



CORPORATE RESOURCES OVERVIEW AND SCRUTINY COMMITTEE

Committee Report

Public

Date of Meeting: 7 August 2008 (Special)

Title: DRAFT CAPITAL STRATEGY 2009/10 TO 2013/14

Report of: The Director of Corporate Services

Report reference: CORP22/08

Summary:

The Council's Draft Capital Strategy for the period 2009/10 to 2013/14 was considered by the Executive on 4 August 2008.

Questions for / input required from Scrutiny:

To scrutinise, and provide feedback, on the Policies to be adopted by the Council which will inform the Capital Programme and use of Capital Resources over the next five years.

Recommendations:

Members are asked to consider the report and make any recommendations back to the Executive for consideration at their meeting on 26 August 2008.

Contact Officer: Angela Brown

Ext: 7299

Note: In compliance with Section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: Council Budget Resolution February 2008.

REPORT TO EXECUTIVE

PORTFOLIO AREA: FINANCE AND PERFORMANCE MANAGEMENT

Date of Meeting: 4 August 2008

Public

Key Decision: Yes

Recorded in Forward Plan:

Yes

Inside Policy Framework

Title: DRAFT CAPITAL STRATEGY 2009/10 TO 2013/14

Report of: The Director of Corporate Services

Report reference: CORP22/08

Summary:

The Council's draft Capital Strategy is intended to direct the Council's Capital Programme and the allocation of resources for the five-year period 2009/10 to 2013/14. The guidance in this strategy complements and supplements the Medium Term Financial Plan.

Following consideration by the Executive, the Corporate Resources Overview and Scrutiny Committee will consider the draft on 7 August, and the Executive will then consider their comments at their meeting on 26 August, prior to making final recommendations to Council on 9 September 2008.

Recommendations:

The Executive is asked to:

- (i) Consider and provide guidance to prioritise the initiatives currently underway which are to be delivered, in the light of the estimated available resources over the medium and longer-term period.
- (ii) Comment and make recommendations on the draft Capital Strategy for consideration by the Corporate Resources Overview and Scrutiny Committee on the 7 August.

Contact Officer: Angela Brown

Ext: 7299

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: Council Budget Resolution 5th February 2008.

To: The Executive
4 August 2008

CORP22/08

DRAFT CAPITAL STRATEGY 2009/10 TO 2013/14

1. BACKGROUND

- 1.1 The Capital Strategy is a key policy document, providing guidance on the Council's Capital Programme and the use of capital resources. The Strategy supplements guidance contained in the Medium Term Financial Plan (MTFP).
- 1.2 The Capital Strategy is reviewed annually alongside the MTFP, starting with the assumptions made in the Budget Resolution approved by Council on 5 February 2008. This position has been updated to reflect any known changes since that date and is continuously kept under review throughout the year.

2. CONSULTATION

- 2.1 The draft Capital Strategy has been considered by the Senior Management Team and the Strategic Planning Group.
- 2.2 The Corporate Resources Overview and Scrutiny Committee will consider the report on 7 August 2008.

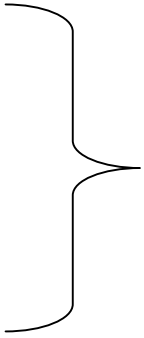
3. RECOMMENDATION

The Executive is asked to:

- (i) Consider and provide guidance to prioritise the initiatives currently underway which are to be delivered, in the light of the estimated available resources over the medium and longer-term period.
- (ii) Comment and make recommendations on the draft Capital Strategy for consideration by the Corporate Resources Overview and Scrutiny Committee on the 7 August.

4. IMPLICATIONS

- Staffing/Resources
- Financial / Legal
- Corporate
- Risk Management
- Equality Issues
- Environmental
- Crime and Disorder
- Impact on Customers



Included within the draft
Capital Strategy as
attached

ANGELA BROWN
Director of Corporate Services



CARLISLE CITY COUNCIL

DRAFT FOR CONSULTATION

CAPITAL STRATEGY 2009/10 TO 2013/14

AUGUST 2008

CARLISLE CITY COUNCIL

DRAFT CAPITAL STRATEGY 2009/10 to 2013/14

1. Policy and Context

The Capital Strategy is a key policy document for the Council and provides guidance on the Capital Programme and the use of capital resources. The strategy reflects the links to other Council plans and is based on the guidance in the Medium Term Financial Plan (MTFP).

