

CABINET

9 September 2015

THE OVERVIEW AND SCRUTINY COMMITTEE

14 September 2015

CAPITAL STRATEGY 2015

REPORT OF ASSISTANT DIRECTOR (POLICY AND PLANNING)

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RECENT REFERENCES:

CAB2610: Capital Strategy 2014 – 10 September 2014

EXECUTIVE SUMMARY:

The report presents the draft Capital Strategy for consideration and approval.

RECOMMENDATIONS:

That Cabinet:

Recommends to Council the approval of the draft Capital Strategy for 2015 (Appendix A).

To The Overview and Scrutiny Committee:

That The Overview and Scrutiny Committee raises with the Portfolio Holder any issues arising from its consideration of the draft Capital Strategy for 2015 and whether any items of significance should be drawn to the attention of Cabinet or Council.

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CAPITAL STRATEGY 2015

REPORT OF ASSISTANT DIRECTOR (POLICY AND PLANNING)

1. Introduction

- 1.1 The Council's Capital Strategy is reviewed and updated each year.
- 1.2 The Council's Capital Programme will be considered and consulted upon as part of the General Fund and Housing Revenue Account budget process.
- 1.3 Individual schemes within the Capital Programme each require appropriate approval, by Cabinet or under the scheme of delegation involving Portfolio Holders, in accordance with Financial Procedure Rules before any funds are committed.

2 Prudential Code

- 2.1 The Council has adopted the CIPFA Prudential Code which is designed to ensure that capital investment plans of local authorities are affordable, prudent and sustainable, and due regard is given to the Prudential Code in determining the Council's Capital Programme.
- 2.2 The adoption by the Council of an updated Capital Strategy is in accordance with the principles in the Prudential Code.

3 Capital Strategy

- 3.1 The Capital Strategy (Appendix A) sets out the context of the Capital Programme, and supports Portfolio Plans and the District Sustainable Community Strategy.

4 Capital Programme

- 4.1 The Capital Programme is the schedule of schemes and programmes of capital expenditure, by financial year over the medium term financial plan period. This is monitored and revised in accordance with the Budget review timetable. All spending plans require indicative funding to be allocated and the revenue consequences to be considered and reflected in revenue plans.
- 4.2 The Council's Community Strategy, Asset Management Plan, the Housing Business Plan, Portfolio Plans and the IT Strategy all help to identify expenditure requirements which feed into the Capital Strategy and Programme. The Asset Management Plan will be reviewed during 2016.

- 4.3 There are some aspirational projects and forward programmes which are not yet included in the Capital Programme because of funding constraints or because they are still at the feasibility stage. These are considered as part of the annual Budget process.

OTHER CONSIDERATIONS:

5 COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO)

- 5.1 The investment of capital resources will contribute to the achievement of the Council's main objectives and priorities in the Community Strategy and Portfolio Plans. The Capital Strategy is an integral part of the overall Medium Term Financial Strategy.

6 RESOURCE IMPLICATIONS

- 6.1 Delivery of the Capital Programme is dependent on many factors including the availability of the right resource (time, money, skills etc) at the right time. The Council has a "Project Office" and an officer Programme Management Group to help ensure the effective delivery of the capital programme.
- 6.2 Training is provided for staff both on the preparations of Business cases for individual projects along with the factors that need to be considered as part the development and initiation of projects. Staff are also trained in project management skills relative to the roles which they play in the organisation and this can vary from a short overall course to full Prince2 training.
- 6.3 Some projects will require the use of external resources either because of the need for particular expertise or to avoid bottlenecks that would otherwise arise because of limited internal resources.

7 RISK MANAGEMENT ISSUES

- 7.1 There are various risks inherent in the delivery of the individual capital schemes, the most obvious being time and cost overruns. Project management of the individual schemes is designed to ensure that these are mitigated. A full risk register is prepared for all corporate projects and reviewed/ kept up to date as projects progress. This will reflect the Council's overall risk management policy and risk appetite.
- 7.2 Changes to the timing of expenditure will affect cash flow and interest income and, more importantly, the delivery of the benefits to be achieved from the capital expenditure. There is monthly monitoring and reporting of the Capital Programme to the Programme Management Group.
- 7.3 The Strategy reflects an ambitious programme of work, and the challenge for the Council is to ensure that resources are properly allocated to allow that overall programme to be delivered without undue delay. Slippage or delay for unforeseen reasons is inevitable, and there will be times when the Council's capacity to deliver all projects envisaged is stretched. This risks underperformance, and the Council is seeking, through its Project Office, to manage this programme to minimise the consequences of such delays or slippage.

