

CABINET

16 SEPTEMBER 2009

PRINCIPAL SCRUTINY COMMITTEE

21 SEPTEMBER 2009

CAPITAL STRATEGY AND PROGRAMME 2009/10 – 2012/13

REPORT OF HEAD OF FINANCE

Contact Officer: Alexis Garlick 01962 848224 email: agarlick@winchester.gov.uk

RECENT REFERENCES:

CAB1738: Capital Programme 2008/09 to 2013/14, 15 October 2008

CAB1775: Capital Programme 2008/09 to 2013/14, 14 January 2009

CAB1786: Budget and Council Tax 2009/10, 19 February 2009

CAB1847: Capital Expenditure Outturn 2008/09, 17 June 2009

CAB1863: Financial Strategy 2010/11 to 2014/15, 08 July 2009

EXECUTIVE SUMMARY:

The report presents the draft Capital Strategy for 2009 together with a draft revised Capital Programme for consideration and approval.

RECOMMENDATIONS:

To Council:

1. That the Capital Strategy be approved.
2. That the revised capital programme be approved.

To Cabinet:

1. That Cabinet recommends to Council the approval of the draft Capital Strategy for 2009, and

2. That Cabinet recommends to Council the approval of the revised capital programme for 2009/10 to 2012/13 (noting that individual schemes within the Capital Programme each require appropriate approval by Cabinet or Portfolio Holders in accordance with Financial Procedure Rules before any funds are committed).

To Principal Scrutiny Committee:

1. That Principal Scrutiny Committee considers any recommendations it wishes to make to the Council for its consideration of the Council's draft capital strategy and revised capital programme.

CABINET16 SEPTEMBER 2009PRINCIPAL SCRUTINY COMMITTEE21 SEPTEMBER 2009CAPITAL STRATEGY AND PROGRAMME 2009REPORT OF HEAD OF FINANCE1 Introduction

- 1.1 The Council produces an annual Capital Strategy based on the Government's good practice guidelines issued in 2000 to assist local authorities in asset management and control of capital programmes.
- 1.2 The Capital Strategy submitted to the Government Office for the South East (GOSE) in 2002 was rated 'good' and accordingly the City Council did not have to submit further strategies for formal approval. However, it is important that the principles of effective capital planning and asset management are maintained so the Strategy is reviewed and updated each year.
- 1.3 The Capital programme has also been reviewed and a revised draft programme is being presented for approval. It has been the practice to present the capital programme for a future five year period. However, this review has focused on a medium term, 3 year horizon because the forecasts beyond this period are difficult to predict and become less meaningful. This is permissible and is in accordance with the relevant guidance.

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 embodied in the Prudential Code.

3 Capital Strategy

- 3.1 The Capital Strategy (attached at Appendix A) sets out the context of the capital programme, and is in line with the Council's Sustainable Community Strategy and Corporate Business Plan.
- 3.2 Individual schemes within the capital programme each require appropriate approval by Cabinet or Portfolio Holders in accordance with Financial Procedure Rules before any funds are committed.
- 3.3 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 consequent loss of interest on the use of the balances for the approved capital programme through the Strategy period. Any future borrowing requirement would incur interest charges in addition to repayment of the principal and any Minimum Revenue Provisions required by the accounting regulations.

4 Capital Programme

4.1 The current capital programme was approved as part of the budget process in February 2009. This has been reviewed and revised to reflect :

- Brought forward unspent budgets from 2008/09 considered by Cabinet on 17 June (CAB1847) and approved by Council on 15 July.
- Revised forecast timing of projects included in the programme.
- The reclassification to “Revenue expenditure” of some projects previously included in the capital programme.
- All supplementary capital approvals since the budget was set.
- Further requests for supplementary capital approvals included elsewhere on this cabinet agenda.
- Increases in the forecast total expenditure of some of the schemes within the programme, some of which is externally funded.

The revised capital programme is provided at Annex 3 to the Capital Strategy.

4.2 However, there remain a number of potentially significant items where no financial provision has yet been made. This includes new projects still to be quantified in the second and third phases of the Non-Housing Property Condition Surveys. The figures identified in phase 1 of the Non-Housing Property Condition Surveys (ref. CAB1559), not yet provided for, are included in the deferred growth bids list at Annex 6, together with the remaining items identified at budget setting time for which no financial provision has been made and therefore excluded from the capital programme.

4.3 The financing assumptions for the revised capital programme are provided at Annex 4.

4.4 Capital receipts are one of the main sources of funding for capital expenditure over the period of the capital programme. Capital receipts can be generated from the sale of surplus general fund properties and land and there is an assumption within the projections that receipts will be available from such sales. In assuming that capital receipts will be used to fund new commitments / growth items care must be taken to ensure that the receipts are secured prior to the spending commitment being made.

4.5 The Major Investment Reserve is the principal reserve used for supporting the Budget; both Revenue and Capital. Although any deficit in the Revenue budget would have the first call on these funds, the Financial Strategy supports the use of this reserve to fund the capital programme. The balance on this reserve is projected to be spent during 2012/13.

