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REPORT TO: FINANCE & MANAGEMENT

AGENDA ITEM: 12

DATE OF MEETING: 19<sup>TH</sup> JULY 2001

CATEGORY: DELEGATED/

REPORT FROM: CHIEF FINANCE OFFICER

MEMBERS' CONTACT POINT: TERRY NEAVES (5800)

DOC:

SUBJECT: CAPITAL STRATEGY

REF:

WARD(S) AFFECTED: ALL

TERMS OF REFERENCE:

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## 1. 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 second annual capital strategy.

## 3.0 Capital Strategy Requirements

### **The Single Capital Pot**

- 3.1 The Government is changing 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 was required to produce its first capital strategy last year as part of a "dry run" exercise to prepare for the Single Capital Pot arrangement outlined above.
- 3.9 When the first Capital Strategy was produced it was evident that the Council needed to address a number of key building blocks for sound management of its Capital Programme. These related to:-
- Monitoring procedures
  - Management of the programme
  - Prioritising capital investment alongside corporate aims and objectives
- 3.10 There has been considerable progress within these areas. This is outlined within the Action Plan update set out at Annex A to the new Strategy 2001/2. Consultees have welcomed the fact that the Capital Strategy signals a more strategic approach to capital investment rather than simply being governed by the next funding opportunity.
- 3.11 The main aims objectives of the strategy for generating capital investment are set out in Section 2. These are broadly similar to the current strategy and will be revised in the light of the Council's Corporate Plan and Community Strategy when they are produced.
- 3.12 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.
- 3.13 In particular, the new 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.
- 3.14 The Action Plan at Annex C to the new strategy sets out a timetable for achieving these improvements.

#### **4. 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.

#### **5. 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 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. Background Papers**

- 8.1 Capital Strategy 2000

