



Gosport Borough Council

Capital Strategy

2013

CAPITAL STRATEGY

1.0 INTRODUCTION

- 1.1 The main purpose of the Capital Strategy is to outline how the Council decides what Capital Projects are supported and the process that is undertaken to make sure that these are in line with the Council's priorities and objectives.
- 1.2 The funding options and constraints relating to the funding of the programme are explored for the Capital Programme 2012-17.

2.0 FINANCIAL AND ASSET INFORMATION

Revenue Budget

The Council's gross revenue budget 2013/14 totals £64.848 Million, which after deducting gross income of £55.564 Million results in a net revenue budget of £10.284 Million.

Assets

The Authority's asset base is dominated by its housing stock, which numbered 3,193 properties on 31 March 2013 with an estimated value of over £109 Million representing 71.4% of the total fixed asset value of £153 Million.

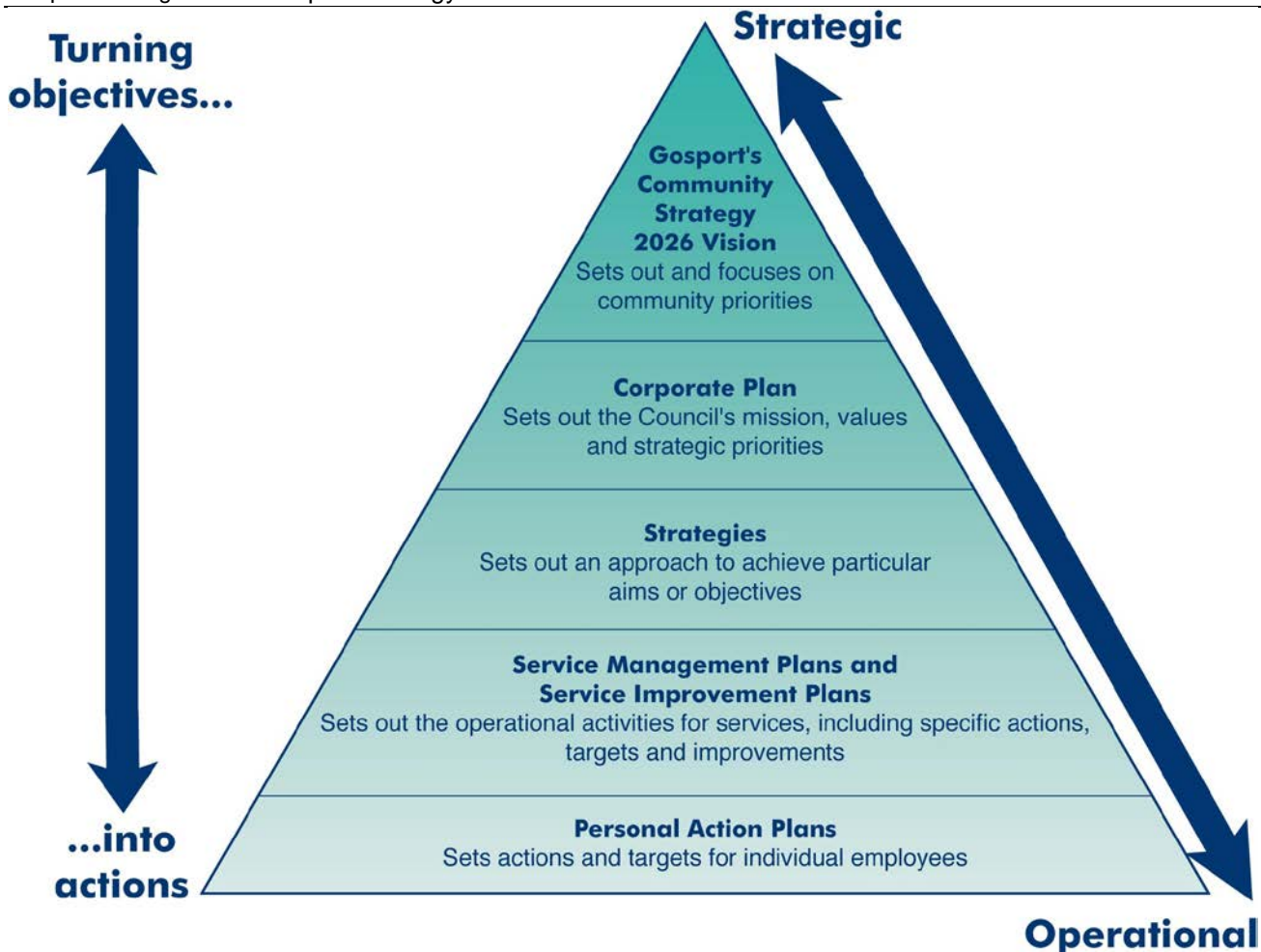
Council Assets 2012/13

	2012/13 £'000
Council Dwellings	109,466
Land & Buildings	21,746
Vehicles, Plant & Equipment	859
Infrastructure	8,943
Community Assets	3,985
Surplus Assets	68
Assets Under Construction	206
Heritage Assets	209
Investment Property	7,216
Intangible Assets	569
	153,267

- 2.1 The relatively high proportion of Infrastructure Assets (£8.9M) is primarily due to the coastal nature of the Authority and includes sea defence features such as sea walls and pontoons. The Community Assets (£4.0M) include land set aside for recreation and leisure purposes (including the 27 designated parks within the Borough).

3.0 THE COUNCIL'S OBJECTIVES

- 3.1 The diagram below shows how the Council's objectives are identified and incorporated within the strategies and plans of the Council to ensure that the limited resources available are targeted to the areas considered most important.



- 3.2 The Corporate Plan which is reviewed annually and is the key document for setting out the Council's objectives detailing the Council's Mission, values and strategic priorities many arising from the Community Strategy/2026 Vision.

