Buckinghamshire County Council

Capital & Investment Strategy

Version	Nature of Change	Date	By Who
1.0	Original Draft	30/07/18	RS
1.1	Amendments to reflect comments from RA	15/08/18	RS
2.1	Major Revision to include: • Amalgamation with Investment Strategy • Resources and H&W input to Appendix A • Addition of governance arrangements • Addition of prudential indicators	29/08/18	RS
2.2	Amendments to reflect comments from SA	30/08/18	RS
2.3	Amendments to reflect comments from CMT	06/09/18	RS
2.4	Amendments to reflect comments from Property Board	11/10/18	MP
2.5	Amendments to reflect DoF&P comments	17/10/18	MP
2.6	Amendments to reflect TEE and Resources updates	18/10/18	MP
3.0	Draft for Cabinet reflecting the comments from Finance, Performance and Resources Select Committee	20/11/18	MP

Issued: December 2018

Contents

1. Purpose of the Capital Strategy

1.1 The main purpose of the Capital Strategy is to define how the Council will maximise the impact of its limited capital resources to deliver its key aims and priorities. It must consider future capital investment needs, especially in relation to the growth agenda and ensure the maximum impact of those investments.

1.2 In seeking to do this the Council will have regard to its statutory obligations within the context of a changing operational environment, the longer term impact of its decisions, the delivery of value for money and the risks associated with any particular course of action.

1.3 The strategy is designed to fully comply with the Prudential Code of Practice for local authority capital investment which has recently been revised by the Chartered Institute of Public Finance and Accountancy (CIPFA) in parallel with revised guidance to local authorities from the Ministry of Housing, Communities and Local Government (MHCLG). The main purpose of the Code is to ensure that capital investment proposals are affordable, prudent and sustainable.

1.4 By the very nature of capital investment it is necessary that this strategy takes a longer term view. However, the strategy also focusses on the medium term to fit in with the Medium Term Financial Plan (MTFP), the latest version of which covers the period 2019 – 2023. This includes the Capital Programme for the same period.

1.5 This strategy is underpinned by a number of other strategies and plans. In particular the longer term view needs to have regard to the Growth Strategy and the related Buckinghamshire Strategic Infrastructure Plan (BSIP). The Council holds a wide range of assets, but two major classes of assets in particular for which it needs to have regard in maintaining their integrity. To this end there is a Property Asset Management Plan (PAMP) and a Highways Asset Management Plan (HAMP). There is also a Technology Service Strategy to guide investment in that increasingly significant asset class.

1.6 Following revisions to the Prudential Code and guidance from MHCLG in February 2018 this Strategy includes the Investment Strategy and needs to be read in conjunction with the Treasury Management Strategy.

2. The Context of the Capital Strategy

2.1 The Council's Aims and Priorities

2.1.1 The Council's aims and priorities are set out in the Strategic Plan, the latest version of which covers the period 2017-20, although the underpinning service delivery plans are refreshed annually.

The priorities set out in the Strategic Plan are:

- Safeguarding our vulnerable
- Creating Opportunities and Building Self Reliance
- Ensuring Buckinghamshire is Thriving and Attractive

2.1.2 Of course, all that the Council does is set within a legislative context, so that meeting its statutory obligations is a key component determining the actions it takes. In the context of the capital strategy examples of the statutory requirements are the need to provide sufficient school places, to maintain the highway infrastructure to certain standards and to provide suitable disposal facilities for waste.

2.2 Growth and Demographic Change in Buckinghamshire

2.2.1 The population of Buckinghamshire is constantly changing and the County Council needs to take account of these changes in planning its future service provision. The County Council in partnership with other agencies, the Local Enterprise Partnership in particular, has responsibility for facilitating the infrastructure to promote economic growth. Current local plans indicate housing growth in Buckinghamshire of around 46,000 by 2033 leading to a population increase from c. 541,000[1] to 635,000. Recent indications from Government set expectations much higher than that, suggesting housing growth of 61,000 by 2033 and a further 42,000 by 2050. This would mean the population of Buckinghamshire growing by just over 50% between now and 2050 and may be larger still if Buckinghamshire need to pick up growth targets from neighbours unable to hit their own targets. This level of growth not only has implications for new infrastructure, but also for the wear and tear on existing infrastructure.

2.2.2 Beyond the current confirmed plans for housing growth there are many pressures in the system to go further as indicated by the Government figures mentioned in the previous paragraph. The County Council and its partners are already promoting a major development at the "Woodlands" site in south east Aylesbury. The Government has been keen to push forward housing growth through the concept of Garden Towns and the Council has submitted a Housing Infrastructure Fund (HIF) Forward Funding bid for over £200m to create the infrastructure to support these plans.

2.2.3 Notwithstanding the overall growth in the population the nature of the population is also changing. Buckinghamshire already has one of the highest rates of increase in people aged over 85 of all county areas in the country. The diversity of the ethnic and socio-economic make-up of the county is also increasing. These changes are likely to increase the demand on a range of public services, particularly care services. This too will need to be factored into the longer term planning of service provision.

2.2.4 The location of Buckinghamshire also creates a unique set of circumstances which impacts on economic development and other infrastructure demands which are likely to have capital implications. The high speed rail line (HS2) will run through the county and have significant knock-on impacts. The proximity of the south of the county to London and Heathrow Airport is likely to place an increased burden on transport infrastructure. The north of the county lies at the heart of plans to link Oxford and Cambridge with both an East-West Railway and major new highway. Few of these plans are yet firm, less so how they will

[1] ONS Mid-year estimate 2018

be funded, yet the direction of travel is clear, so they cannot be ignored by this Capital Strategy, albeit presents a challenge to plan with certainty.

2.3 Changes in Technology

2.3.1 As well as changes to the profile of the population, developing the economy needs to reflect changes to the way we work and better still to reflect the way we will work in the future. The pace of change in technological advancement appears to get ever faster, so keeping up with these changes presents a range of challenges.

2.3.2 The Council has a role in putting in place, or at least facilitating, enabling infrastructure. A good example of this currently might be the developing market in electric vehicles that need a more comprehensive network of charging points. However, as is often the case with emerging technologies there are a number of different options available, so identifying which particular solution to support is a key challenge if capital investment is not to be wasted.

2.3.3 By contrast the economic development role the Council plays may need to facilitate experimentation, such as creating space for start-up businesses in emerging technologies. The very nature of this means that there is likely to be a fair degree of failure and the Council needs to determine the degree of risk it is prepared to take and the mitigations that can be put in place.

2.4 The Changing Public Sector Landscape.

2.4.1 The Secretary of State announced on 1st November 2018 that a single unitary council for Buckinghamshire would be established to replace the current County Council and four District Councils. A key workstream in creating the new council will be the review, rationalisation and re-profiling of the local government estate in Buckinghamshire.

2.4.2 Over and above the asset requirements of the new unitary authority, there are other pressures in the existing system likely to lead to change. All public sector bodies are under financial pressure as well as there being a need to offer the public a more coherent means of accessing services, and the One Public Estate (OPE) project aims to achieve the rationalisation of publicly held assets. Also as part of this property rationalisation and in order to facilitate a more coherent service offer to the public the Council is promoting the creation of Community Hubs to bring access to a wide range of services into a single location.

2.4.3 Those financial pressures on local authorities, caused in large part by huge cuts in Government grant funding, but also significant increases in demand for services, lead to the exploration of alternative sources of income. This in turn prompts consideration of investment in assets which can support the generation of additional income. This might mean investing in existing assets to facilitate their use to create income streams. It may also mean investing in assets purely, or significantly, for the purposes of making a return.

3 Capital Investment Objectives

3.1 The key objectives of capital investment will be to:

- Support service delivery in line with the Council's strategic objectives
- Facilitate the generation of income, be that from commercial assets held predominantly for their rental yield, or service based assets capable of generating income as a by-product.
- Enhance value for money by helping to reduce or avoid costs
- Support economic development and the wider growth agenda

3.2 Where assets are held by the Council that do not fall into the above categories the Council will aim to dispose of such assets. However, it will seek to maximise the return in doing so and therefore will on occasions hold assets awaiting favourable market conditions. The retention of assets in this way will require an explicit decision to do so.

3.3 As well as the key objectives set out in 3.1 above there will also be regard for the following:

- Meeting legislative requirements, such as school place planning requirements, or health and safety.
- Maximise community benefits, working in partnership with other agencies.
- Ensure that investments are affordable and sustainable.
- Safeguard the on-going integrity of existing assets (property, highways, ICT, etc.) ensuring they remain fit for purpose, including reducing the maintenance backlog.
- Be forward looking in terms of investing in future technologies and recognising societal behaviour patterns and not the ways of the past.
- Ensure, where appropriate, that investments are in line with the Property Asset Management Plan, the Highways Asset Management Plan and the 'Smarter Buckinghamshire' technology strategy

3.4 Based on the above objectives it is envisaged that capital investment will fall into three main categories:

- Assets owned by the Council to support the direct delivery of services by the Council itself.
- Assets owned by the Council to support the delivery of services by third parties where there is a strategic need/advantage in continuing to own the assets.
- Assets held for a financial return to support the financial resilience of the Council.

3.5 In addition the Council may on occasions make capital investments in assets owned by third parties where doing so facilitates the delivery of Council objectives, or legislative requirements.

4 Key Areas for Investment

4.1 Given both the Capital Investment Objectives and the Corporate Priorities described above the following list, whilst not necessarily exhaustive, describes key areas where one might expect to see investment directed.

- Structural Maintenance of Highways Infrastructure.
- Structural Maintenance of Properties in which the Council has a continuing interest, including schools within the local authority family of schools.
- Meeting the statutory requirement to provide school places for all primary and secondary age children.
- Investment to increase availability of specialised accommodation to meet needs of increasing numbers of highly vulnerable adults and children.
- Assets which facilitate community involvement in services which meet corporate objectives.
- New infrastructure such as roads and schools to support the growth in housing.
- Investments that facilitate Economic Development in the County.
- ICT Infrastructure, both to facilitate modern service delivery from the Council and within the local community, e.g. Broadband connectivity across the community.
- The re-design/re-configuration of assets or services that permit lower on-going revenue costs, or halt a trend of increased revenue costs.
- New or enhanced existing assets that allow a secure revenue income stream to the Council.
- Assets that help the Council meet sustainability targets, such as reduced energy consumption/CO_2 emissions, reduced waste disposal via landfill and flood defence.
- Assets which facilitate easier access to services, including the Council's website.
- Assets which facilitate service improvements provided that these are identified corporate priorities and are financially sustainable on an on-going basis.
- Assets that facilitate the release of other assets, where the net effect is an increase in value to the Council.

4.2 Given that resources are limited it would not be expected that investments will be made in the following, although there might be exceptional circumstances that dictate otherwise.

- Assets which facilitate service improvements, but that are not corporate priorities.

- Assets which result in increased revenue expenditure unless meeting other key priorities.
- Assets that lead to an adverse environmental impact created by the Council unless this is unavoidable in achieving a statutory requirement, or Strategic Plan objective.
- Assets where the risk exposure exceeds the probable benefits.

5. Investments for a Return

5.1.1 Beyond those investments for cash management purposes and for service enhancement the Council may also make investments, with a range of economic and social objectives in mind, but with a key element being on making a return on the investment. It is these types of investments which are the focus of this section of the Strategy.

5.1.2 It must not be forgotten that the Council is an organisation heavily governed by statute and that it is not a commercial organisation with the purpose of making a financial return for shareholders. Nonetheless like any organisation it does need to fund its activities and with more traditional funding sources, such as government grants, substantially decreasing and local taxation being heavily constrained by central government rules, there is a need to look to more innovative ways of generating income, the financial return on investments being one such approach in addition to other intangible social and regeneration benefits these investments can yield.

5.1.3 Recognising the Council's core objectives to support its local community there may be a range of further objectives beyond a simple financial return that the Council seeks when making investments and in so doing may accept a lower rate of financial return in order to achieve, or facilitate these other objectives. Examples of this might be to promote local economic development, or to support partner organisations. The remainder of this section seeks to set out the nature of investments the Council will engage in and the circumstances in which it will do so.

5.2 Financial Investments

5.2.1 Financial Investments can fall into three categories, as defined by the Statutory Guidance issued under section 15(1)(a) of the Local Government Act 2003: Specified Investments; Loans and; Non-specified Investments.

