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Capital Strategy

PART 1

1.0 INTRODUCTION

Following best practice Breckland Council is required to renew its Capital Strategy on an annual basis. This ensures a strategy that maintains a strong and current link to our Business Plan.

The existing document was well received by the Audit Commission and contributed to Breckland Council scoring 3 out of 4 for its financial management arrangements under the Use of Resources regime.

The political climate has changed dramatically following the formation of the coalition government. Although central assessment of Local Government performance will undergo significant change, with the cessation of Comprehensive Area Assessment, the requirement for authorities to have a sound Capital Strategy does not diminish. Reduced government funding will impact on already limited financial resources, making the Capital Strategy an essential tool for the Council to focus its capital resources on outcomes that deliver maximum benefit to council tax payers in the district.

For the benefit of the reader the strategy has 3 key parts;

- Introduction
- Core Strategy
- Strategic Context

Please have a read of our strategy and we hope it provides you with the understanding you seek with regards to how we will manage the capital resources at our disposal to deliver our priorities.

PART 2

2.0 CORE STRATEGY

This Core strategy explains how we will manage our capital resources to deliver our current and foreseeable capital programme.

From 2010 to 2015 the Council is likely to need significant investment to advance the priorities stated within its business plan. In order to do this we recognise a need to deliver efficiencies, seek additional funding and periodically review both the consumption of our capital resources and our stated priorities. We will ensure this happens through these 4 core principles,

Principle 1 – Managing the impact of investment decisions on our revenue budgets
We will do this by,
• Ensuring capital investment decisions do not place additional pressure on Council Tax or our Medium Term Financial Strategy
• Promote capital investment which allows either invest to save outcomes or generates a revenue and/or capital return
Principle 2 – Optimise the availability of capital funding where that funding supports the priorities of Breckland Council
We will do this by,
• Disposal of surplus assets and use them to reinvest
• Have effective working relationships with potential funders
• Listen to and support effective partnering arrangements
• Have clear policies for the consumption of our reserves
Principle 3 – Ensure we have effective pre and post project appraisal
We will do this by,
• Ensuring a system of competition exists for project approval
• Build into project appraisal recognition of environmental sustainability
• Fully consider project risk
• Carefully consider Value for Money and Efficiency of every project
Principle 4 – Performance manage our capital programme
We will do this by,
• Integrating the capital programme into our performance management framework
• Ensure our capital schemes use appropriate project management tools
• Expect responsibility for the delivery of the capital programme to be clearly defined
• Make sure our assets sweat through effective ongoing asset management, consistent with levels of investment

PART 3

3.0 STRATEGIC CONTEXT

3.1 About Breckland

Breckland District covers an area of 1,305sq kilometres and is one the largest rural districts in England. Nestled just on the Norfolk/Suffolk border and covering much of the South, West and central parts of Norfolk, Breckland is centred round the five market towns of Attleborough, Dereham, Swaffham, Thetford and Watton. The largest of these is Thetford with a population of over 23,900 and the smallest Watton with a population of just over 7,400. There are 107 Parish Councils, some covering more than one parish and just under two thirds of these have fewer than 500 residents. The area is one of the most rurally sparse in the country which sets particular challenges in terms of service delivery and demands on resources.

Breckland is one of the fastest growing areas in England; the population is 131,795 (according to the latest population figures) and is estimated to grow by a further 37,305 by 2031, which is an increase of 28% compared to the national average of 18% over the same time period. There are also a growing number of residents moving to the District mainly from Europe which is not reflected in census data.

Retail, distribution, catering, food processing, farming and manufacturing are key economic activities in the Breckland area and for much of the last decade some of these sectors have been in decline. Unemployment levels in the District had been relatively low at around 2% until 2008, when levels started to rise as a result of the current economic downturn. By May 2009 unemployment levels had risen to 3.6%, however this level is still below the national average of 4.1%. Some of the wards are the most deprived in the region, and there is a relatively large proportion of young people particularly in Thetford entering the job market. To respond to these trends the Council's regeneration and economic development activity centres on attracting high value technology and skilled employment opportunities, against a backdrop of the economic recession and rising unemployment.

