

CABINET

25 April 2017

Title: Capital Bidding Process 2017/18	
Report of the Cabinet Member for Finance, Growth and Investment	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
Report Authors: Stephen Hinds, Chief Accountant Rodney Simons, Principal Accountant - Capital	Contact Details: Tel: 020 8227 3079 E-mail: Stephen.Hinds@lbbd.gov.uk E-mail: Rodney.Simons@lbbd.gov.uk
Accountable Director: Kathy Freeman, Finance Director	
Accountable Strategic Director: Claire Symonds, Chief Operating Officer	
Summary <p>At the Assembly on 22nd February 2017, Council agreed a new Budget Framework 2017/18 and Medium Term Financial Strategy (MTFS), this reflected the priorities, ambition and agreed strategies of the Council. This new investment led strategy aims to bring alive the Council's vision: "One Borough; One Community; London's Growth Opportunity". Capital investment is key to this ambition and this paper sets out the Council's detailed annual capital programme. It details the bidding process which is how the Council agrees capital projects/programmes of works and the approval process of the bids. The process excludes projects undertaken directly by schools and will only govern those projects undertaken, commissioned, managed and delivered by the Council.</p> <p>In line with the MTFS, the Council has set aside £0.900m to fund the cost of borrowing every year to invest into the Council's capital programme, which equates to an additional £10.000m per year of available funding to spend on the programme.</p> <p>In addition to the available corporate funding, services can also directly fund projects themselves with alternative sources of funding, including:</p> <ul style="list-style-type: none">• Borrowing (this will be managed corporately and requires services to fund a revenue cost of approximately 9% of the total capital budget per annum for the cost of borrowing (both the interest and repayment elements).• Government grants• Lottery funding• HRA funding• Direct revenue funding• Section 106 funding• Community Improvement Levy <p>47 bids were received during this round of bidding to access the Capital Funding programme amounting to £41.915m over the next five years, and £21.057m relating directly to 2017/18. After undertaking an assessment of all bids, the amount</p>	

recommended for approval is £40.482m over the next five years, with £20.468m relating directly to 2017/18.

The full costs of the programme detailed in the document were included in the MTFS approved by Assembly in February 2017.

Recommendation(s)

The Cabinet is recommended to approve the new Capital schemes for 2017/18 as detailed in section 3 and Appendix A to the report.

Reason(s)

To assist the Council to achieve its priorities of:

- Encouraging civic pride
- Growing the borough

1. Introduction and Background

- 1.1. The MTFS has set aside £0.900m to fund the cost of borrowing, which enables the Council to invest £10.000m in its capital programme each year. Several bids were already put forward and agreed last year against the 2017/18 programme, meaning there is £6.600m available for additional capital programme works for 2017/18.
- 1.2. Services were invited to submit bids for capital projects in October 2016. Each bid had to include an outlining description of the project, the level of funding required, the revenue implications, and identifying how the project aligned with the assessment criteria including the Councils corporate priorities.
- 1.3. 47 Bids were received during this round of bidding amounting to £41.915m over the next five years, and £21.057m relating directly to 2017/18. After undertaking an assessment of all bids, the amount recommended for approval was £40.482m over the next five years, with £20.468m relating directly to 2017/18.
- 1.4. All bids were approved by the respective finance business partner, Director and cleared by respective Strategic Director before submission to Corporate Finance.
- 1.5. Corporate Finance then reviewed and prepared an overall prioritised list of bids, using the assessment criteria, and scoring method.

Criteria	Score
1. To meet statutory requirements	5
2. To meet health and safety requirements	5
3. Meets Council priorities	5
4. To enable future revenue savings	5
5. Enables match funding (additional external funding)	5
Max Score	25

1.6 It was possible for a bid to score against more than one of the above criteria, such that if it meets all of them it could achieve a maximum score of 25. Each bid was given a total score, and prioritised in an overall list.

2. Current Capital Programme

- 2.1. The Council's current capital budget for 2016/17, inclusive of the Gascoigne Estate scheme (£36.775m), is £199.086m, and Directorates have reprofiled £1.458m of work, which will be financed by bringing forward and adjusting future year budgets accordingly.
- 2.2. The 2016/17 capital programme will be funded by £79.067m worth of capital grants, £62.199m of Housing Revenue Account funding, £0.177m of Section 106, £51.783m of capital borrowing, £4.104m of contributions from reserves and revenue allocations and £0.382m of capital receipts.
- 2.3. The two most significant areas of the capital programme are the provision of school places and housing. This reflects the needs of the borough in terms of dealing with a high birth rate and high level of migration into the borough. School expansion schemes are funded by Central Government (the Education Funding Agency), and the HRA programme is self-financed by the HRA using a mixture of Government grants, capital receipts and HRA revenue funding. Therefore, they do not pose a pressure on the General Fund, in terms of needing to borrow and servicing the cost of borrowing.
- 2.4. Another significant area of the programme is the Corporate Accommodation Strategy. This has a budget of £10.37m over the next two years and will rationalise the corporate office portfolio, which will enable future capital receipts and revenue savings to be realised.
- 2.5. In February, Assembly agreed a number of new schemes to be funded from corporate borrowing made available of £5m in 2016/17 and £10m in the subsequent years up until 2021, as per the provisions made available in the MTFS. The main intention of this process was to enable the Council to meet its statutory and health and safety requirements. Therefore, bids that fulfilled these purposes were prioritised and selected. This process was also primarily aimed at the services/schemes that do not attract external funding, for example to maintain corporate property and IT, roads, and the environment.
- 2.6. The £10m made available in 2017/18 has been fully allocated to schemes, but for subsequent years the funding has only been partially allocated, and so further schemes will be put forward to Members to allocate the remaining funding in future years.
- 2.7. Due to the important nature of this round of bidding for the Capital Programme, early drawing down of capital budgets was required to ensure the programme and their benefits could be achieved. It was requested as part of the MTFS process that early draw down of funding of between £6m and £4.6m between 2017/18 and 2019/20 to support projects. This programme was approved by Assembly on 22 February 2017, and there is no budget shortfall.
- 2.8. The table below summarises the amounts agreed:

Table 1: Five Year Capital Programme (2016/17 – 2020/21)

	2016/17	2017/18	2018/19	2019/20	2020/21	TOTAL
Service Development & Integration	62,031,937	50,547,510	6,400,000	400,000	400,000	119,779,447
Customer, Commercial & Service Delivery	9,045,818	4,337,000	1,040,000	478,000	212,000	15,112,818
Finance & Investment	3,883,753	7,468,714	0	0	0	11,352,467
Growth & Homes	60,091,498	20,931,087	1,243,500	0	0	82,266,085
Care and Support	0	572,000	0	0	0	572,000
Community Solutions	0	3,391,000	1,614,000	477,000	0	5,482,000
Customer Access and Technology	1,374,000	1,670,000	3,992,000	0	0	7,036,000
My Place	0	217,000	0	0	0	217,000
Service Improvement	0	1,063,000	610,000	494,000	50,000	2,217,000
Parks and Open Spaces	0	145,000	555,000	155,000	145,000	1,000,000
Capital Asset and Infrastructure Improvements	0	3,770,000	3,295,000	3,550,000	600,000	11,215,000
Grand Total General Fund	136,427,006	94,112,311	18,749,500	5,554,000	1,407,000	256,249,817
HRA Total	62,659,036	80,654,000	59,440,000	57,960,000	56,000,000	316,713,036
TOTAL CAPITAL PROGRAMME	199,086,042	174,766,311	78,189,500	63,514,000	57,407,000	572,962,853

- 2.9. Other schemes that have external funding (e.g. government grants) can be added to the capital programme during the year and will appraised internally as and when such funding is allocated / received.

Flexible Use of Capital Receipts Dispensation

- 2.10. Capital receipts can only be used for specific purposes and these are set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) regulations 2003 made under section 11 of the Local Government Act 2003. The main permitted purpose is to fund capital expenditure. The use of capital receipts to support revenue expenditure is not permitted by the regulations.
- 2.11. However, the Secretary of State is empowered to issue Directions allowing expenditure incurred by local authorities to be treated as capital expenditure. Where such a Direction is made, the specified expenditure can then be funded from capital receipts under the Regulations.
- 2.12. The Council welcomes the Government's Flexible Use of Capital Receipts dispensation and believes that if it is used judiciously and prudently, it can help the authority deliver savings while protecting revenue budgets. Working in this way will help to protect jobs and shield the tax payer. It aligns with the more commercial approach the Council is adopting to the use of its balance sheet to get the best value from its assets, in terms of both acquisitions and disposals; and also boosting our income generating asset portfolio.
- 2.13. Government has provided a definition of expenditure which qualifies to be funded from capital receipts. This is: "Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public-sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility."
- 2.14. At Assembly on 22 February 2017, approval was given for the use of flexible receipts to be used for individual projects as identified in Appendix H of the MTFS

report.

3. 2017/18 Capital Programme Schemes

3.1. A high-level summary for the Capital Programme is set out below:

3.2. Care and Support Investing in services to help manage demand Bid Reference CAP35 & CAP01

3.2.1. We are re-designing the services for those individuals or families who either need our continuing support or require an intervention to enable them to remain safe. Increasing demand and costs mean that our current care arrangements are no longer affordable. Our aim is to enable and support more adults to live in their own homes for longer; and more children and young people to live at home with their families. We want to offer our residents more choice; and make our services smaller, more responsive and more user-focused.

3.2.2. Care and Support is made up of three services areas:

- Redesigning Adult Social Care
- Redesigning Children's Social Care
- All Age disability service

3.2.3. Our intention is to see reduced overlap and duplication of tasks between professionals making sure all social work processes are streamlined and effective. The services will include a mix of staff to ensure best use is made of skilled social worker time which is in short supply; enabling social workers to focus on the resident, rather than costly and ineffective back office functions.