5.2.2 Specified and non-specified investments are only likely to be undertaken on either a short, or a long term basis as part of managing the council's cash flows and are therefore covered by the Treasury Management Strategy rather than here.

5.2.3 Loans may also be used for treasury management purposes, but where they are used in support of service delivery objectives this is covered by the Loans and Guarantees Financial Instruction.

5.3 Non-Financial Investments

5.3.1 For the purposes of this strategy a non-financial investment is a non-financial asset held by the authority primarily, or partially to generate a surplus. This might be through an anticipated appreciation in the capital value of the asset, or by way of delivering a regular income stream, or a combination of both. However, in the current financial climate the emphasis is likely to be on assets that generate a regular income stream.

5.3.2 Although the Council remains open minded to consider a range of opportunities the high likelihood is that non-financial investments will involve property assets. Chosen carefully, property offers the opportunity for a higher yield and less volatility than financial investments, however, it is an illiquid asset and carries with it the inherent risk of being unable to respond quickly enough to changes in market conditions.

5.3.3 The recommendation of the council's expert property advisors is that the council should aim to have an investment portfolio of in the region of £250m in the long run, in order to achieve a suitably balanced portfolio of asset classes, locations, etc. so that risks are spread. A portfolio of this size at a yield of 6% would produce a gross revenue income stream of £15m p.a. and an anticipated net income stream of at least 1.5% (or £3.75m p.a.). This may be vary according to loan rates available to the Council at the time of acquisition.

5.3.4 When selecting suitable properties in which to invest the Council will have regard to the following criteria:

- Lot size to ideally be within a range of £5m to £30m. Exceptions can be made for high value strategic purchases.
- Target rate of return for the portfolio is an average (i.e. the yield as measured across the Council's entire commercial property portfolio) running yield of **6.00%** for the entire portfolio, after the deduction of purchaser's costs, with a minimum expected yield per property of 5.00%. The yield is calculated before allowing for the cost of any borrowing necessary to finance the purchase of the asset.
- Lease length, or the average of lease lengths if multiple occupation, to be generally 5 years left to run or greater.
- Preferred maximum exposure to any one tenant should not exceed £250,000 p.a.
- A preference for purchases to be in locations within but not limited to the County, or with an economic footprint falling within the County.
- Only opportunities let to strong covenant tenants on full repairing leases will be considered based on Dun & Bradstreet ratings, or similar.

- Properties in strategic locations with good transport links
- Properties that offer a marriage value with the existing portfolio
- Properties and/or tenants consistent with the ethical values and aims of the public sector.
- Preference will be given to properties that offer the option of alternative uses through gaining planning permission for a change of use, or through redevelopment in order to enhance the capital value.
- A preference will be given to premises that offer the opportunity to increase income streams by infilling additional services e.g. coffee shop.
- Consideration will be given to emerging and established changes in the market e.g. retail investment.
- Seek to minimise the risk to the portfolio through diversification of tenants.

5.3.5 The following risks associated with the purchase of commercial property are recognised:

- The relative illiquidity of property as an asset class compared with holding cash reserves or a share portfolio.
- As lease lengths erode the value of the asset will tend to diminish in most cases.
- The risk of a tenant failing financially, which will present the Landlord with a temporary loss of income coupled with the cost of re-letting the accommodation.
- Void rates and service charge liability whilst the property remains vacant.
- Obsolescence of the building and the cost of returning it to a tenantable condition at the end of a lease.
- Over time certain segments of the property market can weaken leading to a loss of both a revenue income stream and capital value.
- Potential capital expenditure when properties become vacant which is not met by a dilapidations settlement.

5.3.6 In order to mitigate the risks it will be essential to carry out full due diligence, and a template of the Investment Property Due Diligence Summary Report can be found at Appendix D. To this end investments in property will only be made following advice from suitably qualified and experienced specialist advisors. Adherence to the selection criteria set out in 5.3.4 will also be important to ensure that properties are well located and have tenants with a strong covenant. It will also be important that a diverse portfolio is established to reduce vulnerability to market fluctuations. A suitable balance needs to be found between yield rates and lease length and security. Active asset management will be essential to ensure that tenant obligations under the lease are fulfilled and regular rent reviews are carried out, as well as looking for opportunities to maximise income streams and reduce the likelihood of voids. Despite these measures it is inevitable in any portfolio of scale that there will be some level of voids from time to time. A reserve account has been created into which is paid 5% of all rental income in order to cover unforeseen void/default issues.

5.3.7 The acquisition and disposal of property assets can require a quick response to market opportunities, which does not necessarily fit readily with normal Council governance processes. However, it remains of vital importance that appropriate governance is applied to such significant decisions. In recognition of this a separate governance arrangement exists to address these competing demands and is set out in Appendix B which is intended to streamline the decision making process to align with the market without unduly losing out on good opportunities.

5.3.8 On occasions the Council may choose to purchase land or property for strategic reasons rather than for any short term return. This might be to protect existing service provision, but will most likely be linked to its community leadership role in accommodating and facilitating economic and housing growth. This will require well documented formal decisions.

6. Funding Capital Investment

6.1 There are a number of potential sources of financing for the capital programme. These can be described as follows:

6.1.1 **Grant Funding** (often specifically for capital purposes and also often from central government, but they may come from, or through, other agencies).

6.1.2 **Capital Receipts** (receipts arising from the disposal of existing assets are constrained to only be useable for the purposes of funding new assets. Such funds when generated are held in a Capital Receipts Reserve until such time as used).

6.1.3 **Developer Contributions** (S106 agreements and/or the Community Infrastructure Levy (CIL) effectively impose a tax on new development in order to fund infrastructure required as a consequence of the development).

6.1.4 **Partner Contributions** (some projects may be jointly funded between the Council and other agencies, such as schools, other councils, or the Buckinghamshire Thames Valley Local Enterprise Partnership (BTVLEP). Under current arrangements the Council is the accountable body for the BTVLEP and thus capital expenditure on behalf of the BTVLEP is included in the Council's Capital Programme and funded by resources available to the BTVLEP).

6.1.5 **Prudential Borrowing** (the Council is able to borrow in order to fund its capital expenditure provided that the revenue financing costs of such borrowing are affordable and sustainable. Prudential borrowing will be considered as a source of capital funding in accordance with the Government's guidelines and with regard to the Prudential Code for capital finance in local authorities).

6.1.6 **Revenue Contributions to Capital** (the Council is able to use its revenue resources to fund its capital expenditure, but obviously this then reduces the funding available for recurrent expenditure).

6.1.7 **Use of Earmarked Reserves** (essentially this is just a mechanism for deferring the application of one of the sources listed above, e.g. revenue contributions, or capital receipts. A typical example is the use of a Repairs and Renewals Fund).

6.1.8 **Leasing** (essentially this is a specialised form of borrowing linked directly to the asset).

6.2 The choice of funding for the capital programme and projects within it will depend upon the overall availability of resources and any constraints applicable to particular sources.

- Wherever possible external resources such as partner contributions, or grants will be the first preference for funding projects. It is likely that developer or partner contributions will only be available for specific projects. It is also possible that some grant funding is ring-fenced for specific purposes, although this tends not to be the case in recent times.
- Prudential borrowing will be the second choice of funding, but will only be used where there is a strong business case offering an appropriate rate of return.
- Finally the Council's own resources (capital receipts and revenue contributions) will be used where available and affordable.

6.3 The Council will aim to maximise its funding for capital expenditure by bidding for grant funding, disposing of surplus assets, seeking to maximise its leverage with partners in respect of joint funding opportunities, etc. Indeed the ability to respond to the very substantial growth agenda will be heavily dependent upon the ability to attract additional resources. This may come in the form of additional funding from Government, such as is being sought via the HIF bid, developer contributions, or working in partnership with other bodies e.g. district councils, the BTVLEP, other public bodies, or the business community. The council has carried out the Location Asset Strategic Review (LASR) which has identified opportunities to reduce the property estate and thus generate capital receipts. However, there may be longer term strategic reasons to hold on to assets and/or the ability to improve the operational efficiency including the potential to generate income which need to be considered.

6.4 Although the Council will continue to bid for all the resources it can, the Government's austerity measures are leading to a tightening of grant funding. For Buckinghamshire this is particularly relevant in respect of Basic Need funding for school places where there has been a zero allocation for 2020/21.

6.5 Historically the Council has provided a reasonable level of revenue contributions to fund the capital programme. However, as part of measures to keep the revenue budget in balance in the face of reduced funding and increasing service pressures the capacity to do this has been reduced to a relatively low level in the future.

6.6 Any capital investment decision which involves prudential borrowing must include the cost of servicing the debt as part of a robust business case. Investment decisions will be supported when the cashable cost reductions (or increased income) exceed the financing costs of any borrowing needed to fund the investment over its life, with a reasonable tolerance to cover off risk.

7. Minimum Revenue Provision

7.1 Minimum Revenue Provision (MRP) is the charge to revenue made in respect of paying off the principal sum of the borrowing undertaken to finance the capital programme. MRP, which is largely defined by regulation is aimed at ensuring that the council does not have time expired/fully depreciated assets, but still has associated outstanding debt.

7.2 Where capital expenditure was incurred before 1 April 2008 MRP will be charged on a straight line basis over 50 years in accordance with the guidance. For capital expenditure incurred on or after 1 April 2008 and funded through borrowing, the Council will calculate MRP using the asset life annuity method. Using this method MRP is calculated in a similar way as calculating the capital repayment element of a fixed rate repayment mortgage.

7.3 In accordance with provisions in the guidance, MRP will be first charged in the year following the date that an asset becomes operational.

7.4 The asset life annuity method calculation requires estimated useful lives of assets to be input in to the calculations. These life periods will be determined under delegated powers to the Director of Finance and Procurement, with regard to the statutory guidance. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the asset life annuity method would not be appropriate.

7.5 As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

7.6 Recognising the impact of MRP on the revenue budget is an important element in determining the affordability and sustainability of borrowing to fund an asset. Essentially, if there is no on-going capacity within the revenue budget to afford the MRP then one shouldn’t take out the borrowing in the first place. This is why a robust business case demonstrating a rate of return in excess of costs (including MRP) is important.

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8. Capital Governance and Processes

8.1 Overview

8.1.1 This Capital Strategy sets out the framework for the governance of capital assets for the organisation. Primary responsibility for the development of the Strategy rests with the Director of Finance & Procurement, although ultimate accountability for its approval rests with Full Council in line with the Prudential Code.

8.1.2 The development or purchase of new assets, maintenance of existing assets and disposal of surplus assets are matters of operational and financial significance and therefore require robust governance arrangements. For this reason the Corporate Management Team (CMT) will play a pivotal role in these governance arrangements, providing co-ordination and consistency across the organisation.

8.1.3 Whilst this Strategy sets out the framework for identifying, approving, implementing and reviewing capital projects, the details are set out in the Financial Instructions for Capital.

8.2 Governance Boards

8.2.1 Although the assets held by the Council can be as diverse as the services it delivers they can be grouped into a few broad categories, namely: property; technology and; highways. For each of these broad categories this will be an appropriate governance board chaired by the relevant Cabinet Member. These are governance advisory Boards, cabinet authority will still be required where a key decision is required.

8.2.2 The Property Board will cover all land and property whether held for service delivery purposes, or as an investment for financial return. It will be responsible for all land and property regardless of which services are delivered from those premises at any point in time. So, for example, it will cover multi use offices, but also care homes, highways depots, waste processing sites and other single service premises.

8.2.3 The Technology & Digital Board will cover all technology assets, be that laptops, screens, phones, or servers, cabling and other hidden infrastructure. It will also include capitalisable software licences and assistive technology. This will apply to technology assets owned by the council whether they are within council premises, or elsewhere.

8.2.4 The Highways Strategy Board will cover all highways assets, such as roads and footpaths, but also bridges, signals, safety fences etc.

8.2.5 For any assets that do not fall readily into any of these major categories, potentially some items of plant and equipment, CMT will either allocate responsibility to one of the above Boards, or exercise that responsibility directly itself.

8.2.6 To ensure that appropriate technical financial advice is available to each of the boards, there will be a senior finance representative on each board:

- Property & Assets Board – Director of Finance & Procurement
- Technology & Digital Board – Resources Head of Finance
- Highways Strategy Board – TEE Head of Finance

8.3 Development of the Capital Programme

8.3.1 Each year the Capital Programme will be developed as part of the Medium Term Financial Plan, culminating in approval by full Council in February each year. The table below sets out the timeline to be followed.