Much of the land in Breckland is given over to agriculture and large open spaces of heath land, known as the Brecks, from which the district gets its name. The distinctive landscapes of natural habitat are of national and international importance. The climate combined with the soil conditions of sandy soil, chalk and flint, supports outstanding wildlife and plants. The area encompasses ancient heath lands and lowland pine forest most of which have public access. With its natural beauty, its wealth of history and many other attractions Breckland attracts an estimated 1.5 million visitors each year.

Local attractions include Banham Zoo, the National Trust's historic Oxburgh Hall near Swaffham, and the Neolithic flint mines at Grimes Graves, near Weeting. Just outside Dereham the Gressenhall Rural Life Museum is housed in a former workhouse or 'House of Industry'. Some 16 kilometres east of Thetford, just off the A11 Snetterton motor racing circuit is located which hosts major sporting events throughout the year.

3.2 Aims

The specific aims of this strategy are to ensure:

- Physical assets and related resources are efficiently and effectively used to support the Breckland Council Business Plan. These inputs will then be reviewed against the outputs from capital schemes to demonstrate Value for Money;
- Issues related to property and other assets are fully reflected in the Council's planning, specifically adequate funds for maintenance are available;
- The strategy itself is a useful tool to assist stakeholders understanding of the Council's decision making process and project management of its capital investments;
- Adequate provision is made for delivering corporate priorities and demonstrated through effective resource allocation;
- Invest to save and invest to earn projects are encouraged;
- The Council works within the prudential code framework and demonstrates robust and linked capital and treasury management;
- Review of the asset management plans to identify surplus assets which can move through a disposal process to generate new capital resources;
- Capital spending plans are affordable and integrated with the Medium Term Financial Strategy;
- Support for our partners by acting as an enabler in drawing down external funding for community projects. To further act as a match fund provider.
- Encourage inward investment into the district and innovative approaches to investment such as partnerships with the Private Sector and creation of new delivery vehicles

3.3 Strategic Links

This strategy is a high level summary of Breckland Council's approach to capital investment in the future of our District. It guides the development of service capital plans, and sets out the policies and practices that the authority uses to establish, monitor and manage the Council's capital programme, in line with the Medium Term Financial Strategy. Like the Medium Term Financial Strategy it is driven by the Breckland Council Business Plan; Growing Together[1], which takes account of both local improvement priorities and national priorities that are established through effective consultation with residents and our partners. The Business Plan (supported by departmental Annual Delivery Plans and Service Team Plans) therefore informs resource allocation, with changes to allocations determined in accordance with policies and priorities. Progress on achieving these objectives is closely monitored in accordance with the performance framework.

The Breckland Council business plan "growing together" is a guiding strategic document for the period 2009-2014. The document sets out our values and priorities that have informed the production of the Capital strategy.

These priorities provide the backdrop to the Medium Term Financial Strategy (MTFS) which in turn ensures all new resources, be it revenue or capital, are allocated through the principles on which it is based.

[1] Breckland Council Business Plan, Growing Together – http://www.breckland.gov.uk/brdc_business_plan_for_web.pdf

Table 1 – Aims and Priorities

Priorities	Values
Building safer and stronger communities	Ensuring the communities are safe, secure, integrated with fairness and equality of opportunity for all.
Environment	Our Green Agenda
Prosperous Communities	Developing prosperous and sustainable communities
An entrepreneurial council	To recognise the full earning potential of the Council and ensure value for money
'Your Council' your services'	To tailor services to customer needs

This strategy is linked to a number of corporate strategies, underpinned by the Breckland Council Business Plan. The key strategies are:

- Sustainable Community Strategy 2008-2011
- Local Development Framework
- Treasury Management and Investment Strategy
- Medium Term Financial Strategy
- ICT Strategy
- Asset Management Plan
- Procurement Strategy
- Risk Management Strategy
- Value for Money/efficiency Strategy
- Asset Management Plan
- Crime and Disorder Strategy
- Cultural Strategy
- Housing Strategy
- Contaminated Land Strategy
- Local Area Agreement - Norfolk Ambition 2003 – 2023
- The Environment Strategy 2008-2013

These documents are available on the Council's web-site www.breckland.gov.uk

Capital projects are required to demonstrate a clear link with the Council's aims & priorities with many projects linking to more than one of the five key themes. Table 2 shows how our capital programme supports strategic priorities.

