

EAST RENFREWSHIRE COUNCIL1 March 2018Report by Director of EnvironmentCAPITAL INVESTMENT STRATEGY**PURPOSE OF REPORT**

1. The purpose of the report is to ask the Council to approve the updated Capital Investment Strategy for the period 2018 to 2023.

RECOMMENDATIONS

2. It is recommended that the Council approves the updated Capital Investment Strategy.

BACKGROUND AND REPORT

3. In January 2016 Audit Scotland produced a report entitled "Major Capital Investment in Councils – Follow Up". This was a follow up on their 2013 report on good practice with regard to major capital investment in Councils. A key recommendation arising from this report was that Council's should have in place a long term Capital Investment Strategy.

4. In February 2017, the Council approved a Capital Investment Strategy for the period 2017 to 2022. This strategy took into account Audit Scotland's recommendations and best practice.

5. It was noted in the 2017 report to the Council that a range of measures had been put in place to ensure that we follow the best practice recommendations identified in the 2013 report. Reports to the Cabinet and Council regarding capital expenditure monitoring are more comprehensive now in terms of the financial position and information with regard to changes or slippage within the programme including progress with any particular scheme. In addition, the role and remit of the Corporate Asset Management Group has been reviewed and strengthened to ensure that the recommendations from Audit Scotland are acted upon. The Group comprises senior officers within the Council established for the purpose of capital appraisal, prioritisation and monitoring.

6. In addition to this, a full review has been undertaken of all the Council's Asset Management Plans. These updated plans are considered by the Corporate Asset Management Group, and then brought to Cabinet for approval.

7. The Capital Investment Strategy which was approved by the Council last year has been updated. This revised Strategy is attached as an Appendix to this report.

8. The strategy is intended to cover the five years from 2018/19. The main aims of the Capital Investment Strategy build upon the success of works already achieved. In particular it;

- Enables the Council to make rational capital investment decisions linked to the achievement of its strategic aims, objectives and future service needs
- Provides a framework for determining the relative importance/priority of individual capital projects by requiring an objective and detailed evaluation of them
- Clearly links the investment priorities to the Council's Asset Management Plans for;
 - Property
 - Fleet
 - ICT
 - Open space
 - Roads, lighting and water structures

9. These Asset Management Plans are regularly reviewed. The Open Spaces Asset Management Plan, and the Housing Asset Management Plan will be coming to Cabinet shortly. The other Asset Management Plan updates will follow shortly thereafter.

10. The Capital Investment Strategy sets out clearly, on page 4, the robust project appraisal and prioritisation processes which are in place.

11. The Prudential Code for Capital Finance in Local Authorities has recently changed and requires Councils to have in place an "Annual Capital Strategy". The Council's Capital Investment Strategy will therefore be reviewed in 2018/19, with a view to having a Capital Strategy in place for 2019/20 which takes account of these changes in accounting rules.

FINANCE AND EFFICIENCY

12. The Capital Investment Strategy demonstrates that the Council continues to have in place effective measures with regard to the appraisal, prioritisation, monitoring and reporting of its capital investment processes and decisions.

CONSULTATION

13. There has been consultation between relevant Departments with regard to this strategy.

PARTNERSHIP WORKING

14. The Council works in partnership with its community planning partners and a range of other partners with regard to the preparation and delivery of its Capital Plan.

IMPLICATIONS OF THE PROPOSALS

15. There are no implications arising from this report regarding IT, staffing, property, legal, equalities or sustainability.

CONCLUSIONS

16. The Council continues to have in place robust and comprehensive appraisal, prioritisation and monitoring arrangements in relation to its capital investment.

RECOMMENDATIONS

17. It is recommended that the Council approves the updated Capital Investment Strategy.

Director of Environment

Further information can be obtained from Andrew Cahill, 0141 577 3036 or andrew.cahill@eastrenfrewshire.gov.uk

February 2018

BLANK PAGE

East Renfrewshire Council
Capital Investment Strategy
2018 to 2023

Introduction

This Capital Investment Strategy outlines the principles and framework that shape East Renfrewshire Council's longer term capital investment and expenditure proposals. It sets out how capital resources will be used to achieve the Council's strategic objectives and priorities over the next five years (2018 - 2023), and builds upon the success of work already achieved. It relates only to non-housing capital investment.

