

**REPORT TO THE MEETING OF THE EXECUTIVE 10 DECEMBER
2008**

PORTFOLIO: FINANCE AND RESOURCES

**REPORT FROM HEAD OF FINANCE, AUDIT AND PERFORMANCE
MANAGEMENT**

SUBJECT: CAPITAL STRATEGY 2009/10

1 DECISION BEING RECOMMENDED

- 1.1 Agree the Capital Strategy as presented in Appendix 1.

2 REASON FOR RECOMMENDATION

- 2.1 This report presents the Capital Strategy for approval. The Strategy (appended) sets out the basis for the Authority's capital investment and should reflect the corporate decision-making process and links with all other strategies and plans.

3 ALTERNATIVE OPTIONS CONSIDERED

- 3.1 To not agree the strategy.

4 OTHER SALIENT INFORMATION

- 4.1 Within the Capital Strategy is the section dealing with prioritisation of capital investment. The Council has previously set the following key priorities and targets for the Capital Programme:-
- 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.

5 RISK IMPLICATIONS

- 5.1 Effective capital planning is an essential component of the new prudential capital finance system introduced in April 2004. Comprehensive Performance

Assessments will continue to take account of the way local authorities utilise their resources.

6 RESOURCE IMPLICATIONS

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

I confirm that the above recommendation does not depart from Council policy and that appropriate consideration has been given to any budgetary and legal implications.

SMT Lead Officer Signature: _____

Head of Finance Audit and Performance Management

Background Papers:

None

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Capital Strategy 2009 to 2013



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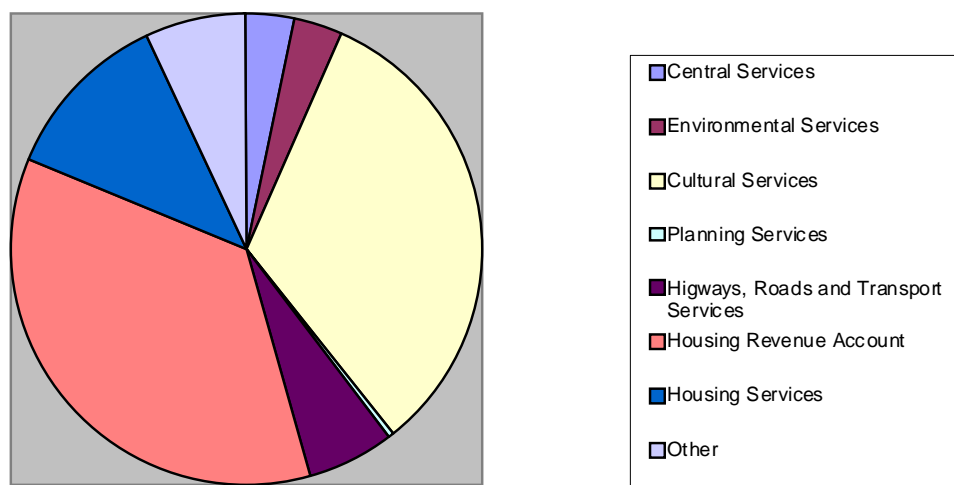
1. Introduction

- 1.1 The Capital Strategy is a key document for the Council. It sets out how the Council 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 Council's objectives.
- 1.2 The Strategy is closely linked to the Asset Management Plan and the two documents combine to explain how the Council will use assets and capital investment to enable continuous improvement in service delivery. In addition, the Council has a 5-year Medium Term Financial Strategy, which takes into account the revenue implications arising from capital investment decisions.

2. Key Areas of Capital Spend and Funding

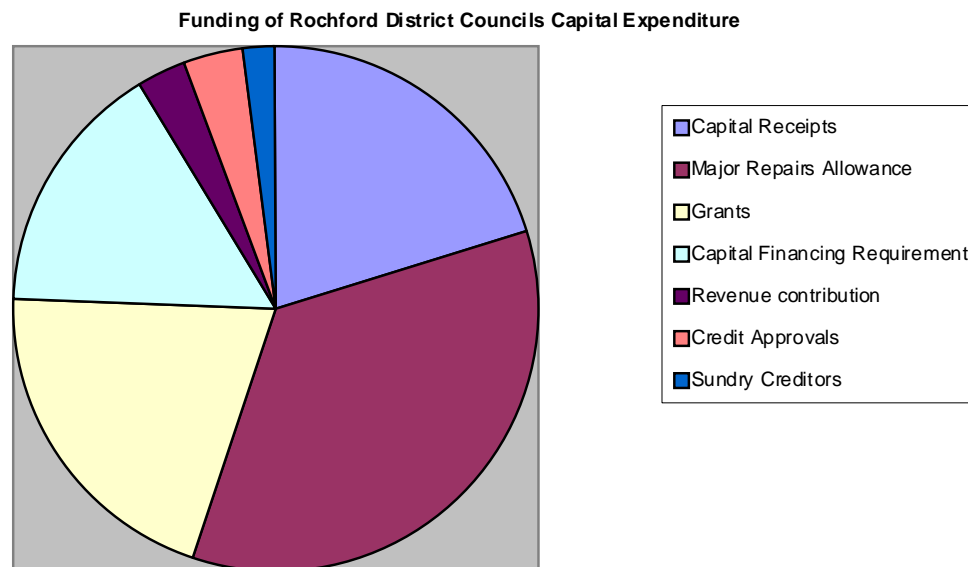
- 2.1 Rochford District Council is only a small authority and this is reflected in our Capital Programme. Capital projects are generally small and infrequent and most expenditure is spent on ensuring that the District is a modern and desirable area to live in.
- 2.2 The two graphs below show how capital expenditure over the last five years is attributable to service areas (graph 1) and how this was funded (graph 2).

