

TAUNTON DEANE BOROUGH COUNCIL

EXECUTIVE 6 DECEMBER 2006

REPORT OF THE FINANCIAL SERVICES MANAGER

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

CAPITAL STRATEGY 2006-09

1 Executive Summary

- 1.1 Attached at Appendix A is the draft Capital Strategy for 2006-09. The Executive is invited to comment on the draft strategy before it goes on to Full Council.

2 Introduction

- 2.1 There is no 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. This is borne out by the Capital Strategy being regarded as a key document in the CPA Use of Resources self-assessment.
- 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 2006-09

- 3.1 The revised draft Strategy for 2006-09 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 Review Board considered the draft document at their meeting on 30 November and a verbal update on their comments will be provided at the meeting. 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 2006-09 and to make suggestions on amendments to the content prior to submission to Full Council.

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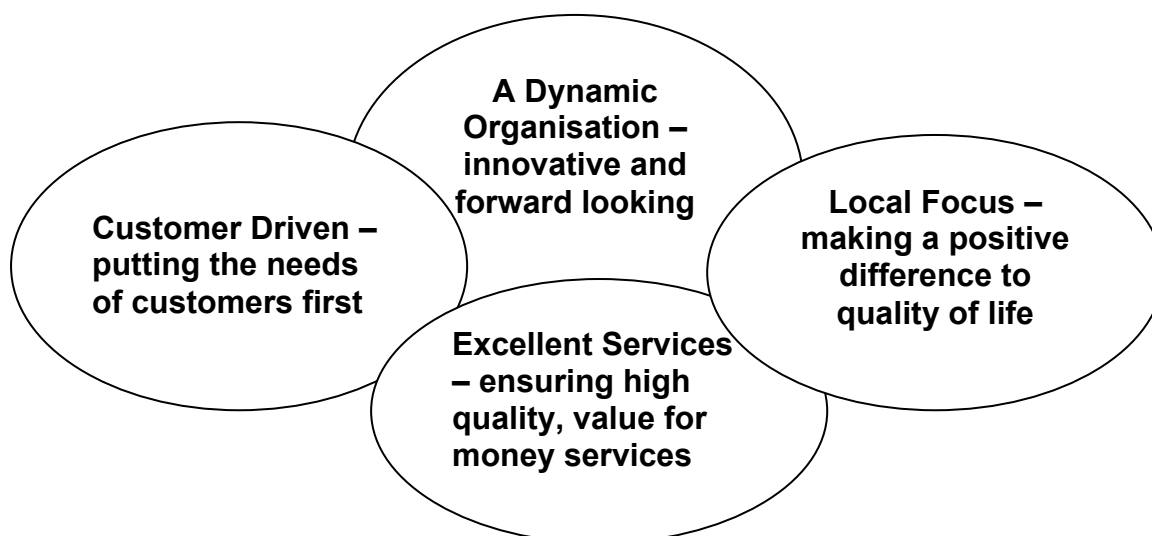
TAUNTON DEANE BOROUGH COUNCIL CAPITAL STRATEGY 2006-2009

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 2006-2009. The 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

2.3 Below are the key actions from our Corporate Strategy 2006-2009 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. Free up the Firepool development area for Project Taunton and commence commercial/employment development. * 2. Kick start the Cultural Quarter of Project Taunton by developing the Tangier site.* 3. Secure a major business incubation centre for Taunton.* 4. Develop, with partners, 10 small business units.* 5. Develop 2 hectares of land for business use through S106 agreements.* 6. Facilitate the development of 20 hectares of employment land in Wellington & Wiveliscombe by 2009.*
Transport	<ol style="list-style-type: none"> 1. Implement the Taunton car park strategy to operate 7 new Multi Storey Car Parks around the town centre. * 2. Deliver the actions of the TDBC employees travel plan by March 2008. 3. Develop a S106 policy to ensure new commercial premises have a S106 agreement requiring travel plan considerations. *
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 skateboard park and new play equipment. *
Healthy Living	<ol style="list-style-type: none"> 1. Planning gain through S106 agreements – ie the need to provide in partnership social and subsidised housing* 2. Utilise council owned sites to develop social and subsidised housing. * 3. Improving both private and public sector housing conditions through an extensive capital programme of works and grants.
Environment	<ol style="list-style-type: none"> 1. Complete the roll out of the “Sort It!” recycling and

	waste collection service *
Delivery	<ol style="list-style-type: none"> 1. Development of our assets through our key partnership project, ISIS* 2. Continued investment in IT systems such as the new Open Revenues system 3. Improvements to our public buildings in line with our customer access goals

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. The Council has an External Funding Group whose role entails promoting 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. 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. An example where the private sector option is being explored is through the work being done to develop the ISIS project for shared 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 Project 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 the additional resources generated under the LABGI scheme to meet some of our economic development goals. In particular the ability to set up a “fighting fund” for sustainable improvements in economic development will be investigated.
- 3.4 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.
- 3.5 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.