The Capital Investment Strategy aims to enable the Council to make rational capital investment decisions in order to achieve its strategic aims and objectives and future service needs. It provides a framework for determining the relative importance of individual capital projects by requiring an objective evaluation of all projects. The Strategy also provides the framework to maximise the contribution that the Council's capital assets can make in achieving the Council's aims and objectives.

This Strategy complements other strategic documents/plans, including the Community Plan, Outcome Delivery Plan, the Council's 5 Capabilities, the Corporate Procurement Strategy and the following Asset Management Plans: Property, Fleet Asset, ICT, Open Spaces, and Roads/Structures/Lighting/Water Structures.

The Capital Investment Strategy will be reviewed as appropriate to reflect any changes in circumstances.

Strategic Aims and Objectives of East Renfrewshire Council

East Renfrewshire Council is committed to improving the lives of local people, promoting equality and fairness and enhancing the area in which we live, now and for the future.

East Renfrewshire Council has 5 key strategic outcomes that inform the Capital Investment Strategy:

SOA1 All children in East Renfrewshire experience a stable and secure start to their lives and are supported to succeed.

SOA2 East Renfrewshire residents are fit and active and have the skills for learning, life and work.

SOA3 East Renfrewshire is a thriving, attractive and sustainable place for residents and businesses to grow.

SOA4 East Renfrewshire residents are safe and supported in their communities and homes.

SOA5 Older people in East Renfrewshire are valued; their voices are heard and they are supported to enjoy full and positive lives for longer.

In addition to the above, the Council's 5 key capabilities of organisational development are intrinsically linked to Capital investment decision making:

- Digital
- Modernising how we work
- Data, evidence and benchmarking
- Prevention
- Community engagement

Community Planning Partnerships

Partnership working in East Renfrewshire has evolved and expanded over recent years and helps inform the Capital Investment Strategy. The Council already works closely with community groups and businesses, other local authorities, health authorities and government agencies in order to make the best use of all the resources in the area to achieve individual service and cross-cutting outcomes.

Strategic Objectives of the Capital Plan

The main strategic objectives of the Capital Programme, which provide the underlying principles for financial planning, can be summarised as follows:

- To ensure capital resources are aligned with the Council's strategic vision and corporate priorities by ensuring all schemes are prioritised according to the council's prioritisation methodology
- To ensure all statutory requirements are met including health and safety requirements

- To ensure that the Capital Plan contributes to the Council's strategy to reduce carbon and promote the highest levels of sustainability in its estate
- To maintain an eight year rolling capital programme which remains within the approved affordable, sustainable and prudential limits
- To ensure wherever possible that the Capital Plan contributes to a reduction in the Council's ongoing revenue costs
- To maximise available resources by actively seeking external funding to support Council priorities and disposing of surplus assets
- That projects are aligned to meeting ODP outcomes and/or enabling projects to support the Modern Ambitious Programme (MAP) work
- Wherever possible the Council will seek to maintain a capital reserve to assist in supporting capital plans.

Asset Management Plans

In addition to the policy objectives of the Council Asset Management Plans are prepared for

- Roads
- Fleet
- Open Spaces
- Property
- ICT
- Housing

The purpose of these plans is to help identify capital investment needs and priorities with regard to the Council's assets. These plans are summarised in Appendix A.

Project Prioritisation

The Capital Plan is developed and shaped to align capital spend with the Council's strategic aims and objectives. The Council follows a structured Capital Project Appraisal (CPA) process

which starts in April of each year and concludes by November with the Corporate Management Team (CMT) making recommendations to the Budget Strategy Group.

A CPA Form is prepared for each project, with an initial list of all CPA's submitted to the CMT for information.

The Corporate Asset Management Group (CAMG) then considers CPA's and approves those applications which will be taken forward to the next stage. This involves assessing whether the project is capable of delivery, is appropriate for funding through the capital plan and makes best use of corporate resources.

