

1. INTRODUCTION

- 1.1 This strategy sets out the framework for capital investment at the Council. The Council adopted this strategy in October 2008 in order to help deliver the Council's priorities as identified in its Corporate Plan.

Objectives of the Strategy

- 1.2 In accordance with good practice, the strategy includes an analysis of the current framework, together with the issues facing the Council. It then sets out the specific ways in which capital investment will help deliver the Council's services and priorities and how this investment will be financed.
- 1.3 The following areas are covered:
- A definition of capital.
 - An outline of how investment is planned and managed.
 - A profile of the District, the Council, its priorities and issues.
 - The resources available to the Council for capital investment.
 - Targeted areas for investment and the funding strategy.
 - A risk assessment.
- 1.4 Capital investment is a key factor to enable the delivery of the Council's services and priorities. Therefore, it is important that capital investment, including the identification of funding to deliver it, is planned and managed carefully. This strategy is intended to do that.

Timescale

- 1.5 The strategy is a medium-term one to fit in with the Council's corporate planning framework. Clearly, the strategy may develop in response to new financial opportunities/risks and new policy directions. Therefore, the strategy is reviewed on a regular basis and at least annually. It is updated where necessary.

2. WHAT IS MEANT BY CAPITAL EXPENDITURE

- 2.1 The definition of capital (in financial terms) generally relates to the purchase of or substantial enhancement to the Council's assets and the provision of new facilities. These include:
- Land and Buildings
 - Council Houses
 - Parks and Play Areas (including buildings thereon)
 - Commercial Properties
 - Leisure Centres
 - Cemeteries
 - Village Halls
 - Other Community Facilities, etc.

2.2 Investment in the Council's assets is financed from a variety of sources and includes:

- Council House Sales from "Right to Buy"
- Disposing of fixed assets surplus to requirements
- Government Grants
- External funding (e.g. Lottery/Sports Council)
- Within Partnerships
- Local Planning Agreements (through negotiations with developers)
- Prudential Borrowing
- Council Reserves

2.3 Spending can be undertaken directly by the Council, in the form of grants and contributions to other bodies and within partnership arrangements with other organisations.

2.4 Capital investment by its nature tends to lead to large projects where the total cost is generally over £10,000.

3. PLANNING and MANAGING CAPITAL INVESTMENT

5-Year Planning

3.1 In accordance with good practice, the Council plans its capital investment on a 5-year rolling programme basis. The programme details current projects, future commitments and the areas that the Council has targeted for on-going investment over the 5-year period.

3.2 It also sets out the funding currently available to finance investment and forecasts the amount of further funding to be available over the 5-year period. The detail is contained in the Council's Medium Term Financial Plan.

Monitoring and Review

3.3 In accordance with the Council's financial strategy, the programme and funding available are monitored monthly and reported to the Council's Finance and Management Committee on a regular basis. Unless there are any significant variations, the overall plan is formally reviewed and updated twice per year.

3.4 There is also an annual statement of income and expenditure with a comparison to the budgets for all capital investment.

Evaluation of Capital Investment

3.5 The Council evaluates bids for new projects in accordance with an approved scoring system that is designed to ensure that future investment is targeted at the Council's priorities.

- 3.6 The system is also intended to ensure that all bids are properly appraised and consider all factors. For example, benefits, risk, on-going costs and future savings, etc.
- 3.7 An independent panel assesses each bid corporately.

Project Review and Monitoring

- 3.8 Besides financial monitoring, the Council's main policy committees receive regular reports on major projects as they progress and when they are completed. Programmes such as planned maintenance on council houses are reviewed and formally approved each year.
- 3.9 In addition, other projects, which have secured external funding, are usually subject to periodic reports being submitted to the funding body.