Jun - Aug	Portfolio groups/BUs develop capital bids (Robust business cases produced supported by BU FD)
Early Sep	Corporate Finance consolidates bids and reports summary to CMT CMT advise on strategy to resolve any gap.
Mid Sep	Property/Technology/Highways Boards review bids and prioritise
Late Sept/ Early Oct	Director of Finance and Procurement convenes a Capital Star Chamber meeting of FDs and Board lead Members/officers to scrutinise bids in detail and arrive at a proposal for a balanced capital programme.
Mid Oct/Nov	CMT reviews DoF&P proposal and agrees recommendation to Cabinet
Dec	Cabinet approves draft capital programme for consultation
Jan -Feb	Follows MTFP process in parallel with revenue

8.3.2 Bids to the capital programme should be prioritised by both Portfolio groups and the three governance boards taking guidance from this Capital Strategy and any relevant service priorities. The following criteria will be used to prioritise bids in order to close any gap to the available resources:

a. Reductions from the previous programme
b. Ring-fenced funding, e.g. S106 or genuinely ring-fenced grants (i.e. no call on Council resources)
c. Strong financial business case, i.e. the savings arising from the investment will pay back the cost of the investment within 7 years (or less); or the capital receipt generated exceeds the cost of the investment.
d. Statutory requirement (including Health & Safety)
e. Strategic Plan priority
f. Business Unit, Service Plan priority

8.4 Monitoring of Progress

8.4.1 Once the Capital Programme is approved individual schemes will be allocated to the most appropriate governance board. Each Board will then have the authority to release resources on individual schemes to project managers in line with the Capital Gateway Process, subject to the necessary requirements at that stage, e.g. outline business case, full business case, etc.

8.4.2 Each Board will put in place appropriate arrangements to monitor progress and drive delivery of the individual projects both in financial terms and practical delivery, effectively carrying out a high level Programme Management Office role.

Appendix A

Portfolio Needs Analysis and Priorities

Health & Well-being

The Adult Social Care Transformation Strategy (Our Care and Support Offer) outlines our approach for creating sustainable Adult Social Care services, for now and in the future, working innovatively and collaboratively with partners and using resources efficiently to focus on the following:

- Make it easier for people to take care of themselves
- Help people to improve their lives
- To support people to remain independent for as long as possible.
- Work with others, particularly the voluntary and community sector, in order to strengthen local opportunities and support
- Ensure there is a wide range of easily accessible advice and information regarding what is available from us and others, in order to help people plan and to get on with life.

Our support offer includes;

- More people will live independently without the need for long-term services
- Young people moving from children's services will be better prepared for adulthood
- More people will have control over their support through Direct Payments

'Our Care and Support Offer' is likely to impact on Adult Social Care capital requirements via investment or land to commission and deliver digital solutions within the Market Development Strategy, facilitating sustainable and independent living options for Older People and Adults with Disabilities and improved accommodation and employment pathways for those with Mental Health needs.

Education & Skills

Basic Need

Local Authorities have a statutory responsibility under Section 14 of the Education Act 1996:

> …to ensure that schools in its area are sufficient in number, character and equipment to provide education suitable for the different ages (including pupils who are over compulsory school age but under the age of 19), abilities and aptitudes and special educational needs of pupils of school age.

Between 2016 and 2022 the Local Authority needs to provide around 6,500 additional school places across the county to meet the forecast demand for places. In addition to the above, further provision will need to be made to accommodate housing growth proposals within the draft Aylesbury Vale, Wycombe and Chiltern & South Bucks District Councils Local Plans which propose 27,400, 11,000 and 9,000 homes respectively across Buckinghamshire over the period from 2013 to 2033. Such extensive growth will require not only the expansion of existing schools but also the need for new schools. In order to quantify the scale of growth, around 700 homes equates to one form of entry of primary provision (i.e. the need for a new 210 place school or expansion of an existing school by one form of entry).

Proposed Primary need to meet future housing (as at March 2018 following revision to housing numbers) – largely new schools plus some expansion of existing schools:

- 8.5FE in High Wycombe/Bourne End/Princes Risborough
- 7FE in Amersham/Chesham/Beaconsfield/Iver/Denham
- 13.5FE in Aylesbury Town (although further options may need to be explored), 4FE in Winslow/Wendover
- 3FE on land south of Milton Keynes

Secondary (Upper & Grammar) – mix of new schools and expansion of existing schools.
Total additional 38FE. With regards to secondary demand arising from the housing growth, this will be monitored to assess the impact as and when the known primary pupils begin to feed through into the secondary sector.

The coming years are likely to see particular pressure in the secondary sector as the recent increase in primary numbers feeds through. Due to the scale of demand and site restrictions at existing schools, BCC will need to facilitate the provision of new schools as well as expansion of existing schools. As the local authority can no longer directly provide new schools it will need to work closely with the Education Funding Agency (EFA) as well as potential Free School providers and Academy Trusts.

The first priority in capital expenditure will be to meet the statutory requirement to provide an adequate number of school places at both primary and secondary levels. However, there are several major risks facing the LA with regards to funding the necessary infrastructure required to meet our statutory duty:

- No guarantee on future government funding[2] and reduced developer contributions.
- Funding rates don't meet typical costs of building, as they do not include abnormals or allow for recent rise in cost of labour/materials

	BCC Average Capital Cost Per Pupil	**Funding from Government**
Primary Place	£20,000	£15,000
Secondary Place	£28,000	£19,500

- Major pressure on budget to meet demand for places:
  - MTFP bids submitted totalling c.£122m in 2017/18 to address additional school place requirements
  - Bid of £68m being made to Housing Infrastructure Fund to reduce pressure
- Other financial risks include securing sites for new schools/planning issues.

Similarly meeting statutory requirements in respect of Early Years provision is going to need the Council to work with the Private, Voluntary and Independent sector, as the Council can no longer afford to fund much capital investment in this area given the small amount of investment that has been made available from the government to fund capital infrastructure for early years provision. This is likely to be a considerable challenge, not only locally, but nationally, especially as free provision has extended from 15 hours per week to 30 hours per week from September 2017.

[2] Developer Section 106 (S106) funding will continue to be sought from new housing developments as a source of capital funding for new schools. However, changes to the regulations in April 2015, make matching developer contributions to individual projects less flexible. For example, the application of each contribution now needs to be specified in advance and only a maximum of five separate contributions can be applied to any given school project (so we are already having to forfeit contributions). The pooling restriction is placing a significant burden on the LA particularly in Aylesbury Vale. Until a local plan is drawn up, examined and adopted (anticipated in 2018), there exists a policy vacuum in Aylesbury Vale. As a result the Local Education Authority is currently having to respond to a significant number of speculative applications for major housing developments rather than being able to plan strategically. Planning authorities have also or are looking to introduce a Community Infrastructure Levy (CIL) to effectively replace S106 which has already led to reduced education contributions due to reduced rates and a greater distribution to other services.

Schools Capital Maintenance

Recent years have seen the majority of the county's secondary schools as well as a few primary schools transfer to become academies. The academies are funded directly from central Government which reduces the asset base of the Council as well as reducing the property maintenance liabilities and energy consumption issues. The Government believes that all schools will eventually benefit from being part of a Multi Academy Trust but there is no longer any compulsion to achieve this by 2022.

The Council however, retains responsibility for school place planning (including school places within academies) but not for capital maintenance requirements of academy schools.

Where an academy's buildings are leased from the County Council the school governing body must, under the terms of their lease, seek approval for major capital projects or alterations.

Over the past twelve months there has been a steady stream of primary schools converting to academy status.

The table below gives a summary of the number of schools that converted to academy by financial year and those currently in the pipeline as at March 2018.

Year	No. of Conversions
2009/10	1
2010/11	2
2011/12	23
2012/13	8
2013/14	4
2014/15	4
2015/16	3
2016/17	4
2017/18	11
Pipeline	10

School Maintenance

The allocation for Schools Property Maintenance has an increased bid of £4.31m for 2022/23 compared to the agreed allocation of £3m for 2021/22. It is anticipated at this stage that this is the level of capital investment that will be required in 2022/23, although this will continue to be reviewed each year as part of the development of the Capital Programme.

Some initial modelling has been developed based on the latest condition survey information, but the model needs to be refined and updated with more accurate technical information provided by the specialist maintenance contractors after visiting a school site. The initial modelling is summarised below:

SCHOOL ESTATE:				
Number of Maintained Schools	148			
Total Gross External Area m2	291,413			

Schools Estate	Total School Estate m2	Asset Replacement Cost per m2	Life of Asset (years)	Capital Budget Required (annual)
Roofs	267,143	£245.00	40	1,636,251
Boilers	291,413	£75.00	20	1,092,799
Windows	291,413	£55.00	38	421,782
Drainage	291,413	£13.89	30	134,924
Pipework	291,413	£40.49	20	590,002
Electrical	291,413	£27.04	20	393,990
Other	267,143	£69.49	30	618,792
Abnormal Items	291,413	£0.51	1	150,000
Asbestos Remediation	291,413	£5.00	20	72,853
Legionella Remediation	291,413	£0.24	1	70,000
Total				**5,181,394**

Resources

Service / Project	Year 1 2019/20 £000's	Year 2 2020/21 £000's	Year 3 2021/22 £000's	Year 4 2022/23 £000's	Grand Total £000's
Resources - ICT					
Data centre & hosting modernisation	100	0	0	0	100
Digital Transformation	1,560	85	0	0	1,645
Future Corporate Technologies & Systems	130	50	0	0	180
Infrastructure & Architecture developmen	225	195	0	0	420
Modernising Business Applications	590	450	0	0	1,040
Purchase of IT Hardware / Software	700	700	700	700	2,800
Social Care Systems	2,104	300	0	0	2,404
Future Technology Strategy	0	0	1,500	1,500	3,000
Total Capital Expenditure	**5,409**	**1,780**	**2,200**	**2,200**	**11,589**
Funding					
Renewals Reserve	-700	-700	-700	-700	-2,800
Total Capital Funding	**-700**	**-700**	**-700**	**-700**	**-2,800**
Resources - ICT Total	**4,709**	**1,080**	**1,500**	**1,500**	**8,789**
Resources - Property					
Agricultural Estate	200	0	0	0	200
Conversion Old Wycombe Library	1,090	0	0	0	1,090
NCO Fire-stopping/Compartmentation	68	0	0	0	68
Property Maintenance Programme	1,015	1,015	1,015	1,015	4,060
Retasking of Winslow Centre	950	0	0	0	950
Resources - Property Total	**3,323**	**1,015**	**1,015**	**1,015**	**6,368**

The 2022/23 bids for the Technology Services strategy (£1.5m), Purchase of IT Hardware/Software (£700k and fully funded) and Corporate Property Maintenance (£1.15m) are block allocations that are in line with the level of expenditure in the 2021/22 financial year.

Property

A new cycle of condition surveys is about to start and the information on our property estate will be updated accordingly, along with information from our specialist maintenance contractors when they make site visits. There has been some initial modelling undertaken to help inform the relative impact of levels of revenue and capital investment in our property estate and this will continue to be developed.

CORPORATE ESTATE:				
Number of Corporate Sites including NCO	174			
Total Gross External Area m2	99,904			
Summary for Corproate Estate and NCO (Blended)	Total Corproate Estate GEA m2	Asset Replacement Cost per m2	Life of Asset (years)	Capital Budget Required (annual)
Roofs	60,673	245.00	40	371,622
Boilers	99,904	75.00	20	374,640
Windows	88,000	55.00	38	127,368
Drainage	99,904	13.89	30	46,256
Pipework	37,000	40.49	20	74,907
Electrical	99,904	31.35	20	156,600
Other	74,387	108.61	30	269,306
Abnormal Items	99,904	0.51	1	51,424
Asbestos Remediation	99,904	4.44	20	22,179
Legionella Remediation	81,190	0.24	1	19,503
				1,513,803

There are particular maintenance pressures on our property estate, however some of these could be mitigated through the rationalisation of the property estate in line with the Locality Asset Strategy Review (LASR), with further rationalisation opportunities arising with the Unitary decision.

Technology Services

The Technology Services block allocations were developed as part of the Technology Strategy last year. Business Cases need to be produced in order to bid for the block allocations available from the Technology and Digital Board. The following table summarises the areas of investment that the different blocks provide for in the capital investment programme.

