BOROUGH COUNCIL OF WELLINGBOROUGH **AGENDA ITEM 7**

Resources Committee **21 March 2018**

Report of the Section 151 Officer

Capital strategy for the medium term

1 Purpose of report

The 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 capital strategy, shown as appendix 1, has been amended and updated, where possible, and will be further revised later in 2018-19 to reflect full implementation of the new codes and the guidance relating to them from 2019-20.

3 Appendices

Appendix 1: Capital strategy for the medium term (March 2018)
Appendix 2: Capital programme 2018-19 onwards as agreed in February 2018

4 Proposed action: Members are asked to RECOMMEND to:

4.1 **Agree the capital strategy at appendix 1**

5 Background

5.1 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-arching 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

6 Discussion

6.1 The section 151 officer is constantly trying to create greater accuracy and certainty in the planning and governance of the capital programme.

6.2 The internal monitoring and reporting of the capital programme continues to improve. However, there is still some further improvement on the accuracy of forecasting that needs to be undertaken in the coming year.

6.3 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.

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

6.5 In order to keep projects moving and prevent delay it has been agreed by this committee 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 section 151 officer, in consultation with the chairman and/or vice chairman of resources committee, to avoid the need for urgent actions between committee dates. These will be reported to the committee at the next available opportunity.

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 and that they are focussed on the council's key outcomes.

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.

The larger scale longer term projects identified in the capital strategy may require some further resources for project management to ensure that they deliver on time and to budget. These will be included as part of any business case and will be capitalised wherever appropriate.

11 Implications for equalities and stronger and safer communities

None

12 Author and contact officer

Samantha Knowles, Assistant Director, Section 151 Officer

13 Consultees

Liz Elliott, Managing Director
Bridget Gamble, Director
Julie Thomas, Director

14 Background papers

Capital programme reports February 2018 resources committee
Capital strategy March 2017

APPENDIX 1

THE BOROUGH COUNCIL OF WELLINGBOROUGH - A CAPITAL STRATEGY FOR THE MEDIUM TERM (MARCH 2018)

1. INTRODUCTION

1.1 The updated Prudential Code and Treasury Management Code of Practice (both issued in December 2017) include new requirements in relation to the setting of a capital strategy that covers specific subject areas. In line with the Prudential Code, the aim of this capital strategy is to demonstrate how the council will make capital expenditure and investment decisions in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability. The capital strategy sets out the long term context in which capital expenditure and investment decisions are made and establishes that the council gives due consideration to risk, reward, and impact on the achievement of priority outcomes.

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 key outcomes, 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 and 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 must be used to deliver the overall vision of the council, along with its aims and key outcomes. 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 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 working group (CWG) 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 projects
  - Voluntary sector working party which approves projects and monitors spend in relation to the approved budget for capital community grants.

- 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.

- In addition to these, it is important that the members of the council have a channel to present their own capital initiatives. The process for submission of a scheme still needs to be developed but it is anticipated that it will be fundamentally the same, and a full business case and project documentation will be needed. The acceptance of the scheme will be on a cost benefit analysis and will need to consider not only the budget required but also the capacity with in the organisation to deliver it.

- Consideration will need to be given to a separate funding arrangement for these projects and as such a proposal for each year will be included in the capital programme, depending on the total level of uncommitted resources available for the coming financial year. This will be agreed as part of the annual capital budget setting process and in line with current decision making processes.

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 tem.

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:

Central government

3.4 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.

3.5 The majority of planned capital expenditure currently funded by this means is to support housing in the form of disabled facilities grants (DFG).

3.6 The DFG grant now forms part of the government's 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 the entire 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 so it has to be prioritised carefully. Where funding allows it is supplemented by the council.

Third party funding

3.7 Capital grants – these represent project-specific funding for capital projects, in addition to grant 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 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.

3.8 The authority will continue to bid for future resource allocations using innovative service delivery mechanisms if necessary.

Private contributions

3.9 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 either revenue or capital work which relates to the specific purpose.

3.10 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.

Locally generated funding

3.11 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. Under the existing medium term financial plan, the authority is currently not considering prudential borrowing.

3.12 Capital receipts from asset disposal – the council has a reasonably large property estate for its size. 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 of.

3.13 Capital receipts from asset disposal represent a finite funding source and it is important that disposals are planned and structured 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 years' capital financing.

3.14 In order to achieve this 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.

3.15 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 right to buy and Vat shelter income and the potential for the sale of land and buildings.

