

BRIGHTON & HOVE CITY COUNCIL

DRAFT CAPITAL INVESTMENT STRATEGY 2015-2025

1. Introduction

Over at least the next five years, the council needs to find substantial savings in its budget to meet the reduced funding from central government as part of the re-balancing of the national budget. Detailed resource projections are set out in the Medium Term Financial Strategy (MTFS).

New investment is required to modernise council services in order to minimise the impact of savings on service users and frontline services. At the same time the city faces a housing crisis with an estimated 18,000+ additional affordable homes needed by 2017. As well as providing affordable housing for local people the council also needs to:

- encourage investment in new jobs and the local economy working closely with partners in the Greater Brighton region;
- deliver the outcomes set out in the Greater Brighton Investment Programme and City Deal with government;
- meet statutory obligations for new pupil places;
- maintain and improve existing infrastructure particularly along the seafront and the transport networks across the city; and
- work with development partners to deliver a wide range of key investment projects on council owned sites.

Much of this investment can help increase potential future council income with additional resources being generated via a number of key income streams, which can also help meet budget shortfalls as well as reinvestment. This Strategy incorporates a new ten year investment and funding model which also estimates the outputs and outcomes from the proposed schemes in terms of:

- new jobs;
- economic impact;
- retained business rates;
- homes;
- student accommodation;
- council tax;
- New Homes Bonus;
- Other new income streams / returns on investment; and
- Sustainability.

The Capital Investment Strategy represents an essential element within the council's overall Corporate Planning Framework. It relates to the council's over-riding Vision and Aims for the planning and generation of capital financing resources in the medium term, in order to optimise the council's ability to achieve its priorities and objectives. The Strategy sets out the council's approach to capital investment over the next ten years and provides a framework through which the council's resources, and those matched with key partners, are allocated to help meet strategic priorities.

The Strategy is:

- concerned with, and sets the framework for, all aspects of the council's capital expenditure – its planning, prioritisation, management and funding;
- closely related to, and informed by, the council's Corporate Property Strategy & Asset Management Plan; and
- an integral aspect of the council's medium term service and financial planning process as reflected in the MTFs.

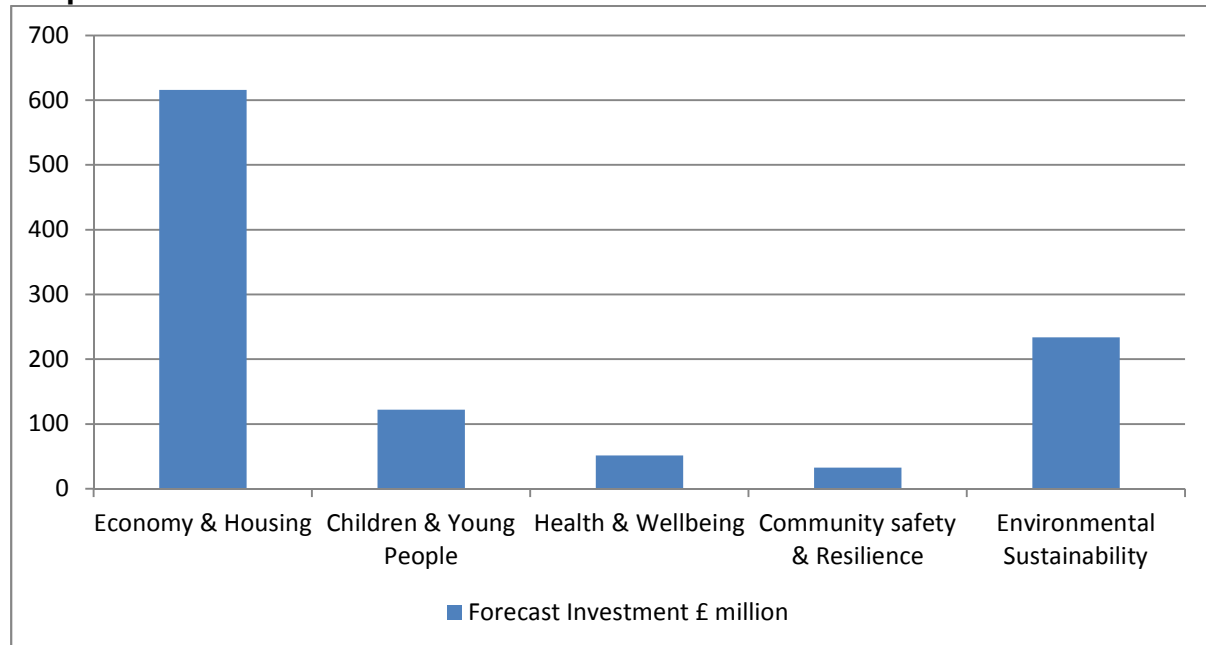
2. The Sustainable Community Strategy and draft Corporate Plan