Table 2 – Linking capital resources to strategic fit for priorities: to be updated

Priority	Value of Schemes (£000s)		
Strategic fit	2010/11	2011/12	2012/13
Building safer and stronger communities	2,382	1.132	1,132
Prosperous Communities	128	75	75
Your Council, your Services	1,106		
The Entrepreneurial Council	447	2,569	
Total	4,063	3,776	1,207

The contents of table 2 reflect assumed levels of capital activity as at June 2010.
In pursuit of its corporate priorities Breckland does not have a specific "statutory duty" to undertake economic development activities. However, in the Local Government Act 2000 all local councils were given legal powers to allow them to safeguard the "economic, social and environmental well-being of their areas". It might be argued that there was little need for this legislation in Breckland, as for many years the Council has been delivering the right environment for business growth through its Economic Development Strategy.

Specifically the Thetford Growth Point Initiative is designed to provide support to local communities who wish to pursue large scale and sustainable growth, including new housing, through a partnership with Government. The Council is in the process of completing the LDF and the Capital programme will need to respond to deliver the requirements of the LDF in the Attleborough and Thetford areas.

The Council is committed to supporting development along A11 corridor, as well as recognising the impact on our environment. The national indicators will help to shape these strategies.

The Rural Enterprise Valley or REV programme is geographically focused on the area of the A11 that stretches from the west of Thetford, Norfolk to the western outskirts of Norwich. It is the overarching programme for economic focused initiatives being delivered and developed within this area including the Moving Thetford Forward programme and projects, and projects such as the Thetford enterprise Park (TEP) and Snetterton Utilities Project. An Integrated Development Strategy or IDP has been developed drawing on the existing planning policy and studies and sets out the areas infrastructure priorities that require capital investment to support future predicted population and housing growth and to grow existing and attract new business investment. A low carbon and sustainable approach is embedded within all future planned economic activity.

The Council is planning to undertake an independent asset health check that will be used as the foundation for developing and producing a completely new Asset Management Plan (AMP). The AMP will be developed in time to inform the preparation of the revenue budget and capital programme for 2011/12.

3.4 Capital Resources

The Local Government Act 2003 – which includes the legislation for the capital finance system – does not specify what precisely constitutes capital expenditure. Instead it:

- Refers to "expenditure of the authority which falls to be capitalised in accordance with proper practices".
- Enables the Secretary of State to prescribe by regulation which local authority expenditure shall be treated as capital expenditure and which shall not be treated as capital expenditure
- Enables the Secretary of State to prescribe by regulation that the spending of a particular local authority shall – or shall not – be treated as capital expenditure

The Council will set a de minimus limit of £20,000 for expenditure to be considered for capitalisation. The following categories of expenditure will require capital resources to fund their purposes:

- The acquisition, reclamation, enhancement or laying out of land exclusive of roads, buildings or other structures
- The acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures
- The acquisition, installation or replacement of movable or immovable plant, machinery and apparatus and vehicles and vessels
- The making of advances, grants or other financial assistance towards expenditure incurred or to be incurred on items detailed in points 1 to 3 above or on the acquisition of investments
- The acquisition of share capital or loan capital in any body corporate
- The issue of loan instrument in respect of which not all repayments by the authority are due within 1 year of issue
- Works to increase substantially the thermal insulation of a building
- Works to increase substantially the extent to which a building can be used by a disabled or elderly person
- The acquisition of computer software, plus the in-house preparation of it, provided that the intention is to use the software for at least 1 year

Regulations state that expenditure on repair and maintenance which does not increase the life, value or extent of use of an asset is not deemed as capital expenditure.

