

Cabinet

Dorset County Council



Date of Meeting	16 December 2015
<p><u>Cabinet Member</u> Robin Cook – Cabinet Member for Corporate Development</p> <p><u>Local Members</u> All members</p> <p><u>Lead Officer(s)</u> Richard Bates – Chief Financial Officer</p>	
Subject of Report	Asset Management Capital Priorities
Executive Summary	<p>The report seeks to identify the priorities for capital spending over the next three years.</p> <p>Capital Bids for 2016/17</p> <p>In autumn 2014 members attended a seminar in respect of the draft Asset Management Plan 2015/18. Members ratified continuing with the capital investment priorities currently agreed whilst agreeing to increase the categories from two to four. In adhering to these principles, capital projects have now been given an indicative ranking based on the following categories, Priority 1: Statutory Obligations, Priority 2: Invest to Save, Priority 3: Maintenance and Infrastructure, Priority 4: Other Items.</p> <p>The projects listed in Appendix 2 represent all the new bids for capital funding submitted for consideration in this round. As can be seen the available resources after taking account of committed projects are insufficient to meet all the new bids. Under the agreed assessment process, all bids are divided by the Asset Management Group (AMG) into their priority groups – Statutory Obligations, Invest to Save, Maintenance and Infrastructure and Other Items. Some bids can be a combination of these priorities. The projects are then given an indicative ranking or deferred, appendix 3, after</p>

	<p>taking into account the capital investment strategic goals, service needs and priorities as referred to in the Asset Management Plan (AMP). Members are invited to consider the bids and identify which bids are to be included in the capital programme.</p> <p>The strategic goals for capital investment and the corporate priorities are based on service needs which take into account consultation feedback with the community, property users and stakeholders at both corporate as well as service delivery level. The goals and priorities are revised periodically by elected members and incorporated into the Asset Management Plan.</p> <p>On pages 9 and 10 of the Asset Management Plan 2015-2018 the County Council’s approach to prioritising capital bids is explained. In particular, the factors that the Cabinet may wish to take into account in considering the Asset Management Group’s recommended priorities are set out in Appendix 5 of this report.</p> <p>The Capital Funding Policy</p> <p>The capital programme has grown significantly over the past decade and the estimated gross spend for 2015/16 is in excess of £90M and £84M for 2016/17.</p> <p>The cost of financing this spend depends partly on how much is funded by grants and contributions. These currently stand at £78M for 2015/16 and £48M for 2016/17. The remaining spending is predominantly funded through prudential borrowing.</p>
<p>Impact Assessment:</p>	<p>Equalities Impact Assessment:</p> <p>The capital bid assessment process, strategic goals and corporate priorities are set out in the Asset Management Plan which is reviewed regularly, with an updated version being published on an annual basis. In the event that the process, goals or priorities are revised upon review then an assessment of the impact on equalities and diversity issues is undertaken. The Asset Management Plan 2015-18 took into account the outcome of the latest consultation with the Citizen’s Panel on asset management and capital investment strategy. The plan also reflects revisions to the capital programme and the implications on bid assessments agreed by the Cabinet last year. After the Asset Management Plan was finalised equality impacts assessment were undertaken.</p> <p>Use of Evidence:</p> <p>The Asset Management Plan incorporating the capital investment strategy, makes use of the following sources of evidence:</p> <ul style="list-style-type: none"> • The Budget and Corporate Plan • Medium Term Financial Strategy • Periodic public consultation at a corporate level via the Citizens’ Panel

	<ul style="list-style-type: none"> • Ongoing consultation with partners, stakeholders, users and the community at service level • National property performance data and indicators <p>Service asset management plans, including whole life costing and cost-in-use information.</p>
	<p>Budget:</p> <p>The report provides an update on the County Council’s capital budget position and funding changes for 2016/17 and the following two years.</p> <p>This year’s funding position will not be confirmed until the provisional grant settlement for local government is published in December. A consequence of this is that assumptions will have to be made as to any potential capital funding that will be received for 2016/17 and onwards. The impact of these assumptions will be considered by the Cabinet when setting the Medium Term Financial Strategy.</p>
	<p>Risk Assessment:</p> <p>Major risks that influence the development of the capital financing strategy include:</p> <ul style="list-style-type: none"> • the level of capital grant funding, inflation rates, demographic and other pressures and income from the council tax; • success in delivering the savings anticipated from the reduction in the size of the property estate by 50% and the rationalisation of the remaining estate to reduce the property maintenance backlog and to better manage the ‘core’ longer-term portfolio; • the anticipated amount of capital receipts to be generated and included in the capital programme; • judgement of the appropriate amount for revenue contributions to the capital programme; <p>Having considered the risks in this paper, using the County Council’s approved risk management methodology, the level of risk has been identified as: Current Risk: MEDIUM Residual Risk: MEDIUM</p>
	<p>Other Implications:</p> <p>None.</p>
<p>Recommendation</p>	<p>The Cabinet is asked to recommend to the County Council:</p> <ul style="list-style-type: none"> (i) the bids to be included in the capital programme 2016/17 to 2018/19; (ii) note the revisions to the Council’s calculation method for MRP and the impact this has had on our budget strategy.