Capital investment needs to be prioritised in accordance with the priorities set out in the Corporate Plan, which is currently draft, namely:

- **Economy & housing** – for example investing in: the creation of future job and business growth accessing new funding via the Greater Brighton Economic Board, Coast to Capital LEP and European Union; bringing forward plans for key development sites; drawing in new partnership investment to develop the Royal Pavilion Estate; enabling the development of new affordable homes, including new council homes, working with the government, registered providers and other partners to maximise investment; improving major transport routes and transport infrastructure sustainability; and regeneration of the seafront.
- **Children & young people** – investing in the planning and delivery of sufficient school places, with a focus on secondary places.
- **Health & wellbeing** – investing in supported housing to promote independence and reduce the need for acute and residential care services; and using community buildings, such as libraries, to promote health and wellbeing and co-locate facilities and services.
- **Community safety & resilience** – maintaining physically safe and inclusive neighbourhoods that encourage community activity and social action, making the most of council open spaces and ensuring road safety; and investing in the use of council buildings and services in community settings, such as libraries, to foster positive relationships with public services and between various communities.
- **Environmental sustainability** – for example investing in the continuing delivery of the UNESCO Biosphere and implementation of the One Planet Sustainability Action Plan; drawing in external investment for the Downland Estate and city parks and open spaces; continue to promote high quality sustainable development and building standards through planning policy and the City Plan; the development of opportunities with

partners to improve the quality and energy efficiency of the city's housing stock; and increasing energy efficiency measures including carbon reduction across services and renewable energy schemes for council owned land and property.

Chart 1: Forecast investment over ten years categorised by priority in the draft Corporate Plan



The priorities contained in the draft Corporate Plan are the council's contribution towards helping achieve the vision for the city set out in the Sustainable Community Strategy:
 "Brighton & Hove – the connected city. Creative, dynamic, inclusive and caring. A fantastic place to live, work and visit".

3. Corporate Property Strategy & Asset Management Plan 2014-18

The Capital Investment Strategy needs to support the priorities and objectives of the Asset Management Plan and Corporate Property Strategy 2014-18.

The corporate property objectives are to:

- Provide the right buildings in the right place and condition to meet future service delivery needs.
- Deliver value for money property services and support the council's modernisation programme.
- Use the One Planet principles to reduce the council's environmental impact.
- Gain best value from the non-operational portfolios – urban and agricultural.
- Use council assets to enable new city development and urban regeneration.

The Corporate Property Strategy & Asset Management Plan focuses on how the council uses property and assets to support its objectives, asset

management planning and strategy within the council and the potential effect of the external environment on the management of the property portfolio and the response needed.

4. Coast to Capital Local Economic Partnership (LEP) and Strategic Economic Plan (SEP)

The Capital Investment Strategy also needs to be informed by and closely linked to the SEP which has three key priority areas:

- Enhance business support and skills;
- Accelerate research and innovation;
- Invest in transport, flood defences and resilience.

The Coast to Capital LEP has already secured £202m from the government's local growth fund to support economic growth in the region up to 2021. The council has worked closely with partners in the Greater Brighton city region to secure a significant proportion of the funding allocated so far for the city and will continue this successful approach.

The SEP identifies the most important spatial issues that need tackling in Brighton & Hove to deliver growth which are:

- Shortage of employment space.
- Transport capacity and movement within the city.
- Mainline rail and trunk road capacity.
- City Centre renewal.

The Strategy includes proposals to help address these issues.

5. Key objectives and outcomes

The expenditure and resources forecasts for the capital programme are shown in appendices 1 and 2. The key issues and objectives are listed below along with some of the forecast outcomes if the programme is delivered.

a. New affordable homes and student accommodation

The housing strategy vision is:

“We want Brighton & Hove to be an inclusive city with affordable, high quality housing that supports a thriving economy by offering security, promoting health and wellbeing and reduces its impact on the environment. We want to help bring about integrated communities in a society that values everyone to recognise and tackle inequality faced by families, the poor and the vulnerable.”

The universities and students have a positive impact on the city in many ways including generating economic growth. However, as the higher education facilities expand the additional students put pressure

on local housing and other services as well as creating tensions with other communities.

