

Title: **Capital Strategy 2008**

Lead Member: **Cllr While – Finance Portfolio Holder**

Reporting officer: **Steve Harding – Management Accountant**

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### **Purpose**

To consider the capital strategy for 2008 and make any recommendations to Cabinet.

### **Background**

The Capital Strategy guides the council's approach to capital spending and its funding. There is no longer a requirement to submit the strategy for approval by the Secretary of State, but the production of a formal strategy is considered good practice.

The Capital Strategy reflects the corporate plan and the process used to allocate resources for the capital programme. The strategy has been prepared against a background of Local government Reorganisation and takes into account the Service and Resource planning issues considered by Cabinet at its November meeting.

The forecast of capital resources recognises that these will run out over the next two years and that the Council will need to borrow under the Prudential Code in order to sustain a capital programme. Advice will be sought from our Treasury Management Advisers and a report will be presented to a future Cabinet.

The government are proposing to change the way that councils calculate the amount to charge to revenue in order to finance capital expenditure (minimum revenue provision). The policy agreed by the Council in last years' strategy is wholly consistent with one of the proposed methods.

### **Effect on strategies and codes**

These are contained in the strategy.

### **Risk management implications**

These are contained in the strategy.

### **Finance and performance implications**

These are contained in the strategy.

### **Legal and human rights implications**

There are no direct legal or human rights implications.

### **Next steps**

The strategy is still being reviewed following consideration by CMT. This will be considered by Cabinet before it is recommended for approval by Council at the council tax setting meeting in February 2008.

### **Recommendations**

The Committee consider the Capital Strategy and make any recommendations to Cabinet.

## Capital Strategy 2008

### Introduction

The Capital Strategy guides future capital spending decisions. It is considered by Corporate Management Team, Audit Committee, Cabinet and approved by Council.

The strategy identifies the priorities, the key partners involved with the council in realising them and the approach to cross-cutting issues. It also includes details of the process for agreeing the capital programme and arrangements for the evaluation of completed projects.

### The Council's Priorities

The Council's intentions, direction and focus for the next five years are set out in the Corporate Plan. The plan is used by the Council, Cabinet, and our staff to shape all we do. It also helps partner organisations understand what we do and how we do it. Councils are complex organisations and have many roles: community leader, democratic representative, provider and enabler of services, local business and major employer. We help shape the communities and places in which we live and work.

The Council has identified six 'spotlight areas' where particular improvement is needed.

- Putting customers first

Overall aim: To improve the experience of our customers in dealing with West Wiltshire District Council to the level of best practice in local authorities.	Starting position: We have corporate and departmental customer service standards in place as well as a council wide complaints system. However, we do still deal with customers within a departmental rather than corporate framework. We have developed a customer services strategy that will enable us to move forward in delivering services corporately.
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- Improving Development Control

Overall aim: To provide an efficient and high quality development control service, while achieving the Government's performance targets for dealing with planning applications.	Starting position: The turnaround time for planning applications fluctuated during 2005-06. We will continue to work towards achieving all the national targets and achieving above average performance.
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- Recycling more waste

Overall aim: To hit the national top quartile targets for recycling and be an exemplary organisation in terms of our own waste management	Starting position: Levels of recycling within the district increased significantly during 2005-06. Levels of domestic recycling and composting exceeded 27% and 97% of the district is now served by kerbside collections of two or more types of waste that can be recycled.
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- Meeting housing need

<p>Overall aim: To identify and meet housing need in the district.</p>	<p>Starting position: The Council's role is to balance the housing market and meet housing need in the district. There is a shortage of affordable housing in the area, particularly in the private rented sector. The Council's CPA inspection noted that we need to improve our focus on private homeowners to develop and maintain balance in the local housing market by ensuring that the existing housing stock is effectively maintained. The Council also wishes to find new ways to better meet housing need.</p>
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- Better access to recreation

