

Report of Head of Finance

Capital strategy for the medium term

1 Purpose of report

This report presents Members with the capital strategy for the medium term, together with a list of all agreed capital schemes for the coming years.

2 Executive summary

2.1 This report forms part of the Council's capital strategy process and provides the Committee with the opportunity to review the strategy and governance of the Capital programme.

2.2 The revised capital strategy is shown at Appendix 1 and the committee is asked to agree this strategy for the medium term

3 Appendices

Appendix 1: Capital strategy for the medium term

Appendix 2: Capital programme for 2015-16 onwards

4 Proposed action: Members are asked to RECOMMEND to:

4.1 **Agree the Capital strategy at Appendix 1**

4.2 **Note the position on the Capital programme for 2015-16 onwards**

4.3 **Agree to the delegation to the Head of Finance in consultation with the Chair/Vice Chair of Resources Committee the ability to grant supplementary estimates to no more than 10% of a projects total cost and to a maximum of £20k.**

5 Background

5.1 The Head of Finance is constantly trying to create greater accuracy and certainty on the planning and governance of the capital programme. A new governance arrangement was put to members in August 2014 and is represented as a flow chart in Appendix 1a.

5.2 The internal monitoring and reporting of the capital programme has improved over the last year. However, there is still some further improvement on the accuracy of forecasting that needs to be undertaken in the coming year.

5.3 The capital strategy is agreed annually to make sure it accurately reflects the capital needs of the council and the best use of capital funding to deliver the key objectives.

5.4 This report draws together the capital strategy and governance arrangements that will be in place for the next financial year.

6 Discussion

- 6.1 The capital strategy has in previous years been presented as part of the overall capital budget reports. This year the strategy has been put into its own report as some changes to the governance arrangements have been agreed in year.
- 6.2 There is also a need to enhance the reporting and monitoring of the capital programme, as although significant work on the format of the reporting has taken place, the actual project management and delivery of the programme needs to be enhanced.
- 6.3 To do this a number of changes will need to be implemented in the coming months. It is planned that capital managers will take responsibility for providing the narrative to go with their schemes to explain the current position and any variation to the expected timescales. The Capital Accountant will facilitate the collation of the information for use in reporting but it will be the Capital manager's responsibility ultimately.
- 6.4 The finance team will continue to support the managers and will encourage the use of project management techniques, such as key tasks/milestones and dependencies, to help managers identify readily where the project may be varying from plans.
- 6.5 A proposal to change the way that supplementary estimates are requested would also help in the management of the capital programme. In order to keep projects moving and prevent delay, it is proposed that a tolerance level of up to 10% of the total project costs, but not to exceed £20k in total, can be agreed by the Head of Finance, in consultation with the Chair and/or Vice Chair of Resources, to avoid the need for urgent actions between committee dates. These will be reported to the Committee at the next available opportunity.
- 6.6 In addition to the enhanced reporting and project management arrangements the finance team will also undertake a balance sheet review as part of the closedown process. It is hoped that this will reconcile the capital funding represented on the balance sheet and could potentially free up further capital funding. This will be completed in consultation with the external auditors and progress will be reported as part of the year end process.

7 Legal powers

Local Government Act 2003

8 Financial and value for money implications

The proposed funding for the capital programme is based on the assumption that the Council will, at any one time, maintain a balance of £5 million in its capital resources available for future years. Therefore it is important to ensure that capital schemes included represent an efficient use of the Council's capital resources.

9 Risk analysis

Nature of risk	Consequences if realised	Likelihood of occurrence	Control measures
Unsustainable level of capital expenditure in the medium to long term.	Revenue implications not affordable; need to resort to borrowing	Possible if not controlled and managed	Robust budget planning and control.
Non-delivery of schemes once approved.	Council priorities not achieved	This is an on going risk and to some degree has already occurred.	Improved project Management by capital managers

10 Implications for resources

Officers responsible for capital schemes are accountable for identifying resources to manage and control schemes and any revenue consequences. The new monitoring and reporting needs may impact on the capital manager's time as they will need to be more involved in the management and reporting of the schemes. This will not however be a significant impact and should be easily absorbed as part of their roles.