To help achieve this vision and address issues the council will for example:

- Prioritise support for new housing which meets the needs of the city.
- Provide more council housing directly by the council including the use of Right to Buy receipts, buying off-plan or supporting others to build and manage on behalf of the council.
- Continue to work with adjacent local authorities in the Greater Brighton city region to address unmet housing need across the sub-region.
- In accordance with City Plan policy, support taller buildings and higher density development in appropriate parts of the city.
- Support the development of new purpose built student accommodation in accordance with City Plan policies.

Chart 2: Estimated cumulative additional housing units in Capital Programme

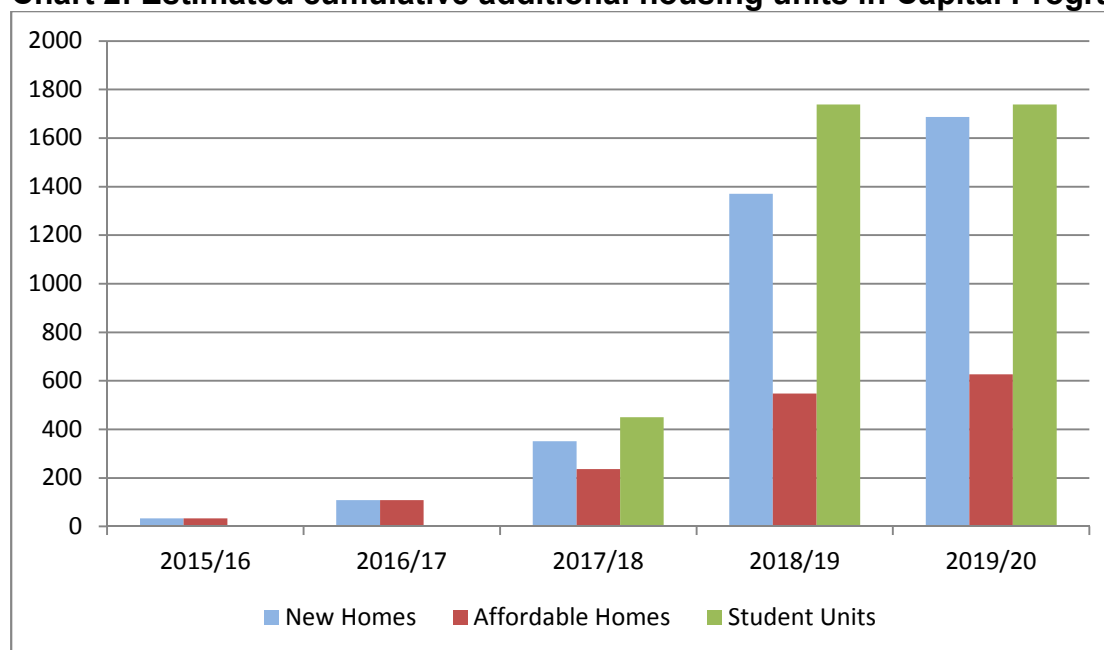
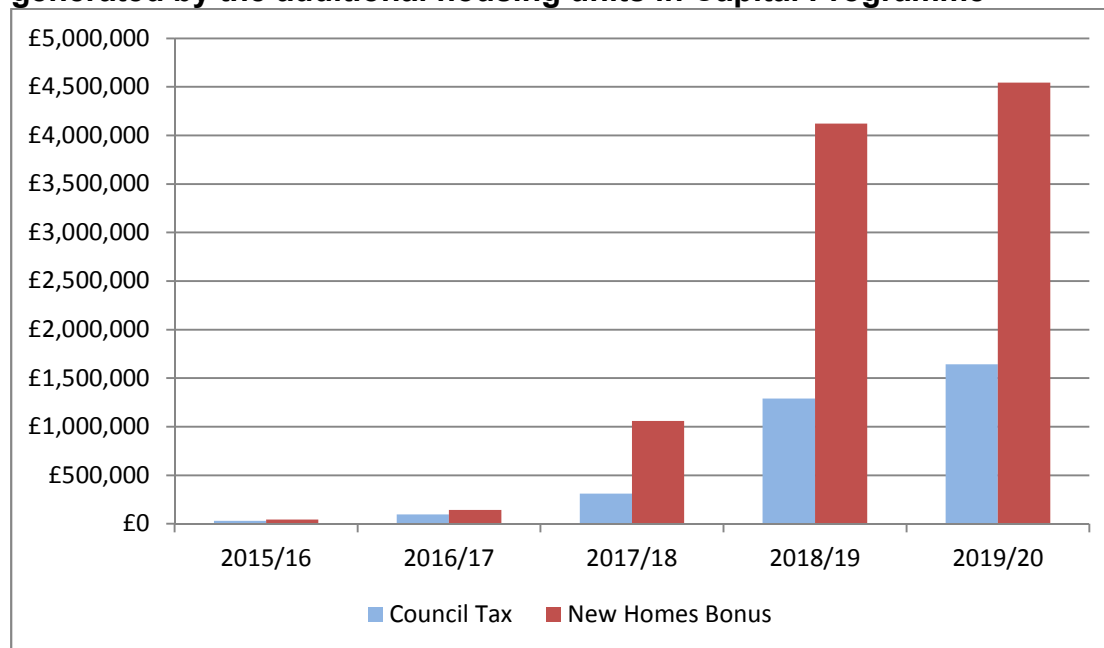