Reason for Recommendation	The available resources after taking account of committed projects are insufficient to meet all the new bids in their entirety. It is therefore necessary for the Cabinet to confirm priorities for inclusion in the capital programme.
Appendices	<p>Appendix 1 Capital Expenditure Estimates</p> <p>Appendix 2 Summary of New Capital Projects</p> <p>Appendix 3 Proposed New Capital Projects after AMG</p> <p>Appendix 4 Outline of New Capital Projects</p> <p>Appendix 5 Capital investment strategy and assessment criteria</p>
Background Papers	Asset Management Report – Cabinet, December 2015; Treasury Management Strategy Statement and Prudential Indicators for 2015/16 – Cabinet, February 2015; Asset Management Plan 2015/2018 – Cabinet, March 2015.
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1. Background

- 1.1 As there continues to be limited resources to address the capital bids, as set out in Appendix 2, it remains necessary for there to be clear corporate priorities for capital investment. The Asset Management Group (AMG) has assessed each bid shown in Appendix 3, by reference to the corporate priorities in accordance with the principles contained in the Asset Management Plan 2015/18, Appendix 5. The capital projects have been given an indicative ranking based on the following categories, Priority 1: Statutory Obligations, Priority 2: Invest to Save, Priority 3: Maintenance and Infrastructure, Priority 4: Other Items.
- 1.2 In accordance with normal practice, this year's capital funding bids have been examined by the Property Management Group, (PMG), from a technical viewpoint to ensure that the proposed schemes are sound and feasible. Once assessed the bids were examined by AMG against the current corporate capital investment priorities as set out in the Asset Management Plan 2015/18, Appendix 5. These are drawn from directorate statements and analysis of property performance/condition data, with reference to the strategic goals for capital investment.
- 1.3 As can be seen in Appendix 3 the bids have been given an 'Indicative ranking' by the Asset Management Group. Members are invited to consider the bids and identify which bids are to be included in the capital programme or deferred. Appendix 1 details the budget flexibility that is available for new bids until the end of 2018/19.

2 Financial Summary and Capital Control Totals

- 2.1 This year's funding position is expected to be confirmed around mid-December. A consequence of this is that assumptions will have to be made as to any potential capital funding that will be received for 2016/17 and onwards.
- 2.2 The approval of the revised capital control totals implies gross capital expenditure of £90.4M in 2015/16, £84.2M in 2016/17, £78.5M in 2017/18 and £50.7M in 2018/19. These control totals include utilisation of the budget flexibility. Provision for the revenue implications arising from the new projects, including capital financing and running costs, is included as a commitment in the Medium Term Financial Strategy (MTFS).
- 2.3 The revised control totals and anticipated commitments against them indicate that if the assumptions for 2018/19 regarding new capital financing are included this would provide a maximum of £9.855M towards new projects and requests for additional Annual Provision Total (APT)

3 Capital Programme – Effects of the borrowing policy

- 3.1 The capital programme has grown very significantly over the past decade. The estimated gross spend for 2015/16 is in excess of £90M and £84M for 2016/17.
- 3.2 The cost of financing this spend depends partly upon how much is funded by grants and other contributions. These stand at around £78.509M for 2015/16 and £48.682M for 2016/17. The remaining spending is predominantly funded through prudential borrowing.
- 3.3 The borrowing costs are twofold – firstly the interest payable on the loans, currently around 4%, which is payable once the loan is drawn down, often towards the end of the year. The other element is the Minimum Revenue Provision (MRP) which the Council is required to make a provision (charge to the revenue account) for the

repayment of any borrowings it has each financial year, regardless of whether any actual debt is repaid.

- 3.4 The Department for Communities and Local Government, (CLG) requires that before the start of each financial year the County Council should prepare a statement of its policy on making such provisions known as the Minimum Revenue Provision (MRP) for that year. This will be presented to the Cabinet in February as part of the budget setting meeting within the Treasury Management Strategy Statement and Prudential Indicators for 2016-17 report.
- 3.5 The County Council is required to calculate for the current financial year an amount for the MRP which it considers to be prudent. The broad aim of prudent provision is to ensure that the underlying borrowing need, as expressed by the Capital Financing Requirement (CFR), is repaid over a period reasonably commensurate with the life of the capital assets that the borrowing has financed. The statement should indicate which of the options for MRP are to be followed.
- 3.6 The Cabinet is recommended to note the current MRP Statement approved February 2015:

For capital expenditure incurred before 1 April 2008 or which is Supported Capital Expenditure, the MRP policy will be based, as now, on the CFR.

