

## **TAUNTON DEANE BOROUGH COUNCIL**

**EXECUTIVE, WEDNESDAY, 25 JUNE 2003**

### **REPORT OF THE FINANCIAL SERVICES MANAGER**

#### **CAPITAL STRATEGY 2003**

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

#### **1. PURPOSE**

- 1.1 The purpose of this report is to seek the Executive's endorsement of the draft Capital Strategy for 2003 before the Council considers it on 22 July.

#### **2. BACKGROUND**

- 2.1 As part of good asset management practices the Council is required to prepare a Capital Strategy. As a Council policy document, the full Council must adopt the plan.
- 2.2 The Capital Strategy, together with the Asset Management Plan and the Housing Business Plan form the core documents required for the Council to comply with the requirements of the Single Capital Pot.
- 2.3 The Single Capital Pot was introduced in 2001 to allocate credit approvals to Authorities based on their progress towards having a joined up, corporate and strategic approach to capital investment. The capital strategy for 2001 and 2002 was assessed by GOSW as "good" and earned additional credit approvals for the Council of £50,000 each year.
- 2.4 The Capital Strategy is a summary of the Council's approach to capital investment including:-
- Development and ongoing management of the Capital Programme,
  - Partnership working on capital projects,
  - Linkages with other corporate strategies, and
  - Performance measurement.
- 2.5 The Strategy, as attached, complies with the format and content requirements as specified in Government guidance. If the Executive is able to endorse the draft, with or without amendments, it will then be presented to Council on 22 July.

#### **3 EFFECT ON CORPORATE PRIORITIES**

- 3.1 Being a strategy document that covers all aspects of the Council the Capital Strategy reflects and impacts on all corporate priorities.

4. **RECOMMENDATION**

- 4.1 The Executive is RECOMMENDED to endorse the draft Capital Strategy for 2003 and to recommend its adoption by Council on 22 July 2003.

**Background Papers:** Agenda Item 6, Executive 17 July 2002, Capital Strategy 2002

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# Taunton Deane Borough Council - Capital Strategy 2003

## 1 Our Key Objectives and Principles

1.1 The activities of the Council are focussed around promoting the economic, social and environmental well being of the Borough, this is achieved through our Corporate Priorities. These six priorities are key to influencing the overall strategic direction of all spending plans. Our Corporate Priorities are:

- Economy – improving people’s livelihoods and job opportunities,
- Transport and Access – delivering more accessible services and a better transport system,
- Crime – developing safer communities,
- Health – promoting healthier lifestyles and communities,
- Environment – protecting and enhancing our environment,
- Delivery – helping to develop strong communities through working in partnership and delivering excellent services.

1.2 This strategy covers all aspects of Capital expenditure, including Housing and General Fund capital programmes. Therefore services ranging as widely as Social Housing, Highways, Leisure, IT and Tourism are included.

1.3 This strategy is a corporate document; it is influenced by the other corporate documents of the Council, such as the Best Value Performance Plan, Housing Strategy and Housing Business Plan, Community Plan, Local Transport Plan and Asset Management Plan. Our work with the Local Strategic Partnership on the overall Community Plan for the Borough, and the Vision Commission for Taunton also provides key strategic direction and a framework for capital investment within the Borough. These plans are consolidated into the spending plans laid out in the Corporate Strategy and ultimately into the Council’s Budget. This process will be demonstrated by references to those plans throughout this document. In addition best value reviews and service plans also influence our strategy. The Council’s Corporate Management Team, the Executive and Full Council have endorsed it.

1.4 The Council exerts enormous influence throughout the Borough, as an employer, a service provider, a tax raiser and importantly as a lever in developing all aspects of living and working in the area. Our capital spending can aid other agencies and local authorities and can directly influence the public at large. The table below gives some key examples together with the relevant Corporate Priority:

Project	How does TDBC Influence Others?	Corporate Priority
Grants to Housing Associations	Enables RSLs to provide social housing in line with TDBC requirements	Access to affordable Housing and an Improved Environment, Service Delivery