Chart 3: Estimated cumulative council tax revenue and New Homes Bonus generated by the additional housing units in Capital Programme



The introduction of self-financing for the Housing Revenue Account (HRA) in 2012 has provided additional resources from the retention of all rental income and, through greater control locally, will enable longer term planning to improve the management and maintenance of council homes. Regular reviews of the HRA 30 year Business Plan will enable a review of future opportunities for additional investment in existing housing stock, building new homes and how housing debt could be structured to accommodate these plans and possibilities.

b. New jobs and improving the local economy

The vision for 2018 set out in the Brighton & Hove Economic Strategy 2013-18 is:

“Brighton & Hove will be on the path towards a resilient low carbon economy, known for its creative, digital, information technology businesses, growing environmental industries & services, and supported by more sustainable city infrastructure. The unique cultural offer will raise the presence of the Greater Brighton City Region on the international stage and the benefits of growth will be shared by all.”

In order to deliver the vision the objectives seek to build upon the city’s economic assets and underpin the City Deal, as well as address the challenges which remain:

- To enhance Brighton & Hove’s distinctive destination and lifestyle offer;
- To grow quality jobs and business opportunities in higher value and low carbon sectors;

- To better align job skills to protect needs and in support of higher value sectors;
- To tackle barriers to employment and to create employment opportunities for all; and
- To establish a strong and influential Greater Brighton City Region.

The Greater Brighton City Deal agreed with Central Government is expected to deliver additional GVA of £360m over the next ten years and 880 new jobs in Brighton’s creative tech cluster. An essential element of the City Deal is the expansion and refurbishment of New England House providing flexible workspace, business innovation support and digital exchange at an estimated cost of £24.5m with £4.9m support from Government.

New developments and growth in the local economy will also be reflected in an increase in the rateable value of the city and a consequent increase in the council’s share of local business rates.

Chart 4: Estimated cumulative net extra jobs (excluding construction) created by the Capital Programme