From 1 April 2008 for all unsupported borrowing, the MRP policy will be based on the Asset Life Method. MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must also be applied for any expenditure capitalised under a Capitalisation Directive).
- 3.7 A review of the capital projects funded by borrowing has been undertaken and concluded that the Council's provision has been overly-prudent and that if we aligned our MRP more closely with the lives of the capital expenditure being financed, there would be a saving to the revenue budget. In 2015/16 this was likely to be in the order of £2.6M while the saving for the 2016/17 base budget would be around £2.4M.
- 3.8 Changes in MRP policy generally require approval by the County Council. However, this is a change in the method of calculation rather than a change in the policy itself, so full Council approval is not needed. The change in the calculation method has been approved by the Chief Financial Officer and has been agreed by the external auditor KPMG.
- 3.9 It is important to note that although the MRP changes give us a significant revenue benefit now, there are implications resulting from the change – in particular it will result in an increase in the capital financing requirement over time and/or reduce funding available for new capital projects.
- 3.10 Looking forwards at the capital programme, there are a large number of schemes to which the Council is already committed (e.g. A338 / Superfast Broadband). It will therefore take a number of years to reduce the burden on the revenue budget without seriously affecting the existing programme.
- 3.11 As the Cabinet were informed previously, the capital programme would still be around £40M per annum, dependant on levels of grant funding by the government, but would require no additional borrowing. Effectively, this would be made up of approximately £10M LTP structural maintenance, £2.5M LTP integrated transport, £5M DfE Schools Capital, £7M Buildings structural maintenance, £3M APTs plus

around £12.5M towards other capital schemes, assuming grants remain at around the current level.

- 3.12 This could be supplemented if the assumed grants were higher, additional grants were obtained, capital receipts generated above the level assumed and developer contributions obtained.

4 New Projects

- 4.1 The projects listed in Appendix 2 represent all the new projects submitted for consideration in this round. Under the agreed assessment process, all bids are then divided by the Asset Management Group (AMG) into their priority groups and then listed in an indicative ranking order or deferred after taking account of the County Council's capital priorities referred to in the Asset Management Plan 2015/18. These are detailed in Appendix 3. The corporate priorities are based on service needs which take into account consultation feedback with the community, property users and stakeholders at both corporate as well as service delivery level.
- 4.2 Members are asked to examine all the projects in order to establish priorities for inclusion in the capital programme 2016/17 to 2018/19. It is open to members to decide which projects should be included in the capital programme, subject to the overall level of resources available.
- 4.3 On pages 9 and 10 of the Asset Management Plan 2015/18 the County Council's approach to prioritising capital bids is explained. In particular, the factors that the Cabinet may wish to take into account in considering AMG's recommended priorities are detailed Appendix 5.
- 4.4 In November the Asset Management Group, (AMG), considered capital bids submitted for 2016/17 and beyond, which required funding in excess of £45M, Appendix 2. On review of these bids against the priorities set down in the Asset Management Plan, AMG proposed that some were deferred and re-submitted next year when further information would be available to support the bids. AMG also proposed that funding of bids relating to on-going programmes should only be allocated for 2016/17, and that funding for future years should be deferred, as there are currently insufficient funds available.
- 4.5 The children's services bids deferred included a bid for School Access Initiative funds in 2017/18 where AMG noted that allocations in previous years had already been set aside. AMG also agreed to defer the children's services bid for additional APT. Due to insufficient funds being available both the 2017/18 and 2018/19 Basic Need bid was deferred as well as the current year being reduced by £500K.
- 4.6 AMG felt that currently there were insufficient funds to allow the authority to react to adaptations and improvements required to address the backlog of building maintenance. AMG did agree an allocation of £800K for the buildings High Priority Maintenance bid to address only urgent, priority 1 maintenance works in property. AMG concluded that the £800K must deal with potential health and safety issues and reduce the risk of unexpected component failure whilst ensuring that operational assets remain in use and secure business continuity.
- 4.7 In terms of the Additional Funding for Carriageway Maintenance and the Replacement of Traffic control assets the Environment bid for £22.250M in total over 4 years, AMG agreed that both bids were 50% priority 1. This has been reflected in the allocation of £2.325M in 2016/17 as a result of insufficient funding being available and would address only the higher priority works. It must be recognised this will put

further pressure on the revenue budget and the highway maintenance backlog will increase. As a result of insufficient funds years 2, 3 and 4 will have to be deferred until next year.

- 4.8 The bid for the County Hall Masterplan – the Workspaces Project delivers a refurbishment of the workspaces accommodation over a three year period and rolls out flexible working across the whole of County Hall. It would create capacity for a further 475 staff in County Hall, enabling the County Council to relocate the majority of its Dorchester workforce into County Hall as and when leases expire on outlying buildings, generating a cost saving of £560,000 per annum by 2021. This is an important strand of the Way We Work transformation programme, which has a revenue savings target of £4.0m within the Forward Together programme. AMG agreed an allocation of £500K for 2016/17 and agreed the remainder of the 2016/17 bid and year 3, 2017/18, should be deferred.
- 4.9 As can be seen in Appendix 3 the proposal put forward by AMG totals £9.007M for the period 2015/16 to 2018/19 against the available funds of £9.855M. It should be noted that the balance of funds, £848K, should be set aside as a contingency for any unexpected calls on the capital budget.
- 4.10 It should be noted that there are also potential but diminishing risks arising from specific large projects which are not as yet addressed in the proposed capital programme. These include potential risks in large projects such as the A338 and the Superfast Broadband Project. It is felt prudent to continue to retain some funds for these risk items.