The Council's mission is:

'To work with our community to improve everyone's quality of life and deliver a sustainable future for the Borough'.

A number of Core Values are also identified under the headings of Participation, Performance, Partnership, People and Political Processes to help the Council to meet its aspiration to be recognised as an open and responsive organisation, regarded as excellent and at the centre of the community.

The Corporate Plan also lists the Council's Strategic Priorities under the four main headings of:

People
Places
Prosperity
Pursuit of Excellence

People, Places and Prosperity are the cornerstones of Gosport's 2026 Vision whilst Pursuit of Excellence embraces the core values.

The Council's Strategic Priorities are a combination of the priorities of local people, national priorities set by Central Government and the challenges arising from Gosport's changing social, economic and environmental context.

- 3.3 As shown in the diagram the principal purpose of the various Strategies of the Council are to help set out a framework to assist the achievement of the objectives and strategic priorities of the Council. The Capital Strategy seeks to ensure that the Council's limited Capital Resources are best used to achieve this objective.

4.0 THE SELECTION AND PRIORITISATION OF CAPITAL PROJECTS

- 4.1 In order to ensure that the Council's Capital expenditure is targeted at achieving the Council's Priorities capital projects must be evaluated and prioritised before they are recommended for inclusion in the Draft Capital Programme which is considered by Members as part of the budget process.
- 4.2 The projects are considered by the Council's Management Team with particular attention on their affordability (particularly critical as Government grant support has reduced) and their contribution to the priorities detailed within the Corporate Plan and associated Corporate Action Statement. The Team then make recommendations to Members on the schemes to consider and pursue as part of the Council's Capital Programme.