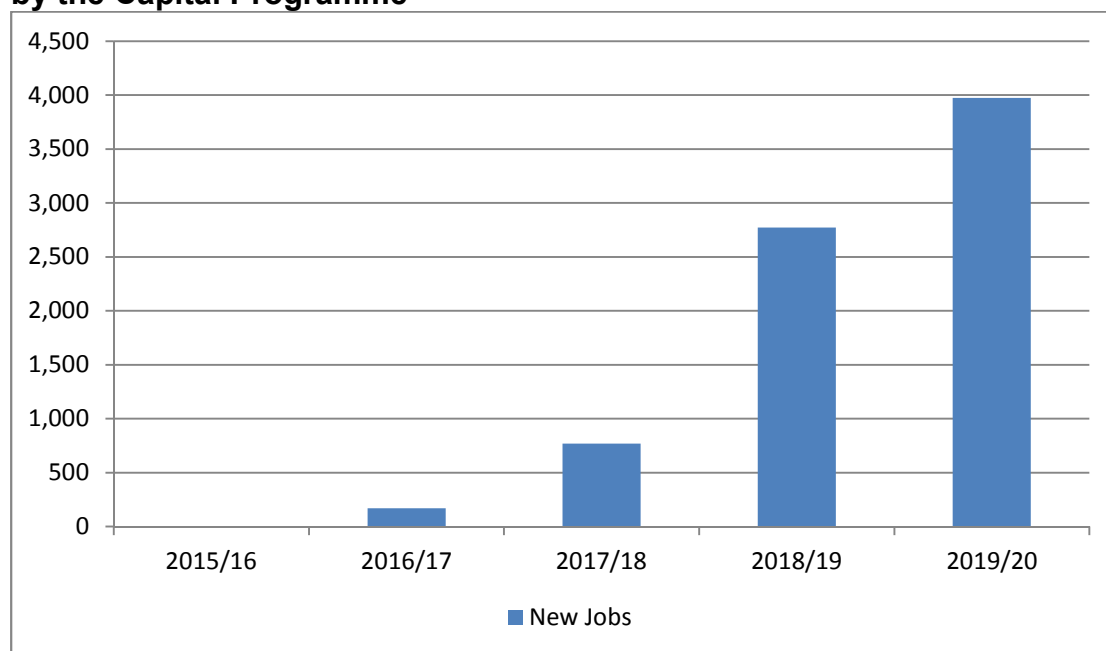
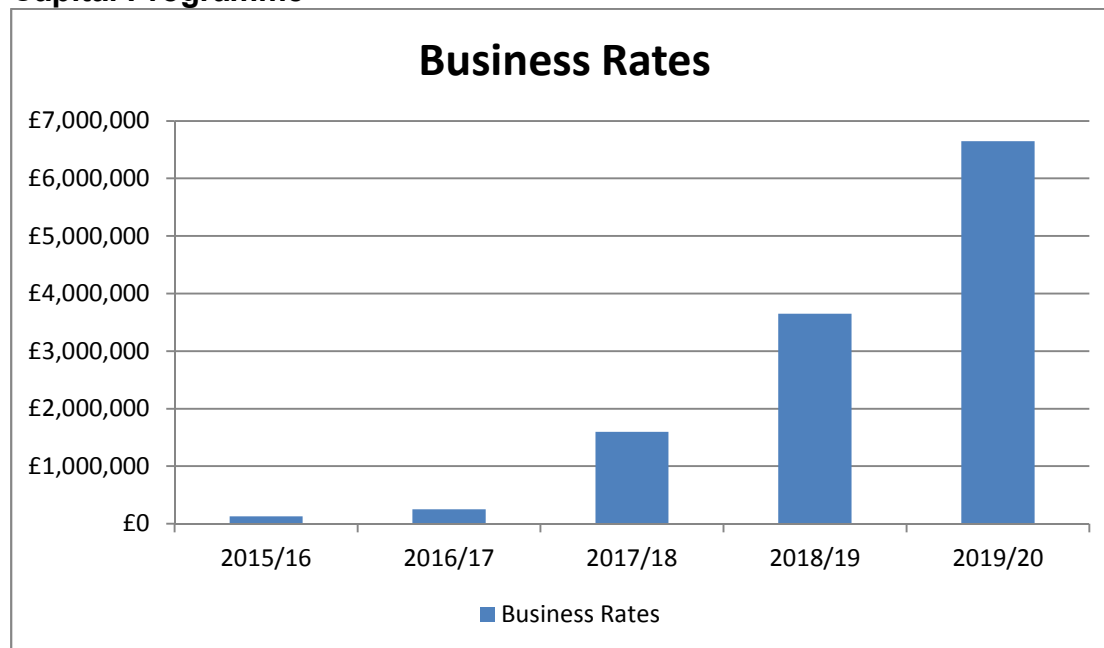


Chart 5: Estimated cumulative business rates generated for the council by the Capital Programme



c. New school places

The council has a statutory duty to secure sufficient, suitable school places for children of compulsory school age within its area. The School Organisation Plan 2013-2017 was considered by full Council in March 2014 and focuses mainly on this duty. The key messages of the Plan include:

- The increase in primary age pupils appears to be reaching its peak and numbers may decline from 2016 onwards;
- However there are still pressures in some parts of the city most notably South Hove and Saltdean, whilst there are spare places around the edge of the city;
- Secondary pupil numbers will begin to increase from 2014 and continue rising into the early part of the next decade;
- Before the end of the decade 300 additional Year 7 places will be required across the city, or 1,500 11-16 places in total, which is equivalent to another large secondary school; and
- The greatest pressure on securing sufficient secondary places tends to fall on the more central schools.

The forecasts in the School Organisation Plan are kept under review and most recent forecasts based on December 2014 data suggest that the observed trend in the School Organisation Plan for primary places is accurate and that the requirement for new secondary places may be

slightly lower than forecast. At this stage however it is not proposed to change the secondary places requirement in the Plan.

