
CAPITAL STRATEGY 2010/11 TO 2014/15

1 SUMMARY

- 1.1 This report presents the Capital Strategy for approval. The Strategy (Appendix 1) sets out the basis for the authority's capital investment and details the corporate decision-making process and links with other strategies and plans.

2 INTRODUCTION

- 2.1 There are two types of expenditure that the Council can undertake, revenue and capital.
- 2.2 Revenue expenditure includes for example salaries and costs associated with providing the range of Council services. Revenue expenditure, also known as the General Fund, directly affects Council Tax.
- 2.3 Capital expenditure is normally investment in assets which creates a tangible asset such as the Cherry Orchard Jubilee Country Park or is a significant enhancement to existing assets, for example, refurbishment of pavilions. Under the Local Authority capital accounting rules, disabled facilities and Private Sector Renewal Grants can also be treated as capital,. The majority of the Council's capital investment is funded by capital receipts and there are strict rules over the use of such receipts, which cannot be used to fund revenue expenditure. As part of the assessment of capital schemes, any ongoing revenue costs are identified and the Council aims to minimise these as capital schemes should either have no impact on the Council Tax or create the opportunity for savings or income generation, for example the Windmill.
- 2.4 The aim of the Council's Capital Strategy is to use capital receipts to deliver projects that support the Council's objectives, deliver revenue savings, create revenue earning opportunities or improve the efficient working of the Council.
- 2.5 Within the Capital Strategy is the section dealing with prioritisation of capital investment. The Council has previously set the following key priorities for the Capital Programme and no changes are proposed:-
- ❖ Investment in statutory and priority services to ensure the continuation of essential services and value for money
 - ❖ Ensure that landlord and owner responsibilities are undertaken including priority items identified through the asset management plan
 - ❖ Improve infrastructure that has an influence on economic activity and the well being of the Authority. This mainly relates to the improvement of town and village centres.
 - ❖ Priority items flowing from key strategy documents
 - ❖ Schemes that bring in external funding.

3 RISK IMPLICATIONS

- 3.1 Effective capital planning is an essential component of the Medium Term Financial Strategy. With limited capital receipts the Council must have an effective framework within which capital investment decisions are made to ensure the most effective use of resources.

4 RESOURCE IMPLICATIONS

- 4.1 Effective capital planning ensures that the Council's capital resources are targeted at achieving the Council's main objectives and key priorities.
- 4.2 The Capital Programme will be submitted to Council as part of the budget process and decisions regarding the Programme should take account of the approved Capital Strategy.

5 RECOMMENDATION

- 5.1 It is proposed that the Council **RESOLVES** to agree the Capital Strategy for 2010/11 to 2014/15.

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Background Papers:-

None

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Capital Strategy 2010/11 to 2014/15



