



Basingstoke
and Deane

***Basingstoke and Deane
Borough Council***

Capital Programme Strategy

February 2022

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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 strong finances and the council's track record of 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 that deliver the council's priorities; 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 priorities and 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, including the Climate Change agenda.

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 council's 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 priorities 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 the role of the Capital Programme Board

In February 2020, Council approved the establishment of a Capital Programme Board (CPB). The CPB oversees and co-ordinates the preparation, review and implementation of the Council's Capital Programme Strategy, which is approved by Council and reviewed annually.

The CPB receives new bids for prioritisation and proposes a multi-year capital programme, taking into account projected available resources, for submission to Cabinet and Council. The CPB also oversees and monitors in-year requests for changes to the approved capital programme and scheme progress. The CPB also receives quarterly capital monitoring reports.

By delivering its responsibilities, and taking a long-term view, the CPB has been established to 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 interlinked 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 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 the corporate Project Management Office (PMO) has been established. The PMO gives guidance to:

- 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 is undertaken monthly with quarterly reporting to the Senior Officers, Performance Panel and Cabinet. The Audit and Accounts Committee reviews the Annual Statement of Accounts of the Authority.

Monitoring delivery at key stages 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 (NHB)

A consultation on the future of the New Homes Bonus scheme from 2022/23 was issued on 10 February 2021 and closed on 7 April 2021. No outcome from the consultation has been announced. As this area is still an unknown, the updated MTFS 2022/23 to 2025/26 assumes a prudent approach with no new replacement government funding from 2023/24.

The current policy for the allocation of funding received is:

- 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 support the general fund revenue position;
 - 55% of the new homes bonus will be allocated to the Manydown Reserve to provide funding for the development of Manydown; and
 - 25% of the new homes bonus will be allocated to the MTFS Risk Reserve.

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

The policy for 2022/23 has been amended to provide additional support to the general fund revenue position.

5.2 Community Infrastructure Levy (CIL)

Community Infrastructure Levy (CIL) is a relatively new funding source for the council, only having been introduced in 2018 the council adopted the CIL charging schedule. This set out the different rates charged which become payable on planning applications determined after 25 June 2018.

CIL is a charge which is paid a certain number of days after a development commences and which is relevant for some forms of residential schemes in the borough. The exact rate is based on the internal floor area of the homes being provided. The rates vary depending on the location of the site, in line with the rates contained within the CIL charging schedule. It is not applicable to homes which are defined as 'affordable housing' generally secured through the legal agreement.

Given that CIL is collected once a development has commenced, and an instalment policy in place for larger amounts due, there is a time lag from the introduction of CIL and a meaningful amount being collected.

As a principle, CIL is intended to be used and spent more strategically than site specific S106 funding with a broad definition of 'infrastructure' in the government's regulations on how it can be used.

The borough council has adopted an 'Infrastructure List' (previously called the Regulation 123 list) when it introduced CIL in 2018. This was readopted in December 2020. The introduction of CIL has reduced the list of things that can be secured by S106.

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 agreed financial policy:

- 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 Infrastructure List (previously Regulation 123 list) to support development.

Future CIL receipts will be allocated in accordance with legal agreements, council policy and following recommendation of the Council Capital Board.

below:

5.3 Property Investment Strategy

In 2017 Council approved specific further investment in property and set a limit of £35M (initially £30M) to invest in new and existing properties to increase the overall investment property income. These investments generate an income of £2.43M (7.48%). These properties now form part of the commercial property investment income and are monitored and reported as part of the overall position.

Further to this the council appointed new property advisers in 2020 who have been working alongside officers to develop a new Strategic Asset Management Plan (SAMP) 2022/23 to 2025/26. As part of this plan, a new Property Investment Strategy has been developed which seeks to consider the council's property investment portfolio and land holdings from 2022/23 for the next 4 years to 2025/26 and expands on the portfolio's relationship with key regeneration projects.

The objective of the strategy is to ensure a stable long-term income with the ability to grow that income to negate the effects of inflation and obtain real term growth, inflation is seen as a risk in the medium term. The strategy will also aim to preserve and enhance capital value.