BACKGROUND DOCUMENTS:

None.

APPENDICES:

Appendix A: Draft Capital Strategy 2015



Winchester
City Council

CAPITAL STRATEGY

2015

Winchester City Council

Capital Strategy 2015

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1. Introduction

All local authorities are required to adopt the principles of good asset management in managing their capital assets. A key element of this process is the production of a capital strategy, which has been developed in conjunction with an Asset Management Plan (AMP), a Housing Strategy and a Housing Revenue Account (HRA) Business Plan. The Government's good practice guidelines have been observed in producing the City Council's plans and strategies.

The City Council's capital programme incorporates both the General Fund and the Housing Revenue Account capital requirements to support service provision and links with the Council's Portfolio Plans, Housing Business Plan, Asset Management Plan, IT strategy and Medium Term Financial Strategy. This strategy provides a framework for the development of the capital programme.

The Council's commitment to value for money and efficiency is also an important consideration in formulating the capital strategy, especially where cross cutting issues are involved.

2. Background

Winchester City Council is a district council within the County of Hampshire. At its heart lies the ancient cathedral town of Winchester. It covers a large area of 660 square kilometres (250 square miles) and has a population of around 119,200 people. Of these about 32% live in Winchester town itself and the remainder live in market towns and rural areas around the District. Winchester's rich heritage and natural landscape make conservation, planning, tourism and archaeology important features of the Council's work. The City is also a centre for education and learning, with many higher and further educational institutions as well as being the home of Winchester College, the oldest school in England. The City is also home to Hampshire County Council and Hampshire Police. Winchester Prison, the Law Courts and other significant and varied major employers make it a key administration and business centre and one which generates a large amount of in-commuting. The District is within easy commuting distance of London and some of the major south coast conurbations and this gives rise to very low unemployment levels, currently less than 1%.

The Council's priorities for capital investment are led by these characteristics of the District and the challenges they generate. Provision of sufficient affordable housing for local people is a particular challenge that the Council is responding to through several major development areas, including West of Waterlooville, North of Whiteley and Barton Farm. Capital investment in the Council's housing stock also enables the continued provision of high quality affordable housing. Encouraging economic growth is also important, with the recent refurbishment of Abbey Mill and 75 Hyde Street, as well as plans for increasing city centre office space in the Station

Approach redevelopment and an enterprise centre for the creative industries at Barfield Close.

The Capital Strategy also makes provision for the maintenance and improvement of the Council's existing assets to ensure that these continue to aid the Council in meeting its objectives.

The Council works closely with other statutory and non-statutory bodies to ensure that the necessary infrastructure is provided with these developments, for example provision of sufficient school places, highways and jobs to meet the needs of the community.

3. Capital Investment Objectives

The Capital Strategy is led by the priorities outlined in the Winchester District Community Strategy and Housing Strategy. It translates these objectives into a programme of projects in the Council's Capital Programme that will achieve the intended outcomes. The Strategy includes both the effective maintenance and enhancement of existing assets, wider community projects and proactive investment in economic regeneration opportunities that will provide additional income streams.

Capital investment contributes to the achievement of the Council's objectives by producing the finance and other resources necessary to provide facilities for the people of the District either directly or in partnership with others. It can also be a powerful mechanism for leveraging in other sources of finance, either directly or through other parties. Enablement is a key factor in determining where best to invest resources and may determine whether facilities are provided directly by the City Council or by partner organisations.

A key objective of the Capital Strategy is to ensure optimum use of resources and securing best value in relation to both cost and quality. This is done by following best practice in relation to procurement and construction and taking external legal or other professional advice where required.

Some key decisions for the Council and its assets will need to be made in the near future including a potential redevelopment/refurbishment of its own offices in Winchester, the River Park Leisure Centre renewal or refurbishment, redevelopment of the former Bar End Depot site, the Station Approach proposals together with the progression of major developments in the District including Silver Hill, Barton Farm and West of Waterlooville and North Whiteley development areas

A list of the Council's Major projects is set out below. Some of these projects are being run directly by the Council whilst some are being delivered by others but the Council has a key interest in them.

- Silverhill regeneration scheme
- St Clements Doctors surgery re-provision

- River Park Leisure Centre
- Providing New Council Homes
- Bar End Depot redevelopment
- Station Approach
- City Offices – consideration of the Council's future office requirements
- Preparation of the District Local Plan
- Upgrading the Councils IT systems
- Providing a new Document Storage and retrieval system for the Council
- Providing an Enterprise Centre
- Barton Farm, West of Waterlooville and North Whiteley major development areas

4. Asset Management Plan

The Asset Management Plan seeks to address both the spending priorities for the maintenance of operational property and the development of the non operational estate to assist economic development and provide both capital receipts and revenue income streams.

