



**INVESTING IN
WORTHING**

**CAPITAL STRATEGY
2010-2013**

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1. **INTRODUCTION**

- 1.1 This document sets out the Borough Council's Capital Strategy, which outlines the Council's approach to capital investment and how the Council ensures that capital investment is directed to the Council's Corporate Priorities. It also shows how we work with partners to deliver schemes. The strategy outlines the basis for the prioritisation of all capital bids put forward for inclusion in the three-year programme, including Housing, and the monitoring and evaluation of the programme. The Capital Strategy is intrinsically linked to the Asset Management Plan as a substantial amount of capital expenditure is invested in the property assets held by the Council.

1.2 **The Council's Vision and Corporate Plan 2006**

In April 2004 Worthing's Local Strategic Partnership adopted its first Community Strategy "The Town We Want". This is a ten-year plan, which will operate through to 2014 and help to deliver the vision for where Worthing wants to be in ten years' time and how some of this vision will be delivered.

- 1.3 The Corporate Plan focuses upon the areas of the Community Strategy to which the Council can and will contribute. The Council adopted its latest Corporate Plan on 7th April 2009 and this contains the Council's vision for Worthing.

- 1.4 In order to help deliver the Vision, the following objectives have been set as the Council's strategic aims for the next five years:-

Priority One: To protect and improve priority services;

Priority Two: To promote a clean, green environment;

Priority Three: To revive, regenerate and create lively economies;

Priority Four: To support and contribute to the health, safety, and wellbeing of the area.

1.5 **Three Year Capital Investment Programme**

The main purpose of the Council's Capital Investment Programme is to provide assets for the provision of services and to deliver the Council's Corporate Priorities. It is prepared by considering resources available and then prioritising capital schemes in line with Corporate Objectives and other criteria. A summary of the current Capital Investment Programme 2009/10 – 2011/12, including funding, is shown in Appendix 1. Full details can be found on the Intranet.

- 1.6 Examples of where capital expenditure will help to deliver the Council's Strategic Aims are:

1. **INTRODUCTION** (continued)

1.7 **Town Centre Master Plan £619,230**

The Town Centre Master Plan was adopted by the Council in December 2006, and a Public Realm and Seafront Strategy, and a Retail Core and Civic and Cultural Hub Strategy have been approved. Projects have commenced to direct and attract development to the town centre and seafront areas in order to deliver key elements of the Corporate Plan and Council Vision.

1.8 **Procurement of the New Swimming Pool £22,217,500**

The Council is committed to replacing the Aquarena and improving the leisure facilities in Worthing.

1.9 **Adur and Worthing Services(Worthing share) £1,157,700**

The Council is currently implementing a shared services with Adur District Council with a view to improving service standards and reducing the cost of services to residents. This includes the investment in the new refuse and recycling service, new street cleansing equipment as well as the cost of harmonising IT systems.

2. **RESOURCE ALLOCATION**

2.1 **Prudential Capital System**

The Government introduced a new system for the management of capital finance in 2004/05 contained in The Local Authorities (Capital Finance and Accounting) Regulations (2003), which became operative from 1st April 2004. The act sets out a new financial power for local authorities to use unsupported prudential borrowing for capital investment provided that the Council can afford the revenue consequences of any proposed borrowing

2.2 The key objectives of the prudential system are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. Under the regulations local authorities have been given the freedom to determine the amount of external borrowing they are prepare to undertake when considering their own capital spending and financing decisions.

2.3 The most significant change under the prudential system has been the initial determination of the limits of affordability for providing capital investment, taking into account the opportunity costs of alternative financing decisions.

2.4 **Resources**

At the outset of each Capital Investment Programme planning cycle, the level of resources available to fund the programme is reassessed in light of the most recent information. The current programme is then reviewed to establish the level of resources needed to fund the committed programme. This information is then used to establish the resources available to fund new schemes.