- 4.6 There are various other earmarked reserves set up historically to fund specific elements of the capital programme e.g. Car Park Property Reserve, ICT Strategy Reserve. With the exception of the Property Reserve these are forecast to be fully spent within the Strategy period. When setting the budget for 2010/11 consideration needs to be given to the need to plan for any future specific earmarked reserves.
- 4.7 The Property Repairs and Renewals reserve was set up at 31st March 2008 with a view to providing additional capacity to meet the Council's property liabilities. It is planned to retain a balance on this reserve in order to be able to meet any urgent needs arising.
- 4.8 The General Fund working balance stands at £2m and the level of this balance is considered in relation to the Council's level of exposure to changes in income and expenditure. The level of this reserve will be reviewed as part of the 2010/11 budget setting work although it is currently not expected that it should significantly change.
- 4.9 The current projections are showing a financing requirement by the end of the Strategy period as follows:

TABLE 1 – CAPITAL EXPENDITURE PROJECTIONS	2009/10 Original £million	2009/10 Revised £million	2010/11 Estimate £million	2011/12 Estimate £million	2012/13 Estimate £million
Capital Expenditure					
Non-HRA	9.6	12.2	7.4	3.4	2.6
HRA	4.6	4.9	4.6	4.6	4.6
Financed by:					
Non - HRA					
Government grants	0.4	0.5	0.4	0.4	0.4
External contributions	0.7	1.5	0.4	0.3	0.3
Earmarked reserves	0.5	0.8	1.2	0.0	0.0
Major Investment reserve	2.5	2.4	0.0	0.7	0.0
Capital receipts	5.5	7.0	5.4	2.0	1.2
HRA					
Major repairs allowance	3.4	3.4	3.4	3.4	3.4
Capital Receipts	1.2	1.5	1.2	1.2	1.2
Net financing need for the year	0.0	0.0	0.0	0.0	0.7

TABLE 2 – CAPITAL FINANCING REQUIREMENT	2009/10 Original £million	2009/10 Revised £million	2010/11 Estimate £million	2011/12 Estimate £million	2012/13 Estimate £million
Capital Financing Requirement					
CFR – Non Housing	10.1	10.1	10.1	10.1	9.4
CFR - Housing	-10.1	-10.1	-10.1	-10.1	-10.1
Total CFR	0.0	0.0	0.0	0.0	-0.7
Movement in CFR	0.0	0.0	0.0	0.0	-0.7

Movement in CFR represented by					
Net financing need for the year (above)	0.0	0.0	0.0	0.0	-0.7
MRP/VRP and other financing movements	0.0	0.0	0.0	0.0	0.0
Movement in CFR	0.0	0.0	0.0	0.0	-0.7

OTHER CONSIDERATIONS

5 SUSTAINABLE COMMUNITY STRATEGY AND CORPORATE BUSINESS PLAN (RELEVANCE TO)

5.1 The investment of capital resources will contribute to the achievement of the Council's key objectives and priorities in the Sustainable Community Strategy and Corporate Business Plan. The Capital Strategy is an integral part of the overall Financial Strategy which was considered by Cabinet on 08 July 2009 (CAB1863).

6 RESOURCE IMPLICATIONS

6.1 Financing for the capital programme is identified in Annex 4. Much of the funding comes from capital receipts and the Major Investment Reserve where balances have been accumulated specifically to continue with a high level of capital expenditure over the next few years. As these balances are depleted alternative sources of funding will have to be identified. This is most likely to be through borrowing. However any proposed borrowing would need to be affordable, prudent and sustainable, which may require a charge to the Revenue account of a "Minimum Revenue Provision" in accordance with the accounting regulations.

6.2 It will also need to be ensured that there are sufficient internal resources to deliver the capital programme.

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 managed.
- 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.
- 7.3 Although the capital receipts forecasts are considered to be prudent there is a risk that the forecast capital receipts will not be achieved, at the same values, to the same timescales, or at all. This may create a need to borrow sooner than envisaged.

BACKGROUND DOCUMENTS:

Various documents held in Finance and other divisions.

APPENDICES:

Appendix A: Draft Capital Strategy 2009



Winchester
City Council

CAPITAL STRATEGY

2009

Winchester City Council

Capital Strategy 2009

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CAPITAL STRATEGY 2009

BACKGROUND

1. Winchester City Council is a district council within the County of Hampshire. At its heart lies the ancient cathedral town of Winchester, the former capital of England and burial place of early English Kings. It covers a large area of 660 square kilometres (250 square miles) and has a population of 112,700 people. Of these about 40,800 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.
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 at about 1.8%. There are over 48,000 households in the District and the Council faces a particular challenge in trying to provide sufficient affordable housing for local people. To the south of the District Whiteley offers a modern industrial base for many of the area's high-tech employers. 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.

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 (which sets out the Housing Investment Programme (HIP)) and a Business Plan. The Government's good practice guidelines have been observed in producing the City Council's plans and strategies. The Strategy for 2009 is in similar format to that produced in 2008 but updated for new developments and any policy changes.
4. Although the City Council's capital programme largely revolves around the housing issues identified in the Housing Strategy and HRA Business Plan, the wider issues of other service provision are also clearly identified and financed in the capital programme.
5. The Council is committed to ensuring that the allocation of resources reflects the strategic priorities it has identified. These have been determined in consultation with the local community and reflect the issues identified in the Sustainable Community Strategy and in conjunction with the Local Strategic Partnership (LSP). Future capital programmes will no doubt be influenced further by developments in community engagement and the work of the LSP.
6. 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