3.2.4. We also propose a single disability service working with our residents with a lifelong disability. Services to Children and Adults are currently delivered separately with significant differences in approach. This difference in approach partly reflects the differing legal positions, but are perceived by the residents as difficult and confusing. Integration will deliver a more seamless service with whole life planning. This service is intended to significantly improve the current transition arrangements from children to adult services making it easier for parents and young people to navigate.

3.2.5. Where possible we will bring together health and social care services in a way that promotes independence, reduces any gaps and overlaps and delivers savings by reducing demand and enabling joint working.

3.2.6. Care and support is intended to deliver £11.8 million savings by 20/21. Investment is required to improve the current working practices improving technology, such as enabling a modern electronic recording system to be introduced to support mobile working, enabling more time to be spent working directly with children, young people and adults. Investment is also required to review all existing processes to enable changes to current service models, contracts and provision. This service area undertakes the majority of the Council's statutory functions and works with those families requiring a safeguarding response. To make the savings it is critical that every function is examined to ensure it needs to be performed by a social care

professional, integration opportunities with health are maximised and the Council's statutory responsibilities are not affected.

- 3.2.7. The service is aiming to begin to 'go live' by May 2017, with teams joining the All Age Disability Service and with improvements being made within Adults & Children's Care & Support. This will be supported by investment made in commissioning within Care & Support, which will enable more cost-effective purchasing of services more appropriate to residents through the introduction of brokerage and more efficient and outcomes-based methods of commissioning.
- 3.2.8. Social Care IT System – Replacement of Northgate SWIFT Indicative. Due to the increase in scope and requirements discovered during the procurement phase, additional capital budget is required to ensure that the new Social Care IT system is delivered and in place as per the estimate timescales.

BID REF	Project	Borrowing	Capital Receipts	Total
CAP01	Social Care IT System – Replacement of Northgate SWIFT	592	0	592
CAP35	Redesign Adults & Childrens Social Care	0	1,747	1,747
Total - Care and Support		592	1,747	2,339

**3.3. Community Solutions Investing in new and reformed services to help manage demand and reduce dependence
Bid Reference CAP33**

- 3.3.1. At the core of our people-focused services is Community Solutions which will identify and resolve the root causes of an individual's or family's problems, by tackling the multiple needs of households in a joined-up way, and at an early stage. It will comprise multi-disciplinary and multi-agency teams that will collaborate closely with the voluntary and community sector and other partners to deliver early intervention and preventative support.
- 3.3.2. Investment will enable several services such as libraries, children's centres, housing support and employment support to be reconfigured into a single, integrated service for residents who need help. Working in this way will help our residents but also deliver efficiencies for the Council and, in time help to and reduce demand for our more expensive services.
- 3.3.3. To achieve this change and create the new service, processes will need to be redesigned and automated to ensure we deliver on the efficiencies required. The service will continue to provide face to face services to residents that require this level of support. However, to reduce costs and establish a more efficient service, several processes currently performed by staff will need to be digitised, requiring investment in technology and a complete review of the processes currently in place. Investment will be used to create a digital roadmap allowing staff to understand the needs of the household and to provide a co-ordinated single response on behalf of the Council.
- 3.3.4. Community Solutions will begin operations in April 2017 with all affected staff/teams being "lifted and shifted" under the Director of Community Solutions. During 2017/18, the staff will operate in a more co-ordinated and efficient way with a new streamlined management structure in place. The service will continue to

develop during 2018/18 and 2018/19 through testing and evaluation to ensure that the service is achieving a reduction in demand. The new fully functioning, fully coordinated service will be in place by April 2019.

- 3.3.5. Community Solutions will offer a significantly different way of delivering services to our residents. Teams will merge, new partners will come together, cultures will change as will our relationship with residents.

BID REF	Project	HRA/MRR	Borrowing	Capital Receipts	Total
CAP33	Community Solutions	1,253	4,816	1,253	7,322
Total - Community Solutions		1,253	4,816	1,253	7,322

3.4. **Customer Access and Technology** **Bid References CAP05, CAP06, CAP07 & CAP38**

- 3.4.1. Investment will tackle the Council's fragmented and inefficient customer contact, which in the past has entailed customers often supplying the same information on multiple occasions and repeated contacts to resolve queries. A new approach will ensure consistency across all contact channels, and streamline processes to improve efficiency.
- 3.4.2. The new Customer Access Strategy with the key aims of enhanced levels of customer service for all individuals and households by:
- Easier availability, access and delivery of services provided;
 - Utilisation of innovative technology for more efficient and cost-effective service delivery;
 - Improvements in how we engage with customers and obtain feedback;
 - Effective measurement of customer service levels and performance;
 - A targeted approach to ensure all customers get the right level of support.
- 3.4.3. Updates and improvements are required to our current technology platforms to improve system integrations and facilitate end-to-end transactions and constantly keep the customer informed about the status of their enquiries.
- 3.4.4. The Council will achieve these aims through the provision of services across a range of different touchpoints, primarily through digital, and voice channels. As part of a targeted approach, we will ensure that appropriate face-to-face support is also available for individuals and households to meet their specific needs.
- 3.4.5. The longer-term vision is for fast, easy access to council services, efficient and cost-effective service delivery, and high levels of customer satisfaction. However, it is clear we are a long way from this now and over the summer it was apparent that there were significant issues with our ability to provide good quality customer services.
- 3.4.6. A programme of improvement has been in place, clearly though there is a great deal more to do and investment is required in several areas including:

- The need to develop a new website and technical platform not only for the council but Community Solutions and My Place. This is linked to the reduction of demand by providing relevant and up-to-date information in order that residents can help themselves and so the launch of these improvements will be linked to the go live of these entities.
- Further enhancements to the contact centre including the possible creation of a Community Solutions contact centre and telephony improvements such as voice recognition and call back facilities.
- Streamlining “hand offs” between the front office and back office ensuring that the customer journey is as streamlined as possible.

3.4.7. The Smarter Working Programme has provided staff with new technology and the capability to work from any LBBB site and remotely including homeworking. there is further work required to successfully complete the IT roll out such as application upgrades, infrastructure upgrades, roll out of additional Office 365 functionality and new remote working capabilities. The property element of the programme will continue through 2017-18 but additional capital costs have been identified which includes pre-occupation works and separating costs for the north and south wing at the Civic Centre.

3.4.8. We have already significantly re-configured the strategic ‘core’ of the Council to reduce management costs, while strengthening the capacity to develop and deliver the Council’s key goals. Restructuring will continue in 2017/18, to complement the transformation of operational services. Investment in the modernisation of the Council’s IT and office estate will improve workforce productivity and reduce the size of office accommodation. Changes in the operational delivery structure of the Council will also enable the Council to make significant savings in the costs of transactional support services.

BID REF	Project	Borrowing	Capital Receipts	Total
CAP05	Cross Cutting: Technology	1,830	0	1,830
CAP06	Customer Access Strategy (CAS)	2,817	0	2,817
CAP07	Smarter Working Programme	1,868	0	1,868
CAP38	Customer Access & Workforce Development	0	1,214	1,214
Total - Customer Access and Technology		6,515	1,214	7,729

3.5. **My Place** **Bid Reference CAP34**

3.5.1. In 2014, the Housing Quality Network (HQN) conducted a “Landlord Health Check” which was reported to Cabinet in June 2015, this found that performance across the core business processes within Housing that drove service delivery was generally below the average for London Boroughs and identified the improvements needed to address this. This was a critical report that showed that the service had fallen far behind the services delivered by other London authorities, in particular: -

- Rent collection was below average and the service was found to be very fragmented and ineffective
- Repairs satisfaction was low and was continuing to fall with voids re-let performance one of the worst measured.
- Tenant satisfaction with the Landlord service was also well below the London average

3.5.2. At this time, it was important that the Housing service robustly addressed what was a declining performance which had not been treated as an urgent priority in the past. Managers and staff in Housing rose to the challenge of these findings and a detailed improvement project was initiated with the aim of addressing all the shortcomings identified. This culminated in the development of the Housing Transformation programme which provided a clear focus and structure for improvement. It focused on five projects, namely:

- **Strategic Maintenance:** the need to transform the way we manage our building assets to ensure an integrated approach to investing in and maintaining our housing portfolio. This includes both capital investment and repairs and maintenance.
- **Customer Management:** improving the customer experience by understanding our customers and supporting households to be independent and successful.
- **Income & Debt Collection:** debt collection has not been good and needed to improve. Work was also required to prevent debt from arising in the first place.
- **Workforce Management:** greater productivity was needed which was led by retaining and rewarding a skilled, flexible and highly motivated workforce to deliver high levels of performance and professional behaviour at all times; it is also about communication and empowerment.
- **Strategic Housing:** a need to develop a coherent suite of our housing strategies and policies including housing advice, homelessness and temporary accommodation. Then promote them and monitor compliance.

3.5.3. This programme was absorbed in to the development of Home Services and My Place where the improvements envisaged are being built upon to create these new service delivery blocks. The costs and benefits of the creation of My Place like Home Services are in the HRA business plan report.

3.5.4. This capital bid includes the cost of the hardware such as iPad/tablets and handheld payment machines for use in the field, along with the enabling mobile phone technology; software application installation and licencing; interfaces to existing systems to information.

BID REF	Project	HRA/MRR	Borrowing	Capital Receipts	Total
CAP34	My Place	1,792	119	0	1,911
Total - My Place		1,792	119	0	1,911