2. **RESOURCE ALLOCATION** (continued)

- 2.5 The current capital financing strategy is based on a mix of funding including capital receipts, capital grants, revenue contributions, use of reserves, specific one-off external contributions and Prudential Borrowing which was approved in 2007/08 to fund the new AWS refuse and recycling service and to fund “invest to save schemes”. The Capital Investment Programme Strategy assumes a phased utilisation of all available capital receipts and reserves over the three years 2008/09 – 2010/11. However, by 2010/11 there will be minimal capacity to deliver a Capital Investment Programme as the majority of capital receipts will be exhausted. Therefore, within the next 2 years the Council will need to consider extending the use of prudential borrowing to fund the capital programme if sufficient new capital resources are not forthcoming.
- 2.6 Receipts from ‘Right to Buy’ housing sales are ring fenced to fund future Affordable Housing Projects, and other specific capital receipts have been ring fenced to fund the future reprovision of leisure facilities. All other capital receipts are used to fund the prioritised capital programme.
- 2.7 From 2010/11 onwards, £1.5m of capital receipts or prudential borrowing will be made available each year to fund new schemes. Of this total the following resources will be earmarked to fund specific council objectives:
- Due to the significant backlog in property maintenance £200,000 per year will be ring fenced from the available capital receipts to fund capitalised planned maintenance schemes.
 - For 2008/9 and 2009/10 £250,000 p.a. has been set aside for any capital investment needs arising from the partnership strategy. To further facilitate the partnership project, in 2010/11 and 2011/12, £200,000 per annum be set aside for new schemes.
 - Following the consideration of the ICT High Level Business Case, £225,000 be set aside in 2010/11 to facilitate the creation of a new joint ICT service.
- 2.8 It is the Council's policy to maximise capital receipts through a review of existing property use. A rigorous approach has been adopted to the identification and disposal of surplus assets that are no longer required to meet the Corporate Priorities of the Council. The Property Review Group regularly considers the property portfolio and identifies property for sale. The Council views this as the most cost effective way to finance the capital programme. However, Worthing has a diminishing asset base and the sites remaining are the most difficult to sell.
- 2.9 Although the Council has been able to fund the majority of its capital programme from capital receipts in recent years, in future asset sales are unlikely to be sufficient to fund the capital programme. Therefore the Council will need to explore new sources of funding, particularly for major capital schemes. These could include extending the use of prudential borrowing, external funding from the various grant agencies including the national lottery distributors, S106 Agreements, Area Investment Framework funding and Private Finance Initiatives and Partnerships, including Public Private Partnerships Schemes. Examples of partnership funding are shown in 6.4.

2. **RESOURCE ALLOCATION** (continued)

2.11 **Externally funded schemes**

At any point in time the Council is actively seeking external funding towards a variety of projects, for example funding is being sought from the Football Foundation for replacement football pavilions. In addition, there are a number of voluntary organisations who approach the Council for partner funding towards a scheme, for example Broadwater Community Association are seeking funding towards a new community centre.

The Council's policy is not to include these schemes in the overall programme until such time as the other sources of funding have been confirmed. This is specifically to address issues over slippage within the programme and to avoid the Council entering into an open-ended commitment which then deprives other important schemes of resources. However, it is vital that when such schemes have secured sufficient partner funding, that the council has the capability to fund its share of the overall scheme cost and can add such schemes to the programme if it desires.

To facilitate these schemes, the council ring-fences £500,000 of the overall capital receipts available which can then be used to fund such schemes as they are identified. These schemes can only be added to the programme if they meet the Council's overall objectives. Each scheme must be accompanied by 'scored' bidding proforma.

2.12 **Invest to Save**

In 2006-07 the council introduced an 'invest to save' scheme. This provides capacity within the Council to generate efficiency savings. The Council will consider capital proposals which produce revenue savings that exceed the cost of borrowing by at least 10% over the life of the investment. The cost of these schemes can be funded from prudential borrowing as the revenue costs of borrowing will be funded by the on-going revenue savings. These schemes can be approved at any time by the Cabinet. Examples of projects are energy efficiency schemes whereby the reduction in energy costs may be sufficient to repay the borrowing costs. Any such scheme is to be subject of a full option appraisal over the life of the asset, which should consider the whole life cost implications of the proposed investment and be considered by the Cabinet as part of the approval to spend.

