



AGENDA

For a meeting of the

RESOURCES DEVELOPMENT AND SCRUTINY PANEL

to be held on

THURSDAY, 5 APRIL 2007

at

2.00 PM

in

**WITHAM ROOM, COUNCIL OFFICES, ST. PETER'S HILL,
GRANTHAM**

Duncan Kerr, Chief Executive

| | |
|---------------------------|---|
| Panel Members: | Councillor David Brailsford, Councillor Robert Conboy, Councillor Dorrien Dexter, Councillor Kenneth Joynson, Councillor Albert Victor Kerr, Councillor John Kirkman (Chairman), Councillor Reg Lovelock M.B.E. (Vice-Chairman), Councillor Andrew Roy Moore and Councillor Gerald Taylor |
| Scrutiny Officer: | Paul Morrison 01476 406512 p.morrison@southkesteven.gov.uk |
| Scrutiny Support Officer: | Jo Toomey 01476 406152 j.toomey@southkesteven.gov.uk |

Members of the Panel are invited to attend the above meeting to consider the items of business listed below.

1. COMMENTS FROM MEMBERS OF THE PUBLIC

To receive comments or views from members of the public at the Panel's discretion.

2. MEMBERSHIP

The Panel to be notified of any substitute members.

3. APOLOGIES

4. DECLARATIONS OF INTEREST

Members are asked to declare any interests in matters for consideration at the meeting.

5. ACTION NOTES

The notes of the meeting held on 15th March 2007 are attached for information.
(Attached)

6. CAPITAL STRATEGY

The Panel will scrutinise the draft Capital Strategy. **(Attached)**

7. SPECIAL EXPENSE AREAS

The Panel will create guidelines to help new scrutiny members consider special expense areas following the District Council elections of 2007.

8. SK116 - UPDATE - PERCENTAGE OF PERFORMANCE AND DEVELOPMENT REVIEWS COMPLETED

The Panel will receive a progress update on performance indicator SK116

9. ANY OTHER BUSINESS, WHICH THE CHAIRMAN, BY REASONS OF SPECIAL CIRCUMSTANCE, DECIDES IS URGENT.

WORKING STYLE OF SCRUTINY

The Role Of Scrutiny

- To provide a “critical friend” challenge to the Executive as well as external authorities and agencies
- To reflect the voice and concerns of the public and its communities
- Scrutiny Members should take the lead and own the Scrutiny Process on behalf of the public
- Scrutiny should make an impact on the delivery of public services

Remember...

- Scrutiny should be member led
- Any conclusions must be backed up by evidence
- Meetings should adopt an inquisitorial rather than adversarial style of traditional local government committees



MEETING OF THE RESOURCES DEVELOPMENT AND SCRUTINY PANEL

THURSDAY, 15 MARCH 2007 9.30 AM

PANEL MEMBERS PRESENT

Councillor David Brailsford (note 157 on)
Councillor Robert Conboy
Councillor Nick Craft
Councillor Dorrien Dexter
Councillor Ken Joynson (notes 150-157 and 161-165)

Councillor Vic Kerr
Councillor John Kirkman (Chairman)
Councillor Reg Lovelock M.B.E. (Vice-Chairman)
Councillor Andrew Moore

OFFICERS

Strategic Director (Ian Yates) (note 161)
Corporate Head, Finance and Resources
Service Manager, Finance and Risk Management (notes 145-154)
Service Manager, Human Resources and Organisational Development (notes 157-159)
Team Leader, Risk Management (notes 145-151)
Scrutiny Officer
Scrutiny Support Officer
Democratic and Scrutiny Support Officer

OTHER MEMBERS PRESENT

Councillor Teri Bryant (Portfolio Holder: Resources and Assets)
Natasha Scarisbrook – PricewaterhouseCoopers (notes 145-151)

The Chairman welcomed the new Democratic and Scrutiny Support Officer to the meeting. He also congratulated the Corporate Head of Finance and Resources and her team for the improved Use of Resources scores that had been achieved.

145. MEMBERSHIP

The Panel were notified that Councillor Craft would be substituting for Councillor Taylor for this meeting only.

146. DECLARATIONS OF INTEREST

None declared.

147. ACTION NOTES

Noted.

148. FEEDBACK FROM THE EXECUTIVE

- Three potential gain areas for delivery as shared services had been identified: building control, legal services and procurement. The Portfolio Holder for Resources and Assets had been appointed as the champion for joint working on procurement across Lincolnshire.
- The Cabinet had decided that the tendering for the contract for dry recyclables should be closed and restarted.

149. UPDATES FROM PREVIOUS MEETING

Note 134:

- The meeting on the Grantham Masterplan for the Economic, Healthy Environment and Resources DSPs proposed for March 2007 had been postponed until May but was still subject to change.

Note 136:

- A breakdown of staff efficiencies had been supplied to the Cabinet.
- The one-off sum identified for Communications funding remained in the budget. The caveat was added that any spending had to be in line with the action plan produced as part of the Communications Strategy.
- Work on special expense areas had been commissioned. It was hoped that the results of the work would be available for a meeting in June.

Note 137:

- Officers were working with the County Council on a chance to share agreement for Deepings Leisure Centre. A meeting had been scheduled for Tuesday 20th March.

Note 140:

- A meeting of the joint car parking working group comprising members of the Resources DSP and Economic DSP had been scheduled for Tuesday 20th March.

150. INTERNAL AUDIT

The Draft Operational Plan for South Kesteven prepared by PricewaterhouseCoopers had been circulated. The plan was based on the three-year plan approved by SKDC in 2005.

