

CAPITAL STRATEGY – 2008/09

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 should reflect the corporate decision-making process and links with all other strategies and plans.

2 DISCUSSION

- 2.1 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.

3 RISK IMPLICATIONS

- 3.1 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.

Resource Risk

- 3.2 Effective capital planning ensures that our limited capital resources are targeted at achieving the Council's main objectives and key priorities.

4 RESOURCE IMPLICATIONS

- 4.1 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.

5 RECOMMENDATION

- 5.1 It is proposed that the Executive Board **RESOLVES** to agree the Capital Strategy.

Yvonne Woodward

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Background Papers:-

None

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Rochford District Council

October 2007

Capital Strategy 2008 to 2012



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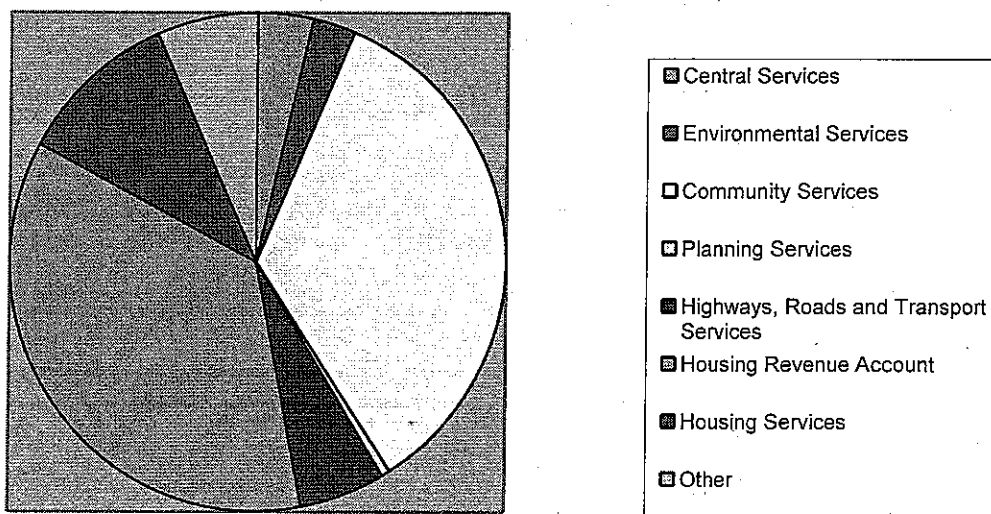
1. Introduction

- 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

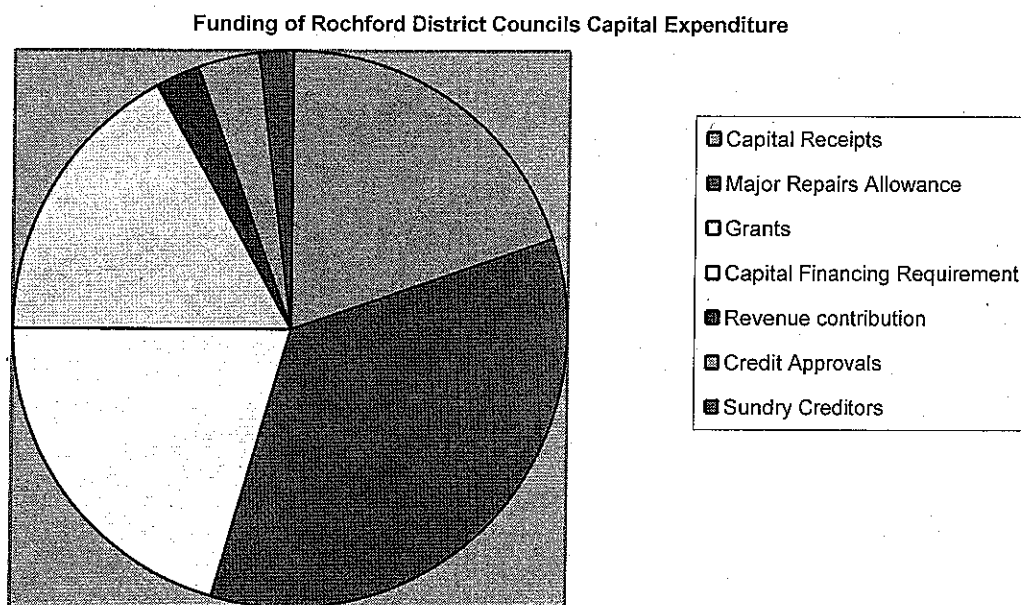
- 2.1 Rochford District Council is a relatively small authority and this is reflected in our Capital Programme. Capital projects are generally small in scale and infrequent and most expenditure is spent on ensuring that the District is a desirable area in which to live.
- 2.2 The two graphs below show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

Capital Expenditure attributable to Rochford District Council's Service areas



Graph 1

- 2.3 The Housing Revenue Account (HRA) has been the greatest area of Capital Expenditure funded via the Major Repairs Allowance received through the Housing Subsidy. This expenditure related to the Authority's Council Dwellings, for example replacement of Kitchens and Bathrooms. In September 2007 the Authority completed a Large Scale Voluntary Transfer of its housing stock to a new local Rochford Housing Association. Therefore this is no longer an area of spend that the Council will incur. The majority of our expenditure to date has been funded by the Major Repairs Allowance (see graph 2 below). 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. Community Services has been another large area for Capital Expenditure particularly during 2005/06 and 2006/07 with the building of Rayleigh Leisure Centre.