2.13 **Value for Money**

Getting value for money is a key priority for the Council and the Capital Investment Programme should provide high quality, value for money public services. The Council recognises that best value is based on whole life costs and therefore the on-going revenue implications of capital spend are identified when bids for capital resources are assessed and when schemes are approved; when a new capital project is proposed any impact on revenue expenditure is anticipated and costed. These revenue costs are used to inform the revenue budget planning process and are considered alongside other priorities in the revenue budget when the overall budget is set. Costs to be assessed include the opportunity cost of using the resources, the interest earnings foregone by utilising reserves and capital receipts, and any additional revenue costs or savings arising from the investment.

3. **PRIORITISATION**

- 3.1 In order to ensure that resources available for capital investment are used efficiently and effectively, the Council prioritises all capital projects in line with corporate objectives, priorities and other criteria using a prioritisation model, which is outlined in Appendix 3.
- 3.2 This is achieved by the submission of bids for capital resources for the next 3 years of the capital programme and the reserve list on a standard questionnaire (Appendix 2). The bids are priority scored using the prioritisation model (Appendix 3) and collated by the Capital Working Group who prepare a summary presented in priority scored order to the current Senior Management Team for their consideration and comment. This process includes all elements of Capital Investment including Housing.
- 3.3 The resulting draft programme is then shared with leading Members of the controlling Group and a report drafted for the Cabinet who make the decision as to the final programme, in relation to the resources available. This is then subject to the Council's ratification.
- 3.4 Bids for additional resources will only be considered where they accord with the Capital Strategy, and where the authority has taken into account ongoing commitments and conformity with Strategic Objectives, Service Plans and other criteria in relation to its capital needs and other resources. Schemes which are considered for inclusion in the capital programme outside the annual bidding process are also "priority scored" to ensure that they meet the priority score which would include them in the capital programme for the relevant year.
- 3.5 Each year after the 3 year capital investment programme has been agreed by the Council, the Capital Working Group reviews the prioritisation process. If necessary, the capital bidding documents and process are amended to ensure that corporate objectives and priorities, and the benefits and impact of schemes are adequately reflected in the prioritisation procedure.

3.6 **Option Appraisal**

Option Appraisal is an essential part of the prioritisation process and enables the Council to make informed, transparent and consistent decisions about the capital projects to be taken forward.

The Council's current policy on Option Appraisals is as follows:

- (i) Individual projects costing under £100,000 – Officers are asked to consider other options (including capital and revenue implications) as part of the Capital Bid Submission.
- (ii) Individual projects costing between £100,000 and £500,000 – Option Appraisals are completed in house by the project team. These should consider the whole life cost implications of the proposed investment and must be considered by the Cabinet or Cabinet Member as part of the approval to spend process.

3. **PRIORITISATION** (continued)

- (iii) Individual projects costing in excess of £500,000 – Option Appraisals are completed using external consultants where appropriate. These should include the whole life cost of the proposals and will need to be ratified by Cabinet before giving approval to spend.

Grant programmes such as affordable housing and disabled facilities grant are excluded from the requirement to undertake detailed option appraisals.

3.7 **Scheme Approval**

Every year a draft 3 Year Capital Investment Programme is submitted to the Cabinet in November/December and recommended to the Council in December. The report identifies schemes where expenditure has been committed costing in excess of £100,000 necessitating approval as a Key Decision; schemes costing £100,000 or less where expenditure has been committed; and future schemes for the three years under consideration. It also compares the revised outturn for the current year with the original estimate. Final amendments are made to reflect changes in timescales and cashflows, and to ensure the production of a balanced programme in accordance with the overall resources available for funding, prior to submission to the Budget Council Meeting in February each year.

- 3.8 Schemes costing £100,000 or more require a report to be prepared for the Cabinet or Cabinet Member outlining details of the scheme and the capital and revenue implications. The Executive Head of Financial Services has delegated approval for schemes costing under £100,000. This is achieved by Officers responsible for capital projects completing a Project Initiation Document (P.I.D.) (Appendix 4), comprising of a Capital Bid Sheet, Project Plan and Project Estimate Form. The P.I.D. is then approved by the Executive Head of Financial Services and one other Executive Head of Service of the Capital Working Group, subject to not signing schemes for which they are responsible. No scheme can proceed without either an approved P.I.D. or an Approval Report.
- 3.9 The programme is updated each year in July as a result of the financial outturns following the closure of the previous year's accounts, which are reported to Members in the early summer. Any slippage or works completed ahead of schedule are quantified in budget terms, and approval is sought to make the necessary financial adjustments to the approved budget.