The Council owns a well located portfolio of property which can provide an increasing level of income for the Council, whilst other sources of income may be restricted in growth. The value of the Council's portfolio can be unlocked by undertaking prudent development or refurbishment schemes on existing property, which can then be let to well secured tenants. Consideration of how such projects are funded will be undertaken through the formulation and approval of the capital programme. This approach will reflect the economic needs and vision for the District by providing commercial property and encouraging investment into the area.

Considerable investment is required in the operational estate and this is addressed in detail within the Asset Management Plan. The development of a replacement depot was completed as planned during summer 2013 and the completion of this will now enable the existing Bar End Depot to be released for redevelopment once the deliberations around the location for a new Leisure Centre have been concluded. Consideration of the future of River Park Leisure Centre is focusing on seeking to meet future need and whether this can be met by either the refurbishment of the existing premises, or the development of new premises. A detailed report has now been completed assessing each of the potential options. This narrows down the options which will now be subject to consultation which will allow a decision on a preferred option to be made in the New Year. The City Offices behind the Guildhall which house a large number of the City Council's staff and other organisations are reaching the stage when substantial investment will be required to keep them fit for purpose. This may be better undertaken as part of a redevelopment proposal to provide an extension to the Guildhall. Consideration is being given to this and a proposal will be brought forward in due course.

The Asset Management Plan envisages the development of a planned maintenance regime for the operational estate which is designed to improve the condition of the premises and to reduce energy costs and carbon emissions.

With regard to the non operational property portfolio, work has now been completed on the refurbishment of Abbey Mill which has enabled River Cottage to take occupation and to fit out for their operation. A scheme to develop a Doctors Surgery on the Upper Brook St car park is being progressed to enable the existing surgery to be relocated as part of the Silver Hill redevelopment. The Secretary of State has confirmed the Compulsory Purchase Orders for the Silver Hill scheme and work continues with the Developer to progress the scheme approved in 2009 towards commencement.

The refurbishment of Avalon House has been completed and let at the beginning of 2015 to the Southern Health Trust who have now moved in.

Considerable commercial interest has been expressed in the Station Approach area. The Council has now completed the purchase a key site in the Station Approach area from the County Council. Extensive consultation is being undertaken with residents and stakeholders in relation to how this important regeneration scheme should be progressed. A design competition will form the first stage of the development process and will be formally advertised to procure a suitable Design Team in the coming months.

Following the successful grant application to provide Extra Care provision in the City in partnership with the County Council, detailed consultation on a scheme on the Chesil surface car park has been undertaken in conjunction with architectural design work. The resulting scheme now has full planning approval and it is planned to start construction early in the New Year.

A car parking strategy for the District was consulted upon in the last quarter of 2013 and a final Strategy was adopted in March 2014. This is an important document which will help inform several potential projects which could involve alternative uses for car parks as well as setting out future needs across the District for parking and how these will be met. Wickham Station car park extension is now complete and will provide valuable additional car parking spaces to support the local shops and businesses.

Consideration will need to be given to the purchase of the SilverHill public car parking which the Development Agreement with the developer allows for. This had previously been included in the Capital Programme and will now be reconsidered as the SilverHill scheme moves forward as part of the Capital Programme review.

In partnership with the Environment Agency, Hampshire County Council and local action groups, the Council has undertaken a thorough review of the flooding experience during 2014 and undertaken many measures and improvements to protect local communities and its assets. The completion in August of a flood defence wall in Water Lane, Winchester and the progression of a more extensive scheme for the Park Avenue/ North Walls Park area of the City are the most notable. Many other schemes have been completed utilising Repair and Renewal Grants including a significant flood protection scheme in part of Littleton.

The Park Avenue Scheme will need to be considered in relation to Capital funding allocations in the coming months in conjunction with the review of the Capital Programme.

The Hambledon flood alleviation scheme Phase 2 works are now underway. This project is being led by the County Council and supported in officer time and through

a financial contribution by the City Council. Works are anticipated to take up to 18 months.

Other smaller schemes are being progressed to extend the Magdalen Hill Cemetery in Winchester and to enhance the forecourt of the Casson Block in Winchester.

