

Asset Investment Strategy

2018/19 – 2020/21

Peterborough City Council Asset Investment and Acquisition Strategy, Capital Programme 2018/19-2020/21

1 Introduction and Strategic Principles

1.1 The Asset Investment Strategy (AIS) supports the strategic priorities of the Council. The AIS is reviewed annually. The Strategy is required by the Local Government Act 2003 and subsequent updates to ensure that Council has a comprehensive approach to investment decisions. It is part of the Medium Term Financial Strategy (MTFS) and is supported by the Asset Management Plan (AMP.) The AIS has four principles:

Managing the revenue impact of Decisions	<ul style="list-style-type: none"> • Ensuring that investments comply with the Prudential Code • Maximising invest to save opportunities • Maximising returns having regard to appropriate levels of risk
Maximising external funding	<ul style="list-style-type: none"> • Assessment of surplus assets for disposal • Working with funders and partners to maximise funding streams • A reserves policy linking revenue and capital activity
Project Appraisal	<ul style="list-style-type: none"> • Maintaining a competitive approval process • Ensuring environmental sustainability • Managing risk and ensuring value for money
Performance Management	<ul style="list-style-type: none"> • Using the VERTO system to log all projects • Transparency and accountability through the financial and governance processes

1.2 The Aims of the Strategy are that:

- Physical assets efficiently and effectively support Council priorities. Asset Investment schemes demonstrate Value For Money (VFM);
- Property investment and maintenance needs get due weight in Council planning;
- Investment and maintenance decisions are transparent to stakeholders;
- Schemes are generating a hurdle rate of return after financing costs;
- The Prudential Code for Financial Reporting is applied;
- There is optimal use of assets based on the AMP;
- AMP reviews that generate surplus assets lead to capital receipts;
- Sustainable and affordable investment plans are authorised through the MTFS;
- The Council works with partners to achieve better delivery and financial outcomes.

1.3 Over recent financial years Peterborough has planned an ambitious capital programme. However actual expenditure has often been much less than planned. In part this reflects the Council's lack of capacity to deliver such a high number of projects. Future years' programmes are realistic as to the number of projects that can be delivered year on year. Moving forward the Council faces significant financial pressures. It must therefore adopt a capital programme that is affordable. The

programme is therefore divided between rolling allocations for core services; invest to save; and one-off allocations for projects. The Guideline maximum programme is £90m per financial year.

2 Context

2.1 The AIS is a summary of asset investment in the city for the future, guided by the development of individual service asset investment plans. AIS policies and practices establish, monitor and manage the Asset Investment Programme in the MTFS.

2.2 The AIS must deliver to the Council's strategic priorities. These are:

- Drive growth, regeneration and economic development;
- Improve educational attainment and skills;
- Safeguard vulnerable children and adults;
- Implement the Environment Capital agenda;
- Support Peterborough's culture and leisure trust Vivacity;
- Keep all our communities safe, cohesive and healthy;
- Achieve the best health and wellbeing for the city.

2.3 Many of these priorities are underpinned by the following:

- The Sustainable Community Strategy (SCS) reflects the major growth aspirations of the Council - 'bigger and better Peterborough' and 'substantial and truly sustainable growth'. Growth requires investment in infrastructure, and the Council facilitates this. The AIS is driven by the SCS, which sets out a vision and overall strategy for the future of the city and surrounding villages and rural areas, covering the period 2008 – 2021.
- Peterborough Planning Policy Framework. The City Council has a fully adopted Local Plan. This is being reviewed with final adoption scheduled 2018. It comprises the documents set out below:
 - 2011 The Peterborough Core Strategy Development Plan Document (DPD)
 - 2012 Site Allocations DPD
 - 2011 Minerals Core Strategy and Site Allocation
 - 2012 Waste Core Strategy and Site Allocation
 - 2012 Planning Policies DPD
 - 2014 City Centre Development Plan

2.4 Reduced local government funding makes specific government grants and private investment the primary sources for investing in growth. Examples of private and government investment achieved include:

- Additional revenue benefits of New Homes Bonus or business rates due to growth;
- A live Infrastructure Delivery Schedule (IDS)
- A Community Infrastructure Levy (CIL) which has been in place since April 2015;
- Specific grant for targeted Government priorities such as schools and infrastructure.

