Cabinet

Dorset County Council

Date of Meeting	01 February 2017
Cabinet Member Robin Cook – Cabinet Member for Organisational Development and Transformation Local Members All members Lead Officer(s) Richard Bates – Chief Financial Officer	
Subject of Report	**Asset Management Capital Priorities**
Executive Summary	A report was brought to the December Cabinet and members agreed that it was necessary to reassess the programme given the financial position of the Council, and the forthcoming budget announcement from Government, to focus on the highest and immediate priorities. It was agreed that the capital priorities would be reported back to the Cabinet in the New Year alongside the revenue budget report. A request was also made for more information relating to the elements within the programme that depended on funding from the Council in order to access additional external funding from other sources. The report seeks to identify the priorities for capital spending over the next three years. Capital Bids for 2017/18 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.

	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 Managing Our Assets Group (MOAG) 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 and detailed in Appendix 3, after 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. 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. 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. The Capital Funding Policy The capital programme estimated gross spend for 2016/17 is in excess of £67M and £65M for 2017/18. The cost of financing this spend depends partly on how much is funded by grants and contributions. These currently stand at £50M for 2016/17 and £38M for 2017/18. The remaining spending is predominantly funded through prudential borrowing.
Impact Assessment:	Equalities Impact Assessment: 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. The most recent equalities impact assessment was undertaken on the Asset Management Plan and identified the need to ensure that the interests and needs of the six equality groups are addressed at service level as part of the service asset management planning process, including consultation with users.
	Use of Evidence: The Asset Management Plan incorporating the capital investment

	strategy, makes use of the following sources of evidence: • The Budget and Corporate Plan • Medium Term Financial Strategy • Outcomes from a Members Seminar on 25 September 2014 • Periodic public consultation at a corporate level via the Citizens' Panel • Ongoing consultation with partners, stakeholders, users and the community at service level • National property performance data and indicators Service asset management plans, including whole life costing and cost-in-use information.
	Budget: The report provides an update on the County Council's capital budget position for 2017/18 and the following two years. A review was undertaken by officers and led to project budgets being reduced by a total of £4.75M over the MTFP period, see paragraph 2.3 for details.
	Risk Assessment: Major risks that influence the development of the capital financing strategy include: • 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; 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
	Other Implications: None.
Recommendation	The Cabinet are asked to recommend to the County Council the bids to be included in the capital programme 2017/18 to 2019/20
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	Appendix 1 Capital Expenditure Estimates Appendix 2 Summary of New Capital Projects Appendix 3 Proposed New Capital Projects after MOAG Appendix 4 Outline of New Capital Projects Appendix 5 Capital investment strategy and assessment criteria
Background Papers	Asset Management Report – Cabinet, December 2016; Treasury Management Strategy Statement and Prudential Indicators for 2016/17 – Cabinet, February 2016; 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 Managing Our Assets Group (MOAG) 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 MOAG 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 Managing Our Assets Group. Members are invited to consider the bids and identify which bids are to be included in the capital programme. Appendix 1 details the budget flexibility that is available for new bids until the end of 2019/20.

1.4 A report was brought to the December Cabinet and members agreed that it was necessary to reassess the programme given the financial position of the Council, and the forthcoming budget announcement from Government, to focus on the highest and immediate priorities. It was agreed that the capital priorities would be reported back to the Cabinet in the New Year.

1.5 A request was also made for more information relating to the elements within the programme that depended on funding from the Council in order to access additional external funding from other sources.

2 Financial Summary and Capital Control Totals

2.1 The provisional settlement was announced by the Secretary of State for Communities and Local Government in December 2016. The majority of it was already known as Members had signed-up to the Government's four-year funding deal and we will continue to press our case around negative RSG in 2019/20.

2.2 In terms of capital funding the DfT have notified the County Council of its capital allocations and I can confirm that the Highways Maintenance Block Needs Formula, £12,364,000, and the Pothole Action Fund, £1,070,000, are in line with what we have budgeted. A new allocation, The National Productivity Investment Fund, £2,942,000, will be spent on improving local road networks, for example, highways and public transport networks to improve access to employment and housing, to develop economic and job creation opportunities. We are still awaiting confirmation of the LTP Integrated Transport budget. At present no further capital allocations from the other Government Departments have been made.