4. **FRAMEWORK FOR MANAGING, MONITORING AND EVALUATING THE CAPITAL PROGRAMME**

- 4.1 Detailed management, monitoring and review in terms of both the delivery of Service outcomes and Corporate Objectives and financial performance is the responsibility of the Capital Working Group, working in conjunction with Executive Heads of Service. Quarterly progress reports incorporating any recommended variations to the Programme, financial monitoring reports and completed project evaluations are submitted to the Council's current Senior Management Team, the Cabinet and the Overview and Scrutiny Committee's Performance Issues Panel. Any 'learning' arising from the monitoring/review process is used to inform the strategy on an ongoing basis. The Council's Financial Regulations stipulate how the financial aspects of the capital programme and each capital scheme should be managed and the Capital

Working Group ensures compliance with these requirements. The principles set out in 'Rethinking Construction', the Egan principles, are being followed in all Housing Schemes and increasingly in our own construction programmes.

5. CONSULTATION

5.1 Worthing Borough Council is committed to consulting with the community, its partners and service users on the key issues affecting the quality of life in Worthing. It has always been important to ensure that resources and services are designed, delivered and improved to meet the changing needs and expectations of our community, our partners and our service users. To achieve this commitment the Council consults and involves the community on any major or controversial capital schemes and will make its policies, decisions and services more accessible to comment from residents, businesses, agencies and major partners. Examples of areas where recent consultation exercises have been completed include:

- Leisure Facilities;
- Play area provision in Goring Ward;
- Cycling on the promenade;

6. PARTNERSHIP WORKING

6.1 The Council recognises the importance of partnership working in delivering its own corporate priorities as well as those of many organisations, public and private and is actively developing partnership working, especially when it is considering capital expenditure to "add value" to all that it does. The Council is aware that it does not work in isolation and that it must ensure that it looks outward to working with the community, its residents and partners, in order to identify and act on local priorities to improve the wellbeing of Worthing Borough. Tackling cross cutting issues, in particular, regeneration, community safety, social exclusion and sustainable development require a joined up approach across local authority service teams, other authorities and agencies, the private sector and also our voluntary sector partners.

6.2. In July 2007 Adur District Council and Worthing Borough Council took the decision to create a single officer structure and provide shared services for the two Authorities. Full integration of services is expected to take up to 3 years and produce significant savings from a reduced officer structure, changing business systems and working more economically.

6.3 Worthing Borough Council also has a history of working successfully together with other neighboring Authorities on a range of activities including housing, coast protection and regeneration. The Council continues to work closely with the Health bodies, Police and other organisations that can contribute to meeting its strategic objectives. In this regard, there has been a much closer working relationship forged with Health and Social Services to provide a more integrated service, especially in Housing.

6.4 Therefore, by working together in partnership with others the Council seeks to influence work to ensure that all opportunities are maximised to the full benefit of the

residents of the Borough, so that the authority can be satisfied that it is maximising all funding opportunities and achieving efficiencies wherever possible.

6. **PARTNERSHIP WORKING** (continued)

- 6.5 The Council has many partners with whom it currently works and the potential for many more. The following are some examples of the areas where work is currently being undertaken with other Councils and partners:

Adur/Worthing	Joint delivery of services including: <ul style="list-style-type: none">• Refuse and recycling• Street Cleansing• Financial Services• Customer Services
Arun D.C./W.S.C.C./Police	Security Action for the Elderly (SAFE) Scheme and Home Handyman Service
British Gas	Energy Efficiency Grants
Maybridge Keystone Club/WSCC	Community Facilities
Registered Social Landlords (Housing Corporation)	Approved Development Programme
Adur / Arun/ Crawley/ Horsham/ Mid-Sussex Councils	Warmfront grants
West Sussex County Council	Community Strategy, Help Points, Highway matters
West Sussex County Council and Sussex Police Authority	Community Safety
Worthing Primary Care Group	Local Health Improvement Programme
Various maritime authorities from Selsey to Beachy Head	Coast Protection – Strategic Monitoring Project for the South East