The PIS includes active asset management strategies of the commercial property portfolio to optimise income and rebalance the portfolio in terms of use, tenure and to take account of changing legislation around sustainability which is likely to have a negative effect on some property values and portfolio performance if buildings don't meet appropriate standards in the future.

The current overall level of property investment (including the 2017 additional investment of £32.49M) is expected to be maintained. This in the main will therefore require the disposal of current assets with capital receipts reinvested in line with Investment Strategy.

The work undertaken by JLL has identified the need to reinvest circa £35M to rebalance the existing portfolio. A scheme with spend of up to £40M has been added to the Capital Programme to facilitate this to cover the period of activity to 2025/2026. The Executive Director of Corporate Services (S151 Officer) has delegation under approved Financial Regulations to rephase spend within to overall total value of the scheme following a recommendation of the Council Capital Board.

Property investment activity will only be undertaken once an appropriate capital receipt has been made from an asset disposal. This scheme will therefore be funded from disposal capital receipts.

It is however, recognised that it may be necessary to forward fund activity to make strategic purchases prior to an appropriate disposal being actioned. Therefore, a

maximum sum of £10M has been allocated and funded from existing capital receipts to fund the programme spend as needed, to be reimbursed from disposal income and held as a rolling available sum.

With financial return being the main objective, the Council accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include voids, loss of capital value and increasing maintenance costs. The Council has had to strike a balance between security, liquidity and yield based on the contribution the investments make and the Council's risk appetite.

The target returns (%) and gross income (£) from these investments are government recommended indicators and will need to be monitored and reported throughout the year along with any costs associated with the investments (currently none) and the net income. The returns from future property investments is expected to be in the range of 4 – 7% with a blended return of 5.5%.

If the value of a property investment drops below the purchase price (excluding costs) then the Council will need to determine what mitigation is required in order to maintain the Council's future financial stability.

Further details on how the risks are managed and the process for ensuring effective due diligence for these investments can be found in the SAMP and Annual Property Plan 2022/23.

In terms of the governance arrangements for these investments, these are detailed in the Strategic Asset Management Plan 2022/23 to 2025/26 which includes the Property Investment Strategy (PIS) and the Annual Property Plan (APP) 2022/23. The approved strategy sets out the criteria, and limits on this type of investment and officers are required to operate within these criteria and limits.

Decisions on commercial investments are made by the Executive Director of Corporate Services (S151 Officer), after consultation with the Portfolio Holders for Property and Finance, within the limits and criteria set out in the PIS and APP.

Property and most other commercial investments are also deemed to be capital expenditure and therefore will also be approved as part of the capital programme update to Council. Quarterly monitoring reports on property investment activity under the strategy are presented to the Audit and Accounts Committee and half yearly to Cabinet.

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 strategies and masterplans for the key three strategic sites of the Town Centre; Leisure Park and Basing View is in progress as discussed below:

6.1.1 Town Centre

The pandemic has accelerated societal shifts and in many ways provoked permanent changes to lifestyles. It has dramatically highlighted how social capital, community cohesion and access to green space are essential to wellbeing and happiness for everyone. The Town Centre Strategy is focusing on developing a long-term strategy and masterplan for Basingstoke's town centre to ensure its long-term future.

The strategy and masterplan will provide an in-depth understanding of the challenges the town centre faces today and in the future, the opportunities that are available, the interventions required to ensure its long term vibrancy and resilience and how the area can move towards being a more experience-based and people-focused town centre that provides the right offer, built environment and public realm to give Basingstoke a clear identity and unique selling point. Delivering this strategy will present some infrastructure challenges and require interventions, that may include funding.

6.1.2 Leisure Park

Signed in 2018, a development agreement with NewRiver would have seen £300M of private investment in the council-owned park to provide a new Aquadrome and new leisure facilities, alongside a designer outlet centre. However, these proposals were significantly delayed by a legal challenge over procurement, successfully overcome in June 2020. The Covid-19 pandemic impacted on the business climate in the UK, especially in the leisure and retail sectors, with a corresponding impact on property development within those sectors.