2.3 A review of the current capital programme has been undertaken by officers and summary of changes totalling in excess of £4.75M are detailed in the table overleaf.

Summary of changes	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Weymouth Relief Road		1,025	400	1,504	2,929
Other Projects	552	141			693
APT's	615	172	172	172	1,131
	1,167	1,338	572	1,676	4,753

2.4 It can be confirmed that there are no elements of any of the new bids which are dependent on funding from the Council and if unsuccessful would lead to a loss of external funds.

2.5 Following the Cabinet meeting on 14 December 2016 and to ensure delivery of the Springfield Road, Verwood Distributor Road Scheme alternative funding streams are being explored to contribute towards the cost of delivery. This includes the potential for Local Transport Plan (LTP) allocated funding in 2017/18 towards the 'Safer Routes to School' element of the scheme. There is no flexibility within the corporate capital budget to provide for any increase.

2.6 The approval of the revised capital control totals implies gross capital expenditure of £67.2M in 2016/17, £65.1M in 2017/18, £66.81M in 2018/19 and £50M in 2019/20. 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).

2.7 The revised control totals and anticipated commitments against them indicate that if the assumptions up to 2019/20 regarding new capital financing are included this would provide a maximum of £11.4M towards new projects and requests for additional Annual Provision Total (APT). It must be remembered this is a two year programme to ensure consistency with the revenue budget.

3 Capital Programme – Effects of the borrowing policy

3.1 The capital programme estimated gross spend for 2016/17 is in excess of £67M and £65M for 2017/18.

3.2 The cost of financing this spend depends partly upon how much is funded by grants and other contributions. These stand at around £50.034M for 2016/17 and £38.279M for 2017/18. 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 at today's meeting within the Treasury Management Strategy Statement and Prudential Indicators for 2017-18 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 2016:

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 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.

3.8 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 Managing Our Assets Group (MOAG) 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 bids 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 2017/18 to 2019/20. 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 MOAG's recommended priorities are detailed Appendix 5.

4.4 In November the Managing Our Assets Group, (MOAG), considered capital bids submitted for 2017/18 and beyond, which required funding in excess of £21M, Appendix 2. MOAG also agreed that that there was a need to be consistent with the revenue budget and to agree allocations for both 2017/18 and 2018/19. On review of these bids against the priorities set down in the Asset Management Plan, MOAG proposed that funding of bids relating to on-going programmes should only be allocated for 2017/18 and 2018/19, and that funding for future years should be deferred, as there are currently insufficient funds available.

4.5 The Children's Services bids included a bid for School Access Initiative funds in 2018/19 and MOAG noted that allocations in previous years had already been set aside. MOAG also agreed that due to insufficient funds being available both the 2017/18 and 2018/19 Basic Need bid be agreed but reduced by £500K for each year.

4.6 In terms of the Additional Funding for Carriageway Maintenance and the Replacement of Traffic control assets bids for the Environment Directorate totalling £9.9M in total over 4 years an initial allocation of £2M was made over the first two years but following concerns over the impact of the reduction in ICT funding and the positive roads funding announcement this has been reduced slightly to £1.8M. It is recognised that due to insufficient funding being available this will put further pressure on the revenue budget and the highway maintenance backlog may increase.

4.7 Last year the Information Strategy Group submitted a bid of £750K in both 2017/18, (subsequently increased to £1M), and 2018/19 which were deferred for consideration at a later date given the pressure on the capital budget. Due to insufficient funds it has only been possible to recommend an allocation of £1M over the two years which has now been increased to £1.2M.

4.8 Appendix 3 also details three ring fenced schemes that MOAG agreed were all property related with similar aims. MOAG felt that these three schemes all contributed to the Way We Work savings target and should be agreed and financed from the capital receipts they generated.

4.9 As can be seen in Appendix 3 the proposal put forward by MOAG totals £11.4M for the period 2016/17 to 2019/20. It should be noted that the funds available place a large reliance on capital receipts especially the ring-fenced property schemes.

4.10 It should also 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. It is felt prudent to continue to retain some funds for these risk items.

