
REPORT TO: FINANCE & MANAGEMENT

AGENDA ITEM: 11

DATE OF MEETING: 25TH JULY 2002

CATEGORY:
DELEGATED

REPORT FROM: CHIEF FINANCE OFFICER

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REF: TJN/SH

SUBJECT: CAPITAL STRATEGY

WARD(S) AFFECTED: ALL

TERMS OF REFERENCE: FM08

1.0 Recommendations

1.1 Members are asked to approve the Capital Strategy set out at Appendix A.

2.0 Purpose of Report

2.1 This report seeks member approval for the third annual capital strategy.

3.0 Capital Strategy Requirements

The Single Capital Pot

- 3.1 Last year the Government changed the way it allocates capital resources to local authorities.
- 3.2 In previous years capital resources have been allocated on a needs-based assessment using formulae closely related to an areas population. These resources have been divided between general fund and housing schemes.
- 3.3 This system has now changed with the introduction of a single capital pot, which has pooled both housing and general fund resources to local authorities. At the same time the Government has introduced the Major Repairs Allowance, which provides specific resources to maintain council homes. Effectively this has meant that the single pot is smaller.
- 3.4 The other key change is that part of the single pot – currently 5% but eventually up to 20% will be allocated on the basis of each authority's plans for Capital Spending as set out in the Capital Strategy attached.
- 3.5 Local Authorities are encouraged to look at a wide range of different ways of funding their capital projects rather than simply relying on central government funding in the form of borrowing approvals. This includes working with other organisations and bidding for external funds. It also means disposing of assets to generate receipts to funding capital spending priorities.

- 3.6 The Capital Strategy links closely with the Asset Management Plan included elsewhere on this agenda. The Asset Management Plan asks the authority to look closely at how it manages and maintains its assets and also how it identifies surplus assets.
- 3.7 The Capital Strategy, Asset Management Plan and Housing Strategy will be used to assess the capital allocation for South Derbyshire.

Capital Strategy

- 3.8 The Council produced its first formal capital strategy last year. This achieved a good assessment from the Government Office, the highest level.
- 3.9 The strategy follows guidance issued by the D.E.T.R. and focuses heavily on the process and procedures required to prioritise, procure and manage capital spending.
- 3.10 Similar to last year, the Capital Strategy focuses on the need to:-
- Work more closely with partners to influence their capital spending to achieve the aims set out within the capital strategy
 - Find new ways to consult local residents, businesses and voluntary organisations to ensure that they have a greater input into the strategy.
 - Developing a co-ordinated approach to identifying surplus assets for disposal to fund other capital spending – this links to the Asset Management Plan.
 - Looking at new ways to procure capital projects in closer partnership with suppliers as a means of improving quality and reducing costs – Egan principles.
- 3.11 The Action Plan at Annex E to the new strategy sets out a timetable for achieving these improvements.
- 3.12 It is also pleasing to note that the Council can identify so many useful partnerships where it has been able to work with other organisations to increase capital resources available to the Council. These partnerships are listed in Annex D of the Capital Strategy.

4.0 Financial Implications

- 4.1 The Financial Implications are set out within the strategy.
- 4.2 In particular emphasis is placed on considering both the ongoing costs associated with new capital projects as well as the initial capital investment.
- 4.3 Members will also note the considerable imbalance between the resources that the Council is likely to need to deliver its capital strategy and the resources that it can currently expect to receive.
- 4.4 As has been indicated previously, this gap can only be closed by generating additional resources from:-

- Partnerships with other organisations
- Bidding for external funds
- Disposal of Council Assets

5.0 Conclusions

- 5.1 It is pleasing to report that good progress has been made against the actions set out within the original capital strategy document.
- 5.2 The revised strategy provides a sound basis for managing and prioritising capital projects.
- 5.3 The Council now needs to look further at how it will involve partners and local residents in identifying capital priorities for South Derbyshire and implementing them. Again the Capital Strategy provides a sound framework for doing this.

6.0 Background Papers

- 6.1 Capital Strategy 2001.

