



Basingstoke  
and Deane

***Basingstoke and Deane  
Borough Council***

**Capital Programme Strategy**

February 2020

## **CONTENTS**

- 1 Introduction to the Capital Programme Strategy**
- 2 Aims of the Strategy**
- 3 Aligning the Capital Programme Strategy with Council Priorities and Corporate Programme Board**
- 4 Governance Arrangements and Monitoring**
- 5 Financial Policies**
  - 5.1 New Homes Bonus
  - 5.2 Community Infrastructure Levy (CIL)
  - 5.3 Property Investment Strategy
- 6 Wider Contextual Drivers**
  - 6.1 Regeneration
  - 6.2 Affordable Housing
  - 6.3 Local Plan
  - 6.4 Manydown
  - 6.5 Climate Emergency
  - 6.6 Public Spending Pressures
  - 6.7 Technology
  - 6.8 Customer Demand and Demographic Pressures
  - 6.9 Economic Development
  - 6.10 Commercialisation
  - 6.11 Property Investment Strategy

### **Annexes**

- 1 Capital Programme Board (CPB) – Terms of Reference**
- 2 Guidance on Capital Scheme Approval Reports**

## **1 Introduction to the Capital Programme Strategy**

The purpose of this strategy is to provide an important link between the ambitions set out in the Council's longer term vision and Council Plan and the important investment in infrastructure that will help turn that vision into a reality.

The strategy looks at how the Council will finance, allocate and manage capital investment into services that are vital to supporting the development of a successful and vibrant place.

The economic climate is challenging. However, the Council is committed to investing now for the longer term. Financing that commitment is made possible by the Council's unique finances and the Council's track record of strong financial resilience and management.

Through this strategy the Council will aim to make every capital investment count by co-ordinating and prioritising all available funding to achieve the Council's goals.

This strategy sets out the measures to ensure the best results. These include:

- A Balanced Programme of Capital Investment - It is recognised that smaller scale projects can have a significant impact on the quality of life and quality of services in the borough, so the programme is designed and managed to achieve a balanced portfolio of capital investment that covers on-going rolling programmes as well as large scale strategic projects; and
- Long Term Capital Investment and Planning - The Council has for a number of years had a five year rolling programme that provides greater certainty for financial and resource planning. This is particularly critical for the largest projects with long lead-in and delivery periods. For the largest projects longer term forecasts up to 20 years have been developed to assist with the planning of financing and resources. There will be a constant flow of projects being completed as well as new projects entering into the programme, all designed to achieve the Council's goals.

## **2 Aims of the Strategy**

The overarching aim of the Capital Programme Strategy is to provide a framework within which the Council's capital investment plans will be prioritised and delivered. These plans are driven by the Council Plan and the borough's Horizon 2050 Vision which was adopted by the Council and partners in March 2019.

Achieving the Council's Vision within this context requires significant up front capital investment and co-ordination. That investment has to be well planned, co-ordinated and focused on the most important priorities.

With this capital investment strategy the Council is taking a strategic approach to securing and directing additional capital investment in the Council's assets to turn the Vision into a reality.

The climate emergency, maintaining and enhancing the borough's natural environment, and sustainability are key issues in the borough's Horizon 2050 Vision . It consists of eight themes developed through extensive consultation and engagement with residents, partners and stakeholders. The themes are:

- Homes and housing;
- Healthy, safe and inclusive communities;
- Natural environment;
- Sustainability;
- Transport;
- Education;
- Economy and entrepreneurship; and
- A borough with heritage and distinction.

Whilst the vision provides a road map to inform policy making, to plan for the future development of the borough and to make Basingstoke and Deane a great place to live, the Council Plan lays the foundation for delivery of the vision.

The Council's capital investment programme will focus on the four main Council Plan themes of:

- Strengthening communities;
- Protecting and enhancing our environment;
- Improving safety; and
- Planning for the future.

The capital programme will also include projects to deliver additional income, improved asset management and efficiency savings in accordance with the multi strand approach set out in the Council's Medium Term Financial Strategy.

### **3 Aligning the Capital Programme Strategy with Council Priorities and Corporate Programme Board**

Alongside the approval of the capital programme by Council in February 2020, it is proposed to also establish a new Capital Programme Board (CPB). The Board will oversee and co-ordinate the preparation, review and implementation of the Council's Capital Programme Strategy which must be approved by Council and reviewed annually.

