

**LONDON BOROUGH OF BARKING AND DAGENHAM
CAPITAL INVESTMENT STRATEGY**

August 2005

London Borough of Barking & Dagenham Capital Investment Strategy

1. Introduction

The capital strategy is an over-arching policy document relating to investment in services and describes how the deployment and redistribution of capital resources contributes to the achievement of corporate goals.

Asset Management is central to the Council's ability to support effective service delivery. The capital strategy, therefore, forms the framework for more operational strategies within service areas.

The strategy is a corporate document and as such has been developed in conjunction with Members and senior officers across the council. The authority continues to reinforce its corporate approach to asset management with the embodiment of the previous "Corporate Asset Forum" into the Regeneration Board, the members of which are the Authority's Chief Officers. This demonstrates the commitment of the council to deliver its capital strategy.

The structure and operation of this approach is more fully explained in the Corporate Asset Management Plan (attached at Annex A), which has received a score of "Good" and has been amended to reflect the new Office of the Deputy Prime Minister (ODPM) guidelines.

2. The Council's Corporate Priorities

A wide ranging consultation programme has been undertaken with local community groups, the wider community and voluntary organisations, involving in-depth questionnaires and focus groups.

Some persistent themes emerged. The themes identified areas of concern that if addressed, would shape and improve the future economic, social and environmental well-being of Barking & Dagenham.

These themes have been developed into the following seven Community Priorities;

- Promoting Equal Opportunities and Celebrating Diversity
- Better Education & Learning for All
- Developing Rights & Responsibilities with the Local Community
- Improving Health, Housing and Social Care
- Making Barking & Dagenham Cleaner, Greener and Safer
- Raising General Pride in the Borough
- Regenerating the Local Economy

Further consultation on these priorities has continued with local stakeholders through the 'Local Strategic Partnership' forum. From this has been developed the council's vision statement aptly called '20/20 vision'. Further consideration on the seven community priorities is shortly to be commenced to gauge the appropriateness of these community priorities to ensure the Council is meeting

the requirements of its residents. The community priorities will inform the bidding process for future capital investment.

Other corporate strategies such as;

Community Strategy, The Housing strategy, Economic Development & Regeneration strategy, Education Development Plan, Leisure Strategy, Local Agenda 21, Community Care plan and older persons accommodation strategy, Anti poverty strategy, Procurement Strategy and Green Spaces Strategy will also be informed by the 20/20 vision statement and compliment the capital strategy and corporate asset management plan.

In order to bring our strategies plans and objectives together Barking & Dagenham have a proven performance management system - 'the balanced scorecard'. The balanced scorecard helps translate all the council's strategies into operational objectives that drive both behaviour and performance. There are 28 service scorecards that ensure that each service head works towards the authorities key strategic objectives including those relating to the capital strategy. Each service head is required to account for progress against their individual scorecards.

The Council has recently introduced a set of Corporate Priorities and Corporate Values which link the Community Priorities and individual Service Scorecards (see Annex B).

3. The Strategic Objectives

The authority's strategic objectives, in relation to capital, can be summarised as follows;

- To ensure that capital resources are deployed in the most efficient, economic and effective manner and consistent with local priorities.
- That the priorities and approach to capital investment is determined with reference to the Council's wider policies and objectives

More specifically,

- The Council will continue to look for regeneration opportunities entering into partnerships and influencing decisions where possible. Build closer and better partnerships with the private sector, public agencies and voluntary sector and the local community across the borough. Ensuring that Barking and Dagenham plays a full role in the future strategic developments of the region at an economic, social and environmental level.
- Encourage more private sector investment, shifting the authority to an enabling role. Moving away from ownership of assets where this is not deemed appropriate and transferring the liability and risk to those more able to manage.
- Reduce its holdings on non-operational/ commercial property to those consistent with agreed council policy
- Successfully deliver a capital programme which is consistent with the Council's key priorities

4. Council's Existing: Capital Base

The authority has an annual gross revenue budget of £490 million and is supplemented by a significant capital programme, on average £45 million per annum. Full details of the capital programme and funding requirements are outlined in Annex C and Annex D.