The objective of the Capital Strategy is to: -

- Ensure that capital investment decisions and capital resources contribute to the achievement of the Council's corporate priorities.
- Co-ordinate the strategic priorities emerging from service planning and ensure that investment opportunities are maximised.
- Manage performance and decision-making processes to help achieve the best use of available capital resources.
- Set out processes to monitor and evaluate proposed and actual capital spending on projects to ensure that value for money is obtained.

Capital spending is strictly defined and is principally incurred in buying, constructing or improving physical assets such as buildings, land and vehicles, plant and machinery. It also includes grants and advances to be used for capital purposes.

2. Overall Strategy Guidelines

The strategy has been developed using the following overarching guidelines: -

- Capital resources are held corporately and are allocated according to the priorities set out in the Corporate Improvement Plan (i.e. there is no automatic ring-fencing of resources for specific purposes with the exception of the repayment of Renovation grants).
- Capital receipts, including PRTB receipts, will be allocated in accordance with Council priorities and in particular to support sustainable communities and the Housing Strategy.
- Specific repayments of Renovation Grants will be reinvested in the programme and be used to support Private Sector Renewal Grants.

- The Council will seek to maximise the use of grants and external funding.
- The Council is committed to deliver capital investment with partners to maximise benefits where this fits with Council priorities.
- Redirection of capital resources from one project to another will be contained within existing budgets, unless increases can be justified through the budget process.
- Capital budgets are generally cash-limited i.e. no provision is made for inflation which effectively means that over time there is a real reduction in the value of resources allocated to specific capital projects.
- Council Tax increases will be limited to fair and reasonable levels. This requires a full assessment of the revenue consequences of capital projects and their respective methods of finance.

3. **The Council's Strategic Planning Framework**

The strategic planning framework ensures that the financial and planning processes are aligned and consistent and that resources are directed to key priorities. The Strategic Planning Framework is set out in detail in the MTFP and is summarised below:

- **Community Plan**

The community plan is 'owned' by the Carlisle Partnership (our Local Strategic Partnership). It reflects and develops the aspirations of the communities of Carlisle and provides a strategic context for the partnership activities of all members of the CSP. For the City Council it is particularly important that the **Corporate Improvement Plan** enables delivery of the Community Plan; there must be congruence between the strategic objectives of both plans.

- **Corporate Improvement Plan 2007 - 2010**

The Corporate Improvement Plan explains how the City Council will contribute towards the Carlisle Strategic Partnership's Community Plan and has been developed within an over-arching commitment to the Carlisle Renaissance agenda. Within this commitment, the Council has set out two priority areas for the basis of allocation of its revenue and capital resources:

- The Learning City
- Cleaner, Greener and Safer

The Corporate Improvement Plan is currently under review in the light of emerging national, regional and local issues.

- **Directorate Service Plans**

The primary purpose of a Service Plan is to provide a link between the resources used to deliver services and the delivery of agreed outputs. Service Plans are inextricably linked to each Directorate's budget.

- **Other Council Strategies, Plans and Policies**

The Capital Strategy takes account of other Plans and Strategies which have a potential impact on the Council's use of resources. Particularly consideration is given to the following key strategies: -

- The IT Strategy, which has been developed to plan the cost of replacing IT hardware and software to ensure effective service delivery.
- The Asset Management Plan, which provides forecasts of necessary capital investment in the Council's land and property portfolio and provides information on assets which are surplus to requirements and can be disposed of to raise capital resources.
- The Housing Strategy, which provides details on the delivery of housing services within Carlisle including Supporting Vulnerable People, Decent Homes (including Empty Properties), Affordability and Balancing the Housing Market. There are significant financial implications relating to this Strategy with approximately £1.25m currently built into the Capital Strategy projections for 2008/09. In addition there are capital resources to support Private Sector Renewal currently set at £849,000 per annum which will be reviewed following the recent guidance received in relation to the Disabled Facilities Grant (DFG) allocation, the new arrangements regarding the removal of the 60:40 funding split and the pilot scheme on the un-ring fencing of DFG funding. The current Housing Strategy comes to an end during 2009/10.