5 Conclusion

5.1 As referred to in paragraph 2.7 and Appendix 1, if the assumptions for 2019/20 regarding new capital financing are included, the provisional control totals and anticipated commitments indicate that there would be £11.4M available towards new projects. 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 2018/19 and 2019/20 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 2017/18 to 2019/20.

Richard Bates,
Chief Financial Officer
January 2017

Appendix 1

DCC CAPITAL PROGRAMME 2016-17 to 2019/20 : EXPENDITURE ESTIMATES (GROSS)

DIRECTORATE	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
ENVIRONMENT	41,386	30,123	14,296	13,690
CHILDRENS	23,614	17,590	10,405	2,124
ADULT & COMMUNITY	693	2,980	4,633	395
CABINET / WHOLE AUTHORITY	13,912	5,946	2,854	1,893
DORSET WASTE PARTNERSHIP	5,614	2,682	3,856	4,657
CAPITAL FLEET REPLACEMENTS	2,294	1,360	950	683
CAPITAL R & M	4,740	5,767	5,967	5,967
Slippage	(40,000)	0	20,000	20,000
TOTAL	52,253	66,448	62,961	49,409
Contingency re Risk Items	2,499	0	0	0
(Overcommitted) / Remaining flexibility (to meet target)	2,400	6,000	3,000	0
Gross Predicted Capital Spend	57,152	72,448	65,961	49,409
Grants / Contributions	(41,872)	(26,723)	(23,252)	(15,115)
Capital Receipts	0	(3,000)	(4,000)	(1,000)
Vehicle Sales	(200)	(200)	(200)	(200)
RCCO	(4,076)	(5,126)	(5,326)	(5,326)
DWP Contributions	(5,614)	(2,682)	(3,856)	(4,657)
Additional Capital Financing Requirement	5,390	34,717	29,327	23,111
Borrowing Brought Forward	184,311	192,670	217,134	235,958
MRP	(10,003)	(10,253)	(10,503)	(10,753)
UNDER BORROWING B/FWD	102,972	90,000	90,000	90,000
UNDER BORROWING C/FWD	(90,000)	(90,000)	(90,000)	(90,000)
BORROWING REQUIREMENT	192,670	217,134	235,958	248,316
ADDITIONAL BORROWING REQUIRED	8,359	24,464	18,824	12,358
Underlying Borrowing Requirement B/FWD	287,283	282,670	307,134	325,958
Underlying Borrowing Requirement C/FWD	282,670	307,134	325,958	338,316
MRP	10,003	10,253	10,503	10,753
INTEREST	7,097	7,925	8,996	9,619
	17,100	18,178	19,499	20,372
Control Sheet	17,961	18,561	18,561	18,561
Additional budget requirement (RAM)	(861)	(383)	938	1,811
Target				
Ave Interest Rate	3.8%	3.9%	4.0%	4.0%

Appendix 2

CAPITAL PROJECTS

SUMMARY OF NEW CAPITAL PROJECT BIDS AS AT DECEMBER 2016

ORIGINAL PROPOSED NEW BIDS

		<--------------		Estimated Payments		-------------->	
	Total Payments £'000	**Before 2016-2017 £'000**	**2016-17 £'000**	**2017-18 £'000**	**2018-19 £'000**	**2019-20 £'000**	**After 2019-2020 £'000**
<u>For start in 2017-2018 & later</u>							
Children's Services							
School's Basic Need Programme	9,000			4,500	4,500		
School Access Initiative (SAI)	400				400		
Cabinet/Whole Authority							
County Wide Office Reconfiguration	2,893		720	1,500	673		
Capital Receipts	-4,593		-2,050	-650	-1,893		
County Hall Masterplan - Year 3	500			500			
Community Offer for Living and Learning	2,700			1,700	1,000		
Capital Receipts	-1,500				-1,500		
Environment							
Investment in Maintaining Carriageway Condition	5,900			5,900			
Replacement of Traffic Control Assets	4,000			1,000	1,000	1,000	1,000
Audit & Scrutiny Committee							
ICT project portfolio	1,750			1,000	750		
Total 2016-2017 Starts & later	21,050	0	-1,330	15,450	4,930	1,000	1,000
Resources available 2016-17 to 2019-2020	11,400	0	2,400	6,000	3,000	0	0

