



# Capital Strategy

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## **Capital Strategy**

### 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 Priorities.

In terms of volume, the majority of the Council's assets are the Housing Revenue Account dwellings. Day to day maintenance and any plans for improvements are incorporated into the Housing Revenue Account Business Plan. This covers a 30-year period and is updated annually.

### Council Vision and Priorities

**The Council's vision for the Borough is a healthy population with high aspirations, living in good quality housing with decent jobs in a diverse economy.**

Given the severe constraints on Council income it is necessary to think and act more like a business, drive efficiencies from services, generate more income and support innovation and best practice within services. The Council has identified the following cross-cutting objectives to achieve efficient and effective services:

- Provide short and medium term financial stability in the General Fund by implementing the agreed 2016-2020 Budget Strategy;
- Measuring customer satisfaction with Council services;
- Developing a more cost effective procurement process by maximising the use of purchasing frameworks;
- Refreshing and implementing the Councils workforce strategy;
- Identifying opportunities to generate additional income;
- Provide training and support for innovation and adoption of best practice within services and requiring managers to demonstrate this.

In addition four thematic priorities have been identified as drivers to support the Councils vision:

- Developing the local economy to secure a long term economic future for all our community;
- A strong and vibrant town centre community;
- Closing the gap on health inequalities;
- Providing a greater choice of good quality housing and regenerating the oldest and poorest housing in the Borough.

These Priorities will be used as the basis for all future business planning and to direct the activity of any spare capacity and resources.

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

The Capital Programme is related to the Council's Priorities as follows:

<b>Council Priority</b>	<b>Capital Programme elements</b>
Developing the local economy to secure a long term economic future for all our community	Public buildings Industrial and commercial properties
A strong and vibrant town centre community	Public housing Housing market renewal Other public assets
Closing the gap on health inequalities	Public housing Private housing Community initiatives
Providing a greater choice of good quality housing and regenerating the oldest and poorest housing in the Borough	Public housing Private housing Housing market renewal
Efficient and effective services	Public buildings Other public assets

### Resource Allocation

The Government introduced a new system for the management of capital finance in 2004-2005 contained in The Local Authorities (Capital Finance and Accounting) Regulations (2003), which became operative from 1<sup>st</sup> April 2004. The Act sets out a new financial power for local authorities to use unsupported prudential borrowing for capital investment provided that the Council can afford the revenue consequences of any proposed borrowing. The key objectives of the prudential system are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. Under the regulations local authorities have been given the freedom to determine the amount of external borrowing they are prepared to undertake when considering their own capital spending and financing decisions.

At the outset of each Capital Programme planning cycle, the level of resources available to fund the Programme is reassessed in light of the most recent information. The current Programme is then reviewed to establish the level of resources needed to fund the committed Programme. This information is then used to establish the resources available to fund new schemes.

It is the Council's policy to maximise capital receipts through a review of existing property use. A rigorous approach has been adopted to the identification and disposal of surplus assets that are no longer required to meet the Priorities of the Council. Management Board considers individual properties and the property portfolio, and reviews or identifies property for sale. The Council views this as the most cost effective way to finance the Capital Programme.

The Council has been very successful at securing external funding from the Government and private sources, to achieve the delivery of its Capital Programme. The Council has been able to fund the a significant proportion of its Capital Programme from external funding in previous years.

For externally funded projects, the Council's policy is not to include schemes in the overall Programme until such time as the sources of funding have been confirmed. This is specifically to address issues over slippage within the Programme and to avoid the Council entering into an open-ended commitment which then deprives other important schemes of resources. However, it is vital that when such schemes have secured sufficient partner funding, that the Council has the capability to fund its share of the overall scheme cost and can add such schemes to the Programme if it desires.

Getting value for money is a priority for the Council and the Capital Programme should provide high quality, value for money public services. The Council recognises that best value is based on whole life costs and therefore the on-going revenue implications of capital spend are identified when bids for capital resources are assessed and when schemes are approved; when a new capital project is proposed any impact on revenue expenditure is anticipated and costed. These revenue costs are used to inform the revenue budget planning process and are considered alongside other priorities in the revenue budget when the overall budget is set.

In order to ensure that resources available for capital investment are used efficiently and effectively, the Council prioritises all capital projects in line with its Priorities, available resources and longer term revenue savings. This is achieved by the submission of bids for capital resources being appraised by the Capital Programme Group which includes the Executive Director and Director of Resources, for their consideration and comment. There is an Appraisal Request form and Bid Guidance Notes for managers to use. This process includes all elements of Capital Investment apart from planned housing maintenance which is dealt with by the Housing Management Forum.

The resulting Programme is then reported to the Executive Committee for recommendation to Council for approval.