<p>Overall aim: To provide a wide range of well planned and managed leisure and recreational opportunities that meet the needs of residents and return high levels of customer satisfaction</p>	<p>Starting position: We provide a range of cultural activities including parks, open spaces, play areas, leisure facilities and opportunities to participate in arts, sports and physical activities. An overall assessment of what the leisure and recreational needs are in the district has been carried out, which has resulted in a framework for improvement.</p>
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- Improving our market towns

<p>Overall aim: For all five towns to become increasingly attractive and vibrant places for people to live and work.</p>	<p>Starting position: A notable feature of the district is that it is centred around five market towns. We must ensure that they are vibrant and attractive places for future generations to live and work in.</p>
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We have also identified a series of guiding principles, which will help us to 'get the job done':

- Sound financial management
- Valued and well supported staff
- A well planned and focused approach
- Strong community leadership
- Commitment to social inclusion
- Accessible decision making
- Efficient and effective service delivery
- High quality communications

### **Other Factors relevant to the Capital Strategy**

In addition to the council's corporate priorities, other relevant factors taken into account in preparing the Capital Strategy are:

- Contractual commitments.
- Projects to improve the efficiency and effectiveness of the council's operations generally. This includes modernisation of computer systems.
- Recommendations derived from the CPA assessment, improvement plans and Policy Project Groups.

In view of the proposal to reorganise the structure of local government in Wiltshire the programme has been reviewed to ensure that work can be completed by 31 March 2009 and will be of continuing value to the new authority. The programme for 2009/10 is a guide to the likely needs that will have to be met, but the final decision will rest with the new Council.

### **Delivery in Partnership**

Like most district councils, we recognise that there are limits to what we can achieve on our own. The Council has a key role to play in working closely with other agencies and organisations to try and make improvements that impact on the quality of life for people in the district.

The Local Strategic Partnership is a group of key people from a wide range of organisations, who come together to make sure that the most is made of opportunities for joint working and to tackle the big issues like community safety, health and the local economy. In order that the LSP works together, the partners have signed up to an overall community strategy for the area. This document - 'West Wiltshire: a place to be proud of' - was produced following in-depth consultation with the local community, and is available from [www.westwiltshire.gov.uk](http://www.westwiltshire.gov.uk). We are also committed to supporting and delivering key projects in both the Wiltshire Community Strategy and Local Area Community Plans.

Some examples of partnership working within the Capital Strategy are;

- a) Six local housing associations have been nominated as our strategic partners for the provision of social housing in the district. Meeting housing need remains a corporate priority and the capital programme clearly shows this priority.
- b) The government has approved a Private Finance Initiative bid from the Council to provide 400 affordable houses and expressions of interest in the project have been received and the preferred bidder is in the process of being selected.
- c) To increase recycling rates in line with Government Strategy a kerbside recycling is being delivered with both the county council and the district council contributing towards the cost of the scheme. The county council provided the 'black boxes' for dry recycling with the district council meeting the running costs. Green waste bins have also been provided with the district funding £415,000 in 2004/05 and the county council funding £500,000 in 2005/06
- d) A private sector contractor, DC Leisure, runs the council's leisure centres under a partnership arrangement. There is a joint commitment to an overall programme of £2.75m to be carried out over the life of the contract.
- e) The district council provides £100,000 for capital expenditure and £30,000 revenue finance in the five market towns on the proviso that this is match funded by the relevant town council. The money can be used on such things as environmental improvements to the town centres or to meet the aspirations of the local community plan.

- f) The council has joined a partnership arrangement with the county council and the other districts in the county to jointly purchase and develop a customer relations management system and is seeking to extend this approach.
- g) The district council is working with the county council on the introduction of decriminalised parking enforcement. The county council will meet the capital set-up costs and the district will run the scheme, funding any revenue deficit or using any surplus to benefit other highway improvements in its area.