As things have changed so significantly since the proposals were first developed, the council and NewRiver have jointly reviewed the proposals and agreed that they are no longer viable or appropriate in the post-Covid world. This has resulted in jointly agreeing to end the development agreement to regenerate Basingstoke Leisure Park.

The termination of the development agreement means that the council is now back in direct control of developing a strategy for the future of the Leisure Park. Due to the proximity of the core of the Town Centre and the Leisure Park there are

common themes around appropriate uses and therefore benefits in developing the two strategies simultaneously.

The Local Plan is also under review which enables the Council as landowner to promote sites suitable for development within the plan period. Development of both the Leisure Park and Town Centre are considered capable of starting within this time.

The Aquadrome is a council facility which is managed by Basingstoke and Deane Community Leisure Trust, and run by Serco, on behalf of the borough council. The council will now be able to control the delivery of a new or modernised Aquadrome and the council is already investing in the facility by carrying out maintenance work to ensure that it will continue to provide leisure facilities, whilst future plans are being considered for the Leisure Park.

Specialist advice will be required from consultants on an appropriate leisure offer for Basingstoke; its optimum location; masterplanning of the site; viability of development; procurement of partners; design and construction costs. The work has already commenced to inform a strategic business case on future options which will be subject to consultation before a strategy and funding is agreed.

6.1.3 Basing View

The regeneration of Basing View started in 2012 when a joint venture agreement was signed with Muse Developments on six development sites. In the intervening period the project has generated £12M in capital receipts, a new income stream of £1.3M through the forward funding of a new HQ for Lilly and circa £186M of third party inward investment. The success of the project has increased rents on the park which has facilitated a number of lease re-gears to be successfully negotiated and enhanced the rental income from existing ground leases.

There are still undeveloped sites and commercial negotiations on Basing View that are considered capable of generating additional returns to the council. Due to there currently being a number of active workstreams in relation to the parks regeneration ongoing funding is required. This funding will enable the park to continue to make a significant contribution to the economic prosperity of the Borough.

6.2 **Affordable Housing**

The council's Housing and Homelessness Strategy 2020 to 2024 was adopted in July 2020. This focuses on housing choices for all and encompasses statutory housing duties, homelessness and the Social Inclusion Partnership, initiatives to increase access to owner-occupation, as well as emerging themes including tackling climate change and place shaping. This is supported by the Tenancy Strategy and the Private Sector Housing Enforcement Strategy.

6.3 **Local Plan**

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 to 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. Tackling climate change will be a central focus for the new Plan.

6.4 **Manydown**

Development of land at Manydown is a key strategic scheme for the council in contributing to the delivery of the Local Plan and communities for the future.

Manydown provides the opportunity to attract significant external funding into the borough to enable delivery of new and improved infrastructure, contributing to bio-diversity net gain through enhancing habitats and new ecology improvements particularly through the new countryside park. There may be additional opportunities to consider utilising land not for development as local carbon offsetting.

In partnership with Urban & Civic and The Wellcome Trust, the development will create opportunities to support growth recovery plans with new construction jobs, employment opportunities within the new local centres and working to improve skills.

On behalf of the Manydown Development Company, Urban & Civic (U&C) have been in discussions with Homes England (HE) to secure a loan to meet the cost of accelerated infrastructure funding for Manydown North.

Both Hampshire County Council (HCC) and Basingstoke and Deane Borough Council (BDBC) have the opportunity to undertake this lending directly. The investment opportunity for BDBC on a 50:50 basis with HCC, has been considered with a loan of up to £25M from each authority.

A review of the current treasury management investment holdings has identified two funds that would benefit redemption and reinvestment currently only achieving overall marginal returns. Investment in these two funds totals £30M.

A similarly long term alternative investment (forming part of Treasury Management activity) would be to invest in this loan facility achieving an expected minimum interest rate of circa 2.6%.

Funding will only be provided once the Overarching Business Plan for the development has been agreed and will not be drawn down in one lump sum.

A new scheme has been added to the Capital Programme for approval in February 2022 for £25M to be funded from the redemption of the Treasury Management Funds. These funds will be redeemed in stages to meet the draw down requirements on the £25M.