3.6 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, in total £675k. A key improvement required is by the authority 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 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 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.

4.5 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. The Council is developing the PAR system to include a framework to ensure that all investment and disposal decisions are based on thorough option appraisal and whole life costing.

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 three times a year. The Council is in the process of improving the monitoring of the General Fund capital programme. Unreported slippage in the programme has occurred in recent years and improvement in the monitoring of this area is necessary. This work will focus on not only spend against budget but also progress of each scheme against other non-financial aspects. The Housing capital programme does not suffer the same slippage problems and it is expected that by using the methodology employed within Housing (our largest area of capital spend) will benefit the General Fund programme. Monitoring will also include 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.

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 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.

In the next year the Council wishes to incorporate within its quarterly budget/performance monitoring reports a process for evaluating the

impact of capital investment on the achievement of its corporate objectives and priorities.

7 The capital programme and the level of resources available

7.1 A summary of budgeted capital spending for the period 2006/07 to 2008/09 is shown below.

Portfolio	2006/07 £000	2007/08 £000	2008/09 £000	Total £000
Corporate Resources	604	60	60	724
Econ. Dev. & Tourism Council Businesses	1,121	180	0	1,301
Environmental Policy	674	25	25	724
Housing (HRA & GF)	6,174	5,966	5,966	18,106
Leisure, Arts & Culture	618	202	117	937
Planning & Transportation	36	45	25	106
Total	9,227	6,478	6,193	21,898

7.2 At present the General Fund has unallocated capital resources of only £18k. For the Housing Revenue Account there are no unallocated resources. In order to ensure that our resources are maximised Officers are reviewing the financing of certain capital schemes to see whether options such as the use of finance leases to provide capital investment in services, rather than outright purchase may provide better value for money. The level of capital receipts arising from Right to Buy sales is also carefully monitored.

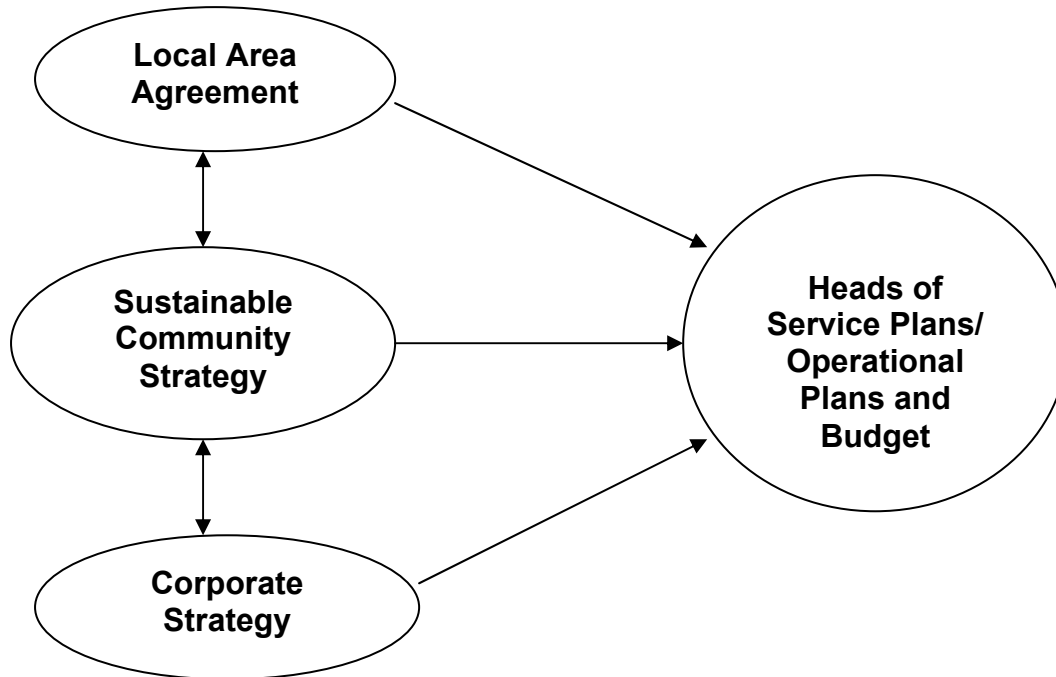
8 Our approach to procurement and partnership working