3.16 The new flexible use of capital receipts outlined as part of the financial settlement from central government will be utilised where possible. Capital receipts received since 2016-17, and for the duration of the period allowed under the direction, will be initially considered for use on transformational projects that contribute towards the council's efficiency strategy and action plan.

3.17 Revenue – capital expenditure may be directly funded from revenue resources where these are available. As the authority currently has a healthy capital receipts balance, this is not an option worth pursing at present, particularly with the general pressures on the council's revenue budget. However, the new flexible use of capital receipts may present an opportunity whereby some costs that would have typically been considered revenue in nature could be funded from capital as part of larger transformational projects.

3.18 The council will allocate capital resources in accordance with its key outcomes, aims and priorities.

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4. PRIORITISATION OF RESOURCES

4.1 The capital programme is already divided into desired outcomes and themes to show how the resources are being used.

4.2 These are shown below:

Desired Outcomes	Themes
Essential for service delivery	Asset maintenance for Health & Safety (H&S) / Compliance – operational
	Asset maintenance for H&S / Compliance - investment
	Maintenance for H&S / Compliance
	New assets for operational use
To generate further revenue resources	Invest to generate income return
	Wellbeing and grants (to avoid revenue costs)
To achieve policy objectives	Invest to save
	Compulsory Purchase Order (CPO) / Property regeneration
	Community / S106
	Public Realm

4.3 These outcomes and themes will also be used to present new capital projects and proposals for the coming year and help to prioritise the use of the capital funds.

4.4 Currently proposals are being developed on:

Essential for delivery:

- Refurbishment, rebuild or redevelopment of the multi-storey car park to reduce the amount of revenue costs associated with its maintenance.
- Planned preventative maintenance schedule for all operational and investment properties to reduce the call on revenue budgets for repairs and maintenance of our current portfolio.
- Major investment in bridges, fences and footpaths, and associated parkland areas, owned by the borough council to ensure compliance and health and safety risk mitigation.
- Development of current low use properties to become highly efficient operational assets (eg. the Tithe Barn or Swanspool Pavilion) and the rationalisation of those assets left redundant as a consequence (eg. 20 Sheep Street).

Generate further revenue resources:

- Investment to develop non-operational assets into residential properties.
- Development of the Embankment area to enhance the current investment property and rental incomes from this area.
- Options for development of Tithe Barn Road offices.

Achieve policy objectives:

- Investment in information and communications technology to enable efficient and effective service delivery and enhanced customer experience, reflecting current modern practices and customer demands.
- Development, potentially via S106 contributions, of the Redwell Leisure Centre outdoor pitches and courts to generate a revenue return and to enhance wellbeing.
- Potential development of the chapels in London Road cemetery
- Investment in the development of The Castle theatre to enhance the services offered and to reduce the revenue costs of supporting the current service delivery model.
- Further development of our own land holdings to add to our investment portfolio.
- Regeneration and development of the High Street, which falls outside of the current Keepmoat proposal.

4.5 These proposals link closely to the efficiency strategy and action plan for the medium term and will be used when considering the larger scale transformational projects that are reflected in the plan.

4.6 Clearly the capital funds available cannot deliver all of these projects and the resources available to manage the projects are limited. However, to allow prioritisation over the medium term these projects have been included to help plan the use of the resources and to focus on the delivery of key outcomes.

5. MANAGEMENT OF THE CAPITAL PROGRAMME

5.1 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 will be determined in parallel with the service and revenue budget planning process within the corporate planning framework.

5.2 The evaluation and scoring of capital schemes enables the council to achieve the most from its 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

5.3 Both internal and external customers 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 scheme manager or proposer 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 of non-compliance 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 statutory 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.

5.4 Once the schemes have been scored, they are sorted into the following three 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 that did not score sufficiently high enough to be considered for funding at this time.

