

# APPENDIX G

## CAPITAL STRATEGY

### 2019/20 TO 2023/24

## 1 INTRODUCTION

The prudential code for capital finance in local authorities sets out the requirement that authorities should have in place a capital strategy and governance procedures for the setting and revising of the strategy and prudential indicators. This will be done by the same body that approves the local authority's budget, which for Sandwell is Full Council.

The Executive Director - Resources is responsible for ensuring that all matters required to be taken into account are reported to the decision-making body for consideration and for establishing procedures to monitor performance.

Under the prudential code guidance, a capital strategy needs to demonstrate that Sandwell takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability.

In the period 2019/20 to 2023/24 total capital expenditure is expected to be in the region of £482m and it is currently proposed that this expenditure will be financed as follows:

- £218m Prudential Borrowing
- £71m Revenue Contribution
- £128m Capital Grants
- £65m Capital Receipts

This Capital Strategy sits alongside the Medium-Term Financial Strategy and feeds into the annual revenue budget as part of an integrated revenue and capital financial strategy. The ongoing implications for the revenue budget strategy are fully considered before any capital funding decisions are confirmed.

Major new capital investment within Sandwell includes:

- New and expanded schools;
- New council housing;
- Investment in council housing stock to deliver improved energy efficiency;
- The new Sandwell Aquatic Centre that will be used for the Commonwealth Games in 2022;
- Investment in our transport infrastructure;
- Funding our ICT and Workplace Vision strategies.

We are also developing plans for significant investment in our town centres.



A fundamental review of the capital programme is planned to take place during 2020 in order to ensure that resources are aligned to the new corporate plan.

Details of the Councils financial instruments and borrowings are included within the Treasury Management Strategy (TMSS) that is produced and reported separately as an Appendix to this budget report.

## **2 CAPITAL INVESTMENT PLANS**

Sandwell Council has a range of ambitious, affordable capital investment plans designed to achieve the plans set out in our corporate plan and 2030 Vision.

### **2.1 Housing**

One in 20 new council houses built in England in 2018 were built in Sandwell, but we will do much more over the next five-year period as we continue our plans to deliver good quality, affordable housing for the people of Sandwell.

We are also working on a number of energy efficiency upgrades to heating systems and boilers across council properties in order to help reduce fuel poverty across Sandwell. The HRA business plan includes £3 million annually for these improvements and a further £3 million annually for disabled adaptations to council homes.

This investment is alongside a programme of refurbishment in our council housing stock.

### **2.2 Schools**

In recent years we have focussed the majority of our available resources on the provision of new school places. The Pupil Place Planning Strategy continues to build on the Councils commitment of ensuring every Sandwell child has access to a place at a good school by expanding successful and popular schools. Between 2010 and 2018 an additional 5,138 primary places have been provided. The birth rate has decreased since peaking at 5,063 in 2012 and the places provided in primary schools are now sufficient in number to provide adequate surpluses in reception. More pressure is placed on schools because of inward migration as cohorts move through. Based on existing trends, cohorts can increase by as much as 4% (200 pupils) as they move through from reception to Year 6.

The impact on secondary provision of increasing numbers is now being seen with around 3,400 new secondary places needed across the borough by 2025. This is in addition to the 1,900 new secondary places already provided up to 2019. Some of this need will be met with the recent opening of West Bromwich Collegiate Academy, a new 750 place secondary school on Kelvin Way in West Bromwich. The school opened with an initial pupil capacity of 300 places, the remaining 450 places will need to be provided for September 2021. A number of secondary schools agreed to take extra pupils in 2019 to



assist the Council in managing the delay of a new school to be delivered by the Department for Education, and it is hoped that further “bulge” expansions will take place to accommodate more students in 2020.

In 2021 new permanent provision is planned at Bristnall Hall Academy, Q3 Academy Langley and West Bromwich Collegiate Academy, in addition to an exciting Free School proposal involving the City of Birmingham Symphony Orchestra. The Free School to be delivered by the Department of Education, which will be sponsored by Windsor Academy Trust, is scheduled to open in September 2022 and will offer 900 new secondary places.