The next stage is the development of a full CPA including a description of how the project contributes to the Council's key objectives, an option appraisal, an assessment of benefits to be delivered and detail of costs (Capital and Revenue). Recommendations are then made to the CMT regarding those CPA's being taken forward and rejected. Stage 2 CPA's are then fully considered by the CAMG with recommendations regarding prioritisation made to the CMT by the end of October each year.

Only projects which meet at least one of the following criteria are generally submitted for consideration.

- Projects which are required to meet a statutory requirement
- Projects which will address matters of health and safety
- Projects which have a strong business case which can demonstrate a major contribution to Council objectives or produce deliverable revenue savings to justify the capital investment.

Financing the Capital Programme

The Council has a number of different funding sources available to meet its proposed expenditure plans but new Prudential Borrowing is only incorporated in the rolling capital plan when this is essential to the delivery of agreed Council priority projects.

Revenue implications

The Council recognises that it needs to understand and make provision for the revenue implications that come out of implementing the Capital Programme. Other than loan charges, which are addressed within treasury management calculations, all revenue consequences of

capital projects are therefore identified and included in the full CPA form and built into the Council's revenue budgets for the appropriate year.

Procurement Strategy

The Council's Procurement Strategy is designed as a framework for the Council to obtain best value in all its procurement activities.

Procurement decisions are made using whole life costing principles which spans from identification of need to appraising "make or buy" options, through to the end of the contract or asset life.

The Council will ensure that all capital project procurement reflects the corporate objectives of the Council through the prioritisation of projects under the capital appraisal process.

The Council provides a wide range of capital investment in support of its services to the community and businesses in East Renfrewshire. Such services require to be geared towards the community's diverse needs. In addition, the Council has a statutory duty to ensure that all monies are spent in such a way that ensures value for money and does not lead to discrimination or social exclusion.

The following principal objectives will be applied to procurement of Capital Projects to ensure that:

- The procurement process is clear and structured in such a way as to achieve the best value for money for each East Renfrewshire pound
- Each procurement exercise is properly researched to consider alternatives and market forces which may impact on the exercise
- Existing specifications are challenged and to seek out emerging sources of supply and methods of delivery
- Contracts are appropriately managed during the life-cycle of the procurement
- The Council recognises and delivers on its responsibility to fulfil its contractual obligations to pay its creditors on time

- Procurement across the Council is carried out in a fair, transparent and cost effective manner
- Procurement is carried out by appropriately trained officers and that all procurement professionals are bound by the Chartered Institute of Purchasing and Supply, Code of Ethics.

Council's approach to alternative delivery and funding models

In the past East Renfrewshire Council has used alternative models including PFI, PPP and the support of the Scottish Futures Trust/Hub West Scotland to fund and deliver a number of significant capital projects. The exemplar new Eastwood High School was an example of this approach. The Council will in the future continue to consider all potential procurement routes for future capital delivery along with any other suitable/innovative forms of funding capital projects in circumstances where such arrangements maximise value for the Council.

Climate change and low carbon transition

Climate change is widely acknowledged as a significant issue that must be addressed and the Council is required to meet Scottish Government targets of a 42% reduction in greenhouse gas emissions by 2020 and an 80% reduction by 2050. Energy efficiency in the public estate is a driver of these required reductions. The Council will therefore reflect existing commitments to climate change action, facilitate the low carbon transition and address mandatory climate change reporting requirements.

The Council's commitment to tackling climate change is underpinned by the Energy Management Policy Statement and Environmental Sustainability Policy Statement. The climate change agenda is also aligned with the Council's Five Capabilities.

The Council's aim is to have fewer more modern buildings with reduced carbon output that helps modernise ways of working and reduce costs. Mandatory annual climate change reporting commenced in 2016 and the Council has put in place a rolling projects register, based around investment in energy efficiency within properties, to facilitate the low carbon transition. The projects register will include details of funded projects that will be commissioned to address climate change impacts.

The Council will continue to use the Non-Domestic Energy Efficiency (NDEE) Framework to deliver a rolling investment programme of energy savings by adopting a full building retrofit approach that allows the Council to move to a position of implementing whole building solutions i.e. implementing lighting, heating, cooling, controls and thermal efficiency as one large 'NDEE' project.

Management of the Property Asset Base

The objectives of effective asset management are outlined in the Council's Property Asset Management Plan.

