

TAUNTON DEANE BOROUGH COUNCIL

EXECUTIVE 21 SEPTEMBER 2005

REPORT OF THE FINANCIAL SERVICES MANAGER

This matter is the responsibility of Executive Councillor Williams
(Leader of the Council)

CAPITAL STRATEGY 2005-08

1 Executive Summary

- 1.1 Attached at Appendix A is the draft Capital Strategy for 2005-08. The Executive is invited to comment on the draft strategy before it goes to Full Council in October.

2 Introduction

- 2.1 The ODPM have removed the requirement for the Council to submit to Regional Government Offices the annual Capital Strategy and Asset Management Plan. However it is deemed to be good practice to continue to prepare an AMP and Capital Strategy annually. This is borne out by the Capital Strategy being seen as a key document in the new CPA Use of Resources self-assessment.
- 2.2 The Capital Strategy is a summary of the Council's approach to capital investment including:-
- Our aims for capital investment,
 - Development and ongoing management of the Capital Programme,
 - Partnership working on capital projects, and
 - Performance measurement.

3 Capital Strategy 2005-08

- 3.1 The revised draft Strategy for 2005-08 is attached at Appendix A. It has been updated from the last years version by taking recent updates provided by CIPFA on its ideal content and from other developments being undertaken by the Council.
- 3.2 The Review Board has already considered the draft strategy and they made no amendment to the document. The Executive is requested to note the Strategy and suggest amendments as appropriate.
- 3.3 After consideration by the Executive the Capital Strategy is programmed to go to the October Full Council meeting.

4 Recommendation

- 4.1 The Executive are requested to note the attached draft Capital Strategy for 2005-08 and to make comments on the content prior to submission to Full Council.

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TAUNTON DEANE BOROUGH COUNCIL CAPITAL STRATEGY 2005-2008

1 Content

1.1 This Capital Strategy demonstrates how Taunton Deane BC sets the direction of our capital spending plans and considers how we achieve the effective utilisation of our capital assets and resources.

1.2 The Strategy details our approach to the following areas:

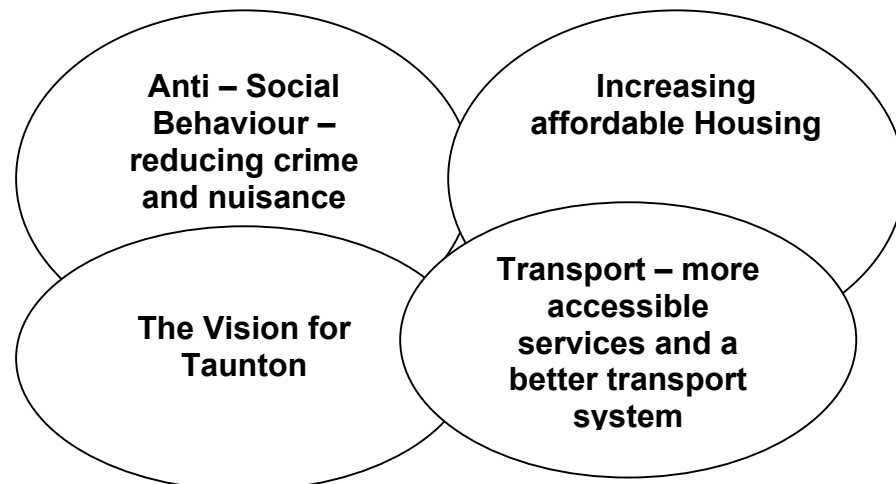
- Our strategic aims for capital investment,
- The identification of needs and our needs gap,
- Prioritisation of capital expenditure,
- The management and monitoring of the capital programme,
- How we review scheme outputs,
- The capital programme and the level of resources available,
- Our approach to procurement and partnership working,
- Links to other corporate plans.

2 Our strategic aims for capital investment

2.1 During 2004/05 the Authority profiled all of its services in line with its six main corporate priorities. This enabled investment to be focussed on high priority services. Our overall priorities are:

- Economy
- Transport and Access
- Crime
- Health
- Environment
- Delivery of services

Following on from these priorities the Council has set the following key actions as its goals for the medium term. These are:



2.2 Below are the actions from our Corporate Strategy 2005-2008 that show how we will use our capital resources to achieve these priorities:

Priority	Actions
The Vision for Taunton	<ul style="list-style-type: none"> • Maximisation of developer contributions • Reinvestment of capital receipts arising from land sales within the Vision Area. • Land holding review • Vision land strategy • Support the relocation and redevelopment of the existing livestock market site
Transport	<ul style="list-style-type: none"> • Provider of part-funding towards the Silk Mills package • Ongoing replacement programme for car park pay and display machines • Improvements to our car parks
Anti-Social Behaviour	<ul style="list-style-type: none"> • The refurbishment of derelict buildings • The sale of unwanted assets • Crime reduction measures within the Housing capital programme ie the provision of double glazing and security lighting • Purchase of a relocatable CCTV unit • The provision of facilities for young people ie skateboard park and new play equipment
Increasing Affordable Housing	<ul style="list-style-type: none"> • Provision of £850k each year towards grants to Registered Social Landlords • Identification of suitable sites for new social housing • Pursuing a stock transfer to a new social landlord thereby increasing investment and improving stock conditions overall

- 2.3 The table above details how four of our main priorities are being tackled through capital investment. However the remaining priorities of both the **environment** and the **delivery of services** is also being promoted, for example regarding the environment we provide significant funding to improve open spaces and leisure activities. Also the delivery of services is enhanced through significant capital investment in IT systems, which is in line with our customer access aspirations.

3 The identification of needs and our needs gap

- 3.1 The Council has found that, unsurprisingly, resources to meet our overall aspirations for the Borough and for our priorities in particular cannot wholly be met by the Council alone. Therefore as part of our role as an enabler and facilitator we will look to maximise external income from sources such as the Lottery, Central Government and from private developers via section 106 agreements and commuted sums in order to deliver our priorities. An example of where we have been successful in obtaining external funding is through the awarding of a grant by the DWP for a replacement Revenues and Benefits IT system. The Council has an Officer whose role entails seeking out new external funding opportunities to benefit the Council.
- 3.2 In addition we will look to make the most of partnerships including the private sector and both PFI and PPP finance will be considered should any suitable schemes be identified. An example where the private sector option is being explored is through the work being done to develop the ISIS project for corporate services.
- 3.3 The Council will consider the use of additional borrowing to help deliver key aspirations. However this will only be done in line with the principles of the Prudential Code, ie providing that such borrowing is prudent, affordable and sustainable. This will be key to delivering the Vision for Taunton. Where possible specific contributions from revenue will be made to fund one off and “invest to save” capital schemes and boost capital resources. We will also use consider whether the additional resources generated under the new LABGI scheme can be utilised to meet some of our economic development goals.
- 3.4 The Council has recently experienced a downturn in the number of Right to Buy (RTB) receipts generated through the sale of Council Houses. This could have a major impact on our Housing capital programme and therefore officers are reviewing the programme and ensuring that usable capital receipts are maximised by selling surplus property. These additional receipts and then targeted towards priority schemes such as increasing affordable housing. Documents such as the Asset Management Plan help to highlight problem areas where investment is necessary.

3.5 In addition the Council will, where appropriate, designate land areas for social housing purposes thereby maximising the capital receipt available for reinvestment.

3.6 Via the budget process and through ongoing budget monitoring the level of projected available capital resources is continuously reviewed by Officers. This ensures that resources can be matched to priority schemes.

4 Prioritisation of capital expenditure

4.1 Effective capital prioritisation will help ensure that scarce resources are targeted towards key schemes, which will deliver our priorities.

4.2 The Authority has in place an established system to enable Corporate Management Team and the Executive to prioritise bids for new capital schemes. This system is known locally as the Project Appraisal Report (PARs) system. The purpose of the PAR is to provide comprehensive information on each new scheme, thereby enabling informed choices to be made.

4.3 A PAR requires the following areas to be considered:

- Project Outline and Description,
- Category of Scheme (ie legal obligation, service necessity, service maintenance or service necessity),
- Establishment of Need – appropriate analysis of need and rationale,
- Fit with Corporate Priorities,
- Fit with Service planning objectives,
- Sustainability,
- Option appraisal – ie “do nothing”, full scheme, partial scheme, scheme provided by other agencies, scheme provided through partnership working,
- Risk identification,
- Overall project evaluation,
- Resource implications, capital and revenue, monetary and non-monetary,
- Timescale for implementation,
- Recommendations.

4.4 The Council is enhancing the PAR process through the development of a model that will score both financial (for example the impact on the Council’s Prudential Indicators) and non-financial factors when considering capital investment. The scores generated by the model will be used to decide which schemes are recommended for inclusion in the capital programme. We will review the PAR process to ensure that it fits with the principles of project management under the PRINCE2 methodology.

4.5 It is important that we do not forget the impact on the revenue budget of capital decisions, therefore the Council's Medium Term Financial Plan for both General Fund and Housing Revenue Account services includes specific details on the likely impact of the capital programme on the revenue budget.