The Council will be updating its Asset Management Plan for the period commencing in 2016 and will be considering the time period which this covers to reflect longer term issues which need to be reflected in the Plan. The capacity within the Council's Estates team will need to be considered alongside this process.

5. Housing Investment

The Housing Portfolio Plan takes full account of priorities detailed in the Council's Housing Strategy and its 30 year HRA Business Plan. Clear objectives addressed through these two key documents include:

- provide, and support the provision of, new affordable housing, including constructing new council housing;
- making the most effective use of land and other assets to promote affordable housing;
- improving standards of private sector dwellings;
- providing disabled facilities grants aimed at helping residents manage their lives in their own home;
- ensuring that Council stock complies with the Decent Homes standard;
- reviewing and improving the provision of older persons housing; and
- the Council taking full account of tenant aspirations.

Whilst significant investment over the last 20 years has ensured that the Council's Housing stock complies with the Government's Decent Homes Standard, the previous subsidy system did not provide sufficient allowances to meet investment needs. As a result, over 800 properties have kitchens and bathrooms over 30 years old.

However, the abolition of the Housing Subsidy system and the implementation of Self Financing for Housing in April 2012 have resulted in major changes to the HRA Business Plan and capital investment programmes for the Council's Housing stock.

The City Council's "Self Financing Settlement" totalled £157 million and this was fully paid for by borrowing through the Public Works Loans Board. The financing costs are met directly from tenant's rents and other income in the HRA.

The HRA Business Plan gives priority to the maintenance of existing homes but also provides for the development of new homes. It includes key programmes to address the backlog of repairs, including kitchen and bathroom replacements, within 10 years. It also provides for:

- investment in repairs and enhancements to existing stock totalling £7 million per annum;
- additional investment of approximately £1m per annum on improvements and conversions to communal/sheltered housing, extensions to existing homes to address overcrowding and also works to improve the overall quality of housing estates, including parking, landscaping, security and lighting etc;
- a programme of new build Council homes totalling almost £52 million over the period 2014/15 - 2019/20, which should be sufficient to fund the building of around 280 new homes; and
- investing £715,000 annually on disabled adaptations to Council homes and an additional £500,000 on disable facilities grants for other tenures helping to allow residents to live independently in their own homes.

The HRA Business Plan includes a comprehensive 30 year Investment plan for maintaining the Council's Housing stock. The plan takes account of the results of a full stock condition survey of all homes completed in 2014.

In 2010, the disposal of a small number of high value dwellings was approved but deferred whilst they were required for short term temporary accommodation. Demand for temporary accommodation remains high, although the dwellings are not regarded as an appropriate long term solution due to their above average maintenance costs. A date for disposal and potential replacement has still to be determined so the HRA business plan and capital programme do not currently include the sale of these dwellings.

The "New Build" programme referred to above has seen 13 new council homes for rent completed in addition to 5 conversions of existing buildings and 2 properties purchased on the open market. There are currently 35 council homes under construction across the District with planning permission in place for a further 79 homes (construction due to start in 2015/16). In addition to funding the programme from housing rents and retained receipts from "Right to Buy" sales, the Harris Bequest of approximately £605,000 is available to support the development of older persons housing in the district. A further £1,660,000 of Local Growth Funding in the form of additional HRA debt headroom has been awarded by the Government to bring forward new Council house development in the period up to 2017/18.

There is also an ongoing requirement to maintain and improve sewage treatment works which serve the Council's housing stock. There are around 40 such plants requiring differing levels of investment. It is estimated that £103,000 per annum is required for these purposes.

6. IT Asset Management Plan

The purpose of the IT Service is to deliver cost effective robust data processing and voice services to support the productivity and ambitions of the Council. The IMT Service uses good practice methodologies (ITIL2) to ensure the quality control of supportable, sustainable and secure services.

The Council is continuing to implement plans aligned to the IM (Information Management) Strategy and IT Technical Strategy with regards a shared IT service with Test Valley Borough Council (TVBC), to create and maintain a shared IT infrastructure platform that will produce both capital and revenue financial savings. The assets which constitute the shared platform are jointly procured and owned. Other capital assets which are required solely for the use of either party will continue to be funded independently. This will be reflected in setting out investment requirements.

The changing business environment whereby council services develop efficiencies through the adoption of new or improved IT-delivered information sources requires a future funding provision to ensure that the infrastructure is capable of delivering sustainable and supportable services when they are required. Also, equipment must be maintained in a condition which supports the needs of the services being provided, for example delivery of front-line information to Customer Services, or back-office GIS - Graphical Interface Services (mapping services) which are made available to the public.