11 Implications for stronger and safer communities

None

12 Implications for equalities

None

13 Author and contact officer

Liz Elliott Head of Finance

14 Consultees

SMT

15 Background papers

Capital Programme reports February 2015 Resources Committee
Capital Strategy February 2014

THE BOROUGH COUNCIL OF WELLINGBOROUGH - A CAPITAL STRATEGY FOR THE MEDIUM TERM

1. INTRODUCTION

- 1.1 The Capital Strategy represents an essential element within the council's overall Corporate Planning Framework. It relates directly to the delivery of the council's over-riding vision and aims, in the planning and use of its capital resources in the medium term, to optimise the council's ability to achieve its priorities and objectives. The strategy sets out the council's approach to capital investment over the medium term and provides a framework through which the council's resources, and those matched with key partners, are allocated to help meet strategic priorities
- 1.2 The strategy is concerned with, and sets the framework for, all aspects of the council's capital expenditure – its planning, prioritisation, management and funding. It is closely linked to the council's planned use of its assets and is an integral aspect of the council's medium term service and financial planning process as reflected in the Medium Term Financial Plan (MTFP).
- 1.3 The key aims of the Capital Strategy are to:
- set out how the council identifies, programmes and prioritises capital requirements and proposals arising from its plans and strategies;
 - provide a clear context within which proposals for new capital expenditure are evaluated to ensure that all capital investment is targeted at meeting the council's vision, aims and priorities;
 - consider options available for funding capital expenditure and how resources may be maximised to generate investment in the area whilst minimising the ongoing revenue implications of any such investment;
 - identify the resources available for capital investment over the MTFP planning period; and,
 - establish effective arrangements for the management of capital expenditure including the assessment of project outcomes, budget profiling, deliverability, and the achievement of value for money.

2. CAPITAL PROGRAMME NEEDS AND PRIORITIES

- 2.1 The Capital Strategy is a key planning tool to ensure that the council's resources are aligned with its vision, aims & priorities. It sets out the framework by which any capital scheme will be considered and approved. It establishes the fundamentals for capital schemes to be compared and ensures that resources are focused on the key priorities for the council as a whole.
- 2.2 Resources to deliver the overall vision along with aims and priorities are limited in the current economic climate. There are identified needs in relation to the

council's operational and investment assets but consideration also needs to be given to the wider regeneration and wellbeing priorities.

2.3 The council needs to comply with, the "Prudential Code for Capital Finance in Local Authorities" (The Code). Under the Code local authorities have greater discretion over the funding of capital expenditure especially with the freedom to determine, within the regulatory framework of the Code. In the medium term the authority is not intending to borrow to finance its capital expenditure.

2.4 The council has various mechanisms in place which seek to ensure that there is an integrated approach to addressing cross-cutting issues and developing and improving service delivery through its capital investment to achieve the council's over-arching aims. These include:

- Democratic decision-making processes which provide overall political direction and ensure accountability for the investment in the capital programme.
- Officer Groups which bring together a range of service interests and professional expertise. These include:
 - The Senior Management Team (SMT) which has overall responsibility for the strategic development, management and monitoring of the capital programme;
 - The Capital Programme Working Group (CPWG) provides a corporate overview of all capital investment proposals.
 - The S106 Working Group which monitors spend and identifies efficient use of the S106 monies for both capital and revenue
- An integrated service and financial planning process, incorporating the corporate performance management framework. Within this framework, all proposals for capital investment are required to demonstrate how they contribute to the achievement of the council's aims and priorities. This includes an evaluation process for investment proposals which ensures cross-cutting appraisal of projects which are aligned to the council's key aims and priorities and deliver on the efficiency and value for money agendas.