6.6 **Private Finance Initiatives / Public Private Partnerships (PFI/PPP)**

The Council believes that if these options are available it will actively pursue any new areas in an attempt to add value to any capital expenditure or commitments. The Council completed a Car Parks PPP with NCP in April 2004.

7. **LINKS TO OTHER STRATEGIES AND PLANS**

- 7.1 The overall capital strategy stands above the more operational strategies that are needed for key services, such as Housing, Leisure, Environment, and other locally determined blocks of spending. The capital strategy does not sit in isolation but is informed by and informs other strategies. It provides a basis upon which other strategies can be developed and devised. The links between these strategies are extremely important.

7. LINKS TO OTHER STRATEGIES AND PLANS (continued)

- 7.2 The Council has identified the following major Strategies and Plans which have been approved or developed; Corporate Plan, Asset Management Plan, Best Value Performance Plan, Community Strategy, Community Safety Strategy, Cultural Strategy, e-Government Strategy and Implementing Electronic Government Statement, Economic Development Strategy, Housing Strategy, Information and Communications Technology (I.C.T.) Strategy, Leisure Strategy, Local Plan, Local Transport Plan, Local Waste Management Strategy, Procurement Strategy, Single Regeneration Budget, Emergency Plan and Coast Defense Strategy, Public Realm and Seafront Strategy and Civic and Cultural Hub Strategy.

7.3 Link to the Housing Strategy

The Council's Housing Strategy provides detailed objectives for the way in which the Council plans to meet the housing needs of the Borough, including the financial resources required to delivery the Housing Strategy, and therefore informs the Capital Strategy of the funding required.

7.4 Link to the Asset Management Plan

The capital strategy provides the policy framework for the operational work of asset management. Corporate asset management planning covers all the council's assets and should result in a realistic, costed 3 - 5 year programme linked to outputs. The authority has developed performance measures in asset management, comparing these internally – between services and over time, - and benchmarking performance against other authorities and the private sector where possible. The Asset Management Plan forms an important part of the Council's Capital Strategy. The Property Review Group has a remit, which includes preparing, revising and monitoring the Asset Management Plan in order that information can be obtained in accordance with the guidance.

7.5 Link to the I.C.T. Strategy

The developing ICT Strategy is a critical link between the Council's Corporate Plans, Central Government Initiatives and Information Technology and is therefore an integral part of the Council's business planning process. However, future I.C.T. capital investment must take account of resources available for future funding and be seen to offer value for money, and is informed by the Capital Strategy.

8. PERFORMANCE MANAGEMENT AND MEASUREMENT

- 8.1 In addition to adopting the Best Value Performance Plan and the Property Performance Indicators as set out in the requirements for Asset Management Planning, the Council has developed a range of local performance measures to inform various aspects of the Council's Capital Programme. The overall performance of the capital programme, including post-scheme evaluation of projects, is overseen by the Capital Working Group as detailed in Section 4.

9. **REVISING THE CAPITAL STRATEGY**

- 9.1 The Capital Strategy is reviewed annually; adapting to the review of the Council's Strategic Objectives and the Best Value Performance Plan. It does not need to be overhauled annually so long as the existing documentation remains valid. However, the Council reviews the allocation of its Capital Resources on an annual basis to ensure that its programme of investment is in line with the actual resources available to support its spending needs and priorities.

10. **SUMMARY**

- 10.1 The Council will continue to prioritise its capital spending in line with its corporate priorities and other criteria, recognising that a commitment to partnership working remains a significant part in the Council's overall approach. New and innovative ways of increasing capital finance will continue to be explored in the light of the new Prudential System for Capital Finance. The Council will annually review its approach to capital expenditure having regard to outcomes of Service Reviews and Inspections, and outcomes of the Best Value Performance Plan.