The Plan concludes that the challenges of providing additional secondary places in the next five years and beyond are exacerbated by a lack of suitable sites and the fact that many schools are already very large. Close dialogue and partnership working with schools and their governing bodies and the Department for Education will be essential in order to identify how the new places can be provided.

d. Sustainable transport and carbon reduction

Brighton & Hove is the world's first designated One Planet City, and the Brighton & Lewes Downs UNESCO World Biosphere site was designated by UNESCO's 'Man and the Biosphere' (MAB) programme in June 2014, becoming part of a global network of over 600 "sites of excellence" that seek to balance the needs of people and nature between socio-economic development and conservation, and thus progress local sustainable development in practice. The city's Sustainability Action Plan received accreditation from sustainable development charity BioRegional last year, for its plans to enable residents to live well within a fairer share of the earth's resources. The One Planet approach aims to create a future where it's easy, attractive and affordable for all of us to lead happy and healthy lives, using a fair share of the earth's resources. The sustainability action plan outlines how the council will use the one planet principles to deliver the key priority of environmental sustainability.

The 10 principles are:

- Zero carbon - Making buildings more energy efficient and delivering all energy with renewable technologies;
- Zero waste - Reducing waste arisings, reusing where possible, and ultimately sending zero waste to landfill;
- Sustainable transport - Encouraging low carbon modes of transport to reduce emissions, reducing the need to travel;
- Sustainable materials - Using sustainable products that have a low embodied energy;
- Local and sustainable food - Choosing low impact, local, seasonal and organic diets and reducing food waste;
- Sustainable water - Using water more efficiently in buildings and in the products we buy; tackling local flooding and water course pollution;
- Land use and wildlife - Protecting and expanding old habitats and creating new space for wildlife;
- Culture and community - Reviving local identity and wisdom; support for, and participation in, the arts;
- Equity and local economy - Inclusive, empowering workplaces with equitable pay; support for local communities and fair trade; and

- Health and happiness - Encouraging active, sociable, meaningful lives to promote good health and wellbeing.

Actions across these principles will also help implement the city's Climate Change Strategy, with its focus on including low carbon economy, low carbon homes and buildings', low carbon transport, sustainable energy and a city adapting well to climate change. The Action Plan sets out what the council will do in the short, medium and longer term up to 2025 and is updated on a regular basis.

A carbon budget is set for each year which shows the level of spend on energy and the estimated carbon emissions across each carbon budget area. There is a planned reduction of 4% for each year. The new capital model will attempt to measure the impact of new investment on the carbon footprint of the council.

The Local Transport Plan is currently being updated. It includes a number of high level goals that reflect the broad range of outputs that the government expects local transport to support, enable and deliver in a variety of ways, especially when investing capital grant funding. These are summarised as:

- Grow the economy;
- Reduce carbon;
- Increase safety and security;
- Provide equality, mobility and accessibility;
- Improve health and well-being;
- Enhance the public realm; and
- Encourage respect and responsibility.

These goals are supported by more detailed, strategic transport objectives which are consistent with or reflect the policies of a significant number of local strategies that have been reviewed and / or approved by the council.

e. Investment in social care and the Better Care Fund

People in the city are living longer which is good news but public services are dealing with increasing numbers of people with complex health needs. In addition significant changes are underway nationally to the social care system, creating new duties for the council in relation to people who fund their own care and informal carers.

The Brighton and Hove Better Care Plan submitted in September 2014 describes how improved services will be delivered for the frail and vulnerable population to help them stay healthy and well by providing more pro-active preventative services that promote independence and enable people to fulfil their potential. Investment is required to ensure:

- Responsive and seamless services are delivered;

- New duties are met;
- Improved patient flows out of acute hospital settings to ensure people can move out of hospital in a timely way when they no longer needed acute care, facilitating independence and reducing unnecessary lengths of stay in hospital; and
- Information technology systems are upgraded linking to one another to allow information sharing requiring access to support services 24/7 and support radically new and innovative approaches to the commissioning and delivery of care services.

f. Maintenance of council owned buildings, housing stock and infrastructure

An annual report is prepared for consideration in March each year setting out the proposed allocation of improvement and essential repair works to civic offices, historic, operational and commercial buildings within the Corporate Planned Maintenance Budget and the Social Care Planned Works Budget. These budgets relate to those buildings where the council has a repairing liability but excludes council housing, highways and educational establishments which have their own budgetary provisions. There are separate annual reports which cover the maintenance of these assets. The maintenance proposals support the objectives in the Corporate Property Strategy & Asset Management Plan. The aim is to ensure that finite maintenance resources are invested through prioritisation and targeted at key operational assets to meet service delivery needs and maintain the value of those key assets.

