



Stafford

BOROUGH COUNCIL

CAPITAL STRATEGY 2008

OBJECTIVES OF THE STRATEGY

The objectives of this Capital Strategy is:

- To develop sustainable and planned capital investment which meets the Council's priorities;
- To work on partnerships to ensure a joined up approach and maximum levels of external investment;
- To ensure service improvements are made through capital investment;
- To apply effective procedure for the development, evaluation, implementation, monitoring and sustainability of capital projects.

ABOUT STAFFORD

THE AREA - Stafford Borough is situated in the West Midlands region, in the county of Staffordshire. It covers 240 square miles of mixed urban and rural areas of mid-Staffordshire and is geographically the largest district authority in Staffordshire. The population of just over 120,000 is split between Stafford (57,000), Stone (14,000) and 35 rural parishes (49,000).

HOUSING - there are approximately 50,000 households in the Borough, 76% of domestic properties are owner occupied. More people live in detached houses (38.4%) than for England and Wales as a whole (22.8%) and fewer people live in flats (10.1% compared to 19.2%).

PROSPERITY - Stafford has a relatively low deprivation (DTLR index 234 out of 354 local). However there are within the Borough areas of deprivation, notably in the Highfields, Common and Coton wards in Stafford.

EMPLOYMENT - the Borough has higher levels of employed people and lower levels of unemployed or economically inactive than England as a whole. The economy is generally low waged – 10% below the national average.

THE FINANCIAL POSITION - the Council's revenue budget (General Fund) faces considerable pressures and these will affect the funding of services in the future. In 2008/09 the budget requirement for the General Fund resulted in an average proposed Borough Council Tax (Band D equivalent) of £144.32, an increase of 3.9% over the previous financial year, in line with the rate of inflation.

OUR POLITICAL STRUCTURE - the Council has 59 Members who are elected every four years. The Council currently comprises 40 Conservative, 13 Labour, 6 Liberal Democrats and Independents. The Council has five portfolios: Resources, Leisure, Environment, Community and Planning & Regeneration. The portfolios

have corresponding Scrutiny Committees. Stafford has a “Leader & Cabinet” style political management arrangements.

OUR MANAGEMENT STRUCTURE – the Corporate Management Team is responsible for delivering the Council's policies and services. It consists of the Chief Executive, two strategic directors and 9 heads of service who are responsible for the delivery of operational services.

KEY PRIORITIES

The Capital Strategy converts the key priorities of the Council into capital spending priorities. The current corporate plan, “Improving Stafford Borough”, was adopted by the Council in December 2007 and covers the period 2007 to 2013 – a six year corporate plan. It contains four key service themes on which the Council will concentrate its service delivery for the period of the corporate plan. The key service themes are summarised in **ANNEX 1**.

The key priorities for the medium term are cross cutting and support the Council in its aim to provide better services for the residents of Stafford Borough. The key priorities are:

- **Prosperity for All** – “To promote economic and social regeneration to improve the quality of life for our community”
- **Cleaner, Greener, Safer Communities** – “To create an attractive environment in which our community feels safe”
- **Health and Wellbeing** – “To improve the health and well being of citizens and communities”
- **Leading and Delivering for our Community** – “To be considered a high performing council which champions the needs and aspirations of its community in a local, regional and national setting”

The six year corporate plan clearly sets out the milestones to achieve its objectives over the period. Goals are set out the next year, for the middle period of the plan and by the end of the planning period. It also provides the criteria by which the Council can be measured on its achievements for the term of the plan.

Within the plan key capital schemes are identified which feed into the priorities. Examples of this are:

Prosperity for All

- Implementing a further phase of the Waterscape project (**Area of Focus - Ensure our town centres are attractive, vibrant and distinctive places**)
- Complete projects within the Stone Market Town Initiative (**Areas of Focus –Promote regeneration in the rural areas**)

Cleaner, Greener, Safer Communities

- Progress Lottery Grant for renovation and enhancement of Victoria Park – **(Area of Focus – Enhance and maintain clean public spaces)**

Health and Wellbeing

- Open the new Stafford Leisure Centre **(Area of Focus – Develop leisure opportunities and cultural activities)**
- Invest in the private sector through grants to owners **(Area of Focus – Ensure an adequate supply of housing which meets identified housing needs and the decent homes standard)**
- 160 homes have been adapted for use by disabled persons **(Area of Focus – Ensure an adequate supply of housing which identified housing needs and the decent homes standard)**

Leading and Delivering for our Community

- Ensure 50% of our public buildings are accessible to the public **(Area of Focus – Ensure that the organization can demonstrate value for money and remains fit to meet future challenges)**
- We will have developed a One Stop Shop in Stafford across all of our services **(Area of Focus – Ensure we are seen as a “customer first” organization)**

The key priorities are aimed to meet the needs of the community and were informed by a SIMALTO residents survey carried out in 2006. Following the feedback from the survey, Stafford has focused its priorities for the next six years to deliver measurable improvements in the areas of greatest concern to the community.