The Board will receive new bids for prioritisation and format a multi year capital programme taking into account projected available resources for submission to Cabinet and Council. The Board would also oversee and monitor in-year requests for changes and scheme progress as well as receive capital monitoring reports.

Through doing so, and taking a long term view, the Board should ensure that both individual projects and the programme as a whole is affordable and fits with the Council's vision, priorities and outcomes as laid out in the Council Plan and other inter linked plans and strategies.

When considering initial proposals for new schemes, the CPB will ensure that only after a positive contribution to one or more of the objectives has been demonstrated, will a project be recommended for resource allocation by the Council.

The terms of reference for the CPB are noted in Annex 1.

The following principles will enable the Council to make sound capital investment decisions based on scrutiny and the evaluation of projects and programmes:

- All capital programmes and projects will be subject to comprehensive but proportional appraisal in line with the Government 5 Case Business Model and related HM Treasury Green Book guidance. In accordance with this, a capital project sponsor must be able to demonstrate that a rigorous process of options appraisal has been followed, requiring evidence of need, cost, risk, outcomes and methods of financing. Capital investment proposals which will result in a revenue cost saving or efficiency are encouraged;
- The appraisal process will be universally applied, rigorous, transparent and focus on a clear decision;
- All projects will be appraised and approved before any expenditure is committed (other than preliminary expenditure necessary for preparation of a business case);
- Scrutiny at every gateway stage will include consideration of necessity, value for money, viability, affordability and achievability; and
- All major projects will be subjected to a post project review that focuses on the benefits achieved, all obligations being met and lessons that can be learned.

Annex 2 further details the scheme approval reports process.

Achieving high quality results from capital investment is the most important aspect of the Capital Programme Strategy. The increased scale of capital investment over the coming years requires a shift in the quality of project management, planning and delivery. In recognition of this a new corporate Project Management Office (PMO) has been established. The Vision of the PMO is:

- Align programmes and projects with strategic direction;
- Create best practice for consistent programme and project management throughout the organisation;
- Effectively prioritise and manage programmes and projects to a successful completion;
- Collaborative provision of resource, capability and resilience through centralisation; and
- Enhance reporting capability through modernisation of processes.

## **4 Governance Arrangements and Monitoring**

Governance should not be unnecessarily bureaucratic, but must put the right controls in place to manage a multi-million pound programme of projects. An effective and proportionate governance structure will enable the Council to make timely and responsive decisions based on sound business cases. It will follow principles of risk management, escalation of issues and regular reporting.

The Council's governance arrangements are set out in the Constitution, Contract Standing Orders and Financial Regulations and Financial Procedures. These set out roles and responsibilities and the decision making process.

Financial monitoring of the capital programme – this will be undertaken monthly with quarterly reporting to the Strategic Leadership Team, Performance Panel and Cabinet. The Audit and Accounts Committee reviews the Annual Statement of Accounts of the Authority.

Monitoring delivery at key stages – this will be undertaken by the CPB and cover tracking and reporting progress towards delivery of outcomes as well as the realisation of the benefits and lessons to be learned, during and after completion of the projects. This process will be part of an emphasis on continuous improvement and embedded into a gateway approval system.

## **5 Financial Policies**

The Council's financial policies are set out in the Medium Term Financial Strategy. Those which relate to the capital programme are as follows:

### **5.1 New Homes Bonus**

The first £0.25M of new homes bonus in each year will be used to support the revenue budget. New homes bonus income received in excess of £0.25M will be allocated as follows:

- 20% of the new homes bonus will be allocated to a Local Infrastructure Fund Reserve to provide enhanced funding for community infrastructure;
- 55% of the New Homes Bonus will be allocated to the Housing Reserve - Manydown to provide funding for the development of Manydown; and
- 25% of the new homes bonus will be allocated to the Stability and Resilience Reserve.

The first £0.25M of any allocation to the Housing Reserve - Manydown will be reallocated to the Efficiency, Transformation and Digital Reserve.

## 5.2 Community Infrastructure Levy (CIL)

CIL income can be spent on “the provision, improvement, replacement, operation or maintenance of infrastructure to support the development of its area”.

In aligning CIL spending with Council Plan priorities, project approval will be based on the following eligibility criteria and sufficient CIL funding being in place:

- Included in the Infrastructure Development Plan and covered by the scope of the Regulation 123 list;
- Have a local or wider community benefit, particularly those areas which may be impacted by nearby developments;
- Linked to the delivery of homes or jobs in the borough and with clear delivery plans; and
- Able to either lever in funds that would not otherwise be available or provide funding for those that would not otherwise be delivered.

