

SALISBURY DISTRICT COUNCIL

CAPITAL STRATEGY 2006



Awarded in:
Housing Services
Waste and Recycling Services



1. INTRODUCTION

- 1.1 Salisbury District Council believes that capital investment should support the achievement of key objectives by working with communities, tenants, partners and other stakeholders to identify and act on local priorities to improve local quality of life. The purpose of this strategy is to provide a framework within which the use of capital resources can be co-ordinated and allocated in accordance with the key objectives outlined in the Council's corporate plans and strategies.
- 1.2 The Council has capital resources available for capital expenditure purposes but like other Local Authorities has identified the need for capital investment in excess of the current resources available. This Strategy will show how the Council is prioritising, targeting and measuring the performance of its capital resources to maximise the value of that investment to obtain best value and value for money for the community. To this end, this Authority has taken a longer view than generally expected and approves a 5 year rolling capital programme.
- 1.3 The Government still exercises some control over Local Authorities' capital expenditure through the allocation of approved borrowing. Salisbury District Council repaid all external debt in 1998 and is now among a minority of Local Authorities to be without debt and still retain its housing stock. Since 1 April 2004 sales under the Right to Buy scheme and mortgage capital repayments have been subject to pooling at 75%.
- 1.4 Transitional relief against pooling on a sliding scale over the years 2004/5 to 2006/7 is being applied to reinvestment in affordable housing. The Council has therefore created a capital programme for affordable housing linked to pooled receipts over three years in the region of £3m. Due to the lack of additional resource, investment in the Council's housing stock is limited to that generated from the major repairs allowance (approximately £3m per annum).
- 1.5 The Local Government Act 2003 legislated for Authorities to follow the "Prudential Code". This code, although giving Councils the ability to determine its own unsupported borrowing levels, requires that any the decisions to borrow show the full impact and affordability of such decisions by using prudential indicators. These indicators do not apply readily to authorities without external debt but will be developed over the medium term. All new major investment is evaluated to show the effect on council tax levels.
- 1.6 The Council has set its current borrowing limit at Zero (as it is a net investor) in line with the medium term financial strategy. Any decision to enter into borrowing at a later date or to change this overall limit is subject to a full council decision.
- 1.7 As part of a review of the five year capital programme, the Council has set aside capital resources for a Capacity Fund This resource is designed to support the Corporate Plan to take account of temporary additional expenditure during major projects.

2. MANAGEMENT ARRANGEMENTS

- 2.1 Salisbury District Council has established a modernised Local Authority governance structure to make decision-making more effective and to ensure important cross-cutting issues are dealt with in a co-ordinated strategic way. Our approach is based on the Leader and Cabinet model with 4 Portfolios: Resources, Environment and Transport, Community and Housing, and Planning and Economic Development. Overall responsibility for the Council's finances and asset management falls within the remit of the Resources Portfolio. In addition, the Council has established non-executive Scrutiny Panels. The Resources Scrutiny Panel (chaired by a member of the opposition group) has responsibility for reviewing the management of the Council's finances. An Audit Committee was set up in 2005 to overview the Council's corporate governance and risk management.
- 2.2 The Council's officer structure is based on a Chief Executive and 3 Policy Directors (the Management Team) ensuring implementation of cross-cutting policies and Heads of Service, responsible for day-to-day operations.
- 2.3 The Improving the Performance and Finances of the Council Board has been set up to deal with managing and monitoring the Capital Programme and the Council's overall capital strategy. In addition, the group monitors and manages the Asset Management Plan and capital elements of the Corporate and Portfolio Plans. These contribute to the framework for capital investment within the Authority and identify areas where the Council is able to apply influence through the use of capital resources to promote the Council's policies and objectives. A Policy Director chairs this member/officer board which includes the deputy leader and portfolio holder for Resources. The Board reports to the Management Team and Cabinet.
- 2.4 The Council has approved a 5 year Capital rolling programme linked to strategic policies and objectives and to known and anticipated capital resources including capital receipts, grants, major repairs allowance and third party contributions.

3. CORPORATE PLAN

- 3.1 The 2006/07 Corporate Plan sets out the Council's integrated improvement programme to give direction on how to manage change successfully. The eleven themes of the Integrated Change Programme are drawn from the seven political and four organisational priorities of the Council as follows :-

Political Priorities

- Improving services for our customers
- Maintaining council housing to a high standard
- Creating more affordable housing
- Reducing household waste and improving recycling
- Reducing traffic congestion and improving public transport
- Making the district safer and reducing the fear of crime
- Creating better places to live

Organisational Priorities

- Meeting the financial challenge
- Improving the performance of the Council
- Partnership working and community engagement
- Building the capacity of the organisation

4 LINKS TO OTHER COUNCIL STRATEGIES AND INITIATIVES

- 4.1 The Corporate Plan sets out the vision, values and priorities and provides a strategic framework for the Council. It sets out a shared vision for our future direction from which the key priorities and objectives are derived.
- 4.2 There is a comprehensive suite of strategic plans and policies that support this framework and show how our objectives will be implemented. It is the role of this strategy to identify how capital resources can be used to achieve priorities.
- 4.3 In particular, the Capital Strategy will support the delivery of the 7 political priorities identified for 2006 through to 2011:

Political Priority	- Improving services for our customers	Maintaining council housing to a high standard	-Creating more affordable housing	- Reducing household waste and improving recycling	- Reducing traffic congestion and improving public transport	- Making the district safer and reducing the fear of crime	- Creating better places to live
Relevant Strategy	- IT Strategy - Asset management Plan - Priority outcomes - Office Centralisation - Access to services	- HRA Business Plan	- Housing Strategy - Local Development Framework - Local Plan	- Environmental Strategy - Waste Strategy	- Local Plan - Local Transport Strategy	-Community Safety Strategy	Local Development Framework
Support from Capital Strategy	- Community First Partnership - Capital Receipts	- Major repairs allowance -revenue contributions	- Capital Receipts - Developer contributions -Government grant	- Capital Receipts - Wiltshire Waste Partnership - Defra Grant	-Government Funding via Local Transport Plan - Capital Receipts - Developer contributions	- Developer contributions -Government Grants	-Regional Development Association Grant -Developer contributions

4.4 The Capital Strategy is also complemented by:

Economic Development Strategy
 Medium Term Financial Strategy
 Risk Management Policy
 Treasury Management Policy
 Procurement Strategy

4.5 Current Developments which will provide additional resources to the capital strategy are:

i)-Planning Obligations and the Local Development Framework (LDF)

We are undertaking a complete review of planning obligations as part of the LDF process. This is currently underway and will continue in 2007. We acknowledge that planning gain (or uplift) is a major tool by which a local authority can deliver tangible social and community benefits.

Our review is focusing on the following key areas:

Base lining - what the legal and legislative position is. When and for what purpose can we legally request and use developer contributions.

Benchmarking Best Practice. Identifying authorities at the cutting edge and learning lessons from their experience

Central Place Theory. Identifying a settlement hierarchy within which we can use developer contributions from development in the major centres to improve facilities in small rural satellites, which receive no development of their own.

Pooling Contributions. Looking into the feasibility of pooling contributions and use the resources on areas of identified need in the locality.

The first revised planning obligations policy will appear in a Core Strategy issues and options paper, which will go out for consultation in the autumn. We intend to seek innovative solutions, which push the boundaries and allow us to deliver real benefits for the district.

ii)-External Funding

The Council has appointed an external funding officer with a specific remit of generating external funding through grants and contributions to strengthen capital investment in the District. As well as identifying and applying for funding for the Council the remit also includes advice and support to voluntary organisations to help deliver local priorities which the Council would not have the resource to support.

5 THE COUNCIL'S OBJECTIVES FOR THE USE OF CAPITAL RESOURCES

5.1 The major objectives for the use of capital resources that support the Council's vision, values and priorities are as follows :-

- To maximise capital resources to meet Council priorities
- To demonstrate value for money
- To maximise "Invest to Save" opportunities which reduce dependency on future revenue costs
- To work in partnership with other bodies on capital projects to minimise the impact on the Council's financial position
- To grant aid external organisations which deliver the Council's priorities
- To maintain the Council's assets and ensure the health and safety of the public and staff
- To ensure the capital programme is informed by the outcomes of service reviews, and other developments

6 KEY PARTNERS AND CROSS-CUTTING OUTCOMES

6.1 To improve the social, economic and environmental well being of the people of Salisbury and South Wiltshire requires a partnership between the communities of the District, the public, private and voluntary sector organisations. Salisbury District Council has a key role to play in a number of partnerships that tackle issues, which are not the sole responsibility of any single organisation. These cross cutting issues have been identified by the communities of Salisbury and South Wiltshire through the Community Planning process.

- The community planning process has been developed by the South Wiltshire Strategic Alliance (SWSA – our Local Strategic Partnership). The partnership has been working together on "joined up" projects, which have required new approaches to funding.

7 APPROACH TO PRIORITISING INVESTMENT

- 7.1 This Capital Strategy has been prepared having regard to a consistency of approach to prioritisation of investment with the other key corporate and service objectives contained within the Council's corporate policies and strategies in accordance with the Council's Corporate Planning and Review Process (Appendix B). This process begins with the identification of corporate objectives based on community engagement. It builds the links between priorities identified by the community, service and financial planning, robust financial management and political direction.
- 7.2 The Capital Strategy therefore consolidates the financial details of all of the projects contained in the wider strategies of the Council. These wider Council strategies identify needs, these needs are assessed and prioritised by Members, then projects are identified to meet them. The Capital Strategy then determines the priorities of the projects and the resources that will be used to fund them.
- 7.3 Our Capital Project Appraisal System offers a systematic approach, which enables us to assess all the competing demands for capital. There are six key stages to our approach to the prioritisation of investment in capital projects and these form an intrinsic part of the Council's Corporate Planning and Review Process: -
- a) Preparation of a Project Initiation Document (PID)
 - b) Completion of a financial evaluation including revenue implications
 - c) The use of Whole Life costing techniques as recommended by the Treasury Green Book in appropriate circumstances
 - d) Proposal submitted as part of the Corporate Planning process
 - e) Ensuring that procurement of goods and services complies with contract standing orders and financial regulations
 - f) Monitoring the progress of major projects quarterly and identifying both financial and programme variance from the plan
 - g) For major schemes a post-completion review once the project has been completed. This will seek to identify whether projects and programmes have been delivered to agreed specifications, to agreed timescales and within budget. Further the review will confirm that the final outcomes address the key priorities and targets envisaged at the design and approval stages.
 - h) For recurring investments such as repairs and maintenance and ICT strategy an annual review and 3-5 year fundamental review will be undertaken