4. PROFILE OF SOUTH DERBYSHIRE and the COUNCIL

The Area

- 4.1 South Derbyshire has a population of approximately 91,000 (ONS mid 2007 estimate). For almost two decades, South Derbyshire has been the fastest growing district in Derbyshire. In fact, it was the 6th highest in population growth nationally between 2001 and 2007 compared to all other local authorities.
- 4.2 This has attracted substantial development in housing and the growth of business activity in the area. This development is on going.
- 4.3 Swadlincote (with a population of about 33,000) is the main administrative and commercial centre of the district. The town is located on the former South Derbyshire Coalfield where the working of coal and clay has all but disappeared. This means that regeneration continues to be a key issue.
- 4.4 The rest of the area is mostly rural in character and contains a patchwork of villages and small settlements. Almost 2/3 of the population resides in Parished Areas and this urban/rural contrast presents a challenge in terms of the equitable delivery of services.
- 4.5 A number of villages are of architectural and historic importance. A total of 22 Conservation Areas have been designated throughout the area, including one for Swadlincote Town Centre.
- 4.6 A large part of South Derbyshire is included within the designated area of the National Forest. This major initiative is creating a new landscape for work, recreation and wildlife.
- 4.7 Indeed, substantial investment has recently been attracted to develop the Rosliston Forestry Centre, which is becoming a major recreational and educational facility in the District.

Housing

- 4.8 In April 2008, the district's housing stock stood at approximately 38,000, which included 3,100 council homes. Around 9,000 private sector homes do not meet the Decent Homes Standard set by Government. Improvements are ahead of Government targets but more limited funding in the future may affect progress.
- 4.9 The rise in house prices over recent years, coupled with policies to promote sustainable development, has brought the issue of affordable housing to the fore, especially in rural areas. Addressing this is a key priority in the Council's Housing Strategy.

Council Stock

- 4.10 The current business plan for the Council's stock has allocated funding to meet the minimum Decent Homes standard set by the Government ahead of target (2010).
- 4.11 However, if the Council is to aspire to higher standards as identified in the plan, it will need to identify additional funding to do so. However, as with other issues, this needs to be balanced against other priorities.
- 4.12 In addition, the Council adopted a vision for its sheltered housing stock in 2003 to upgrade and modernise these homes. Although substantial funds from the sale of housing assets have been directed to meet this vision under the Government's "Low Cost Affordable Housing" Policy, further finance is still required to meet all of the planned investment.

Public Buildings and Commercial Properties

- 4.13 In accordance with its Asset Management Plan, the Council has an on-going programme of stock condition surveys on its own property portfolio.
- 4.14 Consequently, it has set out a planned maintenance programme and has allocated funding alongside a financing strategy to deal with the higher priority maintenance issues, including health, safety and other legislative issues.

Local Facilities

- 4.15 South Derbyshire has 2 Leisure Centres, 45 playgrounds and parks, 3 cemeteries and a crematorium (jointly managed). In the rural areas, most villages have parish halls and meeting rooms. Stock condition surveys highlight a need to bring some of these facilities up to modern day standards.
- 4.16 Securing resources to maintain community and leisure facilities to an appropriate standard is an ongoing issue and is exacerbated by a growing population. Continuing to develop the main town centre area of Swadlincote is also coming to the fore.

- 4.17 In addition, provision for future burial space in certain areas of the district is also an issue. Flooding and improving drainage around watercourses is another area, especially in the more rural parts of the District.
- 4.18 Furthermore, dealing with anti-social behaviour and the fear of crime is a key issue that has been highlighted by local residents. The Council plays an active part in the Safer South Derbyshire Partnership.

Implications for Services and Capital Investment

- 4.19 The nature of the district creates a number of challenges and indeed opportunities for service provision. In particular, capital investment is seen as having a key input into:
- Providing extra services and facilities to meet the needs of a growing population
 - Managing development pressures in sustainable ways
 - Regenerating the former coalfield area
 - Meeting the need for good quality and affordable homes
 - Maintaining and creating leisure, recreational and community facilities to an appropriate standard
 - Maintaining the Council's property portfolio to modern day standards.

