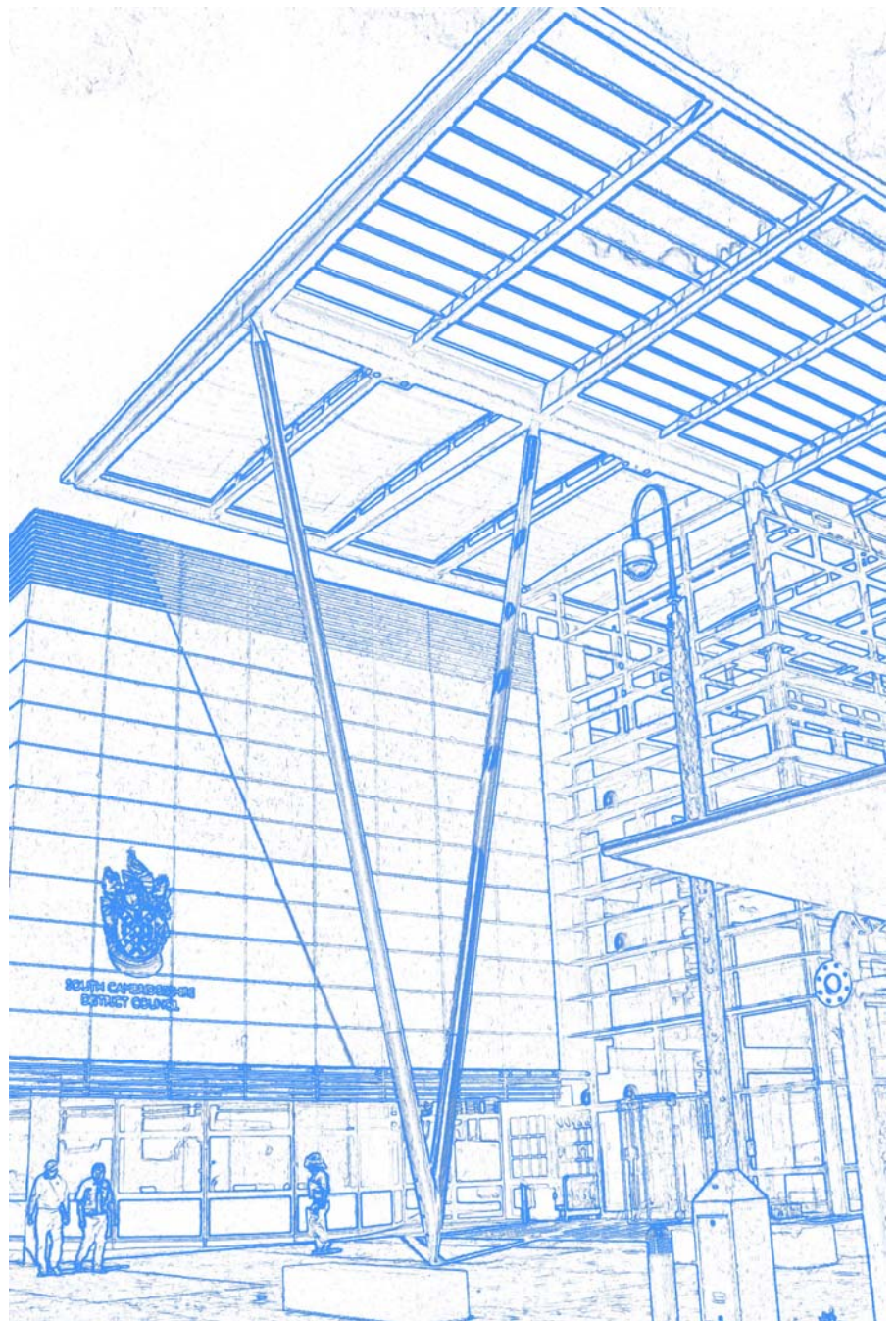




South
Cambridgeshire
District Council

Draft Capital Strategy 2006 - 2007



January 2006 revision

CAPITAL STRATEGY

2006/07

Contents

1. Introduction
2. Objectives and Priorities
3. The Council's Partners
4. Working Corporately and Crosscutting
5. Best Value and Performance Measurement
6. Prioritising and Funding Capital Schemes
7. Managing and Monitoring
8. Conclusion

1. Introduction

The purpose of this document is to show how the Capital Strategy determines the process for retaining and maintaining properties in the asset base and how capital projects are included in the capital programme in a rational and objective manner which maximises the contribution of the capital programme towards the achievement of the Council's corporate objectives.