Capital Expenditure attributable to Rochford District Councils Service areas



Graph 1

2.3 The Housing Revenue Account (HRA) has been the greatest area of Capital Expenditure which is funded by the Major Repairs Allowance received through the Housing Subsidy. This expenditure relates to the Authority's Council Dwellings, for example replacement of Kitchens and Bathrooms. In September 2007 the Authority underwent a Large Scale Voluntary Transfer of its housing stock to the Rochford Housing Association and therefore this is no longer an area of spend that the Council will incur. However there will not be funds released for other Capital Expenditure due to the nature of funding for HRA Capital Expenditure, see graph 2 below. Cultural Services has been another large area for Capital Expenditure as this relates to services such as Waste Management and Leisure, where there has been more potential for capital projects, particularly during 2005/06 and 2006/07 with the building of Rayleigh Leisure Centre..



Graph 2

2.4 The majority of our expenditure to date has been funded by the Major Repairs Allowance. This is grant funding calculated on information relating to our Housing Stock and is used to fund the capital works on the HRA dwellings. As all Authority housing stock has transferred out of the Authority, this grant will no longer be received. The Capital Financing Requirement was used for the funding of the Rayleigh Leisure Centre prior to 2007/08 and is a relatively new Local Government ability to utilise borrowing to fund services. 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. This uses the money that has been received from selling council dwellings to tenants under the Right to Buy scheme. However since the transfer of housing stock to Rochford Housing

Association, the amount of money received by the authority will decrease.

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 so as to meet the Authority's objectives and enable the Council's services to run.

Budget Process

3.2 As part of the annual budget process, 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 On a quarterly basis, Members approve 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

3.6 The capital programme is monitored throughout the year by the 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.

3.7 Progress against timetable is reviewed ongoing and actual spend compared to that budgeted in order to ensure that the programme is maintained within the preset limits.

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 and ongoing development of Cherry Orchard Jubilee Country Park.

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 has seen the park expand with the purchase of additional parcels of land. Proposals will be developed on how this land will be developed over the coming years.

4.4 The Waste Management Contracts came into force in 2008/09 with £1.1m attributable to capital expenditure for new bins and significant investment on the resurfacing of the depot.

4.5 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 reception can be created at the current site. This will be a major capital project.

4.6 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 fit for purpose
- 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.
- Open Spaces, to allow a programme of works to all open spaces in the district.

4.7 Non-HRA housing expenditure will continue using the external funding provided as explained in section 2 to this strategy.

- 4.8 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.
- 4.9 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 The table below shows how the key strategy and plans of the Authority link together and how this strategy feeds into this framework. This is taken from the Performance Management Framework that at the time of writing this strategy was in draft form.

<p>PERFORMANCE INFORMATION</p> <ul style="list-style-type: none"> • Is used to inform all elements of the performance management framework • Consists of a range of indicators including NI, Ex BVPI, LAA, and local performance indicators etc as well as various plan/programme progress reports, and Progress on Decisions reports 	<p>SUSTAINABLE COMMUNITY STRATEGY</p>	↓	<p>Sets out a long-term vision for Rochford. Published in 2004, the strategy will be implemented by the Local Strategic Partnership and will be reviewed every 3 years</p>
	<p>LOCAL DEVELOPMENT FRAMEWORK</p>	↓	<p>A set of policy documents which will gradually replace the Rochford District Local Plan</p>
	<p>PARTNERSHIP PLANS</p>	↑	<p>Medium term plans which impact on more than one organisation, an example being the Crime & Disorder Reduction Strategy</p>
	<p>CORPORATE PLAN</p>	↓	<p>Sets out a medium term vision for Rochford District Council and outlines aims and priorities. Produced in 2006 and will be updated annually and subject to full review every 3 years</p>
	<p>MEDIUM TERM FINANCIAL STRATEGY</p>	↓	<p>Medium term plan showing how the Council's resources are to be allocated</p>
	<p>ANNUAL REPORT</p>	↓	<p>Produced annually, reports performance and sets out proposed actions</p>
	<p>DIVISIONAL PLANS</p>	↑	<p>Sets out annual plans and targets for individual services, which are aligned to the resources available</p>
	<p>PERFORMANCE & DEVELOPMENT REVIEW</p>	↓	<p>Sets out annual objectives for individual employees and highlights training needs, which are aligned to the service's aims</p>

5.3 Three other key Strategies and Plans that significantly affect the Capital Strategy are the Asset Management Plan, the Cultural Strategy and the ICT Strategy.

5.4 The latter aims to encourage multicultural living as well as encouraging interest in the environment and the heritage and tourism sides of the District. The main influence that this currently has on the Capital Programme is the development of the Great Wakering youth facilities, enabling isolated communities to access activities.

- 5.5 The Asset Management Plan fits in with the Capital Strategy as it documents our policies for the purchasing and disposal of assets.
- 5.6 At the time this strategy was published, work was 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 authorities 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 other 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 (Connaughts), IT facilities Management (Sungard PS), the Groundwork Trust and Procurement Agency for Essex.
- 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.
- 6.5 Virgin Active are in the next stage of their programme to update the facilities of Clements Hall Sports Centre with the upgrading of the pool side facilities. This is funded by Virgin Active with no financial contribution from the authority.

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.