

Taunton Deane Borough Council

Executive - 1 April 2009

Report of the Principal Accountant

Capital Strategy 2009-2012

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

1 Executive Summary

- 1.1 Attached at Appendix A is the draft Capital Strategy for 2009-2012. The Executive is invited to comment on the draft strategy before it goes on to Full Council.

2 Introduction

- 2.1 There is no statutory requirement for the Council to prepare a Capital Strategy, however in terms of setting direction for the use of the Council's capital resources the strategy is seen as a "must have" document.
- 2.2 The Capital Strategy is a summary of the Council's approach to capital investment including:-
- Our Vision,
 - The identification of needs and our needs gap,
 - The management and monitoring of the capital programme,
 - The capital programme and the level of resources available,
 - Our approach to procurement and partnership working,
 - Linkages to other corporate plans.

3 Capital Strategy 2009-2012

- 3.1 The draft Strategy for 2009-2012 is attached at Appendix A. It has been updated from last year's version by incorporating new developments being undertaken by the Council and refreshing the financial data included within the document.
- 3.2 The Strategy and Performance Panel considered the draft document at their meeting on 10 March and a verbal update on their comments will be provided at the meeting. Any suggested amendments have been incorporated into the attached draft. The Executive is requested to note the Strategy and suggest amendments as appropriate.
- 3.3 After consideration by the Executive the Strategy is programmed to go to Full Council later in the year.

4 Recommendation

- 4.1 The Executive are requested to note the attached draft Capital Strategy for 2009-2012 and to make suggestions on amendments to the content prior to submission to Full Council.

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Taunton Deane Borough Council Capital Strategy 2009-2012

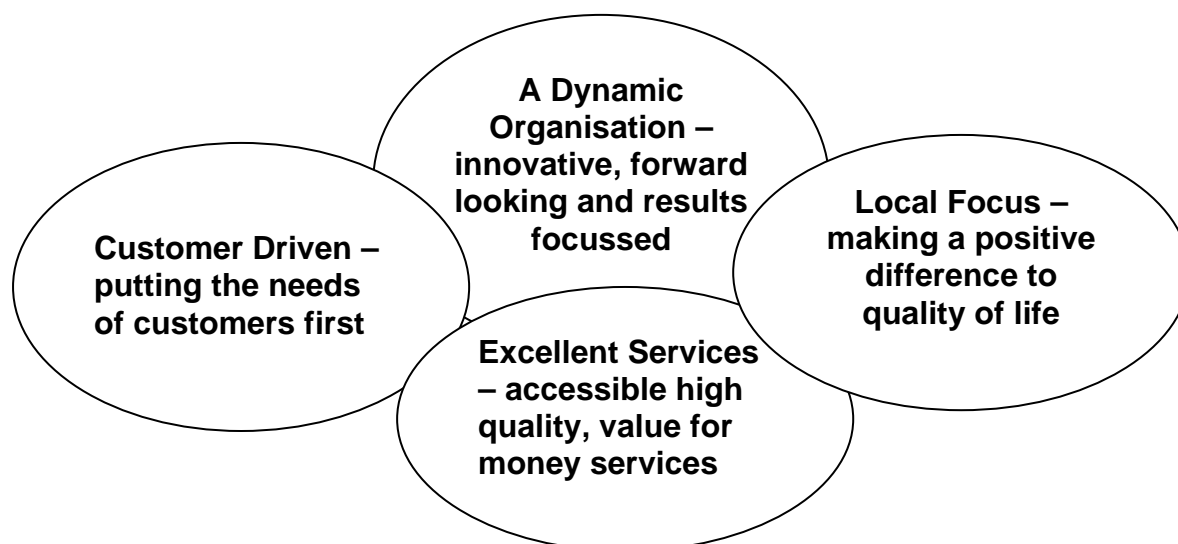
1 Content

- 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 Vision,
 - 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 Vision

- 2.1 The Council has set out its overall vision and business principles in its Corporate Strategy 2009-2012. Our overall Vision is **“Making Life Better for People and Communities”**.

Our business principles are set out below:



- 2.2 The Council has profiled all of its services in line with its six main corporate priorities. This has enabled investment to be focussed on high priority services. Our overall priorities are:

Priority	Strategic Aims
Economy	Regenerating Taunton and strengthening the economy of the Borough
Transport	Minimising the growth in traffic congestion
Crime	Promoting safer communities and tackling anti-social behaviour
Healthy Living	Promoting healthy and sustainable communities
Environment	Safeguarding and enhancing the local environment
Delivery	Delivering accessible, value for money services

Along with the Profile of Services, these priorities have remained unaltered from 2008.