Annex D shows that the authority has an agreed capital programme with investment in our own assets likely to be around £200million over next 4 years. In addition, to this there are a number of schemes totalling around £150m, which have not yet been included in the programme and are new schemes for the authority. This figure excludes the investment in infrastructure that the authority has levered into the borough but not necessarily providing; for example the £45 million Education PFI scheme providing one new and one refurbished secondary school and the various regeneration schemes through the Thames Gateway London Partnership and associated partners.

In order to deliver a programme of this magnitude the authority is optimising the use of external funds, through partnership working and is becoming less reliant on internally generated funds. As can be seen from the agreed programme in Annex D £79 million of the total expected spend over the next four years of £170 million is from external funding sources.

The Council's view on utilising capital receipts is not to specifically ring-fence them. In addition, where opportunities exist for utilising potential capital receipts in a scheme the Council will look at the relevant business case of foregoing those receipts if this will generate greater service outcomes.

5. Future Capital Requirements

The authority has an ambitious development programme aimed at meeting the Council's corporate priorities. Key developments are detailed below; it should be stressed that all the initiatives commented upon are driven by the authority's corporate goals and the key to their delivery is successful Partnership working.

5.1 Housing

Housing assets account for more than half of the council's capital assets and almost half of the housing stock in the borough. The council has developed a clear vision for housing in its Housing Futures options appraisal. This clearly indicates the desire to retain and maintain the majority of the Council's Housing stock whilst utilising Private Finance Initiative to deal with high rise blocks. The proposals, as reported to the Executive in May 2005 set out the role that housing can play in contributing to a vibrant and sustainable community, with the emphasis on working in partnership to achieve this.

Aims of the housing strategy are to create balanced and sustainable communities; improve housing conditions and standards across all sectors and to do this through strategic partnering and procurement.

The strategy for achieving these aims has been developed through an in-depth process of data analysis and consultation, building on the findings from the recently completed Public and Private Sector Stock Condition Survey and Housing Needs Survey up date.

The findings of the Stock Condition Survey for the Public Sector has formed the basis of the investment decisions for all housing capital works. The aim is to ensure that all Council Housing meets the Governments Decent Home Standard by 2010. Tenants have told us during consultation that they want us to go beyond this basic standard to include some "livability" issues such as security and environmental improvements. The proposals now agreed meet the tenant's aspirations.

The ongoing Shape Up Programme due to finish in 2005 will complete external refurbishment and central heating, alongside of this a programme to refurbish kitchens, bathrooms and rewiring which will ensure that the Council is at least 50% of the way to delivering the Decent Homes Standard by 2010.

Our Housing Revenue Account Business Plan along with our Housing Futures option appraisal explains in detail the resources needed to accomplish this and that we will have to continue to explore other options to ensure that the resources are in place as identified. Key to this will be the ability to be innovative about partnerships and methods of procurement.

Key investment in Housing within the Borough is as follows:

- Major Capital works to the Council's housing stock covering roofing, central heating, electrical work, lifts, central heating, and painting.
- Works required by the Community Housing Partnerships i.e. Security works and lighting.
- Pilot PFI scheme at Oldmead and Bartlett Houses.
- Contaminated land programme.
- Private Sector Housing investment in partnership with Registered Social Landlords.
- CCTV at various sites in the Borough.

5.2 Education

The investment in schools has continued as the Council responds to the growing demand for school places at secondary transfer and meet the Community Priority "Better Education and Learning for All". The recently complete investment of the £45m schools PFI project; which has provided one state of the art new build Jo Richardson Community School and one refurbished secondary school at Eastbury.

The new secondary schools will be a focus for the community and incorporate a range of facilities including a public library, and leisure and community facilities. This will deliver strong, viable and sustainable

community links through each of the schools; not only through shared facilities, but also in a life-long learning context with community access outside core curriculum hours.

In addition, the Building Schools for the Future agenda has been instigated and currently exploratory work is underway to support the anticipated growth in school numbers over the next decade.

Other investment planned and ongoing is around:

- Children's Centres
- Sure Start projects
- Sports facilities at schools
- Continual refurbishment and modernisation of primary and secondary schools
- Adult learning and Arts facilities.

5.3 Social Services

The authority continues to review its whole approach to Social care service provision again in line with corporate priorities. With the need to modernise and rationalise services, a building based approach to service provision is being continually challenged in terms of benefit to the users of our services to ensure accommodation is fit for purpose.