3.6. **Frontline Service delivery**

Bid References CAP02, CAP03, CAP04, CAP08, CAP09, CAP10, CAP11, CAP16, CAP18, CAP28, CAP36, CAP39, CAP40, CAP41 & CAP42

- 3.6.1. We are bringing together all those Council services which are involved in enforcement and regulation, to provide a better service to residents and to make the workforce more productive and effective. There will also be significant improvements in the efficiency of the refuse and street cleansing services. Improved public education and enforcement will reduce waste volumes and disposal costs. The parks and open spaces service will use the assets of our parks and green spaces to support the Council's growth ambitions and attract further inward investment.
- 3.6.2. Over the years these services have become "reactive" rather than planned and we are at a point where they are not reliable nor consistent. Currently the Green and Clean service area is configured around generic services. We are proposing a move away from this approach, to create three new service blocks:
- 3.6.3. Waste Services – Cabinet agreed an updated 2016-2020 Waste Strategy last year and we now need to build an operational plan based on reduce, reuse and recycling. There will include a series of staged operational changes and service efficiencies to the refuse collection and recycling services as well as introducing a new paid for green garden waste service in the spring of 2017.
- 3.6.4. Cleaner Communities - The service will be required to create a targeted, intelligence driven and collaborative service. The new service which will bring together cleansing and the current caretaking service will have clear standards and accountability. The aim through these targets and approach is to be more cost effective. Public land will be cleaned to agreed and published standards.
- 3.6.5. Parks and Environment - The service will be required to attract external capital into parks in the next five years through creating the expertise, applying for funds, participating in regeneration, and seeking commercial opportunities. It will look to use the parks as an asset that could generate income by, for example leasing spaces. The service will also develop our parks, setting and monitoring standards, animating parks, and running cost effective contracts and services. With the responsibility of running a new expanded Chadwell Heath Cemetery there is also a need for a new commercial focus as well as developing new skills within the workforce to manage a new burial site.
- 3.6.6. Improving our environment, investing in our parks and open spaces, ensuring our children and young people have safe and well maintained play and recreation facilities, working hard to improve the maintenance of our roads and pavements and undertaking essential health and safety repairs are all priorities for the Council's executive. These investments will have an impact across the borough, as it expected that each ward will benefit in one way or another.
- 3.6.7. As well as the £9m set aside for highways repairs there is a further £5.499m of investment through the Capital programme over the MTFS period to include:
 - Enforcement equipment including the purchase of 23 bikes, 55 PDAs and 40 portable CCTV cameras

- Leasing 9 new refuse fleet vehicles
- Fixed play facilities in our parks
- Park buildings

3.6.8. One of the more innovative investments is that set aside in this MTFs for the Borough's first Youth Zone. This new facility will provide programmed activities for young people in Parsloes Park in partnership with OnSide Youth Zones. The Council has already approved a £3m capital grant towards the estimated development costs of circa £6m. Thereafter the facility is designed to operate without on-going revenue funding from the Council. The first of its kind in London, the Youth Zone will contribute to the wider vision to improve and encourage greater use for formal and informal recreation and will provide a fully accessible facility for young people based on the successful Youth Zone model elsewhere in the country.

BID REF	Project	Borrowing	Capital Receipts	Total
CAP02	Bins Rationalisation	250	0	250
CAP03	Park Infrastructure Enhancements	120	0	120
CAP04	Refuse Fleet	140	0	140
CAP08	Enforcement Equipment	1,136	0	1,136
CAP09	On-vehicle Bin Weighing System for Commercial Waste	45	0	45
CAP10	Fixed play facilities	250	0	250
CAP11	Park Buildings – Response to 2014 Building Surveys	375	0	375
CAP16	Replacement of Winter Maintenance Equipment / Gully Motors	640	0	640
CAP18	Parsloes Park regional football hub	400	0	400
CAP28	Libraries Library Management System Tender	60	0	60
CAP36	Parks & Open Spaces Commercialisation	0	210	210
CAP39	Enforcement	0	308	308
CAP40	Parks, Open Spaces & Cemeteries	0	137	137
CAP41	Refuse	0	389	389
CAP42	Street Cleansing	0	31	31
Total - Frontline Service Delivery		3,416	1,075	4,491

3.7. **Investment in infrastructure, our environment, and our heritage**
Bid References CAP12, CAP13, CAP14, CAP15, CAP 17, CAP 19, CAP 20, CAP 21, CAP 22, CAP 23, CAP 24, CAP 25, CAP 26, CAP 27, CAP29, CAP 30, CAP31 & CAP 32

3.7.1. As the Borough grows, it is essential that infrastructure to support our growing population is enhanced and maintained. Some of these infrastructure requirements are outside of the Council's direct control, and so we achieve change by working closely with partners in the health service, Transport for London and the wider Greater London Authority to enable improved health provision, and improvements to our railways, roads, cycle routes, bus services and pavements.

3.7.2. In addition to the available corporate funding, directorates can also directly fund projects themselves with alternative sources of funding, including:

- Government grants
- Lottery funding
- HRA funding
- Direct revenue funding
- Section 106 funding
- Community Improvement Levy