Technology Services Block	Description
Data Centre & Hosting Modernisation	To ensure that the facilities and supporting services we rely on to deliver IT services (e.g. power contingency, air conditioning, environmental sensors etc.) are maintained and developed in line with BCCs risk management and disaster recovery requirements. This will include upgrades to monitoring systems to allow early indication of power/temperature issues during evenings/weekends to enable early intervention.

Technology Services Block	Description
Digital Transformation	This fund is designated to support BU specific and corporate digital programmes based on BU specific digital strategies and business plans. Typically these will consist of two streams of work i) business efficiency projects, e.g. process automation etc. to deliver savings and ii) resident engagement projects e.g. automation of resident facing services to improve customer experience. In addition, some of this funding will go towards platform development that will deliver benefits across the organisation such as web platform upgrades to deliver greater stability and functionality and website design improvements to improve customer experience/satisfaction.
Future Corporate Technologies & Systems	This funding is top allow Technology Services to evaluate and assess emerging technologies (including pilots within BUs) in order to identify and anticipate potential business applications and value to BCC. Some contemporary examples would be sensor technology (e.g. movement sensors, internet cameras, heat detectors etc.) and voice response technologies all of which have potential value as part of a technology framework that would support various social care scenarios.
Infrastructure & Architecture Development	Due to focus in certain technology areas we have created a level of technical debt within other core infrastructure areas e.g. networking. This funding will be used to mitigate or remove the risk associated with this debt and to ensure we have the desired level of resilience and stability with required data centre standards for all key components.
Modernising Business Applications	This funding will be used for upgrades and replacement of line-of-business systems (based on individual business cases) and development of supporting administrative applications e.g. the Contract Management Application (CMA). It may also be used for enabling technology purchases e.g. middleware to allow legacy applications to work on tablets/touchscreen devices.
Social Care Systems	The majority of this funding would be designated specifically to the migration of the adults social care solution to a new product/vendor, allowing for an integrated Adults and Childrens system. This will involve systems improvements across both Children’s & Adults social care systems and integration with Health to support the objectives of the Accountable Care System, as well as legal and statutory changes e.g. to give a more holistic view of individuals as they transition between children’s services to adults.

Technology Services Block	Description
Future Technology Strategy	This is a placeholder for investment in 2021/22 and 2022/23 that will be required to deliver the Technology Strategy. The technology priorities for the Council will be reviewed nearer the time given the pace of technological change.

One Public Estate

Background

The One Public Estate (OPE) programme is jointly delivered by the Cabinet Office Government Property Unit (GPU) and the Local Government Association (LGA). It supports cross-public sector working to deliver ambitious property-led projects that create local economic growth, integrate public services and drive efficiency savings. At its heart, it's about local and central government working together with other public bodies to transform communities and local public services and deliver value for money for the taxpayer.

Partnerships are invited to apply for funding in phases. The programme is between Phases 6 and 7.

In 2016 the Buckinghamshire Public Estate Partnership (BPEP) was formed and members currently include:

- Buckinghamshire County Council (Lead Authority)
- Aylesbury Vale District Council
- Wycombe District Council
- Chiltern District Council
- South Bucks District Council
- Thames Valley Police
- South Central Ambulance Service
- Buckinghamshire Fire & Rescue Service
- Buckinghamshire Healthcare Trust
- NHS Property
- Buckinghamshire Clinical Commissioning Group
- Oxfordshire Healthcare Trust
- Department for Work & Pensions
- Buckinghamshire Thames Valley Local Enterprise Partnership

The Partnership entered a bid into both Phases 5 and 6 and was successful in gaining funding for Project Management and feasibility studies (details below). The Partnership is well formed and working relationships have developed to enable continued collaboration regardless of the outcome of future bids for funding.

The LGA has provided funding for dedicated Programme Management and this is currently provided by Turner & Townsend. The Partnership meet every quarter for Board Meetings where project progress is discussed and future plans and strategies are aired and shared.

Funds awarded by LGA to the Partnership are held by BCC as lead authority and a draw down process is managed by the Programme Manager and the BCC Project Lead. One Public Estate funding is low level capacity funding, not capital investment, targeted at helping public sector partners work together to get transformational projects off the ground.

The LGA require quarterly reporting on benefits realisation, funding spend to date and project progress against programme.

<u>Current projects</u>

- Wycombe and Amersham Hospital Regeneration:

The Partnership was awarded £90,000 for feasibility activity and project management. This is the first stage in a phased regeneration of the Wycombe Hospital site to allow more efficient use whilst maintaining current service delivery, improving patient's experience and introducing opportunities to co-locate with other public sector partners, principally social services. The project will consolidate the use of the current PFI facility whilst allowing the removal of inefficient older facilities, replacing some of these with fit for purpose facilities and offering co-location opportunities. The phased approach will also allow development of other uses as part of the overall regeneration of the site and the intention is also to explore opportunities for the potential to provide housing in the area adjacent to the clinical zone of the site. The feasibility work for this project is almost complete. Detailed feasibility studies have been completed highlighting 6 main options for the sites (options are to outline stage). The Trust Board is now working to confirm & agree the preferred design option to be taken forward.

- The Winslow Centre Community Hub

The Partnership was awarded £110,000 for feasibility activity and project management. The project will see the regeneration of the site for a mixed use development, the delivery of approximately 98 residential units, a development for Older People (Extra Care / Nursing Home), a Community Hub building which will bring together health social and community services in one location centrally within Winslow with additional capacity for a library, GP Practice and a Thames Valley Police presence. This project is nearing the end of the options appraisal phase and will be looking at implementation shortly.

- Green Street Community Hub:

The Partnership has been awarded £45,000 for feasibility activity. The project is currently looking at options to utilise and extend the current building for the extension and expansion of current BCC uses, as well as relocating NHS services onto the site. This will create a specialised Community Hub and release land elsewhere for housing. This project is at the early stages of options appraisal.

- Buckingham Hub:

The Partnership has been awarded £65,000 for feasibility activity. The Buckingham hub project is an outcome of the Partnership place-based workshops and has been developed by bringing together the current plans for the local GP Practice in the town and the aspirations of the partners in terms of maximising joint working. Funding was received to progress a town centre multi-partner hub at Verney Close which will include the Library/Adult learning centre, Parish Church Centre and the GP surgery facility which is being vacated. It is intended that the library is extended with further space for service access and to release land for housing. The Community Hubs project team have requested this project is developed as a pilot Community Hub site and with the current configuration of the library, a short-term hub facility could be quickly facilitated which can then be reprovided within the later larger scale development.

Projects for discussion with partners and potential inclusion in phase 7
Availability of OPE Phase 7 funding has yet to be confirmed but we understand that bidding will open in late September 2018 with an award by the end of the year (if successful). We have been advised that there will be a larger funding pot than in previous years but because of the increasing number of Partnerships, bidding will be highly competitive. We have been made aware that there will be an increased focus on projects that will deliver housing outcomes. A Partnership workshop is scheduled for early September to discuss potential projects for inclusion in this phase.

Interrelation with Community Hubs
Whilst the main focus of the OPE programme is playing a critical role in supporting engagement between central government departments and councils to unlock land for new homes, support economic growth and to deliver efficiency savings to reinvest in frontline services, it is also about bringing services together under one roof. This means that there is a natural overlap with the Community Hubs programme.

The Community Hubs programme is a standing agenda item on the OPE Board .

Transportation

The purpose of this investment strategy is to set out the key capital investments required to maintain the Highways Infrastructure Asset to meet the Council's Aims and Objectives. The Strategy is to:

> Maintain strategic carriageways and footways in their current condition, target any additional investment to improve the condition of local roads. Manage a marginal decline in the condition of structures and intelligent traffic systems and a significant decline in the condition of streetlights.

This strategy requires a 4-year capital investment of £84.9m as summarised below:

Service / Project	Year 1 2019/20 £000's	Year 1 2020/21 £000's	Year 1 2021/22 £000's	Year 4 2022/23 £000's	Grand Total £000's
Transportation (TfB)					
Strategic Highway Maintenance & Management	16,000	15,000	15,000	15,000	61,000
Bridge Maintenance	961	990	1,020	1,020	3,991
Casualty Reduction	250	250	250	250	1,000
Footway Structural Repairs	1,500	1,500	1,500	1,500	1,902
Maintenance Principal Roads – Drainage	1,000	1,000	1,000	1,000	4,000
Parking Pay and Display Meters	20	0	0	0	20
Replacement Traffic Signals	452	470	490	490	1,902
Safety Fences	250	250	250	250	1,000
Street Lighting Column Replacement	1,500	1,500	1,500	1,500	6,000
Transportation (TfB) Total	**21,933**	**20,960**	**21,010**	**21,010**	**84,913**

Introduction

The purpose of the Highways Infrastructure Capital Strategy is to ensure that the Council's capital investments are consistent with its priorities and service delivery strategies. The Strategy's key objectives are to ensure that capital investment plans are affordable, prudent and sustainable.

It also incorporates a new data driven Highways Asset Management Planning model which will guide the Council on priorities and investment needs. This will also impact on future central Government funding allocation. This investment strategy is designed to guide the Council to:

- own fit for purpose, well maintained and appropriate assets for the work of the Council and delivery of its services
- manage the maintenance backlog (currently £148m for carriageways)

Strategy Objectives

Buckinghamshire County Council's 3,200km highway infrastructure is its most valuable asset, valued at £4.6bn. It provides a transport network for both commercial and private users and is critical in supporting the three main Aims of the County Council's Strategic Plan (2017-20):

- Safeguarding our vulnerable
- Creating opportunities and building self-reliance
- Ensuring Buckinghamshire is thriving and attractive

Transport for Buckinghamshire (TfB) translates these three Aims into five Asset Management Objectives (AMO) which provide a clear line of sight between the Council's aims and TfB's activities;

- AMO1: Maintain a safe network
- AMO2: Manage highways effectively and efficiently
- AMO3: Maximise network availability
- AMO4: Optimise the use of and protect the availability of natural resources
- AMO5: Improve accessibility for all

The Asset Management Objectives support the County Council's Strategic Objectives as shown in the following matrix:

		AMO1	AMO2	AMO3	AMO4	AMO5
Safe-guarding Our Vulnerable	Support our most vulnerable adults to lead independent lives	✓				✓
Creating Opportunities and Building Self-reliance	Improve community safety and reduce crime and the fear of crime	✓				✓
	Continue to improve the health and wellbeing of our residents and address major health risks	✓				✓
	Support our voluntary community sector to develop our communities to help themselves	✓	✓			✓
	Empowering communities to deliver and prioritise their services including devolving assets and services to town and parish councils where it makes sense to do so	✓	✓	✓		
Ensure Buckinghamshire is Thriving and Attractive	Repair our highways (roads, footpaths, street lights, bridges and drainage) as effectively and as speedily as possible.	✓	✓	✓	✓	
	To work with the England Economic Heartland / Local Enterprise Partnership's and other partners to maximise investment in the County, to deliver, manage and maintain local services and strategic infrastructure including digital highways, in line with changing demands.	✓	✓	✓		
	Enable the right conditions and incentives to attract new and growing businesses to Buckinghamshire, driving economic growth.		✓	✓	✓	✓
	Enable the right conditions to attract people to live, learn and work in Buckinghamshire.	✓	✓	✓		✓
	To improve the connectivity and reliability of Buckinghamshire's transport network to stimulate economic growth and promote more sustainable travel.	✓	✓	✓		✓
	Promote and encourage sustainable approaches to the use of natural resources and waste, improving our natural environment, water management, biochemistry, recycling and animal welfare.		✓	✓	✓	

Each year the budget is reviewed as part of the Medium Term Financial Planning process. Information and forecasts in this strategy will be refreshed in line with the approved budget and latest condition information.

Highway services in Buckinghamshire are delivered in partnership with Ringway Jacobs represented in the County by TfB that consists of Ringway Jacobs staff and a commissioning client consisting of BCC staff.