4. Capital Programme Forecasts

4.1 Current Forecasts

The Council has previously considered detailed proposals for capital spending and associated financing implications for the period 2008/09 to 2010/11. These are summarised in the Council Budget Resolution approved on 5 February 2008.

This report updates the projections to cover a five-year period. This aims to provide more effective planning in the longer term. The aim may be to increase this period to 10 years as information becomes clearer about the impact of the developments under the Renaissance.

The key assumptions in the projections are as follows:

- The Capital Programme considered by Council in February assumed a programme of £4.226m for 2009/10 and £2.194m for 2010/11. For the purposes of this strategy, it has been assumed that the capital programme for 2010/11, adjusted for non-recurring spending, will form the basis of the 2011/12, 2012/13 and 2013/14 capital programme. The impact of the 2007/08 outturn and the carrying forward of budgets into 2009/10 and 2010/11 have increased the programme by £2.054m and £0.214m respectively since the budgets were approved in February. Forward forecasts are currently limited to schemes that are either supported by known grants (such as the Regional Housing Grant and Disabled Facilities Grant) or have been in the existing programme for a number of years e.g. industrial estates, major repairs, and play areas.
- The value of the 2011/12 programme calculated in this way is £1.457m and is attached at **Appendix A** and summarised by Council priority in **Table 1** below.

Table 1 - Potential Capital Programme 2008/09 to 2013/14

Priority	2008/09 Budget £000	2009/10 Budget £000	2010/11 Budget £000	2011/12 Budget £000	2012/13 Budget £000	2013/14 Budget £000
Renaissance	887	0	0	0	0	0
Cleaner Greener Safer	2,418	650	210	50	50	50
Learning City	0	0	0	0	0	0
Other Council Services	4,186	3,790	1,984	1,407	1,407	1,407
TOTAL POTENTIAL PROGRAMME	7,491	4,440	2,194	1,457	1,457	1,457

The Council's Treasury Consultants, Sector, have carried out training sessions for Members and Officers providing details on Treasury Management, Allocation of Resources and Capital Programme Prioritisation.

4.2 Future Forecasts

The current capital programme forecasts spending on capital projects of around £1-£4m p.a. for years 2009/10 – 2013/14. Past experience has indicated that actual spending will be far higher and this is due mainly to the fact that a number of initiatives are still at an early stage of development and so are not yet included in the projections. In particular, at this point no account has been taken of any future aspirations beyond 2008/09 for schemes under review. These schemes are currently the subject of feasibility studies and the results will be considered in accordance with the following timescales: -

(I) Carlisle Renaissance – The capital allocation for 2008/09 relates mainly to improvements to the Historic Quarter. Any future capital funding requirement from the City Council will be linked to priorities agreed with the Carlisle Renaissance Board and set in a 3-5 year action plan or forward programme that will come forward for consideration by the City Council, the County Council and the Northwest Development Agency (NWDA) later in the year. In the interim the NWDA has indicated that it may provide grant funding to support further acquisitions and any such proposals would as previously come forward for approval by the Executive Committee.

(II) Tullie House Governance Options - Proposals to move forward the devolution of the responsibility for delivering the museum service to a charitable trust are subject to further work for which the City Council approved a supplementary estimate of £50,000. This will result in a member workshop and final approval is subject to agreement by the Executive receiving a report outlining the details including financial implications in the autumn.

(III) Theatre and Arts Study – In June 2007 the Council considered the outcome of the Theatre and Arts Feasibility Study, with its main recommendation being for a new build as at an estimated cost of £21m, which was agreed to be beyond the scope of the City Council to fund. The City Council approved a budget to assist the Save our Lonsdale Group in developing plans for a potential future use of the Lonsdale building as an theatre/arts centre. The outcome of this study will be available in the Autumn.