The Council's Vision and Priorities

- 4.20 This is set out in its Corporate Plan (2007 to 2010) and is to:

“Make South Derbyshire a healthier, more prosperous and safer place to live... by offering value for money services.”

- 4.21 To enable this vision to be delivered, the Corporate Plan has also set out 3 main priorities:

- Safer and healthier communities
- A cleaner and greener South Derbyshire
- More efficient, customer focused services

- 4.22 In order to achieve these priorities, actions have been grouped into six equally based “cross cutting themes” as set out in the following table.

Theme 1	Safer and Healthier Communities Covers crime and disorder, anti social behaviour, support for vulnerable people, activities for young people and health promotion
Theme 2	You at the Centre Community consultation, sustainable communities, recycling & composting, environmental improvement, recreation & leisure
Theme 3	Higher Quality Services Improvements in the quality and efficiency of our services
Theme 4	Prosperity for All Addressing housing needs and economic regeneration whilst eliminating social exclusion.
Theme 5	Rural South Derbyshire Meeting the needs of rural communities
Theme 6	Stronger in the Region The Council's community leadership role, planning policies, support for the National Forest and the Community Strategy

5. AVAILABLE RESOURCES FOR CAPITAL INVESTMENT

- 5.1 Historically, the Council has received Government support to finance capital investment. However, it is never certain from year to year and is subject to government spending reviews and the distribution of resources through Regional Boards.
- 5.2 This general support has been a reducing proportion of the Council's overall capital investment. The Council is now relying to a greater extent on its own resources and to lever in external funding from various sources and/or by working in partnership.
- 5.3 **The maximisation of resources is a key factor of this strategy to enable capital investment and the Council channels efforts in various ways to achieve this.**
- 5.4 **However, funding is only sought if it will contribute and help deliver the Council's priorities.**

The Council's Own Resources (Capital Receipts)

- 5.5 These have traditionally been generated from council house sales and the disposal of land for development. Council house sales in particular are not easily predicted and fluctuate over a period of time. The proceeds generated are also finite and once used are not automatically replaced.

- 5.6 The Council is required to pay over to a Government Pool a proportion of capital receipts generated from the sale of housing land and buildings. However, between 2004/05 and 2006/07, the Council benefited from reduced payments due to it having no Government debt outstanding.
- 5.7 These (windfall) receipts were reinvested in housing (public and private sector) in accordance with regulations on the use of these receipts.
- 5.8 In addition, some payments can be avoided where the Council can demonstrate that it is reinvesting receipts in providing low cost affordable housing or for regeneration of land in accordance with Government guidance. These are known as **retained sums**.
- 5.9 Consequently, the Council had built up capital receipts in recent years due to the above factors that have or are committed to be spent.
- 5.10 However, the Council has recently seen a substantial reduction in the level of council house sales and this is placing considerable pressure upon being able to finance outstanding commitments in the current capital investment programme.
- 5.11 **Therefore, the Council adopts a careful and properly planned release of its capital receipts.**

Other Asset Disposals

- 5.12 The sharp reduction in council house sales is now placing added pressure to identify other resources. Through the planning system, the Council has been able (and will continue) to generate extra resources with developers to provide local community facilities (Section 106 funding). In addition, the planning system can be used to provide affordable housing.
- 5.13 In accordance with its Asset Management Plan, the Council adopted a Disposals Policy in February 2006. This framework is being used to identify assets surplus to requirements for disposal to generate money for future capital investment.