The Capital Asset Management Plan (AMP) for IT infrastructure recognises this requirement for fit-for-purpose equipment through a programme of continuous investment. Generally, equipment will require refreshment after 4-5 years, at intermittent intervals due to the practical constraint of delivery and implementation. Recent investment in the successful delivery of a new telephony system that is centrally managed and enables users to configure their services via their PC is a good example.

The item groups which the IT AMP covers are:

- Network elements such as switches and routers, which are the conduit for data within the infrastructure. This is specific and local to each council;
- Server hardware, which runs the various business applications, and delivers their information over the network to user desktops. This can be shared to a large extent within the shared service;
- Data storage – Storage Area Networks (SAN), which securely and sustainably holds the Council's data. This major component to the IT infrastructure and will be shared and mirrored (replicated) across two sites for resilience;
- Desktop devices to deliver appropriate information to users and provide line of business applications. These are specific and local to each council.

The IT AMP assumes the need to refresh infrastructure items on a like-for-like basis, and proposed costs reflect this. In reality, after five years the technology will have "moved on" and new developments which offer further advances will be considered which may give greater benefits for the same investment.

7. Capital Funding Strategy

Under the provisions of the Prudential Code, which came into effect in 2004, the Council can invest in a capital programme so long as its capital spending plans are "*affordable, prudent and sustainable*". For the HRA, a maximum level of borrowing (Housing debt cap) was imposed as part of the self-financing settlement. The capital programme is reflected in the Council's Treasury Management Strategy, which is

approved annually by full Council and sets out the Prudential Indicators, which determine the limits set against the requirements of affordability, prudence and sustainability. The Council has nominated the Audit Committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and Policies. In accordance with the requirements of the Prudential Code, as a minimum the Audit Committee receives a mid-year review and an annual report after the year end on the Council's treasury management activities including compliance with Prudential Indicators.

The Council's capital expenditure may be either:

- financed - through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.); or
- unfinanced - if insufficient financing is available, or a decision is taken not to apply resources, the expenditure will give rise to a financing need, which may or may not lead to external borrowing depending on the Council's cash flow position.

In respect of "unfinanced" expenditure the policy adopted to date (as per [CAB1963](#), February 2010) is that a Capital Financing Requirement (CFR) will be attributed to specific assets; being generally those for which the financial appraisal can demonstrate value for money in terms that the financial benefits outweigh the financing costs (including the Minimum Revenue Provision).

Funding for the HRA capital programme now largely comes from revenue resources. Under self-financing, the Government has imposed a limit on the level of debt that the HRA is allowed to have. The business plan approved for the period 2014/15 to 2043/44 forecasts that the HRA will reach the debt cap in 2015/16 and remain there until repayments of external debts commence in 2022/23. The Council has successfully applied to the DCLG for a limited increase in the debt cap associated with the provision of new build schemes. The HRA also has the option of selling assets to generate capital receipts. This is covered in more detail in paragraph 5 above.

The Council maintains a Major Investment Reserve which can be used to finance either revenue or capital expenditure for the Council's major projects. There are also a number of specific earmarked reserves established for capital expenditure purposes.

The Asset Management Plan recognises the need to keep non-operational assets under review and to identify any that could be considered for disposal whilst taking into account the market conditions and the potential effect on income. The merit of continuing to hold non-operational properties in the Housing Revenue Account (HRA) was considered by Cabinet in 2004 with some properties having been moved to the General Fund.

Opportunities to generate capital receipts from the disposal of Council assets to support the capital programme, are kept under review. Whilst it may not be appropriate to dispose of assets which have a longer term strategic value, there will be circumstances where disposal of other assets can unlock an investment which has greater long term value to the Council and District. Funding from other potential sources such as European funds, lottery funds and new Government initiatives are explored and applications for funding made, with some limited success.

It is currently Council policy that all capital receipts from the sale of GF assets are allocated to fund GF capital expenditure and all non Right-To-Buy HRA capital receipts are allocated to fund HRA capital expenditure. The rules governing Right-To-Buy receipts became more complex in April 2012 when the Government re-launched the Right-To-Buy scheme and offered councils the chance to enter into an agreement with DCLG to retain any extra receipts. Winchester signed such an agreement and Right-To-Buy receipts now fall into 3 tranches:

- The first tranche of receipts is divided between DCLG and the Council. The receipts kept by the Council are available to fund any capital expenditure on the HRA or General Fund (GF). Current Council policy is that these are allocated to the GF.
- The next tranche of receipts is also divided between the DCLG and the Council. However, part of the Council's share must be retained by the HRA as it represents the HRA self-financing debt on the extra sales.
- The final tranche of receipts is fully retained by the Council. Part of these receipts represents the HRA self-financing debt on the extra sales but the majority is available to fund the provision of new rented social housing. Current Council policy is that these are used to help fund the HRA's new house building programme.