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1. Introduction

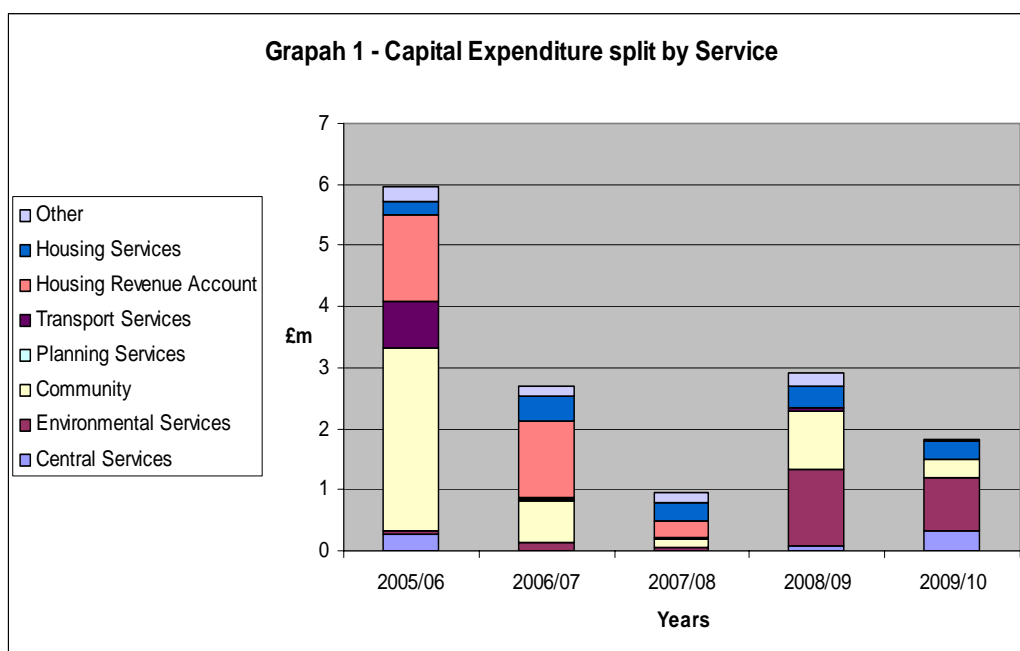
- 1.1 The Capital Strategy is a key document for the Authority. It sets out how the Authority intends to maximise the use of available capital resources in order to achieve its objectives and includes references to other key documents that influence capital investment. This Strategy outlines the framework for management, planning and monitoring needed to ensure that any capital investment undertaken helps to achieve the Authority's objectives.
- 1.2 The Strategy is closely linked to the Asset Management Plan and the two documents combine to explain how the Authority will use assets and capital investment to enable continuous improvement in service delivery. In addition, the Authority has a 5-year Medium Term Financial Strategy, which takes into account the revenue implications arising from capital investment decisions.
- 1.3 The objectives of the Strategy support the delivery of the Authority's Corporate Plan and are:
- To support flagship developments that have a major impact on the corporate objectives of the Authority.
 - To provide Information Technology and systems that support the efficient and effective operation of services, and widen access to those services.
 - To plan for the long-term property needs of the Authority's services portfolio, so that we can meet the service needs of the future.
 - To maximise the use of assets in meeting current and future service (and cross-cutting) needs, by ensuring that over time operational premises are: maintained in a satisfactory condition, sufficient and suitable for their purpose, sufficiently accessible, safe and secure, in an appropriate location, reviewed regularly to ensure that they continue to meet service needs.
 - To contribute to the well-being of the residents of the area by maintaining and enhancing the built environment, parks and open spaces and the heritage of the area.
 - To enable residents (especially those with special needs) to live with as much independence as possible.
 - To ensure that existing and new assets deliver services in an efficient, cost effective, and sustainable manner.

- o To maximise the use of external sources of funding, where these further the Council's objectives and act in partnership with other agencies where appropriate.

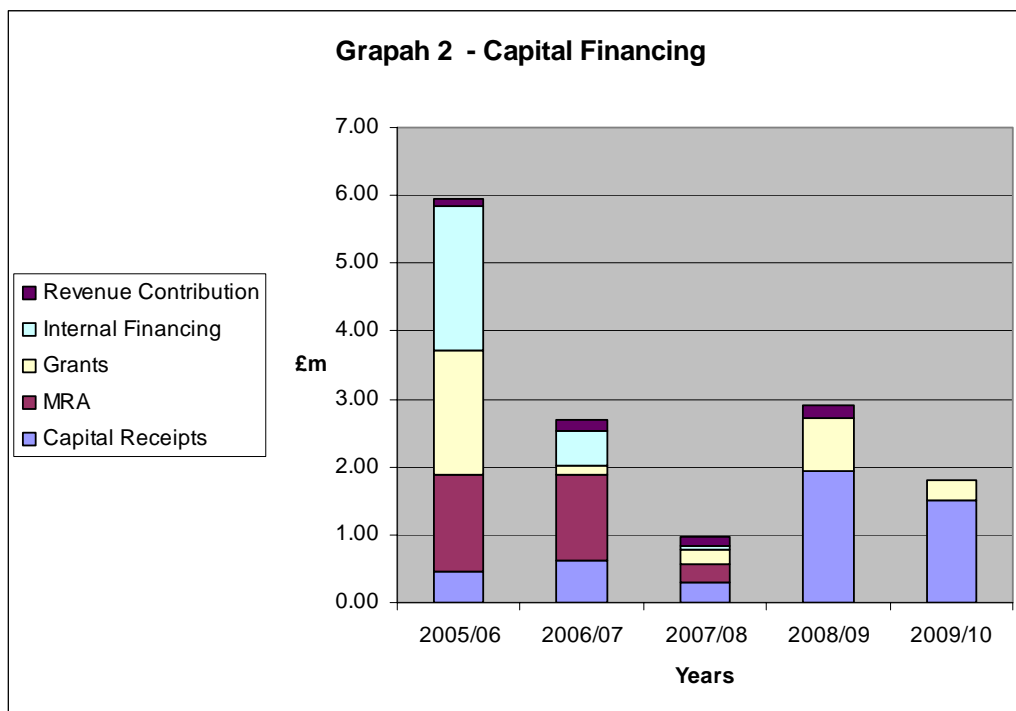
2. Key Areas of Capital Spend and Funding