The Capital Strategy draws together the capital expenditure requirements emerging from the various service plans and best value reviews which themselves are based on consultation and co-operation in order to reflect the needs and aspirations of local people.

2. Objectives and Priorities

The corporate objectives confirmed by the Council as part of the Performance Plan 2005 focus on:

1. High quality, accessible, value for money services;
2. Quality Village Life;
3. A sustainable future for South Cambridgeshire; and
4. A better future through partnership.

These objectives, which have been subject to public consultation, set the longer-term direction of the Council. It has been agreed that these objectives be substantially reviewed in combination with a new Community Strategy to take effect from 2007/08. The Council does not have the resources to address all aspects of its objectives at once. It has, therefore, set three planned priorities, which Cabinet on 8th December 2005 recommended to be continued into 2006/07. These priorities progress particular aspects of the Corporate Objectives and provide a clearer focus for resource allocation and management effort. More detailed milestones have been set for 2006/07 for each of the priorities (see **Appendix 1**). The Council's Medium Term Financial Strategy has minimum scope for new expenditure and any additional financial provision to progress priorities will have to come mainly from savings in other services.

The capital programme detailed in the Core Data has been approved by Council and relates to the corporate objectives as follows

Provide, maintain and improve the housing stock of the district (This achieves all Corporate Objectives)

- a) Release of suitable land holdings identified in the Council's Housing Business Plan to facilitate new build by our partners for affordable housing;
- b) Improvements to the Council's Housing stock, repurchase and resale of equity share dwellings and grants for private sector houses;

Maintain the character of the Parish (Corporate Objective 2)

- c) Conservation and historic building grants;
- d) War Memorial repairs & restoration initiatives;

Provide facilities and services to the community that maintain and improve the social fabric of the communities in the District (Corporate Objective 2)

- e) Arts capital grants;
- f) Village amenities grants for recreation and leisure use;
- g) Dual-use Sports grants for community access to new and upgraded school sports facilities;

To provide more efficient, accessible and responsive services (Most Corporate Objectives but Objective 1 in particular)

- h) Continued investment in Information and Communications Technology (ICT) and development of electronic access to and provision of services including further utilisation of the Contact Centre established in collaboration with the County Council; and

Enable our communities to lead safer and healthier lives and promote sustainable ways of travel (Corporate Objectives 2 and 4)

- i) Partnership funding for the Sustainability Transport Fund.

The corporate objectives do not feature equally in the capital strategy because some objectives incur predominately ongoing revenue costs.

The Core Data also includes a reference to the large projected increase in population in the District, which is likely to result in a corresponding increase in a demand for capital projects.

3. The Council's Partners

The partners are listed to match the objectives above:

- a) Registered Social Landlords (RSLs) approved as development partners and the Cambourne Development Consortium;
- b) Council tenants for Council housing; and Social Services and Health for private sector grants through the Home Improvement Agency;
- c) Individual residents;
- d) Parish Councils and Conservation Societies;
- e) Voluntary agencies in arts provision;
- f) Parish Councils and voluntary agencies in villages;
- g) Village Colleges and Cambridgeshire County Council;
- h) Councillors, staff, the Cambridgeshire Community Network which includes local parish councils in South Cambridgeshire, Cambridge Direct, principal councils in the County of Cambridgeshire, and the South Cambridgeshire Primary Care Trust; citizens, local businesses and community groups; and
- i) Cambridgeshire County Council and the public.

One of the most distinctive and long-standing aspects of the Council is our emphasis on partnership working. This enables us to influence those bodies in directing resources to the District. Obtaining matched funding from other organisations is a prime consideration in evaluation of grants for community projects.

A number of service strategies and policies are in place, which have been prepared with partner organisations. These include the housing strategy and business plan, the local development framework, crime and disorder strategy and health improvement and modernisation plan, sports strategy, arts strategy and community development strategy.

A local strategic partnership has been established with the County Council, South Cambridgeshire Primary Care Trust (PCT) and other partners to ensure that our partners and the public's views are reflected in these strategies and this body has produced a community strategy for the period up to 2006/07. A new strategy will be prepared from 2007/08, which will influence the refresh of the Local Area Agreement.

