

CABINET

10 SEPTEMBER 2014

THE OVERVIEW AND SCRUTINY COMMITTEE

15 SEPTEMBER 2014

CAPITAL STRATEGY 2014

REPORT OF ASSISTANT DIRECTOR (POLICY AND PLANNING)

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RECENT REFERENCES:

CAB2378:Capital Strategy and Programme 2013/14 to 2014/15, 11 September 2013

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 2014 (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 2014 and whether any items of significance should be drawn to the attention of Cabinet or Council.

CABINET10 September 2014THE OVERVIEW AND SCRUTINY COMMITTEE15 September 2014CAPITAL STRATEGY 2014REPORT OF ASSISTANT DIRECTOR (POLICY AND PLANNING)1 Introduction

- 1.1 The Council's Capital Strategy is based on the Government's good practice guidelines and is reviewed and updated each year.
- 1.2 The Council's current Capital Programme, updated to reflect approvals and changes to forecasts since the Programme was approved in February, is provided at Appendix B. The Capital Programme supports the Capital Strategy, subject to the required funding being available to deliver the needs set out in the Strategy.
- 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 should be 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 mechanism to deliver the schemes and programmes of work set out in the Capital Strategy and both the Strategy and Programme are reviewed on an annual basis. New projects/requirements will seek approval and hence inclusion in the Capital Programme as part of this annual review. For larger projects an initial allocation will be sought to allow the necessary preparatory work to be undertaken followed by a larger financial allocation in a subsequent year to procure the actual works.

- 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.
- 4.3 There are some 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 which will be submitted to Cabinet in October 2014.

#### 6 RESOURCE IMPLICATIONS

- 6.1 It will need to be ensured that there are sufficient resources to deliver the Capital Programme, and where internal resources are stretched because of conflicting priorities, it will either be necessary to procure external resources or to prioritise projects and manage delay. This is monitored by the Project Office and kept under review by the Programme Management Group.
- 6.2 The capital programme is provided at Appendix B.

#### 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.
- 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. In 2014 the Council appointed to a new post of Corporate Accountant (Capital) to deal with all aspects of capital accounting including the financial appraisal of projects.
- 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 2014

Appendix B: Capital Programme



**Winchester**  
City Council

# CAPITAL STRATEGY

2014

# Winchester City Council

## Capital Strategy 2014

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# CAPITAL STRATEGY 2014

## BACKGROUND

1. 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 118,200 people. Of these about 32% live in the 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.
2. 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%. There are over 50,000 households in the District and the Council faces a particular challenge in trying to provide sufficient affordable housing for local people. There are significant development areas in the District at various stages of approval or construction including West of Waterlooville, North of Whiteley, Barton Farm and Silver Hill in Winchester. To the south of the District Whiteley offers a modern commercial and industrial base for many of the area's high-tech employers and has recently had significant investment in its retail centre which opened in June 2013. The armed services also play an important part in the life of the District with several army establishments in the northern part, the Military Police at Southwick Park and naval establishments to the south and a new combined services centre planned at Worthy Down, north of Winchester.

## INTRODUCTION

3. 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 Strategy for 2014 is in similar format to that produced in 2013 but updated for new developments and policy changes.
4. 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.
5. 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.

