Draft

Appendix A

Northampton Borough Council

Capital Strategy

2012-13 to 2014-15

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INTRODUCTION & CONTEXT

Capital expenditure represents major investment in new and improved assets such as land, buildings, infrastructure, equipment and information technology. It therefore plays a key part in the provision and development of the Council's services.

The aim of the capital strategy is to provide a clear framework for capital funding and expenditure decisions. This is in the context of the Council's vision, values, objectives and priorities, financial resources, and spending plans. It will be updated on an annual rolling basis.

The strategy supports the development of an approved capital programme that shows the Council's commitment to maintaining and improving its capital stock and infrastructure. This in turn underpins the delivery of high quality and value for money services and helps to secure a better environment for the people of Northampton.

The strategy covers both the present position and future plans - the former setting the context for the latter. It also outlines the management and monitoring arrangements that the Council has in place for effective delivery of the strategy.

International Financial Reporting Standards (IFRS) and the Code of Practice on Local Authority Accounting have replaced UK GAAP and the Statement of Recommended Practice (SORP) from 1 April 2010. This has an impact on accounting treatment for capital and leasing including definitions. The systems and processes at NBC have been adapted to accommodate the new requirements. There are new definitions of what constitutes capital and revenue expenditure.

The Borough

Northampton Borough is mainly made up of the town of Northampton itself, but also includes some villages on the edge of the urban area. Although historically contained within the administrative boundaries of the Borough Council, Northampton urban area is now expanding into parts of Daventry and South Northamptonshire districts. The town has an interesting and varied history, which is reflected in the various historic buildings that can be seen within the town.

Northampton is the largest of the district councils with a population estimated to be 212,100 at mid 2010 (ONS mid 2010 population estimates published June 2011). The area of the Borough of Northampton covers 8,080 hectares within which the town has approximately 90,000 houses.

Council Services

The Council currently provides or commissions more than 50 public services throughout Northampton, including benefits, housing and community safety. Environmental Services are now provided under contract by EMS and leisure services are provided by the new leisure trust.

Current Economic Context

The current economic climate provides significant challenges for the Council. The demand for investment in the regeneration and renewal of infrastructure and assets continues, whilst at the same time the resources available to the Council are constrained by proposed reductions in public service expenditure and recent increases in PWLB borrowing rates following the Comprehensive Spending Review. These reductions impact directly on the Council and on the resources available to partners.

Council Assets

The Council owned Property, plant and equipment assets with a total net book value of £469m at March 2011. The significant reduction in value during 2010/11 is due to a change in the valuation method for Council Dwellings. Council assets included over 12,000 Council dwellings, and 887 hectares of Parks and Open Spaces. The Council also owns a large number of commercial properties and agricultural land used to generate income.

OVERARCHING STRATEGY

The Council's capital strategy is to deliver a capital programme that:

- Contributes to the Corporate Plan, and the Council's vision, values, strategic objectives and priorities
- Is closely aligned with the Council's Asset Management Plan
- Supports service-specific and other NBC plans and strategies
- Is affordable, financially prudent and sustainable, contributes to better value for money

The capital strategy will be delivered through:

- Effective political and corporate leadership
- Team Northampton working together
- Adequate and effective performance management arrangements
- Clearly defined processes for building and monitoring the capital programme
- Clear policies on financing capital expenditure
- Effective risk management arrangements
- A clear purchasing protocol

In prioritising the Capital Programme, particular emphasis will be given to schemes that:

- Achieve the Council's priorities
- Improve performance against national and local targets
- Improve efficiency and effectiveness in service delivery, including through partnership working
- Generate or increase income streams
- Promote effective Asset Management, including DDA and Health & Safety issues

LINKS TO OTHER PLANS & STRATEGIES

Corporate Plan

The Corporate Plan sets out the Council's overall aims and priorities and is therefore the key driver of capital investment decisions. The Council aims to be amongst the best councils in terms of public service within five years.

Capital investment decisions are made with reference to the Council's priorities, as set out in the Corporate Plan.

Service Plans & Strategies

The Council's overall aims, objectives and priorities are cascaded down and translated into specific targets and actions through its other strategies and plans. Capital investment needs identified in these are fed by service managers into the Council's capital investment plans through medium term planning and the capital project appraisal process.

Local Targets

Meaningful targets are set at all levels of the organisation, from the Council as a corporate body, through directorates, services and teams down to individual employees. The cascading effect is largely achieved through annual service plans, and staff appraisals. These local targets link directly to the Council's strategic objectives and priorities, and demonstrate "The Golden Thread" throughout the organisation.

Medium Term Financial Strategy

The medium term planning process is used to identify the best strategies to meet the Council's stated vision and priorities - these may have revenue or capital investment implications. Each individual bid for capital resources is evaluated and prioritised, through the capital appraisal process, for its contribution to meeting the Council's vision and priorities as expressed in the Corporate Plan, as well as its contribution to performance indicators. In addition the medium term planning framework ensures that the revenue implications of capital projects are built into the Council's forward planning process.