The de-minimis is not applicable to capital grants which may be of any value and are made as a contribution to a larger capital scheme. The Council sometimes receives directives that grant contributions are to be applied as Capital expenditure. Should such directives be received, the Council will treat the grant as capital expenditure if the spend is deemed to meet grant conditions. From time to time the Council needs to buy vehicles and equipment and it is proposed that a new de-minimis of £10,000 is applicable to vehicles and equipment from 2010/11.

Balance of Funding

The Council's capital resources have mainly come from the disposal of its housing stock back in 1993. Prudent management of its finances since then has meant that Breckland has been able to retain most of its capital balances, funding the majority of its capital schemes from capital receipts generated by sales of land and 'right to buy receipts' from the sale of former council houses. Council practice has been to use the interest on investments to support the council tax, helping Breckland to charge the lowest district council tax of any district in England. Due to the current economic climate, reduced levels of investment income, together with lower interest rates continues to put significant pressure on the Council's revenue budget. In line with the Aims of this strategy as detailed in section 3.2, the Council will continually review expenditure and seek efficiency savings and potential income generating opportunities in it's capital programme.

Capital Receipts

In recent years the capital receipts from the sales of the former housing stock has diminished, and coupled with increased capital spending on match funding initiatives and purchase of investment properties to generate additional revenue income, the capital resources available to fund capital schemes has reduced. The forward availability of capital receipts will play an important part in both the timing and scope of the capital programme. The Council is looking at innovative ways of obtaining residential units without drawing on capital resources.

Section 106 – Planning obligations

When the Council adopts land for open space or play area the developer pays a commuted sum under a 'section 106 agreement'. This is held on the balance sheet and the interest earned is transferred to the revenue account to offset the future maintenance costs of the recreation asset. The Council has wider powers under section 106 to provide infrastructure and facilities to support the local community, and employs an officer dedicated to supporting this function.

In addition to S106 agreements, the Council's LDF Core Strategy identifies that the Council will consider the use of either a development tariff or levy as a means of resolving strategic funding gaps between those items of infrastructure which will be covered by established (public) funding streams and the remaining infrastructure requirements which will deliver sustainable development. New legislation was introduced in April 2010 to facilitate the use of Community Infrastructure Levy (CiL) although the longevity of this mechanism is uncertain. However, the principle of developer tariffs is agreed and the Council will consider the application of any successor legislation.

External Grants and Contributions

The partnership approach to service delivery is a core belief of the Council. Through its services, partnership working, supportive funding and innovation, the Council will seek to attract investment into the District. Breckland has a Capital Match Funding reserve which it uses to support community and economic development projects. The amount earmarked in capital receipts for 2010/11 currently stands at £210k at 1st April 2010 with a further 100k per annum allocated in the capital programme. We are dependant on external funding to support our programme. This tends to be for specific purposes. Both through European funding, Regional Funding (EEDA) and working with public and private sector partners we are able to make better use of your money. The Thetford Enterprise Park scheme is included within the approved capital programme and makes use of substantial external funding and collaboration with the private sector. Although European funding remains an option in the future, central government funding is likely to be constrained as capital for existing and new programmes is reduced or deleted. This means Local Authorities will need to look at working more closely with the private sector to fund infrastructure and utilities to support population and housing growth.

Borrowing

Following the introduction of the 'Prudential' framework for local authority capital finance from 1 April 2004, the Council can now determine what level of long term borrowing it wishes to undertake to finance its capital priorities, within the framework of prudent, sustainable and affordable borrowing. The Council has a policy of maintaining a low council tax and therefore has no intention to undertake any unsupported borrowing, whilst it still has reasonable capital receipt resources available. Regulations require the Council to approve its 'Prudential Indicators' at least annually. Following the introduction of the International Financial Reporting Standards from April 2010, the Council has amended it's Prudential Indicators.

Revenue contributions

The Medium Term Financial Plan does not currently make any provision for an annual revenue contribution in support of capital expenditure. It is likely, once balances have been assigned and assessed to best support opportunities for capital expenditure that longer term aspirations would be to build this capacity into the annual budget setting process. A sum of £2.194m revenue funding is available to draw on for match funding capital and revenue projects and this will be kept under review.