- The new plan had been determined through meetings with SKDC officers and PwC's knowledge of the authority. The plan was a flexible document.
- Some risks had been identified as high by PwC because they related to new activities.
- Activities identified as high risk during 2006/7 would be re-evaluated at year's end to see whether they should be re-

categorised.

151. RISK MANAGEMENT UPDATE

Members scrutinised the risk register as at 14th February 2007.

- Management board had added two risks to the register: corporate governance and Grantham as a growth area. The register did not take account of town centre development in Stamford, Bourne and the Deepings.
- Data quality was based on work undertaken by PwC to qualify the accuracy of information used for performance evaluation. Panel members agreed that while the quality of information was improving, further improvements were necessary.
- The risk register was reviewed monthly by the management board. At these meetings it would be decided whether actions taken against a risk had been sufficient to mitigate it enough to change its status.
- Gross risk equated to the impact of an action against its likelihood, residual risk equated to the level of risk after action had been taken to mitigate that risk. A key factor of risk management was independence.

CONCLUSION:

1. *That risks pertaining to town centre development for Stamford, Bourne and the Deepings be included in the Risk Register.*
2. *The risk “Data Quality” should be changed to “Information Quality”.*
3. *To recommend that the Audit Committee should receive Risk Register updates at every meeting.*

JT to complete
rec form. TB to
liaise with HE

152. INSURANCE CLAIMS

Report CHFR39 included a breakdown of the quantity of public liability and vehicular claims that were made against the council. The report quantified claims dealt with by the Council's insurance reserve and the Council's insurer, Zurich.

- Members questioned whether the increase in claims meant that the authority was less careful. Refuse crews had had to adjust to longer lorries following the installation of bin lifts.
- Claims made against waste management vehicles would be considered at the next meeting of the Healthy Environment DSP on 27th March 2007.
- The Council was taking steps to ensure that its attitude to insurance was more proactive.
- A correction to the number of claims dealt with by SKDC in 2004/5 was submitted: 16 claims were made, five had zero value and 11 required payment.

CONCLUSION:

The Healthy Environment DSP be requested look at the creation of PM to advise

an action plan to try and mitigate the number of claims.

HE DSP of rec

(10:24-10:30 – meeting adjourned)

153. REVIEW OF TREASURY MANAGEMENT STRATEGY

The Panel scrutinised the Treasury Management Strategy, which had been approved by full Council on 1st March 2007.

- The document was key because with the prudential framework money could be borrowed to fund capital schemes. The strategy was based on what the council expected to spend as part of the capital programme.
- Any borrowing to fund capital schemes could be over a 40 year period. Members suggested that if money was borrowed, the period for repayment should relate to the life of the asset.
- The draft Capital Strategy would be submitted to Cabinet in April, when it would be released for consultation. The Capital Strategy would set the framework for capital spending.
- The council should work within prudent borrowing limits that correlate to capital expenditure.
- Special Expense Areas would be considered at the first meeting of the DSP following the election on 3rd May 2007.

CONCLUSIONS:

1. ***A report on borrowing on capital finance and debt reduction should be submitted.***
2. ***A special meeting of the Resources DSP should be called on 5th April 2007 to scrutinise the draft Capital Strategy. The Chairmen and Vice-Chairmen of the other DSP should be invited to attend this meeting.***
3. ***At the special meeting on 5th April 2007, the Panel should consider creating a guide for the consideration of Special Expense Areas.***

SM to produce report

JT to arrange and invite

JT to include on agenda

154. ANNUAL EFFICIENCY STATEMENT

- The backward looking efficiency statement needed to be submitted by 12th July 2007. The forward looking statement needed to be submitted by 12th April 2007.
- Figures related to productive time based on sickness reduction were liable to change further before the end of the financial year.
- There was a shortfall for £63,113 non-cashable savings. It was hoped that these would be identified during the close-down of accounts.
- Year on year savings of 3% were due to begin in 2008/9. There was concern that while councils would be expected to achieve efficiency savings of 3%, there would be a 3% cut in their grant settlement. Councils were lobbying nationally through the Local Government Association.

CONCLUSION:

That the Resources and Assets Portfolio Holder and the Corporate Head of Finance and Resources should present SKDC's case against the proposed concurrent imposition of 3% efficiency savings and reduced grant funding, to the Local Government Association.

SM & TB to write letter to LGA

155. PENSION CAPITAL COSTS

- Report CHFR37 on pension capital costs was approved by Cabinet on 5th March 2007. Cabinet approved the principle of settling pension costs in the year they were accrued.
- Historically SKDC had not made capital contributions to pensions in the year they were accrued because the return was considered better away from the county scheme.
- The yield on the county pension fund had improved, which meant that if the District Council chose to settle costs in the year of accrual, there was the potential for a greater yield against investment and no subsequent costs.
- It was hoped that in future years capital expenditure could be used to mitigate revenue expenditure.
- South Kesteven's position regarding the Lincolnshire scheme was unique because other authorities either paid annually or spread payment over three or five years.

CONCLUSION:

The DSP support the decision of the Cabinet made on 5th March 2007 on settling pension capital costs.

156. PAYBACK OF THE INVESTMENT ON INFRASTRUCTURE

Work had begun on this but had not been completed. A report would be provided at a future meeting.

157. STAFF EMPLOYMENT STATISTICS

Staff employment statistics up to 28th February 2007 were circulated at the meeting. Details of the bank of casual employees were also included. These were noted.

Performance Indicator SK110

The indicator had turned from amber to red. The target was 545 however the number of FTE staff recorded was 570.

- A new starter was recorded on the system when their documents were received by HR.
- There had been an increase because of new starters within the Chief Executive's support team, finance and risk management and corporate heads.
- There had also been a batch of starter documents received from Street Scene Services. Staff were taken on by Street Scene Services on a casual basis. If they trialled satisfactorily they would be offered a permanent position when one became available. Paperwork submitted for these employees was sent

from Street Scene Services to HR in batches, which amplified figures.