Asset Management Plan & Housing Asset Management Strategy

The Council's delivery of an effective and efficient capital investment strategy can only be achieved if the process is closely aligned with a clear and robust asset management strategy. In line with the Corporate Asset Management Plan, the Council will seek to dispose of investment properties that do not give an adequate rate of return with a view to potentially using capital receipts to either improve some existing investment properties to maximise return on investment and/or purchasing new capital assets for investment purposes. This decision will be informed by an evaluation of capital investment versus additional income generated.

The Housing HRA capital programme is closely aligned to the Housing Asset Management Strategy. As part of this consideration will be given to the impact of HRA reform and the potential freedom that it provides to spend on estate improvement and new build.

Partnership Working

To be effective and to maximise the use of our shared resources we have developed shared priorities. Our plans set out how we can deliver these shared resources in the most effective way for the people of Northampton.

The Council works with other service providers in the area through a number of strategic partnerships. In support of the capital strategy and the delivery of the capital programme, the Council works specifically with a number of partners, including WNDC, Town Centre Ltd, Northants County Council, SEMLEP, NEP and Northamptonshire Enterprises Limited (NEL).

Equalities

Northampton Borough Council is committed to ensure that everyone is appropriately treated irrespective of race, gender, disability, sexuality, age, religion or belief or any other determining aspect of their lives. The capital project appraisal process is designed to pick up schemes that address equalities issues, and to give these a high priority. All schemes are approved subject to funding and an appropriate Equalities Impact Assessment. The Equalities impact of proposed schemes is available to decision makers when the prioritisation of capital bids is discussed.

Risk Management Strategy

Risk management is a key feature in the management of capital projects. When putting together the Council's capital programme and setting the Council's prudential indicators for capital expenditure, officers take into consideration both the opportunities and the threats which could affect Council's plans and performance, and desired levels of affordability and prudence. Uncertainty arises in the policy, planning, development and execution phases of capital projects. This is dealt with in line with the Council's Risk Management Strategy.

Procurement Strategy

Capital expenditure by its nature can involve significant sums of money, and it is therefore vital that a comprehensive procurement strategy is in place to protect the Council's interests and to ensure that the Council achieves value for money. The Council's current procurement strategy was approved in April 2008 and is in the process of being updated. An effective procurement strategy can be used to help achieve wider objectives – for example, as a major purchaser the Council has the opportunity to influence the market in respect of economic development, environmental issues, equalities and health and safety.

Treasury Management Strategy

Where capital schemes are funded by borrowing they give rise to revenue costs for interest and principal. Capital financing decisions therefore impact directly on the Council's debt financing budget and treasury management operations. The annual Treasury Management Strategy incorporates the Council's capital financing and borrowing strategy for the coming year, including policies on borrowing, debt rescheduling and minimum revenue provision (MRP), views on interest rates and the sensitivity of forecasts, and prudential and treasury indicators.

AFFORDABILITY, SUSTAINABILITY, PRUDENCE AND VALUE FOR MONEY

The Prudential Code

The CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) was introduced by the Local Government Act 2003. It sets out the concepts of affordability, sustainability and prudence as they apply to capital expenditure.

A key objective of the Prudential Code is to ensure that the capital investment plans of the local authority are affordable, prudent and sustainable. To demonstrate that these objectives have been met the Code sets out the prudential indicators that must be used, and the factors that must be taken into account. These are designed to support and record local decision-making in a manner that is publicly accountable.

Affordability

The fundamental objective in determining the affordability of the authority's capital plans is to ensure that the total capital investment remains within sustainable limits. This includes considering the impact on council tax, or in the case of housing projects, housing rents. The Council is required to take into account all its current and forecast resources, together with the capital expenditure plans and revenue income and expenditure forecasts for the coming year and the following two years. This is done on a rolling basis, with regard to risk analysis and risk management strategies. Any significant known variations beyond this time frame must also be considered.

Prudence and Sustainability

Prudence and sustainability year on year are addressed through the prudential indicators for external debt, which must be set and revised taking into account their affordability.

The key indicator of prudence laid down by the Code is that net external borrowing should not, except in the short term, exceed the total of the capital financing requirement in the preceding year, plus the estimates of any additional capital financing requirement for the current and next two financial years. This ensures that, over the medium term, net borrowing will only be for capital purposes.

It is also prudent to carry out treasury management activities in accordance with good practice, and the Prudential Code sets a number of indicators to address this.

Northampton Borough Council and The Prudential Code

The Council addresses the issues of affordability, prudence and sustainability in its capital investment plans by complying with the requirements of the Prudential Code.

This includes the setting and monitoring of prudential indicators. The timetable for reporting to Cabinet and Council is set out in the following table.

