

VALE OF WHITE HORSE DISTRICT COUNCIL

CAPITAL STRATEGY 2010/11 – 2014/15

PART ONE - BACKGROUND

Capital Strategy

1. In 2003 the Government issued guidance on the value of capital strategies and asset management plans with the advent of the single capital pot for allocation of support for local authority capital spending and the introduction of the 'prudential code for capital'. They further commented that:

“The capital strategy will become an essential part of the annual budget setting process. A robust capital programme will require the bringing together of strategic planning for the local authority, asset management planning with an assessment of the state of the authority’s assets, option appraisal, identification of investment needs including opportunities and priorities and setting all this in the context of available capital resources.”
2. The purpose of the capital strategy is to provide the overall policy framework for capital investment. It does so by bringing together the requirements of the council’s strategic objectives and the constraints of its medium term financial plan and within the parameters set by those it determines how capital schemes can be progressed from initial idea through to conclusion.
3. The capital strategy therefore sets out how the council:
 - Develops its capital expenditure plan in a way that supports its strategic objectives and reflects the views of the community.
 - Ensure options for expenditure are developed and appraised.
 - Evaluates, monitors and reports on capital proposals, activity, progress and resources.
 - Manages and monitors its expenditure.
 - Reviews its existing assets to ensure optimum usage and management.
 - Seeks to maximise funding from third parties and involve partnership development.
 - Use planning agreements to secure capital and capital investment within the district.

The council’s strategic objectives

4. The council’s Corporate Plan 2009-12 forms the link between the vision and the services that the Council Tax payers of the district tell us they want. It is expressed as six strategic objectives each associated with a set of corporate priorities:
 - Meeting People’s need for housing
 - Supporting a vibrant local economy
 - Managing our business effectively
 - Rising to the challenge of climate change

- Helping to maintain a safe Vale
 - Keeping the Vale a clean place to live.
5. The Vale of White Horse District Council will use the community planning and consultation process to establish corporate priorities which are translated into requirements for capital investment through service plans and corporate strategies.

PART 2 – CAPITAL STRATEGY FOR VALE OF WHITE HORSE DISTRICT COUNCIL

Background

6. Following the Large Scale Voluntary Transfer (LSVT) of the Vale's housing stock to the newly created Vale Housing Association in February 1995 the council was in receipt of £54m. £17m of which was used to repay outstanding debt leaving the authority with debt-free status and £37m with which to finance its spending in subsequent years.
7. The capital value of the council's investment property portfolio at the end of 2008/09 was £28m following impairments in value during the year of £10m as a consequence of the downturn in property values. The pool of available capital receipts at the end of 2008/09 was £11m.

Seeking the views of the community

8. The council will use the community planning and consultation process to establish corporate priorities which are translated into requirements for capital investment through service plans and corporate strategies.
9. The council's strategic priorities have been validated in user forums across the district. Feedback from these meetings has been incorporated into the plan.
10. The council approved a Sustainable Community Strategy in November 2008 called "Working together for a better Vale". It was prepared by the Vale Partnership, which brings together representatives from the public, private and voluntary sectors in the Vale. This strategy is a commitment by the council and its partners to work together with available resources to provide services that will help to improve quality of life and maintain communities where people want to live and work, now and in the future. Some of the issues will be tackled through policies and proposals in the Local Development Framework (LDF). This sets out the long term vision and key objectives for the district up to 2026. Major new sites for housing, employment and retail development are identified in the plan as is the infrastructure needed to support them.
11. The council also contributes to the Oxfordshire Local Area Agreement 2008-11. This is a three year agreement between the Government and a wide range of key partners across Oxfordshire. This contributes to identifying common capital investment needs for the district.
12. There is an integrated service and financial planning process which is designed to ensure that service developments, including new capital schemes, give rise to budget changes which are considered by the Executive during October and November and published for public consultation in December.

