

SOUTH BUCKS DC CAPITAL STRATEGY

Purpose

The Capital strategy for the authority is intended to describe how the authority will use and manage its capital resources to progress the council's key priorities.

Key Priorities of the Strategy

The key Council priorities are as follows.

Priority	Pressure/Issue	Response
<ul style="list-style-type: none"> Financial Stability & Resilience 	Ending of Government grant from 2017/18, payment of tariff from 2019/20. Forecast funding gap by 2020 of £0.5m+ Funding coming totally from local resources from 2017/18 makes SBDC more vulnerable to impact of economic recession. Major capital projects exceed available capital resources	Strategy to increase income from strategic review of assets Strengthen level of reserves. Use prudential borrowing to finance major capital projects. Strong control on costs Identify efficiencies through transformation and joint working
<ul style="list-style-type: none"> Local Housing Needs 	At end of 2015/16 60+ families in temporary accommodation. Increasing numbers on local housing waiting list. Affordability issues have led to RSL development largely ceasing in the area.	Identify sites for affordable housing development as another output from the strategic asset review. Housing development sites identified in new Local Plan. Create hostel for temporary accommodation purposes. Use s106 funding (£1.9m)
<ul style="list-style-type: none"> Parking Strategy 	Capacity issues in car parks in Gerrards Cross and Beaconsfield. Parking issues in Iver.	Project to expand Gerrards Cross C/Park Strategic asset review to include identification of car parking expansion/development opportunities
<ul style="list-style-type: none"> Maximising use of Property Assets 	Need to generate additional income to help bridge funding gap. Need to identify housing sites	Carry out strategic asset review Explore innovative development projects,

	Car parking issues	funded by prudential borrowing. Explore specific development opportunities in Beaconsfield.
<ul style="list-style-type: none"> Leisure needs, incl Farnham Park 	<p>GLL contract renewal in 2020. Potential impact of closure of Evreham Centre. Evreham operation is subsidied by SBDC. Issues from Open spaces needs review. Improving the financial position of the Farnham Park site. Financial performance of Academy site leads to need to redevelop the site</p>	<p>Use results of Open spaces needs review to develop plans for alternative options to meet needs current provided at Evreham. Opportunity to reduce Evreham revenue subsidy. Potential income from Academy redevelop to pump prime other projects.</p>
<ul style="list-style-type: none"> Supporting local businesses 	<p>Expanding and improving broadband quality and coverage in the area. With increased reliance on business rates funding important to sustain and grow tax base.</p>	<p>Work with LEP and BA on investment to support businesses. Examine potential from strategic asset review to develop business sector.</p>
<ul style="list-style-type: none"> The local environment 	<p>Concern over impact of major developments in Iver area. Implications of Local Plan, and any green belt release.</p>	<p>Update strategic asset review work in the context of the new Local Plan. Work with LEP and BA on infrastructure investment in the Iver area to mitigate local issues.</p>
<ul style="list-style-type: none"> Joint Working incl Transformation 	<p>Need to address funding gap forecast to arise by 2020 from ending of Govt grant. Responding to changing needs of residents and customers. Need to maintain drive for efficiency in service delivery.</p>	<p>Stronger in Partnership Programme. Office Accommodation plans to reduce Capswood costs. Further joint service opportunities.</p>

Key Documents Influencing the Capital Strategy

The Strategies influencing the Capital Strategy are.

- Asset Management Plan (including outcomes of Strategic Asset Review)
- Housing Strategy
- ICT Strategy

The Asset Management Plan will set out how the Council will use its assets to optimise revenue, create income streams, for the Council. It is informed by the outcomes of the Strategic asset Review undertaken in 2016.

Principles

The key principles underpinning the strategy are:

- Using capital resources to support the Council's key priorities.
- Managing the revenue implications of the capital programme.
- Having in place project management to enable effective delivery of objectives and manage risk.
- Optimise the use of Council capital and asset resources

Financing

The Strategy will be financed using the following funding sources:

- Prudential Borrowing
- Capital Receipts
- Earmarked revenue funds
- Leasing
- Joint ventures or other forms of partnerships

Prudential borrowing will generally be used for large projects, and those where detailed business cases have been prepared.

Capital receipts will be incrementally applied mainly to smaller scale projects, but are anticipated to become a smaller part of financing capital expenditure as they are utilised and no substantial new receipts generated.

The Council may decide to earmark from its revenue reserves sums to finance specific projects. These include contributions received under planning agreements (s106 agreements).

Leasing will be considered for vehicles and plant that will need to be periodically replaced and the cost of leasing is comparable with the Council financing the asset itself

For certain projects it may be appropriate for the Council to consider a joint venture arrangement where risk and reward is shared, or where an external partner would enable a project to proceed, which otherwise would not be possible.

Governance

Roles and Responsibilities

Members

Members have the responsibility for agreeing the key aims and priorities of the authority. They also need to ensure that adequate resources are in place to support the delivery of the priorities, and that the authority has a sound system for financial management and control.