7. In support of the Sustainable Community Strategy, the Housing Strategy and the Council's Corporate Business Plan the priority is to invest in capital projects in the key service areas:
 - (a) Provide housing, in particular affordable housing, to meet the needs of the whole community.
 - (b) Meet the Decent Homes Standard in our own housing stock.
 - (c) Foster a strong and diverse urban and rural economy.
 - (d) Increase feelings of safety by reducing the likelihood that people will indulge in anti-social behaviour and continue to collaborate with our partners to continue to drive down levels of crime generally.
 - (e) Improve access to services and to cultural opportunities for residents.
 - (f) Help the most deprived parts of our community to be more self confident and self supporting.
 - (g) Improve the quality of people's lives by encouraging more active and healthy lifestyles.
 - (h) To work with others to help children and young people in the District to stay safe, be healthy, enjoy and achieve, and make a positive contribution to our society.
 - (i) Make sustainable use of resources with special attention to reducing and recycling waste.
 - (j) Improve air quality in Winchester and reduce congestion.
 - (k) Protect and enhance the bio diversity of the natural environment and minimise the loss of green fields to development.
 - (l) Increase our residents' pride in the place where we live.
 - (m) Protect our important heritage.
 - (n) Ensure that the Council's property assets are maintained and enhanced to an appropriate standard.
8. 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: Discovery Centre, Tower St Car Park, St James' Footpath Improvement Scheme, Knowle Community Building, Henry Beaufort School, Alresford 'Putting Pedestrians First', Housing investment through Registered Social Landlords (RSLs), and Choice Based Lettings.
9. In determining capital investment the Council is keen to use the best practices in relation to procurement and construction. Although major construction projects are scarce in the capital programme, where they are included then best practice is followed. Much of the housing maintenance work is procured through

partnering and framework agreements and upgrading of the Council's sewage treatment works is carried out where appropriate to the standard where they can be adopted by the local water company. In all cases of procurement, the Council's objective is to obtain Best Value, which by definition evaluates both cost and quality. Therefore the Council's objective is not just lowest cost (although this does not imply any lack of cost consciousness).

10. Optimum use of scarce resources is also inherent in this approach and Best Value is achieved using appropriate competitive methods. In the case of contract works formal tendering procedures are undertaken. In the case of new social housing supply there is a healthy, competitive process which for several years has very closely mirrored Joint Commissioning procedures, and was mutually agreed between the Council and the Housing Corporation in order to ensure cost effectiveness. In this latter respect, the evaluation of financial information (e.g. rent levels) was married to an evaluation of softer social issues with quality of life a strategic objective of the Council.

CAPITAL PROGRAMME 2009/10

11. The Council's revised capital programme for the year 2009/10 is summarised below:

<u>2009/10</u>	<u>£m</u>
Housing Revenue Account	4.9
General Fund:	
Economic Prosperity (Incl. Car Parks & Capital Repairs)	1.9
Safe & Strong Communities	1.2
High Quality Environment (incl. Public Toilets & Environmental Improvements)	0.6
An Efficient & Effective Council (incl. IT & Property)	4.2
Inclusive Society	3.4
Health & Wellbeing	0.9
ALL	0.1
Total Approved Programme	17.1

12. Sources of financing for the above capital programme are:

<u>2009/10</u>	<u>£m</u>
Major Repairs Allowance	3.4
External Grants / Income	1.3
Bequests	0.7
Capital Receipts – General Fund (Excl Housing)	6.0
Capital Receipts - Housing	2.5
Major Investment Reserve	2.4
Other Earmarked Reserves	0.9
Total Financing	17.1

DRAWING UP THE CAPITAL PROGRAMME

13. The City Council considers the total capital programme as part of the budgetary process. Four-year capital projections are produced as part of the overall financial strategy.
14. 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 consequent loss of interest on the use of the balances for the approved capital programme through the Strategy period. Any future borrowing requirement would incur interest charges in addition to repayment of the principal and any Minimum Revenue Provisions required by the accounting regulations.
15. The current emphasis is on ensuring that the Council's housing stock is maintained at a high standard and encouraging the provision of affordable housing within the District to meet the shortages now being experienced. In tandem with this is the recognition that other facilities are essential for a balanced community. Although the capital programme cannot yet meet all of the community's aspirations, effective capital planning will ensure value for money in the use of the resources available.
16. The capital programme is updated annually by an officer group – Capital Programme & Assets Group (CPAG) 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 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.
17. With regard to prioritisation, the Council has detailed forward plans for each major element of capital investment required. The Council aims to be realistic

about the speed at which those plans can be delivered in line with available resources.

HOUSING INVESTMENT

18. The Council's Housing Investment Programme (HIP) consists of priorities detailed in the Housing Strategy and HRA Business Plan. Clear plans to make the most effective use of land and other assets to promote affordable housing, improve standards of private sector dwellings, provide disabled facilities grants aimed at helping residents manage their lives in their own home and to ensure that Council stock complies with the Decent Homes standard and that the Council's Landlord Service takes full account of tenant aspirations are all addressed through these two key documents.
19. The Council commissioned a Housing and Planning Urban Capacity Study in 2002 which identified that good development opportunities exist, subject to planning approval, to provide at least 400 new affordable homes, as well as a range of community facilities, on suitable sites held in the Housing Revenue Account.
20. The Council completed a review of potential management options for the future of its housing stock in 2005. Whilst it has been possible to retain the stock and ensure it is improved in line with the Decent Homes standard by 2010, the Council is not in a position to meet projected medium term maintenance costs. The Council is therefore currently in the process of updating the Housing Options review. The review will need to take full account of the Government's proposals for reform of Housing Finance, which are currently subject to consultation and therefore cannot be completed until the Spring of 2010, when final announcements are expected.
21. The HRA Business Plan has highlighted the potential £3m shortfall on the Repairs programme for 2009/10. As part of the Housing Options work, the Council has commissioned independent studies into the future investment needs to maintain all properties at the minimum decent homes standard, and also how much it would cost to bring the kitchen and bathroom at every property up to a reasonable base standard in the next five years.
22. Under the standard, kitchens should be no more than 20 years old and bathrooms no more than 30 years old, although properties can still comply with the Decent Homes Standard with older units provided they are in a reasonable condition and that certain other elements meet the standard. Whilst stock is generally in good condition, there are currently over 2,000 properties that have a kitchen over 20 years old. Over 2,000 properties have bathrooms over 30 years. Some properties fall into both categories.
23. The Stock Condition Survey has highlighted that the cost of maintaining a reasonable programme over the next five years is £9.8m per annum. The cost of an enhanced programme that brings all kitchens and bathrooms within the strict standard over the next five years would be £13.4 m. The Council's current programme is £6.7m, with a potential additional £1m being available subject to asset sales.