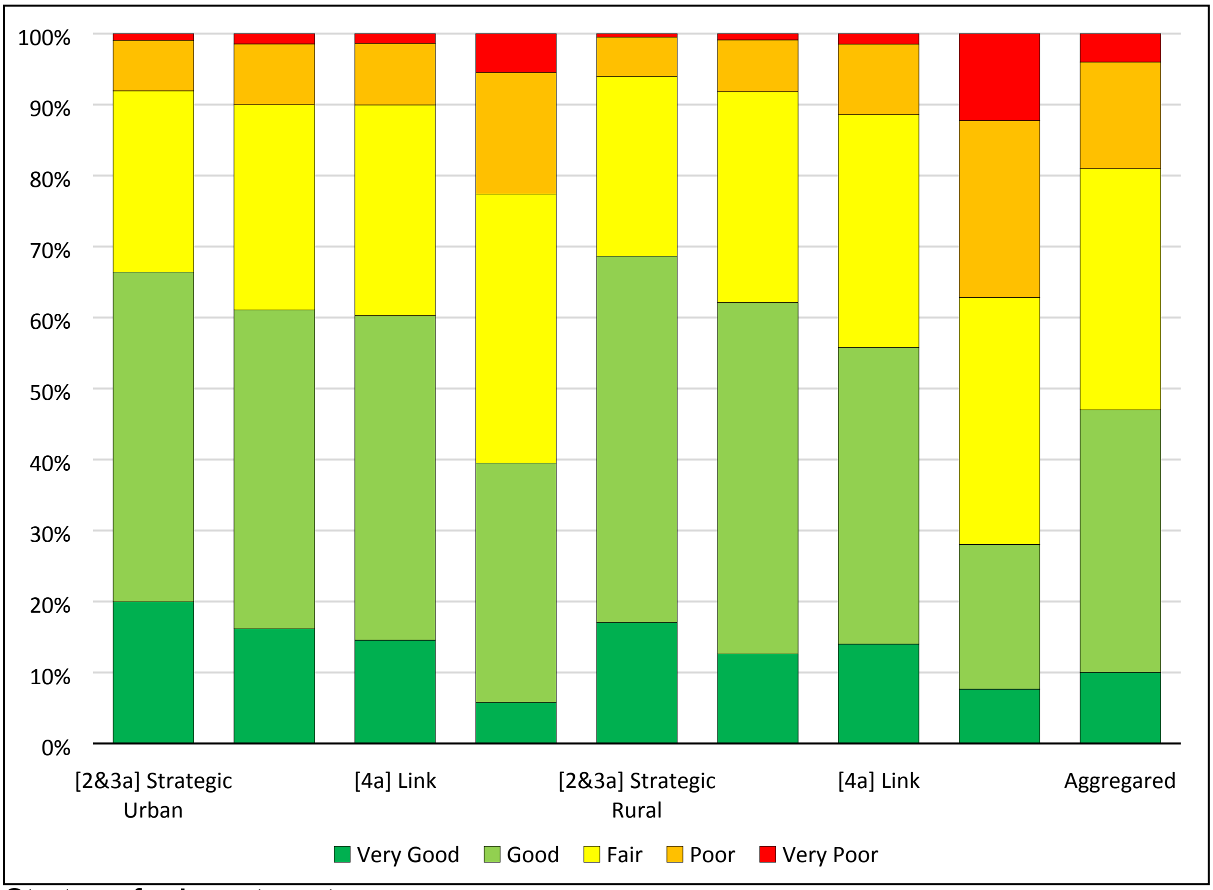
The following pages provide the detailed investment analysis for each of the five major asset groups namely carriageways, footways, street lighting, intelligent transport systems and structures. This analysis will be updated to inform subsequent rounds of the MTFP.

Investment in Carriageways

The current scale and condition of the carriageway asset is set out in the tables and chart below:

Environment	Hierarchy	Length (Linear Meters)	Average Width
Urban	[2&3a] Strategic	143,798	8.5
	[3b] Secondary	233,934	7.4
	[4a] Link	163,184	6.1
	[4b] Local	1,226,287	6.4
Rural	[2&3a] Strategic	192,610	8.4
	[3b] Secondary	211,202	6.9
	[4a] Link	317,213	5.9
	[4b] Local	490,440	3.8

Environment	Hierarchy	Current Condition				
		Very Good	**Good**	**Fair**	**Poor**	**Very Poor**
Urban	[2&3a] Strategic	20%	46%	26%	7%	1%
	[3b] Secondary	16%	45%	29%	9%	1%
	[4a] Link	15%	46%	30%	9%	1%
	[4b] Local	6%	34%	38%	17%	5%
Rural	[2&3a] Strategic	17%	52%	25%	6%	0%
	[3b] Secondary	13%	49%	30%	7%	1%
	[4a] Link	14%	42%	33%	10%	1%
	[4b] Local	8%	20%	35%	25%	12%
	Aggregated	**10%**	**37%**	**34%**	**15%**	**4%**



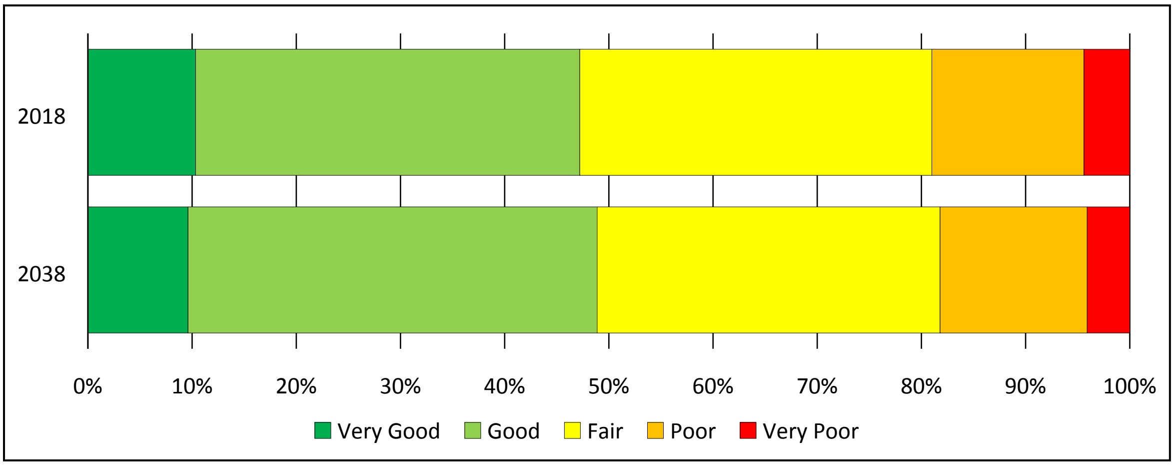
<u>Strategy for Investment</u>

The Strategy for Investment in Carriageways is to improve the condition of Local Roads while maintaining steady state conditions on the other Hierarchy categories. The optimal long-term blend of treatments is shown in the table below:

Treatment Type	Area of Effective Treatment (m^2)			
	Year 1	Year 2	Year 3	Year 4
Surface Dressing	36,954	37,166	37,376	37,580
Surface Course Renewal	47,910	50,371	48,043	52,324
Micro Asphalt	400,400	403,677	406,652	409,295
Overlay	64,254	64,684	65,045	65,367
Strengthening	20,362	25,010	27,982	29,938

In addition, to the blend of more significant treatments described in the table above, TfB also uses targeted patching to repair shorter lengths of road where appropriate. This is carried out using a mix of supply chain partners and in-house teams with funding from the DfT, specific one-off allocations and other sources. Defects identified from regular safety surveys are targeted for repair to minimise pothole clusters and to intervene sooner, thus reducing the number of more dangerous defects.

If this strategy is implemented, and funded, the long-term condition of carriageways will improve as shown below:



The investment necessary to achieve the carriageway condition outcome presented above is:

	2018/19	2019/20	2020/21	2021/22	Total
Allocated Budget	£15,000,000	£16,000,000	£15,000,000	£15,000,000	£61,000,000
Capitalised	£ 1,898,221	£ 1,898,221	£ 1,898,221	£ 1,898,221	£ 7,592,884
Capital Maintenance	£13,101,779	£14,101,779	£13,101,779	£13,101,779	£53,407,116

Further modelling will be undertaken through the annual MTFP process to update outcomes arising from approved budgets.

Carriageway Scheme Prioritisation

Capital Maintenance Programme (CMP) schemes on the Strategic Network are prioritised using multi-criteria analysis that considers each scheme's contribution to achieving the asset management objectives. The criteria used to create scheme priorities assign points depending on the schemes fulfilment of the criteria. The following criteria are used:

- Condition
- Hierarchy
- Occurrence of Potholes
- Occurrence of Complaints
- Occurrence of Insurance Claims
- Conservation Areas
- Flooding Areas
- Skidding Data

In addition to the prioritisation criteria above, the value for money assessment takes account of the cost of the allocated treatment and the anticipated life of the treatment.

For Local Roads that do not have a strategic role such as Hierarchy 4b Local Access Roads, the County Council follows a member led approach. Members have each created a prioritised list of local schemes for their Division in consultation with their Local Area Technicians (LATs) and based on advice and information from the Asset Team.

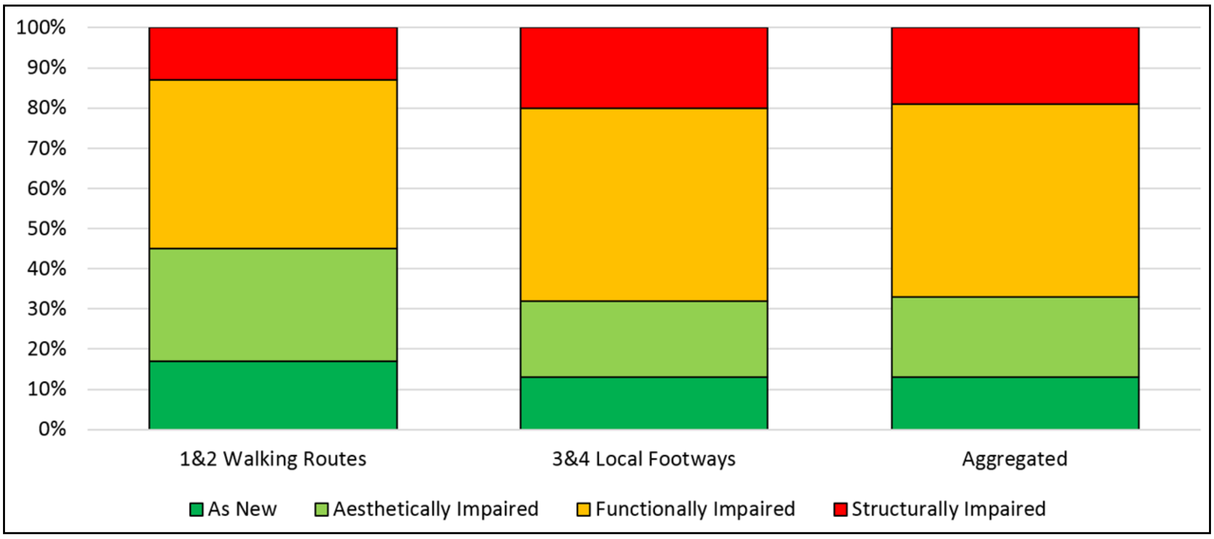
This approach offers the optimal way to deliver programmes of work which are appropriately balanced between preventative and replacement schemes and ensures that spend is targeted across all hierarchies. This approach has been demonstrated to give the best overall value for money when compared to a preventative only or replacement only strategy.

Investment in Footways

The current scope and condition of the footway network is set out in the tables and charts below:

Hierarchy	Description	Length
1 & 2 Primary and Secondary Walking Routes	Main shopping areas which attract visitors from outside the vicinity.	170km
	Shopping areas of larger villages, plus links between primary footways, car parks, rail & bus stations, business and industrial centres and larger schools from main shopping area.	
3 & 4 Linked and Local Access Footways	Links from local access footways to local amenities such as surgeries, village halls, shops, public houses, leisure centres and sports facilities, smaller schools, visitor centres, hospitals, clinics and care homes etc. Also, all flagged footways not included in categories 1 or 2.	1,600km
	All other footways	

Hierarchy	Current Condition			
	As New	**Aesthetically Impaired**	**Functionally Impaired**	**Structurally Impaired**
1&2 Walking Routes	17%	28%	42%	13%
3&4 Local Footways	13%	19%	48%	20%
Aggregated	**13%**	**20%**	**48%**	**19%**

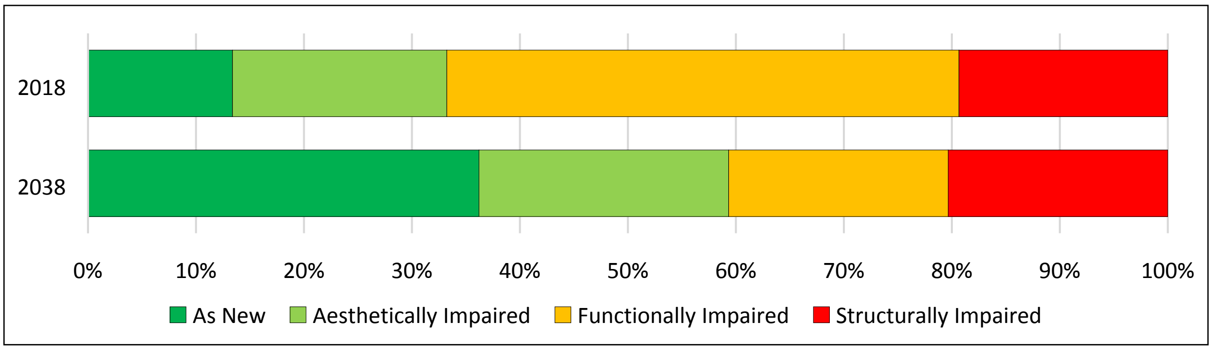


<u>Strategy for Investment</u>

The strategy for investment in footways is to minimise any decline of the condition of Hierarchy 3&4 Local Footways while attempting to maintain steady state on the primary and secondary walking routes.