4. Working Corporately and Crosscutting

Corporate working at South Cambridgeshire is achieved through the relatively small-scale nature of the Authority and its streamlined structure. There are regular meetings of the Management Team and of the Cabinet, which include, inter alia, Portfolio Holders with crosscutting responsibilities for information and customer services, conservation sustainability and community planning, and community development. Decisions and policies are subject to review by a Scrutiny and Overview Committee.

The Council is working through a corporate agenda, with a range of external partners, to co-ordinate all aspects of the community development of the new settlement of Cambourne, the establishment of a new settlement at Northstowe and other growth areas around Cambridge. The corporate approach involves Planning, Housing and Community Services, amongst others, working with the Developers. For the key multi-use 'Exchange' community building at Cambourne, the partnership includes several Departments of the County Council, the Primary Care Trust and a new general practitioner practice.

The Council relocated its headquarters offices out of the centre of Cambridge to Cambourne in May 2004. This has provided offices that are more flexible and suitable to the Council's current and future needs and are easily accessible for more of the South Cambridgeshire population. The sustainability aspects of this move have been examined carefully. This has included assessing the impact of staff and residents' travel mileage and has resulted in an excellent environmental assessment for the building.

As part of the review of Council facilities, it has also been decided to keep an enquiry and cash facility in the centre of Cambridge in partnership with Cambridge City Council. This is to supplement the Contact Centre with the County Council, which has been established to provide a first point of call by telephone for residents for all local services.

In view of the dispersed nature of the district the Council's policy has been to meet recreation and community services needs by capital grants and enabling, rather than by the direct provision of services. A review of the use of the village amenity and other grants has taken place, particularly in light of the capping situation. A more pro-active approach is in place to develop sustainable community schemes in partnership with villages, as part of the community planning process as well as addressing accessing additional capital resources by providing a funding toolkit for use by voluntary organisations, etc.

On procurement, the adoption of 'Egan' principles for partnership procurement of property and construction services is being implemented. The procurement of social housing and associated community support at Cambourne is being secured through a long-term partnership established with three RSLs and the Housing Corporation, which aims to secure Egan benefits of continuous improvement over the lifetime of the partnership.

The development of the electronic provision of services includes a series of progressive targets for transacting procurement electronically resulting in 100% of all procurements by the end of 2005.

5. Best Value and Performance Measurement

As mentioned above, the Council annually agrees Priorities which give focus to achieving its Corporate Objectives. Those priorities are the result of consultation and consideration of national priorities and local factors. Currently, our priorities address important national and local issues (Customer Service, Northstowe and the other growth areas and affordable housing). The Council agrees corporate milestones to ensure progress on its priorities and performance indicators to measure progress and the impact it is making.

The Council is developing a range of local performance indicators to ensure that progress is being made in service improvement and development. These include performance indicators relating to areas of capital expenditure – such as improved customer service as a result of ICT investment; improved waste collection and street cleaning performance; and satisfaction with community services. The Council's appraisal form for capital projects includes links with performance indicators.

Performance indicators and targets are included in the Performance Plan and progress is monitored and managed using the Council's PIMMS (Performance Information Monitoring and Management System) computer system. Targets are included in service plans and translated to individual officer objectives in staff appraisals. Quarterly reports are made to Management Team and Cabinet to allow high-level performance management and at the same time financial performance is monitored. Portfolio holders also monitor progress on performance and receive information, where appropriate, on progress on capital schemes.

The Council compares its performance by measuring against national Best Value Performance Indicators quartile information and by the use of benchmark data. To facilitate this the Council is a member of a number of benchmarking groups. The use of assets is assessed and current/future assets evaluated as described in the Asset Management Plan.

6. Prioritising and Funding Capital Schemes

As part of the annual financial process, any additional expenditure, either revenue or capital will be submitted for approval to the Management Team, Portfolio Holders, Cabinet, Scrutiny and Overview Committee and, ultimately, full Council. The initial stage of the process is informed either by best value reviews, Service Plans, or identification of needs by services.

Any new capital scheme over £25,000 is evaluated by the submission of a Capital Project Proposal. This details the proposal, states the costs and benefits of the proposal and how it contributes to the Corporate Objectives and performance indicators. A Housing proposal is evaluated over 30 years (see **Appendix 2**) and for General Fund Schemes evaluation is over the life of that project (see **Appendix 3**). These submissions go to the relevant Portfolio Holder for evaluation and if approved form part of the capital programme that goes to Cabinet/Council for agreement.