5.0 FINANCING THE CAPITAL PROGRAMME

- 5.1 The Local Government Act 2003 introduced major changes to the capital funding regime with effect from 1 April 2004. The previous system of controlling Councils capital expenditure by limiting borrowing through the use of credit approvals was replaced by a more flexible system based on affordability.
- 5.2 The prudential capital finance system (Prudential Framework) allows the Council to make its own borrowing decisions using agreed professional principles (as set out in the Prudential Code which has been developed by the Chartered Institute of Public Finance and Accountancy (CIPFA)) to ensure that any new borrowing is affordable and prudent.
- 5.3 The main advantages of the increased freedom to borrow under the Prudential Framework are: -
- (i) The ability to bring forward capital schemes that would not otherwise have been possible to fund in the short to medium term under the previous capital financing regime.
 - (ii) Spend-to-Save Schemes where the cost of the borrowing associated with the capital expenditure on a Scheme can be wholly or partly met by revenue savings arising as a result of the project being carried out.
 - (iii) The ability to raise funding up to 3 years in advance when market conditions are favourable.
- 5.4 The capital expenditure possible through the prudential framework will be limited by the ability of the Council to afford the revenue consequences of the borrowing undertaken placing an increasing reliance on other sources of Capital Funding. These include:

5.5 Internal Funding

Usable Capital Receipts-Receipts arising from the disposal of Council Land, buildings and other assets.

Whilst 100% of the receipts arising from the disposal of General Fund Assets can usually be used to fund capital projects the rules regarding the disposal of HRA assets are more complex. Non Right To Buy (RTB) receipts are no longer subject to pooling. In April 2012 this authority signed an agreement with the CLG regarding RTB receipts under which the Council is able to retain a greater

proportion of receipts on the understanding that a maximum of 30% is earmarked for investment in affordable housing.

Revenue Contributions to Capital-

Revenue funding of capital projects represents another funding option although, due to revenue budget pressures, it has generally not been possible to fund such contributions from the General Fund. Such contributions from the Housing Revenue Account (ring fenced for Housing Capital Expenditure) have historically played an important funding role in supporting the Housing Stock Improvement Programme. As a result of the introduction of self financing and the discontinuation of the Major Repairs Allowance this has become an even more significant source of funding of HRA capital expenditure.

5.6 External Funding

Some of the principle sources of external funding are:-

Specified Capital Grants

Government grants given towards certain capital expenditure items such as Disabled Facilities Grants.

Developer Contributions for Leisure Community and Open Space Facilities

Sums paid by a developer in accordance with a specified formula to facilitate new or upgraded leisure facilities.

Developers Contributions for Social Housing

Sums paid by a developer in accordance with a specified formula to be used for the provision of Social or Affordable Housing.

Other Grants and Partnership Contributions

All other external grants and contributions from other sources.

6.0 THE CAPITAL PROGRAMME 2013/14-2015/16

- 6.1 A summary of the Council's Capital Programme and proposed funding for the next 3 years is set out in the table below. More detailed breakdowns of the programme is available in the Council's Budget Book 2013/4

	2013/14 £,000	2014/15 £,000	2015/16 £,000
Community (Housing)	3,950	3,950	3,950
Community (General Fund)	927	1,093	344
Policy & Organisation	460	306	235
Total Capital Programme	5,337	5,349	4,529
Revenue Contribution - HRA	3,550	3,550	3,550
Specific Capital Grants - GF	270	270	270
Developer Contributions for Open Spaces -GF	183	350	
Other Grants and Contributions - GF	245	480	
Capital receipts -GF	50	550	1,125
Capital Funding Requirement - GF	1,039	149	(416)
Total Capital Funding	5,337	5,349	4,529

6.2 A significant proportion of the planned capital expenditure relates to the Community Board, with the largest area of expenditure being that of improvements to housing stock. Partly as a result of the move to self financing (see 3.2) it has been possible to increase expenditure from £2,940,000 originally budgeted for 2012/13 to £3,500,000 in 2013/14, 2014/15 and 2015/16.

