

NORTH WILTSHIRE DISTRICT COUNCIL

2006 CAPITAL STRATEGY

Source Documents

- **Community Strategy**
- **Corporate Plan**
- **Treasury Management & Investment Strategy**
- **Housing Strategy**
- **Asset Management Plan**
- **Procurement Strategy**
- **Equality & Diversity Policy**
- **Best Value Performance Plan**

Strategic Aims & Objectives

This strategy is a high level summary of the Council's approach to Capital Investment. It describes how the deployment of Capital resources, and those the Council can influence, contributes towards improving the economic, social and environmental well being of the area incorporating the aims and priorities set out the Community Strategy and Corporate Plan.

The Council adopted the North Wiltshire Community Strategy in November 2005. The Community Strategy sets out a wide range of issues under eight strategic themes, that need to be addressed by service providers and other organisations working together through the North Wiltshire Local Strategic Partnership.

The Corporate Plan links the organisational culture, the corporate aims, the Council's long term Vision and the Community Strategy and is informed by Key Strategies and Plans. The Vision has been developed through consultation with local people and is reviewed every year to ensure it continues to represent the views and aspirations of our communities.

Service plans translate the aims and objectives into annual plans. The Council has a 3-year medium term financial strategy (Appendix 1) and a 3-year capital programme (Appendix 2) that links the estimated available resources directly to the individual themes.

The Corporate Plan addresses many of the issues raised in the Community Strategy. The links between the Community Strategy, the Council's vision and the Corporate Plan are shown in Appendix 3.

The impact of the Capital Strategy will be monitored by checking that the equality and diversity implications are addressed in all asset decisions.

District Profile

North Wiltshire has a population of approximately 128,000 and covers around 300 square miles of outstanding natural beauty and expanding urban areas. The district includes many picturesque villages, six diverse bustling market towns (Chippenham, Calne, Corsham, Malmesbury, Wootton Bassett and Cricklade) and is made up of 5 thriving community areas.

The economy is vibrant and many major companies have chosen to invest here. There is a mix of national, international and household names in specialist and niche markets. Employment levels are well above the national average. There is a low deprivation 'score' but this does mask pockets of both urban and rural social exclusion and low or part-time wages (approximately 10% of households are dependent upon income-related benefits).

The Council's net budget for 2006/07 stands at £17,924m which includes gross service expenditure of almost £56m. This is funded at a level of 55% by the Council Taxpayer. The District element of Council Tax Bills for Band D equivalent properties rose by 3.76% in 2005/06 and 3.4% in 2006/07.

Capital Objectives

The objective of the Capital strategy is threefold. Namely, to ensure that: -

- physical assets and related resources are efficiently and effectively used to support the corporate objectives.
- issues related to property and other assets are fully reflected in the Council's planning,
- the strategy itself is in a format that can be readily understood.

The Capital Strategy provides the policy framework for the operational work of asset management as detailed in the Asset Management Plan (AMP).

Key Priorities – Informed by the Corporate Plan

The Council owns land and buildings and is aware of the need to use these assets in the most effective way for everyone's benefit.

The Council will seek to use its assets to assist partners and businesses, in the wider context of achieving the corporate plan.

The Council will seek to use receipts from assets no longer required to provide capital for the achievement of the service objectives. The receipts from asset sales are the main source of finance for the capital programme and enable a larger and more sustainable programme than would otherwise be the case.

Detailed below are the key Capital investment priorities and examples of partners and partnership programmes.

Key Areas of Capital Expenditure

The main elements of the capital programme and the link to corporate priorities is set out below :

Affordable Housing: Whilst the Council has no housing stock, the provision of affordable housing is a key part of the capital programme (provisionally £2m per year) NWDC works closely with selected Registered Social Landlords (RSL's) and aims to provide 150 affordable housing units each year up to 2008. There is an estimated shortfall of affordable housing in the district of around 780 units per year. More detailed information is available in the Housing Strategy document.