5 Conclusion

- 5.1 As referred to in paragraph 2.3 and Appendix 1, if the assumptions for 2018/19 regarding new capital financing are included, the provisional control totals and anticipated commitments indicate that there would be £9.855M available towards new projects and additional APT. It must be remembered that if this is all allocated this year there would be no new money available in the forthcoming two years. It is therefore imperative that as much flexibility as possible is retained for 2017/18 and 2018/19 to deal with any new issues that may occur.
- 5.2 The Cabinet is invited to set the final control totals as detailed in Appendix 1 and approve the projects for inclusion in the capital programme for 2016/17 to 2018/19.

Richard Bates,
Chief Financial Officer
December 2015

Appendix 1

DCC CAPITAL PROGRAMME 2015-16 to 2018/19 : EXPENDITURE ESTIMATES (GROSS)

DIRECTORATE	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000
ENVIRONMENT	58,347	26,459	31,526	15,307
CHILDRENS	29,561	17,941	8,499	3,300
ADULT & COMMUNITY	4,011	1,783	384	285
CABINET / WHOLE AUTHORITY	21,183	11,394	7,239	2,158
DORSET WASTE PARTNERSHIP	4,702	5,614	1,184	0
VEHICLES	2,571	1,592	1,624	1,656
STRUCTURAL MAINTENANCE	8,811	8,260	8,010	8,010
Slippage	(40,000)		20,000	20,000
TOTAL	89,186	73,043	78,466	50,716
Contingency re Risk Items (Overcommitted) / Remaining flexibility (to meet target)	2,499 (1,307)	0 11,162	0 0	0 0
Gross Predicted Capital Spend	90,378	84,205	78,466	50,716
Grants / Contributions	(60,662)	(33,699)	(31,441)	(15,555)
Capital Receipts	(2,526)	(1,000)	(1,000)	(1,000)
Capital Balances	(2,000)	(2,000)	(2,000)	(2,000)
RCCO	(8,119)	(6,119)	(6,119)	(6,119)
Contribution from R&M Revenue Reserve	(500)	(250)	0	0
DWP Contributions	(4,702)	(5,614)	(1,184)	0
Additional Capital Financing Requirement	11,869	35,523	36,722	26,042
Borrowing Brought Forward	215,124	214,573	214,705	240,777
MRP	(10,141)	(10,391)	(10,650)	(10,900)
UNDER BORROWING B/FWD anticipated slippage	77,721 (15,000)	65,000	90,000	90,000
UNDER BORROWING C/FWD	(65,000)	(90,000)	(90,000)	(90,000)
BORROWING REQUIREMENT	214,573	214,705	240,777	255,919
ADDITIONAL BORROWING REQUIRED	(551)	132	26,072	15,142
Underlying Borrowing Requirement B/FWD	292,845	279,573	304,705	330,777
Underlying Borrowing Requirement C/FWD	294,573	304,705	330,777	345,919
MRP	10,141	10,391	10,650	10,900
INTEREST	7,881	8,090	8,816	9,868
	18,022	18,481	19,466	20,768

Appendix 2

CAPITAL PROJECTS
SUMMARY OF NEW CAPITAL PROJECT BIDS AS AT DECEMBER 2015
ORIGINAL PROPOSED NEW BIDS

	Total Payments £'000	Estimated Payments					After 2018-2019 £'000
		Before 2015-2016 £'000	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	
<u>For start in 2016-2017 & later</u>							
Children's Services							
Increase in APT allocation to deal with T4C outcomes	50			50			
Children's Services							
School's Basic Need Programme	13,500			4,500	4,500	4,500	
Children's Services							
Schools Access Initiative (SAI)	500				500		
Cabinet/Whole Authority							
County Hall Masterplan - The Workspaces Project	1,000			1,000			
Cabinet/Whole Authority							
Backlog Maintenance	4,014			1,338	1,338	1,338	
Cabinet/Whole Authority							
High Priority Maintenance	1,115			1,115			
Adult & Community Services							
Dorset History Centre Extension	2,937	42	42	240	2,613		
External contributions	-2,055	-35	-35	-220	-1,765		
Environment							
Structural Maintenance Top Up	18,250			3,650	3,650	3,650	7,300
Environment							
Capital funding for Replacement of Traffic Control Assets	4,000			1,000	1,000	1,000	1,000
Audit & Scrutiny Committee							
ICT project portfolio	2,000			500	750	750	
Total 2015-2016 Starts & later	45,311	7	7	13,173	12,586	11,238	8,300
Resources available 2015-16 to 2018-19	9,855	0	-1,307	11,162	0	0	0