(IV) Asset Review Programme – The focus of the Asset Review Programme is now on producing a Development and Investment Plan for the City Council's property portfolio. One objective is to enable growth in income from, and the value of, the portfolio. The Executive has agreed to explore in detail two options for delivery of the plan, firstly where the Council retains and manages its asset portfolio and undertakes site specific joint ventures and secondly establishing a Carlisle Local Asset Vehicle (LAV) to both manage part and/or all of the portfolio and to deliver the programme of development. A report is scheduled for the Executive in September and will be used to inform the future direction of the Asset Management Plan.

(V) Sports Development – The Executive considered proposals on Sports Facilities in 2007, since when the Tennis Dome has been developed in Bitts Park and the Sheepmount synthetic pitch has been commissioned and will be open by late 2008. Further work is being progressed on options with Carlisle Leisure and other partners for sports facilities in the City. The Executive has also considered options for developing an events facility at the Sands, which is still subject to ongoing discussions with Carlisle Leisure Ltd

(VI) IT Strategy – The Information Systems Group considers and prioritises schemes for potential inclusion in the capital programme. In future it is intended that the IT Strategy will be joint with Allerdale subject to the approval of the ICT Shared Service Initiative.

(VII) Environmental Enhancements – In recent years the Council has made an annual contribution to environmental enhancements, both directly and in conjunction with other partners. As neighbourhood working develops further and in response to significant community demands there will be ongoing pressure to continue capital investment for works of this nature.

(VIII) Morton Land Development – Following the Inspector's Report on the Local Plan and the confirmation of land use designations at Morton, the Council now needs to consider how it wishes to move forward with the land in its ownership within the context of the urban extension as a whole. An outline planning application is expected in September but the final development will depend on the market conditions.

(VIII) Housing/Homelessness – The current 5 year Housing Strategy comes to an end during 2009/10 as stated in paragraph 3 above. A key project for the replacement of the London Road Hostel and the creation of a new hostel as part of a centre for excellence is currently in development.

(X) Cycleway Development – External funding has been allocated for a cycleway across the City and discussions are on-going with Sustrans. Partners will need to be found to match fund the allocation made by Sustrans.

The position on the above schemes will need to be updated during the budget process when an indication of capital schemes coming to fruition and their timing can be made more accurately. The inclusion of any of these projects in the capital programme will be subject to the appraisal of a full business case, which will include an assessment of fit with corporate priorities, prior to formal approval for inclusion in the programme by Council.

5. Capital Resource Forecasts

The Council's capital programme can be financed, (or paid for), through a number of sources and the Director of Corporate Services will make recommendations on the most effective way of financing the Capital Programme to optimise the overall use of resources. The availability of staff resources to deliver the approved programme will need to be considered during the budget process. **Table 2** overleaf shows the estimated level of capital financial resources which will be generated over the next five years.

Table 2 – Estimated Capital Resources

Resources Available	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Capital Receipts						
• PRTB *	(2,400)	(1,900)	(1,800)	(488)	(449)	(445)
• Raffles	(500)	(500)	(500)	(500)	(500)	(500)
• Sale of assets	(500)	(500)	(500)	(500)	(500)	(500)
Capital Contributions	(40)	0	0	0	0	0
Government Grants	(1,709)	(1,632)	(1,632)	(1,632)	(1,632)	(1,632)
TOTAL	(5,149)	(4,532)	(4,432)	(3,120)	(3,081)	(3,077)

* see note at paragraph (ii)

The current assumptions included in this strategy for each of the available financing sources are as follows:

(i) Borrowing

Rules on borrowing have been relaxed over recent years following the introduction of the Prudential Code in April 2004. There has also been a change to government support in that support for assumed new borrowing is no longer provided via the revenue support grant but has instead been replaced by a specific capital grant for housing purposes. As a consequence, any new borrowing taken out is now known as unsupported borrowing. This effectively means that the Council can borrow as much as it wishes to pay for its capital programme, providing that repayments are affordable and can be met from the Council's revenue budget. There are no proposals to use unsupported borrowing at the moment due to the level of other resources available to the Council for capital purposes, particularly capital receipts. This does not rule out, however, the option for the future should a business case support a proposal that is both sustainable and affordable (e.g. an invest-to-save project).

