Walsall Council	**Capital Strategy** **Updated : June 2016**

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1. Introduction

The council has an asset portfolio of around £534m. We manage these assets as custodians to the residents of Walsall in order that the council can provide services to the public. The authority needs to actively manage these assets in order to ensure that value for money is achieved from their use. In order to establish the parameters within which these assets are managed, it is necessary that a strategy is produced to enable overall plans to be developed. This inevitably involves matching the resources available against the constantly changing demands on the council's assets. Over the previous five years, the council has spent on average c£47m per year, adding to, maintaining and improving the council's stock of assets.

Past governments have been keen for local authorities both to manage and rationalise its stock of property, both to generate income and to ensure that its stock is "fit for purpose".

At an economic level, even though the government have virtually tripled the level of capital receipts expected from disposals in recent years, in reality opportunities for generating capital receipts have significantly diminished. Similarly, with the bank base rate remaining low at 0.5% until September 2016 when they are expected to rise to 0.75%, the council is currently struggling to generate an adequate income flow from any cash receipts generated.

2. Government Funding Issues

The success that Walsall has had in securing a wide range of external funding will be harder to achieve as many of the sources of funding will soon stop or at best be significantly reduced.

The financing for capital expenditure on new investments is heavily reliant on grants and other funding received from the government. It is acknowledged that government policy in the short term is not to spend to offset the effects of the recession and capital expenditure will not be a tool to keep the economy running. The government is clearly, in the medium term, planning to reduce government financed capital spending. It should also be borne in mind that most new, rather than replacement investments bring with them additional revenue commitments which must be evaluated against a background of reductions in government revenue grants.

There will be significant pressure on existing services. This means that projects must be costed over the lifespan of the proposed asset. With the ongoing reduction in government spending on local government anticipated, this leaves no doubt that the pressure to achieve quantifiable operational efficiencies in the public sector is even greater. In the current economic climate this challenge is exacerbated by tightening investment budgets and an increasing demand for demonstrable value for money. These efficiencies need to be reflected in the council's approach to the capital programme.

In the short term whilst overall activity is likely to remain unchanged, the general feeling over the medium term is that capital activity is likely to be scaled back. Walsall needs to position itself to capitalise on new funding opportunities such as the Regional Growth Fund. Furthermore, the basis on which funding is provided and generated may necessitate the use of increasingly complex delivery vehicles to lever in additional public private investment.

The Capital Strategy outlines the council's approach to capital investment ensuring that it is directed to the council's corporate priorities. It is good practice that capital strategies and corporate asset plans are regularly reviewed and revised to meet the changing priorities and circumstances of each authority.

3. Prudential Guidelines

All of the council's capital activity must also be viewed in the context of the Prudential Code for Capital Finance in Local Authorities (introduced through the Local Government Act 2003), where the key principles of **sustainability**, **affordability** and **prudence** must be taken into account when considering capital options. Each year the council agrees a set of prudential limits and indicators to demonstrate that the authority can meet these objectives. This necessitates the development of a Capital Strategy that aims to demonstrate how the council's capital programme supports corporate priorities and outlines the framework within which we intend to deliver those priorities. In essence, the Capital Strategy forms the link between the Medium Term Financial Outlook (financial resources available) and the Asset Management Plan (AMP) (how assets are used) and should be considered in relation to those documents.

4. The key objective of Walsall's Capital Strategy

The key objective of the Capital Strategy is to deliver a capital programme that:

- Ensures the council's capital assets are used to support the delivery of priorities within the Corporate Plan and the council's vision,
- Links with the council's Asset Management Plan,
- Is affordable, financially prudent and sustainable,
- Ensures the most cost effective use is made of existing assets and new capital investment, and;
- Supports other Walsall service specific plans and strategies

In practical terms the basic approach is to:

- Maintain existing assets to meet the needs of the services and people that use them,
- Evaluate options for disposal of surplus assets,
- Develop sustainable, cost effective new assets in response to the council's priorities.

However there will be increasing emphasis on:

- Investing in activity that unlocks external investment in the borough,
- Investing in service redesign to drive out long term revenue savings,
- Investing in the creation of an efficient and effective operational estate,
- Investing in assets that support the strengthening of the borough's economy,
- Investing in assets to grow future income streams for the council.