7.1. Strategy for use of specific funding

The Council is seeking to utilise available sources of funding to support its wider objectives and a particular source of potential income is the Local Enterprise Partnerships (LEP) Local Growth Fund.

A successful bid to the LEP has provided £14m to help fund the infrastructure required to support the major growth area at North Whiteley. This will ultimately help to make other aspirations on the site affordable and deliverable such as Education provision and the level of affordable housing which can be provided.

A bid is also being pursued to secure LEP Local Growth Funding to provide public realm and accessibility improvements as part of the Station Approach scheme.

A grant secured through the Homes and Communities Agency and financial support from the County Council is helping to make the Chesil Extra Care scheme affordable and similar opportunities will continue to be explored to support similar schemes and objectives.

8. Statement about risk appetite

The Council's Risk Appetite Statement is an integral part of the Council's Risk Management Policy and ensures that the opportunities the Council is willing to take to achieve its strategic outcomes and objectives are measured, consistent and

compatible with the Council's capacity to accept and manage risk and do not expose the Council to unknown, unmanaged or unacceptable risks.

The Council during the course of the year will take fair, measured and targeted levels of risk to achieve the priority objectives included in the Community Strategy. There will be opportunities for the Council to be innovative or work differently and any identified risks will need to be considered against the anticipated cost or efficiency benefits.

The Council's Risk Appetite has four key elements and against each is the level of risk that the Cabinet is prepared to accept. These are set out below and will be used to assess projects as they are initially assessed and thereafter progressed.

Risk levels and description	Minimal As little risk as reasonably possible	Cautious Prefer safe delivery options	Open Consider all potential options	Seek Eager to be innovative
Key elements				
Financial/VFM	Very limited financial loss if essential (up to £100,000) VfM (focusing on economy) is primary concern	Some limited financial loss (from £100,000 to £500,000) Consider benefits and constraints beyond price	Will invest and risk losing (from £500,000 up to £2m) for potential return Value and benefits considered, not just cheapest price	Invest and risk losing (from £2m up to £5m) for best possible return Resources allocated without firm guarantee of return
Compliance, regulatory	Be very sure we would win challenges	Limited tolerance for sticking neck out Reasonably sure we would win challenges	Challenge is problematic, but likely to win and gain outweighs adverse consequences	Chances of losing challenge are real with significant consequences Win would be a coup
Innovation, Quality, Outcomes	Innovations avoided unless essential or commonplace.	Innovation pursued in limited cases where success or service improvement is almost certain.	Innovation considered and supported but not always pursued.	Innovation pursued to improve the delivery of outcomes with changes that bring increased risk and cost implications as well as a distraction for the delivery of other services.
Reputation	No chance for significant repercussions Avoid exposure to attention	Little chance of significant repercussions Mitigation in place for undue interest	Will expose to scrutiny and interest Prospective management of reputation	Will bring sustained scrutiny. New ideas have potential to enhance reputation
Appetite	Low	Moderate	High	Significant

9. Determining the capital programme

9.1. Delivery of the capital programme

For effective delivery of the Capital Programme it is important that the programme is realistic in terms of what is included within it in terms of projects which can be delivered on time, in budget and achieve the desired outcomes. The Council has a number of programme management procedures in place to help to ensure successful delivery of the capital programme, from the initiation and approval of projects to effective performance monitoring and post-implementation review.

9.2. Initiation and Approval of Capital Projects

All potential capital projects should be subject to an appropriate level of Business Case development before any capital expenditure budget is allocated for them. This is to ensure that each of the five themes (strategic, economic, commercial, financial and management) have been covered and a thorough options appraisal undertaken. Any costs incurred during this feasibility stage will be paid from the revenue account.

All projects are progressed using the Prince2 methodology which recommends that major projects should be initiated by a sponsoring client officer (normally the relevant Corporate Director or Assistant Director) and have a named project manager who has overall responsibility for delivering the project on time and within budget. A project Executive Officer and any Senior Users will also be identified for each Corporate Project. A Project Team should be identified once enough feasibility work has been completed to determine whether the project has potential to proceed through the formal stages of evaluation. The Council's Performance Management Team agree when this will be the case and hence when a Project becomes a Corporate Project to be taken forward through the Councils Project Management Processes. A Project Board (consisting of the Project Sponsor, the Executive, Senior users and the Project Manager) is also established at this stage to oversee the development and agreement of the Full Business Case which will identify the preferred option identified.