Appendix 3

CAPITAL PROJECTS
SUMMARY OF NEW CAPITAL PROJECT BIDS AS AT DECEMBER 2015
REVISED PROPOSED NEW BIDS

Revised schemes AMG proposed to proceed

Interpretation of Asset Management Plan ranking				Estimated Payments							
1	2	3	4	Total Payments	Before				After		
%	%	%	%	£'000	2015-2016	2015-16	2016-17	2017-18	2018-19	2018-2019	
					£'000	£'000	£'000	£'000	£'000	£'000	
<u>For start in 2016-2017 & later</u>											
100				Children's Services School's Basic Need Programme	4,000		4,000			Deferred yrs 2 & 3 and reduction of £500k in the current year	
75		25		Cabinet/Whole Authority High Priority Maintenance	800		800			Deferred priority 3 element	
50		50		Environment Structural Maintenance Top Up	2,325		2,325			Deferred yrs 2, 3 & 4 and priority 3 element	
50		50		Environment Capital funding for Replacement of Traffic Control Assets	0		0			Deferred yrs 2, 3 & 4 and priority 3 element and to be prioritised within the Top up above	
33	67			Audit & Scrutiny Committee ICT project portfolio	500		500			Deferred yrs 2 & 3	
33	33	34		Adult & Community Services Dorset History Centre Extension	2,937	42	42	240	2,613		
				External contributions	-2,055	-35	-35	-220	-1,765		
100				Cabinet/Whole Authority County Hall Masterplan - The Workspaces Project	500		500			Reduction of £500k in the current year	
Total 2015-2016 starts & later					9,007	7	7	8,145	848	0	0
Unallocated funds / contingency					848	-7	-1,314	3,017	-848	0	0
Resources available 2015-16 to 2018-19					9,855	0	-1,307	11,162	0	0	0

Summary of New Capital Project Bids December 2015

Children's Services

Increase in APT allocation to deal with T4C* outcomes (*Together for Children).

The base level for Children's Services APT is currently £350k. With current demand and commitments against this budget this bid is to increase the allocation to be able to support the potential outcomes of the T4C programme to be implemented. This work could include the de-commissioning of existing provision, the re-provision of alternative facilities to allow a different service delivery model or the refurbishment of facilities to allow alternative use. Such an increase will allow the programme to continue to assist schools and other establishments with urgent Health & Safety works.

The additional APT funding would also allow continued support to be given to other parts of the Directorate in terms of H&S and other improvement works.

Children's Services

School's Basic Need Programme

Funding is required to meet the statutory requirements placed on the Local Authority to meet the 'Basic Need' of provision of sufficient school places. Pupil numbers in Dorset are continuing to rise. The pattern is not even – rural areas continue to decline but urban areas are already experiencing significant increases. The rate of growth continues to be higher than anything previously experienced and reflects national trend. Large increases in population are forecast; especially in the major towns (any difficulties in providing places in the neighbouring authorities may also exacerbate the situation).

It is the responsibility of the local authority to ensure that there are sufficient school places - any shortfall is referred to as 'basic need'. Previously reported figures were that by 2015, there will be 1703 more primary pupils than in 2011 which was predicted to rise to 2003 by 2016. Figures available now are indicating that there will be a further increase to 2387 more primary age pupils by 2019 (the 67 more classes reported previously is now 79 - equivalent of 11 additional 1FE primary schools). Between 2011 and 2025 we are also predicting that 1409 11-18 yr olds will also be looking for education provision. These additional pupils are already born and residing in Dorset and figures do not take account of any new housing proposals or fully reflect the increased inward migration.

Government Funding

The central government funding provided to support Basic Need provision, whilst significant, is not sufficient to cover the extensive programme that is required.

2015-2016 Main 'Basic Need' allocation £7,068,000

2016-2017 Main 'Basic Need' allocation £7,421,000

2017-2018 Main 'Basic Need' allocation £612,000

Total Funding Allocation £15,101,000

“We would expect that you have already developed plans to address basic needs issues in your authority. We urge you to invest this allocation as quickly as possible to begin to address your most pressing needs. This is especially important in light of the data published by the Office for National Statistics showing that previous projections for population growth were underestimated and by 2020 there will be around 21% more primary age children than in 2010.”

DfE Basic Need Allocation notes

County Council funding

The allocations received from central government have been supplemented by additional capital funding from the County Council, with £9m being allocated to support this provision between 2016 and 2019. However, as with the central government funding this is not sufficient to cover the extensive programme that is required.

All LA's are continuing to experience great difficulty in providing the number of places at the required rate and the government funding falls far short of the requirements. Children's Services have continued to suspended all other major capital works (except committed projects and legal obligations i.e. urgent health and safety and SAI works) in order to focus all major capital on this key issue.

The policy is to try to use existing surplus accommodation (reclaiming accommodations in use by others), expand existing schools (to keep costs as low as possible) and to minimise the number of 'new schools'. Over the next 4 years of the programme (2017-2021) projects to the initial estimated cost of £94m have been identified as being required to meet this need.

On a simplistic year by year basis (indicating when projects are due to be completed this level of funding would be split as follows:-

2016	£ 300,000
2017	£ 25,000,000
2018	£ 22,050,000
2019	£ 19,450,000
2020	£ 21,120,000
2021	£ 6,200,000
Total	£ 94,120,000

There will be some funding through Section 106 contributions and CIL provision. An example of this would be the £3m secured against a development in Wimborne to support education infrastructure, and we do seek to claim approximately £5k per property from any major new development where improvements to provision are necessary as a consequence of the development. We remain hopeful that future allocations from DfE will assist with this programme, however, it should be noted the 2017-18 allocation from the DfE was significantly less than previous years and no more DfE funding will be available until the next funding round is announced. It should also be noted that in order to keep up with the expected programme of need, we do need to continue to progress development of the identified projects and due to critical timescales for completion of some there could be a need for works to begin at a particular time and so we would need to ensure sufficient funding is available to support them at the appropriate time. It remains a problem that with insufficient funding in place, it is difficult to confirm a programme and with the implications of Core Strategies/Local Plans this will impact on the decisions taken. This work is the major focus of the Children's Services capital programme for the foreseeable future (excepting urgent Health & Safety and SAI works).