- Figures were also amplified because some employees in Street Scene Services worked 42 hours a week. FTEs were calculated around a 37 hour week. The calculation of FTEs was used to determine other indicators.
- Casual employees were not counted amongst FTEs in line with guidance from the Audit Commission.
- A review of local performance indicators was planned. Members suggested that in reviewing the indicators, measures should be made more meaningful.
- The number of FTEs identified on page 115 of the budget book was 626. This number came from service plans.
- Finance for casual employees came from the total employee cost. Casual or agency workers would be shown within a service breakdown in the budget book. If a consultant was commissioned for a specific project, funding would come from the supplies and services budget head.
- It was not standard practice for employees to be paid overtime. If overtime was paid, it was at a flat rate. There had been exceptions but no precedent had been set.

12:25-13:00 *The meeting adjourned.*

158. PEOPLE STRATEGY

- Included in the draft People Strategy was the Council's vision and its aspiration to become a brilliant council. The draft strategy identified five priority aims for the council; it gave details of the aim, the council's current position and where it needed to be. Priority aims were based on I&DeA guidance.
- Members suggested small amendments to the text of the draft document.
- Flexible working arrangements were discussed. Concerns were raised that there were certain points during the week when members of staff could not be contacted. Core hours were suggested; general feeling was that ensuring sufficient staffing levels was a management responsibility.
- Member development was discussed. Training in Grantham was sometimes difficult for members from the south of the District to attend. Members suggested looking at other ways of training delivery including correspondence courses and interactive training.

CONCLUSION:

Members of the DSP supported the principle of the People Strategy, however, further clarification and detail in the action plans was required.

159. BEST VALUE PERFORMANCE INDICATORS

- SK116 was still red. Members of the DSP expressed their concern.

CONCLUSIONS:

1. ***That a letter should be sent from the DSP to Corporate Heads and Strategic Directors. The Resources DSP expected all PDRs for 2006/7 to be completed by the end of April 2007. All PDRs for 2007/8 should be completed by the end of June 2007 except Financial Services and Revenues and Benefits, which should be completed by the end of July.*** PM to prepare letter
2. ***SK116 should remain open for 2006/7 until all PDRs have been completed.*** SY & JS to leave indicator open until target met
3. ***The Resources DSP should receive an update on the completion of 2006/7 PDRs at their meeting on 5th April 2007.*** JS to provide update

160. REPRESENTATIVES ON OUTSIDE BODIES

The Panel received an activity update on the Upper Witham Internal Drainage Board and the Dame Thorold Trust.

161. LOCAL AREA AGREEMENT

The draft Local Area Agreement for Lincolnshire had been approved by the Council on 1st March 2007 with authority to approve small changes to the document delegated to the Leader of the Council.

- LAAs were a new and developing concept within Lincolnshire. The draft LAA focussed around partnership working. The draft document had been submitted to GOEM. Any changes requested by GOEM would be negotiated through the County Council.
- The LAA included four priority blocks: Safer and Stronger Communities, Children and Young People, Healthier Communities and Older People and Economic Development and Environment.
- Lobbying from South Kesteven had led to the inclusion of affordable housing.
- Panel questioned the composition of the Joint Scrutiny Panel and how it would be appointed.
- South Kesteven would not receive any specific benefit until the third year of agreement, when Earlesfield, Harrowby and St. Wulfram's Wards would be included in the priority cluster.
- Pooling funds was discussed. Future grant funding from government could be pooled.
- As South Kesteven was considered a more affluent part of Lincolnshire, there were concerns that pooled funding could be lost to areas that were less well-off.
- Different authorities had counted different things for alignment, an example was given: some authorities had included the entirety of waste management services while others had only included recycling.

CONCLUSION:

1. ***The Panel supported the principles and ideas of the Local Area Agreement but raised concerns about***

responsibility, accountability, representation and funding.

2. *The Panel should receive regular reports on each of the 4 blocks of the LAA.*

162. WORK PROGRAMME

Noted.

- The description of the dial-a-ride item needed amending to state: "Councillor Joynson had been appointed to work the Chief Executive and LSP co-ordinator on alternatives to dial-a-ride."
- Special Expense Areas should be added to the work programme.
- New items in the forward plan relevant to the DSP were:
 - Participation in a Lincolnshire Joint Procurement Shared Service (June 2007)
 - Provision of adequate accommodation for Housing Services (landlord function) (June 2007)
 - Future use of land at St. Catherine's Road, Grantham (July 2007)
 - Future Use of Stamford Cattle Market (Not before July 2007)

163. REPORTS FROM WORKING GROUPS

A brief update was given on meetings that had taken place concerning the future of dial-a-ride. The group looking at dial-a-ride would evaluate its effectiveness. A Community Transport Survey for Lincolnshire would identify all voluntary and community transport, its scope, resourcing and advantages and disadvantages.

164. FINANCIAL REPORTS

Noted.

- Figures related to Council Tax Income, Council Tax Transfer Payments and NDR did not provide an accurate representation because they would not be input into the Financial System until the Financial Year End.
- In future years Financial Services were looking at quarterly close down.

165. CLOSE OF MEETING

The meeting was closed at 14:31.