(ii) Capital Receipts

Capital Receipts arise principally from the sale of Council capital assets. Currently the bulk of the receipts are received from a Preserved Right to Buy (PRTB) sharing agreement with Carlisle Housing Association (CHA), following the transfer of the housing stock in December 2002. Capital receipts are forecast to remain fairly constant at £2m - £3m p.a. for the period under review. This figure comprises: -

- £1.9m received from PRTB sales under the sharing agreement with Carlisle Housing Association in 2009/10, reducing to around £1.8m in 2010/11 and to approximately £0.5m p.a. thereafter. Updated projections have been requested from CHA which will be included in the final version of the report once received but early indications show that there will be a significant reduction in the level of receipts generated from PRTB sales which has not yet been taken into account. The shortfall could be £5-6m over the next three years.
- £500,000 p. a. from receipts arising from the Raffles development, which it is forecast will continue to be generated for the next 12 years,
- An assumption that the Council will generate £500,000 p. a. over the life of the plan from the sale of other Council surplus assets (to be refined during the budget process). As stated under PRTB, it is probable that the general economic downturn will impact on the generation of future capital receipts.

Capital receipts, including PRTB receipts, will be allocated in accordance with Council priorities and in particular to support sustainable communities and the Housing Strategy. 'Sustainable communities' has a wide-ranging definition, which is included at **Appendix B** for information. There is an expectation from the Government that the PRTB receipts will be used to benefit the delivery of the sustainable community.

The Council also receives a small amount from repayments of improvement grants arising as a result of property sales. In previous years these sums were treated as being new capital receipts and were made available for use by the Council generally. The Council has now approved a change in policy whereby receipts of this nature are now to be used specifically to support Housing Private Sector Renewal initiatives. However given the scale of the potential receipts, for the purpose of this report, they are not separately identified and are included within general capital receipts.

As a result of revised Capital Financing Regulations, the Council has prepared an annual Minimum Revenue Provision (MRP) Strategy, which was approved by Council on 26 June. At the same time as preparing this strategy and as a result of a Balance Sheet review undertaken by Sector, the Council has taken advantage of an accounting amendment which will generate substantial short term savings to the authority's revenue budget. This involves the voluntary set aside of unapplied capital receipts. These receipts will still be available to support the funding of the capital programme but will require detailed record keeping to monitor the receipts generated, those applied to fund the programme and those set aside. As capital receipts are spent there will be an adverse impact on the revenue account both in terms of the amount of investment interest received and the level of MRP charged in the year.

(iii) Reserves and Balances

The Council currently maintains two reserves to support capital spending – the Projects Reserve, and the Asset Investment Reserve. Further information on all of the Council reserves is set out in more detail in the Council's Policy on the Use of Reserves contained within the MTFP.

- **The Projects Reserve**

This Reserve was set up originally to provide resources to supplement both the revenue budget of the Council and provide resources for major capital projects where necessary. The MTFP has proposed, as part of its policy on the use of reserves, to earmark the balance in hand at 31st March 2008 to meet forecast revenue deficits over the next three years pending identification of compensating savings. The Council has no existing policy to replenish the balance in this reserve, as it relies on the receipt of “windfall” income and increases arising from under-spends on the Council's revenue budget. Any additional balances generated this way could potentially be used for capital purposes but this strategy assumes that the Projects Reserve will be unable to provide finance for any further major capital projects over the period of this strategy.

- **Asset Investment Reserve**

The Asset Investment Reserve currently stands at £2m, the use of which is subject to Council approval. Part of the Reserve has been set aside to purchase strategic properties as part of the Carlisle Renaissance project. It is envisaged that further properties will be acquired during 2008/09. The reserve also includes £1m built up from contributions from the Industrial Estates capital programme. Its use is currently the subject of an investment programme developed by Property Services.