There has been the replacement of Residential Care Homes for Older People, two of these at present with new Housing with Care Schemes. These schemes were developed by utilising LASHG (Social Housing Grant).

There are also plans to re-provide residential care and respite care for younger adults with learning disabilities along with day care reprovision.

The authority is currently considering options to maximise the use of assets and buildings with the Barking and Dagenham Primary Care Trust (PCT), have jointly funded capital projects and are working together on LIS (Local Information Systems) and LIFT (Local Initiative Finance Trust). The LIFT programme will look to develop Health and Social Care Centres in the Borough and specialist centres for Older People, Children, Adults and Mental Health services.

5.4 Regeneration and Environment

As previously stated 'livability' issues continue to dominate the local agenda. Residents have highlighted, through focus groups and surveys, that the Community priority of "Greener, Cleaner and Safer" is their number one priority.

To this end the Capital programme includes a number of schemes that supports this priority being:

- Street Lighting - A rolling programme of around £250,000 per annum that will provide for the replacement of all street lanterns. These new sodium lanterns will improve visibility, deter crime and provide a safer environment.
- Management of Traffic - A rolling programme where schemes will be developed to ensure traffic is controlled in its speed, volume and use of suitable routes thereby achieving significant environmental improvements for the residents of the borough.
- Local traffic schemes e.g. 20mph zones and accessibility.

The Council is also working with the Greater London Authority through Transport for London (TfL) to improve both transport networks in the borough and to provide a cohesive strategy across London. The authority receives direct grants for a range of schemes and initiatives including Planned maintenance on principal roads, local traffic schemes, safer routes to schools, cycle lanes, bus routes and bridge strengthening. A range of external funding has already been approved. Work for TfL for 2005/2006 is already well underway which will build on the success of the capital investment already achieved.

Consideration has being given to the investment required around environmental issues such as the collection of recyclable and household waste and funding allocated accordingly.

The new waste disposal contract with East London Waste Authority (ELWA) is now in place and providing valuable benefits to the Council.

Future Capital investment within Parks and Open Spaces is planned and is ongoing over the next 4 years including the finalisation phases 3 and 4 of the Beam Valley project and the roll-out of the Green Spaces strategy at a cost of around £4 million. All of these schemes involve extensive partnership working to fund the required investment.

In terms of investment in leisure activities, the authority is currently considering the long-term funding arrangements for its leisure centres. Future options for service delivery and investment will include public/private partnerships and charitable trusts including the use of Industrial Provident societies. In the meantime there is ongoing investment to the Council's leisure facilities.

The Council has a major role in regeneration and has a number of ambitious schemes around the Borough and the current programme includes a major number of regeneration activities principally around the Barking Town Centre. Some of the major schemes are; creation of a lifelong learning centre, artwork, Lintons redevelopment, land acquisition, child and family health centre.

5.5 Other Services

Other major areas of ongoing and planned investment are:

- Customer First contact centre accommodation, other customer accommodation facilities and the development of One Stop Shops.
- Accommodation improvements for Revenue Services, customer and office facilities.
- Modernisation of the Revenues IT system for benefits, council tax and rents.
- Investment in support infrastructure for the Council's Information Communication Technology.
- Voluntary services accommodation.
- An e-government programme.
- Consideration for e-procurement.
- A Corporate accommodation strategy to rationalise the number of officer occupied buildings down to a core of only 5 buildings based upon a detailed cost benefit analysis.

6. Assets Portfolio

6.1 Non-operational and Commercial Property

The Council holds a substantial portfolio of non-operational and commercial property; valued at an estimated £30m and generating income of £3 million per annum.

The Authority has disposed of some of these from the portfolio because the holdings were either;

- uneconomic to manage,
- had potentially high capital value in comparison to rental income generated or
- capital could be better employed elsewhere in service delivery.

The authority is committed to continue to review its portfolio with the intention of disposing of the remainder unless it falls into one of the following categories;

- Income generation investment - a good return on investment
- Social/ Community - e.g. local shops in isolated communities, in which case aim is to reduce subsidy.
- Strategic property e.g. properties acquired over time to enable larger schemes to proceed at future date.

6.2 Land Disposals Programme

The Council has been working on a major land disposals programme for both General Fund and Housing Revenue Account sites.