Appendix 3

REVISED SCHEMES MOAG PROPOSED TO PROCEED

CAPITAL PROJECTS
SUMMARY OF NEW CAPITAL PROJECT BIDS AS AT DECEMBER 2016
REVISED PROPOSED NEW BIDS

Interpretation of Asset Management Plan ranking					<-------------- Estimated Payments -------------->						
1 %	2 %	3 %	4 %		Total Payments £'000	Before 2016-2017 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	After 2019-2020 £'000
				__For start in 2017-2018 & later__							
				Children's Services							
100				School's Basic Need Programme	8,000			4,000	4,000		
				Children's Services							
100				School Access Initiative (SAI)	400				400		
				Environment							
100				Replacement of Traffic Control Assets	500			250	250		
				Audit & Scrutiny Committee							
33	67			ICT project portfolio	1,200			500	700		
				Environment							
33	33	33		Investment in Maintaining Carriageway Condition	1,300			750	550		
				Total 2017-2018 Starts & later	11,400	0	0	5,500	5,900	0	0
				__Ringfenced__							
				Cabinet/Whole Authority							
	100			County Wide Office Reconfigeration	2,893		720	1,500	673		
				Capital Receipts	-4,593		-720	-2,000	-1,873		
				Cabinet/Whole Authority							
	100			County Hall Masterplan - Year 3	500			500			
				Cabinet/Whole Authority							
	100			Community Offer for Living and Learning	2,700			1,700	1,000		
				Capital Receipts	-1,500				-1,500		
				Total 2016-2017 Starts & later	0	0	0	1,700	-1,700	0	0
				Resources available 2016-17 to 2019-2020	11,400	0	2,400	6,000	3,000	0	0

Appendix 4

Summary of New Capital Project Bids December 2016

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’. In January 2016 it was reported that Dorset had 28,506 primary aged pupils, up from 26,530 in January 2011. This number is expected to rise by a further 1296 by 2026. Over this period of time this increase is the equivalent of a further 6 new 1FE primary schools. Figures available now also indicate that there will be a further increase 11-18 year olds also looking for education provision from 20,756 in January 2016 to 23,615 in 2016. These 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
2018-2019 Main 'Basic Need' allocation £2,312,000
Total EFA Funding Allocation to date £17,413,000

County Council funding
The allocations received from central government have been supplemented by additional capital funding from the County Council, with £13m being allocated to support this provision over recent years. 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 suspend 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.

Where possible every effort is made to try to use existing surplus accommodation (reclaiming accommodation in use by others), expand existing schools (to keep costs as low as possible) and until now to minimise the number of 'new schools'. Over the next 4 years of the programme (2017-2021) projects to the initial estimated cost of £99m have been identified as being required to meet this need in the primary and middle school sectors only at this stage. A number of these projects may be delivered as new schools with the Education Funding Agency (EFA) meeting the costs as new 'Free Schools', although at this stage that cannot be guaranteed due to timescales and bidding rounds for funding. Should this route be an option available to support this provision then this could reduce this estimated cost by some £46m.

There will be funding through Section 106 contributions and CIL provision (eg £3m towards education infrastructure in Wimborne), 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. Current expected contributions through this route could total £44m, however, this figure is heavily caveated in that it assumes the planned levels of development occur and requires the development to only contribute to the specific impact of the development on the provision of school places. Unfortunately, in the majority of cases the trigger point for contributions are after the need to develop a school has arisen so projects have to be funded up front prior to the contributions being due or paid. We remain hopeful that future allocations from DfE will continue to assist with this programme, whilst it remains the LA's responsibility to fund Basic Need provision, certainly at existing Schools/Academies. 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).