- 3.7.3. The Council is committed to improving the Borough's Heritage offer as part our wider strategy to encourage civic pride and to guide the future development of our place. Accordingly, the Capital programme sets aside funding to enable a series of potential match funding bids to the Heritage lottery fund and other funders. Schemes in the pipeline include: Eastbury Manor House and Valence House. In July 2016, Cabinet agreed to retain the Councils heritage service and invest in its development with the intention that it vigorously promotes the Borough's past and its connection to the present and the future. Since that an improvement programme has been developed and implemented.
- 3.7.4. Valence House Museum, is a listed Grade II building, that requires further restoration to protect the historic fabric of the building from further decay and to provide a secure and environmentally stable premise for the valuable collection of artefacts that are housed in the Museum.
- 3.7.5. The Abbey: Unlocking Barking's past, securing its future is a project to conserve existing heritage features, undertake a Post Excavation Assessment (PXA), improve the landscape to provide a 'village green' and enable schools and wider community access to the early Saxon history of Barking Abbey
- 3.7.6. Cabinet in July 2016 also agreed to create a new Parks, Open Spaces and Cemeteries service with the intention of both improving the quality of our green spaces and developing their offer. As well as improving the boroughs image and wellbeing it is also anticipated that our parks and open spaces will become more commercially viable, generating more income to support their running costs. During 2017/18, Cabinet will agree a new Parks and Open Spaces Strategy – this will include targets to increase income by £133,000 by 2019/20. £279,000 of one investment to support the development and execution of this has earmarked from the pool of Flexible Capital Receipts.
- 3.7.7. The Car Park Improvement project will aide in our commitment to safer and cleaner car parks, some car parks will require capital improvements to achieve Park Mark status. London Road and Heathway Multi-Storey car parks require modernising enhancements to attract more customers and to improve security especially at night. These enhancements would include improved surface markings and signing to bring the car parks up to current industry standards
- 3.7.8. The Highways investment programme is designed to address the range of road and pavement surfacing issues that have been identified throughout the borough, and have been prioritised under the Civic Pride Agenda. It is essential that these repair issues are addressed for longevity, rather than another "patching exercise". As well as reducing reputational risk, this will contribute to the look and feel of the borough and will support other improvements planned for the public realm.

BID REF	Project	Borrowing	Capital Receipts	Total
CAP12	Car Park Improvements	230	0	230
CAP13	Equipment to reduce Hand Arm Vibration	90	0	90
CAP14	Engineering Works (Road Safety)	385	0	385
CAP15	Highways Investment Programme	9,000	0	9,000
CAP17	Re-imagining Eastbury	400	0	400
CAP19	Meet the Fanshawes	0	0	0
CAP20	Redressing Valence	500	0	500
CAP21	Installation of New Fire Alarm System at BLC	0	0	0
CAP22	Renovation of External Space at Rear of Barking Learning Centre	0	0	0
CAP23	Upgrade & enhancement of Security & Threat Management System at BLC	45	0	45
CAP24	Upgrade of AV Equipment in Meeting & Teaching rooms at BLC	0	0	0
CAP25	Replacement of motorised window opening mechanisms at BLC	0	0	0
CAP26	Upgrade of Security & Fire Alarm System at Dagenham Library	30	0	30
CAP27	Installation of LED light panels in all areas of Barking Learning Centre	0	0	0
CAP29	Replacement of RFID equipment	0	0	0
CAP30	Community Halls	60	0	60
CAP31	The Abbey: Unlocking Barking's past, securing its future	400	0	400
CAP32	East London Industrial Heritage Museum	75	0	75
Total - Investment in infrastructure, our environment, and our heritage		11,215	0	11,215

3.8. Investment in new capacity: Be First Bid Reference CAP45

- 3.8.1. A significant risk to achieving our investment objectives is the Council's delivery capacity. The programme of investment being brought forward by the Council alone will require a step change in the capacity and skills necessary to deliver on this scale.
- 3.8.2. In terms of residential development, the Council's planning and regeneration department has capacity to support and regulate the development of 500-600 units per year. The aspiration of the Council's own development pipeline will require 400+ units per year just for B&D Reside. This is substantially in excess of the capacity of the Council currently – before making any allowance for the significant number of homes - expected to be brought forward and delivered by the private sector in the coming years.
- 3.8.3. It is for this reason that Cabinet in July 2016 agreed to implement Be First – a wholly owned development and regeneration company tasked with accelerating the pace and scale of physical, economic and social regeneration in the Borough. A final business case for Be First was agreed by cabinet in November 2016 and it is anticipated that the new service will go live in the Autumn of 2017.
- 3.8.4. Be First will be tasked with scaling up delivery capacity so that the development of over 2000 units per annum can be supported and regulated through the Council's planning and regeneration functions – roughly four times more per year than can currently be delivered. As well as accelerating to circa 10,000 the number of new homes that will be built in the Borough by 2020/21 Be First will also help to generate a number of significant financial benefits to the Council over and above the investment strategy income set out at 2.7, namely: additional new homes

bonus, development fees and the fiscal benefits that arise from increases in the Council tax base.

- 3.8.5. Headroom to fund these costs of circa £2.82m has been allocated from the Council's pool of flexible receipts. In its first year of operation the Council will also make available a loan of circa £3.43m for working capital to Be First. The loan will be on commercial terms and funded from the Council's treasury management arrangements with approvals sought from Cabinet as appropriate. This working capital will pump prime the increase in capacity required to deliver the aspirations of the Council's Investment and Acquisition Strategy and support a pipeline of private led schemes. Within 18-24 months it is envisaged that development fees and other income from the progression of these schemes will see Be First become self-financing.