The Council’s ability to proceed with the programme of secondary expansion for completion by September 2021 continues to be affected by the uncertainty surrounding basic need capital funding from the Department for Education (DfE).

### **2.3 Adult Social Care & Health**

The capital resources available to Adult Social care will be used in three main areas:

- The Design & Build of a new £10m Social Care & Health Centre in Rowley Regis;
- To support the ongoing development of the social care business system; and
- To fund a range of ICT related expenditure to support mobile working, an integral element in the adult social care customer journey.

In addition, work has now restarted on the new Midland Metropolitan hospital in Smethwick.

### **2.4 Transport**

We are leading the delivery of the Birchley Island transport scheme at Junction 2 of the M5 in Oldbury.

We are a partner in Wednesbury- Brierley Hill West Midlands Metro Corridor (£450million investment) which is the largest light rail project in Europe and is coming to Wednesbury in 2021 creating a strategic link to Dudley and through West Bromwich to Birmingham.

We are also committed to enabling people to get around in a healthy and sustainable way which supports our health and wellbeing and our climate change strategies. We want to make sure that all public transport options available locally are as green as possible, so we will lobby for clean green buses for our borough. We will be bringing forward a cycling and walking strategy to develop more routes particularly using our extensive canal network as a means for cycling and walking and invest in green infrastructure.

In addition, our partnership work with the Canal and River Trust will enable us to make the best use of our waterways.



## 2.5 Parks and green spaces

Sandwell has 12 parks and green spaces with prestigious Green Flag status. We will strive to maintain this status, whilst also working to enhance our existing green and open spaces, create new places to play and committing to plant a tree for every child starting school in Sandwell up to 2030.

West Smethwick Park will benefit from a Heritage Lottery Fund grant of £5.2 million, which will include a new community pavilion and enhanced greenspace and historical features.

The new Green Space Strategy to be adopted in 2020 will require medium to long term investment strategy in our parks & green spaces.

We have aspirations to make Sandwell Valley a major cultural and tourist destination and we will work with our partners to make the best use of our canal network. To facilitate this, we will be developing culture and tourism strategies that will set out our key objectives and the outcomes we aspire to achieve.

## 2.6 Leisure facilities

The Council continues to develop modern leisure facilities within the borough. Over the past few years we have opened new leisure centres in Tipton, Oldbury, West Bromwich, and Wednesbury.

However, as proud as we are of those facilities, the most high-profile development in the history of Sandwell Council has now commenced with the building of the new Sandwell Aquatic Centre in Smethwick, which will be used to host events at the Commonwealth Games in 2022.

## 2.7 Climate Change

Sandwell Council is now actively pursuing capital investments to deliver on our climate change agenda. These will be reported to Cabinet in due course.

# 3 THE GOVERNANCE PROCESS

## 3.1 Revenue Implications of Capital Investment

The council takes into consideration the ongoing revenue implications of capital investment and has a consolidated revenue and capital budget setting process. The Cabinet receives all reports and information about the council's revenue and capital strategies and expenditure plans. The merging of the two processes allows the council to fully consider the implications on revenue of any capital schemes (whether savings or increased costs) and also places it in a position to consider the impact of the Prudential Framework in the future.



The cost of borrowing over the medium term expressed through the Minimum Revenue Provision is fully incorporated into the revenue budget setting process to ensure prudence and affordability.

The appraisal forms submitted when requesting a scheme to be included within the capital programme highlights both the financing of borrowing costs that the council may need to incur in pursuing the scheme together with the ongoing revenue costs of 'running' the asset once it is operational. The inclusion of these costs allows decisions to be taken with full consideration of the impact on the revenue position of the council.

### **3.2 Allocating Resources to Capital Projects - The Capital Appraisal Process**

The Council has a comprehensive project appraisal based on best practice principles as a means of assessing the merits and identifying the risks of individual capital schemes and the evaluation and comparison of such schemes for selection in times of limited resources.

Project appraisals are the basis for formal monitoring and reporting on any capital schemes which are approved.