Agenda Item 6

REPORT TO CABINET

REPORT OF: CORPORATE HEAD OF FINANCE AND RESOURCES

REPORT NO.: CHFR44

DATE: 2 APRIL 2007

| | |
|---|--------------------------|
| TITLE: | CAPITAL STRATEGY 2007-10 |
| FORWARD PLAN ITEM: | YES |
| DATE WHEN FIRST APPEARED IN FORWARD PLAN: | NOVEMBER 2006 |
| KEY DECISION OR POLICY FRAMEWORK PROPOSAL: | KEY DECISION |

| | | |
|--|---|---|
| COUNCIL AIMS/PORTFOLIO HOLDER NAME AND DESIGNATION: | COUNCILLOR T BRYANT FINANCE AND ASSETS | |
| CORPORATE PRIORITY: | USE OF RESOURCES | |
| CRIME AND DISORDER IMPLICATIONS: | Low | |
| FREEDOM OF INFORMATION ACT IMPLICATIONS: | This document is available on the Council's website www.southkesteven.gov.uk via the local democracy link. | |
| INITIAL EQUALITY IMPACT ASSESSMENT | Carried out and appended to report? In Progress | Full impact assessment required? |
| BACKGROUND PAPERS: | | |

1. INTRODUCTION

The main purpose of this capital strategy is to provide a framework for capital investment. It describes how the deployment of capital resources and those the council can influence contribute towards improving the economic, social and environmental well being of the area as set out in our community strategy, corporate plan and performance plans.

The draft capital strategy is attached to this report and will now undergo a formal consultation with key stakeholders prior to its adoption as a key corporate document.

2. RECOMMENDATION

Cabinet is asked to consider the draft capital strategy and make specific comments or observations regarding its content and to approve its consultation.

3. COMMENTS OF SECTION 151 OFFICER

My comments are included in the report.

4. COMMENTS OF MONITORING OFFICER

It is necessary to consult on the Capital Strategy prior to its approval.

CONTACT OFFICER

Sally Marshall – Corporate Head of Finance and Resources
01476 406511

SKDC Capital Strategy 2007-11

South Kesteven District Council

Capital strategy 2007-2010

Introduction

Purpose

The main purpose of this capital strategy is to provide a framework for capital investment. It describes how the deployment of capital resources and those the council can influence contribute towards improving the economic, social and environmental well being of the area as set out in our community strategy, corporate plan and performance plans.

Principle 8 of the Medium Term Financial Strategy (MTFS), approved by the council in autumn 2006, requires the Council to "*maintain a robust capital strategy to support a deliverable medium term capital programme.*" The capital strategy covers a rolling 3 year period and is a key overarching strategy that supports service strategies and plans. Whilst the strategy currently covers a 3 year period it is proposed that a forward five-year capital strategy and programme will be developed during the life of this strategy. The strategy demonstrates linkages to the MTFS, asset management plan (AMP) and treasury management strategy.

The objective of the capital strategy is fourfold:-

- To provide a framework for the management and monitoring of the capital programme – enabling physical assets and related resources to be efficiently and effectively used to support the community planning process
- To take account of significant revenue implications
- To be used to inform bidding for additional capital resources and contribute to the Council's approach to PFI/PPP
- To state the Council's processes for
 - Option appraisal of capital projects
 - Deciding on the prioritisation of capital projects
 - Monitoring and evaluating approved schemes
 - The corporate review of existing properties.

SKDC Capital Strategy 2007-11

District Profile

South Kesteven District Council covers an area of 365 square miles (945 square kilometres) located in south-west Lincolnshire, its four towns and over one hundred villages are home to 126,600 people. The four towns are Stamford, Bourne and the Deepings in the south and Grantham in the north. There are 83 parishes in the District and 58 elected members of the Council. The administrative centre is in Grantham and there are area offices in Stamford, Bourne and the Deepings. Public consultation is guided through six Local Forums held throughout the district.

South Kesteven has a considerable mix of commercial, business and industrial activity. The quality of its infrastructure, with the main A1 traffic artery and the electrified East Coast rail link between London and Edinburgh is unique in the county of Lincolnshire context. However, as the Community Strategy emphasises, regional, national and international economic conditions, changes brought about by e-commerce, ageing population, skills shortages and low paid, low skilled employment pose major challenges to South Kesteven.

The number of people in employment age 16-74 was 62,800 as at 2005. The main sources of employment in the area are manufacturing and construction 27%, retail trade, hotels and catering 23%, public administration, education and health 23%, totalling 72% or 3 out of four jobs. The remaining 28% is made up of business and finance, transport, agriculture and other trades. The percentage of people unemployed at July 2005 was 1.6%.which was below the Lincolnshire (2%), East Midlands (2.6%) and National (2.8%) percentages.

Following a ballot of tenants and an overwhelming vote of confidence in the service provided, the Council has retained its housing stock of around 6,500 homes.

Vision, mission, ambitions and corporate priorities

The Council's Corporate Plan sets out the Council's vision and priorities. The vision for the future is "*shaping the future together with our partners and residents to develop a place where people really matter and being recognised as a council that provides brilliant services*".

SKDC Capital Strategy 2007-11

Our mission is:

- We will be a council that remains open and honest at all times
- We will be a council that shows a passion for service
- We will be a council that gets things done efficiently and effectively

Our ambitions may be summarised into four key areas:

1. to deliver value for money
2. to focus on frontline services
3. to provide brilliant customer services
4. to involve all the people of the district

We have adopted four levels of prioritisation for our services:

| | | |
|------------|--|--|
| Category A | Step-change improvement | Crime and anti-social behaviour Access to council services Recycling Effective use of resources Town centre regeneration Affordable housing Communications |
| Category B | Incremental improvement | Business development Diversity LSP and community strategy Housing management Street scene Asset management |
| Category M | Maintain statutory or service minimums | All other services |
| Category Z | Non-priorities for managed disinvestment | Non-specific grants to voluntary organisations Tourism Pest Control Travel Vouchers |

Principle 1 of the MTFS sets out that "*the Community Strategy, Corporate Plan and Annual Performance plan drive the allocation of resources*", the allocation of resources should be in accordance with the Council's prioritisation as identified above.