Contribution to Wiveliscombe Community Office	The grant enables the local partnership to refurbish the project's offices	Promotion of the local economy, access and delivery of services
Contribution to North West Taunton Package	Without the TDBC contribution, this multi agency scheme would not proceed	Promotion of the local economy, access and delivery of services
Wellington Town Centre Enhancement	The improvement of shopping areas for the general public	Promotion of the local economy and improvement to the environment
DDA Compliance	To make all TDBC building accessible for all members of the public	Access to and delivery of services
Flood Alleviation schemes	Enabled the EA to commission a major flood alleviation scheme within the Borough	Protecting the environment and the economy of the Borough
CCTV schemes	The reduction in crime in key urban areas	Crime reduction and promotion of the economy
The Wellsprings Leisure Centre	Without TDBC commitment to this scheme, the LEA would not have these new facilities	The promotion of healthier living and social inclusion

1.5 The Capital Strategy is a summary of the capital spending objectives that arise from the plans and strategies mentioned above. Consultation is a vital part in the formulation of all of these plans. Therefore as this document brings together the spending aspirations of all those plans the views of all stakeholders are already included in the Capital Strategy. Consultation takes place in many ways, for example, through user groups and surveys (Leisure and Commercial Property), questionnaires (Leisure), representative groups (Housing) and through the Member review panel process employed by the Council.

1.6 In addition the spending plans of the Council have been widely consulted upon through promotion in the publication "Deane Dispatch" and via a series of Budget Consultation workshops which took place with the general public over the Winter. This consultation reflected local and Borough wide priorities and enabled both revenue and capital monies to be closely aligned to the priorities of the Community. In particular it enabled over £70k of improvements to some of our most needy assets to be programmed into the 2003/04 budget. The delivery of the objectives outlined in the Capital Strategy is set out in detail in the AMP and the Housing Business Plan. These joined up plans are approved concurrently by the Council.

## 2 Capital Assets – Taunton Deane in Context.

2.1 The Council is an active Housing Authority with over 6,000 Council Houses and Flats. In addition the Council is responsible for several Leisure Centres, Parks, Car Parks and other operational assets. The Council also holds numerous investment properties. Further information is available in the Context Sheet, which accompanies this document. The value of the total asset base of the Council as at 31 March 2003 is shown below:

Asset Type	General Fund £	Housing Revenue £	Total £
Council Dwellings	0	272,655,450	<b>272,655,450</b>
Other Land & Buildings	32,051,153	9,893,300	<b>41,944,453</b>
Vehicles & Equipment	595,986	57,003	<b>652,989</b>
Infrastructure Assets	5,848,970	1,895,719	<b>7,744,689</b>
Community Assets	1,421,150	0	<b>1,421,150</b>
Non Operational	3,399,000	0	<b>3,399,000</b>
<b>Total</b>	<b>43,316,259</b>	<b>284,501,472</b>	<b>327,817,731</b>

## 3 Service Portfolio Objectives

3.1 The Authority is structured into primary groups of services (portfolios). The Council has clear objectives for investment within each portfolio and this is derived from our Corporate Priorities, our corporate plans and individual service plans, these are detailed in paragraphs 3.2 to 3.8 below. A summary of capital spending for the period 2002/03 to 2005/06 is shown below. This covers a period of four years for General Fund and two years for Housing Services.

Portfolio	2002/03 £	2003/04 £	2004/05 £	2005/06 £	Total £
Community Leadership	10,000	0	0	0	<b>10,000</b>
Corporate Resources	252,681	120,000	85,000	85,000	<b>542,681</b>
Eco. Dev. Tourism & Council Businesses	1,050,841	232,520	185,000	127,000	<b>1,595,361</b>
Environmental Policy	871,821	26,000	10,000	10,000	<b>917,821</b>
Housing	5,811,560	5,787,890	0	0	<b>11,599,450</b>
Leisure, Arts & Culture	757,498	850,920	243,100	91,100	<b>1,942,618</b>
Planning & Transportation	453,349	200,000	0	0	<b>653,349</b>
<b>Total</b>	<b>9,207,750</b>	<b>7,217,330</b>	<b>523,100</b>	<b>313,100</b>	<b>17,261,280</b>

### 3.2 **Community Leadership**

This portfolio is responsible for many cross cutting corporate priorities. For example economy, the crime and disorder strategy, the environment and the delivery of services. This portfolio provides a corporate overview on community issues and on the plans and reviews affecting the whole Borough. Influence on capital projects is at a corporate level, rather than focusing on specific projects, although the financial support for a multi agency community office is a key project for this portfolio.

### 3.3 **Corporate Resources**

This portfolio deals with the majority of the Councils support services. The clear strategy and objective here is to support front line services through improved Information Technology and improvements to corporate assets such as office buildings. Work within this portfolio is derived mainly from the Council's E Government strategy, the AMP and the service plan for office buildings.