Borrowing

- 5.14 The Council is allowed to borrow money under a prudential borrowing regime to fund capital investment. To enable this, the Council is required to adhere to a set of performance indicators and needs to demonstrate that the associated cost of loan finance is both affordable and sustainable.
- 5.15 **The use of prudential borrowing is kept under review especially around the principle of “invest to save.”**

Invest to Save

- 5.16 In principle, this means that revenue savings or additional income generated through a project pay for the initial investment over time.
- 5.17 **The Council adopts good practice criteria when making decisions about prudential borrowing based on the “Sheffield” (City Council) model.**

Private Finance Initiative (PFI)

- 5.18 Due to the relatively small size of the Council and its capital projects, it is considered that pure PFI has limited scope for generating capital investment. It has previously been considered in one or two areas such as for the future maintenance of the housing stock. However, this was not considered the best method for capital investment at this time.
- 5.19 The Council has a track record in attracting private funding to finance capital investment but will consider all alternatives. **Therefore, PFI is not ruled out as an option when considering capital investment.**

6. TARGETING CAPITAL INVESTMENT

- 6.1 The latest projections on capital investment as reported to the Council in September 2008, highlighted a projected shortfall in financing all commitments over the next 5-years, of approximately £300,000 on a planned programme of £21m to 2013.
- 6.2 Furthermore, pressures have been identified to meet the demand for disabled facility grants, recycling initiatives and improved leisure facilities.
- 6.3 Against this, capital investment is considered to be an essential factor in delivering the Council's priorities. Although there may be further capital receipts generated in the future from the sale of surplus assets in particular, these are by no means guaranteed and cannot be currently anticipated when considering new investment
- 6.4 Capital investment has helped to deliver the Council's priorities in a number of ways and this will be continued in many cases. This is detailed in **Appendix 1**.

Funding Strategy

- 6.5 There is a balance to achieve between meeting national priorities and standards and meeting local and community needs. Some overlap will clearly exist.
- 6.6 It has been highlighted that the Council's resources for capital investment are limited. This means that external funding and generating funds from surplus assets are increasingly important.

- 6.7 The analysis in **Appendix 1** shows the role of capital investment has some common themes regarding funding. The key areas can be summarised as set out in the following table.

Funding Stream	Investment to be Delivered
Government grants and other contributions such as the Major Repairs Allowance.	National and Regional Priorities.
Partnerships	National and Regional Priorities.
Local Businesses and Developers	Regeneration and environmental issues.
External Funding such as Lottery, Sports Council, etc.	Leisure and recreational facilities.
Section 106 receipts	Community and recreational facilities, and where possible, provision of affordable housing.
General capital receipts	Rolling programmes such as private sector housing, community partnerships, crime and disorder, planned maintenance and as matched funding to supplement other areas and delivery of new projects.
Ring-fenced Windfall Receipts from the sale of Housing Assets (i.e. those generated between 2005 and 2007)	Housing.
Retained Receipts (not subject to Government Pooling)	Current policy is to consider each sale proceeds as and when they arise. A Committee decision is then made to reinvest in an approved Low Cost Affordable Housing/Regeneration scheme, or a general scheme on the approved priority list. However, the later would mean upto 50% of the receipt being paid to the National Pool.

Evaluating Project Bids for Investment

- 6.8 The Council uses a scoring system to evaluate and prioritise projects. Each bid is required to outline the proposal and to quantify the outputs and outcomes to be delivered.

- 6.9 The scoring system is weighted towards how much a proposed project will contribute to the Council's priorities. The system also takes into account risk, on-going costs, savings/generation of income and external funding.
- 6.10 It is designed to ensure that the many factors associated with capital investment are considered as objectively as possible.

7. ASSESSMENT OF RISK

- 7.1 The main barriers that could prevent this strategy being delivered are:

- Internal resources (capacity) to deliver the investment.
- Limited finances, with an increasing reliance on external funding and generating additional money.

Internal Resources

- 7.2 Clearly, the level of resources to manage projects and to deliver all desired outcomes is an issue for a smaller authority such as South Derbyshire. Delays on delivering all capital projects to the initial timescale has historically been an issue for the Council.
- 7.3 The Council uses a specialised project monitoring system to manage individual schemes. In addition, the following factors are considered at the evaluation stage:
- Detailed profiling of spending and project outputs/outcomes
 - An assessment of available capacity to deliver the project and whether external support is required.