## KEY CAPITAL SPENDING OBJECTIVES

6. The Council's capital spending priorities are to invest to achieve the key outcomes and priorities of the Winchester District Community Strategy and associated delivery plans in particular through supporting the local economy and delivering new council houses. We aim to ensure all the Council's assets are maintained and enhanced to an appropriate standard. The City Council is also actively considering opportunities for investment in developing its estate to further economic development which will also provide income to support services.
7. 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. Recent capital schemes involving partnerships include: the refurbishment of the Hockley Viaduct as part of the National Cycle Network Route 23 Cycle Path through Winchester, Winnall Moors Project, and improvements to streetscapes in the City Centre including the High Street and The Square.
8. In determining capital investment the Council is keen to use the best practices in relation to procurement and construction. The City Council are working on a number of major construction projects over the coming years and will ensure that best practice is followed. Much of the housing maintenance work is procured through partnering and framework agreements. The project to refurbish the Guildhall and the provision of a new Council Depot at Bar End used by our landscape and waste collection contractors was progressed using construction management techniques. Under this mechanism the Council lets individual work packages by tender following public advertisement. This basis of procurement ensures a competitive bidding process develops thus ensuring that the Council secures value for money, greater control of the cost of projects and a direct relationship with contractors. As the Council develops its new council house building programme, the use of frameworks and other procurement methods will be tried and assessed. In all cases of procurement, the Council's objective is to obtain Best Value, which by definition evaluates to both cost and quality. Therefore the Council's objective is to balance cost and quality objectives in accordance with the needs and type of project.
9. Optimum use of scarce resources is also inherent in this approach and Best Value is achieved using appropriate competitive methods. In the case of renewing contracts formal tendering procedures are undertaken.



## **DRAWING UP AND DELIVERING THE CAPITAL PROGRAMME**

10. The Council considers the total capital programme as part of the annual budgetary process. For the General Fund five-year capital projections are produced as part of the Medium Term Financial Strategy. This year indicative longer term projections will also be considered for years 6 – 10. The capital projections for the HRA are part of the 30 year HRA Business Plan. These programmes are drawn up taking full account of the priorities of the Council to develop and enhance services and facilities, as expressed in the Community Strategy and detailed delivery plans which flow from that. The 2<sup>nd</sup> refresh of the Community Strategy has provided the opportunity to align the Councils' aspirations as a service provider through the identification of a revised set of priorities that relate to the structure and function of the organisation, whilst recognising the role of partners in delivering projects to achieve the established outcomes.
11. The revenue implications of the capital programme are considered as part of budget setting and also when each individual scheme is presented for approval. This includes the effect on interest receivable and payable. Where a Capital Financing Requirement (CFR) is created the Revenue consequences include, as relevant, interest costs and Minimum Revenue Provisions or Voluntary Revenue Contributions required by the accounting regulations and the Council's Treasury Management Strategy.
12. There is emphasis on ensuring that the Council's housing stock is maintained to a high standard and encouraging the provision of affordable housing within the District to meet the shortages being experienced. A New Homes Delivery Team has been established in order to ensure that affordable housing targets are met in the coming years. In tandem with this is the recognition that other facilities are essential for a balanced community, these will be delivered through the implementation of the recently adopted Local Plan Part 1 and other locally prepared community plans, in association with partnership groups. Although the capital programme cannot meet all of the community's aspirations, effective capital planning will ensure value for money in the use of the resources that are available.
13. The capital programme is updated and delivery monitored and managed by an officer "Programme Management Group" on the basis of identified needs and priorities and is reviewed by the Corporate Management Team (CMT) before being submitted to the Cabinet each year as an integral part of the budget consultation process. It is also updated during the year, taking into account legislative changes, new schemes approved and any roll forward of budget from the previous year. There are various risks inherent in the delivery of the individual schemes/projects, the most obvious being time and cost overruns. Project management of the individual schemes is designed to ensure that these are mitigated. This 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 of its projects is stretched. This inevitably introduces risks of underperformance, and the Council is seeking, through its Project Office, to manage this programme to minimise the consequences of such delays or slippage.

14. With regard to prioritisation, the Council has to be realistic about the speed at which its plans can be delivered in line with available resources. Also, some major projects, such as a new or refurbished Leisure Centre in Winchester, which are currently being considered will need to be carefully assessed in terms of how they can be funded through the capital programme and the timing and the cumulative impacts of such projects on the revenue budget which will have to bear the financing costs of related borrowing. Clear priorities between the projects and their relative merits will need to be established.

## **HOUSING INVESTMENT**

15. 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:

- 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.

16. 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.

17. 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.

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

19. 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 £7.1 million per annum;
- a programme of new build Council homes totalling £66 million over the next 10 years, which should be sufficient to fund the building of 330 new homes on existing Council land;
- a programme of environmental improvements amounting to £250,000 per annum, aimed at implementing a range of works to improve the overall quality of housing estates, including parking, landscaping, security and lighting; and
- investing £715,000 annually on disabled adaptations helping to allow residents to live independently in their own homes.