5. Council Vision and Objectives

The capital budgets within the Capital Strategy support the key themes of the council's Corporate Plan. Each capital proposal is required to set out clearly on its appraisal/mandate form how the project links to council priorities.

Walsall council's agreed vision and priorities are outlined in the Corporate Plan 2016-2020 as approved by Council on 25 February 2016, and referred to in the Medium Term Financial Strategy.

To ensure wellbeing, five main priorities have been established in the plan that are supported by a number of ambitions –

- Supporting business to thrive and supporting local people into work
- Improving health and well-being, including independence for older people
- Creating safe, sustainable and inclusive communities
- Improving safeguarding, learning and the life chances for children and young people
- Create a modern, dynamic and efficient workforce

6. Key Areas of Capital Programme

There are a number of key areas of capital expenditure within the authority, and these are outlined below:

Adult Social Care
Funding is centred on specialist facilities to allow service users currently placed in facilities outside of the borough, and new service users, to access services within Walsall which give them the skills and support they require to return to their own homes, either with no ongoing support or with a relevant

individual budget, maintaining their independence within their local community.

The new Mozaic system will hold electronic records of client details, support plans and service being provided/accessed, to be used by all social workers. This will enable the move away from paper files, reduce the amount of physical storage space required, and ensure standardisation of records, including the allocation and monitoring of personal budgets for service users.

Change and Governance
Investment in the council's critical business infrastructure will support modern business practices and a phased plan that implements the new ways of working and organisational structures and processes in a way that is controlled and governed by the Cabinet and Corporate Management Team. There will be support for the transformation agenda and the provision of infrastructure to assist front line services to provide more efficient and accessible services. This includes IT planned replacement and upgrade, review of data security systems, and data centre air conditioning.

Investment is also provided to maintain operational capacity of the authority's premises through a rolling planned maintenance programme in order to meet legislative requirements and support developing service provision.

The housing programme helps improve homes for disabled clients enabling them to stay in their homes giving them independence and security, it also helps to improve the private housing stock to enable affordable housing and improve the standard of currently occupied private sector housing. The council, together with the use of disabled facilities grant, assists disabled clients to maintain independence, including health through warmth and related retro fit schemes.

Children's Services
The service is currently undertaking a review of family and children's centre provision, along with ongoing support to schools via external funding.

The education capital programme contributes to the delivery of the local authority's vision for education in nursery, primary, secondary and special schools; the raising of standards and opportunities for all Walsall pupils; anticipated changes in school population and curriculum needs; and delivering the council's landlord duties in community and voluntary schools.

Dedicated schools grant and capital allocations will provide improvements and essential maintenance at Walsall schools, improving accommodation for teachers and pupils and helping to raise educational achievements.

New capital funding for 2016/17 amounts to £7.4m. This includes basic need, devolved capital and capital maintenance allocations for general maintenance of school buildings.

Economy & Environment
There are a number of leisure based schemes, many of which are funded from external resources. The Active Living leisure centre schemes at Bloxwich and Oak Park are planned for completion by early 2016/17. There is also plans to enhance technology in libraries, including the use of digital access linked to revenue savings. The council is also seeking options for the co-location of heritage services onto one site, subject to the secure of external funding.

Within Bereavement Services, funding has been made available for the restoration of unsafe memorials.

There continues to be major investment from the local transport plan, into red routes and bus showcase projects, and further investment in maintaining the highway network. This investment in our roads increases the potential for regeneration within the Borough, creating opportunities and helping to reduce worklessness in Walsall. There is also commitment to energy efficiency measures to convert traffic signals and street lighting to LED operation.

The environmental regeneration programme delivers key environmental and heritage regeneration investment priorities developed through the Strategic Regeneration Framework and provides match funding to attract external grants such as European Regional Development Fund, Advantage West Midlands, Heritage Lottery Fund and Big Lottery Fund.

In late 2014, the Black Country Local Enterprise Partnership (BCLEP) was successful in securing £138m from Central Government's Local Growth Fund to support economic growth in the Black County up to 2021, including a number of capital projects that would unlock growth for the area, with £29m received for 2015/16 and £44m for 2016/17. With the Growth Deal Expansion and the pre-committed Local Transport Board Funding, there will be a total investment of £162m of Growth Deal Funding between 2015 and 2021. This substantial investment from Central Government is anticipated to bring forward at least £312m of additional investment from local partners and the private sector, to create a combined total new investment package of £451m for the BCLEP. By 2021, the Growth Deal is anticipated to create: 5,000 new jobs; over 1,400 new homes; 3,200 additional businesses helped to grow and; 7,000 additional learners supported to develop skills needed by businesses. This deal includes the £64.5m scheme for Junction 10 of the M6, which includes new bridges, signals and slip road improvements to reduce accidents and congestion.