LINKS TO OTHER COUNCIL STRATEGIES

In developing our capital strategy we have ensured that it reflects other key strategy documents and, therefore, the Council's strategic and service based objectives. In order to demonstrate improved value for money from our assets and continuing service improvements we have established strong links between the capital strategy, the medium term financial strategy (the Financial Plan) and the Asset Management Plan. In addition strategies such as the housing strategy influences investment in private sector housing grants and disabled facilities grants and the Technology strategy guides investment in improving access for customers and improving the efficiency of the Council's operations.

The relationships to the Council's main priorities are set out below



THE CAPITAL STRATEGY AND THE FINANCIAL PLAN

The impact of the Government's Prudential Code for capital finance which brought in new borrowing freedoms means that capital investment planning and the revenue budget strategy need to be more closely integrated. Medium term budget projections need to include the effect of capital spending plans and demonstrate that these plans are affordable and sustainable.

The Financial Plan focuses on achieving Council Tax increases limited to the rate of inflation whilst improving services in line with the Council's priorities. Any revenue consequences of capital schemes are built into the Financial Plan as a known growth item and should the Council decide to take out borrowing the cost of borrowing will be built into the Financial Plan. There is growing pressure on

services arising from new duties required on councils, such as concessionary fares, and from spending pressures at a time when the Revenue Grant settlement has given Stafford a 1% increase in 2008/09 with 0.5% and 0.6% thereafter together with capping rules limiting Council Tax increases to below 5%. The ability to find further efficiency savings becomes increasingly difficult. In the light of this background there are clearly spending pressures on the Council's revenue budget and the strategy is to ensure the capital programme can be funded on a sustainable basis and to limit the impact on the revenue budget where possible.

RESOURCING CAPITAL SPENDING

Resourcing the capital programme will come from a number of sources. The principal sources are the following:

Capital receipts

Capital receipts are generated through the sale of assets which can be used to fund future capital expenditure. The stock of assets which the Council could dispose of and use to finance future capital expenditure is limited. The current principal source of capital receipts for the Council comes from the share of Right to Buy receipts generated from the sale of its former housing stock which was transferred to Stafford and Rural homes in February 2006. However the financial strategy for the stock transfer earmarked those receipts for the support of the General Fund through the investment interest earned on those receipts. They are not normally available for the funding of the capital programme.

Capital grants

Grants are provided by the government and other bodies for specific purposes. The most significant schemes within the capital programme that are supported by capital grants are Disabled Facilities Grants and Private sector housing grants.

Revenue

Although capital resources cannot be used to fund revenue expenditure, revenue can be used to finance capital schemes. The constraint on this stream of funding is the ability of the General Fund to afford to provide resources for the capital programme. Stafford is facing significant pressures on its revenue spending and it is unlikely to be able to afford to provide funding for the capital programme in the medium term.

Borrowing

The Local Government Act 2003 removed the restriction that all borrowing undertaken by a local authority must have government approval. The act

introduced the **Prudential Borrowing** regime that allows local authorities to borrow in line with the needs of their communities provided the borrowing is within affordable limits. There are two types of borrowing:

- **Supported Borrowing** - the Government will provide financial assistance through the Revenue Support Grant system for the costs of borrowing undertaken by the Council up to a pre-determined level. The support is given regardless of whether the borrowing is incurred. The Council does not receive any supported borrowing as part of the Revenue Support Grant settlement.
- **Unsupported borrowing** – this is borrowing in excess of the pre-determined level that the Council is free to undertake as long as it is within affordable limits however the Government does not provide financial assistance for this type of borrowing. The cost of the borrowing falls on the Council Tax and other revenue funding sources.