- 2.3 Below are the key actions from our Corporate Strategy 2009-2012 that show how we will use our capital resources to achieve our strategic aims. Those marked with * indicate that they are being delivered in partnership with other organisations:

Priority	Actions
Economy	<ol style="list-style-type: none"> 1. Support Project Taunton and partners to deliver the development of Firepool, starting on site in 2009. * 2. Kick start the Cultural Quarter of Project Taunton by redeveloping Castle Green, Coal Orchard and Goodlands Gardens, to include providing a new site for the County Council library and records office*. 3. Work with partners to bring forward the proposed retail development in High Street *. 4. Facilitate the development of 20 hectares of employment land in Wellington and Wiveliscombe*. 5. Secure a major business incubation centre for Taunton.*
Transport	<ol style="list-style-type: none"> 1. Implement the Taunton car parking strategy. * 2. Investigate, support and enable sustainable transport initiatives in the Borough. 3. Deliver the actions of the TDBC employees travel plan by March 2010.
Crime	<ol style="list-style-type: none"> 1. The refurbishment of derelict buildings 2. The sale of unwanted assets 3. Crime reduction measures within the Housing capital programme ie the provision of double glazing and security lighting 4. The provision of facilities for young people ie new play equipment. *
Healthy Living	<ol style="list-style-type: none"> 1. Planning gain through S106 agreements – ie the need to provide in partnership a targeted

	<p>proportion of affordable housing in the most appropriate mix and tenure*</p> <ol style="list-style-type: none"> 2. Utilise council owned sites to develop all forms of affordable housing. * 3. Pursue innovative and creative approaches to delivering all forms of affordable housing. 4. Ensure that all Council owned residential properties comply with the Decent Homes Standard by March 2011. 5. Supporting capital projects to help reduce the number of rough sleepers in the Borough*. 6. Improving both private and public sector housing conditions through an extensive capital programme of works and grants. 7. Consider all options for delivering new opportunities for public swimming in Taunton Deane including the construction of a new 25m pool in Taunton. 8. Deliver the actions identified in the Play Strategy to make provision in priority areas with a specific focus on continuing the programme of constructing new and improved play spaces. 9. Providing support to elderly people in sheltered housing and extra care housing
Environment	<ol style="list-style-type: none"> 1. Explore the options for an enhanced recycling service to include other types of waste, such as plastics and cardboard. * 2. Development of sustainable construction practices which help tackle climate change and reduce emissions. 3. Ensure that new Housing built through Housing Corporation funded schemes meet minimum of level 3 of the Code for Sustainable Housing. 4. Meet the Home Energy Conservation Act target of improving energy efficiency by 30% on housing in Taunton Deane through various housing initiatives. This includes capital investment in council housing, other social housing and where possible within the private sector. 5. To meet government targets for Crematorium mercury abatement targets through investment in new filtration equipment.
Delivery	<ol style="list-style-type: none"> 1. Development of our assets through our key partnership project, SW1* 2. Improve value for money through capital initiatives such as the relocation of the Deane DLO Nursery. 3. Implement the Access Strategy to deliver our

	<p>services where and when they are required.</p> <p>4. Develop procurement through collaboration with SW1 to achieve savings targets, better quality and cost effective services, and support our objectives around economy, sustainability and equalities.</p> <p>5. Continue the Council's transformation programme to further improve efficiency.</p>
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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 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, the South West Regional Development Agency, and from private developers via section 106 agreements and commuted sums, in order to deliver our priorities. European funding will also be accessed where appropriate.
- 3.2 An example of where bidding for external capital funding has proved successful and will aid our capital objectives is through the recent Growth Point grant award; the Council has been awarded over £10m over the period 2008/09 to 2010/11. These funds will be used to deliver the Economy strand of the Corporate strategy in particular to support the delivery of partnership schemes surrounding Project Taunton, specifically the funding of the works required for Castle Green, Somerset Square and infrastructure around the Firepool site. We have also recently been successful in bidding for additional funding to increase the level of Disabled Facilities Grants in 2009/10.
- 3.3 Similarly the Council has used its Housing/Planning Delivery Grant (HPDG) allocation to support several new capital schemes – specifically for funding new ICT improvements within our Planning and Land Charges services and some minor elements of the Project Taunton schemes.
- 3.4 In addition we will look to make the most of partnerships including the private sector. This is key for ensuring that long-term projects such as the delivery of Project Taunton have sustainable sources of capital finance. Both PFI and PPP finance will be considered should any suitable schemes be identified. We will also use the resources generated under the Government's LABGI scheme in 2009/10 to meet some of our economic development goals, for example through providing support to the Taunton Business Improvement District (BID).
- 3.5 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 our 2008 Financial Strategy and the Prudential Code, ie

providing that such borrowing is prudent, affordable and sustainable. Where possible specific contributions from revenue will be made to fund recurring capital schemes. The Financial Strategy allows for reserves to be used for “Invest to Save” initiatives, including capital schemes.