Brighton & Hove's iconic seafront is one of the city's key locations, acts as the 'shop-window' for the city and is the biggest outdoor recreation space. It is one of the main reasons why people visit the city and an important site for a range of businesses. However, there are significant and growing problems within the structures that keep the seafront in operation and it is the need to address that issue which formed the remit for the Seafront Scrutiny Panel. It has been estimated that up to £100m is needed to carry out structural works to the seafront structures over the next ten years, including the £80m identified by the asset management process needed to rebuild and replace the highway related structures. The Panel reported in October 2014 and finding funding solutions for these works is an extremely high priority for the council.

The approved ICT Strategy for 2011-2016 sets out that Information Management is an essential discipline in the good governance of any organisation. Good information management practice mitigates risk of information loss, ensures legal and regulatory compliance and enables the full exploitation of the information to deliver improved customer experience and efficient service delivery. Capital investment has been increased to £2m per annum in recent years with up to £1m revenue to support the modernisation of the IT service.

The council has yet to define to scope the impact of the draft Business Strategy for a Digital Age upon the Capital Investment Strategy, however the integration and development of digital within the council is a priority area. Digital innovation will be used to develop a new relationship with citizens, taking advantage of the opportunities that improved data collection brings for everyone in empowering and individualising choices. By providing support to help individuals achieve their desired personal health and wellbeing outcomes should reduce the medium term demand and costs on public services in Brighton & Hove. The council will work with local and regional partners and seek support and funding through for example the Smarter Cities Challenge grant.

g. Investment to generate savings in current service provision

Potential schemes to support the savings proposals include:

Scheme	Source of Funding
Investment in street lighting / highways infrastructure	LTP allocation and borrowing from the Green Investment Bank
Accelerated Workstyles Phase 3 Workstyles Phase 2 (completed)	Asset Management Fund, specific reserves, council borrowing and capital receipts
Off plan procurement of housing	Borrowing possibly from the European Investment Bank and right to buy receipts
Extra Care Housing	Combination of Better Care Funding capital grant and revenue contributions
Day Centre reconfiguration	
Learning Disabilities accommodation	
Telecare & Telehealth	Better Care Funding grant
Communal bins across the city	Council borrowing as spend to save scheme
Communal Recycle Project	Grant Funding

6. Resourcing Strategy

In order to deliver the capital investment ambitions substantial additional resources will need to be identified to fill forecast funding gaps. Currently the capital programme is significantly funded by grant allocated through central government. This source of funding is diminishing and therefore needs to be substituted by alternative funds. The following paragraphs set out a strategy for maximising future resources and identifying alternative funding sources.

a. Central Government, Growth Deal and City Deal

The council will seek to maximise allocations developing appropriate projects and programmes which reflect government and partnership led

initiatives and agendas but address priority needs within the city. The council will seek to protect as far as possible capital grant funding for transport and public realm investment. The council will also allocate all education grant funding towards new primary and secondary pupil places, capital maintenance for schools and devolved formula capital for schools.

The council already has in place a City Deal with the government which sets out proposals to deliver various outcomes in return for government support and funding. The most significant funding comes in the form of a £4.9m grant towards the refurbishment and expansion of New England House and the business units therein. Through Coast to Capital LEP's Growth Deal funding has been allocated to support the delivery of other regeneration projects such as Preston Barracks (£7.7m), Circus Street (2.7m) and Valley Gardens (£14m).

b. Third Party funding

Project specific funding usually received from quasi-government sources or other national organisations or European sources. In developing capital proposals the council will always seek to maximise such external contributions subject to any related grant conditions not being inconsistent with the council's policy aims and targeted outcomes. Frequently such funding, which enhances the council's investment capacity, will also be linked to match funding arrangements.

The council will continue to bid for future resource allocations using innovative service delivery mechanisms for example through the Regional Growth Fund, Local Growth Fund and the new EU funding round starting in 2015. The council will also support Community Interest Companies (CIC) to bid for resources e.g. the Saltdean Lido CIC in its bid for Heritage Lottery Fund and Coastal Communities funding.

A growing number of private organisations are also showing interest in investing in public sector infrastructure. Each case will be subject to specific financial appraisals.