The LSP Priorities and the golden thread

The Council believes in partnership working under the direction of the Local Strategic Partnership (LSP). This brings together the public, private, commercial and voluntary sectors to address the needs of the district. The LSP is supported by four active town centre partnerships. The priorities of the LSP have been founded in a detailed area profile which is updated annually. The priorities are:

- Community safety

SKDC Capital Strategy 2007-11

- Affordable housing
- Town centres and economic development
- Improved transport and access.

The council is also been actively involved in developing the Local Area Agreement for Lincolnshire which will shape the relationship of Lincolnshire public bodies with Government Office East Midlands for the next 3 years. In addition, the council is working with county council and other Lincolnshire district councils on the shared services agenda to identify opportunities of collaborative working to generate efficiencies and improved service delivery.

Key Priorities

The council owns land and buildings and is aware of the need to use these assets in the most effective way for everyone's benefit. The Council will seek to use its assets to assist partners and businesses, in the wider context of achieving the community strategy. Detailed below are the key Capital Investment priorities and examples of partners and partnership programmes.

Town Centre Regeneration

Town centre regeneration is a key priority for the Council and focuses on the four towns within the district. Capital investment is being undertaken and will continue to be undertaken for the life of this strategy. The plans have been developed with key stakeholders and partners from the private, voluntary and public sectors, including the Town Centre Management Partnerships in each of the towns, East Midlands Development Association and the Welland Sub-regional strategic partnership. It is proposed that funding will for town centre regeneration will be a mix of public and private sector funding.

The proposals for Grantham are developed in the Grantham Masterplan and focus on the town centre and Canal basin and reflect Grantham's growth area status. Work has already commenced on the Stamford Gateway project. The proposals for Bourne feature the Core Area proposals and are currently being worked up with a preferred private sector developer. A Masterplan for the Deepings is currently being developed.

Other key projects which support the Town Centre Regeneration Priority are the development of a multi-storey car park at Welham Street Grantham and the remediation of contamination at the Wharf Road car park Stamford.

SKDC Capital Strategy 2007-11

Affordable Housing

The Council's priority for Affordable Housing will be delivered in line with the Council's Housing Strategy. This will be delivered through the Council's commitment to invest capital in the maintenance and improvement of its Housing Stock funded through the Housing Revenue Account and Major Repairs Allowance. A full stock condition survey is being commissioned during 2007/8 and this will inform future investment decisions.

In addition, the broader aims of the Council to enable and provide affordable housing will be realised through working in partnership with Registered Social Landlords to deliver new homes using Regional Housing Board funding. Also capital investment will be targeted to work towards achieving Decent Homes standard within the private sector, to achieve this, the Council will utilise Government grants and initiatives.

Recycling

Recycling is a key priority for the council and the Council is mid way through the roll out of capital investment in a twin wheeled bins across the district. Once the roll out is complete during 2007/8 an alternate week waste and recycling service will be fully implemented across the district. This is a key project to enable the Council to minimise waste and contribute to the sustainability agenda.

Access to Council services

Over recent years the Council has invested in introducing Electronic Government via its modernisation programme, which has been funded from the Council's own resources, Government funding and partnership working with the local authorities making up the Welland Partnership.

The Council is continuing its commitment to the modernisation programme and improving access to Council services. Investment is also being made into customer service centres, with the new main Customer Service Centre based in Grantham being completed in 2006. The proposals for the next phase of investment are being developed with options being considered for local offices in Stamford and Bourne. The options under consideration include joint working with other public agencies. In addition, consideration will be given to community access or kiosk facilities in rural areas.

SKDC Capital Strategy 2007-11

Effective use of Resources and Asset Management

The Council has a fleet of vehicles including pool cars and works vehicles. A review of the options for the vehicle fleet is planned to be commenced during the financial year 2007/8 to identify the most effective use of Council resources.

Investment in Council owned properties will be in accordance with the Council's Asset Management Plan to ensure the properties remain maintained. In addition, investment will be targeted to maintenance and renewal projects that achieve energy efficiency and contribute to the reduction of carbon emissions.

Capital Resources

The Council's main capital resources may be summarised as:

- Supported Borrowing
- Unsupported Borrowing
- Capital Receipts
- Capital grants and contributions including s106 developer contributions
- Major Repairs Reserve
- Direct Revenue financing

| Summary of estimated capital resources | |
|---|---------------|
| | £'000 |
| Capital receipts | 4,892 |
| Capital grants and contributions | 1,502 |
| Major repair reserve and allowance | 15,618 |
| Direct revenue financing | 400 |
| Unsupported borrowing | 4,948 |
| Total resources | 27,360 |

Following the introduction of the Prudential Framework for local authority capital finance in 2004, the Council can determine what level of long term borrowing it wishes to undertake to finance its capital priorities, within the framework of prudent, sustainable and affordable borrowing, full details are contained in the Treasury Management Strategy.

Historically the Council has earmarked the use of useable housing capital receipts for housing purposes, including supporting the provision of affordable housing. Based on the current projections and existing policies it is anticipated that there will be a need for unsupported borrowing during 2007/8. During 2007/8 this policy

SKDC Capital Strategy 2007-11

will be reviewed in consultation with the Council's Treasury Management advisors, to enable the greatest flexibility for the use of Council resources to finance capital investment is achieved. It is anticipated that if all usable capital receipts are applied to the overall capital programme, unsupported borrowing would not be required until 2009/10.

Principles 5 and 6 of the MTFS state that, whilst the Council should identify and seek opportunities for external funding, the Council should maintain a prudent approach when making estimates of external funding from the Government and other sources.