24. The Council's Housing Management costs are below average and there is little scope to achieve direct savings in addition to existing "efficiency" programmes to address the shortfall. It is anticipated that Government reform will provide some additional resource, although its implementation is not likely to be before 2012. The Council has therefore approved the temporary suspension of key programmes until future funding proposals are known. In effect this will mean:

- Deferring 30% of the required boiler replacement programme;
- Carrying out only essential external painting and repairs;
- Suspending the entire programme of internal redecoration;
- Deferring the replacement of 80 kitchens and 200 bathrooms;
- Reducing spend on void properties;
- Deferring 50% of the PVCu window replacement programme.

25. The Government proposals for Housing reform include options for reallocation of national housing debt to all stock holding authorities. This approach should result in a reduced annual cost to the Council compared to the existing "subsidy" regime. The Housing Options Review will need to determine whether this will be sufficient to address the shortfall in the Repairs Programme set out above before any long term investment/management proposals can be agreed.

26. One area that has been identified for a more comprehensive capital management approach is the Council's operational property. This is included in the Estates Division business plan for 2009, and includes the second phase of a series of Condition Survey Reports on the Council's most major operational buildings that have a medium to long-term future, in order to quantify the repairing liabilities and formulate an appropriate repairs and investment plan.

INITIATION AND APPROVAL OF CAPITAL PROJECTS

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

28. 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.

29. 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 CPAG by the appropriate Head of Division in consultation with the Head of Finance, and the scheme then approved by Cabinet and/or the appropriate committee.

30. 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 by Cabinet.

31. 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

32. CPAG monitors progress against the agreed capital programme and presents reports to the CMT and the Cabinet. Financial performance against budget is the prime measure currently used but time targets and slippages are also monitored.
33. Cabinet also receives an annual capital performance monitoring report providing explanations for any significant variations to budget. This constitutes an element of the performance management framework, measuring continuous improvement over time.
34. The Principal Scrutiny Committee can review any major capital project or programme at any time and in the past year reviews have included; proposals regarding Abbey Mill, Winchester, Henry Beaufort School – Community Synthetic Turf Pitch and the progress of the Silver Hill Development, the disposal of vacant dwellings and vacant office accommodation. In the previous year they completed reviews of; Relocation from the Hyde Resources Centre and the Alresford ‘putting pedestrians first’ project.
35. A post implementation review must be carried out six months after implementation for each major scheme approved with findings reported to the appropriate Scrutiny Panel. 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

36. The major sources of finance available for capital projects are borrowing, capital receipts, grants, revenue contributions and reserves. Authorisation to spend on capital projects was hitherto constrained by the availability of capital approvals (from Government), useable capital receipts, grants (Government, lottery, etc) and contributions from revenue or reserves. Under the provisions of the Prudential Code, which came into force in 2004, the Council can invest in a capital programme so long as its capital spending plans are affordable, prudent and sustainable.
37. The current policy is to finance from capital receipts, revenue and reserves. Funding of HRA capital schemes, other than sewage works (which have been funded mainly from capital receipts) is primarily from the Major Repairs Allowance (MRA), and revenue. However, with the emerging pressures in this area highlighted above, the Council has introduced a policy to sell vacant dwellings to generate sufficient receipts to underpin the maintenance programme and investment in new affordable housing. The sustainability of this approach in light of the current housing market and recession needs to be monitored closely in the coming months.
38. The emphasis has been on funding from capital receipts (arising mainly from the sale of council houses but also sometimes from sale of non-operational property) and revenue. In 1997/98 the Council established 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 including a Property repairs and Renewals Fund which was set up at 31st March 2008 with a view to providing additional capacity to meet the Council’s property liabilities.

39. The Council's decision to make early repayment of outstanding long term debt freed up set-aside capital receipts to enhance the capital programme. However, legislative changes to pool all receipts from HRA Right to Buy sales into a national pool from 1st April 2004 severely limit the City Council's ability to fund capital projects.
40. In 2007, the Council has implemented a programme of disposing of a small number of vacant Council dwellings, specifically to generate an additional £2m per annum for reinvestment in affordable housing. These receipts support both the supplementary capital programme for Decent Homes and Major Repairs as well as additional grant investment in new build of affordable housing. Delivery of this element of the programme is wholly reliant on processing sufficient sales to resource it. In line with Capital Pooling and Allowance rules, the Council can only retain 100% of these receipts by reinvesting them in affordable housing or regeneration.
41. An ongoing review of non-operational assets was initiated by CMT in 2001 and is currently being monitored by CPAG. Some properties have been identified for disposal but with others the loss of rental income could have an adverse impact on the revenue budget and this is taken into account in reaching decisions. 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.
42. Funding from other potential sources such as European funds, lottery funds and new Government initiatives such as the Invest to Save budget have been explored by CPAG and applications for funding made, although so far with limited success. Some funding has been received from the Government's Implementing Electronic Government (IEG) programme. Funding was received in 2008/09 as part of the national free swimming scheme which Winchester signed up to, with a further application for funding currently in progress.
43. The use of Private Finance Initiative (PFI) funding has been considered by the Council and an unsuccessful application for PFI funding for additional social housing was submitted in 2002. CPAG will continue to consider all new schemes put forward, with a view to utilising PFI if appropriate and economic to do so.