- February — Setting of indicators
- November — Mid year monitoring
- July — Outturn position

Additional reports may be taken at any time if the need arises.

Value for Money

It is important that best value for money is obtained from capital investment. The Council is committed to making continuous improvements to processes and practices to increase value for money. Those that are embedded or being developed include:

- Improvements to procurement
- Investing to improve performance and/or generate efficiency savings (spend to save)
- Working with partners to improve efficiency

In assessing capital bids the Council first considers whether the proposed capital investment represents the most efficient way of delivering the desired outcomes, i.e. whether there are alternative approaches to resolving the problem that provide greater value for money.

Minimum Revenue Provision (MRP)

The Council is required to make provision for the principal repayment of borrowing. Prior to 2007-08 the Council was required by statute to provide for the repayment of a minimum amount of 4% of General Fund debt principal each year. This debt repayment is known as the Minimum Revenue Provision (MRP).

The Housing Revenue Account is currently not subject to an MRP charge.

New regulations, the Local Authorities (Capital Finance & Accounting) (England) (Amendment) Regulations 2008, which came into force in February 2008, now require the Council to make instead ‘prudent provision’ for the repayment of debt. A number of options for prudent provision are set out in the regulations. The underlying principle is that the repayment of debt should be aligned to the useful life of the asset or assets to which it relates.

The authority is required, under the new regulations, to prepare an annual statement of their policy on making MRP for submission to Council. The Council’s policy statement on MRP is set out in the annual Treasury Strategy, which is agreed by Council during Feb/March each year.

FINANCING CAPITAL EXPENDITURE

Overview

Decisions on capital investment are made against the background of constrained resources, and the Council is heavily dependent upon capital receipts and grants from central government to support its capital programme. Other available funding sources include prudential borrowing, third party contributions, and revenue contributions. These are all actively pursued to support capital investment.

Capital Receipts

Capital receipts are derived from both General Fund (GF) and Housing Revenue Account (HRA) asset sales. These could include income to the Council as lessor from finance leases.

NBC do not always receive the full value of these asset sales as some of them are subject to “clawback” arrangements whereby a proportion of the capital receipt must be paid over to the Homes and Communities Agency (HCA).

GF asset sales come from a variety of sources. Generally speaking, 100% of GF asset sales (after any ‘clawback’) can be used to support capital expenditure. Sometimes the asset sale is linked directly to a capital project, for example in a relocation scheme. More often, GF asset sales relate to surplus assets that are held corporately and are not specific to a scheme or even a service block.

HRA asset sales come from the sale of council houses under ‘right to buy’ legislation, and from the sale of shared ownership properties. For ‘right to buy’ receipts, 75% of the monies that are received have to be sent to Communities and Local Government (CLG) for re-distribution under ‘pooling’ arrangements, leaving 25% to fund new capital programme expenditure. For other HRA assets, 50% of any receipt is pooled, but this can be offset by capital allowances for regeneration expenditure.

Since the significant reduction of new council house build, the housing stock has gradually decreased year on year. As at 31 March 2011 the Council’s housing stock stands at 12,175 dwellings, a reduction of 19 on the previous year. The amount of receipts released by right to buy sales is dependent on both the stock itself and on economic and market conditions. The current economic climate has significantly reduced the number of sales and the amount of receipts.

Unsupported Borrowing

The Local Government Act 2003 introduced new flexibilities into the capital expenditure and financing rules governing local authorities. The new rules, contained in the ‘Prudential Code’, allow local authorities to set their own limits with regard to borrowing undertaken to support capital expenditure. Additional borrowing may now be undertaken, provided that it is, and can be shown to be, prudent, affordable and sustainable. This method of financing capital expenditure is called “unsupported borrowing”.

In order for unsupported borrowing to be prudent, affordable and sustainable, there must be an identifiable, long-term source of revenue funding for the associated revenue (debt financing) costs. Ideally this will come from revenue savings or additional income arising directly from the capital scheme. For example, refurbishment of a building may generate maintenance and/or energy savings, or the building of a car park could generate income through charges. The cost of borrowing therefore should be borne by the service that uses the asset.

Supported Borrowing

The other form of borrowing available for funding the capital programme is supported borrowing. This is where the costs of the borrowing are part recognised in the formula grant settlement and are therefore ‘supported’. However the formula grant does not cover the full cost of the borrowing undertaken. As a district authority supported borrowing allocations are limited, generally only Housing supported borrowing allocations have been made available in recent years.

Government Grants

The conditions attached to government grants vary according to the particular grant. Some will fund the full cost of the scheme, others just a percentage, with the local authority having to fund the balance. Most, but not all, grants are time-limited. Government grants tend to be focussed towards central government priorities.

The largest government grant received by NBC to support the capital programme in recent years has been the Major Repairs Allowance (MRA), around £8m per year, provided for the express purpose of improving the condition of the Council’s housing stock. From April 2012 the HRA will become self-financing with the ending of the subsidy system. Whilst this will bring an end to the MRA, this will be replaced by revenue funding. The Council was successful in securing grant funding of nearly £50m over the next 3 years from central government to address Decent Homes backlogs.