7. Links to other relevant Strategies and Plans

The council's overarching document is the Corporate Plan into which links the Corporate Asset Management Plan, all Service Asset Management and

Service Plans. The capital project prioritisation process devised has also been aligned comprehensively to the corporate priorities, service/operational plans and the budget process.

In addition to individual service/operational plans, the other main strategies and plans influencing the capital strategy are:

- Schools Asset Management Plan;
- Children Services Plan;
- ICT Development Plan;
- Joint Investment Plan with the Health Authority;
- Local Transport Plan;
- Waste Management Strategy;
- Environment Strategy.

8. Key Partners and Cross Cutting Issues

The council works closely and successfully with a wide range of partners. This effective contribution to cross cutting capital investment initiatives enables a joined up approach to securing external bidding and making effective use of assets through multi use where appropriate. This approach achieves maximisation of resources and ensures stakeholder priorities are addressed and implemented. We will continue to support our partners through either match funding and/or direct capital investment to assist the partnership to achieve its defined outcomes.

9. Approach to investment prioritisation

The Capital Programme 2016/2017

The 2016/17 capital programme was approved by Council on 25 February 2016. This also included the draft capital programme for the period 2017/18 to 2019/20 which is subject to annual review based on available funding.

<u>**Identification and prioritisation of Capital Investment Needs**</u>

The basis of the capital programme is driven by the budget and service planning process. This process begins early in each financial year, usually around May/June.

The size of the capital programme is determined by:

- The need to incur capital expenditure
- Capital resources available
- The revenue implications flowing from the expenditure.

As part of the budget and service planning process, services are required to review capital needs locally at directorate capital and asset groups, and to align with service priorities. Where directorate capital and asset groups agree these requirements, then a formal ‘capital mandate’ form is required to be completed for each proposal for initial assessment. These mandates are required to be completed by the end of June, and will include the following information:

- Project background, including context, key dates and requirements
- Project objectives and outputs
- Scope of the project
- Outline business case, including justification of the project, draft profile of spend by financial year, source of funding, and revenue implications
- References to background papers and key documentation
- Anticipated project sponsor and project manager
- Interested parties, including users and stakeholders

All project mandates are collated for reporting to the Asset Strategy Group (ASG) in July, who agree to support projects linked to council priorities and against available resources, subject to a detailed business case being completed for larger schemes requiring more information in support of that provided in the project mandate form.

Business cases, where requested to be completed, will be required to be returned by early September for formal review and assessment. A business case will include more detailed information on the proposed scheme, along with options where applicable, and would expect to include the following:

- Why the project is proposed?
- Options appraisal
- Preferred option and financial information
- Assumptions and dependencies
- Review of risks
- Key milestones
- Outcomes – savings and benefits
- Governance and project management

Capital Projects Priority Assessment

Proposals of a capital nature require rigorous appraisal and testing before they can be considered. All project mandates / business cases are assessed against agreed criteria based on corporate council priorities. We will refer to council priorities in existence at the time of completion. For the 2016/17 budget setting process, the following council priorities outlined in the corporate plan were used:

- *Support with cost of living*
- *Creating jobs and helping people get new skills*
- *Improving educational achievements*

- *Helping local high streets and communities*
- *Helping create more affordable housing*
- *Promoting health and wellbeing*

Other priorities referred to:

- Addresses policy
- Return on investment / Asset management – schemes that unlock external investment in the borough; drive out long term revenue savings; support the strengthening of the borough's economy; delivers an efficient and effective operational estate linked to the asset management plan; invests in assets to grow future income streams for the council.
- Capital insurance reserve – to protect the council's position, for which funding is available should the need arise to draw it down.
- Priority schemes for which external funding can be drawn down and which may or may not require a contribution from the council's own resources.

The ASG, lead by the portfolio holder for Economy, Infrastructure and Development, and Leader of the Council, review the draft list of projects for inclusion in the draft capital programme for formal reporting to Cabinet.