8 PERFORMANCE MEASUREMENT AND BEST VALUE

- 8.1 Performance indicators circulated by DCLG (the Department for Communities and Local Government) are being assessed to identify the key items that will assist the Council to measure its key priorities in respect of both the efficiency of its assets and its investment portfolio. In addition local indicators will be developed to aid management of performance in relation to assets.
- 8.2 The financial and operational progress of the Capital Programme is rigorously monitored and a quarterly performance report is submitted to the Improving the Performance and Finances of the Council Board, Management Team and the Cabinet, highlighting progress on major schemes.
- 8.3 The management and monitoring of the capital programme is carried out in a variety of ways including the following:
- Regular "surgery" meetings
 - Regular financial monitoring and reporting
 - Project Appraisals and options
 - Project costing and benchmarking
 - Consultants' briefings and VFM studies

8.4 We will continue to monitor the effectiveness of our processes to ensure we are maximising the positive benefits of our investment decisions. Property performance indicators complement these processes, therefore enabling more effective management of service and financial return.

9 AVAILABLE RESOURCES

9.1 There are a number of sources of funding that have been utilised to fund the capital programme:-

- Capital Receipts – these are receipts generated from the sale of the council assets.
- Revenue Funding – the Council can fund capital expenditure from the revenue budget
- Contribution from Reserves
- The Major Repairs Allowance (MRA)
- Developer contributions e.g. Section 106 Agreements
- Other external funds – these include Invest to Save, Partnership funding, Government Grants, European Union Funds and Lottery Funding

9.2 In support of the Capital Resources objectives, the Council will:

- Review each year as part of the medium-term financial strategy any annual revenue contribution to capital.
 - Build revenue implications of any capital decisions into portfolio plans
 - Ensure that value for money and efficiency principles are applied
 - Utilise all available capital resources over a 5 year period.
 - Undertake during 2006/07 a stock transfer ballot.
 - Confirm its approach to re-investment following a stock transfer
 - Promote partnership working and make the resources the Council has go further. e.g. The Do-it-yourself Shared Ownership Scheme (DIYSO)
 - Explore external funding streams – An external funding officer was appointed in 2005.
 - Leverage resources from the private sector through the effective use of Council land, influence and other assets.
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- Identify the right financing solution for each project, taking into account cost and timescale for delivery.
 - Make use of the plant and equipment renewal fund where better value for money and greater efficiency can be demonstrated

10 PURCHASING AND PROCUREMENT

10.1 The Council recognises that an integral part of the Capital Strategy is to have an appropriate procurement strategy in place, including arrangements for procuring consultants and contractors.

10.2 The Council is currently considering other methods of procurement in addition to the traditional single stage competitive tendering e.g. term contracting and partnering arrangements as set out within the Office of Government Commerce guidance “Common Minimum Standards”.

10.3 The Council currently in the process of implementing its procurement strategy to enable more efficient and transparent procurement over the next three years.

11 CONSULTATION PROCESS

11.1 Results from consultations with residents of Salisbury District through a Citizens' Panel of 1000 people (the "People's Voice") has demonstrated that the aims and priorities are those of the community, not just of the Council. Over the coming years it is envisaged that by listening to our stakeholders, the Capital Programme will lead to enhanced service delivery in our priority areas.

11.2 The Council has a robust consultation process in relation to its budget setting and recognises the link between capital decisions and revenue budgets.

12 REVIEW OF THE STRATEGY

12.1 The effectiveness of this Strategy will be reviewed annually to enable the Council to:-

- reschedule the Capital Programme in the light of the level of capital receipts from Right to Buy Sales and the sale of other capital assets – taking into account the pooling mechanism
- consult on the future of the housing stock and re-investment in the case of stock transfer
- incorporate the effects of centralised office accommodation
- ensure the effectiveness of the programme and that it reflects developments in Asset Management, the HRA Business Plan and the Council's Community Plans.
- Make amendments to the expenditure profile of capital projects to match the overall project management arrangements.

12.2 The position regarding the Council's position on borrowing will be reviewed annually to see where there is merit in using prudential borrowing to match any gaps identified in current resources against planned service improvements and political priorities. Examples of this are the office centralisation programme and new waste strategy.

13 CONCLUSION

Salisbury District Council is committed to managing its available resources effectively to deliver its priorities. Prioritisation between competing demands is essential in order to utilise limited funding more effectively. Robust procedures and processes are in place to ensure this happens for the benefit of our customers and stakeholders.