A training programme has been initiated for officers on project management processes and on business case development. This is being cascaded to relevant staff.

Initiation and monitoring of capital items is in accordance with limits set out in the current Financial Procedure Rules and the Council's Project Management procedures.

All projects estimated to cost in excess of the limit set out in the Financial Procedure Rules (£100,000) must have a feasibility report approved either by Cabinet or under the portfolio holder decision-making scheme.

Winchester Town Forum may authorise incurring expenditure up to a limit of £50,000 on Town Account capital schemes within the approved capital programme without a separate report to Cabinet.

9.3. Programme and Project Management

Prioritisation of projects

Prioritisation of agreed Corporate Projects will be undertaken by the Council's Performance Management Team and in consultation with the Leader and portfolio holders. It is important to ensure that projects are prioritised and programmed to reflect the level of resources available. External resources will be used in cases where work cannot be delivered through the Council existing staff resources and where projects are deemed to warrant this.

Resourcing

The resources requirements for each corporate project are assessed as part of the development of the outline business case and associated project plan. This is then looked at in relation to the whole programme of projects to determine the cumulative impact of delivery on staff resources. This can have impacts on key service areas such as the Council's Project Office in terms of providing project managers, and other key areas such as Legal, Finance and Estates teams depending upon the nature of the projects. Where required external support is commissioned to provide resources which cannot be met from within the Council's own resources.

The Council's Programme Management Group, the role of which is to monitor the programme and projects delivery together with identifying and addressing resource issues, meets on a monthly basis to consider such issues and to report concerns and to refer key decision to the Performance Management Team.

Project Management

The Council has its own established project management procedures based on Prince2 methodology, with templates which should be used during the project. The Council's Project Office provides advice on project management processes and provides project management support for agreed Corporate projects .

10. Performance Monitoring

A project monitoring report is produced each month providing an update on each of the corporate projects in the programme and highlighting any blockages, resource and programme issues. This is monitored by the Programme Management Group, Performance Monitoring Team, the Leader of the Council and relevant Portfolio Holders.

The Performance Management Team monitors financial performance against the agreed capital budget.

Cabinet receives an annual capital outturn report providing explanations for any significant variations to budget. This constitutes an element of the performance management framework. Monthly updates on programme spend and implications are provided to the Leader's Board in the Monthly Finance Report.

The Overview and Scrutiny Committee can review any major capital project or programme at any time.

Post implementation reviews are carried out six months after implementation for each major scheme approved with findings reported to the Programme Management Group and to The Overview and Scrutiny Committee if required due to cost over runs of more than 10% for schemes over £1m. The post implementation review should identify learning opportunities and assess the value for money achievement, helping to identify payback on the investment of resources.

11. Partnership Working

Local authorities have a statutory duty to prepare a community strategy setting out a vision for the future of their area in collaboration with relevant partner agencies, and drawing upon the views of local people. Their community leadership role means that councils must look beyond their own direct services and take the lead in moving towards overall wellbeing and sustainable development throughout their area.

The current version of the Winchester District Community Strategy, adopted in January 2014, has been refocused to link with the Council's function and Portfolio Holder responsibilities. It reflects the aspirations of the many communities that make up the District and the role of our partners in delivering the vision and outcomes.

The Capital Strategy recognises the benefits of using Capital Investment to co-deliver capital projects with these partners. This can often lead to the provision of facilities the Council could not provide on its own. A potential scheme which may be delivered in this way is a new Leisure Centre for the District which is currently being considered.

The use of capital funding as pump priming of projects or to draw out larger contributions from partner organisations is important to achieving our corporate objectives and responding to our identified priorities. This often acts as a key enabling factor to allow projects to go ahead. Joint funding between the Council, Hampshire County Council and the Environment Agency has enabled a programme of flood defence work to be carried out following the 2014 floods.

Joint working with social housing providers is inherent in the strategy, both the provision of social housing grant and land at less than market value to housing associations and the direct commissioning of joint projects aimed at meeting housing need and improving housing conditions. The Council is also working closely with the

Homes and Communities Agency and the County Council on the provision of an extra care scheme in Winchester including the provision of grants towards the cost of the scheme.

11.1. Infrastructure Planning and Regeneration

The Council works closely with other statutory bodies to ensure that the needs of the community are provided for within all capital projects.