Cabinet determine the projects to be included within the capital programme in the light of the relative priorities and the overall impact on the revenue budget. Schemes that require use of the council's own capital resources (such as prudential borrowing or capital receipts), are categorized according to the following, in order to assist the decision making process:

- **Level One Priority –** relates to schemes that are unavoidable to meet statutory and legislative requirements in the provision of services. It includes items such as health and safety, new legislation etc. By their nature, these schemes are a first call on available resources. It also includes supported borrowing allocations which are ring fenced to a specific programme of activity.

- **Level Two Priority –** relates to schemes that unlock external investment in the borough; drives out long term revenue savings; support the strengthening of the borough's economy; delivers an efficient and effective operational estate linked to the Asset Management programme; and invests in assets to grow future income streams for the council.

Assessment of Proposals and Timetable

Capital proposals are reviewed at budget review meetings which take place between July and October each year and are attended by the Leader of the council, portfolio holder members, corporate management team members, the chief financial officer and service representatives as required. At these meetings the overall budget of each service is reviewed and new proposals for revenue and capital investment considered. Capital bids are assessed based on information set out in the capital mandate and business case as described above. The council's policy is to agree the capital programme on an annual basis at the Council meeting in February. Once approved, the budget report is made available on the council's website, and published on the finance pages of the council's intranet. The timetable for capital proposals proceeding into the capital programme is as follows:

Date	**Action**
May/June	Directorate Capital and Asset Groups develop project mandates linked to directorate asset management plans
End June	Submission of capital mandates to finance for consolidation against available resources
July	ASG consider all capital mandates and provide a steer on those they are prepared to support linked to council priorities, and those requiring a business case to be completed.
End August/Early Sept	Submission of business cases for assessment against agreed criteria
Early Sept	ASG review list of projects based on business case assessment, and recommend a draft capital programme for reporting to Cabinet
Sept/October	Draft capital programme considered at informal Cabinet/CMT budget review meetings
October	Draft capital programme included in budget report to Cabinet
October/Nov	Scrutiny consultation on budget proposals
December	Budget consultation feedback to Cabinet
February	Cabinet considers and recommends final capital programme to Council
February	Council approves capital programme

The first step in the assessment of capital proposals is to divide capital bids into two groups determined by the way in which the proposal is to be funded, as follows:

- Specific capital schemes which attract external funding or already have identified capital funding such as supported borrowing allocations, grants, section 106 funding, partnership funding or revenue contribution and therefore have no capital resource implications for the council, but may have revenue implications;
- Capital proposals which require capital funding from the council's own resources via either prudential borrowing or capital receipts.

10. Funding sources and investment decisions

Borrowing

The council seeks to minimise the level of borrowing required to finance capital expenditure by maximising grants and contributions received and ensuring that any surplus assets are sold. The council can decide how much they borrow to fund the capital programme. The current policy is to borrow the amount that the council consider to be prudent and affordable. In the context of the council's MTFO and the projected government grant settlements, the chief finance officer (CFO) takes a prudent view of the overall resources available for the capital programme.

The Local Government Act 2003 replaced the previous system of local government capital finance with a new one, known as the Prudential Regime from 1 April 2004. In the prudential regime each local authority must decide their individual borrowing limits. These must take account of the authority's financial situation, medium term plans and in particular affordability, as funding capital expenditure has an ongoing revenue cost which must be met from either council tax or the revenue support grant.

Walsall council has adopted the Prudential Code of Capital Finance for Local Authorities, and specifies those indicators that the council must consider as a part of their budget setting process. These are regularly reported to Cabinet and are included in the annual budget report to Council and have become an increasingly important aspect of the annual budget setting process.

Specific supported borrowing
Government allocations for education and highways will be used to support the priorities in the relevant service. The reason for this policy is that government allocations are calculated following an assessment of need based on statistics relating to Walsall; or from the local needs laid out in the education basic need, condition and sufficiency assessments, asset management plans or local transport plan. The government awards the revenue funding to pay for this additional borrowing through the annual revenue support grant. However, the grant settlement announced in December 2010 stated that there would be no supported borrowing for two years from 2011/12, and no further allocations have been announced following this.