Capital programme – development and project appraisal

13. Capital investment needs are tested against a range of criteria and evaluation processes and included into the capital programme on the basis that they meet those criteria and funding is available.
14. Proposed capital schemes are introduced through an appraisal process where a detailed breakdown is completed which considers:
 - The extent to which the scheme meets the council's strategic objectives.
 - Whether there is a statutory need to carry out the scheme.
 - How it links with other schemes.
 - The benefits to the Vale – by geographical area, demographic group, job creation.
 - Alternatives or options.
 - Key indicators for measuring success.
 - Cost implications of not carrying out the scheme.
 - Resource implications – revenue, capital, staffing premises, transport, supplies & services, contractor costs and income consequences.
 - External funding sources
 - Partnerships
 - VAT implications.
15. Each scheme must be endorsed by the relevant portfolio holder and is accepted or rejected at an Executive meeting. The over-arching funding position is considered in detail by the councillor with responsibility for finance.
16. In November/December revised spending proposals on existing schemes are considered along with any proposed new schemes and the level of capital investment that the council considers affordable.
17. The council maintains a three tier capital programme, agreed at the budget-setting meeting in February and covering five years:-
 - The current year committed programme consists of schemes that are fully funded and are underway.
 - The earmarked programme consists of schemes where total cost and funding has been agreed and the project is due to commence within the next year.
 - The "proposals" element consists of projects that are required to meet service and corporate objectives but have been deferred beyond the next year and may be brought back to be considered with new proposals in the next budget round.

Evaluation, Monitoring and Reporting

18. Reports on capital proposals, activity, progress and resources will be made regularly to appropriate Member bodies and will be available to the public and media.
19. Capital projects are developed and proposed to Executive for their consideration and inclusion in the budget for the following financial year. Public consultation on the proposed

capital schemes and revenue budget takes place in December/January. The project and its funding is approved by the full Council at the budget setting meeting in February.

20. All schemes are evaluated for revenue consequences and outputs in terms of achievement of service objectives. The capital programme is the responsibility of the Executive once it has been approved by Council. The Executive receive an annual report in August showing the expenditure against budget and summarising all in-year changes to the capital programme and funding of the programme. The Council receives a report on prudential indicators under the new Capital Finance regime at the annual budget-setting meeting.

Capital Resource Generation

21. Councillors have identified a level below which the total of capital receipts should not fall. On 20th May 2009 the Council agreed that the Property Investment Policy be amended so that the maximum percentage of the investment portfolio in property be 80% of the total (up from 75%) and the cash funds invested (i.e. not held for cash flow purposes) should not fall below £5 million (down from £10 million). This will reduce the level of usable capital receipt held by the council for capital funding as the investment portfolio is increased, which at the end of 2008/09 was £11.1m.

22. In 2004/05 the Council resolved to move to a position where investment and property income used to fund one-off service provision and the capital programme. However, to date it has not been able to take these funding streams out of the revenue budget and falls in government funding over the medium term may continue to prevent this objective from being realised. The consequence of not being able to do this is that the level of usable capital receipt available to the council falls year on year.

23. In order to maximise the return from its reserves the council has a Property Investment Policy which states: the maximum percentage of its investment portfolio to be invested in property (80% as at 2009/10; what type of property to invest in; where the property should be located; and what level of financial return should be sought.

24. Other sources of capital finance pursued by the council are:

- Capital receipts generated from asset disposals;
- Bidding for external resources;
- Partnership Funding for projects;
- Planning agreements.

Alternatives to capital funding may be considered but only used in a minor way so far are:

- Revenue contribution to capital expenditure
- Leasing

25. Due to the pressure on the revenue budget there has been limited use of the power to use revenue contributions to fund capital projects. Once the level of available capital funding reaches the limit of £5m it will be necessary either, to start revenue funding of capital, both directly and through borrowing which will put increased pressure on the revenue budget, or, to reconsider the £5m limit.

26. Leasing will be considered in appropriate cases and used to supplement capital resource availability where it can be shown to provide the overall optimum solution and revenue accounts can support the costs. The council's financial position generally means that leasing is not a cost-effective option but it will be considered where appropriate. The council has a few operational leases for acquisition of plant and equipment and a very small number of property leases.

Capital programme and capital resources

28. The capital programme for 2008/09 to 2011/12 was approved by Council on 25 February 2009. This is summarised in table one below:

Table one: Capital programme 2008/09 to 2011/12

		Revised 2008/09	Committed 2009/10	Proposed	
		2008/09	2009/10	2010/11	2011/12
		£	£	£	£
Capital programme		2,369	2,433	3,730	1,130
Capital funding:					
Grant		(805)	(560)	(600)	(510)
Partner contribution		(18)	0	0	0
Developer contribution		(133)	(48)	0	0
Revenue contribution		(33)	0	0	0
Capital receipt		(1,379)	(1,825)	(3,130)	(620)

29. Capital receipts will fall to £5.6m by the end of 2011/12 (£11.1m as at 1st April 2009) as they are used to fund the capital programme. This doesn't include any additions to the capital programme that are being proposed as a part of the budget setting process for 2010/11.