These objectives will be considered in developing Capital projects and include:

- Ensuring properties are managed effectively and demonstrate that they deliver best value
- Maintaining and improving the portfolio of properties as required to support the delivery of Council services through different ways of working and also its statutory obligations
- Ensuring that the property portfolio meets the future demands of an increasing population
- Ensuring refurbishments of buildings and new buildings are made fuel efficient and environmentally sound.

The Council's asset base is continuously being reviewed to ensure it maximises the contribution assets can make to the Council's strategic aims and objectives, maximise capital resources available for investment, encourage innovation in the use of assets and ultimately to only retain the best level of assets to deliver services.

Wherever possible, locality planning arrangements will be used to inform future capital investment opportunities.

Business Cases

Robust options appraisals, outlining the rationale for a project and the expected outcomes and benefits for future Capital projects will be undertaken by client Departments and scrutinised by the Capital Asset Management Group as part of the annual Capital Project Appraisal process.

Performance Monitoring

The Performance management arrangements in relation to Capital projects are part of the remit of the Capital Asset Management Group. The remit of this Group is shown in Appendix B to this Strategy

Appendix A - Asset Management Plan Summaries

Asset Investment Priorities for ICT

Investment in ICT assets are prioritised to enable the delivery of all 5 SOA outcomes and ensuring that the Council is modern and ambitious. ICT investment supports the direct delivery of digital learning to pupils in schools and to customers of libraries, directly contributing to SOA2 “East Renfrewshire Residents are fit and active and have the skills for learning, life and work”. ICT investment also enables the delivery of efficient customer focused digital services to customers as well as efficient internal services

ICT has adopted a run, grow and transform approach to its forward planning as it encapsulates the three areas of fundamental activity; to maintain the business as usual, enable growth, and deliver transformational change.

Capital Investment priorities

- Business as Usual: Delivery and management of assets that help run the Council. Typically a stable asset group with regular forecasted refresh and lifecycle;
- Enablement: Identification, delivery and management of assets that help Grow the Council. Often results in the introduction of new technology to Modernise and support change and growth within the Council service areas;
- Line of Business: Assets which are tailored to specific service areas and which can transform the Council in some way. Often these will allow services to transform service delivery to meet the Digital ambitions of the Council and improve customer service experience.

The focus of priorities will shift over the period as ICT moves from the current Capital-based model to a Revenue-based spend model which is required to meet the efficiency, growth and digital ambitions of the Council.

Business as Usual asset priorities will reduce over the period while Line of Business priorities will increase, ensuring spend is focussed on assets that deliver efficiency to the Council and service benefit to the customer over the longer term. Enablement assets priorities will peak around the mid-point of the period to support the shift from Business as Usual to Line of Business.

The capital spend programme will be delivered by using the 5 capabilities

- Harnessing the power of Data analytics by using technology to provide the right information at the right time, to facilitate informed decision making;
- Realising the Councils Digital ambitions through empowering residents to access more services online;
- By continuing to Modernise how we work by providing increased agility of the workforce.

Asset Investment priorities for Property

Investment in property assets directly supports the delivery of SOA outcomes 1 “All children in East Renfrewshire experience a stable and secure start to their lives and are supported to succeed” through our nursery and family centre provision and SOA2 “East Renfrewshire Residents are fit and active and have the skills for learning, life and work” through our schools and our Culture and Leisure Trust operated facilities. It also contributes to the Council being modern and ambitious by the provision of property for staff to work in whilst directly or indirectly delivering services

Capital Investment priorities are:

- Ensure that school, nursery and leisure provision is sufficient to meet the needs of the population and that the quality of the accommodation reflects the ambitions of the Council;
- Ensure that all properties are wind and watertight with Health & Safety prioritised to support the delivery of service provision;
- Ensure that property usage is maximised in order to reduce ongoing revenue and capital costs;
- Investment in projects to improve energy efficiency, property utilisation and the working environment for staff to enable more efficient ways of working to ensure the efficient use of buildings to reduce future revenue costs;
- Subject to available resources, the physical appearance and welfare facilities will be addressed in order to improve customer satisfaction and maintain the Council’s image.