The Council has also used direct revenue financing as an option to support capital investment and will continue to consider this option subject to budgetary pressures.

The Council will consider use of Compulsory Purchase Order powers to assist with land assembly where there is a clear community benefit and all other feasible options have been exhausted.

The Council's Local Development Framework enables the Council to use planning powers to secure capital investment, for example the use of section 106 agreements to deliver affordable housing and community facilities.

When considering new services, the Council will explore the ability of any private operator to supply the service using their own property stock, including private finance initiative.

The Council will also consider capitalising expenditure which is legally within the accepted definition of capital expenditure to maximise flexibility within the revenue account and minimise ongoing budgetary pressures.

Revenue implications of capital schemes

When considering capital investment, the Council will take into account the revenue implications of capital schemes including:

- the ability of the investment to result in long-term revenue savings
- the impact of loss of interest earnings
- the impact of ongoing revenue implications from capital schemes ie running costs

SKDC Capital Strategy 2007-11

Property Management and Objectives

The Service Manager – Assets and Facilities Management has responsibility for the management of property and is designated as the Corporate Property Officer. The Capital Asset Management Group (CAMG), which includes the Assets and Resources Portfolio Holder, Corporate Head of Finance and Resources, Service Managers and relevant property professionals meet once a month to consider the Capital Programme, Asset Management Plan and implications of Service Plans. This group reviews the property stock and make recommendations to Management Board and the Cabinet.

The Council holds non operational property valued at £5.952 million, the remaining fixed assets being valued at £348.583 million (including Council housing stock) as at 31st March 2006. The non-operational and operational property objectives are stated in the Asset Management Plan, these are derived from principle 7 of the MTFS states the Council will manage the Council's assets, reserves, balances and receipts to optimise financial returns for future investment in the Council's priorities for the benefit of the community.

Service plans and best value reviews

Land audits should be undertaken periodically – this will be done on a rolling review and is due to commence in 2007/8. The process of the land audit should rigorously query the rationale of holding property and feed recommendations into CAMG for detailed evaluation and recommendation to Management board and Cabinet. This will assist the identification of underused or inappropriate property assets and should also ensure that no unnecessary acquisitions are made.

Use of resources and surplus property

The mechanism, for identifying surplus property is set via the consideration of performance measures, relationship with priorities and service needs, which are considered by CAMG, Management Board, Cabinet and Council.

With regard to identify surplus assets, any change of use, under occupancy, major repair or improvement work will need to be considered by CAMG who will make recommendations to Management Board and Cabinet. The disposal of property is achieved at "best consideration" – in line with financial regulations

SKDC Capital Strategy 2007-11

and constitution. Property acquisitions and disposals will be assessed both in terms of commercial value and community benefits.

Capital charging

Capital charging is applied in accordance with CIPFA's¹ Code of Practice on accounting for best value.

Performance measures

These are detailed in the Council's Asset Management Plan.

Planning and prioritising capital investment

Consultation

During 2003/4 public consultation was undertaken on the priorities of the Council. The Council priorities were then approved during 2004/5. These have been reviewed annually to reflect the achievements made towards delivering targets and also to take account of any new issues, this ensures that they remain fit for purpose.

In addition, consultation is undertaken on specific major projects with local stakeholders.

Role of Cabinet and Council

The Cabinet recommend to Council priorities and programmes and budgets and implements following Council approval in line with the budgetary framework. Taking account of the Cabinet recommendations, the Council determine priorities and approve the budgetary framework and overall capital programme.

Capital project appraisal

Project definition

Service managers identify through service plan key requirements of service and potential capital and revenue budget requirements, and submit a fully completed project appraisal application.

In the case of cross cutting projects, the individual service plans will identify the need for cross cutting capital investment and the

¹ CIPFA – Chartered Institute of Public Finance and Accountancy

SKDC Capital Strategy 2007-11

project appraisal application will be jointly submitted by the relevant service managers.

At the stage of applying for the project to be scored, the project will be defined together with an overview of the target outputs and outcomes. The detailed appraisal form is attached at appendix A.

Project appraisal

The project appraisal will go through a two stage process before being recommended to Cabinet. The first stage will be a detailed analysis of the individual project will be undertaken by three members of CAMG who will provisionally score the project based on the submission of the service manager.

The project appraisal will consider:

- need
- fit with priorities
- outputs and outcomes
- potential sources of external funding
- investment risks
- affordability of capital investment and ongoing revenue consequences – Whole life costing
- deliverability

The second stage will be the presentation of the provisional scoring to the whole of CAMG who will provide challenge as required and determine the recommendations to the Cabinet via the Asset and Resources Portfolio Holder. A copy of the project scoring matrix is attached at the end of the strategy.

The Cabinet will then recommend the Capital programme to Council for approval. The Capital programme will be kept under review during the year to ensure, that the profiled investment is being delivered or the programme amended to reflect changes in profile and the capital financing assumptions remain robust in the light of outturn performance and award and draw down of external grants.

Project initiation

The Council has adopted a corporate approach to project management. At the project initiation stage the project manager will ensure the project structure is defined together with a project plan and resource plans.

Project structure

The project structure will identify the scope of the project which will determine the size and nature of the project team.

SKDC Capital Strategy 2007-11

Project plan & resources

MS Project management software is used corporately to aid the management of significant projects, together with budget management reports to monitor and manage the use of resources.

Project management

Each project will have a project manager. A project team will be created subject to the size and nature of the project, the project team will include representation from legal, finance, asset management and any other professionalism as appropriate.

Milestone/gateway reviews will be undertaken at key stages of significant projects to ensure delivery and outcomes are being progressed in accordance with the project plan, major variances will be escalated to Management Board and Cabinet as required.

