunity to rationalise its property usage via disposal and consolidation of properties,

redevelopment of property and acquisition of new properties. These efficiencies will need to be identified at a Corporate and Directorate level.

Finance, ICT & Procurement

22. *Quality Services Matter* - by further capital investment in ICT to exploit the facilities we now have in place to encourage more citizen take-up of electronic services and service transformation. In particular, over the next 5 years, we expect to:
- Develop our website to attract over 300,000 users annually;
 - Increase web-based payment transactions by two-thirds, telephone payments by 50% and text and other electronic methods by 200%;
 - Increase planning applications accepted online by 500%;
 - Deal with around 90,000 change of address notifications per annum on-line or over the telephone;
 - Exploit our existing technologies to ensure maximum effectiveness & efficiencies;
 - Develop new emerging technologies.

Law & Property

23. *Quality Services Matter* - by the following key investment priorities:
- Exploring options to regenerate areas of Dudley Town Centre that will address the Council's existing office accommodation problems, and recommending a viable proposal for consideration by the Cabinet;
 - Proactive management of the Council's land and buildings assets, and prioritisation of the annual Repair & Maintenance resource allocation;
 - A programme of Access works to ensure that the Council meets its Disability Discrimination Act (DDA) obligations.

Planning, Prioritisation and Implementation

24. All capital investment and disposal decisions are consistent with the aspirations outlined within this and the Council's other key strategic plans and policies. The Council has a rolling three year capital programme setting out its detailed capital investment plans, which is driven by this Capital Strategy and is based on forecast resource availability in terms of:
- Government grants and Supported Capital Expenditure allocations (SCEs);
 - Revenue resources available for direct capital investment and to fund unsupported capital expenditure under the "Prudential Borrowing" regime;
 - Resources likely to be available from property disposals as a result of property reviews;
 - Other grants and contributions from public and private sector partners.
25. All projects included in the Capital Programme are justified against criteria set out within the Council's Financial Management Regime. Prior to inclusion, every major capital project is evaluated against alternative methods of achieving the same objectives. This options appraisal is an integral part of the decision making process, ensuring best value is obtained from available resources. The Council also ensures robust prioritisation is undertaken, taking account of specific criteria. These processes are outlined in the Council's Capital Investment and Disposal Guide.
26. In addition to prioritising new capital schemes the Council also challenges retention of its existing property via the annual Corporate Land and Property Review. This process enables the Council to explore opportunities for more efficient and effective use of

assets in light of changing service needs arising from Best Value reviews, property performance and the annual review of each Directorate's Asset Plan. Should there be no operational, commercial or social need for property retention, surplus assets are released through disposal.

27. Revenue implications of the Capital Programme (debt charges and other costs) are fully taken into account in the Council's annual revenue budget and medium term financial strategy. In particular, pressures and priorities that can be met by (unsupported) capital investment are considered alongside other revenue pressures in the light of overall revenue resource availability.
28. Ongoing review of the Council's activities in pursuance of Best Value - and in line with the "Gershon" agenda will also identify "Invest to Save" type initiatives which can generate long term net efficiencies from upfront capital investment - e.g. energy efficiency projects. The flexibility provided by the Prudential Borrowing regime will be used to implement such projects.
29. In addition to its Standing Orders and Financial Regulations, the Council has an established procurement process in place that is clearly set out within its Procurement Strategy. By improving the effectiveness of its procurement activities the Council is able to focus valuable resources where they have maximum impact.
30. Detailed guidelines for "Management of Capital Projects" are set out in the Council's Manual of Good Practice, which was formulated following the Audit Commission's Reports "Just Capital" (1996), and "Rome Wasn't Built in a Day" (1997), which constituted a handbook for obtaining value for money from capital programmes and construction projects.
31. Reviews of areas of activity with particular relevance to capital investment and asset management form part of the Council's Best Value Review programme.
32. The Strategy not only covers all aspects of Capital expenditure within the Council, but also those areas where the Council works in partnership - using its own resources as "matchfunding" to maximise the overall resources available for its own and its partners' priorities. It will also clearly inform the bidding for and management of additional capital resources (e.g. for Central Government, Europe and the National Lottery), together with sources of funding not under the strict definition of Capital - such as leasing, the Private Finance Initiative (PFI), and other partnerships. A Corporate External Funding Group, which includes a representative of the Dudley Community Partnership, has been established to progress the Council's approach to bidding for external funding.
33. Whilst recognising that there are means other than PFI to finance capital projects, Council procedures require that PFI is always considered as an option for funding for any proposed Capital scheme.

Links to Partners

34. The Council will continue to work with a wide range of partners at an operational level to carry out and/or facilitate capital projects to enable the successful implementation of the Community Strategy actions. These are too numerous to list completely, but include:

Dudley Community Partnership, and its "theme partnerships";
Brierley Hill Regeneration Partnership;
Neighbouring Authorities - including Police & Fire Authorities, and Centro;

Local Hospital and Primary Care Trusts;
Government Office for the West Midlands;
Advantage West Midlands;
Westfield and other Private Sector Developers;
School Governing Bodies;
Colleges of Further Education;
Learning & Skills Council;
Local Housing Associations and Registered Social Landlords;
Tenant and Residents' Associations;
Non-statutory care providers;
Black Country Chamber and Business Link;
Job Centre Plus.

Consultation

35. The new Community Strategy is the outcome of a range of consultative activities which set out a range of issues and choices facing the Borough, and generated a great deal of positive public comment from individuals, groups and agencies. The Council Plan is also subject to public consultation.
36. As the Capital Strategy is one of the means by which the Community Strategy and Council Plan priorities are implemented, any changes to the Community and Council Plans arising from the above consultation will feed through into the Capital Strategy where appropriate.
37. This is supplemented by detailed stakeholder consultation on particular aspects of the Strategy where appropriate.

Performance Management and Innovation

38. The Council will continue to improve the management of its capital investment activities, and adopt innovative solutions whenever possible.
39. In particular, in pursuance of Best Value (and more recently the “Gershon” agenda), the Council has already:
 - applied the principles of procurement advocated in the Latham Report, (Constructing the Team 1994) and the Egan Report, (Rethinking Construction 1998) in a number of projects;
 - adopted the European Foundation for Quality Management (EFQM) Excellence Model as its framework for continuous improvement in all its functions;
 - established improvement teams to review performance management, project management, process management, people management, planning and leadership. This resulted in a number of improvements being made such as the new Corporate Project Management Guidelines. These provide structured guidance in the management of simple and complex capital projects from inception to post completion review. Use of the guide is also complemented by an improved formal training programme and a new electronic capital project directory;
 - adopted the Construction Best Practice Programme national key performance indicators;
 - in addition to adopting the 5 high level national indicators for property management, developed local indicators aimed at measuring the performance of individual and groups of properties;
 - committed itself to sharing the results of performance measurement and benchmarking with stakeholders;

- recently developed a “Capital Investment and Disposal Guide” which provides an overview of the capital investment and disposal process and sets out guidance to be followed by officers when planning for and undertaking capital investment, and when disposing of surplus assets. A complementary External Funding Code of Practice sets out the key procedures to be followed when bidding for external funding for capital and other projects.