Capital spend will be delivered by using the 5 capabilities. In particular:

- Energy efficiency measures will be implemented to reduce future costs and environmental harm;
- Community and customer engagement will be undertaken to help shape the provision of new properties;
- Robust data is used to support option appraisals for all property investment and disposal decisions;
- Properties will be upgraded to support modern ways of working.

Asset Investment for Housing

Investment in Housing assets are prioritised to enable the delivery of SOA outcome four “East Renfrewshire residents are safe and supported in their communities and homes.”

Capital Investment priorities are:

- Assist with meeting the Scottish Housing Quality Standard (SHQS);
- Assist with meeting the Energy Efficiency Standard for Social Housing (ESSH);
- Enable an asset to generate a positive revenue income (including the provision of new council housing);
- Remove or reduce a health and safety risk;
- When prioritising investment in housing stock, prioritisation will be granted to wind and watertight measures in contrast to renewing internal elements such as kitchens and bathrooms;
- A lower priority is applied to painting programmes if largely aesthetic in nature, the maintenance of external communal areas such as lock ups and the maintenance of non SHQS elements such as fencing and footpaths.

Capital spend will be delivered by using the 5 capabilities. In particular:

- Using demographic, tenancy and census based data to identify the need for Council house building and enable the economy and environment of East Renfrewshire to thrive by providing the social housing that is needed; Using stock condition survey data about our housing stock to ensure capital investment is targeted to greatest need, thereby preventing our stock from falling into disrepair;
- Preventing fuel poverty and associated health issues by investing in energy efficiency;
- Listening to local residents groups and individuals not formally involved in such groups to achieve community engagement in the development of the overall asset management plan and in its delivery, whether that be on issues relating to their individual house or on the larger programme;
- Our stock condition surveys are now fully digital;
- We have modernised our stock database in a way that allows us to assess energy ratings and develop scenarios to improve those ratings digitally in house;
- Capital spend will be managed using best practice procurement techniques;
- Digital technology will be used to support those members of staff working on capital projects to allow them to be agile and efficient.

Asset Investment Priorities for Roads

Capital Investment in Roads assets is prioritised to enable the delivery of SOA 3 “East Renfrewshire is a thriving, attractive and sustainable place for residents and businesses to grow”.

East Renfrewshire Council has an extensive road asset worth over £1,000m which is the most valuable asset owned by the Council. These important infrastructure assets are extensively used by the whole of the community, are essential for the strength of the local economy and are intrinsically linked to supporting the delivery of all 5 SOA outcomes:

Capital Investment priorities are detailed below:

- Carriageways, footways and footpaths – All Capital repairs are based on a priority assessment taking into account Condition, Road Function and Road Hierarchy.;
- Road Structures - Annual inspection prioritises spend based on condition;
- Street lighting - Rolling programme of street lighting columns replacement based on age and condition and suitability for LED replacement;
- Traffic signals - Prioritised in relation to new development needs and replacement or upgrading of existing assets, normally on an age, condition and suitability basis.

Capital spend will be delivered by using the 5 capabilities. In particular:

- Preventative spend is employed to prolong the life of the roads network before full reconstruction is required Energy efficiency is at the heart of all modern installations, and over a third of our signs traffic signals and street lights now incorporating LED technology;
- Community Engagement is an essential part of all road resurfacing programmes and management of traffic on the network;
- The Roads service benchmark performance nationally through SCOTS and APSE indicators. The RAMP utilises information on asset performance, current levels of service, condition and deterioration to identify funding requirements now and in the future. Predicting when future intervention/treatments required enables appropriate priorities to be established and helps to plan work on the whole asset in a more coordinated and cost effective way. The RAMP will provide demonstrable and transparent evidence of the distribution of resources to assets that have the greatest need and make the most efficient use of limited resources;
- New digital software systems in both costing and roads defect reporting have been introduced to prevent duplication of work.

Asset Investment Priorities for Open Spaces

Capital Investment in open spaces such as Parks is prioritised to enable the delivery of SOA2 “East Renfrewshire Residents are fit and active and have the skills for learning, life and work” and SOA 3 “East Renfrewshire is a thriving, attractive and sustainable place for residents and businesses to grow” East Renfrewshire has a significant number of popular open spaces with these assets extensively used by the local community as well as encouraging visitors from out with the area to visit.