Section 106 contributions

The Council receives contributions towards the cost of providing and enhancing public open spaces, sports facilities, play areas, the provision of affordable housing etc. from developers as a consequence of Section 106 agreements. The conditions attached to such contributions often define the geographical area and/or the purpose on which the income can be spent.

Other contributions

The Council may receive contributions from interested parties towards a capital scheme where the nature of the work undertaken could be of benefit to them.

The above potential sources of capital finance can be used to finance the capital programme and the section on **Resource Allocation** will set out the Council's strategy for the allocation of capital resources and the financing of the capital programme.

APPROACH TO PRIORITISING INVESTMENT

Resource Allocation

Following the transfer of the Council's housing stock in February 2006 the Council was able to redeem its long-term debt and became debt free. Its financial strategy post transfer is to retain its share of Right to Buy receipts to support the General Fund through the investment interest earned on those receipts.

Projections of current and future capital resources are prepared on a regular basis and the Cabinet receives capital resource projections when it is agreeing

future schemes to include in the programme. The current capital resources projections are shown below.

CAPITAL RESOURCES 2007 TO 2011

	2007/08 Estimate £000	2008/09 Estimate £000	2009/10 Estimate £000	2010/11 Estimate £000
Resources brought forward	5,663	5,183	4,825	6,637
Capital Resources				
Capital receipts - Right to Buy	2,000	1,900	1,800	1,700
VAT Shelter Sharing agreement	2,087	750	750	750
Earmarked Reserves	408	625	0	0
Capital grants	600	688	688	688
Capital Expenditure				
Financing for capital programme	5,575	4,321	1,426	2,276
Resources carried forward	5,183	4,825	6,637	7,499

Our approach to capital funding is to match our capital requirements to the phased use of our accumulated capital resources. The first call on capital resources is to make sure that commitments for ongoing projects are covered. Schemes that attract grant such as specified grant for disabled facilities grants or can be financed from contributions such as Section 106 agreements receive first consideration where they meet the Council's priorities. These funding sources are identified in the business case for the scheme, which forms part of the bidding process.

Schemes which cannot identify specific sources of funding are approved depending on their fit with Corporate priorities. Income generating and cost reduction projects will be approved on the basis of the business case for them. An earmarked reserve has been identified, the "Invest to Save" reserve, for funding projects – both revenue and capital – which will lead to cost reduction or income generation. Examples of cost reduction projects include the corporate roll-out of the Electronic Document & Records Management (EDRM) which will

improve efficiency in back office processes. Examples of income generating projects are investment in car parks. With the introduction of the Prudential Code in April 2004 the Council has the flexibility to borrow for projects where the income return or the revenue cost reduction can justify investment in the scheme. Opportunities for Prudential borrowing will be taken where appropriate.

The Council has agreed a capital programme for a four year period which is rolled forward each year. Schemes can be put forward each year as part of the bidding process not only for the forthcoming financial year but also for inclusion in future years. The current four-year capital programme is attached at **ANNEX 2**.