- 3.6 Despite the downturn in the housing market, capital receipts are important for the Council, particularly Right to Buy receipts. In order to maximise the usable proportion available for capital investment the Council will, where appropriate, designate land areas for social housing purposes thereby avoiding any pooling liability. In addition a critical review of asset holdings will ensure that surplus assets are disposed of in order to free up resources, for example the existing Plant Nursery site will be disposed of, when market conditions are right for such a disposal.
- 3.7 The level of projected available capital resources is continuously reviewed by Officers via the budget process and through ongoing budget monitoring. This ensures that resources can be matched to priority schemes.
- 3.8 It is not only within the capital programme where resources are scarce; within its revenue budget the Council has a backlog of low priority maintenance items, and this amounts to over £0.5m. A key improvement required by the authority is to ensure that this backlog is managed and reduced over time, although this will not be easy given the pressures on the revenue budget. More details on this area are shown in the Asset Management Plan.

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 For several years the Authority has used 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 improvement),
 - 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 recognises that the PAR system needs to be refreshed to reflect more modern and appropriate appraisal methods such as the routine use of whole life costing of proposed new capital schemes. This work will be carried out during 2009/10.

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, with resources limited, priority is given to recurring schemes, which can be funded from affordable contributions from the revenue budget on an ongoing basis. For Invest to Save schemes the annual revenue savings generated through capital investment are put back into unallocated capital resources. In addition schemes that lever in external funding are also given priority.

5 The management and monitoring of the capital programme

5.1 Monitoring of the capital programme is integrated into the corporate performance management cycle and is reported to members four times a year. The Council has made significant progress in improving the monitoring of the General Fund capital programme and this has been recognised by our external auditors. Monitoring of the programme also includes project 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. Budget monitoring and the use of risk registers highlight both financial and operational risks associated with schemes.

6 How do we review scheme outputs?

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

- 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 within Southwest One who report the outcomes to Corporate Management Team and to Members.
- Southwest One's Property function fulfils the role of the Council's Corporate Property Officer and is responsible for the monitoring and management of the Asset Management Plan,
- Individual officers are nominated as leads on each specific scheme.
- Finance staff support service department officers with budget monitoring and financial advice.

Annually the Council incorporates within its outturn reporting process how the impact of capital investment has helped with the achievement of its corporate objectives, priorities and outputs.

7 The capital programme and the level of resources available

7.1 A summary of budgeted capital spending for the period 2009/10 onwards is shown below.

Portfolio	2009/10 £000	2010/11 Onwards £000	Total £000
Corporate Resources	59	142	201
Econ. Development and the Arts	138	0	138
Environmental Services	69	355	424
Housing (HRA & GF)	7,149	19,279	26,428
Sports, Parks and Leisure	85	193	278
Planning Policy & Transportation	10	205	215
Total	7,510	20,174	27,684

7.2 At present the General Fund has unallocated capital resources of only £15k. For the Housing Revenue Account there are no unallocated resources as any resources unspent at the end of the year will be required to fund future years programmes. The Council expects to receive some significant capital receipts through the sale of surplus assets during 2009/10 but given the recent economic downturn the level and timing of these receipts is uncertain. Once confirmed the Executive will consider the use of these receipts for future investment