All capital appraisal applications should be submitted through Firmstep to Financial Planning for independent appraisal and evaluation. For further information on the appraisal process and the use of Firmstep to submit applications please refer to the Financial Planning Team page on the Finance Section of the Intranet.

Financial Planning will produce an appraisal report of their findings back to the project officer. It is the responsibility of the Project Lead Officer to allow sufficient time for the capital approvals process when considering applying for capital resources.

Once the appraisal has achieved a score which would enable it to be recommended for approval it is the responsibility of the project lead to submit a report to the Cabinet to obtain formal budget approval. Projects that achieve a score of less than 65% will not be recommended for approval.

Democratic Services are required to publish 28 days-notice of all key decisions. The Project Lead Officer is responsible for notifying Democratic Services of key decisions in accordance with their timetable. Further guidance on what constitutes a key decision and the required timescales can be obtained from Democratic Services Unit on 0121 569 3736.

### **3.3 Project Monitoring & Evaluating Progress**

Capital monitoring is completed monthly and reported the Executive Director – Resources and the Head of Finance. Any matters of concerns are then brought to the attention of the relevant Cabinet Member.



Reports are prepared for Cabinet on a quarterly basis. Narrative is included in the quarterly monitoring report to explain movements in capital budgets since the previous period.

These reports are also presented to the Budget and Corporate Services Scrutiny Management board for consideration.

Project Officers are consulted monthly to ensure capital forecast expenditure is accurate. Expenditure is monitored and analysed to ensure it is in accordance with the nature of the project and can be applied to the relevant asset register.

Slippage of capital resources into future years is reflected where necessary.

Capital Grant Claims are completed in accordance with grant terms and conditions to ensure all expenditure is financed.

Capital Receipts are analysed monthly, to ensure all projects are financed correctly.

#### **4 PFI**

The council has previously pursued the use of Public Private Partnerships and Private Finance Initiatives as a means of funding the investment identified through the Capital Strategy and Capital Programme. The council will continue to consider future opportunities as they arise but is no longer actively pursuing this funding option.

#### **5 COMMERCIAL ACTIVITY**

The Council currently holds commercial properties that generate significant revenue income to the authority. We intend to actively pursue new investment in commercial assets that will provide income streams to aid the future funding of services. Any new scheme will be evaluated to ensure that Members are fully informed of the risks and rewards of such investments.

#### **6 ASSET MANAGEMENT**

Sandwell Council is committed to proactive management of our assets, as reflected in the rolling programme of investment in buildings and our ICT infrastructure. A 5-year programme of refurbishment of Sandwell Council House is underway that will secure this key asset for the longer-term but, alongside this investment, we will continue to rationalize our office accommodation to reduce ongoing costs to the council as we reap the benefits of new, more agile ways of working.



The next year will see our biggest ever investment in our ICT infrastructure as we implement a major upgrade to our Oracle e-business suite; deliver our technology modernization programme; and continue to roll out our expanding digital offer.

## 7 KNOWLEDGE AND SKILLS

Sandwell Council has built up a significant pool of internal expertise and has a well-earned reputation for delivering projects on time and within budget. However, we will also buy in additional capacity and expertise as required.

## 8 SERVICE LEVEL EXPENDITURE

Expenditure plans by service are as follows:

Summary of planned capital expenditure						
	2019/20	2020/21	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m	£m	£m
Housing Stock	62.257	83.919	47.286	45.612	45.612	284.686
Regeneration & Growth	11.046	13.951	6.414	6.414	6.414	44.239
Adult Social Care	6.110	13.386	7.199	3.300	3.300	33.295
Schools	25.899	2.569	0.000	0.000	0.000	28.468
Housing & Communities (incl Aquatics Centre)	15.975	62.865	2.340	1.800	1.500	84.480
ICT	1.886	1.098	1.200	1.200	1.200	6.584
	<b>123.173</b>	<b>177.788</b>	<b>64.439</b>	<b>58.326</b>	<b>58.026</b>	<b>481.752</b>