Projects are evaluated against the following seven criteria:

- Contribution to Council Priorities.
- Assessment of Service Benefit.
- Impact of Council Performance on National Performance Indicators.
- Implications of refusing the Proposal.
- Impact on the Council's ability to meet Statutory requirements.
- Council Policy.
- Partnership Implications.

The capital programme includes grants to other organisations so that the Council incurs no staff or other recurring costs. These organisations are expected to raise additional capital resources from the National Lottery, Sports Council, etc. The Council has a funding toolkit on its website to assist organisations seeking funding.

The Council has a policy of financing all its capital expenditure from capital receipts and grants. It has no outstanding loans and has been debt free since 1st April 1996.

The capital programme currently totals around £13 million per annum and is dependent on the level of housing capital receipts being maintained. However, the balance of capital receipts is estimated to fall from £19 million as at 31st March 2006 to £1 million as at 31st March 2009. Thereafter, the only available capital receipts will be those received from asset sales during the year and these are estimated to be around £2 million net of payments to Government. Further commentary is given in succeeding paragraphs.

Therefore, originating from the above, there will have to be a substantial reduction in future years from the present level of capital expenditure of £13 million. Anticipated demands on the revenue accounts will not allow for any capital expenditure to be financed from revenue.

One of the main reasons for the fall in capital receipts is the introduction of legislation effective from 1st April 2004 on the pooling of capital receipts that will ultimately require 75% of capital receipts from Right to Buy and Equity Share sales of council dwellings to be paid over to the Government.

Alternative methods of prioritising capital expenditure will be considered in 2006/07 in order to ensure that limited capital resources are used most effectively. In 2005/06, the Council carried out a housing stock options appraisal and decided to retain control of its housing stock, in preference to one of the other options, including transferring it to a registered social landlord. With the reduction in capital resources, the Council may not be able to maintain its housing stock in accordance with tenants' aspirations and the options appraisal may have to be revisited.

The Council has not yet considered the Private Finance Initiative and Public/Private Partnerships as it can currently finance capital expenditure from its own resources and these Initiatives and Partnerships seem more appropriate to larger local authorities and add to the Council's costs.

7. Managing and Monitoring

The progress of the Council's capital programme is monitored through the Council's annual budgetary process. The main stages are:

- Financial strategy overview.
- Budget preparation.
- Preparation of Service Plans.
- Ongoing monitoring, which is reported to the relevant portfolio holder.
- Outturn review.

A diagrammatical representation of the normal annual process is detailed in **Appendix 4**. In 2005/06, the normal annual process did not take place as the Council had its budget capped by the Government and had to seek a revenue budget reduction of almost 20%.

Between May and July the Cabinet and Council review the corporate policy context so that changes can be incorporated in any revisions to the financial strategy completed in July. The outcome of these reviews are communicated to Members and staff to enable proposals and costs to progress the Council's objectives to be developed.

Any additional funding is detailed. Increases over £10,000 have to be separately justified which would include the revenue consequences of additional capital expenditure.

Revised current year budgets and next year budgets are compiled for departments and services. These are calculated using baseline expenditure and any bids for extra resources submitted and approved by Scrutiny and Overview Committee, Management Team, Portfolio Holders and Cabinet.

Service Plans are developed with staff and Portfolio Holders to identify how financial resources will be used to achieve service benefits. These plans are then used as a basis for staff appraisals.

Spending on the major elements of the capital programme is reported to Officers on a monthly basis and subsequently to Portfolio Holders on a quarterly basis. Other elements of the programme are reported on an exception basis. With the implementation of the new Financial Management system quarterly reports are reported to Portfolio Holders and Cabinet and high-level reports will be available on our web site and intranet.

The final outturn is also reported to Cabinet and Council. If any projects have been delayed then delegated approval from the Resources and Staffing Portfolio Holder is sought to roll forward the budget.

8. Conclusion

The Council faces substantial challenges. Demand for services is likely to increase as population and the community's aspirations increase. At the same time, capital resources are diminishing as capital receipts are transferred to the Government and the Government effectively restricts revenue increases in Council Tax and Council rents. Against this background, the Council will need to develop further its present system of prioritisation and resource allocation.