

Report to: Cabinet
Council

Date of Meeting: 28th February 2013
28th February 2013

Subject: Capital Allocation Framework and Capital Strategy.

Report of: Strategic Director - Place

Wards Affected: All

Is this a Key Decision? Yes

Is it included in the Forward Plan? Yes

Exempt/Confidential No

Purpose/Summary

To agree for recommendation to Council a Capital Allocation Framework and Capital Strategy, including a prioritisation model for the single capital pot, to enable the determination of the Council's Capital Investment Plan for 2013-14 onwards.

Recommendation(s)

Cabinet to agree for recommendation to Council :

- (i) The Capital Allocations Framework for the management of the Council's Capital Investment for 2013–14 onwards, as detailed in Appendix A
- (ii) The Capital Strategy and the Single Capital Pot prioritisation scoring model for the determination of the Council's Capital Investment Plan for 2013–14 onwards, as detailed in Appendix C
- (iii) The Capital Strategy Governance Structure for the management of the Council's Capital Investment for 2013-14 onwards, as detailed in Appendix B
- (iv) To note that following a review a further report will be presented in relation to the Strategic Asset Management Plan

How does the decision contribute to the Council's Corporate Objectives?

	<u>Corporate Objective</u>	<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		X	
2	Jobs and Prosperity		X	
3	Environmental Sustainability		X	
4	Health and Well-Being		X	
5	Children and Young People		X	
6	Creating Safe Communities		X	
7	Creating Inclusive Communities		X	
8	Improving the Quality of Council Services and Strengthening Local Democracy	X		

Reasons for the Recommendation:

To agree a single Capital allocation framework and governance structure, to support the prioritisation of the Single Capital Pot for 2013/14 onwards, and the development of the Capital Investment Plan.

What will it cost and how will it be financed?

(A) Revenue Costs

There are no additional costs arising out of the recommendations of this report

(B) Capital Costs

There are no additional costs arising out of the recommendations of this report

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Legal	No implications
Human Resources	No implications
Equality	
1. No Equality Implication	<input checked="" type="checkbox"/>
2. Equality Implications identified and mitigated	<input type="checkbox"/>
3. Equality Implication identified and risk remains	<input type="checkbox"/>

Impact on Service Delivery:

The implications of all projects will be considered and addressed during the individual scheme development and appraisal process and there will therefore be no significant impact upon service delivery.

What consultations have taken place on the proposals and when?

The Head of Corporate Finance and ICT has been consulted and any comments have been incorporated into the report. **FD2041/12**

Head of Corporate Legal Services has been consulted and any comments have been incorporated into the report. **LD1358/12**

Are there any other options available for consideration?

The Council could choose to allocate capital resources using an alternative prioritisation and allocation model.

Implementation Date for the Decision

Following the expiry of the “call-in” period for the Minutes of the Cabinet/Cabinet Member Meeting

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Background Papers:

None

1. Introduction/Background

- 1.1 Cabinet, at its meeting on 16 February 2012, considered the report of the Head of Corporate Finance and ICT which provided details of the Government Capital Allocations received for 2012/13.
- 1.2 In respect of the non ring-fenced resources Cabinet resolved:
 - ...the proposal for all 2012/13 capital allocations to be pooled and subject to a bidding process be accepted in principle and a further report on this issue be submitted to a future meeting of the Cabinet; and
 - ... that further to the above the Strategic Asset Management Group be requested to consider a detailed strategy for the 2012/13 Capital Programme and submit its proposals to a future meeting the Cabinet.
- 1.3 To establish such a process the Council's current governance and strategic frameworks in relation to its capital investment programmes were reviewed to consider suitability and effectiveness in supporting this change and move to a single pot.
- 1.4 Following this review Cabinet Member Corporate Services and Performance, on 6 June 2012, considered the report of the Head of Investment Programmes and Infrastructure which recommended the development of a single Capital Allocation Framework and Capital Strategy to enable the development and management of a Capital Investment Plan which encompasses the single capital pot and bidding process.

2 Capital Allocation Framework Proposal

- 2.1 To facilitate a cohesive approach to the Council's capital investment it is proposed to adopt a Capital Allocation Framework (Appendix A). This will bring together a Capital Strategy, which provides the policy background to the Council's Capital Investment Plan, and a Strategic Asset Management Plan, which informs the use and management of the authority's assets.
- 2.2 The aim is to have a single framework and governance structure for all capital investment, pulling together the Council's current investment and asset management strategies and enabling them to be overseen by Cabinet through anew Member Reference Group , the Strategic Capital Investment Group (SCIG (formerly Strategic Asset Management Group - SAMG). The Group, which will consist of 3 Cabinet Members will act as a reference group in relation to Capital investment and will report to Cabinet.
- 2.3 This framework will enable the Council to build a long term capital programme to ensure a managed approach to the achievement of the corporate objectives. By intrinsically linking the Asset Management Plan and Capital Strategy the Council is better able a take planned approach to the disposal and investment in its assets.