Housing Renewal : The provision of both disabled facilities grants and private sector renewal assistance with proposed funding of £1m for the next 3 years. Regional funding for Private Sector Housing Renewal has been changed from supported capital expenditure to capital grant from 1st April 2006. In 2006/07 the Housing Renewal Budget is supported by government grant of £446k to assist the Council in bringing properties up to the decent homes standard by way of facilitating grants to improve the quality of housing, and thereby the health of residents in the district, and is of vital importance to the community strategy.

Strategic Housing: The Council recognises the pivotal role that the housing strategy has in supporting the community strategy in terms of meeting rural housing needs, social inclusion, health and crime issues. NWDC commissioned a Housing Need survey during 2005, designed to assess future requirements for both affordable and market housing. The Housing Renewal strategy will be reviewed by May 2006.

Healthy Lifestyles including Arts & Sports Development: The Council recognises the importance that sport and leisure plays in people's lives and supports leisure facilities within the District. A major capital scheme to develop of a North Wiltshire Arts Centre at a cost of £1.2 million was approved in 2005/2006. Work will start on site on 3rd May 2006.

Cleaner Safer and Better Streets: The Council is seeking to create a safe environment in the city, town centres, and villages by increasing visible deterrents to crime and introducing decriminalisation measures. Within the coming year the Council will work with Wiltshire County Council to take responsibility for and decriminalise on- street parking. This will include investment in signage and IT systems.

Minimise Waste-Maximise Recycling: The Council recognises the importance of waste minimisation and sustainable communities. It has recently implemented a green waste recycling service. Litter Picking and Street Scene Vans are a budgeted expense for 2006/07.

Equality & Diversity: There is now a duty placed upon the Council to identify the housing needs of Gypsies and Travellers and to ensure that adequate provision is made. Capital funding has been identified to provide a transit/permanent site for gypsies if the needs assessment identifies a shortage. There may be central funding available to provide infrastructure and Wiltshire County Council have made provision within the 2006/2007 Capital Programme.

Customer Focus: Direct links to the Vision for 2020 (where the Council hopes it see itself)

- To be “The Council in your living room” – a visible presence, increased communication and ability to access services from the home (links to e-government work).
- To be used as an information resource.
- To have easily accessed services for the whole community.
- To have refocused the services provided to meet the changing population profile.
- To ensure that people of all ages have a strong voice in the community.

The Council’s capital programme includes a significant ‘Improving the Customer Experience’ (ICE) budget which is intended to use technology to make the Council more accessible to its customers and to increase efficiency.

Buoyant Economy: Project appraisals on two sites, Phelps Parade Calne and Bath Road Chippenham, have approved funding in order to prepare a development brief.

Local Plan/Local Development Framework/Spatial Planning: The Council uses the Local Development Framework and planning agreements to gain wider community benefits from, for example, site disposals and S.106 agreements.

Transportation & Car Parks: The programme also includes funding for improvements to transportation and car park provision providing a projected budget of £400k for the next three years.

Partnership Working: The Council works in partnership with other organisations to make use of their financial resources, skills and links to local communities. The main forms of partnership working include schemes with Housing Associations, investment in leisure facilities managed by NWLL and working with town councils.

Protection of Council Assets: The Council has and will continue to maintain, a forward funded three-year programme of repair and maintenance on all of its properties. An on-going capital budget exists to fund major repairs and improvements to properties. The refurbishment programme aims to minimise the costs of responsive repairs in the long term. In 2006/07 an ICT disaster recovery plan is an identified expense in the Capital Programme. The Design and Estates Team have identified the need for an Asset Management system which is accessible throughout the Council. Funding for this project has been approved and it is hoped that the software will be in place during 2006/07. This software will facilitate regular reviewing and updating of the property portfolio position. The approach towards maintaining and operating property assets is outlined in the Asset Management Plan, which was approved by the Executive in March 2006.

Asset Renewal: Under its policy of devolution, the Council has sought to transfer responsibility for non-core services and assets to Town Councils. Examples of these are Malmesbury Town Hall and Chippenham TIC services.

Capital Resources

The Council gained substantial capital resources from the transfer (LSVT) of its housing stock to a new Housing Association in 1995. The transfer agreement continues to produce capital resources, as the Council receives a share of receipts from 'right to buy' sales.