Third Party Contributions

As with government grants the conditions attached to third party contributions vary.

This category of funding is becoming of increasing importance to the Council in a climate of stretched local government resources. Included here are:

- Planning obligations funding from Section 106 agreements (developer contributions)
- National Lottery grants
- Contributions from local bodies.
- Contributions from national bodies.

Revenue Contributions

In the past revenue contributions have been a fairly minor source of capital financing for the Council due to pressures on the revenue budget. They are, however, sometimes used to top up small shortfalls in the funding required for a particular scheme.

Revenue contributions from the HRA earmarked reserve have also been a valuable source of finance in helping to deliver the Decent Homes programme.

FUNDING STRATEGY

The capital funding strategy is proposed as part of the overall capital strategy and is therefore also reviewed on an annual basis.

Cabinet may make changes to the funding strategy where necessary to deliver capital schemes that are key to delivering the Council's agreed priorities.

The Council's capital funding strategy for 2012-13 is set out below:

Funding streams are allocated in the following ways:

- General Fund capital receipts are not allocated or committed prior to receipt, unless inextricably linked to a specific project.
- Usable capital receipts from the sale of council housing stock under right to buy legislation are directed at the HRA capital programme to meet the requirements of decent homes targets.
- Usable capital receipts from other asset sales other than RTB, whether HRA or General Fund, can be used towards General Fund capital projects. This reflects the fact that the Council is not currently in a financial position to be able to direct all HRA receipts towards the HRA programme. However this policy may be reviewed in future years
- General fund capital receipts received during the year will be added to the un-earmarked general fund capital receipts reserve (see below) and taken into account as a potential funding source for new schemes or variations in the relevant financial year or the following financial year, subject to revenue budget considerations e.g. debt financing budget implications.
- General Fund capital receipts received from the capital portion of finance lease income on Council owned GF and HRA properties under new IFRS rules will be earmarked for capital expenditure on the Council's property assets.
- Capital Reserves – Capital receipts generated by asset sales will be partly set aside in a capital reserve fund. This reserve provides a funding source for future priority schemes and emergencies.
- The only call on the earmarked general fund capital reserve during the year would be for unforeseen high priority emergency capital works that cannot be financed from alternative sources. Agreement will be through the normal channels – that is the submission of a project appraisal or variation to Cabinet.
- Hypothecated funding – i.e. funding linked directly to a specific scheme or service area, such as grants, third part contributions, revenue contributions and supported borrowing – is allocated 100% to the relevant scheme or service.
- Major Repairs Reserve - In line with the statutory requirement, the Major Repairs Reserve is entirely earmarked for HRA capital expenditure on the Council's housing stock
- Supported Borrowing will be used if the unsupported element is affordable.
- Unsupported Borrowing will be used to fund capital investment if the cost of the borrowing is affordable. Ideally the capital investment itself will produce revenue savings, which will cover the cost of borrowing to invest.

- Underspends on GF schemes may not be automatically diverted to other schemes. This will be considered against the demands of the programme as a whole, the Reserve Project list and funding requirements for the following year.

The funding strategy is used to determine the allocation of funding to the programme at the start of the year and throughout the year. Depending on the timing and restrictions of the funding streams, the most appropriate funding will be used at the year end. The Capital Team, under the direction of the Chief Finance Officer, will apply the available funding to the outturn expenditure in line with the best interests of the Council.

Revenue Implications of Capital Projects

The revenue implications of capital projects are identified through medium term planning and the capital appraisal process, and fed into the Council's medium term revenue budget to ensure that all revenue implications are taken into account.

Leasing (Council as Lessee)

Leases are classified in accounting terms as either finance or operating leases. This distinction is important because it dictates whether the lease must be classified as capital (finance leases) or revenue (operating leases), and different accounting treatment is required for each.

The Treasury Team is responsible for advising on and arranging all leases for the Council in conjunction with the Procurement Team. They ensure that the leases comply with all the relevant accounting conditions and requirements. All lease arrangements entered into on behalf of the Council are authorised and signed by the Council's Section 151 Officer.

In order to demonstrate and achieve value for money, the Council's leasing advisors carry out a full evaluation of any lease proposals on behalf of the Council. This involves an analysis of the quality of the proposed lease and a comparison of the whole life costs of, for example, an operating lease, a finance lease or capital purchase funded by prudential borrowing.

It is generally more cost effective to arrange operating leases through sale and leaseback arrangements with a third party rather than through a direct lease from the supplier. Items financed through an operating lease are coded to and financed as part of the Council's revenue budget. It is the responsibility of the budget holder to ensure that there is sufficient capacity in the revenue budget to fund the annual operating lease costs.