Balances and Reserves

Breckland council holds a healthy level of both general and specific reserves. This reflects the robust financial management and policy decisions made in recent years and offers an additional resource to support capital expenditure. A clear policy on reserve levels is maintained.

New sources

The Council has awareness of future capital resources through either the Local Area Agreement or taking advantage of close working with the both Private, Public and the Voluntary Community.

Table 3 – Summary of Estimated Capital Resources (based on current budgets)

Resources	2010/11 (£'000s)	2011/12 (£'000s)	2012/13 (£'000s)	2013/14 (£'000s)	2014/15 (£'000s)
Opening Balance	16,142	14,901	12,152	11,772	11,627
Less capital spend	(4,063)	(3,776)	(1,207)	(840)	(835)
Plus capital receipts	1,924	450	250	250	250
Plus specific funding received	770	502	502	370	370
Plus revenue reserve	128	75	75	75	75
Balance remaining	14,901	12,152	11,772	11,627	11,487

This table sets out the position of the Capital Financing Requirement, adjusted for expected capital programme spend and forecast sources of funding. By March 2015 the Capital Financing Requirement reduces to £11.5m indicating the amount Breckland would have to spend before needing to borrow to fund capital expenditure. The opening and closing balances exclude adjustments for PFI and Finance Leases which effectively reduce the available capital resources until such time as principal payments are received.

The available balances assume that the Icelandic repayments of £8.103m are repaid in line with the latest distribution forecasts. Were some or all of this not repaid, or if repayment is delayed it would affect the Council's ability to spend.

3.5 Framework for managing and monitoring performance

There are two functions associated with the management of the Capital Programme:-

- Allocation of capital funding
- Monitoring the delivery of the capital programme

Allocation of Capital Funding involves these functions:

- The assessment of the available funding resources
- Assessment of proposed schemes and business cases
- Prioritisation of schemes
- Recommendations of approval of schemes within the programme
- Approval of change control to Capital schemes where this changes funding requirements

These functions will be undertaken by Corporate Management Team/Cabinet/Council. In summary the capital budget is agreed annually along with any revenue implications, which are factored into revenue planning. The budget is set in accordance with the timetable laid out in the Medium Term Financial Strategy. The programme is approved by Council in December to allow schemes to commence during the following year. Cabinet will consider the prioritisation of capital schemes before recommending budgets for approval. A Bidding Form is used for all capital projects to enable indicative funding to be allocated to projects (Appendix A). This is followed up by a more detailed PID prior to release of funding to ensure the project is deliverable.

Monitoring of the delivery of the Capital Programme involves these functions:

- Approval of the individual project initiation documents (PID) for each scheme
- Regular review of project progress and forecasting including achievement of key milestones, outputs and outcomes
- Management of risks and issues
- Removal of barriers to delivery
- Approval of any changes to schemes not requiring funding changes
- Reporting on required funding changes
- Post implementation review taking account of any corporate learning opportunities

These functions will be delivered by Officer and Member working groups. The Capital Programme Working Group will undertake these functions for the capital programme (excluding ICT) and the Business Improvement Sub-Committee will undertake these functions for ICT Business improvement projects. The groups will consist of key staff charged with responsibility for corporate reporting and programme delivery. The groups will meet on a quarterly cycle or more often if required

Budgets for individual schemes are assigned to lead officers who are responsible for delivering the project on time and to budget. The lead officers are responsible for managing capital projects, including Capital bid forms, PID's, procurement, contract management, and post implementation reviews. Support from Accountancy, Procurement, Legal and Performance is provided on a regular basis in the form of monthly financial monitoring statements
Progressing schemes in accordance with agreed timescales is an important aspect to managing the capital programme. Progress is monitored in accordance with the Council's Performance Framework. Costs incurred compared to budget are monitored on a monthly basis in line with revenue budgetary control.

Progress against the capital programme is reported quarterly to Cabinet allowing a continuous cycle of monitoring and forecasting. The bidding round will be conducted annually so that every year the 5 year programme is reviewed and refined and reflects the latest corporate priorities.