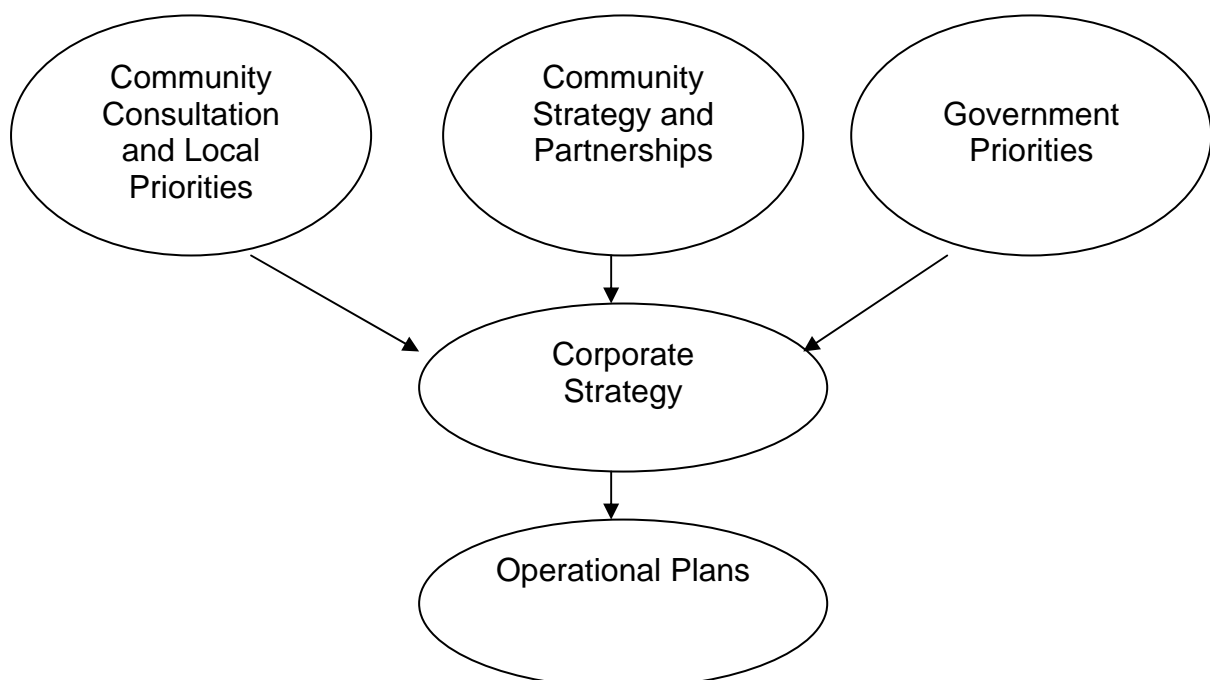
in the Borough in line with the priorities outlined in the Corporate Strategy.

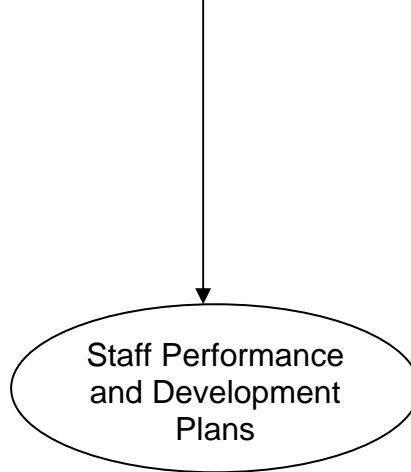
8 Our approach to procurement and partnership working

8.1 As part of our contract with Southwest One the Council is currently embarking on significant reviews of its procurement processes and contracts to ensure that maximum value is obtained from all capital contracts. This is particularly relevant for services such as Housing and the Direct Labour Organisation who are large volume purchasers of materials such as kitchens, bathrooms and windows. This will generate savings that will be reinvested in services and in new projects to help transform the Council. Significant elements of Wave 2 of the Procurement Category Plans are looking specifically at capital contracts to drive forward the benefits of improved procurement within our capital spend.