### 3.4 **Economic Development, Tourism & Council Businesses**

This portfolio covers a key corporate priority and promotes our obligations on economic well being arising from the modernisation agenda. Projects included in this portfolio arise from the Councils Economic Development and Tourism Strategies and the Vision document. The Council has recently restructured the Development Directorate to enhance and promote our work in the area of economic development. In addition through the AMP process the Council is continuing to investigate economic development opportunities both on its own and in partnership through the Regional Development Agency. This is of particular importance as Taunton has recently been designated a Principal Urban Area, this will lead to many opportunities for the Council. Other examples include the enhancement and regeneration of the town centres of both Taunton and Wellington. In addition the service plans of the Council's trading services such as the Direct Labour Organisation and Crematorium influence the programme through projects such as the purchase of new vehicles and improvements to trading assets as identified in the Asset Management Plan.

### 3.5 **Environmental Policy**

This is a specific corporate priority, and the Capital Programme for this portfolio is designed to maintain and enhance the reputation that the Council has for providing quality services such as environmental health, waste control and street sweeping. For example in 2003/04 the Council has taken advantage of central Government funding opportunities to enable the monitoring of air quality. In addition the inclusion of projects supporting local flood alleviation schemes are consistent with the Local Plan.

### 3.6 **Housing**

The core documents relating to capital investment in this service area are the Housing Business Plan and the Housing Strategy, and is consistent with corporate priorities for healthy living and our environment. This details our plans for the future provision of Housing and the investment required both for our Housing stock and for private sector housing. Housing covers more than

50% of the Council's total capital spending and is particularly dependant on credit approvals as a major source of finance. Our priorities here are:

- to meet local targets for the provision of social housing within the Borough by partnership working with Housing Associations,
- to improve the condition of private sector stock through the provision of renovation grants,
- to improve the condition of the Council's Housing stock to meet the "decent homes" standard as promoted by the Government.

### 3.7 **Leisure, Arts & Culture**

This portfolio contains some of our major assets, such as Leisure Centres and our Parks. Our strategic direction here is to enhance these services through continued investment, and to maximise external funding opportunities for these projects. Arising from a 2002 Best Value review the Council has taken positive steps forward and is now actively setting up a not-for profit Trust for these facilities. This will enable the Council to maintain its Leisure assets to a greater standard whilst still providing quality leisure services to the residents of the Borough.

### 3.8 **Planning Policy and Transportation**

The majority of the projects within this Portfolio derive come from the recommendations that arise from the Local Transport Plan/Parking Strategy/Local Plan/Vision. This portfolio is especially important as it deals with so many fundamental aspects of the role of the Borough Council as a planning authority. Transport and planning issues tend to go hand in hand therefore co-ordination is vital between many different agencies and this is reflected in the priorities of this portfolio. These priorities include co-ordinated transport systems and improvements to the local infrastructure in conjunction with the County Council.

## 4 **Capital Investment Prioritisation and Bidding Regime**

4.1 The Authority has in place an established system to enable Corporate Management Team and elected Members to prioritise between proposed new capital schemes. This system is known locally as the Project Appraisal Report (PARs) system. The purpose behind the PAR is to provide comprehensive information on each new scheme, thereby enabling informed choices to be made. Guidelines on the requirements of the PAR system are available to all Service Managers and are placed on the Council's Intranet site. This process is now in place across the whole Authority. The principles behind the PAR system are not only used at budget setting time but are also used as a framework when considering the implementation of other major capital schemes.

4.2 In addition to the traditional data requirements needed when considering a new project, such as cost and other resource implications, the PAR requires Officers to consider Authority wide objectives, in particular its fit with the Council's Corporate Priorities.

- 4.3 To complete a PAR Officers must provide the following details on each proposed scheme:
- 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 Submitted PARs are initially assessed at Director level, onward to Corporate Management Team and then onto the Executive who then make the final decisions as to which new schemes are included in the programmes, which are considered by Full Council.
- 4.5 As part of the above, the revenue implications of each new scheme must be considered. The Financial Services Unit also advises on the overall revenue impact of new schemes to ensure that the approval of new schemes is consistent with the Council’s revenue budget strategy and medium term financial plan.