### **Approach to Prioritising Investment**

The procedure for the approval of the council's capital programme is as follows:

- a) A forecast is made of an affordable level of resources available as part of the medium term financial planning process that is considered by Cabinet in the autumn.
- b) A three-year programme was developed from a zero base from 2007/08 and Service managers were invited to submit bids for projects for inclusion in the programme. Bids have to be properly costed, identify any external funding that may be available and include the revenue consequences, if any, of the project. Each bid also includes a statement of the reasons for the project, showing in particular how these contribute to the council's corporate priorities. A copy of the documentation used for this is attached at Appendix 1.
- c) The bids are presented to the Corporate Management Team whose brief is to prepare a prioritised list of projects for inclusion in the programme.
- d) The projects are evaluated in terms of
  - their contribution to each of the council's corporate priorities
  - their contribution to key principles
  - external funding available
  - track record of implementing schemes
  - revenue implications
  - the level of risk
  - any other relevant factors.

A scoring system is used to establish a prioritised list of projects. If there are any revenue consequences then these will be taken into account in the prioritisation and be fed into the revenue savings/developments. Invest-to-Save schemes are awarded a particularly high level of priority. Schemes are included in the capital programme in priority order until the amount of resources available is fully allocated. This is presented to Cabinet for consideration and recommendation to Council as part of the budget setting process.

- e) Projects that cannot be financed in the requested year may be included in a reserve list or programmed in a later year. These may be added to the programme or brought forward to replace any schemes that are unable to proceed during the year.

- f) Corporate Management Team and Cabinet will consider any urgent or high priority schemes that emerge during the course of the year. If approved then funding will be found either by virement, by deferring another scheme or by the Council granting additional resources, as allowed by the constitution or financial procedure rules.
- g) The programme was reviewed in the light of local government reform. Any schemes no longer deliverable within the life on the Council or unlikely to have any ongoing benefit were removed and only inescapable commitments were added. No bids for a new third year of the programme were invited.

The council has determined that a minimum amount for a capital scheme should be £10,000, however if the government give specific support for a scheme that is of a lower amount then this will be allowed. It is also acceptable to aggregate the purchase a large number of small items such as personal computers.

Following the withdrawal of LASHG the Cabinet has amended planning policies to obtain contributions from developers towards social housing.

The pool of capital receipts from the Large Scale Voluntary Transfer of its housing stock and other asset sales will be exhausted during the period of the programme and the council will need to undertake borrowing under the prudential borrowing code. Government has changed the way it supports local authority capital expenditure from additional revenue support grant to capital grants. The government's comprehensive spending review 2007 has placed additional requirements on the south west region, which has diverted funding away from local authorities, and it is assumed that this grant will be zero in 2008/09 and 2009/10. The timing of borrowing will be the subject of discussions with the Council's treasury management advisers. A summary programme, financing statement and ongoing revenue consequences is attached at Appendix 2.

### **Financing Policy**

Following the change in financing from mainly capital receipts to mainly borrowing the Council has agreed:

- To continue with a separate capital programme so that the potential commitment to borrowing is clearly indicated.
- The vehicle replacement reserve should be used to finance computer and other equipment with depreciation charged over the useful life of the item.
- That MRP should be set for each scheme so that the borrowing is repaid at the end of the asset's life.
- That MRP for grants made should be set so that the borrowing is repaid at the lesser of either the end of the life of the asset for which the grant was given or 20 years.

The Council can review the capital programme and consequential effects on prudential borrowing at any time. This may be necessary if further strategies are developed to deliver the corporate priorities.

The government is considering changing the regulations that govern the calculation of MRP to require authorities to set it at a prudent level. The Secretary of State is proposing to issue guidance to accompany the regulations. This will give authorities four methods as how to calculate MRP, or a combination of them, and the Council must determine how it will be calculated. The Council's previously agreed policy is wholly consistent with one of the options.

### **Procurement**

The council operates a general procurement strategy for projects or contracts. The business case that managers must make when bidding for capital resources must identify the options considered. The evaluation and prioritisation of the bids will also consider the options for delivery and whether they have been fully explored.