Post project appraisal

To ensure that every opportunity is taken to learn from previous experiences, post project appraisal of individual schemes will be undertaken by the project team and reported to CAMG

Capital investment – management, monitoring and evaluation

Service managers are responsible for managing capital projects, including feasibility studies, contract management and post project appraisals. Support from Financial services, Asset and facilities management and Legal is provided in the form of technical advice and support. Service Managers have access to the financial ledger system, in addition, Financial services provide monthly financial monitoring reports or more regularly if required.

Progressing schemes in accordance with agreed timescales is an important aspect to managing a capital programme.

Progress of the overall programme is reviewed at CAMG who report progress to Management Board and Cabinet to enable a corporate perspective to be taken; detailed work on the housing programme is reviewed by Housing Operational and Development Group (HODG) who report exceptions to CAMG. Management Board and Cabinet will adjust priorities where it is necessary to deliver the programme.

SKDC Capital Strategy 2007-11

Corporate policies on procurement

The Council's Procurement Strategy and Contract Procedure Rules will be applied to capital investment. The Procurement Strategy incorporates key strategic aims covering:

- Corporate Procurement
- Risk Management, Policies and Procedures
- Best Value
- Training and Development
- Electronic Procurement (E-procurement)
- Procurement Management Information
- Value for Money and Efficiency Gains
- Performance Measurement and Management
- Sustainability and Well being
- Partnership Arrangements

The Corporate policies on procurement include the provision to adopt EGAN² principles where appropriate.

Capital strategy and asset management plan review

The Capital strategy and Asset Management Plan will have a fundamental review in 2011, but will be reviewed annually to ensure they remain fit for purpose and aligned to the Council's priorities.

² "Rethinking Construction" report of task force led by Sir John Egan – key principles: committed leadership; integrated teams through the delivery chain; focus on the customer; quality driven agenda; respect for people.

SKDC Capital Strategy 2007-11

Major repairs and maintenance position

| Backlog Maintenance Across Service Areas As assessed in 2006/7 | | | |
|---|----------------------------|-------------------------------|-------------------------------|
| OPERATIONAL ASSETS | Category 1 Urgent £k | Category 2 Essential £k | Category 3 Desirable £k |
| <u>Leisure</u> Condition works to Deepings LC subject to resolution of lease arrangements | 110 | - | - |
| <u>Heritage</u> Maintenance to Monuments (The Conduit) | 1 | - | - |
| <u>Unadopted Roads</u> Adoption Process to Whitley Way & Halifax Drive, Market Deeping. Adoption Process to Alma Park, Grantham | - | 150 | 300 |
| Sub Total | 111 | 175 | 300 |
| NON-OPERATIONAL ASSETS | | | |
| <u>Industrial</u> Security fencing to Graham Hill Way, Bourne Kerbing & Paving to Mowbeck Way, Grantham | - | - | 6 |
| <u>Depot</u> Fencing/gates Paving | - | - | 5 |
| Sub Total | - | 3 | 11 |
| Combined Total | 111 | 178 | 311 |

SKDC Capital Strategy 2007-11

Summary of estimated capital programme 2007/8 to 2009/10

| | Description | 2006/2007 Estimate Base | 2006/2007 Revised Base | 2007/2008 Estimate Base | 2008/2009 Estimate Base | 2009/2010 Estimate Base |
|--|--|-------------------------------|------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | | £'000 | £'000 | £'000 | £'000 | £'000 |
| <u>HOUSING INVESTMENT PROGRAMME</u> | | | | | | |
| <u>HOUSING REVENUE ACCOUNT</u> | | | | | | |
| 1 | Stock Improvements | 4,987 | 7,417 | 5,990 | 5,853 | 5,891 |
| 2 | Demolitions | 30 | 15 | 30 | 25 | 25 |
| 3 | TOTAL - HOUSING REVENUE ACCOUNT | 5,017 | 7,432 | 6,020 | 5,878 | 5,916 |
| <u>HOUSING GENERAL FUND</u> | | | | | | |
| 4 | Affordable Housing | - | 425 | 475 | - | - |
| 5 | Private Sector Renewal | - | - | 331 | 50 | 50 |
| 6 | Disabled Facilities Grant | 350 | 350 | 450 | 450 | 450 |
| 7 | TOTAL - HOUSING GENERAL FUND | 350 | 775 | 1,256 | 500 | 500 |
| <u>OTHER SERVICES</u> | | | | | | |
| 8 | Community DSP | 360 | 110 | 110 | 110 | 110 |
| 9 | Economic DSP | 3,900 | 2,016 | 2,960 | 1,000 | 1,000 |
| 10 | Engagement DSP | 720 | 600 | 120 | - | - |
| 11 | Healthy Environment DSP | 2,700 | 2,500 | 200 | - | - |
| 12 | Resources DSP | 560 | 610 | 560 | 560 | 560 |
| 13 | TOTAL - OTHER SERVICES | 8,240 | 5,836 | 3,950 | 1,670 | 1,670 |
| 14 | TOTAL - CAPITAL PROGRAMME | 13,607 | 14,043 | 11,226 | 8,048 | 8,086 |
| <u>FINANCED BY:</u> | | | | | | |
| 15 | Supported Borrowing | 800 | - | - | - | - |
| 16 | Unsupported Borrowing | 2,167 | - | 1,034 | 1,957 | 1,957 |
| 17 | Capital Receipts | 2,700 | 1,404 | 2,696 | - | 2,196 |
| 18 | Capital Grants and Contributions | 150 | 150 | 1,076 | 213 | 213 |
| 19 | Major Repair Reserve | 4,217 | 7,432 | 6,020 | 5,878 | 3,720 |
| 20 | Direct Revenue Financing | 3,573 | 5,057 | 400 | - | - |
| 21 | TOTAL - CAPITAL PROGRAMME | 13,607 | 14,043 | 11,226 | 8,048 | 8,086 |