The Council's preference is not to enter into finance leases unless there are exceptional reasons for doing so. Where an operating lease is either not available or not suitable, a capital purchase funded by prudential borrowing generally offers greater benefits than a finance lease. The introduction of IFRS from April 2010 may reduce the number of instances where operating leases can be used to finance expenditure, particularly in the case of short life assets such as IT hardware, equipment and vehicles. Where this applies it is likely that such items will be purchased through the capital programme and financed by prudential borrowing, with the revenue cost of the borrowing met from the existing service budget.

PRIORITISATION PROCESS

Prioritising projects

All bids for inclusion in the following years programme are considered according to a set of objective criteria to assist with the prioritisation of schemes and the allocation of funds. This ensures that, in a context of limited resources, the community vision and strategy and the Council's vision, values, objectives and priorities form the framework for decisions about investment priorities, and that capital allocations are made using clear impartial criteria.

The prioritisation process is linked directly to the information given on the completed project appraisals, with weighting given to schemes that strongly support the Council's objectives and priorities, and those that fulfil an urgent legal or statutory requirement.

In summary, each bid can be rated on the extent to which the project contributes:

- The Council's objectives and priorities
- Legal commitments or statutory duties, including DDA & Health & Safety issues
- Equalities
- Improvements in performance indicators
- Efficiency savings
- Value for money
- The delivery of service objectives
- Effective Asset Management
- Extent of ring fenced or specific funding
- Levels of financial risk involved
- Impact on the revenue budget and income generation

Prioritisation of the bids enables officers to put forward a recommended programme that is within available resources. The weighting within the scoring framework will be reviewed on an annual basis as part of a policy of continuous improvement and to take into account any relevant factors. Bids for work required to meet a statutory or legal obligation will be given a high priority.

The prioritised programme is for guidance only. Members are responsible for agreeing the capital programme and have the discretion to include or exclude schemes as they deem appropriate.

Capital Programme 2012-13 to 2014-15 - Project Appraisals

All bids for inclusion in the capital programme are supported by a project appraisal, the preparation of which is the responsibility of the budget holder or project manager. The project manager signs the appraisal to confirm that their Head of Service, Director and Portfolio Holder are aware of and support the scheme. Final approval is given by Cabinet or the Director of Finance and Support under delegated authority.

Project appraisals have been completed for all 2012-13 capital programme bids. The appraisal proforma has been re-designed to ensure that the information gathered is sufficient in order to make decisions based on the criteria set out above. Only relevant data and information is requested.

Bids for future year starts have been put forward in outline only. These will form part of the capital programme build in the year preceding the proposed start and will be prioritised as outlined in the timetable below.

The deminimus level set by the authority for capital expenditure is £6,000. Individual schemes must therefore be £6,000 and above to be included in the authorities capital programme. The only exception is where the funding for the project is external and requires the scheme to be capital.

Timetables

The Council agrees its capital programme on an annual basis in February immediately preceding the start of each financial year. The agreed programme consists of:

- A firm and fully funded programme for the following year. This includes continuations from previous years as well as new starts in year
- Continuation schemes for the subsequent 2 years
- The NBC element of schemes reliant on external funding. Such schemes will only commence once the external funding is definitely secured.

The setting of the programme by Council comes at the end of a thorough process that begins in the previous summer and involves officers in all parts and at all levels of the organisation. A broad indication of the planned timetable and those involved is as follows:

May to July	Medium term planning process begins.
August/Sept	Capital Appraisal forms completed and submitted to Finance for review and refinement.
	For all bids, revenue implications checked against Medium Term Planning Options by Finance.
	Debt financing budget implications calculated by Finance.
Oct/Nov	Capital Challenge Process
	Management Board considers the draft capital programme
December	Notification of government funding allocations.
	Report to Cabinet for consultation, including Capital Strategy.
Feb/Mar	Cabinet recommend draft programme to full Council for agreement Council agree the Capital Programme.
	Notification by Finance to budget managers of schemes that have been included in the authorities capital programme.

The Council's Treasury Strategy and Prudential Indicators for Capital Finance, which are put together by Finance, will also be agreed by Council at the budget setting meeting in February or early March.

Once approved by Council the three-year programme will be published, at a summary level, in the Council's Revenue and Capital Budget Book.

MONITORING THE CAPITAL PROGRAMME

Project management & monitoring

Project managers are responsible for the proper and effective control and monitoring of their projects, including financial monitoring.

This includes ensuring that:

- Only capital expenditure is charged to the capital project
- Only expenditure properly attributable to the scheme is coded to the scheme
- The scheme expenditure is contained within the agreed budget, and that any 'unavoidable' variations are dealt with appropriately
- Realistic expenditure profiles are determined
- A realistic forecast outturn for the financial year and the project as a whole are calculated and kept under regular review
- Any slippage of expenditure from current to future years is identified
- Any grants or third party funding is applied for and all grant conditions met
- The source of any revenue funding is identified

Project managers are also responsible for carrying out project reviews following scheme completion. This is an area of work that the Council is developing, The Finance Team request information on completed projects as part of their ongoing monitoring role.