Therefore in conclusion 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 fully committed at present, and with a number of large projects which will be in excess of current funding provision either about to come out of feasibility or move into the feasibility stage. There is presently insufficient funding available to provide for the identified basic need requirements 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)

In accordance with the Equality Act 2010 children with specific needs are integrated within mainstream schools wherever possible, with adjustment to accommodation made as far as is reasonably practical. In addition, more children with medical needs are being placed both within mainstream and special education provision, often needing adaptations to buildings to enable their successful inclusion within the school. In 2016/17 SAI funding supported 17 projects costing over £2500 in maintained schools, committing £424,000 so far this year for works to enable the inclusion of children with hearing impairments, visual impairments, physical disabilities and medical needs. It is anticipated that these needs will continue and that the demand will increase as children with more complex conditions are admitted into both mainstream and special schools. We need to be in a position to be able to respond to these needs in providing appropriate accommodation that will not disadvantage children with disabilities.

Cabinet/Whole Authority
County Wide Office Reconfiguration

The project entails the rationalisation of the office estate, retaining just eight office buildings in 7 towns (two offices are required in Ferndown to accommodate the demand for accommodation in the east of the county) and disposing of the residue. Overall (including those buildings in Dorchester already earmarked for disposal under the County Hall masterplan business case) the County Council will generate revenue savings of £970,000 per annum from the office estate and will generate capital receipts in the order of £6,000,000.

This business case for the Countywide Office reconfiguration specifically requested an investment of £2,893,000 of capital and £105,000 of revenue, which will enable the County Council to generate capital receipts of £4,562,000 and revenue savings of £409,250. The business case was approved by the Way We Work Programme Board on 22nd June 2016, including the principle of re-investing up to 75% of the capital generated from the disposal of existing office accommodation that would be freed up as part of this programme (which has been ratified by the Cabinet).

This bid is an invest to save bid, and so whilst it doesn't directly impact on the delivery of the four corporate outcomes, this investment will enable the authority to save £409,250 per annum in support costs which can be channelled into the delivery of front line services. Furthermore, the adaptation of the office space will improve working conditions in Local Offices and assist with staff retention and morale.

The business case for this programme was considered and ratified by the Way We Work Board on 22nd June. The minute records that the Programme Board agreed to support the Way We Work Property Programme Business Case.

As a consequence the programme has commenced and work started in the Weymouth Local Office in October. The funding for these works will be financed from the sale of surplus office accommodation as approved by Cabinet under resolution 40.1 of the meeting of 2nd February 2015 and this bid is not seeking any further allocation of funds from the capital bidding process. The bid is tabled for transparency purposes.

Cabinet/Whole Authority
County Hall Masterplan - The Workspaces Project (Year 3)

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 set out the rationale for undertaking the Workspaces Project, which entailed the refurbishment of all the offices and common areas within County Hall. It identified the anticipated costs and the projected savings. It demonstrated that by improving the office accommodation and diversifying the workspace areas at least an additional 475 staff could be accommodated within County Hall and the working environment for staff would be greatly improved. Furthermore, this project would 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 £3.2m per annum.

To date a sum of £1.5m (£1.0m in 2015/16 and £0.5 in 2016/17) has been allocated to this programme which has enabled work to be undertaken to adapt N3w, E3, E3w, S3 and the rotunda on Level 3. In addition, works to open out the rotundas on L4 and 5 are also committed within that budget. Furthermore, the programme has been able to undertake rapid transformation of the whole of Level 4, W3 and E5 and a 'rapid transformation plus' of West Court. So, whilst the original bid estimated that the works would cost approximately £3.0m, the programme has been substantially delivered for half that amount.

The original masterplan was to refurbish the office accommodation on Levels 3, 4 & 5 of County Hall. Since the masterplan was written the County Council's strategy for office accommodation has changed and it is now seeking to centralise more staff in County Hall, supported by an updated car parking strategy and flexible working. It was therefore resolved at the WWW Programme Board in June that the programme should undertake the refurbishment of Level 2 (including the rotunda) since there are no plans to move the staff based there to any alternative accommodation. The Board felt that it was important that all County Council staff should occupy similar accommodation, adapted on WWW principles. Once the countywide office reconfiguration has been completed, Level 2 of County Hall would be the only accommodation earmarked for long term staff occupancy that wouldn't have been adapted. This bid is therefore to fund the adaptation of Level 2 of County Hall. This will provide additional staff capacity by opening out certain areas. It is also proposed that it will create further informal and formal meeting space, including a large meeting area that can act as a board room. These additional meeting spaces are key if we are to increase occupancy of County Hall, since at present the lack of meeting spaces is the single most limiting factor to the better utilisation of the office space.
The financial case for undertaking these works is based upon the fact that by improving the accommodation in County Hall, the authority will be able to accommodate significantly more staff within the building. This will free up several buildings that the authority leases in Dorchester and would generate a revenue saving of in excess of £500,000 per annum by 2021.