3 Key Areas of Council Asset Investment

3.1 The Council's Asset Investment Programme for 2018/19 to 2020/21 totals £302.4m. The approved Capital Programme is set out in Annex 1. The programme links to the following departmental priorities:

People and Communities Directorate

Adult Social Care

- Adult Social Care is going through a major transformation increasing prevention, reducing dependency and increasing personal choice. The Asset Investment Strategy also reflects additional responsibilities arising from the Care Act;
- Investment in Extra Care per the Older Person's Accommodation Strategy;
- Supported housing for people with learning disabilities or mental health difficulties;
- The delivery of aids, adaptations and assistive technology;
- Care Act and Better Care Fund IT and technology requirements;
- Co-Location conversion of Gloucester Centre to workplace compatible offices.

Community Infrastructure

- Funded primarily by developer contributions;
- Provision of community centres, sports facilities, open space, affordable housing, and ensuring safe, warm and affordable housing in the private sector;
- Cross Keys right to buy receipts invested into a housing Joint Venture;
- Current planning policy ensures 30% of all new housing on eligible sites is affordable homes;
- Decisions informed by a private sector Integrated Dwelling Level Stock Modelling Report;
- Disabled Facilities Grants now part of the Improved Better Care Fund;
- Future Community Infrastructure will be co-located facilities and community hubs;
- A Community Assets Review with appropriate transfers;
- The Green Open Space Strategy and Implementation Programme;
- Meeting the legitimate needs of the Traveller and Gypsy community.

Children's Services

- Responsible for ensuring there are sufficient school places within the area. Shortages increase home to school transport costs;
- Local places for local children aim to meet parental preferences for catchment schools;
- Providing a range of different schools for all parts of the community including community schools, foundation schools, trust schools, faith schools and academies;
- High quality places for people to learn that encourage high levels of achievement;
- Avoiding significant changes to catchment areas and limited and temporary use only of mobile accommodation;
- The need to accommodate an exceptional level of growth;
- A net importer attracting other local authorities' pupils;
- Limited government funding for new provision;
- Land availability problems in some areas;

Growth and Regeneration Directorate

Delivery of Growth Schemes

- City Centre Development Plan;
- The Combined Authority (now responsible for Transport). Current plans in operation pending further review;
- Increasing emphasis on working with local partners.

Street Lighting

- Replacing all old street lights with LED lights.

Regeneration

- The Fletton Quays Development;
- Land assembly for the delivery of the North Westgate regeneration;
- Supporting a limited Strategic Property Portfolio.

Resources Directorate

Information and Communication Technology

- Ensuring a fit for purpose strategy via the review of all ICT provision to develop a joint strategy with Cambridgeshire.

Culture and Leisure

- Projected growth of PCC places greater challenges on cultural services;
- Redevelopment of existing facilities to meet changing customer expectations;
- Open+ better public access and opening hours to nine of Peterborough libraries;
- New cultural complex based at the Mill on The Fletton Quays area.

Invest to save Schemes

- Solar/PV installations with businesses and domestic customer;
- Energy Performance Contract Framework;
- Loan funding to Housing Associations.

Renewable Energy / Energy Efficiency Schemes

- Programme of green leases;
- The Energy Recovery Facility.

4 Managing the Asset Investment Programme

- 4.1 The Council operates a project management system (Verto). Option appraisals and feasibility studies are required to support and justify a business case for projects. The Programme Management Team are responsible for co-ordinating and monitoring this process.
- 4.2 Project officers monitor the implementation of the Asset Investment Programme on a regular basis with reports being submitted monthly to Verto. Heads of Service or project leads offer regular updates which are reported to Department Management Teams.
- 4.3 The Asset Investment programme as a whole (both expenditure and income) is monitored by CMT on a quarterly basis.

5. Future Asset Investment Projects

5.1 The Capital Review Group have received early indications from Service Directors of new investment projects that will be required in the future which have not been included in the Asset Investment Strategy.