Directorate Management Teams

Each Directorate Management Team is responsible for ensuring they receive & review reports on the capital expenditure position for their directorate and that any appropriate corrective action needed to address any monitoring issues is agreed and implemented.

Finance

The Management Accounts team is responsible for providing support and advice to assist project managers in managing and monitoring their capital budgets. It also has a key role in consolidating and co-ordinating the monitoring information that is required for reporting purposes. This involves reporting to Directorate Management Teams via Heads of Service, Management Board and Cabinet. The Capital team is responsible for ensuring that the agreed programme is fully and appropriately financed at all times.

Capital Programme Monitoring

The capital programme position is reported to Management Board on a monthly basis throughout the year, commencing from period 2 (end of May). Quarterly reporting to Cabinet forms part of the overall Dashboard report and covers the latest programme and any amendments to be notified or approved, expenditure to date, and the forecast outturn. It also outlines the financing position and any steps needed to deal with potential financing difficulties.

As part of the monitoring process, an annex to the report explains the background to any forecast under or overspends, and gives brief details of any variations to the original programme.

At year-end, an outturn report and a slippage report are taken to Cabinet. These will include an analysis of programme slippage to the following year, including the reasons for that slippage and how it is to be financed.

Changes to the Agreed Programme

The programme for the coming year is set and agreed by Council prior to 1st April, and it is essential to also have a process that then allows for changes during the year.

Changes may be required as a result of proposed additions to the programme, amendments to existing schemes or deletions from the programme. For example tenders may come in above or below estimate; difficulties may be encountered in implementation, which require a change of approach; funding may need to be released to support another more urgent priority.

Proposed additions to the programme

The need to add a scheme to the programme usually arises from either access to additional funding, such as a grant or third party contribution, or as a response to an unforeseen urgent issue (often related to legal or health and safety concerns).

In order to bid for an addition to the programme, a project appraisal must be completed and signed off in the usual way. The funding for the project must be identified at this stage. Where there is no additional funding to support the bid, resources must be identified from within the existing programme. The prioritisation of the proposed addition will need to be considered with reference to any Reserve List of projects, as well as projects already in the programme but not yet complete.

The request for the addition will either be incorporated into the regular Dashboard report to Cabinet, or approved by the Director of Finance and Support under delegated authority.

Amendments to Existing Schemes

If the proposed amendment is one of substance, which results in a scheme materially different from the original project appraisal, then the original project must be withdrawn, and a new project appraisal completed to support the new bid. If, however, the substance of the scheme remains the same, then the change can be dealt with through the completion and approval of a project variation form.

Formal variations to budgets for existing projects must be completed and authorised in the following circumstances:

- Forecast total scheme outturn is materially in excess of budget
- Additional funding has become available to support a scheme
- A forecast overspend is to be funded by a forecast underspend in another project
- Funding is released due to a forecast underspend on a scheme
- A scheme is to be withdrawn from the programme

Project variation forms are available on the intranet.

CONSULTATION

Northampton Borough Council recognises that it is important to actively involve the community in the decision making process through consultation in order to provide good quality services and deliver them well.

The Council adopted a Community Engagement Strategy in 2008, supported by a Consultation Toolkit introduced as a means to improve how we consult. This is designed to be an easy to understand, step-by-step guide, but is not intended to be prescriptive, but to assist in the planning and carrying out of consultation work.

Consultation and Capital Investment

Consultation feeds into decision-making on the Council's capital investment priorities at a number of levels.

The community vision and strategy and the Council's vision, values, objectives and priorities, which underpin the overall investment strategy, are themselves the result of extensive consultation.

The Housing Asset Management Strategy includes the draft HRA capital information. The strategy is subject to extensive consultation.

The Council will take into consideration consultation feedback and take action on it where applicable within overal policy and subject to overall financial constraints.

- Annex A -

Fixed Assets Overview

The following tables are a summary analysis of the Council's fixed assets as they appear in the Balance Sheet in the 2010-11 Statement of Accounts.

Movements in 2010/11	Council Dwellings	Housing Land and Buildings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment
	£000s	£000s	£000s	£000s
Cost or Valuation				
At 1st April 2010	522,041	17,846	89,555	8,956
Additions	11,415	69	739	2,039
Donations	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-16,952	540	1,499	23
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	-151,123	-330	-3,294	-541
Derecognition – disposals	-794	-243	-5,225	-44
Derecognition – other	0	0	0	0
Assets reclassified (to) / from Held for sale	0	-146	0	0
Other movements in cost or valuation	0	0	0	44
At 31 March 2011	**364,587**	**17,736**	**83,274**	**10,477**
Accumulated Depreciation and Impairment				
At 1 April 2010	-4,949	-408	-6,365	-6,308
Depreciation Charge	-4,070	-312	-2,309	-777
Depreciation written out to the revaluation reserve	4,949	288	1,203	6
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	110	623	506
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	-1
Derecognition – Disposals	5	1	225	25
Derecognition – other	0	0	0	0
Other Movements	0	0	0	-15
At 31 March 2011	**-4,065**	**-321**	**-6,623**	**-6,564**
Net Book Value				
At 31 March 2010	**517,092**	**17,438**	**83,190**	**2,648**
At 31 March 2011	**360,522**	**17,415**	**76,651**	**3,913**