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 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 and Local Area Agreement targets helps inform our corporate priorities, which ultimately shapes the way in which our services are delivered. This is shown below:

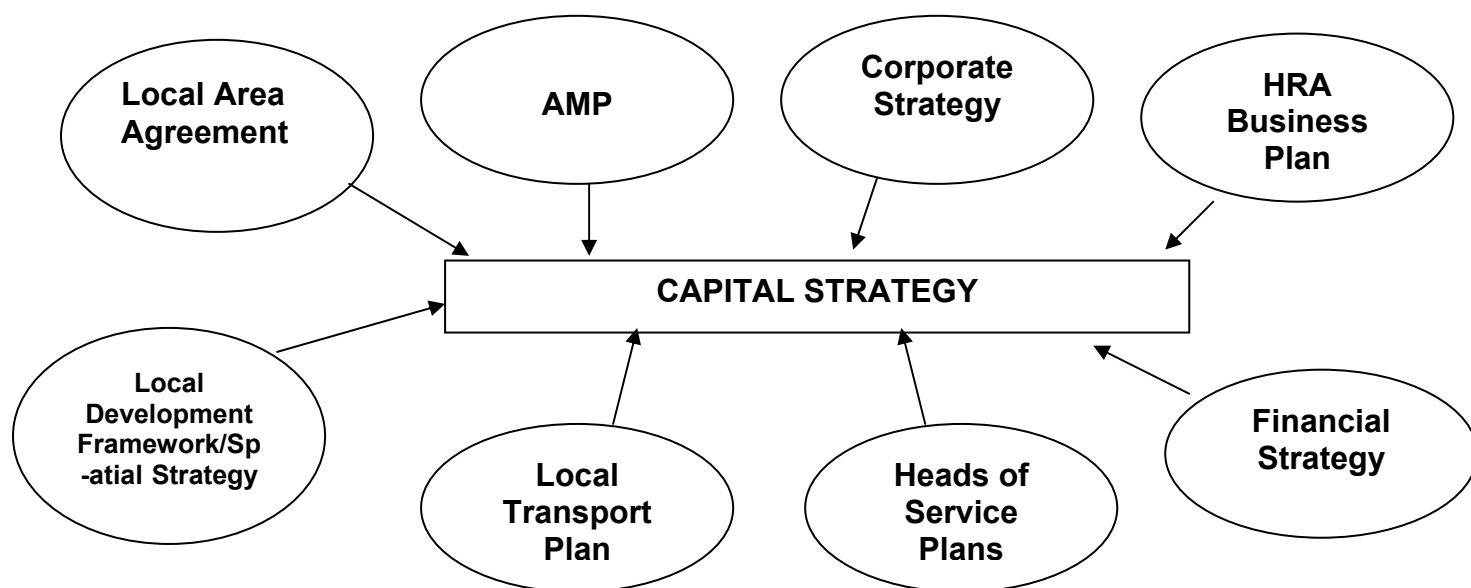


8.4 The vast majority of projects shown in paragraph 2.3 above are being delivered in partnership with a variety of other public and/or private sector organisations. Further information on our key partnerships is shown in the Council's Corporate Strategy 2006-2009.

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. For the year ahead the Council is looking at developing a range of local Performance Indicators for our assets to ensure that the physical assets meet our corporate objectives.

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 on our remaining assets, or conversely,
- In the event of the Council retaining its Housing stock the expected £1.85m per annum shortfall that is required to meet the Decent Homes standard,
- The financial implications of the Disability Discrimination Act,
- The existing maintenance backlog facing our assets,
- Our customer access ambitions,
- The impact of our joint venture partnership, ISIS,
- 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 the Project Taunton.

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

- The land strategy relating to all aspects of Project Taunton needs to be finalised,
- We need to review our asset holdings, to generate resources and to focus spending on frontline areas – this will be particularly important following the implementation of ISIS and in the event of a potential Housing stock transfer,
- 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 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 plans such as the Corporate Strategy.

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