This alternative investment route will give a more secure return than that of the current treasury management activity, however, the investment will be significantly less liquid than current investments. This essentially will tie up the funding for a predetermined period which may require other funding sources for the councils capital spend to be considered.

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. Mitigating and adapting to climate change is now embedded within the council's decision making and it is important that capital investments make a positive contribution to the delivery of the Climate Emergency Plan.

A Climate Change and Air Quality Strategy was considered and adopted by Council in March 2021. A Climate Emergency Action Plan was also adopted at the same time. The council's approach to tackling its commitments, for both council operations and borough-wide emissions, is to focus on six main categories:-

- **Action by all** – the need for everyone in the borough to contribute
- **Buildings** – tackling emissions from heating and powering our buildings
- **Transport** – tackling emissions from vehicles
- **Zero carbon electricity** – supporting the transition to a decarbonised electricity system
- **Waste and Consumption** – reducing waste and consumption
- **The Natural Environment** – maximising the climate mitigation and adaptation qualities of the natural environment

This strategy sets out a framework to take action to tackle climate change and air quality issues to meet the ambitious targets set out in the climate emergency declaration and the action plan provides a set of specific actions required to deliver against the aspirations and principles laid down in the strategy. All capital schemes will consider how to maximise the funding available to achieve carbon reduction where possible.

Capital investment plans will be important in delivering this through a range of initiatives including reducing vehicle emissions when purchasing replacement council owned vehicles, use of electric vehicles and installing electric charging points in the borough, making buildings more energy efficient and providing grants

for green initiatives. 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.

More details of the Climate Change and Air Quality Strategy can be found via the following link :- [Climate Change and Air Quality Strategy](#), The Strategy and Action Plan are updated annually and are presented to the council's Communities, Environment and Partnerships Committee (the CEP). A report highlighting progress against the overarching strategic aims and the specific actions identified in the 2020/21 action plan was presented to the CEP in October 2021:- [CEP update](#).

6.6 **Green Infrastructure**

The Green Infrastructure Strategy 2018 to 2029 covers landscape, heritage, sense of place, biodiversity, water resources, trees and woodland, parks and open spaces, health and wellbeing and access and recreation, delivering on Local Plan policies and incorporating governing legislation, standards and land management requirements. This is supported by the Living Landscapes Natural Environment Strategy and is aligned to the Local Plan to 2029.

6.7 **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.

6.8 **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 smarter ways of working.

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. This has been accelerated by the Covid-19 pandemic with sharp increase in digital interactions which will need to be retained in the ongoing technology project in the programme.

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.

6.9 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.

The impact of the Covid-19 pandemic has been to change the nature of the demand for services and the way in which these are accessed by customers. This may have a permanent change that will need to be taken into account in determining and delivering the capital programme.

6.10 Economic Development

The Economic Growth Strategy 2018 to 2033 and Economic Masterplan - linked to the Enterprise M3 Strategic Plan, these strategies deliver on local priorities - 'Growing our talent, supporting our entrepreneurs and supporting our sectors'. Skills, broadband and 5G and an "inclusive growth" approach are key issues. The Transport Strategy developed during 2018/2019 is focussed on six themes including access to and within Basingstoke town centre (and the emerging Town Centre Strategy), creating new developments that are integrated within the existing transport network, improving public transport, developing better walking and cycling corridors, managing journey times and reliability, maintaining strong transport connections and forward planning to meet future needs.

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 council's Economic Recovery Framework adopted in October 2020 also recognises the need to support the economy in the shorter term to recover from the recession arising from the Covid-19 pandemic and this will influence the ongoing development of the capital programme to ensure that investment and external funding is used to the best advantage.

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 borough are given the opportunity to gain employment created by major development schemes. It also levers significant external funding for labour market interventions.

6.11 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.

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

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 Major Projects 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 borrowing¹ 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 Major Projects (Chair);
- Leader of the Council;
- Chief Executive;
- Executive Director Corporate Services (S151 Officer);
- Executive Director Borough Development (Deputy Chief Executive);
- Head of Financial Services and Commercialisation; and
- Head of Property and Assets

By Invite:

- Cabinet Members (as relevant to schemes to be considered);
- Executive Director Residents' 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 section B paragraph 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.