5.2 Before these schemes can be agreed further work is required on the development of detailed business cases, to carry out due diligence and then approval through the Council's governance process before they are included.

5.3 Future Asset Investment Projects include:

- Car Park Strategy
- Affordable Housing Strategy
- Sports Strategy
- ICT Strategy

6. Sources of Funding

PCC will actively pursue external or joint funding for schemes before resorting to debt financing. As such the sources of funding should reflect the most cost effective methodology for the Council and follow the following prioritisation:

- The maximisation of European, Government Grants and National Lottery funding for schemes;
- Cambridgeshire and Peterborough Combined Authority has approved grant funding for Highways and Infrastructure schemes that will be under taken by PCC and there are further discussions for additional grant funding for schemes to be undertaken by PCC. eg Housing
- The application of CIL, Section 106 and associated funding from developments;
- Reinvestments in housing, when stock is sold following the 42% tariff to HCA on any assets transferred from the former Development Corporation;
- Finally, the use of corporate resources such as capital receipts and borrowing through the PWLB

7. **The Application of CIL Receipts** is set out in the table below:

Neighbourhood Proportion	Proportion of CIL to be allocated where development has taken place
Parishes / neighbourhoods without a neighbourhood plan	15% - capped at £100 per Council tax dwelling
Parishes / neighbourhoods with an adopted neighbourhood plan	25% - uncapped
Remaining CIL receipts - Proposed funding split by infrastructure theme	
Transport and Communications	30%
Education and Learning	40%
Community and Leisure	10%
Emergency services / health and well-being	10%
Environment	10%

8. Alternative Financing Arrangements

8.1 The Council will actively investigate public/private partnerships (PPP) and any other innovative financing arrangements.

9. Capital Receipts

A Capital receipt is an amount of money exceeding £10,000, which is generated from the sale of an asset. The need to generate Capital receipts is a fundamental part of the Asset Management Plan. The rationalisation of the asset portfolio has benefits such as reducing revenue costs that relate to surplus assets and also releases assets for disposal. Capital receipts are an important funding source for the Council.

- The Council takes a holistic approach to funding its Asset Investment programme and will adapt its approach based on overall financial circumstances and the needs of particular services. An outcome of this approach is to treat all Capital receipts as a corporate resource; enabling investment to be directed towards those schemes or projects with the highest corporate priority and to ensure the Council achieves value for money from its Capital receipts. This means that individual services are not reliant on their ability to generate Capital receipts.
- The timing and value of asset sales is the most volatile element of funding, especially in the current financial climate. As a result, the Corporate Director Growth and Regeneration closely monitors progress on asset disposal. Any in year shortfalls could potentially need to be met from increased corporate resources.
- The Government has announced proposals to enable Councils to use Asset Investment receipts more flexibly to support transformation and help meet the financial challenges councils face. The Council has agreed to use receipts flexibly to help meet costs of the minimum revenue provision. Further detail is included within the Treasury Management Strategy report in the MTFs.

10. Summary of Asset Investment Programme 2018/19 – 2020/21

	2018/19	2019/20	2020/21
	Budget	Budget	Budget
	£000	£000	£000
Summary Table for Capital Strategy			
Governance	49	0	0
Growth & Regeneration	57,235	25,398	12,507
People & Communities	55,649	50,759	14,413
Resources	2,433	1,947	1,984
Resources - Invest to Save	43,350	35,000	10,000
Total Capital Programme	158,716	113,104	38,904
Funded By:			
Grants & Third Party Contributions	40,486	32,113	7,133
Capital Receipts	24,200	15,000	-
Capital Financing Requirement (Borrowing)	94,030	65,991	31,771
Total Capital Financing	158,716	113,104	38,904

*2018/19 Budget has been amended since Audit Committee to include Yaxley Link Road project of £8.34m which is grant funded

11. Procurement Strategy

11.1 Proactive and effective procurement underpins all aspects of the AIS. Most of the Asset Investment programme is commissioned from external providers. Key principles of the Procurement Strategy are:

- Use of Tender processes or frameworks (highways and schools development);
- Following the Council's the Procurement Strategy;
- Alignment to the Council's Customer Strategy;
- Full monitoring by the appropriate governance group.