Performance measurement

The Council is determined to ensure high quality customer-focused services for all our residents and visitors to Breckland. The Council also wants services to continue getting better year by year.

Capital projects identify milestones and key outputs and these are used to integrate the delivery of Capital projects into the performance management framework.

The Annual Delivery Plan (ADP) shows how the aims from the Council's Business Plan are translated into actions.

Project Evaluation

All capital projects need to be appraised according to existing project management guidance to inform the decision making process. Options appraisals are also required to ensure value for money in achieving the project objectives and realising benefits. Matters to be considered within the capital bidding process are:

- Council Objective/Priority
- Whole life cost of the proposal including the revenue effects *
- Affordability and source of funding
- Partnership involvement
- Options appraisal
- Project appraisal
- Risks
- Improvements in service delivery
- Customer facing outcomes
- Other benefits and success criteria
- Efficiencies
- In principle support from the Director and Cabinet Portfolio Holder
- Exit strategy
- Timescales

* Whole Life Costing (WLC) is defined in ISO Standard 15686-5. WLC shifts the emphasis of capital appraisal from comparing alternative construction/acquisition costs to a Value for Money approach by reviewing comparative costs over the life of the scheme. WLC will not always be appropriate for all prescribed aspects of the Council's capital programme.

Project evaluation should include the following activities:

- Feasibility
- Appraisal (to include report, financial appraisal, risk appraisal)
- Budget
- Monitoring and review
- Outturn

This will ensure that any capital scheme that feeds into the programme will comply with the principles of the Prudential Code:

- Affordability
- Sustainability
- Prudence

3.6 Asset Management

Under the 2008 Use of Resources regime there has been additional expectation on Councils to demonstrate better asset management. In response to this we have built this section of our strategy around the improvements the Asset Management Team have made in response to these new requirements. Our feeling is our strong performance in this activity is both robust and exemplary. In order to protect the Council's investment in property, the Asset Management Section will update the Asset Management Plan (AMP) that details the existing asset management arrangements and plans to improve corporate asset use. Part of this AMP is a register of all of the property assets. An assessment of the level of maintenance required for the properties has been made and this assessment will feature in both capital and revenue budgets, as it is important that the quality of the stock is maintained in order to sustain performance. It is important to remember that the income generated by the Commercial Property Account supports other spending in the district and helps keep the council tax low. The AMP features performance targets which are reviewed on a monthly basis with the Executive Member for Economic and Housing and our Commercial Property is valued at £32m. The AMP will be approved separately to this strategy and will inform the revenue budget and capital programme. The new and revised AMP will incorporate a re-investment strategy as a sub-document and confirm the objectives of the strategy once further work is carried out on the Council's existing property portfolio to ensure the re-investment strategy fits with the wider objectives of the AMP. Any projects identified will need to be assessed against other capital projects when the Council develops it's capital programme.

There is a policy for a rolling programme of capitalised works for industrial units. This is to ensure the quality and fabric of the property portfolio does not deteriorate and there is minimal risk to a reduction in rental income. A sum of £100k was approved for the annual programme which will be included in the capital budget in future years. The existence of this fund demonstrates a planned approach to future refurbishment and enhancements and allows resources to be accumulated over a lead-in period to avoid ad hoc funding shortages.

The ICT Strategy, managed by the Business Improvement Board is used to manage the assets which are the computer system and infrastructure. The ICT infrastructure (including servers and desktop) is currently under review within the ICT Strategy in light of changing service delivery requirements.

The way the Council manages its financial assets/investments is covered separately by the Treasury Management and Investment Strategy. The Council will consider the use of its compulsory purchase powers to assist with land assembly where there is a clear community benefit.