Review of assets

30. The council will actively review its existing operational assets to ensure optimum usage and continue to seek to dispose of surplus or non functional assets to release capital. Asset utilisation by individual services will be tested under service review and where appropriate, inefficient or surplus property released. The council will take advice from its strategic property advisors as required.

31. The council has some investment/non-operational land and property holdings. The majority of these properties and land are subject to commercial tenancies and generate income which is used to fund the council's revenue services. Properties that do not generate reasonable returns, together with undeveloped land, have been progressively disposed of to generate capital receipt. In many cases this activity has facilitated achievement of the council's economic development and town centre development aspirations in addition to producing usable receipts for progressing other projects.

32. In using capital to purchase new investment assets the Asset Management Group, comprising officers and members will identify an appropriate yield on an investment below which it is deemed not to be an appropriate use of the council's capital reserve. This will vary according to the type of investment property and the circumstances of the market.

33. The asset management group has been meeting throughout 2009/10 with the mandate to review the council's assets and report. The council has identified in its medium term plan savings from the significant reduction in the revenue costs of Tilsley Park, Abingdon Guildhall, and Wantage Civic Hall of £125k in 2010/11 with continuing ongoing savings of £250k from 2011/12. Proposals are being worked on to achieve these ongoing savings and are currently subject to consultation and negotiation. Any adjustment to these proposals will have a revenue impact on the council's budget.

Maximise funding from external sources

34. The council will seek to access appropriate funding available from third parties and will assist organisations within the district along similar paths.
35. Wherever possible, the council has and will continue to seek access to external resources for capital projects. We have been successful in obtaining waste recycling environmental grant, lottery and partnership funding for a range of leisure based projects.
36. As part of its economic development service the council has assisted parish councils and other community and voluntary groups in obtaining significant awards of external funding across the district. The council has earmarked some of its capital reserves to award grants to organisations in the district providing up to 50% of funding for capital community projects matching these external awards. The council's ability to maintain this support into the future will be hampered as the level of available capital receipts fall, as explained in paragraphs 21 – 26 above.

Partnership development

37. The council will consider partnership development with both public and private sector partners and seek optimum use of assets by shared arrangements where appropriate. The council seeks to promote the development and provision of public facilities through partnership funding. Past projects include joint-use leisure facilities on secondary school and university sites and the council is open to discussing other similar opportunities.
38. The council may consider awarding capital grants and capital loans to third parties as a part of its capital programme if the award of a grant/loan meets the council's strategic objectives, is income generating or cost reducing in a way which can be clearly evidenced.
39. The Public Finance Initiative (PFI) is generally not suitable as a route for the type and level of project considered by the authority but PFI and Private/Public Partnership would be considered where appropriate.

Planning Agreements

40. Where appropriate planning agreements will be used to secure capital and / or capital investment within the district.
41. The council has frequently secured commuted sum contributions and contributions to the provision of facilities under planning obligation where it can demonstrate a need. Adoption of the Local Plan and other initiatives such as the Abingdon Integrated Transport Strategy require infrastructure provision. The council is keen to facilitate this development and will seek to work in partnership with other public sector bodies to secure investment to progress development and provide community facilities.
42. The district Housing Needs Survey supports provision of a minimum of 40% of affordable housing within new development. The council regularly reviews the level of provision which may be constrained by funding availability for registered social landlords at national and local level.
43. The council will continue to make appropriate use of its planning powers throughout the district to secure appropriate developer involvement and contribution.

Conclusion

44. The council will continue to prioritise its capital spending in line with its corporate priorities, recognising that a commitment to partnership working remains a significant part in the council's overall approach. New and innovative ways of increasing available capital funding will continue to be explored in the light of the prudential code for capital finance. The council will review as often as required, at least 3 yearly, its approach to capital expenditure having regard to outcomes of value for money reviews and progress on implementation of its priorities.