### Managing and Monitoring the Capital Programme

Detailed management, monitoring and review in terms of both the delivery of outcomes, priorities and financial performance are the responsibility of the Capital Programme Group, working in conjunction with the responsible manager. Progress reports incorporating any recommended variations to the Programme are presented to the Capital Programme Group and the Executive Committee. Any 'learning' arising from the monitoring/review process is used to inform the strategy on an ongoing basis. The Council's Financial Regulations and Contract Standing Orders stipulate how the financial aspects of the Capital Programme and each capital scheme should be managed and the Capital Programme Group ensures compliance with these requirements.

The Council is committed to consulting with the community, its partners and service users on the key issues affecting the quality of life in Barrow-in-Furness. It has always been important to ensure that resources and services are designed, delivered and improved to meet the changing needs and expectations of our community, our partners and our service users. To achieve this commitment the Council consults and involves the community on any major or controversial capital schemes and makes its policies, decisions and services accessible to comment from residents, businesses, agencies and major partners.

### Revising the Capital Strategy

The Capital Strategy is reviewed annually to ensure it remains valid. The Council reviews the allocation of its Capital Resources on an annual basis to ensure that its Programme of investment is in line with the actual resources available to support its spending needs and priorities.

### Summary

The Council will continue to prioritise its capital spending in line with its Priorities and other criteria. New and innovative ways of increasing capital finance and funding will continue to be explored. The Council will annually review its approach to capital expenditure having regard to outcomes of service reviews, inspections, condition surveys, and outcomes of the Capital Programme. The Capital Programme for 2018-2019 to 2021-2022 is shown at **Appendix 1**.

## Appendix 1

<b>Capital Programme 2018-2022</b>				
	<b>2018/2019</b>	<b>2019/2020</b>	<b>2020/2021</b>	<b>2021/2022</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Capitalised planned maintenance	1,928,000	2,319,500	2,319,500	2,319,500
<b>Total Investment in Public Housing</b>	<b>1,928,000</b>	<b>2,319,500</b>	<b>2,319,500</b>	<b>2,319,500</b>
Disabled facilities grants	1,000,000	1,000,000	1,000,000	1,000,000
Rawlinson Street Phase 2	44,653	300,000	-	-
Rawlinson Street Phase 3	-	-	400,000	-
North Central Renewal - Greengate Street	-	50,000	50,000	-
Barrow Island Environmental Improvements	46,025	-	-	-
Private Sector Housing	-	-	263,600	-
<b>Total Investment in Private Housing</b>	<b>1,090,678</b>	<b>1,350,000</b>	<b>1,713,600</b>	<b>1,000,000</b>
Crematorium	844,213	-	-	-
Dock Museum	90,000	-	-	-
Public Buildings Investment Fund	-	150,000	150,000	150,000
<b>Total Investment in Public Buildings</b>	<b>934,213</b>	<b>150,000</b>	<b>150,000</b>	<b>150,000</b>
Barrow Island Growth Zone	250,000	-	-	-
Waterfront Gateway Business Centre Plot 1 Harding Rise	300,000	3,466,510	88,490	-
Marina Village	30,000	-	-	-
Industrial & Commercial Property Investment Fund	-	-	-	974,892
<b>Total Industrial &amp; Commercial Properties</b>	<b>580,000</b>	<b>3,466,510</b>	<b>88,490</b>	<b>974,892</b>
Town Centre Shop Front Grants	2,583	-	-	-
IT Equipment & Development	60,000	126,000	60,000	60,000
Housing Management System	65,703	-	-	-
<b>Total Investment in other public assets</b>	<b>128,286</b>	<b>126,000</b>	<b>60,000</b>	<b>60,000</b>
CCTV	35,000	-	-	-
Rural Regeneration - Coastal Protection	-	126,888	-	-
Cavendish Park	14,600	-	-	-
Coastal Communities - Art Gene	11,740	-	-	-
<b>Total Investment in Community Initiatives</b>	<b>61,340</b>	<b>126,888</b>	<b>-</b>	<b>-</b>
<b>Asset Investment Fund</b>	<b>-</b>	<b>150,000</b>	<b>150,000</b>	<b>150,000</b>
<b>Total</b>	<b>4,722,517</b>	<b>7,688,898</b>	<b>4,481,590</b>	<b>4,654,392</b>
<b>Funding of Capital Programme:</b>				
DCLG Grant	1,011,740	1,000,000	1,000,000	1,000,000
ERDF	180,000	2,079,910	53,100	-
DEFRA Environment Agency	-	126,888	-	-
Private Contributions	14,600	-	-	-
HRA MRR	1,928,000	2,319,500	2,319,500	2,319,500
Contributions from HRA	65,703	-	-	-
Cluster of Empty Homes Loan Repayments	46,025	50,000	313,600	-
Contributions from Earmarked Reserves	219,083	189,956	-	-
Contributions from Revenue	-	-	-	-
Usable Capital Receipts	1,257,366	1,922,644	795,390	1,334,892
<b>Total</b>	<b>4,722,517</b>	<b>7,688,898</b>	<b>4,481,590</b>	<b>4,654,392</b>