Table 4 – Breckland Council's Fixed Assets

Asset Type	Valuation				Number of assets
	£'000s 2007	£'000s 2008	£'000s 2009	£'000s 2010	Number 2009
Intangible	1,022	1,094	1,205	1,314	n/a
Operational:					
Land & Buildings	10,816	11,524	9,567	25,585	48
Vehicles, plant, equip	2,653	2,841	2,827	3,533	n/a
Infrastructure	55	66	66	66	1
Non-operational:					
Surplus land & buildings	6,033	6,669	7,936	8,446	118
Investment properties	26,985	29,030	23,469	23,947	186
Assets under construction	1,159	1,047	731	1,038	4
Total	48,723	52,271	45,801	63,929	

This table sets out the balance sheet value of assets by category as at 31st March 2010 for the last 4 years. The Operational Land and Buildings category has increased significantly in 2010 as new accounting reporting standards require the leisure PFI assets to be brought back on to the balance sheet.

3.7 Consultation and Communication

The consultation process that informs the Business Plan has enabled the Council to identify its strategic objectives to allow prioritisation of resources. Further work was carried out with the citizens' panel to identify where this stakeholder group sees the Council directing its resources. Results of the survey will inform the Cabinet process. We will also hold a consultation meeting with business ratepayers in accordance with regulations to gauge sentiment. While it will not be possible to allocate resources to all suggestions Cabinet will acknowledge comments and see where they fit corporate objectives for possible inclusion in the budget over the medium term.

This strategy is available for a period of consultation which will conclude at the next cycle of Cabinet. It will then be communicated to staff and stakeholders and be placed on the Council's website to allow wider access beyond the district. This will allow feedback and joint agreement with stakeholders and key partners and contribute to ensuring the capital strategy is a living document.

3.8 Risk

The Council is faced with diminishing capital finance which means the Council will need to monitor spend against available funds carefully to ensure that it does not spend or commit in advance of receiving funding

All capital projects will have a risk log that is regularly reviewed and updated. All risks that may affect a project must be considered. These can include political, economic, legal, technological environmental and reputational as well as financial. Large projects will be managed in accordance with Prince 2 principles that have been adopted by the Council.

A specific risk as a VAT registered body is the recovery of exempt VAT only up to a value of 5% of all the VAT it incurs. This is known as the de-minimis limit. Monitoring and control of exempt input tax is essential for the council as where exempt input tax exceeds the 5% limit the whole amount is irrecoverable and will represent an additional cost to the council. Each capital investment will be closely reviewed to assess its VAT implications.

The Council has recently commissioned an Integrated Development Plan and a Housing Local Investment Plan. These documents when completed will set out the delivery framework for the Council's main priorities and how it will fund those aspirations. Any projects identified in these plans will need to be assessed against other capital projects when the Council develops it's capital programme.

The Council is relying on the court system in Iceland to determine how much of the Council's original deposits in Glitner and Landesbanki will actually be returned. The Winding Up Boards are unable to distribute funds until legal issues have been resolved, there remains uncertainty over the timing of dividends as well as the amounts. The Council is also exposed to exchange rate risk, and is evaluating the need to hedge against this.

Cuts in public sector spending will mean that a lot of grants that the Council has had access to will be withdrawn, and that funding from other public sector partners is unlikely to continue to be available in future. Diminished Right to Buy receipts further reduces the amount of funding that the Council can expect to receive from external agencies, placing more importance on elements of funding that the Council has some control over, such as capital receipts.

New accounting requirements brought about by International Financial Reporting Standards (IFRS) will impact the way the Council accounts for some principles that the Council has taken for granted in the past. All new property leases will need to be assessed to see whether they are operating leases or finance leases. The effect of a finance lease means that some of the rental income is deemed to be a capital repayment rather than revenue income. Therefore all invest to earn schemes will need to be assessed for this at an early stage so that the business case is properly informed.

3.9 Sustainability

Breckland Council is always mindful of proposals put forward by the Department of Communities and Local Government. In conjunction with targets being proposed for all new homes to meet energy/carbon standards, Breckland is committed to exploring the technologies for reducing carbon emissions for non-residential new build. The authority is currently reviewing its procurement strategy in light of the green agenda, and will be considering these in future purchasing decisions.