Unspecific supported borrowing
The unspecific supported borrowing allocation is also part of the government's capital allocation to the council that it funds via revenue support grant. But this element is not service specific so it is used as a general mainstream resource. As above, no supported borrowing allocations have been received from 2011/12.

Unsupported Borrowing – Prudential/Unsupported Borrowing (USB)
In accordance with the MTFO, Prudential or USB can be used in the following circumstances:
- For schemes of strategic importance to the council;
- To cover temporary cash flow requirements in advance of a capital receipt;

- To support invest to save schemes, where there is a defined and appropriate payback period.

The CFO will make an assessment on the overall prudence and affordability of the total borrowing requested, alongside the approved Treasury Management Strategy (TMS). The impact of this borrowing on council tax will be reported in the TMS alongside the prudential indicators required by the Prudential Code of Practice for Capital Finance in Local Authorities. The view of the CFO will be fed into the corporate bidding process so that should the borrowing levels be unaffordable or not prudent, then the schemes are prioritised against the available funding from borrowing.

Capital Receipts

A capital receipt is an amount of money exceeding £10,000 which is generated from the sale of an asset. The need to generate capital receipts is a fundamental part of the asset management strategy. Rationalisation of asset portfolio has benefits such as reducing revenue costs relating to surplus assets and also releases assets for disposal.

Capital receipts are an important funding source for the capital programme. The council's policy is to treat all capital receipts as a corporate resource, enabling investment to be directed towards those schemes or projects with the highest corporate priority. This means that individual services are not reliant on their ability to generate capital receipts.

The council funded programme (that part of the capital programme funded from the council's own resources) is influenced by the level of capital receipts. The asset management team, in partnership with services will review all of the council's property against a number of objective categories as laid out in the property strategy and the corporate asset management plan. Any properties which do not score adequately will be reported to Cabinet, seeking approval to place them on the surplus property list, and sell them.

The protocol around earmarking of capital receipts is outlined in section 6 (P) of the MTFS.

In the Spending Review 2015, the government announced that it would introduce flexibility for local authorities to use capital receipts from the sale of non-housing assets to fund the revenue costs of service reform and transformation. This was confirmed in the final settlement for 2016/17. This could be used to fund the costs of transformation of services that "generates ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners". Guidance suggests that an authority should have at least one 'Flexible use of Capital Receipts Strategy' (rather than an 'Efficiency Strategy'), but that this does not have to be a separate document and could be part of the annual budget documents; or it could be part of the Efficiency Plan linked with applying for a four-year Settlement, to be developed in advance.

Revenue Funding

Services may, in exceptional circumstances, and where approved by the CFO (or CFO nominee) and portfolio holder, use their revenue budgets to fund capital expenditure. This is classed as a 'Revenue Contribution to Capital' and an approval form/capital financing report is required to be completed.

External Funding

Services must seek to maximise external funding wherever possible to support capital schemes, where this supports council priorities. This can be in the form of grants and contributions from outside bodies including central government. Where external funding is secured, officers will need to ensure an exit strategy is produced to ensure the smooth transition for when the external funding ceases, including the effect on staff where applicable.

Leasing

The council may enter into leasing agreements to fund capital expenditure. However, a full option appraisal and comparison of other funding sources must be made and the CFO must be certain that leasing provides the best value for money method of funding the scheme.

The council leases vehicles and equipment through a comprehensive programme of asset renewal. This is done through operating and finance leases, funded through revenue budgets and considered as part of the revenue budget planning process. All service area's leasing requirements must reflect the service requirements, aims and objectives. In addition, the council leases accommodation to meet operational requirements.

Alternative Sources of Capital Funding

The council will continue to examine innovative ways of raising capital funding through initiatives such as the Private Finance Initiative, Public Private Partnerships, Asset Backed Investment Companies, NHS LIFT (Local Improvement Finance Trust).

PFI and PPP

Option appraisals for significant projects must always consider whether PFI/PPP would be an available/appropriate source of funding. The large scale nature of some PFI/PPP projects may impact upon apparent capital priorities for the service. However, this does not exempt such schemes from the normal capital programme processes and policies.

11. Managing the Capital Programme

Demands for capital resources to meet capital investment needs will inevitably exceed the available resources. The council has therefore a robust mechanism in place to assist decision making to prioritise the use of capital resources.