SKDC Capital Strategy 2007-11

Fixed assets as at 31st March 2006

| Operational Assets | £'000 |
|-------------------------------|----------------|
| Council Dwellings | 297,135 |
| Other Land and buildings | 48,727 |
| Vehicles, plant and equipment | 2,721 |
| | 348,583 |
| | |
| Non Operational Assets | |
| Surplus Assets | 5,952 |
| | |
| Total Fixed Assets | 354,535 |

SKDC Capital Strategy 2007-11

Project Assessment

Project Description:

Statutory Obligation (Y/N)?

| Stage 1 Factor | Comments | Stage 2 Detailed Prioritisation | Ranking | Score | Total | Commentary |
|-------------------------|------------------------------------|----------------------------------|------------------------------------|-------|-------|------------|
| Priorities | Schemes must be linked | Each scheme to be marked | Town Centre Development | 0-4 | 0 | |
| no minimum score | to at least one of the Councils | on a Scale of 0-4(priority A) | Access to Services | 0-4 | 0 | |
| | category A or Category B | services and 0-2 (priority B) | Recycling | 0-4 | 0 | |
| | priorities | services to indicate how well | Anti-social Behaviour | 0-4 | 0 | |
| | | the scheme meets each | Communications | 0-4 | 0 | |
| | | priority. Therefore schemes | Affordable Housing | 0-4 | 0 | |
| | | which are cross cutting will | Use of Resources | 0-4 | 0 | |
| | | benefit. | Business Development | 0-2 | 0 | |
| | | | LSP & Community Strategy | 0-2 | 0 | |
| | | | Housing Management | 0-2 | 0 | |
| | | | Diversity | 0-2 | 0 | |
| | | | Maintenance of Council assets | 0-2 | 0 | |
| | | | Street Scene | 0-2 | 0 | |
| | | | | | 0 | |
| Evidence | In some cases local demands | All factors will receive equal | Local Consultation | 1-5 | 0 | 0 |
| of Needs | are in excess of national | weighting | Service Strategy | 1-5 | 0 | |
| Minimum score 5 | guidelines and strategies and | | National Strategy | 1-5 | 0 | |
| | this tries to acknowledge that | | Statutory Obligation | 1-5 | 0 | |
| | the two must be balanced. This | | | | 0 | |
| | will cover Health and Safety | | | | | |
| | related schemes. | | | | | |
| Partnership | Show that work has been done | The proportion of finance which | Evidence of 3rd party contribution | 0-15 | 0 | |
| Eligibility under | to ensure that the obtaining of | will be met by third party. The | | | | |
| existing criteria can | external finance is realistic. The | likelihood of receiving support. | | | | |
| be demonstrated | degree to which partnership will | Assessment of the value the | | | | |
| no minimum score | add value to the project | partner will add to the project | | | | |
| | | | | | | |
| Outputs | This will enable the Council to | A list of factors will be | Evidence | 0-10 | 0 | |
| & Outcomes | improve the way it reports its | established. These may be | | | | |
| These have been | work and clearly show what is | grouped. Assessment then | | | | |
| clearly identified and | being achieved. A standard list | made on what the scheme will | | | | |
| can be justified from | of outputs/outcomes will be | achieve. | | | | |
| supporting evidence | prepared so as to assist in | | | | | |
| minimum score 5 | comparing different schemes. | | | | | |

SKDC Capital Strategy 2007-11

| | | | | | | |
|---|---|--|--|-----|---|---|
| Financial | Capital costs include both works | Capital will be based on the quality of work which has been put into estimate, eg costed feasibility studies. Revenue will be based on whether the effect is positive, neutral or negative on the revenue budget. VAT impact on Council's 5% test. | Capital: Evidence | 0-5 | 0 | |
| Capital costs have been based on internal or external professional advice. Revenue implications have been properly developed. | and land purchase. Try and avoid 'guesstimates' which results in schemes requiring increased finance or having to be reduced to meet finance available. | | Revenue: Evidence | 0-5 | 0 | 0 |
| | | | | | | 0 |
| Financial | WLC aims to determine the full cost of a solution to a requirement over the full period that the requirement will exist | WLC should take into consideration acquisition costs, operating costs, disposal costs | acquisition costs | 0-5 | 0 | |
| Whole Life Costing | | | operating costs | 0-5 | 0 | |
| | | | disposal costs | 0-5 | 0 | |
| | | | high score = low costs | | 0 | |
| Financial | application of prudential indicators to assess affordability of capital | impact on Council's capital financing requirement (CFR) | 0-5 | 0 | | |
| Prudential Code | | Ratio of financing costs to net revenue stream | 0-5 | 0 | | |
| Overall financial score of 20 | | Incremental impact of capital investment decisions on the Council Tax | 0-5 | 0 | | |
| | | | | | 0 | |
| Risk Assessment | Try to ensure that not all schemes selected are high risk with the danger that there will be delays in delivery or non-delivery. | The following will all need to be considered: Technical Issues, Financial Uncertainty, Partnership Uncertainty, Planning Issues, Legal Issues | High Risk = Low Score Low Risk = High Score | 0-5 | 0 | |
| Identify the level of risk in a project not being able to proceed. | | | | | | |
| Minimum score 3 | | | | | | |
| | | | | | | |
| Timescales | | Timescale Certainty High | 4 | 0 | | |
| Minimum score 2 | | Timescale Certainty Low | 0 | | 0 | |
| | | | | | | |
| Total Score | | | | | 0 | |