Treatment Type	Area of Effective Treatment (m^2)			
	Year 1	Year 2	Year 3	Year 4
Strengthening/Resurfacing	1,403	1,422	1,438	1,451
Surface Improvement	693	681	668	656
Localised Treatment/Patching	461	453	445	438

If this treatment strategy is carried out it will deliver the following performance over twenty years.



The investment necessary to deliver the outcome conditions shown above is:

	2018/19	2019/20	2020/21	2021/22	Total
Footway Structural Repairs	£1.5M	£1.5M	£1.5M	£1.5M	£6M

Further modelling will be undertaken through the annual MTFP process to update outcomes arising from approved budgets.

Footway Scheme Prioritisation

The Asset Team takes a data-led approach to include candidate schemes to the list for assessment to ensure effective treatments are implemented on the highest footfall sites. Schemes are assessed before implementation to make sure they are achieving the goals of the MTFP process and final outcomes are reported. Schemes are then assessed for viability based upon the condition of the section of footway, the extent of the scheme and the suitability for treatment. Local Members Local Area Technicians are consulted on potential schemes on Local Footways.

Investment in Structures

The current scope and condition of structures is shown below:

Homogenous Asset Group	Quantity
Bridges	372
Culverts	132
Footbridges	52
Subways	27
Retaining Walls	80
Others	6

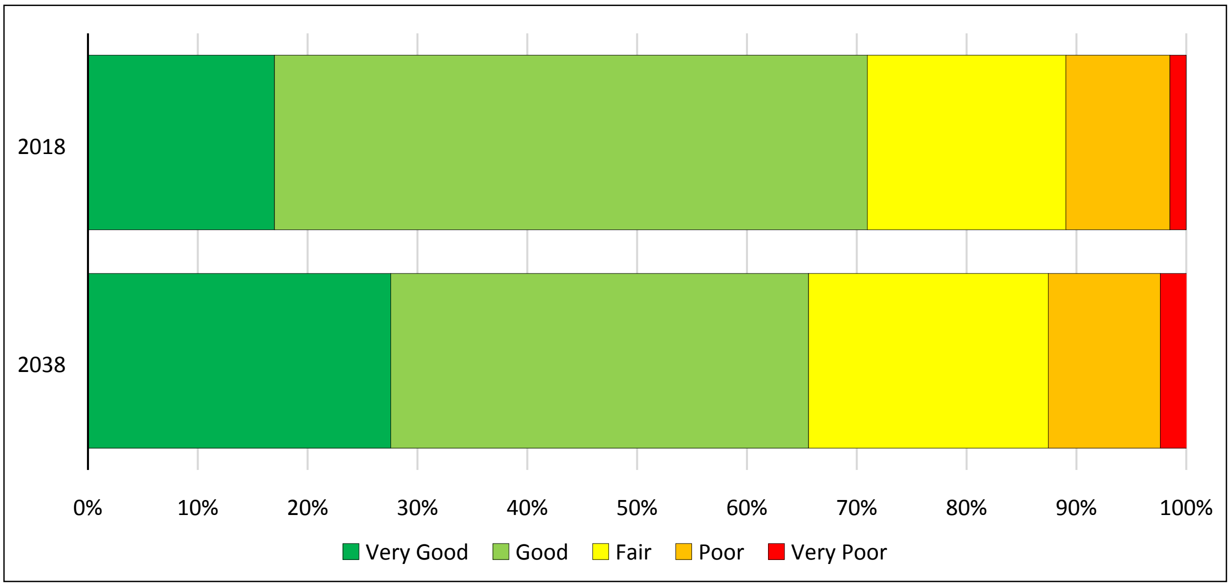
Structure Type	Very Good	Good	Fair	Poor	Very Poor
Bridges	15%	55%	19%	12%	1%
Culverts	23%	50%	15%	11%	1%
Footbridges	21%	50%	15%	10%	4%
Subways	42%	42%	12%	4%	0%
Retaining Walls	5%	65%	12%	16%	2%
Other	20%	20%	40%	0%	20%
Aggregated	**16.98%**	**53.98%**	**18.08%**	**9.47%**	**1.48%**

Strategy for Investment

The strategy for investment in structures is to achieve the best possible performance for the funding available across all homogenous asset groups, minimising any decline to the current overall condition. The treatment strategy to deliver this option's aims can be seen in the following table:

Treatment Type	Count			
	Year 1	Year 2	Year 3	Year 4
Major works (Poor)	0	0	0	0
Major works (Very Poor)	8	8	8	8
Minor works (Fair)	17	17	17	17
Minor works (Poor)	2	2	2	2

The treatment strategy shown above will give the following performance after twenty years:



The investment necessary to deliver the outcome conditions shown above is:

	2018/19	2019/20	2020/21	2021/22	Total
Allocated Budget	£933,000	£961,000	£990,000	£1,020,000	£60,000,000
Capitalised	£249,764	£249,764	£249,764	£249,764	£7,592,884
Capital Maintenance	£683,236	£711,236	£740,236	£770,236	£2,904,944

Further modelling will be undertaken through the annual MTFP process to update outcomes arising from approved budgets.

Prioritising Structures Schemes

TfB undertakes a three-step process to prioritise Structural Capital Maintenance schemes.

1. Condition – Structures in the worst condition, based upon BCI, will be prioritised higher

2. Value for Money – Schemes that deliver the best value for money will be given higher priority

3. Impact Assessment – Schemes that are considered to have the largest impact on a variety of external considerations, such as flood risk and Utilities, are prioritised higher.

Investment in Street Lighting

The current scope and conditions of the county's street lighting stock is shown below:

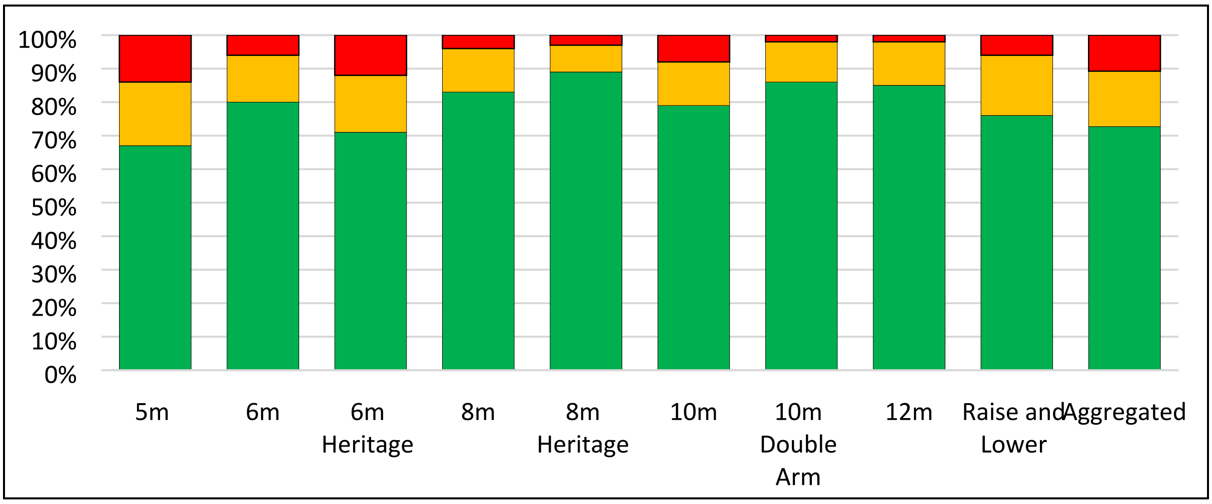
Column Type	Quantity
5m Column	15,076
6m Column	1,760
6m Heritage Column	1,305
8m Column	2,845
8m Heritage Column	170
10m Column	5,862
10m Double Arm Column	83
12m Column	238
Raise and Lower Column	619

TfB categorises its Street Lighting Columns into the following condition bands based upon the levels of Column Corrosion.

Condition	Description
Green	Columns that are in Good Condition
Low Amber	Columns with Slight Corrosion at their base
High Amber	Columns with Advanced Corrosion at their base (modelled as Red)
Red	Columns that have been cut down

Based upon the condition bands the distribution of the columns condition is as follows:

Column Type	Green	Amber	Red
5m	67%	19%	14%
6m	80%	14%	6%
6m Heritage	71%	17%	12%
8m	83%	13%	4%
8m Heritage	89%	8%	3%
10m	79%	13%	8%
10m Double Arm	86%	12%	2%
12m	85%	13%	2%
Raise and Lower	76%	18%	6%
Aggregated	**73%**	**17%**	**11%**

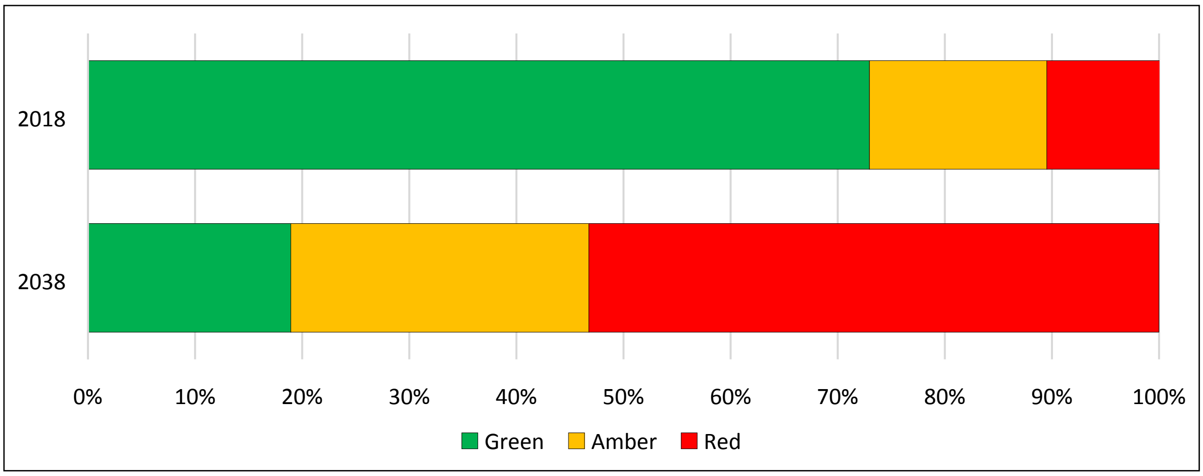


Strategy for Investment

Much of the recent investment into the streetlighting stock has been made into updating lanterns and lamps, utilising LED technology to reduce the ongoing annual cost of street lighting. The future street lighting treatment strategy aims to manage the decline in street lighting condition by targeting those columns which offer the most risk of structural failure:

Treatment Type	Count			
	Year 1	Year 2	Year 3	Year 4
Column Replacement	468	473	486	503

This treatment strategy is carried out it will deliver the following performance over twenty years:



The investment necessary to deliver the outcome conditions shown above is:

	2018/19	2019/20	2020/21	2021/22	Total
Allocated Budget	£1,500,000	£1,500,000	£1,500,000	£1,500,000	£6,000,000
Capitalised	£608,690	£608,690	£608,690	£608,690	£2,434,760
Capital Maintenance	£891,310	£891,310	£891,310	£891,310	£ 3,565,240

Further modelling will be undertaken through the annual MTFP process to update outcomes arising from approved budgets.