- **The Renewals Reserve**

The Renewals Reserve, originally established for the replacement of vehicles, plant and equipment, was closed as part of the 2008/09 budget cycle and all replacements will now be subject to capital bids for inclusion in the capital programme. The consequence of this decision is that these items must be integrated into the capital planning process along with an assessment of the means of procurement. A 10-year replacement plan will therefore be prepared and reported as part of the final version of this report.

This aspect is particularly relevant in relation to the vehicle requirements of the refuse collection service. This is by far the largest item of vehicle procurement that the Council would normally undertake and largely explains the major increase in the vehicle element shown at Appendix A between this year and 2009/10.

(iv) Government and Other Capital Grants and External Funding

The Council currently receives capital grants to support its Disabled Facilities Grants (DFG) programme and funds from the Regional Housing Pot for other housing related projects.

The Department for Communities and Local Government (DCLG) announced changes to the level and scope of disabled facilities grants in February 2008. From 2008/09, the level of grant provided to the Council has increased to £510,000 and the requirement for the Council to fund 40% of the cost has been withdrawn. It is further proposed that allocations for years 2009/10 and 2010/ 11 will be provided in 2009, moving to three-year allocations in the 2010 spending review. This strategy assumes that the allocation for future years will be maintained at 2008/09 levels i.e. £510,000 per annum. The scope of the DFG grant itself is also widened to enable DFG to be used for less restrictive purposes to enable the Council to develop services that fit with local delivery arrangements and the needs of individuals. In 2008/09, the capital budget (£849,000) for private sector housing investment has been earmarked in full to provide disabled facilities grants and therefore capital receipts of £339,000 will be needed to support the programme. The capital programme for the period 2009/10 – 2013/14 has been developed using the same assumptions but will be updated as necessary to reflect any change in the forecast demand for disabled facilities grants.

The value of resources provided by the Government from the Regional Housing Pot over the period of this strategy is estimated at £1,122,000 per annum. Capital spending on housing initiatives will continue to be supported by this grant.

The rest of the schemes currently in the capital programme do not attract any grant assistance. However, the Council is committed to deliver capital investment with partners to maximise benefits where this option is a practical alternative and the investment fits with Council priorities. This has been a successful strategy in recent years with significant grants being received from DEFRA, the Sports Council and the Football Foundation. The strategy does however rely on match funding being provided by the Council, which can take the form of cash, contributions from assets such as land holdings or buildings, or in certain cases payments “in-kind” such as staff time.

(v) Revenue Contributions

The Council is free to make contributions from revenue to finance capital spending. In practice however, and given the severe restrictions on the level of revenue spending needed to keep Council Tax at acceptable levels, it is not anticipated that any revenue contributions will be made over the period 2009/10 – 2013/14 to provide resources for capital spending. Due to the pressure on the Council’s Revenue budget and reserve projections, the opportunity will be taken wherever possible to maximise the use of capital resources rather than revenue resources. This is because capital resources can only be used to finance capital schemes, whereas revenue reserves

and balances can be used to support both revenue and capital schemes and therefore gives more flexibility.

6. Summary Capital Spending and Financing

As set out in the Table overleaf, there is currently approximately £17m uncommitted estimated capital resources available to support any future capital programme.

Summary Programme	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Estimated Resources 31 March 2008	(12,538)	0	0	0	0	0
In year impact:						
Estimated Resources available (Table 2)	(5,149)	(4,532)	(4,432)	(3,120)	(3,081)	(3,077)
Current Proposed Programme (Table 1)	7,491	4,440	2,194	1,457	1,457	1,457
In year projected (surplus)/deficit in Resources	2,342	(92)	(2,238)	(1,663)	(1,624)	(1,620)
Cumulative year end *						
Capital receipts	(10,196)	(10,288)	(12,526)	(14,014)	(15,463)	(16,908)
Capital Grant	0	0	0	(175)	(350)	(525)
TOTAL	(10,196)	(10,288)	(12,526)	(14,189)	(15,813)	(17,433)

* These projections include the PRTB receipts, which as indicated earlier in the report, may be significantly reduced with a shortfall of between £5-6m over the next three years. As at the end of 2008/09 a surplus of £8m is a more prudent estimate.