Limited Finances

- 7.4 As previously highlighted, the Council's financing (mainly capital receipts) are finite and once used are not automatically replaced. In addition, the main source of receipts (council house sales) has slowed dramatically over the last couple of years from 120 in 2004/2005 to 25 anticipated in 2007/08. Only 10 are anticipated in 2008/09.
- 7.5 Currently, this is limiting scope for further (new) investment beyond 2008/09. However, it is expected that other receipts, which could be fairly substantial, will be generated between now and 2013.

External Funding

- 7.6 The Council has a good record of attracting funding into the District for regeneration and leisure in particular. This has been a consequence of the growth and developing nature of South Derbyshire.

- 7.7 For example, one of the main attractions for the National Forest in the District (Rosliston Forestry Centre) has attracted substantial investment to develop it as a main recreational and educational facility.
- 7.8 Furthermore, Section 106 funding continues to be secured for enhancing community and recreational facilities.
- 7.9 Indeed, substantial capital funding has recently been secured for leisure facilities to be developed in Etwall. Capital works have recently commenced, financed from a combination of sports grants, section 106 and private sector contributions, together with funding the District and County Councils.

Not High Risk

- 7.10 Overall therefore, it is considered that the strategy is not a high risk one. However as the strategy highlights, there is a degree of uncertainty, especially around funding and this will continue to be monitored.
- 7.11 In addition, there are other funding streams that have not been appropriate to-date that could be considered. For example, as previously highlighted, PFI and prudential borrowing, but with regard to value for money.

APPENDIX 1

HOW CAPITAL INVESTMENT HELPS THE COUNCIL'S PRIORITIES

Theme	Strategy to achieve this via Capital Investment
Safer and Healthier Communities	<ul style="list-style-type: none"> • Work with the Safer South Derbyshire Partnership to secure external funding to reduce the fear of crime and to tackle anti-social behaviour, etc. This is supplemented from the Council's own resources wherever possible. • Provide dedicated youth facilities through external funding and the Council's own resources.
You at the Centre	<ul style="list-style-type: none"> • Utilise remaining resources in the Community Partnership Scheme and provide seed/matched funding to support community and voluntary groups. • Extend recycling and composting facilities across the District through Government grants and own resources. • Deliver community based environmental programmes substantially funded through Groundwork Trust funding. • Improving and developing the Council's play areas through the Council's own resources. • Continue to develop and improve Swadlincote Woodlands Forest Park using Section 106 earmarked reserves. • Improve and provide new leisure and recreational facilities. Funding will be predominantly external with Invest to Save schemes (financed by borrowing) available as an option. • Improve and provide new community facilities in high growth areas. Investment to be predominantly secured through Section 106 agreements. • To set aside resources to deal with service related issues, such as provision of additional burial space.
Higher Quality Services	<ul style="list-style-type: none"> • Secure Government funding (directly or through the Derbyshire Partnership) to expand the number of services delivered electronically. • Ensure that the Council's properties meet acceptable modern day standards by maximising current resources set-aside for this purpose and by reinvesting proceeds from other asset disposals as identified in the Council's Asset Management Plan.

CAPITAL INVESTMENT STRATEGY

Prosperity for All	<ul style="list-style-type: none">• Ensure that the Council's housing stock is maintained to minimum standards and further improvements made where funding is identified. The Government's Major Repairs Allowance is specifically awarded to achieve this, supplemented by maximising capital receipts from housing disposals.• Meet the Decent Homes Standard in the Private Sector and improve disabled facilities, tackle fuel poverty, etc as set out in the Council's Housing Strategy. Investment funded by maximising Government Grants and capital receipts.• Work with businesses and developers to regenerate and develop the town centre and the South Derbyshire economy where possible, at little or no cost to the Council.
Rural South Derbyshire	<ul style="list-style-type: none">• Secure Government funding to deal with identified flooding problems.• Work in partnership with developers and housing associations to provide low cost affordable housing.
Stronger in the Region	<ul style="list-style-type: none">• Lobby the Government and other funding agencies to generate resources to help finance the priorities in the capital investment programme.