Our Open space Asset Investment Priorities are

- Parks infrastructure
- Sports pitches: synthetic surfacing provides an all-weather facility with low associated revenue costs but a maximum life cycle of 12 years. Spend is prioritised by assessing age, condition, usage, remedial repair costs against footfall and any health and safety liabilities. Newer assets including skateparks and all weather tennis courts are monitored using the same processes with any repairs paid for out of revenue budgets.
- Cemeteries: Spend is prioritised using an assessment of demand, condition of the ground, safety implications of dangerous structures and likely future trends, particularly for faith burials;
- Play equipment: the Asset Management Plan provides detail of the condition of the councils play parks and when the current assets are no longer fit for purpose with dangerous equipment being removed and/or replaced and equipment nearing the end of its useful life being highlighted as priority for replacement. Spend is prioritised based on footfall of playpark, area needs, safe lifespan of equipment as well as potential local match funding.

Capital spend will be delivered by using the 5 capabilities .In particular:

- Ensuring our green spaces are designed as safe and welcoming spaces encouraging sports participation and play (prevention);
- Using community engagement to inform policy (community engagement);
- Benchmarking with other authorities (data);
- Moving towards online service provision (digital and modernisation)

Asset Investment Priorities for Transport

Capital Investment in transport such as vans, buses, refuse trucks and roads maintenance vehicles enables the delivery of all 5 SOA outcomes by ensuring that materials, clients and staff can be safely and efficiently transported. Assets also include fleet management and maintenance facilities with a MOT Station, with the aim of keeping the Council's vehicles moving 24 hours a day.

Our fleet has a current value of £3,195,230 and a replacement value of £6,965,013. Currently, the Council's fleet comprises 50 heavy goods vehicles, 110 light vehicles, tractors and other plant and equipment.

Investment in younger vehicles fleet which will improve carbon footprint in addition to increasing the flexibility and availability for our stakeholders. The Council operates a 5 year replacement policy for most categories of vehicles to ensure the most cost effective operation of our assets. Priority spend is therefore based on age rather than condition, but user Departments can choose to retain vehicles longer than 5 years.

Capital spend will be delivered by using the 5 capabilities. In particular:

- **Prevention:** Prevent vehicle breakdown and service disruption by replacing older vehicles every 5 years and embrace new technologies and best practice to minimise the impact of transport on the Environment of East Renfrewshire Council;
- **Data:** Benchmarking with other local authorities and uses industry wide best practice to enhance current service provision and facilitate improvement. Uses available information to assess the condition and depreciation of the current assets and determines current and future funding requirements;
- **Modernising & Digital:** New Technology will bring our equipment up to date.

Appendix B - Role of Capital Asset Management Group (CAMG)

Asset Management

- Oversight of the development and review of the Corporate and Service Asset Management Plans
- To scrutinise all departmental annual Asset Management reports which include Performance Information and benchmarking data across a range of property indicators
- To champion and raise the profile of Asset Management and relevant good practice across the Council
- Take a lead role in ensuring that processes comply with all relevant guidance (including Audit Scotland's) relating to major capital investment in Councils, capital planning and option appraisal. To review processes as necessary
- Ensure robust option appraisal criteria exist and that CPA's comply with the terms of SOA, ODP, 5 capabilities and any other issued guidance

Capital Bid Appraisal

- Oversee the annual CPA process including setting the timetable and the appraisal/scoring of applications against the agreed criteria and to make recommendations to the CMT based upon this
- To fully and robustly challenge CPA submissions
- Undertake a review of short-listed schemes and the sources of finance for each scheme. To review the benefits proposed
- To review any new "in year" schemes and make recommendations to the CMT for the inclusion of new schemes in the programme
- Annually review the Capital Plan Appraisal Criteria

Monitoring and Review

- Review and challenge slippage and variance in the Capital Programme/Plan
- Detailed management and monitoring of the Capital Programme/Plan
- Undertake a closure review of completed capital schemes to include lessons learned
- Obtain feedback from projects/stakeholders to facilitate continuous improvement

BLANK PAGE