## **5 Management of the Capital Programme**

- 5.1 The capital programme is formally reviewed and reported on a quarterly basis (along with all other budgets of the Council) to ensure not only spend against budget but also progress of each scheme against other aspects such as timetable and construction progress. In addition an analysis of available capital resources ensures that the “affordability” of the programme is maintained. This process has recently been enhanced by a new structure within the Financial Services Unit which provides a greater level of support to each of the Council’s Directorates, this is of particular benefit when appraising new schemes as both financial and non financial staff are involved in new projects from the outset. Thereby enabling risks (financial and non financial) to be actively managed. This data is reported to both Corporate Management Team and the Executive.
- 5.2 To ensure comprehensive financial data is available the VAT implications of the capital programme on the Council’s partial exemption position are also monitored and reported on a quarterly basis. This highlights the amount of any irrecoverable VAT and the impact on budgets.



- 5.3 In addition to the above the Audit and Review Unit are developing an enhancement to the contract monitoring systems employed by the Council. This will take the form of improved IT systems which will aid managers in the continuous monitoring of spend versus budget together with automatic links to pre-set contract performance indicators. The strategy for the monitoring and measurement of the programme covers the four year period of the programme detailed in paragraph 3.1.
- 5.4 Finally, the process of strategic risk management is employed for high spend/high risk/high 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 on a regular basis.

## **6 Funding of Capital Projects**

- 6.1 The Council recognises that on its own it cannot deliver all of its investment priorities. It is vital to secure partners to assist with meeting our aims and to use external funding sources. For example the Council has worked with the Sports Lottery Fund and will deliver a flagship Leisure Centre in North Taunton which will be used by both local schoolchildren and the general public. The Council is at the forefront of E-Government objectives and is using central Government funding to work on projects within Taunton Deane and as part of a consortium of Authorities across Somerset; the aim being to improve service delivery. In addition the Council is working in partnership with the Environment Agency to provide much needed flood alleviation schemes within the Borough.
- 6.2 As an alternative funding source, and as a commitment to partnership working, the Authority welcomes the concept of PPP and PFI. At a time when capital resources are scarce these alternative funding vehicles will be fully explored. However, as yet no schemes have been identified which would warrant such a venture. With regard to the new Prudential Regime for Capital Finance the Council welcomes the new freedoms (and associated responsibilities) that will be part of the system. This will further enhance the ability of the Council in meeting the needs of the Community. In addition the AMP process has been used as a lever to enable the disposal of surplus and poorly performing assets. The capital receipts arising are then used to fund priority schemes of the Council. Finally the Council ensures that, where applicable, monies secured through S104 and S106 agreements are used to support our capital strategy.

## **7 Links with Best Value and Service Plans**

- 7.1 The development of this strategy cannot be achieved by only referring to the main corporate plans of the Authority. Notice must also be taken of the individual requirements of particular services and the outcomes of Best Value Reviews; this is achieved through the Officer group responsible for the production of the Asset Management Plan. The AMP Group will evaluate all Service Plans, Revenue Budget Development Bids and Best Value Reviews to ensure that any property/asset issues are included within the AMP/CS and Capital/Revenue Budget.

## 8 Procurement

- 8.1 The Council will through the use of its dedicated Corporate Purchasing Unit ensure that best value is obtained for contracts. This is further enhanced by the requirement of Officers to meet the strict tendering and contractual procedures required under our Financial Regulations and Contract Standing Orders. Dealing specifically with the principles recommended by the Construction Task Force where project integration and innovation are to be promoted, the Council welcomes this and many initiatives are now in place. The Council has continued to develop a scheme which was introduced in 2001 to work with neighbouring Authorities on a joint commissioning partnership for the construction of new Social Housing Projects. This involves the selection of preferred Housing Associations and builders in order to obtain long term value for money on such schemes (as promoted by the Construction Task Force). Involving multiple builders in a scheme such as this is believed to be the first of its type in the Country. Finally, the Council will continue to reduce the environmental impact of new projects through its energy management schemes and in construction specifications.