More recently the Council has derived substantial capital receipts from the disposal of parts of its land holdings. This has included sites where the land is no longer required for its original purpose.

The Council's Corporate property group is tasked with reviewing and, where appropriate arranging the disposal of a number of 'small sites' which are deemed surplus to the Council's requirements. It is envisaged that some sites will be disposed of to generate receipts, whilst others will be more suitable to transfer to a Housing Association to provide affordable housing.

Following the introduction of the new "Prudential code" for local authority capital finance from 1 April 2004, the Council can now determine its level of long term borrowing. This would need to meet the code's requirement to ensure capital investment is within the framework of prudent, sustainable and affordable. Given the level of current and projected capital resources, there is no expectation that any borrowing will be required in the medium term, however, the facility to borrow in the long term will form part of future capital strategies.

The partnership approach to service delivery is a core belief of the Council. Through its services, partnership working, supportive funding and innovation, the Council will seek to attract investment into the District. The Council will consider the use of its compulsory purchase powers to assist with land assembly where there is a clear community benefit. In considering the provision of new services the authority will fully explore the ability of any private operator to use their own property stock (including PFI projects). The element of social housing on all developments over 25 properties or above or 1 hectares is 30%. This is monitored through the use of planning requirements and assists the Council in achieving its Affordable Housing aims. Section 106 Agreements also form part of the Council's planning policies when disposing of land.

Revenue Implications of Capital Schemes:

The effects of capital investment are identified and built into the Medium term financial plan including:

- the costs and future running cost or saving for individual projects;
- the effect of capital spending on cash balances, with interest rate projections;
- changes in running costs and /or rental income from the disposal or transfer of property assets;
- IT projects are required to identify 'cashable' and other efficiency savings as part of their business case.

Property Management and Objectives

The Council's Principal Estate Officer has responsibility for the management of property (now the designated Corporate Property Officer). A Corporate Property Group (CPG), which includes all relevant property professionals, legal and finance representatives meets quarterly (more often if necessary) to consider the Asset Management Plan and implications. This team plans to continually review the property stock and make recommendations to Corporate Management Board and the Executive.

The Council reported as at 31st March 2005 that it holds non operational assets valued at £32million. The Council's remaining fixed assets being valued at £48million. The non-operational and operational property objectives are stated in the Asset Management Plan.

Property Valuations: The Council's external valuers, Humberts, value the Councils Freehold properties in three annual tranches. Humberts annually certify both the qualifications of the valuer and that the valuation is prepared in accordance with the Practice Statements in the RICS Appraisal and Valuation Manual prepares the valuations.

Properties are valued on the basis of either Market Value or Depreciated Replacement Costs. Market Value is based on an unconditional cash sale as at the Valuation date based on various assumptions. Depreciated Replacement Costs value is used where properties, due to their specialist nature are rarely, if ever, sold on the Open Market. Humberts also give information on all Assets annually with regard to impairments.

Use of Resources & Surplus Property:

The planned mechanism for identifying surplus property is to be set via the consideration of performance measures, relationship with objectives and service needs, and consideration by members of the CPG and ultimately decisions made by the Council.

Any change of use, under occupancy, major repair, or improvement work will need to be considered by the CPG. Disposal of property is achieved at 'best consideration' - in line with financial regulations and standing orders (unless disposal falls within the exceptions identified under the Secretary of State's General Disposal Consent 2003).

Property acquisitions and disposals will be assessed both in terms of commercial value and community benefits.

Performance Measures: The Council's Asset Management Plan sets out performance indicators which can be used to assess the relative cost and contribution of specific properties to corporate objectives.

The use of property assets is therefore either to satisfy a service need, as an investment to secure a return (not necessarily financial) or as a disposal to secure a capital receipt offering the potential for re-investment. In all cases whether the investment is for economic, social or environmental gain, the emphasis is on securing the maximum return to satisfy the requirements of the Corporate Plan

Planning and Prioritising Capital Investment

Consultation: The Community Plan and the Council's own BVPP continue to develop, reflecting the views and priorities of residents, business, partners and members of the Council. The Council consults using a wide variety of media, including its own magazine which is distributed to all households, citizen's panel, chambers of commerce, etc.