PARTNERSHIP WORKING AND CONSULTATION

44. Partnership working underpins much of the Sustainable Community strategy and Corporate Business Plan. A Local Strategic Partnership comprising local authorities, the local business community, voluntary bodies, the local military community, Primary Care Trust and the local education sector has helped the City Council develop its Sustainable Community Strategy. The development and implementation of this is subject to ongoing discussions with other partners within the community and has a direct impact on the future capital programme.
45. 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 and Town Centre Manager) and with other public bodies (Hampshire County Council, Primary Care Trust, Parish Councils). The Council conducts regular surveys through its Citizens' Panel.

Feedback from these various sources informs the strategies and business plans produced by and for Members.

46. 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.
47. The Council works closely with Hampshire County Council on highway and transportation capital projects but all costs of these are included in the County capital programme and the Local Transport Plan.
48. 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.
49. The Council is working closely with the Hampshire Primary Care Trust to produce improved accommodation for two town centre GP practices to meet local healthcare needs.
50. The Council has signed a development agreement with Thornfield Properties plc to bring forward the development of a major mixed use scheme in the Silver Hill area of central Winchester. The Council has a number of capital assets within this area which are included in the terms of the agreement. In early 2007 the scheme was approved by planning and the next phases will include the Council exercising its compulsory purchase powers to ensure the assembly of the whole site. The Council has minimised its exposure to financial risk in this process through indemnity agreements with Thornfield. As part of the agreement the Council will be given a capital sum to reprovide a CCTV control room and parking offices off-site. If the scheme is financially successful the Council would share in profits above an agreed level by way of an overage agreement. For the purposes of capital planning no overage has been anticipated and overall in relation to the Council's budget.
51. 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 Council also has a provision for environmental improvements in rural areas allowing access for Parish Councils and local interest groups to funding for small local schemes that would not otherwise be undertaken.
52. Capital infrastructure in the Major Development Area (MDA) at West of Waterlooville is being planned in conjunction with three other local authorities, the local Primary Care Trust, Developers and Social Housing Providers.

SUMMARY

49 This capital strategy has been drawn up to assist the Council in providing facilities that will benefit the local community. 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.

Reference Documents

Asset Management Plan 2008

Corporate Business Plan 2009/10

Community Strategy 2008

Divisional Business Plans 2009

Financial Strategy 2009/10 – 2014/15

Housing Strategy 2008/11

HRA Business Plan 2009/10

Partnerships and Community Planning

The Council actively encourages input from the community and the following from the Local Strategic Partnership:

Winchester & District Working Together (representing the City Council & local community);

Hampshire Constabulary (representing Community Safety Group);

Winchester Area Community Action and Winchester & District Working Together (representing the Voluntary Sector);

North Hampshire Chamber of Commerce & Industry (representing the business sector);

Hampshire County Council (representing HCC & the local community);

University College Winchester and Community Learning Partnership (representing the learning sector);

Winchester & District Association of Parish & Town Councils (representing Parish & Town Councils and the local community);

Hampshire Primary Care Trust (representing the health sector);

A2 Winchester (representing the housing sector);

Winchester Churches Together (representing the Faith Sector).

In addition consultation is carried out on a range of issues with:

Service users

Winchester Citizens' Panel

Neighbouring district councils

Various Professional Bodies

Members of Winchester City Council

Staff of Winchester City Council

Contractors carrying out work for the City Council

Consultation is carried out via:

Open meetings

Special topic meetings

Questionnaires

Local Forums

Feedback is considered by:

Cabinet

Principal Scrutiny Committee

Scrutiny Panels

Corporate Management Team

Departmental Teams

Working Groups

PROGRAMME AREA SERVICE INVESTMENTS

The Capital Programme includes budget provision for priorities identified within divisional business plans. Divisional business plans attempt to be realistic about the likely resources available and give recognition to the fact that competing priorities have to be balanced.

The service strategies illustrate how competing priorities have been balanced and give outlines of each element within the strategies, noting that complete detail is available for component parts in individual forward plans which are fully researched, carefully prioritised and re-evaluated annually.

1. ARTS AND COMMUNITY

- 1.1. As part of its scheme of grant aid to voluntary and community organisations, on an annual basis Cabinet approves financial support for local capital schemes that meet the relevant policies and criteria set down for the Community Grants Scheme and also fall within one or more of the Council's key priority areas. Awards are made to Community Associations, Hall Management Committees, community sports clubs, Parish Councils, etc for a variety of projects many related to making improvements to community facilities. The types of work range from new facilities and extensions to disabled access modifications. A budget of £65,000 per annum is ear-marked in the programme on an on-going basis with additional funds met from revenue as required.
- 1.2. Known as the 'Bapsy Bequest', the sum of £650,000 was bequeathed to the City Council by the Marchioness of Winchester to be used to build a new community facility. With accrued interest this amount is now calculated to be worth in excess of £1.4million. The Council's range of options is severely constrained by the terms of the Bequest but, following public consultation and research by consultants, a proposal has been made (CAB1871) for a community facility within the Guildhall along with further works to be funded from capital receipts/Major Investment Reserve.

2. INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT) INVESTMENT STRATEGY

- 2.1. The ICT Strategy provides the Council with ICT policy and investment guidance in line with the Council's business objectives. In particular it has provided a framework for the Council's response to the Government's transformation agenda.
- 2.2. A fundamental issue for the Strategy is to ensure that any investment by services not only makes them more efficient and effective, but improves accessibility for those who use them. One of the main drivers within the strategy is balancing the use of interactive Internet facilities alongside mediated services being provided with the rollout of the Customer Service Centre. The Strategy is fundamental to and underpins the cultural change

that the Council is adopting in order to achieve Electronic Service Delivery (ESD).

- 2.3. The Strategy supports joined up service provision by developing the information infrastructure and facilities for two-way communication with customers. Central to this aim is the adoption of a corporate Electronic Document and Records Management system (which will assist the Council to meet its obligations with regard to the Freedom of Information Act and the Data Protection Act), the further development of the corporate Geographic Information system (GIS), the Land and Property Gazetteer (LLPG) and further improvements to the Customer Relationship Management system.
- 2.4. The transformation agenda requires new ways of working and interaction with the public, and it is these requirements which act as the drivers for change and not the technology itself. The transformation agenda is leading to a culture change within the Council through changes in business processes that embrace new technology in order to meet both the demands of the agenda and the changing requirements of customers.
- 2.5. The Council recognises that considerable investment is required to meet these changes and is providing these resources, previously supported by Government grants under the IEG programme. Clear prioritisation of projects is being made to ensure that maximum benefit can be derived for as wide an audience as possible when changes are implemented.
- 2.6. To ensure that further savings can be achieved new technology continues to be considered and where cost effective is being implemented. Key Projects underway are; the Virtualisation of a large number of servers, the implementation of a Storage Area Network solution, and the implementation of Thin Client technology.

3. OPERATIONAL PROPERTIES INVESTMENT STRATEGY

- 3.1. The Council owns a number of properties that are used to carry out the business of the authority. These operational properties (Other Land & Buildings General Fund) carry an asset valuation of £39m and they need periodic capital maintenance and improvement to preserve their value.
- 3.2. Detailed condition surveys were undertaken in 2007 of the Council's largest operational buildings in order to better understand the repairing liability and to be able to better plan a programme of repairs.
- 3.3. The 8 sites were; the Guildhall and West Wing, River Park and Meadowside Leisure Centres, Abbey House and Grounds, Westgate Museum, and City Offices, Chesil Street Multi Storey Car Park and The Brooks Underground Car Park.
- 3.4. The survey identified capital investment requirement over the five year planning period 2008-2013 of up to £6.4m (including Car Parks). The Council has made provision of approximately £1m for the highest priority work identified within the 2008/09 Capital Programme, with further investment being deferred pending the outcome of the next phase of surveys.
- 3.5. The results of the survey together with associated matters were reported to Cabinet in December 2007 (CAB 1559 refers).

Phase II Surveys

- 3.6. Further non-housing property condition surveys where the Council has a repairing obligation have been completed. The sites under consideration included public conveniences, depots, cemetery lodges, offices, restaurants, museums, pavilions, estate shops and bridges.
- 3.7. The results of these surveys are currently being assessed and will be reported to Cabinet in November 2009.

Phase III Surveys

- 3.8. It is likely that a third phase of survey work will be necessary and budget for the surveys has been included within the 2009/10 revenue budget. Details on the scope and cost of the next phase of surveys will be included in the report on outcome of Phase II surveys in November 2009.

Property Reserve

- 3.9. Following the reported financial outturn position for 2007/08 the Council approved the setting up of an earmarked reserve in the form of a Property Fund with £400,000 transferred from the Major Investment Reserve, in order to make some provision for the unfunded liabilities already identified. This has since been increased with a £200,000 transfer at the end of 2008/09 and £100,000 of Local Authority Business Growth Incentive. Approved releases of £150,000 (Abbey Mill), £25,000 (Tourist Information Centre), and £40,000 Bridge Maintenance mean the current uncommitted balance stands at £485,000.