- There is a significant risk that there will be insufficient school places in Dorset as the growth in pupil numbers impacts on schools.
- The MSP (Basic Need) budget is committed at present with only £4m unallocated, but with a number of large projects which will be in excess of that amount about to move into the feasibility stage. There is presently insufficient budget to provide for the identified basic need over the next four years.
- There is no certainty as to how much housing will be provided, or how quickly, in order to accurately predict developer contributions, or the further impact on basic need of inward migration and from housing growth.

Children's Services

Schools Access Initiative (SAI)

Funding is required to meet the statutory requirements placed on the Local Authority to meet the cost of adaptations and improvements to allow disabled pupils and others, access to school premises. Funding is targeted for pupils with specific needs, but where possible it should also allow a programme of works to be drawn together to start looking at those schools which have no, or limited, disabled access generally.

Cabinet/Whole Authority

County Hall Masterplan - The Workspaces Project

In June 2014 a vision for the future of the Colliton Park Campus was presented to CLT. This identified three distinct workstreams to improve the main building and the campus:

The Colliton Park Campus Project

The Front of House Project

The Workspaces Project

The business case which is attached to this document sets out the rationale for undertaking the Workspaces Project, which entails the refurbishment of all the offices and common areas within County Hall. It identifies the anticipated costs and the projected savings. It demonstrates that by improving the office accommodation and diversifying the workspace areas at least an additional 475 staff can be accommodated within County Hall and the working environment for staff would be greatly improved. Furthermore, this project will act as an enabler for the adoption of flexible working across the whole authority, adopting the principle of 'our space not my space'. This would lead to a significant reduction in the overall amount of office space that the authority occupies with the aim to generate revenue savings across the whole estate of in excess of £3.0m.

A bid for £1.0m was supported in the 2014 capital bidding round and this has enabled work to be undertaken to adapt N3w, E3, E3w and the toilets on Level 3. It will also enable the adaption and the opening out of the rotunda on Level 3 to take place as well as the improvement of S3 corridor. However, a further allocation of £1.0m of capital for years 2 and 3 was deferred due to insufficient funds being available last year.

This bid is therefore for funds for Year 2 of the Workspaces programme and will enable the rotundas to be opened up on Levels 4 and 5 and a training area to be created in County Hall. The creation of a training area is key to enabling the County Council to surrender its lease on Top o' Town House, which will generate revenue savings of £92,750 per annum and a one off capital saving on R & M in 2016/17 of £30,000. There is also an added factor that the Court Service is currently consulting on the closure of Dorchester Crown Court, which may entail the surrender of its lease in 2016/17. In such an event, the availability of capital will be crucial in enabling swift action to be taken to convert this into usable space.

The Workspaces capital bid was originally for £5.0m, but following a discussion at CLT and recognising that unlimited funds could be spent on improving the office accommodation, the sum was reduced to and capped at £3.0m on the basis that this would enable the workspaces programme to be rolled out across the whole of County Hall and for the poorest quality workspaces to be improved, up to the limit of the capital available. The work is progressing on this basis, with the objective delivering the greatest degree of change at the front end of the programme through the adaption and improvement of the rotunda areas, which will enable space to work in a variety of different ways.

Cabinet/Whole Authority

Backlog maintenance

Strategic - Maintenance is tasked with a number of priorities including delivering statutory obligations in relation to maintenance and reducing the required maintenance of the estate to £81/m2 (from the current levels of £106/m2) over the next three years in order to achieve an estate that can be maintained with optimal levels of spend year on year.

Economic - The range of options for dealing with maintenance includes disposal of properties, replacement of properties, refurbishment of properties, lease of properties, and minimal intervention to avoid legislative and health and safety issues as well as strategic capital maintenance of the estate. All of these options are being deployed in various parts of the estate. This bid is concerned only with the strategic capital maintenance of the core retained estate.

Financial - The various works required are detailed within the authority's Corporate Property Database, projects will be further developed to optimise the use of resources including capital funds within prioritised properties with a view to their condition, their use and their future.

Commercial - Procurement of these works will be through the current RMMW framework which is specifically set up to cover the maintenance needs of Dorset County Council. A variety of contracts will be required with a range of mostly small and medium local providers.

Management - Delivery of the projects will be through the existing maintenance team.

Cabinet/Whole Authority

High priority maintenance

Strategic - Maintenance is tasked with a number of priorities including delivering statutory obligations in relation to maintenance and reducing the required maintenance of the estate to £81/m2 (from the current levels of £106/m2) over the next three years in order to achieve an estate that can be maintained with optimal levels of spend year on year.