Scheme Priorities & Appraisal : The Corporate Management Board considers initial proposals for expenditure to support the Council's objectives. This may come from the review of service business plans. During the year there are regular discussions with Members of the Budget Working Group on the size and make up of the next budget including the capital programme. This working group is being developed and may evolve into a Budget and Strategic Planning Working Group.

Role of the Executive : The Capital Strategy and the Asset Management Plan are reviewed by the Executive and determined by full Council as part of the corporate planning process. In order to ensure that capital resources are used most effectively, and for the achievement of the strategic objectives, the Council assesses all schemes. This enables the Executive to identify schemes that require investigation over the next 1 to 5 years and provisionally earmark capital resources for these. A feasibility study can then be embarked upon for approval/rejection, based on detailed proposals, which will be presented to one of the Executive's 13 meetings per year.

Priorities reflect the following 'themes'/ process:

- Prior policy commitments to invest in a service via the capital programme (notably £2m p.a. for affordable Housing).
- To meet government and corporate priorities (e.g. Housing Renewal Grants, Decriminalisation. Parking).
- New proposals are linked to corporate priorities and considered as part of the budget process. Service managers are required to complete a bid form outlining the impacts of the scheme and how it contributes to the Council's objectives – this is considered, currently, by the Members Budget Working Group.
- In addition for key IT projects (IEG/ ICE) – schemes are run following the Prince 2 project management methodology. This requires a project initiation document, a business case and project plan which is submitted for the approval of the ICE programme board.

Project Definition: Detailed processing of projects can be found as part of the Asset Management Plan - See Appendix 4

Ability to Influence others using Capital Resources

■ **Transportation and Car Parking** - The provision of car parking affects congestion and can influence the economic viability of the towns and the vitality of the tourism locally.

■ **Industrial Estates** – Freehold and leasehold interests (the restructuring of leases allows redevelopment and provision of grants enables movement within estates and encourages inward investment),

■ **Economic Development Funds** - Provision of grants for infrastructure projects and where jobs will be created/ retained,

■ **Leisure Facilities** – Parks & Open spaces, Leisure centres, The charging policies, concessions provided enable the Council to organise events in conjunction with others, and also allows other sports clubs to run and organise their own events – all helping to provide healthy and sustainable communities,

■ **Housing** – Through the Affordable Housing capital programme and Planning policies, the Council works with and provides funding to Housing Associations. It is therefore able to influence the type and mix of housing to meet current and future needs, for example to include single people, key workers, rural schemes.

Corporate Policies on Procurement

The Executive approved the Council's revised Procurement Strategy on 3rd November 2005. The Strategy recognises the need for it to relate it to the Council's vision and to meet the Government milestones on procurement implementation.

The Procurement Strategy touches many aspects of the Corporate Plan from focussing on customers through the delivery of quality services more economically, to engaging the community on the choice of delivery systems, by working in partnership with customers and other public service bodies, to the commitment to good performance across the procurement field. There are also links to our environmental and sustainability policies and to the spreading of high standards on equalities and diversity to suppliers and partners.

The National Procurement Strategy encourages local authorities to consider the implications of service delivery in terms of the local procurement strategy. This means in effect, that good procurement practice should underpin all resource decisions made in connection with every Council priority. Therefore any decisions made on service delivery need to be considered on the basis of how and who should deliver the service.

Procurement therefore has a broader meaning than that of simply purchasing. It is concerned with securing services and products that best meet the needs of users and the local community in order to help achieve the Council's key priorities.

RELATIONSHIP BETWEEN THE COUNCIL'S KEY PRIORITIES AND THE PROCUREMENT PRINCIPLES

The procurement strategy is aligned with the Council's strategic aims and objectives as set out in the Corporate Plan and within other strategies and procedures such as the Sustainability Policy. Other strategies such as the asset management plan and budget strategy will also impact on this procurement strategy. The table below shows how the main procurement principles support the Council's key priorities.