3. Capital Strategy

- 3.1 The Capital Strategy (Appendix C) is an essential element within the Council's Corporate Planning Framework. It underpins and operates within the umbrella of the Capital Allocations Framework, and enables the development and management of a Capital Investment Plan which encompasses the single capital pot and bidding process. The overarching aim of the strategy is to provide a framework within which Capital Investment plans can be determined and delivered.
- 3.2 The Strategy outlines the Council's approach to capital investment, how it directs that investment to corporate priorities, secures funding sources, and details the basis for the prioritisation of capital bids.
- 3.3 Capital expenditure is agreed by Council and, by ensuring that decisions are made with reference to corporate objectives, the Capital Strategy takes into account other relevant Council strategies, policies and plans and the views of partners and stakeholders with whom the Council is involved. Except in extraordinary circumstances, capital investment decisions should by their nature form part of the Council's strategic plans and so only after a positive contribution to one or more of the corporate objectives has been demonstrated will a project be considered.
- 3.4 The adoption of a Capital Strategy will provide a transparent framework through which the Council can robustly review its capital investment plans and expectations to ensure that capital commitments and the impact on the revenue budget are affordable and sustainable.
- 3.5 Any capital investment which would result in clearly defined revenue cost saving and efficiency would be considered a priority and all capital projects would need to demonstrate a rigorous process of option appraisal, requiring evidence of need, cost, risk and outcomes.
- 3.6 Where suitable "Invest to Save" projects can be identified the Council will actively pursue such projects as it recognises the benefits, in the form of reduced costs falling on the General Fund Revenue Account, that can result from such investment.

4. The Single Capital Pot

- 4.1 The establishment of a Single Capital Pot will provide the mechanism for the determination of the Capital Investment Programme from 2013/14 onwards. The aim of the Single Capital Pot will be to ensure the effective utilisation of capital resource and assets in realising the Council's strategic outcomes. The use of the Single Capital Pot is agreed by Council.
- 4.2 The mechanism for appraisal of "bids" to the single capital pot has to be robust and comprehensive to allow the evaluation and comparison of proposals which may differ significantly from each other in terms of scope and the impact on Council priorities. Council will be the final arbiters of which capital schemes will contribute most towards achieving the aims of the Council.

- 4.3 To oversee and manage this process a new Member Reference Group consisting of 3 Cabinet Members will be established – the Strategic Capital Investment Group (SCIG). The development of a Capital Investment Plan for recommendation to Cabinet and Council will be the responsibility of SCIG. The Capital Strategy and supporting Asset Management Plan will also be overseen by the Group.
- 4.4 Where resources are passed to the Council as part of the Single Capital Pot SCIG will review the original suggested/intended purpose for which the resources were provided, and consider if this is the most efficient and effective method of achieving the Council's corporate objectives. In some circumstances it will be necessary to maintain and restrict resources to the original suggested/intended use due to the nature of the funding criteria, risk to future allocations, claw back, contractual commitment to ongoing programmes of work or the need to undertake planned maintenance and repair of our buildings, assets and schools. In these circumstances although the resource will remain part of the single pot it may be deemed a 'pre allocated sum' and will not be available for redistribution through the bidding process. Such sums would currently for example, include Integrated Transport Funding and Disabled Facilities Grant.
- 4.5 All remaining resources will form a single pot against which bids for capital resource would be submitted. This will allow the aggregation of resources around the key priorities agreed with Cabinet and facilitate the commissioning of activity.
- 4.6 The appraisal and prioritisation process will see all bids assessed and scored based on the following designations
- Emergency Works
 - Urgent Health and Safety
 - Statutory obligation
 - Invest to Save.
 - Strategic Objective /Plan
 - Fully funded from external resources
 - Contractual obligation
 - Other
- 4.7 All bids must demonstrate a robust business cases and these will be appraised and validated by the Strategic Capital Investment Group using the prioritisation scoring model (Appendix 4 within the Capital Strategy), and will either be:
- Recommended to Cabinet for inclusion in the capital programme,
 - Considered acceptable but not at this particular time, and placed on a reserve list
 - Rejected as not being viable
- 4.8 SCIG will then propose to Cabinet, for recommendation to Council, a Capital Investment Plan aligned to the corporate objectives. The Capital Investment Plan will be determined annually by Council.

5. Capital Investment Plan

- 5.1 Before any project may be commenced it must have been recommended by SCIG and agreed by Council as part of the Capital Investment Plan.
- 5.2 The Council will agree a rolling three year Capital Investment Plan each year consistent with the capital strategy to ensure the programme of investment continues to be in line with actual resource available.

6. Performance Management

- 6.1 Overall performance against the Capital Investment Plan, including post evaluation of projects will be undertaken by SCIG reporting directly to Cabinet.
- 6.2 The Capital Strategy will be reviewed annually adapting to the review of the corporate objectives, but would not require a complete overhaul if the existing documentation remained valid.