7. Council Budget Process

- 7.1 The Council has up until now operated a three-year budget cycle, which starts in May with consideration of the MTFP including this Capital Strategy. As the year progresses, services submit capital and revenue bids for service development or to address pressures identified in their respective service plans in accordance with Council priorities. Capital bids have a role to play in developing the Council's revenue budget as in very many cases, a capital project will result in the Council having to budget for ongoing revenue [or running] costs in future years. From 2009/10 it is proposed that the budget process be operated as above but over a five-year cycle.
- 7.2 The Council has set up a formal appraisal system to assess individual capital projects before they are included in the capital programme, and therefore before committing revenue resources. The Capital Projects Board undertakes this to determine: -

- Whether the project meets corporate and service priorities,
- Whether all costs are reasonable and affordable,
- Whether all options to deliver the project have been considered.
- Impact on Revenue budget.
- Any VAT issues

Capital bids are only put forward to members as recommended schemes when this appraisal process is completed satisfactorily.

8. Evaluation and Monitoring of Capital Projects

8.1 The evaluation and monitoring of capital projects is important to enable the Council to determine: -

- If projects have met their individual objectives for service provision,
- If projects have been delivered on time and to budget, or whether lessons need to be learned to improve processes in the future,
- If projects have contributed to the overall aims and objectives of the Council.

8.2 To assist with these processes, the Council has a series of procedures in place as a capital project develops. These consist of: -

- Consideration of all aspects of a capital project by the Capital Projects Board, comprising senior officers of the Council, whose purpose is to lead on the prioritisation of capital investment through the consideration of business cases and the ongoing monitoring and evaluation of individual capital projects. All proposals for investment will be submitted to members for consideration as part of the normal budget process.
- The development of a risk-assessed project plan for every project, which is subject to regular monitoring against key milestones by a nominated project officer.
- Changes to capital budgets, scheme costs, the inclusion or removal of individual schemes and information on remedial action needed to bring projects back on track are reported to Council as required.
- The Senior Management Team and the Executive receive quarterly monitoring reports on the Capital Programme to review progress on the delivery of projects. This process also includes the evaluation of completed capital projects to assess if their individual aims and objectives have been met, and makes

recommendations where necessary to improve the delivery of similar projects in the future.

- The Council's Corporate Resources Overview and Scrutiny Committee also critically examines the performance in delivering capital projects on a quarterly basis.

9. Risk Assessment

Although the Council has adequate resources to pay for its capital programme in the foreseeable future, the past performance of the capital programme flags up some key risks that need to be addressed to ensure best use is made of the Council's capital resources. The risk assessment for the capital programme is attached at **Appendix C**.

10. Summary

This strategy is designed to outline the processes and risks the Council needs to consider to develop a capital programme that meets corporate and service objectives. It also provides information on the likely level of capital investment that the Council will be able to support over the next three years and gives an indication of the level of resources that will be required, and that are available, to deliver this investment through the capital programme.