4.6 At present priority is given to schemes which pay for themselves on a "invest to save" basis. For these schemes the annual revenue savings generated through capital investment are put back into unallocated capital resources, for example Crematorium improvements. In addition schemes that lever in external funding are also given priority. This is consistent with the principles outlined in the Council's Financial Strategy, which was approved in April 2004.

5 The management and monitoring of the capital programme

5.1 The capital programme is reviewed and reported to Members three times a year (along with all other budgets of the Council) to ensure not only spend against budget but also progress of each scheme against other non-financial aspects such as timetable and construction progress. The Council is in the process of expanding the existing monitoring group, which currently concentrates on the Housing Capital Programme (our largest area of capital spend), to include all services thereby improving the overall management of capital budgets across the Council. Factors, which will be looked at, include progress, spend against budget, VAT implications and the treasury management consequences of capital spending.

5.2 The process of strategic risk management is employed for high spend/risk/profile capital projects. Where applicable, multi discipline project teams are formed to manage these schemes and to report progress and risks to Corporate Management Team. Post project reviews are used to improve overall future project management techniques.

6 How do we review scheme outputs?

6.1 The monitoring of capital investment is achieved on several levels, namely:

- Corporate Management Team monitor the policy outcomes of capital expenditure,
- The Project Board who monitor progress on a variety of corporate projects across the Council. This group has been established in line with the principles of PRINCE2 project management.
- The Chief Financial Officer is responsible for the monitoring and management of both the capital programme and capital resources. This is done by the Financial Services Unit who report the outcomes to Heads of Service, Corporate Management Team and to Members.
- The Corporate Property Officer is responsible for the monitoring and management of the Asset Management Plan,

- Individual officers are nominated as lead on each specific scheme.
- Finance staff support service department officers with budget monitoring and financial advice.

7 The capital programme and the level of resources available

7.1 A summary of budgeted capital spending for the period 2004/05 to 2007/08 is shown below. For the first time this covers a period of four years for all services.

Portfolio	2004/05 £000	2005/06 £000	2006/07 £000	2007/08 £000	Total £000
Corporate Resources	692	425	65	65	1,247
Econ. Dev. Tourism & Council Businesses	1,231	1,097	0	0	2,328
Environmental Policy	795	811	61	0	1,667
Housing	7,995	6,958	6,125	6,125	27,203
Leisure, Arts & Culture	797	207	117	117	1,238
Planning & Transportation	644	45	20	20	729
Total	12,154	9,543	6,388	6,327	34,412

7.2 At present the General Fund has unallocated capital resources of £697k. For the Housing Revenue Account the level of unallocated resources is £375k but it is expected that this could drop due to the fall in RTB sales mentioned in paragraph 3.4 above. In order to ensure that our resources match our spending Officers are reviewing what schemes could be deferred and the options for financing the programme by generating other resources such as through additional contributions from the revenue budget.

8 Our approach to procurement and partnership working

8.1 The Council is currently reviewing its procurement processes to ensure that maximum value is obtained from all capital contracts. This will supplement the benefits obtained from our recently revised tendering procedures and contract standing orders.

8.2 Partnership working within capital schemes will be encouraged where added value and synergies can be achieved. We will work with partners to identify resourcing solutions and to determine priorities and innovative ways of procuring capital investment. We will, wherever possible, ensure that partnership working is achieved; this is to ensure that services are delivered to the public with more than just our own priorities in mind.

8.3 We are an active partner on the Local Strategic Partnership, which includes representatives from the voluntary sector, private sector and other public sector bodies such as the Health Authority. Our community strategy helps inform our corporate priorities, which ultimately shapes the way in which our services are delivered. This is shown below:



8.4 The table below demonstrates some of the newest schemes which were approved during the 2005/06 budget process which demonstrate partnership working:

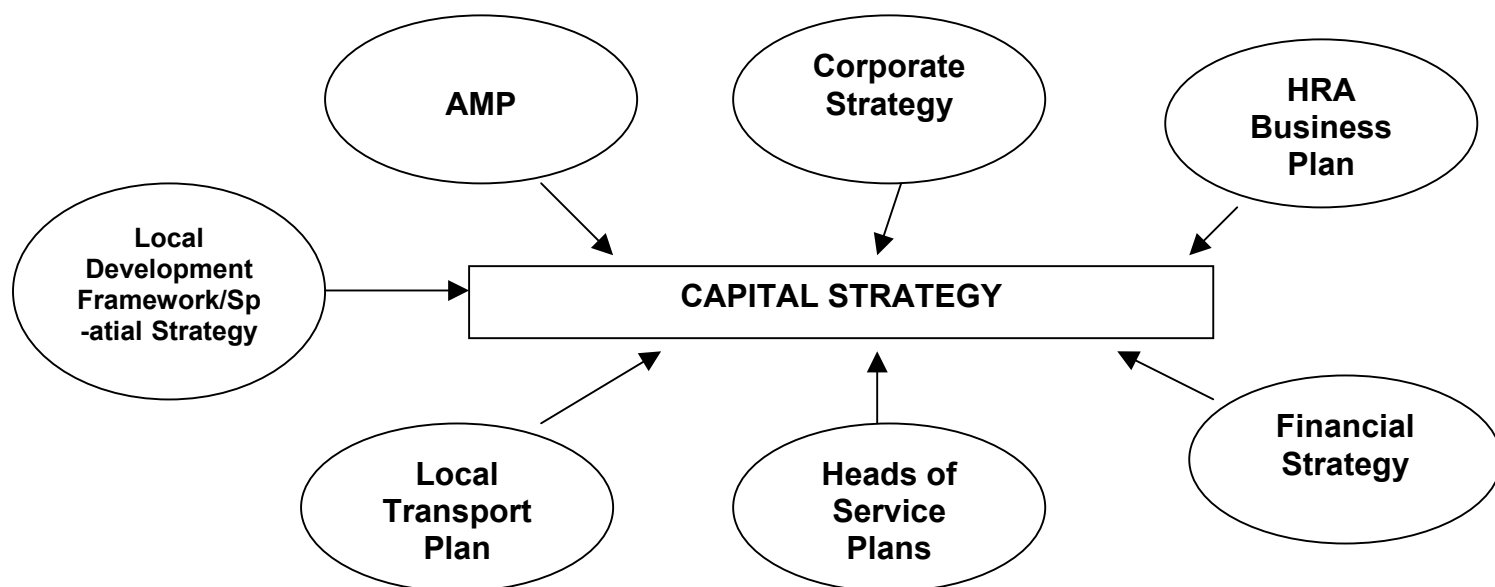
Capital Project	Other Partners
Contributions towards Social Housing Projects	Housing Corporation/ Registered Social Landlords/Private Developers
Tennis Centre Extension	LTA/ Local sports clubs/ Tone Leisure
Neroche Project	Lottery/ Forest Enterprise/ Wildlife Trust
Grants to Village Halls/ Play Equipment Grants	Parish Councils/ Local Village Hall & Playing Field Committees
Bridgwater & Taunton Canal	County Council/British Waterways

Further information on our key partnerships is shown in the Council's Performance Plan 2005-2008.

9 Links to other corporate plans

9.1 The Capital Strategy is informed by other plans and strategies that the Council has, it is consistent with those plans and its development depends on capital priorities being integrated into all that the Council does.

9.2 A summary of the key links to the Capital Strategy are shown below:



9.3 In particular the Asset Management Plan (AMP) provides the detail relating to how our assets are performing and how they have improved from year to year. The AMP should be read in conjunction with the Capital Strategy.

10 Our Strategy for Capital Investment – A Summary

10.1 The Council faces many challenges in the coming years, for our assets there are numerous aspects to consider. For example:

- The implications of a potential Housing Stock Transfer,
- The financial implications of the Disability Discrimination Act,
- The existing maintenance backlog facing our assets,
- Our customer access ambitions,
- The delivery of our key goal – the Vision for Taunton.

10.2 In the light of these challenges we need to ensure that our assets meet the needs of our existing profile of services. This will require disposing of surplus and poorly performing assets, maintaining and enhancing assets relating to high priority services and purchasing new landholdings to facilitate the Vision for Taunton.

10.3 In order to achieve this there are some key actions required:

- The land strategy relating to the Vision needs to be developed, together with the best vehicle for delivering this major project,
- We need to review our asset holdings, to generate resources and to focus spending on key areas,

- We need to consider the benefits of Prudential Borrowing to finance some of our aspirations, but be mindful of the cost implications and the need to provide services which provide value for money,
- To do this we will need a model to prioritise capital expenditure.

The Council recognises that this will take time to deliver but these actions will ensure that we have assets which match our reputation as an excellent Council.

11 Conclusion

- 11.1 Capital Investment is necessary to ensure that the Council can meet its overall priorities. However this can only be done in partnership with others and in a way that makes the most of limited resources. This will be achieved through the principles outlined in the Capital Strategy and in the actions detailed in other plans such as the Corporate Strategy.
- 11.2 The Capital Strategy will continue to develop over time in line with the Corporate Strategy.