3. RESOURCING STRATEGY

3.1 The regular source of capital funding over the medium term, available to the council for investment in the authority is represented by right to buy and Vat shelter income. The council also has a number of assets it no longer uses and that are held for sale. These assets, once sold, produce capital receipts for the council. This is not a sustainable or regular form of funding and the council has to plan its use to maximise the resources over the medium term.

- 3.2 The strategy is intended to consider all potential funding options open to the council and to maximise the financial resources available for investment in service provision and improvement within the framework of the MTFP.
- 3.3 The main sources of capital funding received and the strategic consideration of the council are summarised below:

4. Central government

- 4.1 Grants are allocated in relation to specific programmes or projects and the council would seek to maximise in the current economic climate such allocations, developing appropriate projects and programmes which reflect government and partnership led initiatives and agendas but address priority needs in the authority.
- 4.2 The majority of planned capital expenditure currently funded by this means is to support housing in the form of Disabled Facilities Grants (DFG).
- 4.3 The DFG grant now forms part of the Better Care Fund and is “passported” to the districts and borough from the County Council. An agreement is currently in place for the County Council to passport all of the grant directly to the district councils, as this is where the statutory responsibility still lies. The grant may not be sufficient to complete every request made and as such has to be prioritised carefully, and where funding allows, is supplemented by the council.

5. Third Party funding

- 5.1 Capital grants – these represent project specific funding for capital projects, in addition to that from central government, which is more usually received from quasi-government sources or other national organisations. In developing capital proposals the council will always seek to maximise such external contributions, subject to any related grant conditions not being inconsistent with the council’s policy aims and targeted outcomes. Frequently such funding, which enhances the council’s investment will also be linked to match funding arrangements.
- 5.2 The authority will continue to bid for future resource allocations using innovative service delivery mechanisms if necessary.

6. Private Contributions

- 6.1 Developer contributions – these represent contributions from developers towards the provision of public assets or facilities. Sometimes these are to mitigate the impact of their development on communities and often referred to as Section 106 contributions. These contributions are usually earmarked for specific purposes in planning agreements and can often be used for both revenue or capital work which relates to the specific purpose. The council will

also seek to implement the new Community Infrastructure Levy to support ongoing investment.

- 6.2 Working with partners / matched funding – the council is committed to working with partners in the development of the authority and its services. Various mechanisms provide opportunities to enhance the council's investment potential with support and contributions from other third party and local strategic partners. These may range from commissioning / facilitating others to develop services in the authority; funding for regeneration projects; and through match funding, joint funding of developments.

7. Locally generated funding

- 7.1 Prudential “unsupported” borrowing – under the Prudential Code the council has discretion to undertake borrowing to fund capital projects with the full cost of that borrowing being funded from within council resources. This discretion is subject to complying with the Code's regulatory framework which essentially requires any such borrowing to be prudent, affordable and sustainable. Prudential borrowing does provide an option for funding capital development but one which has to be funded each year from within the revenue budget or from generating additional ongoing income streams. The authority is currently not considering prudential borrowing.
- 7.2 Capital receipts from asset disposal – the council has a reasonable sized property estate. This estate is managed through the Asset Management Plan which identifies property requirements and, where appropriate, properties which are surplus to requirements and which may be disposed.
- 7.3 Capital receipts from asset disposal represent a finite funding source and it is important that a planned and structured manner of disposals is created to support the priorities of the council. The capital receipts from such strategic sales are a valuable source of capital financing, but equally a proportion of these proceeds need to be invested for either revenue return or for investment in other assets that over time will increase in value and form part of future year's capital financing.
- 7.4 As such 25% of all strategic asset sale capital receipts will be transferred into a Capital Investment reserve, to be ear-marked for reinvestment, either for investment to produce future sources of financing or to create a revenue income stream. The remaining cash receipts from the disposal of surplus assets may be used to fund new capital investment as and when received.
- 7.5 The council will not ring-fence the use of any other element of capital receipts to fund new investment in specific schemes or service areas, but instead will allocate resources in accordance with key aims and priorities.