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

5.6 A draft capital programme will 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.

5.7 Once agreed at resources committee in February each year the programme is recommended for approval at council.

5.8 Regular monitoring reports on the agreed programme are then submitted to resources committee to identify changes to schemes and reflect:

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

5.9 A short rationale for the changes will be 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.

Capital programme 2018-19 onwards as agreed in February 2018 Appendix 2

Capital Programme 2018-19 to 2022-23

Sch Ref	Capital Scheme		Responsible Officer	Estimated Carry forward from 2017-18	Approved Capital Programme 2018-19	Capital Programme 2018-19 Including c/fwd	Capital Programme 2019-20	Capital Programme 2020-21	Capital Programme 2021-22	Capital Programme 2022-23	Total Capital Programme 2017-18 to 2022-23
				£	£	£	£000	£000	£000	£000	£000
J178	Fencing for parks	CR	Bernard Gallyot	34,958		34,958					34,958
J183	Waendel Leisure Centre Pool Area	CR	Gill Chapman	125,000	175,000	300,000					300,000
K008	Capital Community Grant	REFCUS	Gill Chapman	150,000	25,000	175,000	25,000	25,000	25,000		250,000
J100	Wellingborough Heritage and Shop Front Grant Initiative	GRANT / REFCUS	John Udall	42,819	1,592,898	1,635,717					1,635,717
J151	Shop Front Improvements	GRANT / REFCUS	John Udall	15,463	173,773	189,236					189,236
J172	Revenue & Benefits ERDMS	CR	Nigel Robinson	136,250		136,250					136,250
J041	Non Operational Property	CR	Paul Burnett	5,227		5,227					5,227
J185	Castle Theatre	CR	Paul Burnett	60,000	783,000	843,000	267,000				1,110,000
J188	Nene Valley Crematorium Memorial Wall	CR	Paul Burnett		110,000	110,000					110,000
J189	Nene Valley Crematorium Skylight	CR	Paul Burnett		50,000	50,000					50,000
J190	Nene Valley Crematorium Scattering Lawn Memorial	CR	Paul Burnett		30,000	30,000					30,000
J162	PFP Leisure	REFCUS	Samantha Knowles	240,195		240,195					240,195
J174	Waendel Leisure Centre	CR	Samantha Knowles	33,534	50,000	83,534					83,534
J176	IT Strategy Implementation	CR	Samantha Knowles	3,225		3,225					3,225
J191	Temporary Accomodation Mitigation Fund	CR	Samantha Knowles	325,000	400,000	725,000					725,000
K105	Glamis Hall for All	REFCUS	Samantha Knowles		177,455	177,455					177,455
J107	Telephone System	CR	Tim Stubbs	70,038		70,038					70,038
J132	Desktop Equip Replacement & Windows 7	CR	Tim Stubbs	88,693		88,693					88,693
J168	ICT Data Store	CR	Tim Stubbs	41,362		41,362					41,362
J181	IDOX EDRMS	CR	Tim Stubbs	20,000		20,000					20,000
J186	ICT Infrastructure	CR	Tim Stubbs	76,337		76,337					76,337
J187	Payment Services Upgrade	CR	Tim Stubbs	25,000		25,000					25,000
J127	Private Sector Housing grant - Homelessness Initiative	REFCUS	Vicki Jessop	7,500	61,000	68,500					68,500
K001	Renovation Grant-Discretionary	REFCUS	Vicki Jessop	15,991	100,000	115,991					115,991
K002	Disabled Facilities Grant- Mandatory PO	GRANT	Vicki Jessop	75,643	300,000	375,643					375,643
K007	Empty Properties	REFCUS	Vicki Jessop	66,275	300,000	366,275					366,275
J037	Wellingborough Road Adoptions	CR	Victoria Phillipson	261,626	100,000	361,626					361,626
J122	Street Furniture	CR	Victoria Phillipson	576	10,000	10,576					10,576
J139	Castle Fields Park S106	S106	Victoria Phillipson	84,200	161,300	245,500					245,500
J140	Eastfields Park S106	S106	Victoria Phillipson		3,000	3,000					3,000
J141	Croyland Park S106	S106	Victoria Phillipson	1,794		1,794					1,794
J143	Bassett's Close S106	S106	Victoria Phillipson	3,000	18,466	21,466					21,466
J144	Queensway Open Space S106	S106	Victoria Phillipson		16,676	16,676					16,676
J148	Allotment Improvements S106	S106	Victoria Phillipson	2,056		2,056					2,056
J149	Project Costs For CPO's	CR	Victoria Phillipson	39,053	600,000	639,053					639,053
J153	Bassetts Park Skate Park	CR	Victoria Phillipson	6,510	103,000	109,510					109,510
J175	Market Layout	CR	Victoria Phillipson		17,000	17,000					17,000
				2,057,326	**5,357,568**	**7,414,894**	**292,000**	**25,000**	**25,000**	**-**	**7,756,894**