In addition, it would improve the condition of County Hall and save on repairs and maintenance costs. Also, the energy reduction measures would improve the energy efficiency of the building, leading to a reduction in annual running costs. The financial case presents a powerful argument for improving the infrastructure of the building. However, there is an additional, intangible strategic case which is based upon the premise that the County Council needs to change the way that it occupies its accommodation and to occupy it far more efficiently, not just in County Hall, but across the County. These works will enable the County Council to halve the amount of office accommodation that it occupies, to truly embrace flexible working and to reduce the cost of its office estate by £1.0m per annum.

Cabinet/Whole Authority
Community Offer for Living and Learning

The Community Offer for Living and Learning will review and reshape how and where we provide services in communities. This includes communities accessing services such as Children's Centre and Libraries, and more specialist services such as Day Care Services. Where services will continue to be accessed in communities they should reflect the needs and aspirations of the local community and could include:

• A place where face to face services are accessed – by or on the behalf of councils, government or health organisations.
• A place where services can be better located together to improve the people's experience
• A place where residents can be helped to access services, benefits and support online
• A place where volunteer groups and small business start-ups can deliver services
• A place to meet and socialise

We are supporting the development of joint strategic property outcomes for Dorset, to ensure our services, by working together, have the best opportunities to deliver themselves out of efficient properties, efficient in property terms i.e. low maintenance but also efficiently placed to allow citizens to access them.

Over the next 5 years, we are hoping to deliver up to 16 Living and Learning Centres across the county. These will be delivered with a range of partners including districts and boroughs, town and parishes, Health, Department of Work and Pensions, the Citizens Advice Bureau and Job Centre Plus, and the voluntary and community sector. The Way

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We Work Property Programme`s aim has always been to raise capital receipts and reinvest (ring fencing capital receipts up to the value of 75%) what is necessary to achieve its objectives without needing to rely on pump priming funds. However, for the type of service outlets within scope of the L&L programme, this is not possible. For these service outlets we need to redesign the new spaces for the services to use before we can see the release of the existing assets.
It should be noted that Finance and HR are currently progressing a financial forecast for the emerging business model for L&L. This will take in to account the potential revenue savings from property, services and HR. The L&L working group are also developing the assets and service delivery plan which will provide a better projection of the full potential of the programme.

The property element of this programme is focussed on making best use of existing buildings, using ours or our partners assets, regardless of who owns them. The programme does not envisage extensive new capital builds therefore, we are seeking funding to reconfigure existing buildings to enable them to be adapted to become multifunctional so that a multitude of integrated services can be delivered from them.

Cabinet have agreed to the development of five pilot areas (Beaminster, Blandford, Weymouth, Portland, and Ferndown). By spring 2017 we aim to have a detailed service specification, property solution and outline costings (subject to consultation) for each of these areas. To achieve this, we are working with key stakeholders for each location, this is already underway in Blandford, Beaminster and Ferndown and the other pilot areas are programmed for the coming months.

Early indications from these meetings suggests the L&L offer could be provided from a single core building in each location. To ensure the development of the best building in the most accessible location, a feasibility and business case will be prepared and presented for approval before any alternations are commissioned.
The Way We Work Property Programme has a revenue savings target of £3.2 million by 2020, (some of these savings have been achieved from Countywide Office Reconfiguration Programme). To achieve additional savings we know we need to implement the changes arising from the L&L offer quickly. We expect alteration works to commence in the pilot areas during 2017/2018. Therefore we are applying for capital funding in 2017/2018, before the presentation of supporting business cases for all areas, as we are not in a position to wait until financial year 2018/2019 to begin moving forward with the delivery of the offer. It should also be noted that this programme will also produce Service delivery savings. All business cases will need to be signed off by the S151 officer and respective cabinet member before funds are committed.