- 7.6 Capital receipts have been a significant source of finance in previous financial years. Forecasts of receipts to be received for future years have been revised to reflect the reducing balances of the RTB and Vat Shelter income.
- 7.7 Revenue – Capital expenditure may be funded directly from revenue (CERA – capital expenditure charged to revenue account). As the authority currently has a capital receipts balance, the above is not an option worth pursuing particularly with the general pressures on the council’s revenue budget.

8. MANAGEMENT OF THE CAPITAL PROGRAMME

- 8.1 The council reviews its capital requirements and determines its capital programme as part of the annual financial planning and budget setting process. Resource constraints mean that the council continually needs to prioritise expenditure and consider alternative solutions. To ensure that available resources are allocated optimally, capital programme planning should be determined in parallel with the service and revenue budget planning process within the corporate planning framework.
- 8.2 The evaluation and scoring of capital schemes enables the council to achieve the most from its limited capital resources. The process ensures that priority is given to those schemes that are essential in order to meet the statutory obligations of the council, or that are contractually committed following a decision of the council. Priority will also be given to those proposed schemes that are considered to best support the council’s mission statement and key objectives
- 8.3 Both Internal and external customers, where funding levels permit. are invited to submit proposals for new capital schemes, in addition to this, schemes that are currently in the waiting pool will be reviewed, to establish if there have been any changes or amendments that need to be considered. All schemes will be initially self scored by the capital manager and then assessed and prioritised by the Capital Working Group using the agreed assessment criteria as set out below:
- a) Contribution to delivering the key objectives is an initial gateway into the capital programme. Schemes that do not contribute to any objectives do not progress further.
 - b) Corporate Risk - scored on a sliding scale 0 to 10 depending on the impact on the council’s corporate risk register. If there is a high impact on mitigating risk or reducing the dangers and liabilities for the council, then a high score is allocated, if the impact is low, then a low score is allocated.
 - c) Compliance to statute – scored on a sliding scale of 0 to 10 depending on the level of impact, with a score of 10 meaning there is a high level risk to the council if the scheme were not to go ahead such as health & safety or other

statutory requirement. A score of 0 would mean there is no risk or requirement at all.

- d) External Funding – scored on a sliding scale of 0 to 10 depending on the percentage of external funding to the project as a whole. Schemes with higher values of external funding will receive a higher score. This is because the level of resources contributed by BCW is reduced, and the delivery and implementation risks of the project, is either shared with the partner or reduced as a result.
- e) Revenue Consequences - schemes which result in a positive impact on the revenue budget resulting in larger cost savings will score higher than those schemes which result in either lower or no savings. Those that have a revenue cost will score 0.

8.4 Once the schemes have been scored, they are sorted into the following 3 schedules for consideration by the Resources Committee:

- Schedule 1 – a list of recommended schemes for inclusion into the capital programme that have scored highly against the above criteria.
- Schedule 2 – a list of schemes which, whilst desirable are not of such high priority, but do reflect the policy decisions of the Council and where funding allows should be considered for inclusion.
- Schedule 3 – a list which will show those schemes submitted that did not score sufficiently high enough to be considered for funding at this time.

8.5 The full list of project submission forms are made available on the intranet so that both officers and members can view the proposed schemes.

8.6 A draft capital programme should be included with the draft budget papers sent to the December Resources Committee each year. This gives all members a chance to review and scrutinise the proposed schemes prior to the final capital programme being submitted in February each year.