The agreed policy for the allocation of CIL is as follows:

- 25% to parishes with a neighbourhood plan;
- 15% to areas with no plan including town areas (capped at £100.00 per Council Tax dwelling);
- Town area allocation to be considered alongside with LIF to maximise benefits of funding;
- 5% allocation to cover administration costs; and
- 70% to 80% for strategic schemes identified on Regulation 123 list to support development.

Further information can be obtained from the original reports linked below:

<https://democracy.basingstoke.gov.uk/ieListDocuments.aspx?CId=131&MId=1017>

## 5.3 Property Investment Strategy

Applies to capital expenditure only within budget allocation agreed by council.

Property Investment Strategy:

- All investments will need to demonstrate a positive risk based financial return in excess of the medium term cash investment return as currently invested capital receipts (the interest on which is supporting the base budget) will be used to fund the schemes approved under the strategy;
- All investments will require a robust business case to ensure that the investment is affordable, sustainable and provides value for money; and
- The investment must meet other agreed criteria set out in the Property Investment Strategy.

## **6 Wider Contextual Drivers**

In respect of capital investment there are a number of global, national and local contextual drivers, which, together with the Council's vision set the scene for this strategy. These drivers are:

### **6.1 Regeneration**

There is a need to transform and improve some of the borough's infrastructure and built environment. The Council wants its neighbourhoods to be places to be proud of and the town centre needs to be an attractive place to do business. Investing in infrastructure will transform the borough and boost economic productivity and competitiveness. Work on developing a regeneration strategy is in progress.

### **6.2 Affordable Housing**

The Council's Housing and Homelessness Strategy identifies requirements for affordable housing delivery up to 2024. This is supported by the Council's equity loan scheme to enable people to purchase existing properties on the open market and for new properties the Help to Buy South Scheme is operated by Radian Housing.

### **6.3 Local Plan**

The Local Plan is a statutory document which all Local Planning Authorities must produce (and review every five years) to guide development in their area. It includes a spatial strategy, allocating land for future growth to meet needs, in addition to more detailed policies to guide decisions on planning applications. The plan covers all types of development, from housing to employment, schools, roads, parks, shops and community facilities. The current adopted Local Plan covers the period 2011-2029 but is now being reviewed in line with national planning requirements. The updated Plan will cover the period up to at least 2038 and the published timetable outlines an adoption date for the new plan of 2023. As the council's primary planning document, the Local Plan will build upon other council strategies to direct growth and change to appropriate locations and therefore achieve sustainable development to create places people want to live, work and locate their businesses.

### **6.4 Manydown**

Development of land at Manydown is a key strategic scheme for the Council in delivering the Local Plan and communities for the future. Manydown provides the opportunity to attract external funding into the borough for delivery of improved infrastructure, make ecology improvements and use land not for development as local carbon off-setting.

### **6.5 Climate Emergency**

The Council has committed to its activities being carbon neutral by 2025 and the entire borough being carbon neutral by 2030. Capital investment plans will be important in delivering this e.g through electric vehicles, more efficient building, grants for green initiatives etc. The Council will also be actively looking at opportunities to invest capital in revenue generating green energy schemes or similar and also the opportunities to

draw in external grant funding. Particular opportunities may exist with large warehouse roofs where the generated electricity can supply the occupants rather than going into the grid.

## **6.6 Public Spending Pressures**

Locally the Council aims to ensure that the maximum benefit is obtained from capital investment in terms of achieving Council Plan priorities. Capital investment also provides the opportunity to generate additional income and to make savings through invest to save schemes.

## **6.7 Technology**

This continues to rapidly evolve, profoundly affecting many parts of our lives - technology is changing the way people communicate and the way customers can access information and the Council's services. Technology also enables the Council to provide some services more efficiently and effectively.

A fundamental review has been undertaken of the Council's use of technology, with the objective of positioning this not merely as an essential tool for the delivery of services, but rather an intrinsic part of the Council's future 'DNA'.

The Council aims for its customers to have an increased and better ability to self-serve, online, at a time that suits them, while ensuring that the requisite support is available for customers who do not have the skills or means to interact with us digitally.