The procurement strategy has been approved to help achieve the most appropriate purchasing solutions for capital expenditure and Contract Procedure Rules have been reviewed.

### **Monitoring and Evaluation of Progress**

Each capital project is assigned to a service manager who is responsible for its implementation. Meetings are held regularly between Finance and the manager responsible for on the each scheme to discuss progress and to estimate the year end position. Progress on the capital programme is reported monthly to the Corporate Management Team and to the Cabinet. Scrutiny Committee also receives monitoring reports and a regular report from portfolio holders.

At present there is no formal system of evaluation for all completed projects, but internal audit are requested to undertake project post implementation reviews. It should be noted that the major portion of the council's capital expenditure is on housing grant schemes or improvement of existing properties.

### **Contact**

For further information contact: Steve Harding or Ian Jamieson Tel. (01225) 776655



**Form 1****Service development bid****Business case for capital, major ICT and asset enhancement projects**

Please use this form for capital bids including major ICT and asset projects over the next three years. **Please ensure the start year is indicated under the costs section.** When completed, submit this to Steve Harding by 15 October 2007.

Service area	
Service Manager	
Name of project	

**Project description**

The project should be described in sufficient detail for it to be understood by the uninitiated reader

**Objectives and purpose**

State the objectives, purpose and reasons why the project should be undertaken. Please state:

- If this is a statutory or non statutory requirement
- If it contributes to the achievement of key performance indicators

**Contribution to the Corporate Plan**

Describe how the project will contribute to the achievement of the Corporate Plan spotlight areas or getting the job done principles

**Options**

The various options for achieving the required outcome should be outlined. The reasons for selecting the proposed option should be explained.

**Benefits**

This section should identify each benefit that would be achieved from the outcome of the project. Each benefit should be described clearly and in measurable terms. The quantification of benefits is important so that competing projects can be compared and that the success of a project can be established

**Risks**

A summary of the key risks which could seriously affect the outcome of the project should be given. How these risks will be managed should also be described.

Also, please rate the risk according to its impact and its likelihood on the following scale:

**a) Impact**

- 4 Catastrophic
- 3 Major
- 2 Moderate
- 1 Minor

**b) Likelihood**

- 4 Almost certain
- 3 Likely
- 2 Moderate
- 1 Unlikely

**Timescales and contract periods**

The timescale for implementing the project, from the point of approval and funds being made available, should be set out. Finance need to know soon after approval the contract will be let/payments start and how long the contract will run for, when do you think you will have this information available?

**Appraisal**

This section should show the balance between the benefits to be gained from the project against the costs of carrying it out. The base line for appraisal is the “do nothing” option, i.e. what will be the picture of costs and benefits if the project is not undertaken. This should be compared with the picture expected from completing the project.

Wherever possible, benefits should be expressed in tangible, measurable ways. If the outcome of a project cannot predicted with certainty, best case and worst case scenarios may be described.

**Costs**

Full details of the costs of the project should be given. These should cover both one off and ongoing costs

	Year 1 (state yr)	Year 2 (??)	Year 3 (??)
<b>Capital</b>			
Capital expenditure			
Total			
Capital contributions			
Total			
<b>Revenue implications</b>			
Annual expenditure			
Total			
Annual income			
Total			
Annual savings			
Total			
<b>Net Revenue</b>			

**Funding**

If there is any external funding available for this project, please give details

**Notes**

**Rules on capital:** The rules on capital changed on 1 April 2004 and that what we capitalised in the past might not be able to be capitalised in future. In particular repairs cannot be capitalised unless the value of the asset has been reduced to reflect the lack of repair and the work will add value to the asset. Computer software can be capitalised but the first year maintenance cannot. We also need a split between computer hardware and software. The Auditors are likely to become much more interested in our capital programme and will expect that proper option appraisal has been carried out and that optimism bias (see [www.hm-treasury.gov.uk/media/885/68/GreenBook\\_optimism\\_bias.pdf](http://www.hm-treasury.gov.uk/media/885/68/GreenBook_optimism_bias.pdf)) has been addressed as part of the appraisal. For more information, or specific queries, please contact Steve Harding.