20. Current investment plans are based on a housing stock condition survey completed in 2004. The survey covered 30% of properties and adopted a “beacon approach” to assess investment needs across all stock. Whilst this has been updated on a “desktop” basis, the information is not considered to be sufficient to inform long term planning.

21. A new 100% stock condition survey has just been completed and new investment proposals will be put before Cabinet in the autumn. These proposals will not only help to shape the immediate planning period (next 10 years) but also the longer term investment needs of the stock in terms of major repairs and other discretionary projects (i.e. loft conversions; extensions; discretionary works scheme etc.)

22. 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.

23. The “New Build” programme referred to in 19 above has seen 5 new homes provided in 2013/14, with a further 8 completed early in 2014/15 in addition to 5 conversions of existing buildings and 2 properties purchased on the open market. A comprehensive programme has now been approved to deliver approximately 165 homes on specific sites by March 2018. In addition to funding the programme from housing rents and retained receipts from “Right to Buy” sales, the Harris Bequest of approximately £600,000 is available to support the development of older persons housing in the district. A further £360,000 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 2015/16.

24. 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.

## **ASSET MANAGEMENT PLAN**

25. 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.
26. 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 proving commercial property and encouraging investment into the area.
27. 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. An assessment of potential options for this development is currently underway. Consideration is also being given to the future of River Park Leisure Centre and this 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 report will be brought to Cabinet in the autumn setting out potential options following consultation and assessment/ feasibility work carried out earlier this year. Once a limited number of options have been identified detailed financial modelling will be required in order to determine if they are affordable and hence deliverable. 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 may be brought forward in due course.
28. 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 gradually reduce energy costs and carbon emissions.
29. 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 considered to enable the existing surgery to be relocated as part of the Silver Hill redevelopment (see separate report elsewhere on this agenda). The Secretary of State confirmed the Compulsory Purchase Orders for the Silver Hill scheme earlier this year and work continues with the Developer to progress the scheme towards commencement.

The City Council, has agreed to a planning application to vary some elements of the scheme to be submitted. Accordingly planning applications have now been submitted to make some site wide small scale changes, more fundamental changes around the bus station area and for changes to High Street/The Broadway properties.

30. The refurbishment of Avalon House is now underway following the agreement to let of Avalon House during 2013/14 to the Southern Health Trust.
31. Considerable commercial interest has been expressed in the Station Approach area. The Council has agreed terms to purchase a key site in the Station Approach area from the County Council and the successful completion of this acquisition will help to unlock a major development opportunity. A planning study was completed earlier this year looking at the Winchester Station Approach area. This involved stakeholder involvement which identified the need for further study into some specific aspects; this further work is now nearing completion and will help inform planning and development opportunities in this area to both enhance commercial property availability and the overall amenity value. Following on from this a detailed master plan will be drawn up to enable redevelopment to progress.
32. Following the successful grant application to provide Extra Care provision to be provided 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. It is hoped that a planning application can be submitted for the scheme in October this year.
33. 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. Progress has been made developing schemes for additional car parking capacity in Bishops Waltham at Jubilee Hall, and in Wickham at Station Close in conjunction with the Parish Councils.

## **IT ASSET MANAGEMENT PLAN**

34. 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.
35. 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 being 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.

36. 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.
37. 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. A further development being considered is a data management and retrieval system to replace the current electronic document management system 'Retriever'. The main aim of this is to provide a better functioning system, to reduce external support costs and to promote a common platform to increase efficiency.
38. 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.
39. 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.

## **INITIATION AND APPROVAL OF CAPITAL PROJECTS**

40. All capital and major projects must be initiated by a sponsoring client officer (normally the relevant Corporate Director or Assistant Directors and have a named project manager who has overall responsibility for delivering the project on time and within budget.
41. 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.

42. Inclusion of a scheme in the capital programme does not constitute authority to incur expenditure until a project report has been submitted to CMT and Programme Management Group by the appropriate Head of Team in consultation with the Chief Finance Officer, and the scheme is approved by either Cabinet or under the portfolio holder decision-making scheme, and/or the appropriate committee.
43. 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
44. 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.