Procurement Principles

Best Value For Money
Workforce Issues
Sustainability
Diversity & Equality
High Standards And Probity
Management Of Contracts
Mixed Economy
Partnering
Continuous Improvement
Electronic Government
Member and Staff Training

Links to Council Vision

Customer Focus
Equalities and Diversity
Sustainability
Equalities and Diversity
All
Customer Focus
Buoyant Economy
Partnership Working
All
Customer Focus
All

To achieve best value through procurement the Council will acquire goods, works and services through competitive tendering except in the circumstances set out in contract standing orders and financial regulations.

The Council will assess contracts on the value for money they offer and award contracts on the basis of "the optimum combination of whole life costs and benefits to meet the customer's requirement". Whole life costs comprise all the costs to the Council of acquiring, owning, maintaining and disposing of goods, services or works.

Tender evaluation criteria for the assessment of quality and price should be prepared and published in advance of the procurement. Robust quality/price evaluation models should be prepared that includes consideration of the costs that are expected to be incurred throughout the entire life of the project and which reflect the level of quality that can be afforded. It would not be realistic to attempt to provide detailed whole of life cost assessments for all procurement particularly small value contracts or purchases.

However, detailed whole life costs should be calculated for large value contracts and purchases, or where there is likely to be a significant environmental impact.

MANAGEMENT OF CONTRACTS: The Council recognises that effective project management of contracts is essential to achieve the completion of service delivery on time, within budget and in accordance with the specification. Prince 2 Project Management Tool is widely used throughout the Council in addition to the guidance provided on general project management. Please see Appendix 4.

Capital Strategy and Asset Management Review Plan

The Capital Strategy itself needs to be dynamic and capable of being revised and updated to react to changing corporate objectives, social and demographic changes, and political and financial influences.

Consequently an annual review will be undertaken following the review of the Community Strategy and the Corporate Plan to ensure that the Strategy remains sympathetic to those corporate goals where capital investment and use of resources plays a contributing role.

The Local Government Act 2003 requires the Council to have regard to the Prudential Code for Capital Finance, and to set prudential indicators for the next three years. The Act also requires the Council to set its treasury strategy for borrowing and to prepare an annual investment strategy, setting out policies for managing its investments.

Treasury Strategy

The Council has a statutory duty under the 2003 Act to determine and keep under review how much it can afford to borrow. The Council must have regard to the Prudential Code when setting its 'affordable borrowing limit', which essentially requires it to ensure total capital investments remain within sustainable limits and that the impact on future council tax levels is affordable.

The Prudential Indicators including the borrowing limit were reported to the Executive's February 2006 meeting and subsequently approved by Council.

Borrowing Strategy

The Council has no external borrowing at present and anticipates not needing to take any long term borrowing in 2006/07 or the following two years other than to meet short term cash flow needs. Moreover the receipts from anticipated property sales will substantially add to cash balances, further reducing the likelihood of borrowing. Any borrowing would be for a short period (i.e. for a week or less) and at fixed interest rates.

The ODPM guidance makes it clear that the borrowing of funds purely to invest or on-lend and make a return is unlawful. This Council will not engage in such activities

Investment Strategy

The Council's treasury activities have regard to the ODPM's guidance on Local Government Investment issued in March 2004. The overriding investment strategy is therefore to ensure balances are prudently invested in a way which protects the capital and also minimises liquidity risks. A secondary objective is to achieve optimum returns commensurate with appropriate levels of security and liquidity.

The Council's funds are invested via two fund managers and by in-house Finance staff. The in-house funds have increased in 2005/06 resulting from asset sales and will increase by the anticipated receipts in the coming year. Investments are accordingly made with reference to cash flow requirements and the outlook for interest rates.

Future Investments

Investment in land or building developments may produce a higher rate of return with accompanying levels of security and liquidity risks. The Council may consider investing a percentage of its balances in property investments to provide future revenue and capital returns higher than can be achieved by investing funds as described above but ensuring that security and liquidity risks are considered.

Options to invest in land or property will be subject to full evaluation of the expected returns and risks, on a case by case basis.

Appendix 5 details the statistical and financial information on the assets and financial spending plans of the Council, that have impacted upon the compilation of the Capital Strategy and Asset Management Plan.