CAPITAL PROGRAMME 2009/10 TO 2012/13												
	Corporate Priority	Funding	2009/10					2010/11	2011/12	2012/13	TOTAL	
			Original Budget	Brought Forward	Supplementary approvals & other adj's	Revised Timing	Growth	TOTAL				
			£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
GENERAL FUND												
COMMUNITIES & SAFETY												
Capital Grants	All	CR / MIR	168	13	-	(105)	-	76	170	65	65	376
Knowle Community Building	IS	CR / MIR	200	-	-	200	12	412	-	-	-	412
"Ok to Play" project	H&W	EF	64	54	-	-	-	118	-	-	-	118
Playbuilder	H&W	EF	-	35	-	-	-	35	-	-	-	35
Whiteley Community Facility	IS	ER	-	-	-	-	-	-	50	-	-	50
			432	102	-	95	12	641	220	65	65	991
ECONOMY & TOURISM												
Alresford 'Putting Pedestrians First'	EP	EF / CR	1	214	-	-	-	215	-	-	-	215
Smarter Working Centres	EP	ER	-	-	20	-	-	20	20	-	-	40
Tourist Info Centre Electrical Works	EP	ER	-	25	-	-	-	25	-	-	-	25
Tourist Info. Centre Improvements	EP	CR / MIR	-	25	-	-	-	25	-	-	-	25
Village Community Shop Grants	EP/IS	ER	-	-	40	-	-	40	40	-	-	80
			1	264	60	-	-	325	60	-	-	385
ENVIRONMENT												
Abbey Gardens Public Toilets	HQE	CR / MIR	-	62	-	-	-	62	-	-	-	62
Magdalen Hill Cemetery -Extension	HQE	MIR / Town	5	-	(5)	-	-	-	-	30	10	40
Open Space & Recreation Facilities	HQE	EF	150	80	-	-	-	230	150	150	150	680
Public Conveniences	HQE	CR / MIR	20	(20)	-	-	-	-	-	-	-	0
Replacement Bins	HQE	CR / MIR	10	(1)	-	-	-	9	10	10	10	39
			185	121	(5)	-	-	301	160	190	170	821
FINANCE & EFFICIENCY												
Abbey House	E&EC	CR / MIR	195	16	-	(195)	-	16	390	-	-	406
Abbey Mill	S&S	CR / MIR	396	29	150	-	-	575	-	-	-	575
Avalon House	E&EC	CR / MIR	760	-	-	-	-	760	-	-	-	760
Avalon House Purchase of	E&EC	CR / MIR	20	-	-	-	-	20	-	-	-	20
City Offices	E&EC	CR / MIR	20	1	-	-	-	21	20	20	20	81
Financial System	E&EC	CR / MIR	40	70	-	110	-	220	-	-	-	220
Flexible Working project	E&EC	CR / MIR	-	54	(54)	-	-	-	-	-	-	0
Guildhall	E&EC	CR / MIR	40	93	(22)	-	-	111	-	-	-	111
Guildhall Kitchen Upgrade	EP	CR / MIR	-	42	(42)	-	-	-	-	-	-	0
Guildhall Community Facilities/Bapsy Bequest	IS	EF	525	-	42	-	33	600	822	-	-	1,422
Guildhall Repairs	EP	CR / MIR	-	-	-	-	-	-	1,776	-	-	1,776
Hockley Viaduct	HQE	CR / MIR	-	-	-	-	-	-	20	42	42	104
Museum Storage (F2)	E&EC	CR / MIR	-	60	-	-	-	60	-	-	-	60
New Offices (Fees)	E&EC	CR / MIR	50	-	-	(25)	-	25	125	-	-	150
Purchase of Property	E&EC	CR / MIR	2,600	-	(135)	-	-	2,465	-	-	-	2,465
West Wing	E&EC	CR / MIR	-	79	(76)	-	-	3	-	-	-	3
Winnall Moors Project	HQE	CR / MIR	10	-	-	-	-	10	10	10	10	40
			4,656	444	(137)	(110)	33	4,886	3,163	72	72	8,193
HERITAGE, CULTURE & SPORT												
Discovery Centre Fit Out	EP	ER	-	18	-	-	-	18	-	-	-	18
Henry Beaufort School	H&W	EF	-	130	-	-	-	130	-	-	-	130
Meadowside	H&W	CR / MIR	-	-	-	-	17	17	-	-	-	17
River Park Leisure Centre	H&W	CR / MIR	293	33	-	-	-	326	-	800	-	1,126
Westgate Museum Roof	H&W	CR / MIR	-	220	-	-	-	220	-	-	-	220
			293	401	-	-	17	711	-	800	-	1,511
HOUSING												
Affordable Hsg funded by Developers' cont'ns	IS	EF	200	58	-	-	-	258	200	200	200	858
Affordable Housing Regeneration	IS	CR	1,000	-	-	-	-	1,000	1,000	1,000	1,000	4,000
Choice Based Lettings	IS	EF	30	36	-	-	-	66	-	-	-	66
Disabled Facility Grants (Mandatory)	IS	EF /CR	558	258	-	-	-	816	558	558	558	2,490

CAPITAL PROGRAMME 2009/10 TO 2012/13												
	Corporate Priority	Funding	2009/10					2010/11	2011/12	2012/13	TOTAL	
			Original Budget	Brought Forward	Supplementary approvals & other adj's	Revised Timing	Growth					TOTAL
			£000	£000	£000	£000	£000					£000
Home Improvement Grants (Discretionary)	IS	CR / MIR	150	53	-	-	-	203	150	150	150	653
			1,938	405				2,343	1,908	1,908	1,908	8,067
PERFORMANCE & ORG. DEV.												
ICT E-govt	E&EC	ER / CR	396	141	-	(204)	-	333	846	-	-	1,179
ICT Equipment	E&EC	CR / MIR	200	-	-	-	-	200	250	200	200	850
			596	141		(204)	-	533	1,096	200	200	2,029
PLANNING & ACCESS												
Bridge Maintenance	S&S / HQE	ER	100	-	(100)	-	-	-	-	-	-	0
Car Parks	EP	CR / ER	180	73	(14)	-	-	239	180	180	180	779
CCTV	S&S	CR / MIR	570	98	(68)	-	-	600	-	-	-	600
Footpath improvement scheme	S&S / HQE	MIR	20	-	-	-	17	37	-	-	-	37
Parchment Street Enhancement	S&S / HQE	MIR	-	10	-	-	25	35	-	-	-	35
Rural Transport	IS	CR / MIR	10	-	-	-	-	10	10	10	10	40
Tower Street	EP	CR / MIR	100	13	-	-	(10)	103	100	-	-	203
Tower Street Car Park	EP	CR / MIR	100	1,100	-	-	-	1,200	-	-	-	1,200
Winchester High Street	HQE	CR / ER	500	-	-	(250)	-	250	250	-	-	500
Winchester High Street	HQE	CR / ER	-	-	-	-	-	-	250	-	-	250
			1,580	1,294	(182)	(250)	32	2,474	790	190	190	3,644
Total General Fund			9,681	3,172	(264)	(469)	94	12,214	7,397	3,425	2,605	25,641
HOUSING REVENUE ACCOUNT												
HOUSING												
Major repairs	IS	EF	3,444	-	-	-	-	3,444	3,444	3,444	3,444	13,776
Re-investment in stock condition	IS	CR	1,000	222	-	-	-	1,222	1,000	1,000	1,000	4,222
PLANNING & ACCESS												
Sewage Treatment Works	HQE	CR / MIR	200	57	-	-	-	257	200	200	200	857
Total Housing Revenue Account			4,644	279	-	-	-	4,923	4,644	4,644	4,644	18,855
Grand Total			14,325	3,451	(264)	(469)	94	17,137	12,041	8,069	7,249	44,496
Corporate Priority Key												
(E&EC) Efficient & Effective Council								4,234	1,631	220	220	6,305
(EP) Economic Prosperity								1,885	2,116	180	180	4,361
(S&S) Safe & Strong Communities								1,247	0	0	0	1,247
(HQE) High Quality Environment								818	890	442	422	2,572
(IS) Inclusive Society								8,031	7,234	6,362	6,362	27,989
(H&W) Health & Wellbeing								846	0	800	0	1,646
ALL								76	170	65	65	376
								17,137	12,041	8,069	7,249	44,496