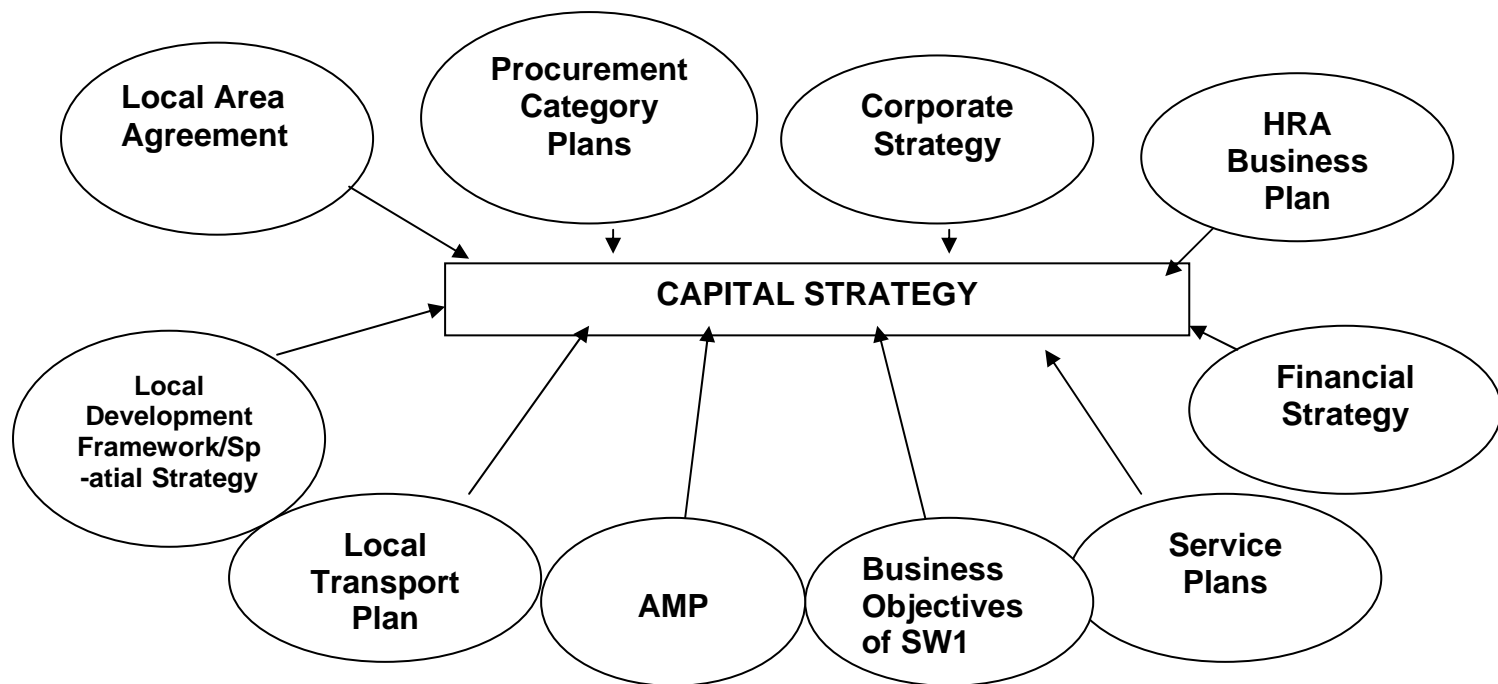
8.2 In recognition that the Borough Council is unlikely to have resources to meet all of our capital programme aspirations partnership working within capital schemes will be encouraged where added value and synergies can be achieved. We will work with partners to identify resourcing solutions and to 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 and Local Area Agreement targets help inform our corporate priorities, which ultimately shape the way in which our services are delivered. This is shown below:





- 8.4 The Council is also actively considering its options outlined in the Housing Green Paper; “Homes for the Future”. This may include the creation of a local housing company which would enable the authority to raise additional funding for one of our key priorities, affordable housing. The forthcoming review of Housing finance, which is expected in spring 2009, will also be important to the Council as this will provide some clarity on the future of the Housing Revenue Account and on the capital resources available post 2011, the deadline for achievement of the “Decent Homes” standard.
- 8.5 The Government has recently announced that new housing properties, which come under the control of the Council, may be excluded from the Housing Revenue Account and therefore there would be no capital receipts pooling liability from their future disposal. This is important as it could provide additional resources. The Housing Revenue Account MTFP will be updated during the summer of 2009 to reflect the changes to Housing finance outlined above.
- 8.6 The vast majority of projects shown in paragraph 2.3 above are being delivered in partnership with a variety of other public and/or private sector organisations. Further information on our key partnerships is shown in the Council’s Corporate Strategy 2009-2012.
- 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 financial implications of the Disability Discrimination Act,
- The need to meet the Decent Homes standard for our council housing, and
- Uncertainty over the future of Housing capital finance, pending the outcomes of the forthcoming review
- The existing maintenance backlog facing our assets,
- Our customer access ambitions,
- Recognition that prime assets such as Deane House may no longer be operationally appropriate as the Council reviews its staffing compliment, following the 2009 Core Council review,
- The impact on existing assets of our joint venture partnership, Southwest One,
- The need for our assets to generate revenue income, where appropriate,
- The delivery of our key goal – Project Taunton,
- The need to modernise our public swimming facilities,
- Relocating key services where appropriate (ie our existing plant Nursery site).

10.2 In the light of these challenges we need to ensure that our assets meet the needs of our 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 Project Taunton.

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

- We need to continually review our asset holdings, to generate resources and to focus spending on frontline areas, this will be led by the Property services function of Southwest One,
- 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 are value for money,

The Council recognises that this will take time to deliver but these actions will ensure that we have assets that match our aspirations.

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 plans such as the Corporate Strategy.

11.2 The Capital Strategy will continue to develop over time in line with the Corporate Strategy.