Economic - The range of options for dealing with maintenance includes disposal of properties, replacement of properties, refurbishment of properties, lease of properties, and strategic capital maintenance as well as minimal intervention to avoid legislative and health and safety issues. All of these options are being deployed in various parts of the estate. This bid is concerned only with high priority maintenance within the core and non core estate.

Financial - The various works required are detailed within the authority's Corporate Property Database, projects will be further developed to optimise the use of resources including capital funds within prioritised properties with a view to their condition, their use and their future.

Commercial - Procurement of these works will be through the current RMMW framework which is specifically set up to cover the maintenance needs of Dorset County Council. A variety of contracts will be required with a range of mostly small and medium local providers.

Management - Delivery of the projects will be through the existing maintenance team.

Adult & Community Services

Dorset History Centre Extension

'- The existing Archive at the Centre will run out of space within three-four years. The exact timetable cannot be predicted owing to the uncertainty of sources & the timing of deposits. Note the County Council has a statutory requirement to store certain archives, but the Centre also handles deposits from private estates & individuals, from other organisations such as the National Trust, and from other authorities within Dorset such as Bournemouth & Poole BCs. If the County Council declines to support this project there will still be costs of some kind, since the Centre will continue to collect material and this will need to be stored somewhere.

'- The Options Appraisal studied the simple extension approach outlined in the original brief issued by Community Services, as well as more lateral ideas such as the rental of Archive Space and Deep Store Accommodation (the Salt Mine option). The most straight-forward and cost-effective solution is to create a two-storey extension to the existing building; the team did explore other avenues to demonstrate the diverse opportunities available, which reinforced the robustness of the recommendation made within the Appraisal report to extend the existing building.

'- The options on logistics, costs, practicality and feasibility were scrutinised by a wide stakeholder base, including practitioners and academics.

'- Using split-sites for archiving was investigated through external papers by the National Archives service and Suffolk County Council, but maintaining the critical mass of the Joint Archives Service's repository in one location is by far the most sensible and practical option.

'- Devolving archival to a third party such as Deep Store is relatively inexpensive in the short term, but is vastly more expensive in the longer term.

'- The preferred option provides a long-term masterplan in terms of both cost and infrastructure; reduces risk to the archival operation; and is proven to be positive and proactive, as opposed to short-term and reactive.

'External Funding: the HLF has expressed a very strong interest in supporting this project, and where they lead others will follow. However all sources, apart from the £140k from the JAB, are conjectural, and the figures shown yet to be achieved. The exact amount achievable from the HLF - 50% of the overall project value is shown - is a conservative starting point, and subject to the bid to them could increase by c.5-10%. The other names & numbers are based on successful precedents achieved on previous HLF-funded Capital projects in both this Council's and other neighbouring Councils' development portfolios.

Environment

Structural Maintenance Top Up

Introduction

This bid is for corporate capital funding to be invested in maintaining the condition of the road network, and to make up the shortfall in funding between that awarded by the DfT through formula funding (which is inclusive of the incentive element), and that required to maintain current carriageway condition.

This bid is for £3.65million of corporate capital funding, and if successful the funds will be invested in resurfacing sections of the road network that have fallen below the level of required skid resistance either through a combination of age, deterioration and / or failure.

This investment is required to reduce the percentage of the road network that has fallen below the required level of skid resistance; both to improve the safety of motorists and reduce the risk of road traffic collisions and the subsequent costs to the economy.

History

The Government's spending review has provided more certainty about future annual funding. However this now contains an incentivised element that requires local authorities to demonstrate their commitment to making efficiencies through the implementation of sound asset management principles that are supported by senior management and Cabinet members.

Failure to meet the requirements set out in the annual DfT self-assessment questionnaire will see an element of this incentivised funding element reduced. We have just submitted a dry run to the DfT which contained a response to a question concerning 'buy in' to asset management at the highest level. We were able to demonstrate this through both the Cabinet sign off of the HAMP, and the subsequent Cabinet awarding an additional £2million of corporate capital funding to support investment strategies linked to carriageway maintenance for this financial year.

By meeting the self-assessment criteria we can secure 100% of the incentivised element of funding when we come to do the actual exercise in the autumn to determine the 2016/17 funding allocation. A further corporate capital award for the next financial year will further demonstrate this authorities' commitment to supporting asset management strategies that are also linked to delivery of corporate objectives.

Based on the carriageway modelling exercise we conducted last year, using the Highways Maintenance Efficiency Programme (HMEP) promoted lifecycle planning toolkit, it was identified what annual capital investment is required to maintain current carriageway condition (those figures are still relevant as this year's condition data has not yet been received from our external providers).

Whilst we have seen an improvement in carriageway condition in recent years due to significant additional grants from central Government, we are now in a position where that funding has reduced to levels that are below the £14.7million investment required to hold current condition.

Therefore an additional corporate capital 'top up' is required to make up the gap between our funding allocation and that required to hold current condition.

This is important, partly because the annual formula funding allocation is used to fund essential maintenance to other critical highway assets including drainage assets and footways.

The other significant factor is the percentage of the carriageway network that has fallen below the required level of skid resistance. It is this network that we are seeking to invest in to reduce this percentage, to improve road safety and drive down the risk of collisions, therefore reducing those killed or seriously injured on Dorset's roads.