The Council's Digital Programme will enable the Council to operate a leaner structure, whilst also delivering savings in third party spend (with contractors and suppliers) and assets (such as property and office accommodation). These will be through enabled reductions in facility requirements, customer contact structures, consolidation of back office and corporate service functions and retirement of old IT legacy.

## **6.8 Customer Demand and Demographic Pressures**

Demographic changes are driving up the overall demand for services and customers' expectations are high including expectations of services and the quality of the place in which they work and do business.

## **6.9 Economic Development**

The Council is working with key partners including the M3 LEP, HCC, business organisations, private sector partners, local schools and colleges, government departments and training providers to generate economic growth in the borough.

The current focus is on supporting the attraction and retention of businesses, providing property solutions for business, sector development and facilitating businesses' support services to maximise the potential of the borough through the enhanced cultural, retail and hospitality offer, improving productivity, and ensuring that all residents can benefit from, and contribute to growth. The Economic Development team has an active programme for working with developers and occupiers to ensure that residents of the city are given the opportunity to gain employment created by major development schemes. It also levers significant external funding for labour market interventions.

## **6.10 Commercialisation**

Local authorities face a difficult financial climate with ever decreasing funding from Central Government. This has necessitated Councils looking at innovative ways to generate regular revenue streams so they can reduce reliance on Central Government funding.

To enable the Council to continue to deliver the same very high level of resident satisfaction the Council will focus on opportunities that may exist to become more commercial in their approach.

This will include defining what being commercial means for the Council along with a full update of the Commercialisation Strategy working with managers to deliver cost effective services across the organisation.

Training and support will be provided to officers to ensure that they are more commercially aware and that this approach is extended into our contract management to building strong and resilient relationships with our suppliers and clients.

Through a commercialisation academy, opportunities to develop new income streams will be identified which support the Medium Term Financial Strategy, whilst continuing to drive efficiency in existing services.

The current key area of focus is to deliver a commercial vision and maximising income from existing and potential advertising revenue streams. The income created from this activity should not only contribute to the MTFS but also finance the necessary structure required to deliver the outcomes of this work in the longer term.

Along side this consideration is being given to further development of options for 'trading services' with other local authority partners.

## **6.11 Property Investment Strategy**

Many Local Authorities have made the decision to expand their investment property portfolios, which provides an important and substantial revenue income stream, in order to generate a higher level of income by acquiring additional properties.

The Council's Property Investment Strategy was approved by Council in February 2017. This has now successfully committed the investment of over £32.51M which will deliver additional income of £2.30M per annum. In addition to new investment the strategy covers a review of existing property investments and the development of a revolving fund approach to new investment which will be considered by the Capital Programme Board.

Further diversified investment in property has also been achieved through investment in the CCLA Property Fund and forms part of the Treasury Management Strategy.

### **Capital Programme Board (CPB) – Terms of Reference**

When considering initial proposals for new schemes, the CPB will ensure that only after a positive contribution to one or more of the objectives has been demonstrated, will a project be recommended for resource allocation by Cabinet.

The CPB will be chaired by the Cabinet Member for Finance and Service Improvement and lead officers responsible for the strategic direction of capital investment for the council.

The CPB will consider the best approach to delivering capital schemes in order to enable funding to be better aligned with other partners and funding sources and ensure a borough wide approach is taken.

All applications/bids for external capital grant funding will be presented to the CPB ensure they are in line with agreed priorities and outcomes and that all capital and revenue consequences have been considered.

Capital resources will also be managed by the CPB and it will review and evaluate all capital bids for resources along with need for external borrowing and levels of voluntary 'Minimum Revenue Provision' (MRP). It will then recommend to Cabinet/Council a prioritisation of resources to ensure alignment with other spending plans and the maximisation of benefits to the council and achievement of council outcomes, priorities and Executive commitments

The CPB will recommend the use of both non-ring fenced and ring-fenced resources and also the general prioritisation of resources so that Cabinet/Council can make well informed final decisions on the utilisation of resources.

The CPB will also undertake an annual review of the individual capital schemes which are included in the capital programme to:

- Ensure that schemes still meet strategic priorities and outcomes via a capital appraisal process;
- Review their continued relevance in the context of a dynamic and constantly developing organisation;
- Consider the progress of schemes including any reasons for delayed starts or variations to approved budgetary allocations and re-phasing of planned expenditure; and
- Identify any unutilised or underutilised resources.

It will consider any reallocation of resources.