2.1 Rochford District Council is only a small authority and this is reflected in our Capital Programme. Capital projects are generally small and infrequent and most expenditure is spent on ensuring that the District is a modern and desirable area to live in.

2.2 The two graphs below show the capital expenditure for each service over the last six years (graph 1) and how this was funded (graph 2).



2.3 The Housing Revenue Account (HRA) was the greatest area of Capital Expenditure until the Large Scale Voluntary Transfer of the housing stock in September 2007. The HRA expenditure was funded by the Major Repairs Allowance received through the Housing Subsidy. Over the last two years, Environmental and Community Services have been the main areas of expenditure reflecting the priority given by the Authority to recycling and improving the open spaces in the District.



2.4 The majority of our expenditure up to 2007/08 was funded by the Major Repairs Allowance. This is grant funding allocated through the Housing Subsidy regime. As all Authority housing stock has transferred out of the Authority, this grant will no longer be received. Internal borrowing using the Capital Financing Requirement arrangement gives Local Government the ability to utilise borrowing to fund services and was used for the funding of the Rayleigh Leisure Centre in 2005 to 2007. Grant funding mainly relates to Non HRA housing, for which we received grants for items such as disabled facilities, where we provide grants to the public to convert private dwellings for the use of the disabled. The last main area of funding is Capital Receipts. The main sources of capital receipts are from disposal of assets and a contract arrangement with Rochford Housing Association. The graph demonstrates the Authority's reliance on capital receipts.

3. Framework for managing and monitoring capital programme and risk management.

3.1 As would be expected, even without large capital projects, there are many demands on the capital budget and therefore we have a process in place to ensure that the available funds are allocated to meet the Authority's objectives and enable the Authority's services to run efficiently and effectively.

Budget Process

- 3.2 As part of the annual budget process required for capital investment are identified and divisions are invited to submit bids for the capital money available.
- 3.3 Annually a special meeting of the Senior Management Team is held where these bids are discussed and short listed for consideration by Members. Criteria are used to assess these bids:
- **Investment in statutory and priority services** to ensure the continuation of essential services and value for money
 - **Ensure that landlord and owner responsibilities are undertaken** including priority items identified through the asset management plan
 - **Improve infrastructure** that has an influence on economic activity and the wellbeing of the Authority. This mainly relates to the improvement of town and village centres.
 - **Priority items flowing from key strategy documents**
 - Schemes bringing in **external funding**
- 3.4 Once this short list is obtained, Members are asked to discuss their priorities and a final list is then included within the Capital Programme for approval by Members.
- 3.5 For the majority of the capital schemes, further reports will be made to Members on the final proposals which will include consideration of other options for delivering the required results and any ongoing revenue costs. Where the cost of the scheme is more than £50,000, whole life costings will be calculated.
- 3.6 On a quarterly basis, Members receive reports on progress against budget and Council reviews the whole Capital Programme in November. In June the outturn for the year is reported to Council detailing reasons for variances against the budgets approved.