## **PERFORMANCE MONITORING**

45. The Council's Performance Management Team monitors financial performance against the agreed capital programme and also receives a project monitoring report on the progress of all of the Council's main projects.
46. Cabinet also 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.
47. The Overview and Scrutiny Committee can review any major capital project or programme at any time.
48. 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.

## **RESOURCING THE CAPITAL PROGRAMME**

49. 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.
50. 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.

51. 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).
52. 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 decided to pursue the option to apply to the DCLG for an 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 paragraphs 55/56 below.
53. The Council maintains a Major Investment Reserve into which revenue surpluses from the General Fund are paid and which can be used to finance capital expenditure. There are also a number of earmarked reserves established for specific capital expenditure purposes.
54. 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.
55. We are actively exploring opportunities to generate capital receipts from the disposal of Council assets to support our capital programme. 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.
56. 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.

## **PARTNERSHIP WORKING AND CONSULTATION**

57. 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 second refresh of the Community Strategy, adopted in January 2014, retains the key elements of the original Community Strategy adopted in 2004 and its subsequent updates in 2007 and 2010, but has now been refocused to link with the Council's function and organisational structure. 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.

58. Key partners that continue to work with the City Council include the local business community, voluntary bodies, NHS, Police and other public sector agencies. The implementation of the Community Strategy will be through a range of projects and programmes identified in the Council's Portfolio Plans and other related delivery plans and this will have a direct impact on the future capital programme. 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. Recent examples include Winchester High Street and The Square Refurbishment and Hockley Viaduct & NCN23 Cycle Path where significant external funding was secured as a result of the City Council being able to demonstrate commitment by proving a financial contribution.

59. Consultation takes place at many levels within the authority. These include local tenants groups (e.g. TACT), local community groups (e.g. WACA/CAB), local business forums (e.g. Chamber of Commerce's and Business Improvement Districts) and with 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.

60. 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.

61. 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,
62. 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 The Homes and Communities Agency and the County Council on the provision of an extra care scheme and is currently expecting to receive grants and other contributions totalling around £4.5 million.
63. The Council is working closely with the NHS Hampshire to seek to produce improved accommodation for a town centre GP practice to meet local healthcare needs.
64. 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, these being Coitbury House; Friarsgate multi storey car park; 6, 8 and 10 Middle Brook Street; Kings Walk; and land at Eastgate Street. The acquisition of the Development rights/Agreement was secured by the Henderson UK Property Fund at the end of 2010, and revisions to the consented scheme are now being sought. The 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.
65. 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 Governments 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.
66. 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 this year. It is also anticipated that an outline planning application will be submitted for North Whiteley in the autumn.

## **LINKS WITH OTHER STRATEGIES**

67. 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.

## **SUMMARY**

68. This Capital Strategy has been drawn up to assist the Council in providing facilities that will benefit the local community, and to support the provision of local services and the local economy. 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 are paramount and a number of mechanisms are employed to ensure that the outcomes from the Council's capital programme reflect these adequately.

CAPITAL PROGRAMME 2014/15 TO 2019/20							
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	TOTAL
	Working Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000	£000	£000
<b>GENERAL FUND</b>							
<b>ACTIVE COMMUNITIES</b>							
Capital Grants - Chesil theatre	60	-	-	-	-	-	60
Changing Pavilions (Town A/C)	457	-	-	-	-	-	457
Disabled Facility Grants	706	500	500	500	500	500	3,206
River Park Leisure Centre - Essential Repairs	4,190	-	-	-	-	-	4,190
Portable Event Space	20	-	-	-	-	-	20
<b>Total Active Communities</b>	<b>5,433</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>7,933</b>
<b>PROSPEROUS ECONOMY</b>							
Enterprise Centre managed workspace	6,000	-	-	-	-	-	6,000
High Speed Broadband for Hampshire	46	46	-	-	-	-	92
Winchester Cathedral Roof	50	25	25	-	-	-	100
Hampshire Community Bank	250	-	-	-	-	-	250
<b>Total Prosperous Economy</b>	<b>6,346</b>	<b>71</b>	<b>25</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,442</b>
<b>HIGH QUALITY ENVIRONMENT</b>							
Car Parks	300	92	180	180	180	180	1,112
Hockley Viaduct	7	-	-	-	-	-	7
Magdalen Hill Cemetery - Extension	135	-	-	-	-	-	135
Market Lane Toilet Works	44	-	-	-	-	-	44
Open Space & Recreation Facilities	324	-	-	-	-	-	324
River Itchen Maintenance	133	-	-	-	-	-	133
Wickham Toilet Works	50	-	-	-	-	-	50
<b>Total High Quality Environment</b>	<b>993</b>	<b>92</b>	<b>180</b>	<b>180</b>	<b>180</b>	<b>180</b>	<b>1,805</b>