## CAPITAL PROGRAMME

PROJECT	2008-09			2009-10		
	Gross Expenditure £	External Funding £	Net Expenditure £	Gross Expenditure £	External Funding £	Net Expenditure £
<b>STRATEGY &amp; PUBLICITY</b>						
Land Charges Data Assistants	34,100		34,100			0
<b>Total Strategy &amp; Publicity</b>	<b>34,100</b>	<b>0</b>	<b>34,100</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>COMMUNICATIONS</b>						
Server Virtualisation	32,500		32,500	25,000		25,000
PC Replacement	55,000		55,000	55,000		55,000
Members IT	2,000		2,000	2,000		2,000
Desktop Equipment & Software	15,000		15,000	15,000		15,000
<b>Total Communications</b>	<b>104,500</b>	<b>0</b>	<b>104,500</b>	<b>97,000</b>	<b>0</b>	<b>97,000</b>
<b>PLANNING &amp; DEVELOPMENT</b>						
5 Towns Initiative	100,000		100,000	100,000		100,000
Waterside Development				1,250,000		1,250,000
<b>Total Planning &amp; Development</b>	<b>100,000</b>	<b>0</b>	<b>100,000</b>	<b>1,350,000</b>	<b>0</b>	<b>1,350,000</b>
<b>HOUSING</b>						
Commuted Sums - Housing Enabling	780,000	780,000	0	1,049,500	1,049,500	0
Housing Renewal Grants	550,000	280,000	270,000	800,000	290,000	510,000
<b>Total Housing</b>	<b>1,330,000</b>	<b>1,060,000</b>	<b>270,000</b>	<b>1,849,500</b>	<b>1,339,500</b>	<b>510,000</b>

PROJECT	2008-09			2009-10		
	Gross Expenditure £	External Funding £	Net Expenditure £	Gross Expenditure £	External Funding £	Net Expenditure £
<b>ENVIRONMENT</b>						
Chapmanslade Sewerage Scheme	110,000	0	110,000	110,000		110,000
Play Area Refurbishment	60,000		60,000	60,000		60,000
Pumping Station Upgrade Works	20,000		20,000	18,000		18,000
Open Space Access and Paving	9,500		9,500			0
Cemetery Infrastructure	43,000		43,000			0
Car Park Surfacing	24,000		24,000	30,000		30,000
Multi Storey Car Park	100,000		100,000			
Cemetery & Park Lodges	22,000		22,000			0
Cemetery Chapels	21,500		21,500	16,500		16,500
<b>Total Environment</b>	<b>410,000</b>	<b>0</b>	<b>410,000</b>	<b>234,500</b>	<b>0</b>	<b>234,500</b>
<b>FINANCE &amp; POLICY</b>						
Tradesmen's Vans			0	40,000		40,000
Sandown Centre Paving	10,000		10,000			0
Ascot Court Lobby Refurbishment	24,000	24,000	0			0
<b>Total Finance &amp; Policy</b>	<b>34,000</b>	<b>24,000</b>	<b>10,000</b>	<b>40,000</b>	<b>0</b>	<b>40,000</b>
<b>COMMUNITY</b>						
Play Area Grants	21,000		21,000	21,000		21,000
<b>Total Community</b>	<b>21,000</b>	<b>0</b>	<b>21,000</b>	<b>21,000</b>	<b>0</b>	<b>21,000</b>
<b>TOTAL CAPITAL PROGRAMME EXPENDITURE</b>	<b>2,033,600</b>	<b>1,084,000</b>	<b>949,600</b>	<b>3,592,000</b>	<b>1,339,500</b>	<b>2,252,500</b>
<b>Ongoing Revenue Consequences</b>			<b>0</b>			<b>3,000</b>