Partnership Funding

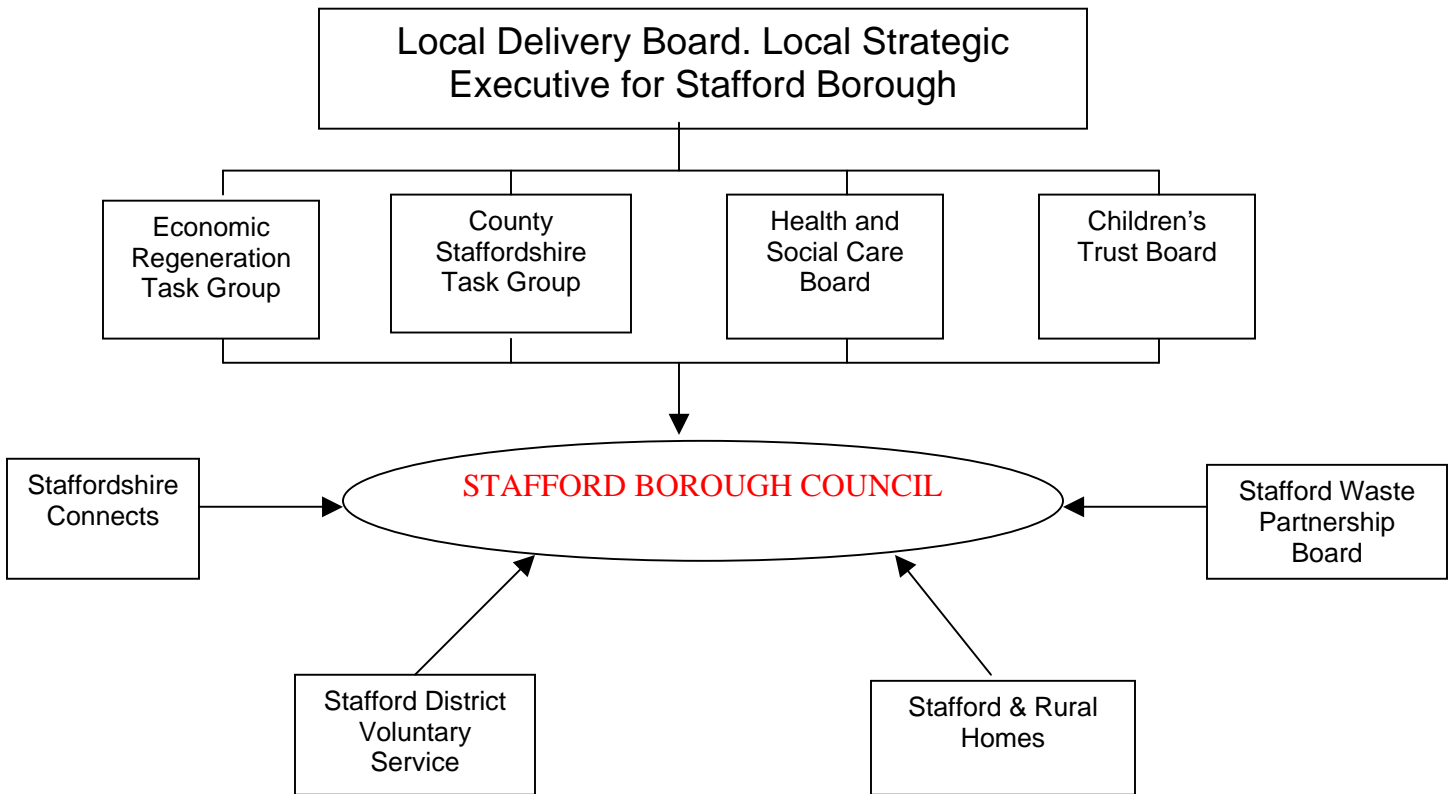
The Financial Plan has identified that there are strong budget pressures over the next four years. It acknowledges that the restrictions in ongoing core funding for the Council will continue and that working with partners will help to ensure that the Council can continue to develop services in line with its objectives.

Where partnership external funding is provided it will require performance management and monitoring and failure to achieve required outcomes will influence the levels of funding.

Although the Council has not yet entered into any PFI (Private Finance Initiative) schemes it may in the future consider their use as a means of providing external funding and delivering services. It is acknowledged, however, that PFI would be unlikely to be suitable for the many smaller types of project undertaken by the Council.

However, partnering arrangements with either/both the public/private sector are acknowledged as important in securing investment and the Council will continue to look for opportunities in the future. Where involvement with partners either reduces the Council's investment requirement or serves to release external capital resources these will be encouraged through the appraisal process.

STRATEGIC PARTNERSHIPS



It is expected that Section 106 Agreements will provide valuable additional resources over the period of the strategy and will be incorporated into the programme as they are received. These resources will be particularly important to support schemes in the leisure and social housing sectors.

PROGRAMMING, MONITORING AND EVALUATING PROCESSES

Assessing Capital Projects

Capital project assessment will be carried out by the Corporate Management Group (CMG) and reported to the Cabinet. Individual projects can only be put forward if they can demonstrate that they are in accordance with the Council's priorities.

Projects are developed by Heads of Service in consultation with stakeholders both internal and external and require the approval of the appropriate Cabinet Member prior to submission to the CMG for consideration and appraisal.

ANNEX 3 sets out the capital planning process.

A comprehensive project appraisal is required for any scheme estimated to cost more than £25,000. This appraisal contains the following elements:-

- scheme objectives;
- how it contributes to one or more of the Council's priorities;
- evaluation of alternative ways of meeting objectives and analysis of alternative levels of expenditure and funding;
- the views of all stakeholders;
- the planned life of the project;
- the benefits of the project;
- availability of external funding;
- future revenue cost implications and affordability;
- evaluation of future financial/non-financial benefits.