7.0 CAPITAL PROGRAMME AND PROJECT MONITORING

7.1 Once approved it is important the Capital Programme is delivered and a robust monitoring process is in operation. The Capital Programme is closely monitored and any variation is included in the Budget Monitor (produced four times each year) which is distributed to all members through the Members Information Bulletin or where required (such as when a virement or supplementary estimate is needed) is taken to the Board for decision. In addition the programme is revisited as part of the annual budget process with scheme progress being monitored and scheduled projects re-phased or deleted as necessary.

7.2 In addition to the above process a specific project group for larger projects is established to progress and monitor the progress of the scheme. The project team would also report back regularly to Council Management Team and if issues arise requiring political decision to the appropriate Council Board.

8.0 POST IMPLEMENTATION REVIEW

8.1 The lead officer for major (over £100,000) Capital Projects will notify the Head of Accountancy when the project is completed and a Post Implementation Review form is to be supplied. The feedback on these forms will then be considered by Council Management Team.

8.2 The form provides details on how successfully the project has been delivered specifically in relation to the following:-

- (1) Timing-was the project started/completed by the anticipated dates?
- (2) Cost-was the Scheme completed in accordance with the allocated budget?
- (3) Objectives-did the scheme achieve the anticipated outputs/outcomes?

9.0 PARTNERSHIP WORKING

- 9.1 Working in partnership with other organisations from both the private and public sector is an important way of ensuring the limited Capital Resources available are used efficiently to help maximise their contribution towards achieving the Corporate Objectives and Priorities. Partnership working may range from key overarching Partnerships such as those arising from the Local Strategic Partnership, preferred partners in specific Service areas such as the Key Housing Association Partners or 'one off' schemes where the organisation's and the Council's priorities coincide.
- 9.2 The Capital Scheme Proposal Form specifically requests information on how the scheme will Develop partnership working, financial and non financial input from other partners and asks how the scheme will contribute to the partners' strategies and priorities.

10.0 MEDIUM TERM FINANCIAL STRATEGY

- 10.1 The Medium Term Financial Strategy provides an overall framework for the financial investment in services for a five year period. It therefore is closely linked with the Capital Strategy and shows the effect on the overall revenue budget and associated Council Tax levels of the financing charges arising from the Capital Programme.
- 10.2 It is important, therefore, that any significant alterations in the Capital Strategy are promptly used to update the Medium Term Financial Strategy to help fully understand the impact of such changes on the Council's Finances as a whole.

11.0 ASSET MANAGEMENT PLAN

- 11.1 The Council's Asset Management Plan helps develop a process to achieve efficient effective and economical management of its assets. The linkages to the Capital Strategy and Programme are strong with capital expenditure on Council Assets being a significant element of the Programme particularly relating to the Council's Housing Stock.
- 11.2 It is important that the Council's property assets are maintained as they play a vital role in the delivery of the Council's Statutory Services and the delivery of its Corporate Priorities. The Asset Management Plan informs the Council on the improvement and maintenance requirement of the Council Assets with the larger schemes being included in the Capital Programme.

12.0 HOUSING BUSINESS PLAN

- 12.1 The Housing Business Plan is a long term plan for managing the authority's housing Assets and financing the necessary investments. It is a key element in ensuring the effective long term management and maintenance of the Council Housing Stock and should enable the Authority to operate in a more businesslike manner. The importance of the plan has further increased following the introduction of self financing of the HRA with a greater responsibility and risk being borne by the Council.
- 12.2 The Plan should be consistent with the Authorities wider corporate objectives and Housing Strategy and will inform on the level of Capital Expenditure required on the Housing stock necessary to achieve the Decent Homes and energy efficiency targets.

13.0 REVIEW OF THE CAPITAL STRATEGY

- 13.1 The Capital Strategy is reviewed annually to take account of any changes in legislation, capital expenditure requirements, funding position or process improvements. Any significant changes are considered by Council Management Team and consequent amendments to the strategy are submitted to Policy and Organisation Board for consideration and approval.