Graph 2

- 2.4 The Capital Financing Requirement was used for the funding of the Rayleigh Leisure Centre 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.

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

- 3.1 Even without large capital projects, there are many demands on the capital budget. Consequently, the Council has 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 operate effectively.

Budget Process

- 3.2 As part of the annual budget process, each division is 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 at their biannual away days for discussion of the budget, and a final list is then included within the Capital Programme for approval by Council.
- 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.

<i>Timetable for preparation of the Budget</i>	
Draft Divisional Plans produced	September
Half Yearly Review and review of Budget Strategy	November
Members AwayDay - half yearly review	November
Members AwayDay – Finalise priorities for Budget	January
Budget Setting when budget for the Council is agreed	January
Council Tax set	February

Risk Management

- 3.6 An officer Financial Programmes Group monitors the capital programme throughout the year. 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 and actual spend compared to that budgeted in order to ensure that the programme is maintained within preset limits. As part of member approval, it is agreed that capital budgets can be moved between years as long as there is no increase to the total budget required, therefore should there be delays in projects, this can be accommodated. Should additional funds be required, then this should be requested through the Financial Programmes Group, and for significant projects, a report will be presented to Members.

4. Capital Spending Proposals

- 4.1 Looking forward, the largest projects currently being progressed by the Authority are the extension of Hall Road Cemetery and ongoing expansion and development of Cherry Orchard Jubilee Country Park.
- 4.2 The land for the cemetery was purchased in 2006/07. The land is now being reseeded and prepared before work on the layout begins in 2009/10.
- 4.3 Work developing the Country Park is underway. The next major step is the purchase of additional land to the west of the existing country park, including an area of ancient woodland, which will significantly enhance the original scheme.
- 4.4 There is also a plan to develop youth facilities in Great Wakering and this plays a part in the budget for 2008/09.

4.5 This is the current extent of the Council's budget for one off items. The remainder 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.

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

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 a summarised version, the full version can be found in the Rochford District Council Corporate Plan available on our website. www.rochford.gov.uk.

Strategy/Plan	What it is	How they affect the Capital Strategy.
COMMUNITY STRATEGY ↓	Sets out the long-term vision for Rochford.	<i>Capital Expenditure contributes to the long term vision.</i>
LOCAL DEVELOPMENT FRAMEWORK	A set of policy documents which will gradually replace the Rochford District Local Plan	
↑ PARTNERSHIP PLANS ↓	Medium term plans which impact on more than one organisation.	<i>Where a project's impact is wider than just the Council, then these will include capital plans.</i>
↑ CORPORATE PLAN	Outlines the aims and priorities for Rochford District Council.	<i>Capital projects should help to meet Council objectives.</i>
↓ MEDIUM TERM FINANCIAL PLAN ↓	Medium term plan showing how the Council's resources are to be allocated.	<i>Affected by revenue implications of capital projects and any ongoing running costs.</i>
PERFORMANCE PLAN	Reports annual performance and proposed actions	<i>Future capital projects are reported.</i>
↑ DIVISIONAL PLANS ↓	Sets out annual plans and targets for individual services, which are aligned to the resources available.	<i>These provide the information that feeds into the bid process for capital expenditure. Specific Strategies for service areas will develop actions that will feed in at this stage.</i>
↑ PERFORMANCE & DEVELOPMENT REVIEWS	Aligns individual objectives to the service's aims	

5.3 As already identified, the Asset Management Plan also affects this strategy. This is because it documents our policies for the purchasing and disposal of assets.

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 Rochford District Council has extensive experience in working with partner organisations, service users and neighbouring authorities on a collaborative and consultative basis. This was recognised in the Comprehensive Performance Assessment undertaken by outside inspectors in February 2004 where it was said that;

“The Council has also recognised the mutual benefits of partnership working and is effectively building capacity in areas like community safety and has a good record of attracting external funding.”

6.3 Our key partners include Essex County Council, Parish Councils, other Local Authorities, leisure providers Virgin Active, South East Essex Primary Care Trust, Environmental services (Veolia), IT facilities Management (Sungard Vivista), the Groundwork Trust, and the 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.

6.5 In writing this strategy, members of the Local Strategic Partnership have been consulted in order to ensure that this reflects the views of our stakeholders.

7 Summary

7.1 The Capital Strategy is reviewed annually in order to inform the budget process.

7.2 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.