The council's contract/financial procedure rules and constitution provide a clear framework on how all capital projects are to be managed. The diagram in **Appendix A** summarises the approach taken for schemes that have been approved in the capital programme.

Regular monthly monitoring reports are submitted to directorate management teams and then to Corporate Management Team, and quarterly to Cabinet and scrutiny, showing actual expenditure compared with budget. This enables high-level scrutiny of the delivery of capital objectives against the plan and for action to be taken to ensure the longer term programme reflects emerging priorities.

The capital forecast is also reported on a monthly basis to Asset Strategy Group as part of a Finance Update report, including progress on capital receipts, and related capital issues.

The council's corporate project management procedures must be followed for the implementation of all capital projects. The extent to which the tools and procedures are implemented depends on the size of the project and to what extent it has a discreet life, some rolling programmes may have exemption. Project managers are required to be trained in project management skills.

When an asset becomes operational the asset objectives are quantified and linked to a range of local and statutory property performance indicators. This approach enables all stakeholders to determine how effectively assets are being used in the provision of services and their impact upon the efficiency of those services. These performance indicators are reflected in the Asset Management Plan.

When capital schemes are completed, a project completion report is constructed comparing the predicted and actual outcomes of the project, including financial issues. This is only expected for large scale projects with a clear start and end date, and is not applicable for rolling programme schemes. Project managers are required to explain variances. The data in the project completion reports are collated to provide and monitor performance information for council-wide capital investment. This will be used to benchmark our performance in relation to capital investment against other councils. This will enable the council to improve capital investment performance. For example, an investigation into the causes of contractual carry forwards has led to capital investment projects being completed more quickly, so stakeholders can use the asset for service delivery at an earlier date. In addition, benchmarks are used to assess the value for money of capital investment which enables us to assess achievements against corporate and service objectives.

Through the council's performance management arrangements, if performance targets are not being achieved services have to take corrective action to improve future performance. **Appendix B** provides details on the roles and responsibilities of officers, and groups in relation to managing the capital programme.

It is recognised that the council needs to retain an element of flexibility within its capital planning processes and that projects may arise outside of the annual timetable and process.

Any schemes which arise during the year outside the normal budget process will only be considered for borrowing or funding from central resources if they meet a key service need and one or more of the following criteria:

- The location of the property to be purchased will bring added value to the estate
- The requirement for the project is an unavoidable service demand which could not be anticipated in the normal planning processes
- There is a limited time span when the opportunity is available
- There is no flexibility within the service's existing capital or revenue allocations to enable the project to proceed.

To support in year opportunities and commitments the authority will hold a central contingency/project reserve which is administered by corporate finance. Projects that were deemed worthwhile through the bidding process may be held on a reserve list and commenced if sufficient funding becomes available in year.

The protocol around funding unforeseen projects and use of contingency is outlined in section 6 (K) of the MTFS.

The potential use of contingency and reserves for specific projects will be reported to ASG. This will also include the request to use council funds as match funding towards external funded schemes, and the funding to support essential works including health and safety schemes that cannot be programmed at the start of the financial year.

Establishment of Asset Reserves

The council will establish and maintain two reserves to support capital spending – the Projects Reserve, and the Asset Investment Reserve.

The Projects Reserve

This Reserve will provide resources to supplement both the revenue budget of the council and provide resources for major capital projects where necessary. The council has no existing policy to replenish the balance in this reserve, as it relies on the receipt of windfall income and increases arising from under-spends on the council's revenue budget.

Strategic Capital Investment Reserve
The Strategic Capital Investment Reserve will be established, the use of which is subject to Council approval. Part of the reserve will be set aside to purchase strategic properties as part of the economic regeneration strategy. Part will be set aside for emergency schemes.

Carry Forward Principle
It is recognised that capital projects may cross over years and it is sometimes difficult to be accurate in the estimation of which year the expenditure will be incurred. The carry forward of capital budgets is a justifiable means for carrying budgets from one year to another to cover definable commitments that have moved from one year to another. Carry forward is not a means to carry forward under spends to the following years. The capital financing report and the cash flow monitoring process of capital schemes aim to calculate more accurately the cost of capital schemes so that where the original estimation of the scheme was greater such savings can be returned to the corporate centre and used to fund other schemes.