The initial programme expected to deliver £53 million over its 3 year life to support the financing of the capital programme. However, after two years of this active programme £58 million has been generated with an expectation of a further £16 million by the end of 2005/06 and expectations of around £18 million for 2006/07 and 2007/08. In all a total of sum £92 million to support the Council's capital programme.

In addition as part of the Housing Futures option appraisal there has been the identification of £24 million of under-utilised sites to support the major investment in our housing stock over the next 10 to 15 years.

7. Managing: the Council's Capital Programme

The Council has a significant capital programme and it is important that this is well managed through a structured process to ensure that the Community and Corporate priorities are achieved.

The programme is heavily dependent upon funding from external sources and our own internal sources – mainly capital receipts. The current position is that the level of capital receipts available to support the programme are reducing due to lower right to buy sales and fewer land disposals. As a consequence it is a timely opportunity to review our “debt free” status. This review is currently in place and the objective of the exercise is to determine when the authority should go into borrowing and when we do the cost implications of this on the Council's budget.

The Council continually reviews the appropriateness of the Programme and its ability to deliver.

For new schemes to enter the capital programme they need to be part of the Council's annual review of its programme. Directors are asked to submit these on a detailed pro-forma to allow all the key issues to be available for Corporate Management Team and Executive consideration. The pro-forma currently used is attached at Annex E

7.1 Capital Appraisal System

A review of the management of the Capital Programme was undertaken by KPMG in 2001. The review looked at both Strategic Programme Management and Individual Project Management and the resultant report made a number of recommendations to improve both these aspects.

As a result there has been the creation of the Capital Programme Management Office (CPMO) to oversee the delivery of the capital programme.

Also, as a consequence of this review all capital projects are required to be appraised and scored in terms of:

- Strategic fit
- Financial implications
- Deliverability & procurement
- Benefits plan

For any scheme to be included in the approved capital programme it needs to have successfully achieved the required score in each category. This is denoted by the category achieving a “four green light” status.

The appraisals have proved challenging to departmental programme managers and concentrated on issues such as risks to the authority, revenue implications, deliverable benefits and measured outcomes to the community.

The procedure used is green book/treasury compliant and meets the requirements of the new Prudential Code.

7.2 Capital Monitoring

A sophisticated model of monitoring is used by the Council and is referred to as the Management Information Report (MIR). This procedure is run by the Capital Programme Management Office in the Department of Regeneration and Environment and is supported by Financial Services.

All project sponsors are required to submit progress on their schemes on a monthly basis and this in turn is included in the MIR and reported to the Council’s monthly Resource Monitoring Panels for each Department where both revenue and capital budgets are monitored.

Where additional funding becomes available during the year, further reports are submitted to the Executive to seek agreement to include in the Capital Programme, together with any other financial implications of the scheme.

Following this the Executive receives a monthly monitoring position on the Council’s overall position for revenue and capital.

The process enables the Council to maximise its capital investment and enable programme delivery of key requirements for the organisation.

7.3 Tenders

Tender lists are selected in accordance with Standing Orders and the agreed procurement route. Post tender reporting will follow established procedures in accordance with the Contracts Code of Practice and the authority's procurement strategy.

Within evaluations there is the need to look at Quality/Price assessments reflecting improved value for money in relation to whole life costs and greater community benefits i.e. projects being approved on a cost/benefit basis rather than lowest price.

7.4 Procurement

The authority's procurement strategy is being implemented. The strategy gives a clear message that the authority is modernising the way it does business.

The strategy states ...

'In seeking best value for the local community we will identify and procure the method of service delivery which provides the highest standard of service, which can achieve continuous improvement at a cost which the council is prepared to pay.

The council is committed to working much closer with other public agencies the private and voluntary sectors. Inevitable that future role will change from a provider to commissioner of services. '

The strategy is already impacting on how the Council procures its services. This is most evident with the work now being undertaken around Construction Related Framework Agreements and our close partnership working with external providers.

August 2005

LIST OF ANNEXES

- A Corporate Asset Management Plan
- B Corporate Planning - Pyramid and Corporate Priorities/Values
- C Council's Existing Capital Base
- D 4 Year Capital Programme Summary 2005/06 to 2008/09
- E CPMO Form 1 (Sponsor Project Application Form)
- F CPMO Form 2 (Project Appraisal and Scoring)
- G CPMO Form 3 (CAM Formal Appraisal)
- H Pro-Forma Capital Programme Review