Managers

Managers responsible for services or groups of services have the requirement to set out through their Service plans and budgets how they will progress the Council's aims in the areas under their control. They will be required to identify clearly the resource implications and any risks or dependencies associated with their Service plan. Value for money, customer views and efficiency will feature in their service planning. If required by the Council's overall financial position managers will be required to identify savings options, but these should aim to minimise as far as possible the impact on the Council's key priorities. They will follow the authority's procedures for financial management and control. This includes monitoring their budgets in accordance to the requirements of the authority's budget monitoring processes.

s151 Officer

The designated s151 officer has the responsibility to ensure members and officers are provided with the appropriate financial advice and information to support their service and financial planning, and this includes identifying the key financial risks facing the authority. The role also has responsibility for ensuring managers have the appropriate support to manage their budgets. The post is responsible for ensuring adequate financial systems and controls are in place to manage the authority's financial affairs.

Project Management

The capital schemes comprising the strategy will be managed in accordance with the Council's project management methodology. This means that:

- All projects will have an identified sponsor and project manager
- Project initiation documents will be in place identifying clearly the intended outcomes, timescales and risks.
- Major investment projects will be supported by option appraisals and business cases.

Where the Council decides to undertake external financing of investment projects it will ensure this is based on the requirements of the Prudential Code¹. The Treasury Management Strategy will be reviewed annually, and will set out the Prudential Indicator's for the authority in order to demonstrate the affordability of any borrowing undertaken.

¹ Prudential Code for Capital Finance in Local Authorities issues by CIPFA.

Any procurements undertaken will comply with the Council's procurement rules and Contract Standing Orders.

Review of the Strategy

The principles and key elements of the Strategy should not change significantly from year to year, other than to adjust for any new supporting policies or strategies that may have been developed. The detail of the strategy will be reviewed annually in the light of the progress of the programme and available resources.

Capital Strategy 2017 - 2022

The Council's Capital Strategy is strongly influenced by its plans to improve the return on its assets by investments and working with partners. The Council has undertaken a strategic asset review to identify a number of projects that will generate additional income for the authority. It is anticipated that these projects will be financed by prudential borrowing following the approval of business cases. For planning purposes an initial estimate has been made of the level of investment this programme might require.

The programme includes two significant projects for the expansion of the Council's main car park in Gerrards Cross, and the redevelopment of the recently acquired ex-Police Station site in Gerrards Cross. The majority of the costs of these projects are anticipated to be finance by prudential borrowing.

Housing grants are anticipated to form a significant part of the programme for a number of years with funding largely coming via the Better Care fund administered by the Adult Health & Wellbeing Board for Buckinghamshire.

In 2021/22 the council will need to consider the replacement of the refuse fleet. This will be tied in with retendering the current contract, and at that stage an evaluation will be undertaken whether to lease or acquire any new vehicles required under the contract.

Finally there is the maintenance of existing assets which comprises projects of varying scales. The projects fall under the following main groupings.

- Capswood offices
- Other Council buildings
- ICT infrastructure
- Car parks
- Waste and recycling facilities

The overall size of the programme over time will be affected primarily by the ability of the revenue budget to support the cost of financing new investment by prudential borrowing as

the Council's asset strategy does not envisage any significant asset disposals. It is important for the Council's overall Medium Term Financial Strategy that the significant projects designed to generate income achieve their objectives.

Director of Resources
December 2016

DEFINITION OF CAPITAL EXPENDITURE INCLUDED IN THE CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM

All expenditure that can be directly attributed to the acquisition, creation or enhancement of items of property, plant and equipment or the acquisition of rights over certain longer-term intangible benefits is accounted for on an accruals basis and capitalised as a non-current asset. It must be probable that the future economic benefits or service potential associated with the item will flow to the Council - the Council does not have to own the item but it must be more than likely that it has gained the right to use the item in the provision of services or to generate cash from it. In addition it must be possible to measure the cost of the item reliably.

Expenditure that should be capitalised will include expenditure on the:

- Acquisition, reclamation or laying out of land
- Acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures
- Acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles and vessels

In this context, the definition of enhancement contained in the previous Code of Practice (SORP) is still applicable and means the carrying out of works which are intended to:

- Lengthen substantially the useful life of the asset, or
- Increase substantially the market value of the asset, or
- Increase substantially the extent to which the asset can or will be used for the purpose or in conjunction with the functions of the local authority concerned.

Under this definition, improvement works and structural repairs should be capitalised, whereas expenditure to ensure that the fixed asset maintains its previously assessed standard of performance should be recognised in the revenue account as it is incurred.

Expenditure on existing fixed assets should be capitalised in three circumstances:

- Enhancement - see above
- Where a component of the fixed asset that has been treated separately for depreciation purposes and depreciated over its individual useful life is replaced or restored
- Where the subsequent expenditure relates to a major inspection or overhaul of a fixed asset that restores the benefits of the asset that have been consumed by the authority and have already been reflected in depreciation

Assets acquired on terms meeting the definition of a finance lease should be capitalised and included together with a liability to pay future rentals. Where an asset is acquired for other than cash consideration or where payment is deferred the asset should be recognised and included in the balance sheet at fair value.