The programme, as it moves into the delivery phase, will yield up capital receipts from surplus properties and these in turn may help to support further capital costs for property alterations. However, this cannot happen before spaces are adapted to allow services to move into a reduced number of service outlets.

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Environment
Investment in Maintaining Carriageway Condition

This project is intended to bridge the gap between the investment required to maintain current condition of the carriageway network, and that currently invested through Department for Transport (DfT) maintenance block funding (inclusive of the incentivised element and the additional pothole funds).

The HMEP Lifecycle Planning Toolkit indicates that approximately £16million annual investment is required to maintain the current condition of the carriageway network. Current anticipated annual investment for 2017/18 into the carriageway asset is £10.1million, leaving a shortfall of £5.9million.

This investment is required to support the four main highway strategies, which are aligned to the Corporate Objectives :

- Meeting our statutory requirement to maintain the highway
- Optimising highway safety
- Maximising opportunities for early life interventions / optimising asset life
- Promoting the economy through maintaining the condition of strategic routes and links to businesses and communities.

Carriageway condition remains the most important part of the Highways service, and the most in need of improvement, as identified through the 2015 NHT survey. The Corporate 'Ask Dorset' exercise also identified carriageway condition as one of the most important elements of the service Dorset County Council provides.

Through investing in carriageways, to bridge the gap between current investment, and that required to maintain current condition, this will support current strategies linked to the corporate objectives and to reduce the burden on the reducing revenue budget.

This will also demonstrate a support to current strategies in the Highways Asset Management Plan (HAMP), providing good evidence in our case for band 3 status in the DfT's Self Assessment questionnaire, that links to the incentivised element of our funding.

The Government's Road Investment Strategy shows that for every £1 spent on projects identified, the return for the government is £4 in the long term, demonstrating the clear link between investing in the nation's roads and economic growth.

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.

Last year an investigation of our existing traffic control asset (241 Sites) 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 continual significant investment in order to replace this equipment.

Approximately £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.

An additional investment of £4 Million over 4 years (£1 Million/year) was requested to enable the highest priority/worst condition locations to be included in the replacement programme, £325,000 of funding was made available which has enabled us to address two of the key sites identified in last year's proposal.

Without this continued level of additional investment, Dorset County Council will 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, of £1m, was made available in 2016-17. In addition, large ICT schemes seek direct allocations from the capital programme (for example, the implementation of the new social care case management system).

The financial pressure to maintain and improve service levels and outcomes, whilst balancing the budget, requires transformational change in all parts of the council. Very many of these changes are to a greater or lesser 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. 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 Information & Digital Transformation Group (IDTG, name to be confirmed) replaces the Information Strategy Group following the recent review of corporate working groups. It is proposed that a Head of Service representing an area of the business chairs the group, with other Heads of Service covering other business areas and relevant support services). This group has prioritised a range of emerging ICT schemes supporting business change or infrastructure maintenance bids

Appendix 5

Our Capital Investment Strategy

The capital investment strategy is designed to deliver the outcomes set out in the County Council's corporate plan and asset management plans. It defines the authority's priorities for the allocation of its capital. These should enable the authority to enhance its assets and ensure that they are fit for purpose to support the delivery of services in line with the four outcomes to help residents be safe, independent and healthy, with an economy that is prosperous.

The Forward Together programme is key to the strategy, along with partnership working. Consultation with members and stakeholders has led to the priorities being divided into four categories, with a set of further criteria to assess each capital investment bid. It is the role of the Property Management Group to apply the criteria accordingly.
The County Council's strategic capital investment priorities are:

How the priorities are ranked

The priorities have been ranked in the following order:

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 medium term financial strategy
- 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 achieve savings through co-location and joint shared use

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

The assessment criteria

The assessment criteria to be applied are not listed in any order of priority, they are to be considered in the round to achieve a balance between:

the imperative of capital investment priorities, to deliver the four key outcomes

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the attractiveness in respect of the return on the investment or value for money

The role of the Property Management Group is to consider all the capital bids and attach an Indicative Ranking to each bid.

The criteria we use is 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

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