BID REF	Project	Borrowing	Capital Receipts	Total
CAP45	Be First	0	3,548	3,548
Total for Be First		0	3,548	3,548

3.9. **Leisure** **Bid Reference CAP46**

- 3.9.1. Cabinet agreed in November 2016 that bids should be invited to enable transfer of the management and operation of leisure service to a not-for-profit operator. A final decision is expected in April, which will enable the new operator to begin in October 2017. All staff who are currently involved in the delivery of the service will transfer under TUPE to the new operator.
- 3.9.2. Initial investment of £60,000 is required to cover the costs of procurement, and commercial support to ensure that the process used meets all requirements and attracts the best possible future operator.
- 3.9.3. It is expected that there will considerable efficiencies made in transferring the service to an established operator, which will have lower overhead costs, greater experience, and a capacity to market the service to attract new income. The Council will be retaining strategic influence over the services, through an outcome based specification and performance management framework.

BID REF	Project	Borrowing	Capital Receipts	Total
CAP46	Leisure	0	108	108
Total for Leisure		0	108	108

3.10. **Traded Services** **Bid Reference CAP37**

- 3.10.1. The Council agreed in July 2017 to establish a trading company that offers a range of support functions initially to the family of schools in the Borough, but potentially to wider markets in the future. The trading model offers the best option to improve the delivery of services and to protect jobs.
- 3.10.2. These services must be given the flexibility to maximise income, the benefits of which would support the delivery of Council services. Retaining these services in

house would not enable the flexibility offered through commercial working, or the positive income-generating stream.

- 3.10.3. Although the principal purpose of the trading company will be to secure financial benefit for the Council, the business case also considers the improved social outcomes that could be obtained by establishing the company as a social enterprise – that is a company with a clearly defined social purpose as the main part of its remit. In this case, the remit would be to improve the skills and qualifications of the workforce. The vast majority of staff in the Catering and Cleaning Services are local residents, many have low levels of academic qualification and attainment. Establishing the company as a social enterprise, with a clear intention to invest to increase the skills and capability of its workforce would potentially bring greatly improved outcomes for many of the workforce (and therefore borough residents) and aligns closely with Council priorities, especially those of ‘Growing the Borough’.
- 3.10.4. Initial investment is required to procure specialist legal and commercial advice that will ensure the income required can be generated and that the company set up is one that is in line with the Council’s requirements. It is anticipated that this investment will be required during 17/18, and the new trading entity will go live within this year.

BID REF	Project	Borrowing	Capital Receipts	Total
CAP37	Traded Services	0	683	683
Total for Traded Services	Total for Traded Services	0	683	683

3.11. Home Services Bid Reference CAP47

- 3.11.1. Home Services will be a revitalised repairs and maintenance service contracted by the Council to maintain and repair the Council’s own portfolio of properties including Corporate/ Education/ Housing/ Highways/ Leisure/ Libraries/ Parks/ Schools/ Social Services. It will compromise all the services currently within the existing repairs and maintenance service (DLO).
- 3.11.2. It was recognised that there needs to be a great deal of improvement in the current service to get it to a point where it may thrive in a commercial world and a substantial amount of fixes and improvements are being undertaken and continue to be made to get the service into an acceptable operating position, to raise service efficiencies and improve overall resident satisfaction. In this year, there has been a major restructure of the service that has reduced the number of operatives alongside developing more effective processes. There does though remain a legacy of activities that need to be addressed further, including staffing structures; operating practices, productivity and financial management.
- 3.11.3. The new company may seek to explore selling its services to the private sector once it has established cost and quality control and that it has both the ability and capacity for doing so at a profit. The aim is to create a service that, in addition to servicing the Councils housing portfolio, could offer services to local landlords; providing an opportunity for the service to generate additional income by broadening its customer base.

- 3.11.4. The new trading entity is expected to generate approximately £1.7m in savings and income by 20/21. To achieve this and preserve the jobs we have in the current repairs and maintenance service, investment is required to train staff in new ways of working; moving to more multi-disciplinary approach, improve the IT used both software and hardware, improve the customer experience, and procure specialist legal and commercial expertise to ensure that the new service would market-ready.
- 3.11.5. We would also need to invest in our staff, to develop the commercial skills they require to meet the challenges a more commercial way of working involves. This investment will come from HRA funds.

BID REF	Project	HRA/MRR	Borrowing	Capital Receipts	Total
CAP47	Home Services	782	0	0	782
Total for Home Services		782	0	0	782

3.12. **Legal Services** **Bid Reference CAP43**

- 3.12.1. BDT Legal already provides legal services to the Council and to Thurrock Council. Enhancing this existing model will enable the Council to offer its legal services to other bodies, such as other councils, public sector organisations and charities. The service would also aim to support the Council's wider regeneration agenda by aiming to be commissioned by the Council's new arms-length entities.
- 3.12.2. By taking this approach, BDT Legal would avoid incurring additional costs through having to manage an Alternative Business Structure.
- 3.12.3. There would have to be some investment in developing the current relationship with Thurrock Council through formalising sharing agreements, and establishing a representative board from both Councils to provide oversight and reassurance.