Schemes estimated to cost less than £25,000 will also be subject to appraisal but in less detail.

Prioritisation

Stafford has reviewed its existing procedures for assessing capital programme bids and determining their relative priority. A revised process has been agreed and is outlined in this strategy. It is designed to ensure that the business case for each scheme supports the Council's strategic priorities but that it also supports:

- partnership projects;
- income generating projects providing a rate of return greater than that of a comparable cash investment;
- cost reduction projects providing a revenue account saving greater than the interest that could be earned by investing the cash

A simple proforma business case with scoring matrix has been designed for Heads of Service to use. Each submission will be assessed against the agreed scoring matrix that provides a relative rather than an absolute score against strategic priorities.

The business case also ensures Heads of Service demonstrate that they have explored the full range of options for meeting the identified investment need. Lead officers must therefore be able to demonstrate that they have considered legal, procurement and partnering issues. It also includes a risk assessment for each project. The business case proforma is attached at **ANNEX 4**.

The results of the business case appraisals will be ranked and reported to the Management Group and the relevant Cabinet Members to prioritise and formulate proposals. The Cabinet will receive details of the business cases approved by the CMG and the assessment of relative priority. From this list they will agree the schemes that they wish to go forward into the capital programme. The proposed capital programme will be reported through the individual Scrutiny Committees for consideration and consultation.

Monitoring and Evaluation

A monthly report monitoring financial performance is prepared for lead officers and senior managers. A quarterly report is sent to the Cabinet as part of the high level “In Pursuit of Success” report and it includes both financial and non-financial data. These reports will identify any emerging problems at an early stage and enable corrective action to be agreed. Progress on key schemes are included in the quarterly “In Pursuit of Success” report.

An example of a monthly budget monitoring report is attached as **ANNEX 5**.

Project Management

The Council has adopted the **Prince 2** project management methodology. All projects approved will be implemented in line with this methodology. This involves:

- Appointment of a project manager for each project to own the outcomes of the project;
- Appointment of a project board including the executive, senior user and senior supplier to approve the progression of the project;
- Standard documentation for each project identifying all of the outcomes, risks, costs etc..
- A staged approach to projects with built in checks to ensure compliance with objectives;
- Post project implementation review.

Projects are classified into three types:

- Major- for projects estimated to cost over £100,000;
- Medium – for projects estimated to cost between £10,00 and £100,00 and
- Minor – for projects estimated to cost less than £10,000.

Schemes are project managed under the Prince 2 principles.

Consultation

The Council values the views and expectations of its customers and stakeholders in formulating policy and strategy. The Council has a consultation strategy which is being refreshed to take account of “public engagement requirements” as outlined by the Government in its recent Local Government Community Plan.

The strategy sets out a basic framework covering:-

- the benefits of consultation;
- levels of consultation;
- who we will consult with;
- when should we consult;
- what methods should be used;

- monitoring and evaluation;
- feedback.

The Council currently conducts consultation and market research in a wide variety of ways and examples are set out below:-

- at a corporate level SIMALTO surveys are carried out on a four yearly basis to assess that the Council's priorities reflect the community and stakeholders requirements;
 - Satisfaction surveys as required by the Government which are currently three yearly but will change to bi-annually;
 - A Resident's Panel will be set up in 2008 consisting of 1,200 local citizens who will consult on Council policies and plans;

regular customer surveys and market research projects are undertaken as part of the ongoing review of services. These surveys will cover future capital projects being considered by the Council.

Asset Disposals

Receipts from the disposal of the Council's assets are used to support the Council's capital programmes and arise principally from the Right to Buy sharing agreement with Stafford and Rural Homes.

The Council has a relatively small portfolio of public buildings and is unlikely to generate significant resources from disposal. However, a comprehensive programme of property review is under way which will:-

- identify opportunities to rationalise properties/land;
- look at ways of reducing costs;
- maximise efficient use of buildings/land;
- identify future requirements;
- justify why surplus/property land is held;
- challenge the holding of investment property land.

All building assets will be reviewed by the Asset Management Officer and the relevant Head of Service. This review will examine issues of sufficiency and suitability and will utilise consultative exercises in relation to those criteria.

Disposal of small parcels of land is delegated to the Corporate Property Officer but any major disposals would be initially considered by the Asset Management Officer and then reported to the CMG Group, for approval, and subsequently to the appropriate Cabinet Member.