FINANCING OF CAPITAL PROGRAMME						
		2009/10	2010/11	2011/12	2012/13	Total
		<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
General Fund						
EXTERNALLY FUNDED						
Government Grants						
Capital Grant (SCG)	CG	491	378	378	378	1,625
Government Grants	GG					
Total Government grants		491	378	378	378	1,625
External contributions						
Developers' contributions	DC	258	200	200	200	858
Alresford 'Putting Pedestrians First'		175				175
Footpath Improvement Scheme		17				17
Playbuilder		35				35
Parchment Street Enhancement		15				15
Partnership - Choice Based Lettings	EF	66				66
Bapsy Bequest	EF	600	114			714
Lottery - It's Ok to Play	EF	118				118
Open Space Fund	OS	230	100	100	100	530
Total External Contributions		1,514	414	300	300	2,528
TOTAL EXTERNALLY FUNDED		2,005	792	678	678	4,153
Earmarked Reserves						
Car Park Property	ER	239	180	53	-	472
ICT Strategy Reserve	ER	12				12
Bapsy Bequest Interest	ER	-	708			708
Property Fund	ER	175	-			175
LABGI	LABGI	328	360			688
Total Earmarked Reserves		754	1,248	53	-	2,055
Capital Receipts Excluding Housing	CR	6,015	4,357	1,259	666	12,297
Total Capital Receipts		6,015	4,357	1,259	666	12,297
Major Investment Reserve	MIR	2,440	-	435	261	3,136
Total General Fund excluding Housing		11,214	6,397	2,425	1,605	21,641
Housing						
Government Grants						
Major Repairs Allowance	MRA	3,444	3,444	3,444	3,444	13,776
Capital Receipts						
Disposal of dwellings	CR	257	200	200	200	857
Total Housing Revenue Account		5,923	5,644	5,644	5,644	22,855
Total Financing of Capital Programme		17,137	12,041	8,069	7,249	44,496

MAJOR INVESTMENT RESERVE AND CAPITAL RECEIPTS				
General Fund	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000
MAJOR INVESTMENT RESERVE				
Opening Balance b/fwd	(4,312)	(1,046)	(716)	(261)
Contributions to Revenue / reserves	826	30	20	0
Contributions (from) / to Revenue	0	300		
Financing of Capital Programme	2,440	0	435	261
Financing of Proposed capital growth				
Closing Balance c/fwd	(1,046)	(716)	(261)	0
CAPITAL RECEIPTS				
Opening Balance b/fwd	(5,435)	(120)	(1,259)	0
Asset Sales (Other)	(700)	(5,496)	0	0
Financing of Capital Programme	6,015	4,357	1,259	666
Financing of Proposed capital growth/(savings)				
Closing Balance c/fwd	(120)	(1,259)	0	666
Total MIR & Capital Receipts balances	(1,166)	(1,975)	(261)	666
Housing	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000
CAPITAL RECEIPTS				
Opening Balance b/fwd	(1,254)	(1,247)	(1,297)	(1,347)
Asset Sales (RTB)	(1,000)	(1,000)	(1,000)	(1,000)
Pooling	750	750	750	750
Asset Sales (Other HRA)	(2,222)	(2,000)	(2,000)	(2,000)
Financing of Capital Programme	2,479	2,200	2,200	2,200
Closing Balance c/fwd	(1,247)	(1,297)	(1,347)	(1,397)

GENERAL FUND CAPITAL GROWTH BIDS - DEFERRED						
	Corporate Priority	2009/10	2010/11	2011/12	2012/13	Total
		£000	£000	£000	£000	£000
<u>COMMUNITIES & SAFETY</u>						
Whiteley Community Facility	S&S		50			50
<u>ENVIRONMENT</u>						
Abbey Gardens	HQE		150			150
<u>FINANCE & EFFICIENCY</u>						
Non- Housing Condition Surveys (phase 2)	E&EC	*	*	*	*	-
Non- Housing Condition Surveys (phase 3)	E&EC	*	*	*	*	-
Abbey House Further Estimate	E&EC		150			150
<u>HERITAGE, CULTURE & SPORT</u>						
Brambridge House	S&S					-
City Museum Carpet	S&S	10				10
River Park Leisure Centre	S&S	-	400	2,436		2,836
<u>PERFORMANCE & ORG. DEV.</u>						
Cash Receipting upgrade	E&EC	62	5	5	5	77
Microsoft Office Upgrade	E&EC	188	88	88		364
<u>PLANNING & ACCESS</u>						
River Itchen Maintenance	S&S / HQE	-	60	40	35	135
Winchester High Street	S&S / HQE	-	-			-
Total		260	903	2,569	40	3,772
* not yet quantified						