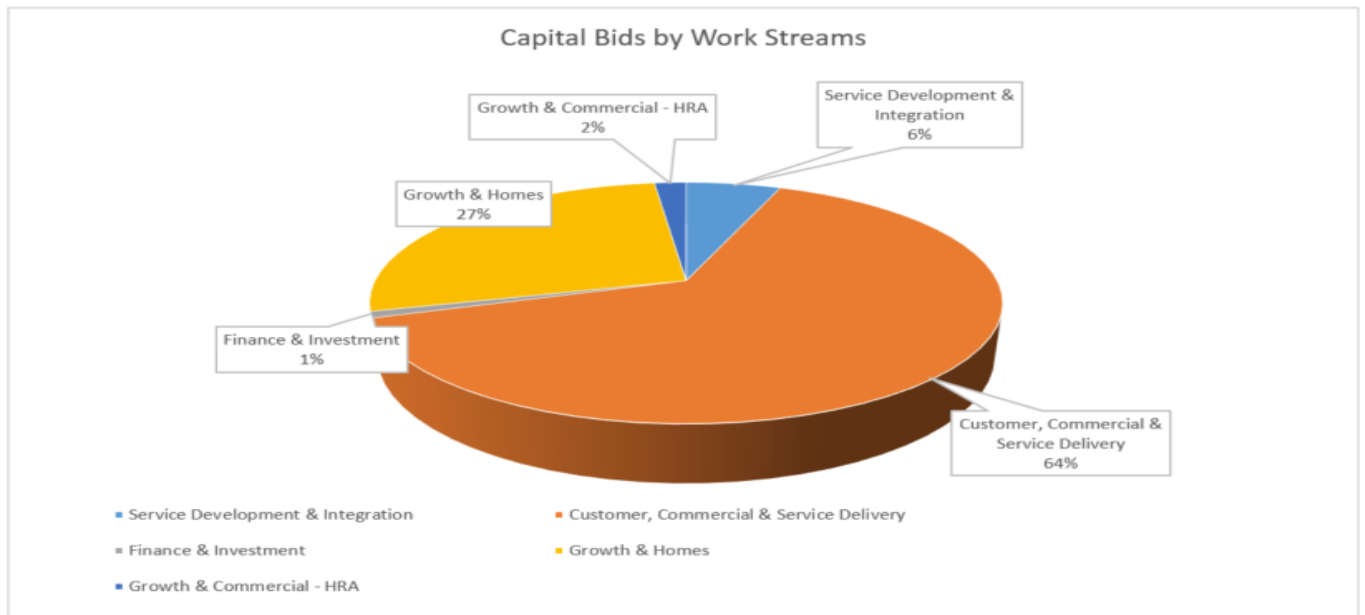
BID REF	Project	Borrowing	Capital Receipts	Total
CAP43	Legal Services	0	8	8
Total for Legal Services		0	8	8

4. **Financial Implications**

Implications completed by: Kathy Freeman, Finance Director

- 4.1. Financial implications feature throughout this report. The table below (detailed in Appendix 1), shows the financial implications of the recommended capital programme based on this round of bids by Service Block.

Service Block	Total Bids
Service Development & Integration	2,339
Customer, Commercial & Service Delivery	26,036
Finance & Investment	346
Growth & Homes	10,978
Growth & Commercial - HRA	782



5. Legal Implications

Implications completed by: Dr Paul Field, Senior Governance Lawyer

- 5.1 Local authorities must distinguish between capital expenditure and revenue expenditure in their accounting. 'Capital expenditure' for this purpose is defined, in the Local Government Act 2003 (the Act), as "expenditure of the authority which falls to be capitalised in accordance with proper practices".
- 5.2 Under part 1 chapter 1 of the Act, a local authority may borrow for any purpose relevant to its functions or for "the prudent management of its financial affairs". The total amount that a local authority may borrow is governed by the requirements of CIPFA's Prudential Code for Capital Finance in Local Authorities; and by the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003/3146), Each authority must set a total borrowing limit for itself in accordance with the principles of the Prudential Code. The borrowing limit will be related to the revenue streams available to the local authority, with which it can repay the debt. There is some flexibility in exactly how individual local authorities set these limits. The Prudential Code does not prescribe formulae allowing the exact calculation of prudential limits, relying instead on the judgement of the local authority chief finance officer, and on 'generally accepted accounting practices'.
- 5.3 This report explains the bid process and the methodology applied in considering whether a bid for capital funding should be sanctioned. Bids for funding must be evidence based with sound business cases, and if sanctioned, the bid item will need to be monitored over its lifetime to ensure it delivers in terms of the benefits

and value as outlined in the original submission, thus approval of the bid is only the beginning of the story.

Public Background Papers Used in the Preparation of the Report: None

List of appendices:

- **Appendix 1** Capital Bids 2017/18 – 2021/22 – Original bids and recommended outcomes