The Capital Programme Board will be made up of the following members:

- Cabinet Member for Finance and Service Improvement (Chair);
- Leader of the Council;
- Chief Executive;
- Executive Director Finance and Resources (S151 Officer);
- Executive Director Borough Development (Deputy Chief Executive);
- Cabinet Members (as relevant to schemes to be considered);
- Head of Financial Services; and
- Head of Property and Assets

By Invite:

- Executive Director for Borough Services;
- Heads of Service; and
- Project/Programme Managers

### **GUIDANCE ON CAPITAL SCHEME APPROVAL REPORTS**

In future all additions to the council's capital programme will require a robust business case that identifies the total cost of the scheme, that it is affordable, and funding requirement identifying any specific funding sources i.e. grant funding.

It should be noted, that if the need to borrow is identified as part of funding the scheme, the council has legal maximum limits on its ability which are agreed by council annually as part of the Treasury Management Strategy.

#### **Process of Approval**

All proposed schemes to be considered for capital investment must follow a two stage process.

#### **Stage one: Outline Business Case**

- A high level option appraisal should be undertaken covering, justification and links to council priorities, options, achievability, risks and a financial summary, agreed with the Chief Financial Officer, demonstrating a positive return on investment. This should be completed in consultation with the relevant Executive Director and Portfolio Holder; and
- The scheme request will then be reviewed by the Capital Programme Board. Once reviewed, the Capital Programme Board will then recommend whether a further detailed business case is required in order for the scheme to be fully assessed.

#### **Stage two: Detailed Business Case**

All schemes progressing to stage two must be supported by a detailed business case using the standard template maintained by the Corporate Programme Management Office. The business case must cover the following;

##### **Business need**

- **A summary of what the scheme is and why it is required.**

##### **Scheme objectives**

- Description of how the scheme will contribute to the council priorities;
- Outline the main benefits to be produced by the scheme;
- Define the key success factors and how success will be measured; and
- Outline main stakeholder groups and their contribution to the scheme.

##### **Option appraisal**

- Outline all options considered, the general approach taken (refer to Council's option appraisal guidance) and identify the preferred option;
- Include financial and non-financial benefits;
- Outline the risk assessment and mitigation (link to corporate risk policy); and
- Provide a sensitivity analysis showing the effect of changes in critical factors.

#### Achievability

- Provide a high level plan for achieving the desired outcome with key milestones;
- Should demonstrate the period of time over which the scheme will be implemented; and
- Provide outline contingency plans.

#### Financial Summary

- Identify the whole life cost of the scheme including both revenue and capital costs and how any recurring revenue cost implications will be met; and
- Provide financial analysis that demonstrates the preferred option provides a positive return on investment and that where external borrowing is proposed, how would this be repaid from scheme benefits.

#### **Key Assessment Criteria**

**The assessment will involve consideration of the business case areas using the following criteria;**

#### Non-Financial Areas

- How well does the proposal meet council priorities?;
- Are key stakeholders supportive?;
- Have a range of options been considered?;
- Have innovative approaches been considered?;
- Have alternative delivery options been considered?;
- Can the scheme be delivered with the council's current capability and capacity?;
- Can the risks be managed?; and
- Does the scope or timescale need to change?

## Financial Assessment

- The preferred option must demonstrate a positive return on investment and be affordable. Higher scheme returns may need to be required depending on the risk assessment and level of benefits, both financial and non financial;
- A reasonable assessment of whole life costs of the scheme should be used in the evaluation but avoid spurious accuracy;
- How sensitive are the key assumptions; and
- Consider alternative funding sources.

## Scheme sign off and approval

**The proposed process for assessing and gaining formal approval for new schemes is as follows;**

- The Business Case must have been approved by the Executive Director and Portfolio Holder;
- The resource sections of the business case must have been cleared with the relevant corporate service area e.g. legal;
- The financial summary in the detailed business case must be signed off by the Chief Financial Officer;
- The Capital Programme Board will assess the business case and make a recommendation to Cabinet and Council as relevant;
- If the capital programme contains a scheme budget (or a general budget) then approval to spend will be subject to the virement delegations set out in 2.13 of the Financial Procedures; and
- If there is no funding in the approved capital programme then a Council decision would be required.

## Post scheme review and ongoing monitoring

A post scheme review should be completed in accordance with best practice and Capital Programme Board will agree which of these reviews it wishes to see.