APPENDIX A

Current Capital Programme

Capital Schemes	2008/09	2009/10	2010/11	Projected 2011/12	Projected 2012/13	Projected 2013/14
	£000	£000	£000	£000	£000	£000
<u>Commitments b/f from 2006/07:</u>	74	0	0	0	0	0
<u>Commitments b/f from 2007/08</u>	2,054	214	0	0	0	0
<u>Current Commitments</u>						
Disabled Facilities Grants	849	849	849	849	849	849
Major Repairs to Council Property	250	250	250	250	250	250
Vehicles & Plant *	129	1,911	255	*	*	*
IT Equipment **	254	283	322	*	*	*
Equipment *	0	0	0	*	*	*
Industrial Estate Maintenance	490	215	200	200	200	200
Desk Top Replacement	108	108	108	108	108	108
Housing Strategy	1,250	400	0	0	0	0
Play Areas	50	50	50	50	50	50
Housing Foyer	300	0	0	0	0	0
Historic Quarter	840	0	0	0	0	0
Total Existing Commitments	6,648	4,280	2,034	1,457	1,457	1,457
<u>New Spending Proposals:</u>						
MUGA & Sports Initiatives	105	0	0	0	0	0
Environmental Enhancements	160	160	160	0	0	0
Petteril Riverbank Protection Work	82	0	0	0	0	0
Hammonds CCTV	25	0	0	0	0	0
Adelaide Street Allotments Fencing	10	0	0	0	0	0
Caldew/City Centre Flood Defence	21	0	0	0	0	0
Kingmoor Nature Reserve	40	0	0	0	0	0
Family Hostel Replacement	400	0	0	0	0	0
Total New Proposals	843	160	160	0	0	0
TOTAL CAPITAL PROGRAMME	7,491	4,440	2,194	1,457	1,457	1,457

* a 10 year replacement plan is being prepared

** IT Investment will be subject to the ICT Shared Service Business Case which proposes a 6 year Investment Strategy

Sustainable Communities

In February 2003 the ODPM produced a document called 'Sustainable Communities: building for the future' which provided a summary of the key requirements of a sustainable community as shown below.

1. A flourishing local economy to provide jobs and wealth;
2. Strong leadership to respond positively to change;
3. Effective engagement and participation by local people, groups and businesses, especially in the planning, design and long-term stewardship of their community, and an active voluntary and community sector;
4. A safe and healthy local environment with well-designed public and green space;
5. Sufficient size, scale and density, and the right layout to support basic amenities in the neighbourhood and minimise use of resources (including land);
6. Good public transport and the transport infrastructure both within the community and linking it to urban, rural and regional centres;
7. Buildings – both individually and collectively – that can meet different needs over time, and that minimise the use of resources;
8. A well-integrated mix of decent homes of different types and tenures to support a range of household sizes, ages and incomes;
9. Good quality local public services, including education and training opportunities, health care and community facilities, especially for leisure;
10. A diverse, vibrant and creative local culture, encouraging pride in the community and cohesion within it;
11. A 'sense of place';
12. The right links with the wider regional, national and international community.

APPENDIX C

Capital Programme – Risk Assessment

Risk	Likelihood	Severity	Type of Control
Capital projects are approved without a full appraisal of the project and associated business case.	Medium	Medium	Strengthen the role of Capital Projects Board when considering capital project appraisals, to include consideration of business cases
Full capital and revenue costs of a project not identified.	Medium/ Low	Medium	Capital spending must meet statutory definitions. Financial Services to regularly review spending charged to capital. Appraisals to identify revenue costs, including whole life costs to improve financial planning.
VAT partial exemption rules are not considered.	Medium/ Low	Medium/ Low	Reduced impact following the decision to elect to tax land and property. To be considered as part of Project Appraisals and assessed by Financial Services.
Capital projects are not delivered to time	Medium	Medium	Some slippage in the current capital programme. Better project management skills to be introduced through PRINCE 2. Project managers to take more ownership and responsibility for the delivery of projects
Capital projects are not delivered to budget. Major variations in spending impact on the resources of the Council.	Medium	Medium	Improved capital programme monitoring through PRINCE 2 and monthly financial monitoring. Corrective action to be put in place where necessary.
Assumptions on external funding for capital projects are unrealistic	Low	Medium	Potential shortfalls arising from changes to external funding have to be met from other Council resources, so assumptions need to be backed by firm offers of funding before projects are submitted for appraisal.
Spending subject to specific grant approvals e.g. housing improvement grants, disabled persons adaptations varies from budget	Low	Medium	Specific grants are generally cash limited so variations in projects supported by funding of this nature will be monitored closely to ensure target spend is achieved to avoid loss of grant or restrictions on subsequent years grant funding.
Level of capital resources generated from PRTB/Capital Receipts	High	Medium	Economic downturn will impact - early warning so as not to over commit capital resources.