Risk Management

- 3.7 The capital programme is monitored throughout the year by a multi-disciplinary officer group (Financial Programmes Group). All items are considered at the start of the financial year for likelihood of problems being incurred and changes being necessary to the programme.
- 3.8 Progress against timetable is reviewed regularly and actual spend compared to that budgeted in order to ensure that the programme is maintained within budget.

4. Capital Spending Proposals

- 4.1 Looking forward, the largest projects currently being worked on in the Authority are the extension of Hall Road Cemetery, ongoing development of Cherry Orchard Jubilee Country Park and the creation of reception and customer service facilities at the Rochford offices.
- 4.2 The land for the cemetery was purchased in 2006/07 and now there is reseeding and preparation of the land before development of this can begin in 2010/11.
- 4.3 Work developing the Country Park is well underway and 2008/09 saw the park expand with the purchase of additional parcels of land. A phased programme of capital investment over the next 3 years to further develop the Park is being considered by the Executive *[this will be amended to reflect any decisions made prior to the Council meeting]*.
- 4.4 Currently the Authority has temporary planning permission for the reception building being used at the Rochford offices, however plans are being reviewed on how a more permanent and fit for purpose building can be created at the current site which will include improved reception facilities. This will be a major capital project.
- 4.5 This is the extent of our budget for one off items. The remainder of our capital expenditure relates to programmes of work. These are namely:
- IT works, to ensure that our IT systems are compatible with outside systems and changing environments;
 - Wheelie Bins, which are purchased annually to replace vandalised and old bins in the District; and
 - Playspaces, which are part of a rolling programme to keep play areas up to health and safety standards and attractive to the age groups they are meant for.
 - Equipment Replacement, to ensure that there are funds available to replace old and dilapidated equipment.
 - To have a programme of works to improve the Council owned or managed parks and other open spaces in the district.
- 4.6 Non-HRA housing expenditure will continue using the external funding provided as explained in section 2 to this strategy.
- 4.7 The Council is also considering the purchase of land whilst prices are low, to facilitate housing and town centre development. This will be funded through prudential borrowing.

- 4.8 All capital spending proposals are considered for the revenue impact over the life of the asset. This is built into the Medium Term Financial Strategy where significant to ensure that all proposals are affordable.

5. Links to strategies and plans

- 5.1 The Capital Strategy brings together all the needs and priorities identified within the District of Rochford that influence the capital investment plans for the Authority.
- 5.2 Key Strategies and Plans that significantly affect the Capital Strategy are the Corporate Plan, Asset Management Plan and the ICT Strategy.
- 5.3 The Asset Management Plan fits in with the Capital Strategy as it documents our policies for the purchasing and disposal of assets.
- 5.4 At this time, work is also underway to develop a 5 year Strategic Engineering Maintenance Plan and Strategic Building Maintenance Plan that will detail a 5 year plan of works required on the Authority's assets for both capital and revenue purposes and enable the financial resource requirement to be built into the Medium Term Financial Strategy.

6. Working with Partners

- 6.1 Partnership working enables the Council to deliver projects that would otherwise be beyond its capacity. Subject to completing satisfactory risk assessments, Heads of Service are encouraged to look for opportunities to work in partnership with other organisations including on capital schemes.
- 6.2 The Comprehensive Performance Assessment report released in October 2008 recognised Rochford District Council as working well in partnerships with others and providing good leadership for the community within its wider partnerships.
- 6.3 Our key partners include Essex County Council, Parish Councils, other Local Authorities, leisure providers Virgin Active, South East Essex Primary Care Trust, Recycling Contractors (SITA), Grounds Maintenance Contractors (Connaught), IT facilities management (Sungard PS), the Groundwork Trust and the Procurement Agency for Essex (PAE).
- 6.4 To date, most of this partnership working has been revenue related, with the provision of Waste Collection Services, procurement related services and delivery of our business rates services being some examples. However, the partnership with Virgin Active provides management of our Leisure Facilities and ensures that these are maintained at a high standard.

7 Summary

- 7.1 The Capital Strategy is reviewed annually in order to inform the budget process. The Council's limited resources in terms of both revenue and capital funds, together with demands for capital projects will continue to present challenges for the Council. The Council will seek to overcome these by continuing to explore new sources of funding and partnership working.