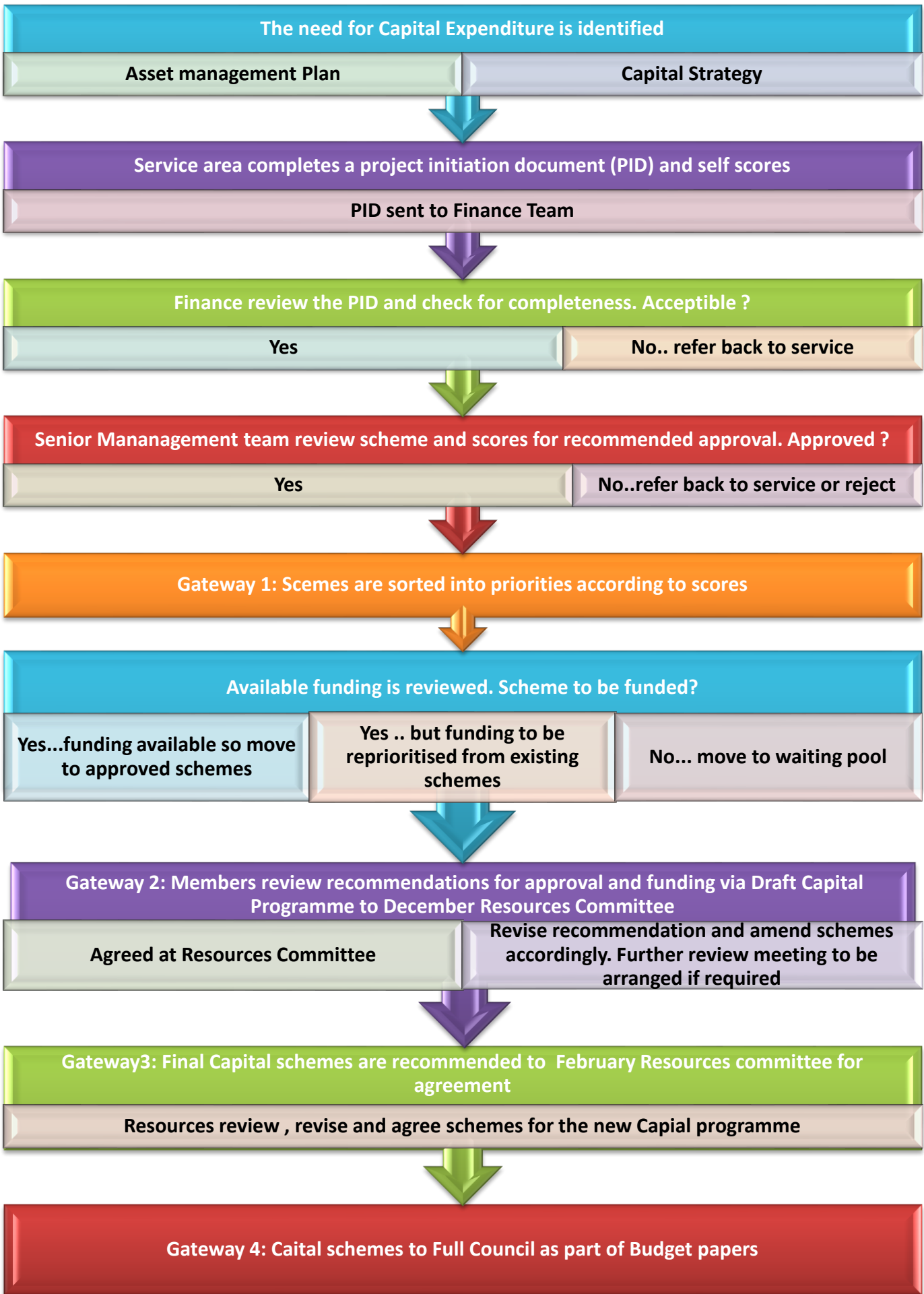
8.7 Once agreed at Resources Committee in February each year the programme is recommended for approval at council.

8.8 Regular monitoring reports on the agreed programme are then submitted to Resources Committee that identify changes to schemes and reflect;

- New resource allocations
- Re-profiling of programme delivery
- Schemes reduced or removed
- Virements between schemes to maximise delivery.