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Movements in 2010/11	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construct-ion	Total Property, Plant and Equipment
	£000s	£000s	£000s	£000s	£000s
Cost or Valuation					
At 1st April 2010	1,402	6,025	1,717	1,624	**649,166**
Additions	0	29	0	1,614	**15,905**
Donations	0	0	0	0	**0**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	4	474	0	**-14,412**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	-278	0	**-155,566**
Derecognition – disposals	0	0	0	0	**-6,306**
Derecognition – other	0	0	0	0	**0**
Assets reclassified (to) / from Held for sale	0	0	-523	0	**-669**
Other movements in cost or valuation	0	-28	0	-1,624	**-1,608**
At 31 March 2011	**1,402**	**6,030**	**1,390**	**1,614**	**486,510**
Accumulated Depreciation and Impairment					
At 1 April 2010	-227	-69	-62	0	**-18,388**
Depreciation Charge	-13	-16	-44	0	**-7,541**
Depreciation written out to the revaluation reserve	0	49	3	0	**6,498**
Depreciation written out to the Surplus/Deficit on the Provision of Services	1	0	13	0	**1,253**
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	**0**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	**-1**
Derecognition – Disposals	0	0	0	0	**256**
Derecognition – other	0	0	0	0	**0**
Other Movements	0	0	0	0	**-15**
At 31 March 2011	**-239**	**-36**	**-90**	**0**	**-17,938**
Net Book Value					
At 31 March 2010	**1,175**	**5,956**	**1,655**	**1,624**	**630,778**
At 31 March 2011	**1,163**	**5,994**	**1,300**	**1,614**	**468,572**

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Analysis of Fixed Assets by Category

31/03/2010		31/03/2011
Number		Number
12,194	**Council Dwellings**	12,175
	Other Land and Buildings	
27	Council Houses not used as dwellings	27
91	Shared Ownership Properties	90
3,002	Council Garages	3,002
16	Other Housing Properties	16
68	Operational Shops	68
0	Other Garages	0
1	Guildhall	1
62.88ha	Allotments	62.88ha
5	Sports & Leisure Centres	5
26	Community Centres	26
2	Museums, Art Galleries	2
1	Open Markets	1
13	Public Conveniences	13
5	Multi-Storey Pay & Display Car Parks	5
3	Local Area Offices	3
4	Central Administrative Offices	3
1	Gypsy Site	1
1	Bus Station	1
19	Surface Pay & Display Car Parks	19
1	Depots	1
13	Sub-Depots	13
73	**Infrastructure**	73
171	**Vehicles, Plant, Furniture and Equipment**	223
	Community Assets	
887.45ha	Parks and Open Spaces	887.45ha
4	Historical Buildings	4
34	Monuments/Memorials/Exhibitions	34
6	Pavilions	6
8	Cemeteries	8
1	Civic/Mayoral Regalia	1
	Non-operational Assets	
290	Commercial Property (Units)	290
65.97ha	Agricultural Land	65.97ha
1	Golf Course	1
1	Theatres	1
1	Indoor Market/Arts Venue	1
52	**Intangible Assets**	50

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- Annex B -

Key to Abbreviations and Acronyms

AGM	Annual General Meeting
AMP	Asset Management Plan
CIPFA	Chartered Institute of Public Finance and Accountancy
CSR	Comprehensive Spending Review
CLG	Communities and Local Government
DDA	Disability Discrimination Act
EMDA	East Midlands Development Agency
EU	European Union
GAAP	Generally Accepted Accounting Practice
GF	General Fund
HCA	Homes & Communities Agency
HRA	Housing Revenue Account
IFRS	International Financial Reporting Standards
LGA	Local Government Association
LPI	Local Performance Indicator
LSP	Local Strategic Partnership
MKSM	Milton Keynes & South Midlands
MRA	Major Repairs Allowance
MRR	Major Repairs Reserve
NEL	Northamptonshire Enterprise Ltd
NBC	Northampton Borough Council
ONS	Office of National Statistics
PI	Performance Indicator
PWLB	Public Works Loan Board
SORP	Statement Of Recommended Practice
The Code	The Code of Practice for Local Authority Accounting in the United Kingdom
WNDC	West Northamptonshire Development Corporation

Glossary of Terms

Asset Management Plan (AMP)

A plan maintained by the authority of the condition and suitability of its buildings, updated regularly and utilised to assess future capital investment needs. An AMP may be corporate or service specific.