Any carry forward request needs to be agreed with the Head of Finance / CFO in consultation with the Portfolio Holder for Resources, and evidence will need to be presented on what the defined commitment is. Approval for under/over spend carry forwards rests with Cabinet, on the advice of the CFO, within a corporate context.

Option Appraisal – Compulsory System
For schemes costing over £0.25 million, detailed option appraisals and whole life accounting **must** be completed by the service manager, with the support of the relevant lead accountant / finance manager. Appraisals must be approved by the relevant Executive Director and cleared through Finance. The option appraisal will look at all the possible alternative options for the capital scheme. These may include new build, purchase of existing property for improvement, leasing, and consideration of the alternative service delivery options including the “do nothing” option. Explicit adjustments should be made within the options appraisal for Optimism Bias, which is the demonstrated systematic tendency for project appraisers to be overly optimistic. The appraisal will be completed on a whole life costing basis. Schemes which already go through a complex and robust appraisal system, such as those required for the local transport plan, will not be required to complete an additional appraisal. The intention is that every significant scheme has a robust appraisal whether through an internal or external process.

Where invest to save schemes are being completed careful consideration of future income/saving streams need to be undertaken and in all cases the income/savings must be underwritten by the service directorate to ensure future budget problems are avoided.

Procurement

The council has a procurement team who review the council's procurement processes to ensure they provide value for money and advise on the achievement of efficiency savings. This also covers capital procurement. It is essential that all procurement activities comply with EU procurement directives and adhere to the relevant requirements stipulated in the directives. Guidance on this can be sought from the Head of Procurement and/or the Assistant Director of Legal Services. Procurement must also comply with the council's policies and regulations such as contract and finance procedural rules. The main aim is to hold value for money as a key goal in all procurement activity to optimise the combination of cost and quality; this may include the need to develop a mixed economy of procurement including partnership and traditional contracting.

Environmental Impact

The quality assessment of capital procurement must also take into account environmental criteria and the evaluation of the environmental performance of goods and practices of contractors. The following procurement hierarchy must be adhered to wherever practicable and in line with the hierarchy of standards detailed in the European Procurement Directives:

- Buy re-used or reusable;
- Buy recycled or recyclable;
- Buy renewable from sustainable managed sources.

Equality Impact

The equality agenda is given high prominence in the council's capital programme and services should include an equality impact assessment for each scheme.

Appendix A

Managing Capital Investment

Project Officer identified to manage the project.

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*Capital financing report (CFR)**
Produced by the Project Officer in conjunction with service accountants

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CFR approved by CFO or Members
- Dependent on funding method

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Expenditure against the project is monitored on a monthly basis by Project Managers/Finance. Information is passed to Project Managers who are responsible for ensuring the project is delivered within budget. In addition information is reported to members on a regular basis on the overall capital programme position.

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On the completion of specified schemes (those with a clear start and end date) the Project Manager completes a report detailing actual expenditure and service outcomes to their respective Directorate Capital and Asset Review Group. These reports, where applicable, will be referred to in the finance update report to Asset Strategy Group & management teams for information. (Not required for rolling programme schemes).

* The Capital Financing Report (CFR) should include; key dates, aims and objectives, project costs, cash flows, how the scheme will be financed and the revenue implications.

Appendix B

Managing Capital Investment - Roles & Responsibilities

	Function
Cabinet (Members)	• To set key political and strategic priorities • To determine investment priorities and approve options • To agree overall resource allocation • Formal decision on key acquisitions and disposals
Asset Strategy Group (Officer / Member Group)	• To advise the cabinet on appropriate Capital Strategy • To advise Cabinet on corporate asset management planning and sign off of corporate Asset Management Plan • To develop a 5 year capital programme for recommendation by Cabinet for Council decision • Ensure corporate responsibility and management is taken and capital programme is being delivered to plan • To identify surplus assets and facilitate disposals • Set framework and criteria for prioritising capital bids • To consider urgent items / respond to new opportunities, in the context of available resources and the capital programme. • To oversee key capital / property programmes • Monitor corporate asset management plan including carbon reduction activity
Directorate Capital and Asset Groups (Project Managers)	• To review asset performance and maintenance of asset registers • To review bids for resources and appraise options • Ensure effective monitoring and maximisation of resources and Programme delivery • To identify surplus assets for disposal • Production of directorate asset management plan • To manage project delivery to time and to budget • Identification and development of future capital bids