- 8.9 A short rationale for the changes are included with the reports to give members a summary position of the scheme and its progress. The scheme is managed by the capital manager who can, on request, provide detailed project management information to the committee.

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Capital Programme 2015-16 to 2019-20

Sch Ref	Capital Scheme		Responsible Officer	Estimated carry forward from 2014-15	Approved Capital Programme 2015-16	Capital Programme 2015-16 Including est c/fwd	Capital Programme 2015-16 Including est c/fwd	Capital Programme 2016-17	Capital Programme 2017-18	Capital Programme 2018-19	Capital Programme 2019-20	Total Capital Programme 2014-15 to 2018-19
				£	£	£	£000	£000	£000	£000	£000	£000
J107	Telephone System	CR	Alison Curtis	72,500		72,500	72.5					72,500
J132	Desktop Equipment Replacement and Windows7	CR	Alison Curtis	-		-	-		89.0			89,000
J105	Bandstand Castle Fields S106	S106	Amanda Johnson	-		-	-					0
J155	Town Centre CCTV Equipment replacement	CR	Gill Chapman	-785	8,770	7,985	8.0					7,985
J130	ICT Security	CR	Ian Peters	-		-	-					0
J133	Active Migration / Exchange Migration	CR	Ian Peters	388		388	0.4					388
J128	ICT Resilience	CR	Ian Peters	-		-	-		28.4			28,418
J150	Disaster Recovery / Business Continuity for ICT	CR	Ian Peters	-		-	-					0
J152	SQL Database replacement/licensing consolidation	CR	Ian Peters	25,000		25,000	25.0					25,000
J042	High Street Development	CR	Jennifer Bell	68,853		68,853	68.9					68,853
J102	High Street Development British Legion	CR	Jennifer Bell	34,500		34,500	34.5					34,500
J103	High Street Development Mobile Radio	CR	Jennifer Bell	168,892		168,892	168.9					168,892
J122	Street Furniture	CR	Jennifer Bell	45,850		45,850	45.9					45,850
J156	Waste Transfer Station	CR	John Casserly	105,000		105,000	105.0					105,000
J037	Wellingborough Road Adoptions Scheme	CR	John Udall	402,303		402,303	402.3					402,303
J100	Wellingborough Heritage and Shop Front Grant Initiative	Refcus/HLF	John Udall	905,087	621,000	1,526,087	1,526.1	443.0				1,969,087
J151	Shop Front Improvements	Refcus/HLF	John Udall	130,000	130,000	260,000	260.0					260,000
J106	Electronic Data Record System	CR	Kathryn Rance	20,131		20,131	20.1					20,131
K221	Parish Council Irchester	REFCUS	Liz Elliott	5,475		5,475	5.5					5,475
J126	Crematorium	CR	Liz Elliott	77,979	3,886,431	3,964,410	3,964.4					3,964,410
J157	Agresso Upgrade	CR	Liz Elliott	-		-	-					0
K105	Glamis Hall for All	CR	Liz Elliott	250,000		250,000	250.0					250,000
J121	Academy Upgrade	CR	Nigel Robinson	-2,087		-2,087	-2.1					-2,087
J041	Non Operational Property	CR	Paul Burnett	39,912		39,912	39.9					39,912
J113	Nest Farm Road Wall	CR	Paul Burnett	94,904		94,904	94.9					94,904
J116	Croyland Hall Abbey	CR	Paul Burnett	-		-	-					0
J119	Tithe Barn Roof	CR	Paul Burnett	63,594		63,594	63.6					63,594
J118	29-30 Sheep Street	CR	Paul Burnett	153,594		153,594	153.6					153,594
J154	Photovoltaic Panels	CR	Paul Burnett	-	760,000	760,000	760.0					760,000
J127	Private Sector Housing Grant - homelessness initiative	CR	Vicki Jessop	-	45,000	45,000	45.0	45.0				90,000
K001	Renovation Grant-Discretionary	CR	Vicki Jessop	-	60,000	60,000	60.0	60.0	60.0			180,000
K002	Disabled Facilities Grant	Refcus/DFG	Vicki Jessop	-	264,000	264,000	264.0	264.0	264.0			792,000
K007	Empty Properties	CR	Vicki Jessop	366,538		366,538	366.5					366,538
K010	Empty Properties vacant land and CPO	CR	Vicki Jessop	30,391		30,391	30.4					30,391
K302	Kick Start Housing Development	REFCUS	Vicki Jessop	-	100,000	100,000	100.0					100,000
J134	Expanding grave spaces	REFCUS	Victoria Phillipson	21,181		21,181	21.2					21,181
J139	Castle Fields Park S106	S106	Victoria Phillipson	263,745		263,745	263.7					263,745
J140	Eastfields Park S106	S106	Victoria Phillipson	27,462		27,462	27.5					27,462
J141	Croyland Park S106	S106	Victoria Phillipson	28,700		28,700	28.7					28,700
J143	Bassett's Close S106	S106	Victoria Phillipson	21,726		21,726	21.7					21,726
J144	Queensway Open Space S106	S106	Victoria Phillipson	16,676		16,676	16.7					16,676
J146	Austin Close, Irchester S106	S106	Victoria Phillipson	-		-	-					0
J147	Finedon Recreation Projects S106	S106	Victoria Phillipson	24,813		24,813	24.8					24,813
J148	Allotment Improvements S106	S106	Victoria Phillipson	6,986		6,986	7.0					6,986
J149	CPO Fund	CR	Victoria Phillipson	295,000		295,000	295.0	555.0				850,000
J153	Bassetts Park Skate Park	CR	Victoria Phillipson	5,000	105,000	110,000	110.0					110,000
J158	Olympic Way Car Park	CR/S106	Victoria Phillipson	1,195		1,195	1.2					1,195