Best Value

The duty which local authorities owe to their stakeholders to provide relevant, cost effective services.

Capital Expenditure

Expenditure on the acquisition of fixed assets (such as land, buildings, and major items of plant, vehicles or equipment), or expenditure that extends the life or value of an existing fixed asset.

Capital Programme

The authority's plan of capital works for the current and future years, including details on the funding of the programme.

Capital Receipts

Income from the sale of fixed assets. These can only be used to finance other capital expenditure or to repay outstanding debt on assets financed by loan.

Capital Reserve

An internal fund set up to finance capital expenditure in future years.

Capital Strategy

A corporate document providing clear strategic guidance about the Council's objectives, priorities and spending plans, demonstrating the link to key corporate and service objectives.

Community Strategy

A document developed by a partnership of local agencies and organisations, including the Council, which sets out:

- A framework for the way the different stakeholders can work in partnership
- A set of clear actions against which progress can be constantly monitored
- The basis for making good and effective decisions to achieve a growing and sustainable environment.
- Identified priorities for action
- A framework for other public service planning
- An action plan to identify the action required to bring the strategy into being

Comprehensive Spending Review

The public expenditure planning process introduced by the government in 1997 to replace the system of annual public expenditure surveys. Each CSR covers a three-year period.

Corporate Plan

An annual statement published by the authority setting out the improvements that it plans to make in the performance of its services and how it intends to do so.

Cross Cutting

Issues or actions which concern or impact across a number of different areas such as demographic groups, geographic localities, services or service providers. These require co-ordination across departments and with other statutory and non statutory partners.

Debt Financing Budget

A budget to cover the repayment of principal and interest charges on the debt incurred through the building or purchase of the long term assets used in the provision of services.

Disability Discrimination Act 1995

Government legislation that places a statutory obligation on local authorities to make their services accessible to disabled people.

Fixed Assets

Tangible assets that yield benefits to the authority for a period of more than one year. This includes land, buildings, and major items of plant, vehicles or equipment.

Intangible fixed assets consist mainly of purchased software licences and custom built software prepared for use for a period of at least one year.

Local Strategic Partnership

A high level local partnership to bring together a wide range of public private, voluntary and community interests with the aim of promoting the sustainable, social, economic and environmental well being of the people of Northamptonshire.

Medium Term Plan

The Council's prioritised service and financial plans or the next three years.

Performance Measures

The process of taking aspects of performance for measurement and comparison.

Performance Indicators

Any numerical data or ratios collected and used for the purpose of evaluating performance against targets.

Procurement

The purchase of goods and services, with a strategy being developed to assist with the definition of quality standards and securing provision of the best possible services for local people for a given price.

Prudential Borrowing

All borrowing undertaken by the Local Authority for it's capital programme must be prudent, affordable and sustainable.

Prudential Code

The code of practice drawn up by the Chartered Institute of Public Finance and Accountancy (CIPFA) to underpin the requirements of the Local Government Act 2003 in respect of an authority's duty to determine the affordability, prudence and sustainability of its capital investment plans.

Prudential Indicators

Required by the Prudential Code, these take the form of limits, estimates or actual figures used to support the local decision making process for capital investment.

Ring Fenced Funding

Funding that is for specific projects and therefore cannot be allocated to other general projects.

Section 151 Officer

The local authority's chief finance officer as defined and required by statute (Section 151 of the Local Government Act 1972).

Service Plans

Part of the business planning processes for service departments, ensuring that their objectives meet the overall priorities of the Council, and that targets are set for improvements in service delivery.

Supported Borrowing

Funding source for capital expenditure where the revenue costs of borrowing (repayments of principal and interest) are recognised by central government, through the Local Government Finance Settlement. Includes Single Capital Pot element and Separate Programme element. Referred to as "supported borrowing".

The Code

The Code of Practice for Local Authority Accounting in the United Kingdom provides the interpretation of some IFRS accounting standards for Local Government. The code replaces the SORP, which interprets some UK GAAP accounting standards for Local Authorities. The Code has legal force through the Local Government Act 2003, and where the Code is silent on any point the relevant international standard applies unless UK statute overrides.

Unsupported Borrowing

Funding source for capital expenditure where the revenue costs of borrowing (repayments of principal and interest) do not come from central government, but have to be met by the local authority from its own revenue resources.

Useful Life

The period over which the local authority will derive benefits from the use of a fixed asset.

Whole Life Costs

The costs of acquiring or creating an asset, operating it, maintaining it over its useful life, and finally the costs of disposal (i.e. the total cost of ownership).

Feedback Form

□Did you find out what you wanted to know about the Council's Capital Strategy?

If you have any comments on the format or content of this document we would be pleased to hear from you.

Please email comments to:

capitalappraisals@northampton.gov.uk

or write your comments in the box below and return to:

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