CAPITAL PROGRAMME 2014/15 TO 2019/20							
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	TOTAL
	Working Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000	£000	£000
<b><u>EFFICIENT &amp; EFFECTIVE</u></b>							
<b><u>ASSET MANAGEMENT</u></b>							
Abbey Gardens - environmental improvements	150	-	-	-	-	-	150
Abbey House	59	-	-	-	-	-	59
Abbey Mill	232	-	-	-	-	-	232
Abbey Mill - hydro	150	-	-	-	-	-	150
Archaeological Storage Facility	600	-	-	-	-	-	600
Asset Management Plans	44	30	-	-	-	-	74
Avalon House	1,238	-	-	-	-	-	1,238
Avalon House - tenant fit out	559	-	-	-	-	-	559
2-3 Bridge St	100	-	-	-	-	-	100
CarFax	2,606	-	-	-	-	-	2,606
City Museum Replacement Lift	20	-	-	-	-	-	20
City Offices & Annexe Works	402	170	-	-	-	-	572
Depot	70	-	-	-	-	-	70
Guildhall Toilets	67	-	-	-	-	-	67
Old Chesil Rectory	36	-	-	-	-	-	36
Property Acquisition & Development	4,000	-	-	-	-	-	4,000
Silver Hill associated development	7,000	-	-	-	-	-	7,000
Winchester Town Access Plan	-	150	-	-	-	-	150
<b>Total Asset Management Plan</b>	<b>17,333</b>	<b>350</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,683</b>
<b><u>IMT ASSET MANAGEMENT</u></b>							
Equipment	72	78	60	20	20	20	270
Electronic Document System & SharePoint	59	-	-	-	-	-	59
Hardware	47	-	-	-	-	-	47
Infrastructure	109	-	7	45	67	108	336
Software	237	-	-	-	165	-	402
<b>Total IMT Asset Management</b>	<b>524</b>	<b>78</b>	<b>67</b>	<b>65</b>	<b>252</b>	<b>128</b>	<b>1,114</b>
<b>Total General Fund</b>	<b>30,629</b>	<b>1,091</b>	<b>772</b>	<b>745</b>	<b>932</b>	<b>808</b>	<b>34,977</b>

CAPITAL PROGRAMME 2014/15 TO 2019/20							
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	TOTAL
	Working Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000	£000	£000
<b>HOUSING REVENUE ACCOUNT</b>							
<b><u>ACTIVE COMMUNITIES</u></b>							
Major repairs	7,474	6,791	6,944	6,015	6,194	6,401	39,819
Stock Condition Survey	-	-	-	1,093	1,123	1,154	3,370
New Build	8,095	12,883	5,736	5,308	5,400	5,520	42,942
Improvements and Loft Conversions	1,454	681	698	719	740	763	5,055
Disabled Adaptations	715	733	752	774	797	821	4,592
Other Capital Spends	192	106	108	111	114	117	748
<b>Total Housing Revenue Account</b>	<b>17,930</b>	<b>21,194</b>	<b>14,238</b>	<b>14,020</b>	<b>14,368</b>	<b>14,776</b>	<b>96,526</b>
<b>Grand Total</b>	<b>48,559</b>	<b>22,285</b>	<b>15,010</b>	<b>14,765</b>	<b>15,300</b>	<b>15,584</b>	<b>131,503</b>