Prioritising Street Lighting Replacement

TfB carries out regular structural testing of its lighting columns. TfB prioritises column replacement on a worst first basis, the ‘Red’ and ‘High Amber’ Condition Bands. These columns are subject to the highest political and safety pressures.

Any remaining funding, arising from efficiency savings are used to replace Lanterns with LEDs and renew associated street lighting infrastructure. LEDs have reduced energy usage and a longer life than other lantern types. This change helps to reduce maintenance costs and energy consumption.

Investment in Intelligent Transport Systems

The ITS infrastructure consists of Traffic Signals and associated ITS infrastructure such as CCTV Cameras, Variable Message Signs, Car Park Signs, UTMC Systems and Rising Bollards. The current scope and conditions of the county's intelligent transport systems are shown below:

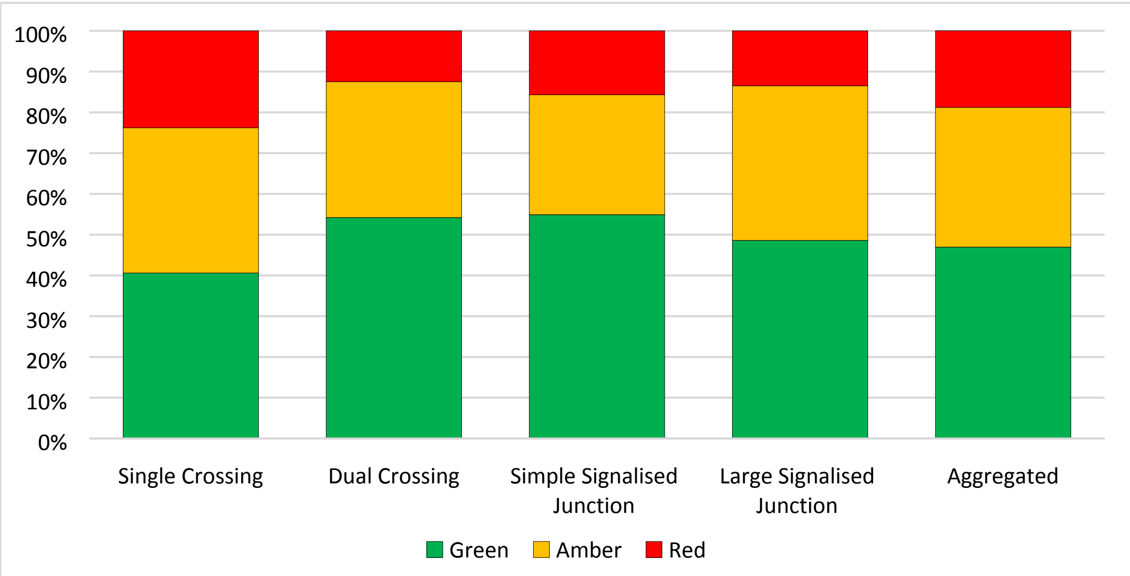
System Type	Quantity
Single Crossing	101
Dual Crossing	24
Simple Signalised Junction	51
Large Signalised Junction	37

TfB categorises its traffic signals into the condition bands Good, Fair and Poor based upon a multi criteria analysis which considers condition, performance requirements and risk. The inspection regime is described as follows:

Criticality	Inspection/Survey	Frequency
All Signal Junctions	Traffic Management Act Site Reviews	5-year cycle
All Traffic System Posts and Mast Arms	Structural Test	At 25 years, then as determined by test result
All Traffic Signals and VMS Signs	Annual Periodic Inspection (PI)	Annual

Based upon the condition bands the distribution of the site condition is as follows:

System Type	Green	Amber	Red
Single Crossing	40.6%	35.6%	23.8%
Dual Crossing	54.2%	33.3%	12.5%
Simple Signalised Junction	54.9%	29.4%	15.7%
Large Signalised Junction	48.6%	37.9%	13.5%
Aggregated	**46.95%**	**34.26%**	**18.80%**

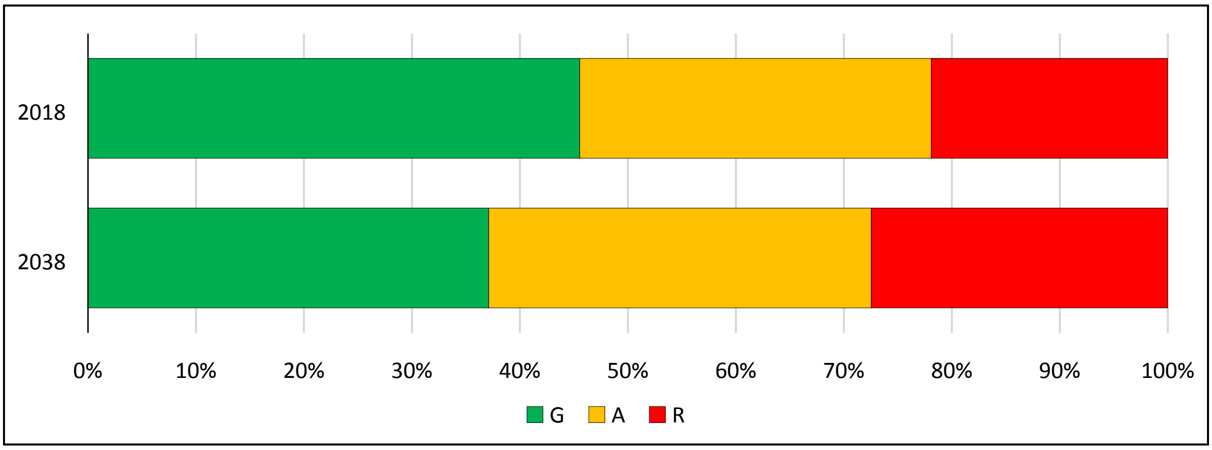


<u>Strategy for Investment</u>

The strategy for ITS is to minimise the decline in the condition of the ITS stock. This will utilise a mix of replacement and preventative treatments targeting those assets which have the most impact on congestion and safety:

Treatment Type	Count			
	Year 1	Year 2	Year 3	Year 4
Minor Refurbishment	4	4	4	4
Major Refurbishment	4	4	4	5

If this treatment strategy is carried out it will deliver the following performance over twenty years:



The investment necessary to deliver the outcome conditions shown above is:

	2018/19	2019/20	2020/21	2021/22	Total
Allocated Budget	£434,000	£452,000	£470,000	£490,000	£1,846,000
Capitalised	£73,478	£73,478	£73,478	£73,478	£293,912
Capital Maintenance	£360,522	£378,522	£396,522	£416,522	£1,552,088

Further modelling will be undertaken through the annual MTFP process to update outcomes arising from approved budgets.

Prioritising ITS Replacement

TfB undertakes a two-step process to prioritise its ITS Capital Maintenance schemes. The first step of the prioritisation process is a multi-criteria analysis with ITS sites being allocated points based upon meeting certain criteria. The sites with the most points are considered to be the highest priority.

Secondly, although ITS Capital Maintenance Schemes are prioritised using multi-criteria analysis the order of delivery is often influenced by external factors. These external factors give consideration to effective and efficient scheme delivery by liaising with other parties.

Planning and Environment

The portfolio has three main but separate areas of capital investment; Waste Management, Strategic Flood Management and Energy.

Waste Management

Existing Capital Schemes

Biowaste Transfer Station at High Heavens

This scheme is to develop a Waste Transfer station and bulky waste processing facility at High Heavens Waste Facility near Wycombe. Currently these activities take place unsustainably in unsuitable buildings and in the open. Current plans are to provide a new and bespoke building to ensure that future statutory duties for food waste collection and bulky waste treatment are optimised.

Future Aspirations

Household Recycling Centre Reconfiguration

The waste service is currently looking at the future provision of HRCs within the County. Financial pressures driven from increasing contract costs along with forecast housing growth in the County means that a new approach is needed to ensure the service is aligned to meet the future demands and is affordable.

Network improvements: Some of the existing sites are constrained due to locations, size and waste throughput. The existing HRCs would need capital investment to ensure continued compliance with regulatory/planning requirements and can meet the future growth demands.

Indicative capital requirements for future HRC network improvements cover potential options around facilities at Langley HRC, Aylesbury Rabans Lane, Buckingham HRC, a new HRC at Princes Risborough and expansion of re-use shops and total around £15.5m.

The key focus of the waste strategy is on the development of a new site to replace the Rabans Lane HRC in Aylesbury and this is subject to a HiF bid.

Expanded reuse service provision: Two out of the Council’s ten HRC sites have on-site reuse shops. Moving forward, BCC will seek to optimise benefits from the HRC reuse service. This could possibly generate additional income, however, there will need to be investment in infrastructure for reuse storage, refurbishment and sales for the true opportunity to be realised.

Strategic Flood Risk Management

The current and emerging flood capital projects have emerged as a result of the production of some key strategic flood management documents namely:

The Preliminary Flood Risk Assessment (PFRA) which is a high-level review of past and potential future flooding events across the county. The report contains maps of past floods and indications of future flood risk and possible impacts on people and the environment

The conclusions of the PFRA led to the development of a flood management strategy for Buckinghamshire. The Local Flood Risk Management Strategy was initially adopted in 2013 and reviewed in 2015 and sets out how BCC and other agencies work together to improve management of local flood risk. The strategy identifies actions to address flood risk as well as who is responsible for carrying them out. The Local Flood Risk Strategy will also benefit strategic planning by ensuring development does not increase flood risk, promoting the use of sustainable drainage techniques and finding opportunities through new development to reduce flood risk where possible.

The strategy identifies a number of specific flood management projects that now form the emerging flood capital programme; including projects at Pednormead End, Marlow, Willos, Leckhamstead, Saunderton and Hughenden Valley totalling over £9.3m of investment.