## 9 Partnership Working

- 9.1 As mentioned above, the Council fully utilises all alternative external funding sources in delivering its capital projects. However, the Council recognises that monetary needs are only one way in which partnerships are vital in delivering modern service targets. The Council cannot ignore the expertise that partners bring to the Council, in both technical and administrative terms, and the specialities that other providers can bring. In 2002 the Council has continued to develop its links with the County Council Property Service to share information on surplus property and on investment opportunities.
- 9.2 The table below highlights current partnership working (innovative cross cutting issues are shown in *italics*):

<b>Capital Project (TDBC budget)</b>	<b>Other Partners</b>	<b>What do the Partners Provide?</b>
<i>Implementing E Government (£400,000)</i>	<i>Other Somerset Local Authorities/Police Authority/ ODPM</i>	<i>Shared resources/ Shared personnel/ County wide call centre technology for LG services</i>
Silk Mills Railway Crossing (£399,000)	County Council/ Highway Agency	Funding/ Technical support/ Common aim of Local Plan
Flood Alleviation Schemes (£100,000)	Private Housing Developers/Environment Agency/ Parish Councils	Funding/ Technical support
Contributions towards Social Housing Projects	Housing Corporation/ Registered Social	Funding/ Land/ Provision of social housing in

(£1,967,410)	Landlords	accordance with TDBC requirements
Recycling Boxes (£145,000)	Other Somerset District Councils/Somerset County Council/Central Govt.	Funding/Purchasing power/coordinated recycling strategy
<i>Somerset Direct (Funded via Government Grant)</i>	<i>Other Somerset District Councils/Somerset County Council/Central Govt.</i>	<i>Funding/Purchasing power/coordinated innovative approach to service provision</i>
<i>Community Facilities (£120,000) Cotford St Luke</i>	<i>County Council/ Local Developers/ Community</i>	<i>Planning advice/ Funding/ Shared Assets</i>
Grants to Village Halls/ Play Equipment Grants (£360,298)	Parish Councils/ Local Village Hall & Playing Field Committees	Funding/ Enhancement to community assets
Bridgwater & Taunton Canal (£20,000)	County Council	Funding/ Enhancement to community assets

9.3 Partnership working is further progressed within the Council, it is a requirement of the PAR system to consider how any scheme may be implemented through joint working or through the implementation of a scheme by a provider other than the Council.

## 10 Performance Measurement and Benchmarking

10.1 The Council is committed to ensuring that the money that it invests in capital projects achieves the desired outcomes and targeted objectives of the Authority. These targets are detailed in the specific plans and strategies of those services, as described in para.1.3. These outcomes are controlled and monitored in many different ways, for example:

- Grants to Housing Associations are dependant on specific targets relating to both the type of dwellings constructed and targeted occupants (ie special needs), the outcomes are reported to the Council's Housing Panel,
- Housing Improvement and Disabled facilities grant applications undergo stringent assessment criteria, thereby focusing resources towards Council objectives,
- Grants to Village Halls are only given to projects which meet County and Borough Council objectives,
- Where the Council requires external funding, for example from the Sports Lottery Fund, these projects must meet the specific criteria of all funding partners. Detailed outcome reports are provided to all partners,
- Where the Authority provides funding for footpath and street lighting projects there is a specific "needs" assessment made, to ensure that the project meets both Borough and County Council objectives.

10.2 The use of the national and local property performance indicators, as detailed in the AMP, will improve the performance of the Council's assets by targeting resources towards low performing assets, for example high cost or low return

assets. The Council has in place a stringent target and monitoring procedure for all indicators. Local indicators specifically target the use and return gained from our Commercial portfolio. The results of these indicators are reported to the Corporate management Team and the Executive.

- 10.3 These indicators will also allow specific services and assets to be targeted. For example the data derived from the maintenance backlog exercise will be integrated into the Council's Medium Term Financial Plan to ensure that this backlog is prioritised and that our reputation for good quality assets is maintained. These indicators are also used to inform Members when making asset disposal decisions.
- 10.4 The Council's budgeting procedures also allows the Authority to set benchmarks for areas such as financial return, maintenance costs and energy efficiency. Indeed targets for 2003/04 have already been set and progress will be monitored and reported quarterly to Corporate Management Team and Members. As the asset management process develops on a local and national basis it is envisaged that the performance of Taunton Deane Borough Council will be benchmarked against comparable Authorities.

## **11 Conclusion**

11.1 In both 2001/02 and 2002/03 the Council was assessed by the Government Office of the South West as having a "good" capital strategy, the highest level of score. As a consequence the 2003/04 version does not have to be assessed by GOSW, however the Council has continued to develop its capital strategy in line with its corporate priorities. This document summarises the strategic direction of capital investment within Taunton Deane Borough Council. The Council is committed to improving the Borough and recognises that capital investment is a major source of influence.