New sources of funding are also being identified in partnership with the Local Economic Partnership (LEP) working from the perspective of the Greater Brighton City Region.

c. Private contributions and enabling development

Subject to best consideration or statutory requirements the council will use its land to facilitate private sector or partnership based investment for example: Amex Community Stadium, Circus Street Development, Open Market, Preston Barracks, King Alfred, Brighton Centre and Black Rock. Strategic Investment Fund resources of £0.250m per annum will be allocated to help deliver these projects. With limited

resources available to deliver new, improved or replacement council facilities it will be essential to develop mixed use schemes with enabling development (housing, retail, business, etc).

d. Borrowing

The council has powers to borrow under the prudential code subject to any such borrowing being prudent, affordable and sustainable. This must be demonstrated through a business case and financial appraisal over the full life of the asset. For each project or scheme the council will investigate what type of borrowing and the borrowing source as part of the financial appraisal. The council has been considering borrowing from the Public Works Loans Board (PWLB), European Investment Bank, Green Investment Bank, pension and insurance companies and private banks and financial institutions. The council must be satisfied that any borrowing must be compliant with any State Aid requirements and it must develop risk mitigation strategies to ensure that risks are assessed, appropriate, monitored and minimised. Borrowing undertaken by the council on behalf of a development partner, such as the Brighton i360, will be charged an appropriate fixed margin on top of the PWLB rate to reflect the council's risk and ensure that any loan is based on commercial terms.

The Treasury has enabled LEP's to allocate cheaper borrowing from the PWLB for agreed schemes at a "project rate" which is 20 basis points below the level local authorities can normally borrow from the PWLB. The council has successfully bid for the borrowing for the Brighton i360 to be undertaken at the "project rate" for 2014/15 and 2015/16. The council will identify other appropriate schemes that might qualify for the lower rate and complete bids should future opportunities arise.

e. Asset disposals - Capital Receipts

The council will generate capital receipts from the disposal of surplus or under-used assets for reinvestment through the Corporate Property Strategy & Asset Management Plan and into other corporate funds. Proceeds from the sale of assets will be used:

- i) for reinvestment in the capital programme; or
- ii) for debt repayment or investment, for example, to offset any loss of rental income in the revenue budget; or
- iii) for reinvestment from underperforming assets back into more commercially viable assets as part of the rationalisation of the property portfolio.

The net receipts from "right to buy" sales are split between funding for corporate strategic priorities delivering regeneration including affordable housing and investment directly in housing. Changes to

regulations mean that the council can retain a maximum of £0.475m per annum for corporate investment.

f. Leasing

Officers will explore different funding routes (e.g. outright purchase, different forms of leasing or contract hire) to ensure best value for money when purchasing for example equipment and vehicles.

g. Revenue

Some capital expenditure is funded directly from revenue such as planned maintenance for schools and other council buildings. However, there is no capacity to increase these resources in the context of the revenue budget savings requirements. The Housing Revenue Account (HRA) is able to make revenue contributions in the context of the HRA business plan.

7. Governance, management and monitoring

The Council has various mechanisms in place which seek to ensure that there is an integrated approach to addressing cross-cutting issues and developing and improving service delivery through its capital investment in pursuance of the council's over-arching aims. These include:

- Democratic decision-making and scrutiny processes which provide overall political direction and ensure accountability for the investment in the capital programme. These processes include:

The Council which is ultimately responsible for approving investment and the Capital Programme;

The Policy & Resources Committee which is responsible for setting the corporate framework and political priorities to be reflected in the Capital Programme and will continue to receive regular monitoring reports; and Service Committees and Member Boards for detailed scrutiny of individual programmes, schemes and projects.

- Officer Groups which bring together a range of service interests and professional expertise. These include:

The Corporate Investment Board comprising the Executive Leadership Team (ELT), Head of City Regeneration and other key officers which has overall responsibility for providing and recommending key investment decisions, defining the direction of the organisation and ensuring the ongoing overall alignment of the capital programme to the strategic direction of the council;

Investment Programme Boards drive and co-ordinate investment programmes and deliver the outcomes and benefits; The Programme Boards are:

- Greater Brighton Investment Programme;

- Corporate Property Strategy & Asset Management Programme;
- Seafront Investment Programme;
- City Centre Investment Programme;
- Lewes Road Investment Programme;
- New England Quarter & London Road Investment Programme;
- and
- Estate Regeneration Investment Programme.

Specific Project boards with wide ranging membership which can include elected Members from all parties and external partners; and Project teams are also created to oversee significant capital development projects as required.

- An integrated service and financial planning process, incorporating the corporate performance management framework. Within this framework, all proposals for capital investment are required to demonstrate how they contribute to the achievement of the Council's aims and priorities. This includes a Gateway evaluation process for investment proposals which ensures cross-cutting appraisal of projects which are aligned to the Council's key aims and priorities and deliver on the efficiency and value for money agendas.