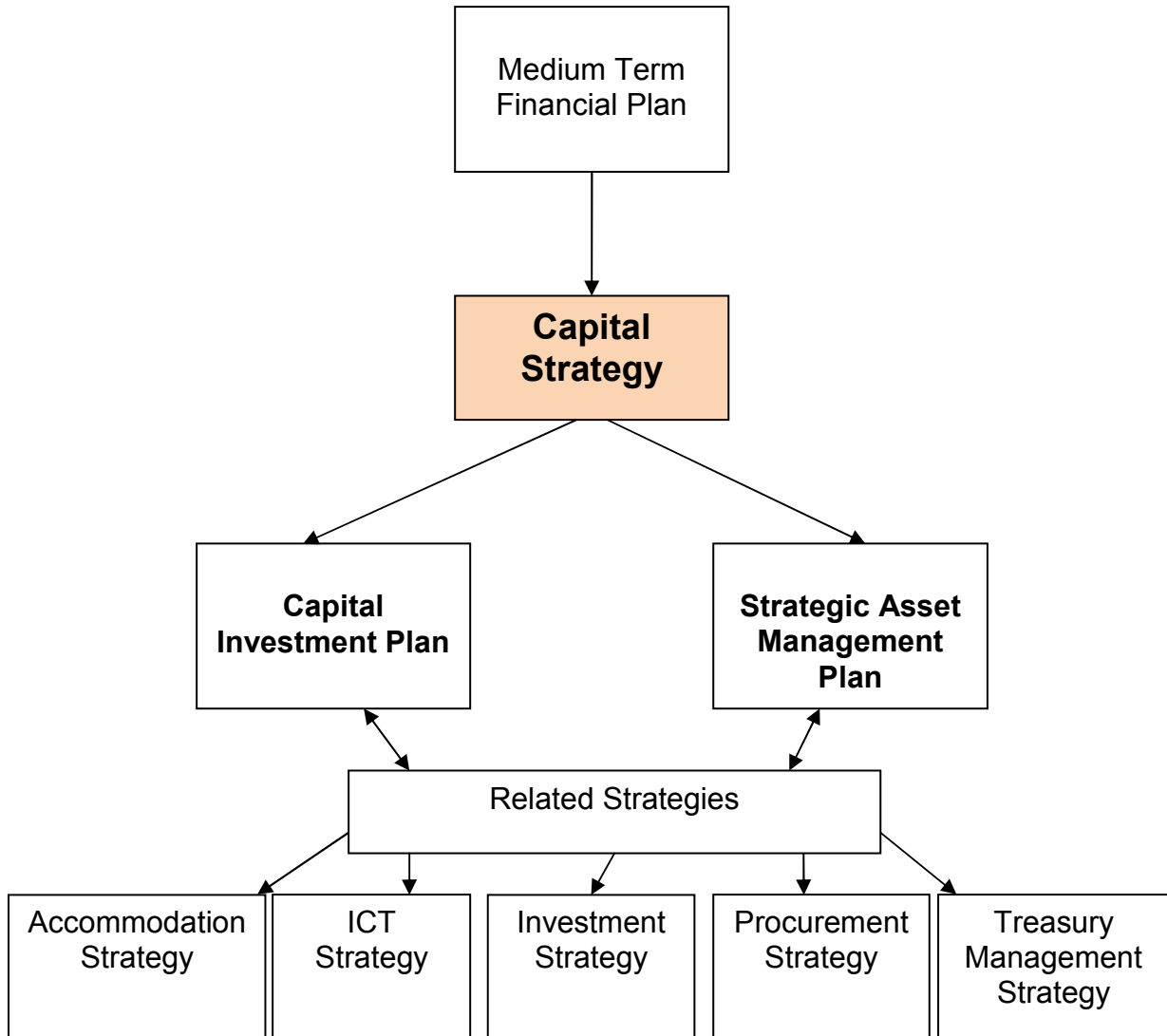
7. Governance Arrangements

- 7.1 To oversee and manage the Capital Allocation Framework and Capital Strategy a revised governance structure is proposed (Appendix B)
- 7.2 Following recommendation from Cabinet, Council will determine the Capital Strategy, Capital Investment Plan and Strategic Asset Management Plan. Reporting directly to Cabinet a new Member Reference Group , the Strategic Capital Investment Group (SCIG), will oversee the delivery of the Capital Strategy, assess, determine and performance manage all capital projects, and provide reference for the operational groups delivering the capital programme, asset management and investment priorities.
- 7.3 SCIG will provide the robust framework and reference for ensuring capital investment is aligned with and supports corporate priorities.

8. Summary

- 8.1 The Capital Allocation Framework provides a single structure through which the Council's capital investment decision can be managed. The Capital Strategy provides the policy background for the Councils Investment Plan and Strategic Asset Management Plan enabling the Council to build a long term capital programme to ensure the achievement of the corporate priorities.

Capital Allocation Framework



CAPITAL STRATEGY GOVERNANCE STRUCTURE