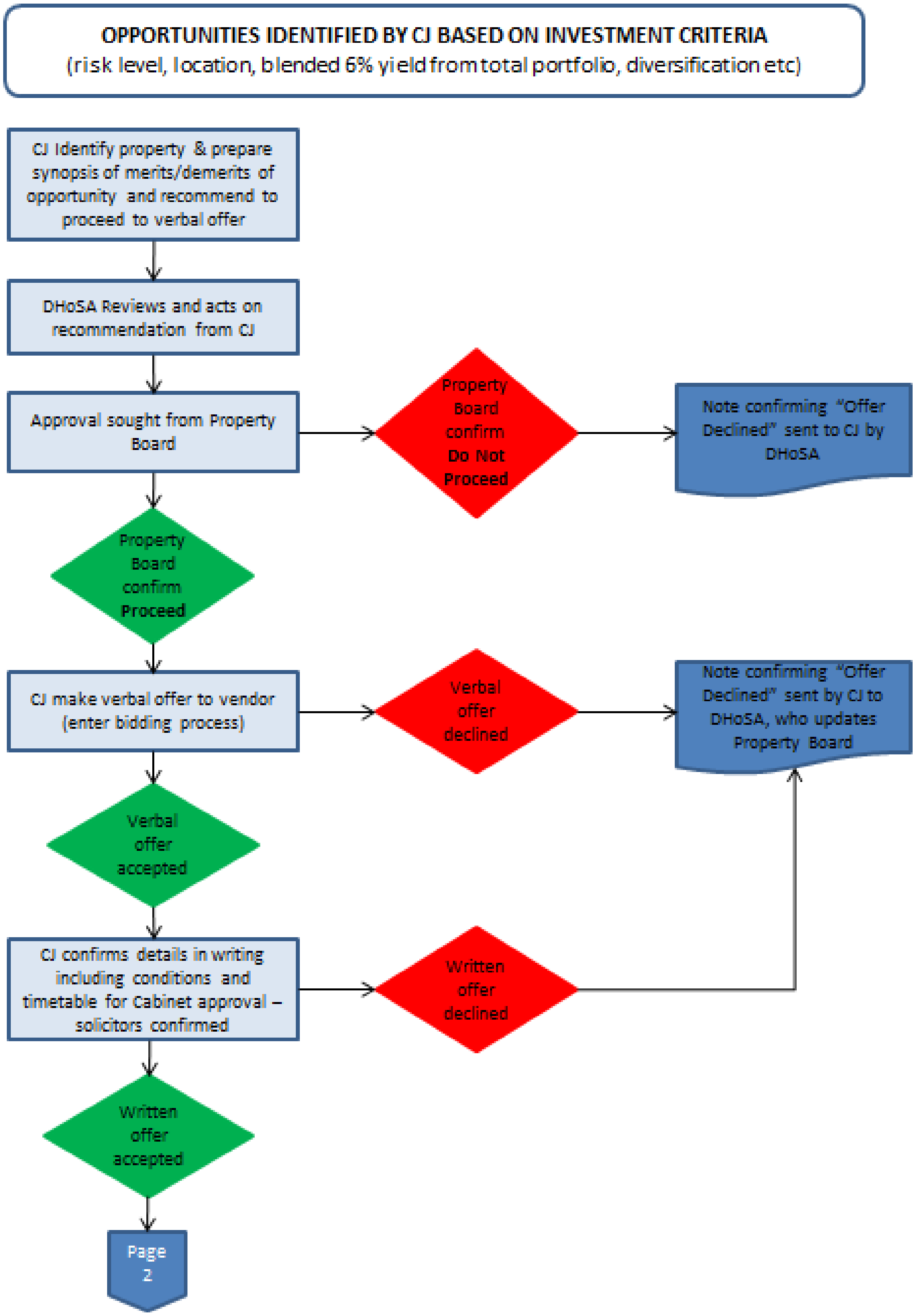
Energy and Resources

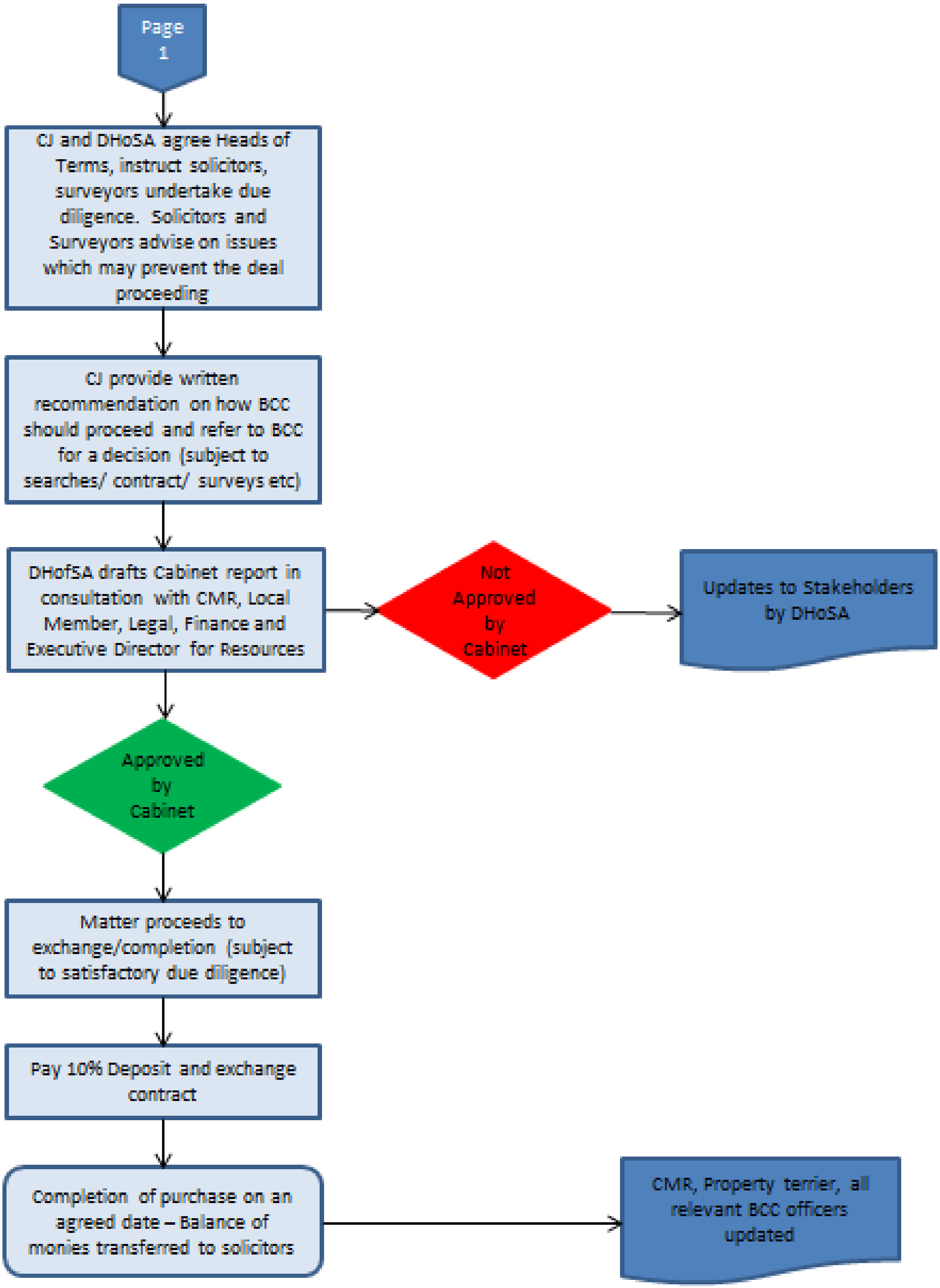
Investments in energy projects should be priorities where one or more of the following can be achieved within acceptable payback periods:

- Increasing the energy efficiency of the Council's assets (including buildings and street lighting / signals)
- Increasing onsite generation of renewable electricity
- Increasing flexibility in the consumption of energy consumption (to reduce operating costs by moving consumption to lower cost periods)
- Where income is derived through services to third parties or via Government subsidies

Appendix B

BCC Investment Commercial Property Governance




Page 1
CJ and DHoSA agree Heads of Terms, instruct solicitors, surveyors undertake due diligence. Solicitors and Surveyors advise on issues which may prevent the deal proceeding
CJ provide written recommendation on how BCC should proceed and refer to BCC for a decision (subject to searches/ contract/ surveys etc)
DHofSA drafts Cabinet report in consultation with CMR, Local Member, Legal, Finance and Executive Director for Resources
Not Approved by Cabinet
Updates to Stakeholders by DHoSA
Approved by Cabinet
Matter proceeds to exchange/completion (subject to satisfactory due diligence)
Pay 10% Deposit and exchange contract
Completion of purchase on an agreed date – Balance of monies transferred to solicitors
CMR, Property terrier, all relevant BCC officers updated

Appendix C

Prudential and Performance Indicators

Prudential Indicators

Indicator			Unit	2018/19	2019/20	2020/21	2021/22	2022/23
Estimates of capital expenditure	Estimate	Years 1, 2 and 3 (and longer as necessary)	£000	125,389	141,841	80,726	74,474	74,474

Indicator			Unit	2018/19	2019/20	2020/21	2021/22	2022/23
Estimates of capital financing requirement (CFR)	Estimate	Years 1, 2 and 3	£000	392,493	449,531	470,332	382,897	440,905

Indicator			Unit	2018/19	2019/20	2020/21	2021/22	2022/23
Estimates of ratio of financing costs to net revenue stream	Estimate	Years 1, 2 and 3	%	4.8%	4.6%	4.5%	4.4%	4.4%

Indicator			Unit	2018/19	2019/20	2020/21	2021/22	2022/23
Estimates of the incremental impact of capital investment decisions on Council Tax	Estimate	Years 1, 2 and 3	£ per Band D Equivalent	£1.37	-£1.60	£2.49	£1.22	-£0.31
			%	0.11%	-0.12%	0.18%	0.09%	-0.02%

Indicator			Unit	2018/19	2019/20	2020/21	2021/22	2022/23
Gross Borrowing	Estimate	Years 1, 2 and 3	£000	390,000	425,000	450,000	370,000	370,000
Capital Financing Requirement			£000	392,493	449,531	470,332	382,897	440,905

Indicator			Unit	2018/19	2019/20	2020/21	2021/22	2022/23
Authorised limit (for borrowing) *	Estimate	Years 1, 2 and 3	£000	390,000	435,000	460,000	380,000	380,000
Authorised limit (for other long term liabilities) *	Estimate	Years 1, 2 and 3	£000	10,000	10,000	10,000	10,000	10,000
Authorised limit (for total external debt) *	Estimate	Years 1, 2 and 3	£000	400,000	445,000	470,000	390,000	390,000

* These limits can only be breached with the approval of the full Council to raise them

Indicator			Unit	2018/19	2019/20	2020/21	2021/22	2022/23
Operational boundary (for borrowing)	Estimate	Years 1, 2 and 3	£000	360,000	405,000	430,000	350,000	350,000
Operational boundary (for other long term liabilities)	Estimate	Years 1, 2 and 3	£000	7,500	7,500	7,500	7,500	7,500
Operational boundary (for total external debt)	Estimate	Years 1, 2 and 3	£000	367,500	412,500	437,500	357,500	357,500

Investment Performance Indicators

Indicator	Target Level	Current Level
Debt to Net Service Expenditure (NSE) ratio		
Commercial Income to NSE ratio		
Investment Cover ratio		
Loan to Value ratio		
Target Income Returns – blended yield	6.00%	
Benchmarking of Returns	4.70% (industry benchmark)	
Gross Investment Income	£15m	
Net Investment Income	£3.75m	
Operating Costs as a proportion of Investment Value		
Weighted Average Unutilised Lease Term (WAULT)	7 Years	
Vacancy Levels for Non-Financial Investments	MSCI Benchmark currently at 7.11%	

Appendix D

INVESTMENT PROPERTY DUE DILIGENCE SUMMARY TEMPLATE

Recommendation from Cabinet authorising the purchase:
[Cabinet Recommendation]

The purpose of this report is to comply with the authorities agreed by Cabinet and to allow exchange of contracts and completion.

INVESTMENT PROPERTY			
Property		Purchase Price	£
		Purchase Costs	£
		Total Purchase Price	£
Leasable Sq Ft	Sq Ft	Total Gross Rental Income p.a.	£
Gross Rent per Sq Ft	£	Gross Rent per £m Invested	£
Active Management Fees	£	Property Management Fee p.a.	£
5% Void Contribution p.a.	£	Annual Borrowing Costs p.a.	£
Gross Initial Yield %	X.XX%	Net Yield %	X.XX%
Net Annual Rental Income	£	Net Annual Rent as a % of Total Gross Rent	X.XX%
Comments			

LEGAL			
Restrictive Covenants? (Y/N)	Y/N	Drainage Search Issues? (Y/N)	Y/N
Third Party Rights Affecting Title? (Y/N)	Y/N	Water Search Issues? (Y/N)	Y/N
Full Repair and Insurance Lease? (Y/N)	Y/N	Subsidence Search Issues? (Y/N)	Y/N
Assignable Contracts/Warranties? (Y/N)	Y/N	Local Authority Search Issues? (Y/N)	Y/N
Site Roads Adopted? (Y/N)	Y/N		

Comments			
SURVEY DUE DILIGENCE			
Building Fabric Issues? (Y/N)	Y/N	Insurance Valuation Completed? (Y/N)	Y/N
Mechanical and Electrical Issues? (Y/N)	Y/N	Independent Valuation Confirms Value for Money? (Y/N)	Y/N
Warranties Issues? (Y/N)	Y/N		
Comments			

ENVIRONMENTAL SURVEYS	
Flood Risk Assessment Issues? (Y/N)	Y/N
Phase 1 Environmental Report	Y/N
Ground Search Issues? (Y/N)	Y/N
Utilities Search Issues? (Y/N)	Y/N
Comments	

<table>
<tr><th colspan="6">TENANCY</th></tr>
<tr><td></td><td>D&B Rating</td><td>Break Clause Date</td><td>Rent Review</td><td>Lease End Date</td><td>Rental Income</td></tr>
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<tr><td colspan="3">Service Charge Accounts/Arrears Checked</td><td colspan="3"></td></tr>
<tr><td colspan="6">Comments</td></tr>
<tr><th colspan="6">Location</th></tr>
<tr><td colspan="3">Impact on the Buckinghamshire CC Footprint</td><td colspan="3"></td></tr>
<tr><td colspan="3">Property Transport Links</td><td colspan="3"></td></tr>
<tr><th colspan="6">Alternative Use/Future Development Options</th></tr>
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Recommendation to Proceed		Yes/No
Comments		
Director of Property and Assets		
Head of Finance Resources & Pensions		
Director of Finance and Procurement		
Head of Legal		

Decision Sign Off	Signature	Date
Executive Director Resources		
Cabinet Member Resources		

Attachments:

For example

- Environmental Report
- Building Survey Report
- Legal Transaction Report
- Valuation Report