Capital Schemes submitted 2015-16 to 2019-20

Capital Scheme	Responsible Officer	2015-16	2016-17	2017-18	2018-19	2019-20	Total
Approved scheme awaiting available resources Kick Start Housing Development			130.0	230.0			360,000
Schedule 2 as approved at December Resources awaiting available resources							
The Castle	Liz Elliott	40					39,900
West St/Oxford Street	Julie Thomas	1,127					1,127,033
Sheep Street/London Rd Improvements	Julie Thomas		1,383.0				1,383,047
Springhill Junction - Public Realm Improvements	Julie Thomas		721.7				721,730
Midland Road/Victoria St Junction	Julie Thomas			472.7			472,716
Rock Street/Jacksons Lane/Short Lane	Julie Thomas	280					280,000
Oxford Street/High Street Junction	Julie Thomas		553.7				553,726
Buckwell Green	Julie Thomas		740.3				740,324
Alma Road - Park Road Junction	Julie Thomas			787.6			787,636
Salem Lane Public Realm Improvement	Julie Thomas			356.0			356,000
Tithe Barn Improvements	John Udall	62					62,000
Broad Green War Memorial Area Improvements	Jennifer Bell	141					141,000
Tithe Barn Public Realm (Outside Works)	Jennifer Bell	73					72,500
Schedule 3 as approved at December Resources awaiting available resources							
Irchester Parish Village Hall car park	External	20					20,000
Grendon village - street lighting	External	20					20,000
Schedule of schemes awaiting further information							
Street lighting upgrades to LED EITHER/OR	Julie Thomas	46					46,000
Street lighting for adoption EITHER/OR	Julie Thomas	1	149.0				150,000
Mobile Working	Phil Grimley	50					50,000
Disabled Facilities Grant	Julie Thomas	240					240,000
Town Centre Lighting	Julie Thomas	41					41,000
		2,140.4	3,677.8	1,846.4	-	-	7,664,612.0