Capital works undertaken by the City Council on behalf of other authorities are normally included in the capital programmes of those other funding authorities. Although strategy, priorities and funding may be determined elsewhere, supervision and management of these schemes form an element of the overall approach to capital resource management.

The Council works closely with Hampshire County Council on highway and transportation capital projects. Whilst most of the costs of these are included in the County capital programme and the Local Transport Plan the City Council may choose to contribute towards such projects which help meet its wider objectives.

The Council works closely with NHS Hampshire to ensure the provision of suitable accommodation to meet local healthcare needs. The construction of a new GP surgery in central Winchester to replace the existing St Clement's surgery building is currently under consideration.

The Silver Hill scheme provides for the much needed regeneration of an area of Winchester involving private property and a number of properties owned by the Council. The acquisition of the Development rights/Agreement was secured by the Henderson UK Property Fund at the end of 2010. The scheme originally granted planning approval in 2009 was amended and a further planning approval was granted to this amended scheme in 2014. However a legal challenge has prevented this amended version of the scheme from progressing. As a result the Developer is seeking to progress the original 2009 scheme. This scheme would provide significant regeneration to a rundown part of the City as well as providing new housing, shops, new public open spaces and public realm improvements. The City Council will in conjunction with the Silverhill scheme provide a new Doctors Surgery on its car park site at Upper Brook Street in new purpose build premises in the heart of the City. The Silverhill scheme will require the compulsory purchase of land in various ownerships to create a comprehensive development site and The Secretary of State has confirmed the Compulsory Purchase Orders (early in 2013) following a Public Inquiry. The Council continues to work with Henderson in accordance with the process set out in the Development Agreement in order to bring the development forward.

Close working with Parish Councils on the provision of open spaces and play areas has resulted in a large number of schemes across the District being funded from developers' contributions negotiated by the City Council. The Council's approach to ensuring that developers make fair contributions towards the cost of new facilities required as a direct result of development has ensured that there is a good level of provision in these areas without the need to divert other resources. The

implementation of the Government's Community Infrastructure Levy scheme will change how funds from development are collected and allocated for all types of infrastructure. The City Council's scheme has now been developed and was implemented in April 2014. A spending protocol is now being formulated for consideration by the Cabinet in due course.

Capital infrastructure provision in the Major Development Area (MDA) at West of Waterlooville is ongoing in conjunction with three other local authorities, the NHS, developers and Social Housing Providers. Work is also progressing well on the Barton Farm and North of Whiteley major development areas. Full planning approval has now been granted for the first two phases at Barton Farm and it is anticipated that work will start on site shortly. An outline planning application has been submitted for North Whiteley and is due to be determined on 10 September 2015. These development areas will provide vital new homes including affordable housing, new schools, and local community assets and associated new infrastructure.

12. Consultation

Consultation takes place at many levels on projects and service delivery issues. These include local tenants' groups (e.g. TACT), local community groups (e.g. the Citizens Advice Bureau, Community First), local business forums (e.g. Chambers of Commerce and Business Improvement Districts) and other public bodies (Hampshire County Council, NHS Hampshire, Parish Councils). The Council supports local communities in preparing their own parish/neighbourhood plans. Feedback from these various sources informs the strategies and delivery plans produced by and for Members.

The Council has recently reviewed its consultation procedures to try to ensure that consultations are more inclusive and are undertaken at the right time in order to get input at an early stage to influence the idea or concept being developed. This approach has been used with the Station Approach redevelopment scheme where early consultation has been undertaken with residents and stakeholder to help shape principles and objectives rather seeking views on a design which has already passed that stage. This is an approach which the Council will continue to take with its major projects and where appropriate with other issues.

Good communications are vital to help promote both an understanding of what the Council is trying to achieve and to ensure that people get a chance to make their views known. The Council is currently reviewing the way in which it does this and the resources it has to enable it to happen effectively.

13. Links with other strategies

This Capital Strategy supports the delivery of the Council's Portfolio Plans, Housing Business Plan, Asset Management Plan and IT Strategy. It is also reflected in the Medium Term Financial Strategy and the Treasury Management Strategy.

14. Summary

This Capital Strategy has been written to assist the Council in the efficient and effective delivery of a programme of capital projects that benefit the community and support the provision of services. To do this it embraces the principles of good asset management of the Council's capital assets and obtaining value for money from the Council's limited resources. In this process the needs and priorities of the local community, as reflected in the Community Strategy, are paramount and a number of mechanisms are employed to ensure that the desired outcomes from the Council's capital programme are achieved.