Environment

Capital Funding for Replacement of Traffic Control Assets

There are around 540 Traffic Control Assets across the County which includes Signals, Variable Message Signs, Puffin, Toucan and Zebra crossings

The average expected asset life cycle for a Traffic Control installation is 15 years.

An investigation of a significant sample of our existing traffic control asset (241 Sites) has identified that 68% of Dorset County Council's stock is now beyond this expected asset life, albeit in various stages of deterioration, and is in need of significant investment in order to replace this equipment.

Around £200,000 is spent on Signal Replacement each year funded from the Integrated Transport Local Transport Plan Fund (IT LTP). This equates to around 10% of the IT Block funding. The remaining IT block funds Road safety Schemes, Highway Improvements including new footways and cycleways, Rights of Way and Sustainable transport schemes.

The development of the asset management plan for traffic control has established the damaging effects this under funding has had on this asset, and the need for urgent investment in renewal.

Therefore an additional investment of £4 Million over 4 years (£1 Million/year) would enable the highest priority/worst condition locations to be included in the replacement programme.

Without this investment, Dorset County Council could be exposed to a significant amount of risk and possible legal action should there be an accident or asset failure.

Audit & Scrutiny Committee

ICT project portfolio

The capital programme has provided an average of £1m per annum in recent years to support the commissioning of small to medium ICT schemes to maintain the ICT infrastructure or provide enabling technology to support business change. The last allocation within the capital programme was made available in 2015-16. In addition, large ICT schemes have sought direct allocations as part of the capital programme (for example, the replacement of the social care systems (AIS & RAISE) and the Library Management System).

It is no longer an effective strategy to deliberately delay investment in upgrading and maintaining the ICT infrastructure to reduce overall costs over time – a new stance is needed to keep pace with the changing organisation as we seek to employ new operating models, requiring the integration of systems and data, and to take advantage of emerging technology solutions in a more agile way. We need to maintain investment in ensuring that the ICT infrastructure is at current (or near current) versions to avoid the technology becoming a blocker to changing the way we work.

The financial pressure to maintain and improve service levels and outcomes, whilst balancing the budget, requires transformational change in all parts of the council. Many of these changes are to a lesser or greater extent enabled by technology.

For example, as part of the change programme in Adult & Community Services a significant number of anticipated new ICT requirements (small to large) have been identified to support the transformation of the directorate's public services. In addition there is work already identified by the Adult & Community Services Directorate to develop an Adult Services business intelligence dashboard, work to develop the tools to mobilise the workforce by making application functionality available on mobile devices away from the office, and work already in progress to develop the integrated Dorset Care Record and procure a new contract for the Adult Care system plus a number of other smaller schemes.

The same reliance on technology will underpin change efforts across the whole council.

The Information Strategy Group (corporate ICT steering group, chaired by the Asst. Chief Executive) prioritised a range of emerging ICT schemes at its June meeting – only four of the fifteen schemes were supported for progression through the commissioning process (via business case) given the limited available funds in 2015-16.

The County Council's strategic capital investment priorities are:

- i) ensuring that statutory obligations are met;
- ii) investing to save

These priorities are further detailed as follows:

Priority 1: Statutory Obligations

- to meet mandatory legal requirements e.g. health and safety, fire prevention, disabled access, road safety and public health needs
- to keep core assets in use, provide sufficient school places and maintain essential business continuity

Priority 2: Invest to Save

- to meet identified financial targets and achieve revenue savings as set out in the Forward Together programme
- to reduce running costs and/or the need for replacement assets
- to generate net income
- to optimise the availability and application of external funding (including developer contributions)
- to improve/develop premises in order to achieve savings through co-location and joint shared use including the development hubs

Priority 3: Maintenance and Infrastructure

- Roads – to provide an efficient and safe road network through the delivery of the planned and reactive maintenance programmes in accordance with agreed performance measures
- Buildings – specifically to eliminate the backlog of priority work (i.e. in condition categories C and D as defined)

Priority 4: Other items

- All other bids that do not fall into one of the priorities above

In assessing recommendations on capital investment bids, the Asset Management Group and the Cabinet apply the following criteria which are not listed in any order of priority but are considered in the round to achieve a balance between:

the imperative of capital investment priorities

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the attractiveness in respect of the investment or value for money

The criteria used are as follows

- Affordability and in particular the return from the investment in terms of revenue savings and/or capital receipts – the target being to exceed 9% return
- New assets should be multi-use and fit for purpose
- The degree that every new/refurbished asset incorporates sharing with other public/third sector partners
- Value for money – including the extent of ‘gearing’ i.e. the ratio of any external/partnership funding to County Council funding
- Investments which promote economic growth within the County should be supported acknowledging that the payback period may be longer, if there is alignment with Dorset LEP’s objectives
- Any risks relating to the delivery of the project
- The availability of resources and the potential scope for repurposing
- Other directorate or service spending requirements
- The extent to which the recommendations are consistent with the capital investment priorities set down by members
- The environmental impact of the spending being consistent with the authority’s corporate sustainability commitments