3.10 Environmental issues

The Council launched its Environment Strategy in 2008, which set challenging targets for reducing the Councils impact on the environment. The Councils commitment to this agenda was recently endorsed by signing the Nottingham Declaration. The Environment Strategy action plan is regularly reviewed and developed in conjunction with Service Managers via the Green Agenda Officer Group. A separate Member task force Panel (Green Agenda Development Panel), will also scrutinise developments in this area and endorse projects prior to the Cabinet Process. A process for ensuring that all key decisions within the council are assessed on the basis of their environmental impact is being developed as part of the year 2 action plan.

3.11 Procurement

The purchase of capital assets should be conducted in accordance with the Procurement Strategy, ensuring value for money, legality and sustainability at all times. Contract standing orders and rules governing the disposal or write off of assets are contained in the Constitution which is consistently reviewed.

3.12 Value for Money

The Council recognises that effective procurement lies at the heart of delivering value for money and is essential if the Council is to obtain real improvements to quality and service costs. The Council seeks to achieve value for money by applying rigorous procurement standards in the selection of suppliers and contractors to ensure efficiency, economy and effectiveness is received throughout the life of a contract. The significant resources applied to capital expenditure require the adopted principles of value for money to be at the heart of our capital strategy. Specifically we will seek to strengthen the outcome indicators as part of post project reviews.

3.13 Disposals

Any proceeds from the disposal of assets such as land in excess of £10,000 are determined as a ‘capital receipt’. The policy to sell small pockets of land often brings in income of less than £10,000. This income is classed as ‘revenue income’ and is posted to the revenue income and expenditure account.

The Authority has a register of surplus property which it is in the process of disposing of. This not only brings in a capital receipt but maintenance costs and liabilities are reduced. As a principle we will release funding from under-utilised assets. The regular review and identification of surplus asset disposals forms part of the scope of work carried out by the CAMWG (Corporate Asset Management Working Group) who meet on a regular basis. There is also an annual review of the asset register which is undertaken by the Asset Manager.

3.14 Revenue integration

Debt management

Each year Breckland is required to calculate its Capital Financing Requirement (CFR) which at 31st March 2009 stood at £16.142m (2009 £19m). This reduces as we fund our capital programme. Once the balance reduces to zero or becomes a positive amount capital regulations will require us to set aside a prudent contribution from revenue for the repayment of future debt. This will effectively increase the amount of return required from any investment decisions.

Invest to save

Whilst there are revenue implications for investing in capital schemes, the Council is keen to invest in areas that result in long-term revenue savings and 'invest to save' schemes. It is also an aim to invest in assets that generate a revenue income in excess of that which could be earned by leaving the capital on deposit. An Increased surplus from the commercial property trading activity will compensate the general fund for the cost of capital and will contribute to further investment in service improvements.

International Financial Reporting Standards

New accounting standards have been introduced which will impact on the way Local Authorities report their financial positions. Changes to CIPFA's SORP have already seen PFI schemes coming back on balance sheet. Further changes in 2010/11 will see the introduction of component accounting where large assets are accounted for in component form. All new leases will be evaluated to ascertain whether they are operating or finance leases. Although the amount of rent received is the same in both cases, a finance lease means that some of the income will be deemed to be a capital repayment therefore reducing the amount of revenue.

3.15 Links to other partners

Partnership working is embedded in the organisation and the Council's approach to working with others has been commended. The Council's thrust in partnership working has three main strands being the Community Forums, Local Strategic Partnership and Strategic Service Delivery Partnerships. In order to address the needs of our community the integration of our capital strategy with those who we seek to work with will be necessary to deliver the shared visions we hold. It will be an aspiration of the Council to look at introducing participatory budgeting as part of its medium term capital programme.

Breckland has adopted a policy to return the management of play areas and open space to the local councils. It will earmark a 'commuted sum' for this purpose to return interest to allow the payment of an annual sum to the towns to compensate them for the expected costs of maintaining the leisure areas. These were delayed in 2009-10 and are now due to complete during 2010-11.

3.16 Equality

As part of preparing the Capital Strategy we have completed an Equalities Impact Assessment. We recognise and value the diversity in our community and the contribution that people from different backgrounds and cultures bring to the development and wellbeing of our district. Breckland Council is therefore committed to principles of equality in its capacity as an employer and service provider to all sections of the community.

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