Capital Strategy 2015/16 to 2019/20

Contents

1. THE SOUTHAMPTON CAPITAL STRATEGY

Aims of the Strategy and its links to the Councils budget framework

The overarching aim of the Southampton Capital 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 Southampton City Council Strategy, the City Strategy and the City Vision - "City of Opportunity – where everyone thrives"

In order to reflect the ambition and vision above the Council's priorities were revised in 2014 to:

- Jobs for local people
- Prevention and early intervention
- Protecting vulnerable people
- Good quality and affordable housing
- Services for all
- City pride
- A sustainable council

These objectives reflect the on-going commitment to ensure the Council works to put residents and the customers at the heart of what we do reflecting the city's diversity. Such strong leadership is essential if the city is to be able to meet the immediate challenges faced in a way that means it is sustainable and able to make the most of opportunities in the future.

The Capital Strategy

The Council's capital strategy is to ensure that all the priorities of the Council Strategy are accounted for in the allocation of any available resources. The principles of the strategy are as follows:

1) The Council Capital Board (CCB) will lead the strategic direction of capital investment for the Council. The CCB will operate on a commissioning basis. This will enable funding to be better aligned with other partners and funding sources and ensure a city wide approach is taken.

The commissioning approach will be of greater importance with the increased requirement for links to regional strategies and programmes and the need to apply for funds on a regional basis and as a result, the Council must also ensure that its capital strategy reflects the LEP, PUSH, and Transport for South Hampshire all of which aim to work together with other stakeholders to secure a more prosperous and sustainable future for the Solent area.

2) The first call on capital resources will always be the financing of any over programming from previous years. In addition, all projects already approved in the capital programme or contractually committed will be supported and sufficient resources will be provided to enable them to proceed or complete.

3) A capital project sponsor must also 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.

4) All capital investment decisions will be made with reference to Council objectives and regional strategies and, only after a positive contribution to one or more of the objectives has been demonstrated, is a project to be considered for resource allocation.

5) The CCB will ensure that the Council can take full advantage of the increased freedom and flexibility afforded by the removal of ring fencing from most funding allocations to facilitate the achievement of the Council's objectives. This funding will be allocated as the CCB feel is appropriate to achieve these objectives, following receipt of the required business case. Regard will however be had to obligations around: the transport agenda, and asset management plans for schools and corporate assets, particularly around health and safety issues.

6) The un-ringfenced and corporate resources will managed by the CCB and it will review all bids for resources, evaluate them and then agree on the prioritisation of resources accordingly. A proposal will be prioritised in accordance with criteria set out in Section 4 of the strategy.

7) The CCB will also review the use of any ring fenced resources to ensure alignment with other spending plans and the maximisation of benefits to the Council and achievement of Council objectives.

8) The CCB will recommend the use of both un-ringfenced and ring-fenced resources and also the general prioritisation of resources so that Cabinet/Council can make a final well informed decision on the utilisation of resources, as per the timeline set out in section 5.

9) There will be no ring-fencing of capital receipts to specific projects unless the use of the receipt is governed by legislation or by a specific agreement. For example, the Council signed an agreement on the use of retained Right to Buy (RTB) receipts in June 2012 (amended in June 2013) which stipulates that any receipts held by the Council under the agreement, which are not used for the specific purpose of providing replacement affordable housing, must be returned to DCLG

10) Prior to the annual review of the capital strategy a review of the individual projects will be undertaken to:

a) Ensure that schemes still meet strategic priorities;
b) Review their continued relevance in the context of a dynamic and constantly developing organisation;
c) Consider the progress of schemes including any reasons for delayed starts or variations to approved budgetary allocations and rephasing of planned expenditure; and
d) Identify any unutilised or underutilised resources
e) Consider any reallocation of resources.

11) All applications/bids for capital grant funding will be brought to the CCB prior to submission to ensure they are in line with agreed priorities and all capital and revenue consequences have been explored. The Council is conscious that the Government is likely to introduce a range of grant funding opportunities for which bids must be submitted at short notice, some of which may have a matched funding requirement. The Council's strategy will be to respond as it considers appropriate to these in line with priorities.

The Wider Region

Solent Local Enterprise Partnership

With a population of more than 1.3 million and over 50,000 businesses, the Solent area is an internationally-recognised key economic hub anchored around the Southampton, Portsmouth, the Isle of Wight, the M27 corridor and the Solent waterway.

The Solent Local Enterprise Partnership (LEP) was formed after the Government offered local areas the opportunity to take control of their future economic development. It is a locally-owned partnership between businesses and local authorities and plays a central role in determining local economic priorities and undertaking activities to drive economic growth and the creation of local jobs.

The Solent LEP is led by the business community and supported by three university partners, the further education sector, three unitary authorities, eight district councils, one county council and the voluntary and community sector – all working together to secure a more prosperous and sustainable future for the Solent area.

The vision for the Solent was set out in the initial growth strategy, *A Strategy for Growth,* in December 2012:

> *"Our vision is to create an environment that will bring about sustainable economic growth and private sector investment in the Solent. It will assist this globally-competitive area reach its full potential, enabling existing businesses to grow, become more profitable and to be greener; enabling the creation of new businesses and attracting new businesses to the region."*

Within the broader vision, the Solent LEP strategy includes the following objectives:

- Maximise the economic impact of our economic assets in the area and sectors with the potential for growth. Promoting the area as the UK's leading growth hub for advanced manufacturing, marine and aerospace both at home and, more importantly, in the global marketplace. Developing the advanced engineering and manufacturing sector through a business-led approach and supporting the visitor economy.
- Unlock critical employment sites to enable the Solent businesses, particularly the marine, maritime and advanced manufacturing sectors of their economy, to expand.
- Provide new housing to support the growing workforce.
- Ensure people have the right skills to access employment and support the growing sectors.
- Provide effective support to small and medium-sized enterprises (SMEs) to enable them to grow – including marine and maritime SMEs; and
- Unlock innovation led growth to engage more businesses in knowledge exchange and innovation, develop links to wider Higher Education Institutions (HEIs) and demonstrate the benefits of working with knowledge based partners.

Targets to 2020 include the following:

- In addition to current forecasts, create an additional 15,500 new jobs in the Solent LEP area.

- Achieve GVA growth of 3%.
- In addition to current forecasts, increase GVA per capita by an additional £3,000 per head, increase employment rates to 80% from the current 78% and improve economic activity rates from 80% to 81%.
- Raise the business birth rate from 3.6% to 4.1% (and create 1000 new businesses).
- Improve the business survival rate from 61.4% to 62.5%.
- Raise the proportion of the population with Level 4 and above skills to 36% of the working age population from the current 32%.
- Support the raising of education attainment rates to above the UK average.
- Increase inward investment into Solent attracting at least 5% of FDI projects entering the UK.
- Improve productivity (GDP per head) closer to the South East average.
- In doing so, we will also seek to maximise value for money from key public sector investments focusing on areas that are economically vulnerable, and linking local people to jobs through effective procurement processes whilst levering private sector investment in skills and employment.

Supporting the Strategic Economic Plan is a £2.4bn Investment Plan for the Solent which brings to together:

- Local assets to unlock resources to be re invested in growth, including the Southampton – Portsmouth City Deal - a £953 million investment plan.
- European Union Strategic Investment Funding of £73.6 million including private and public sector match funding.
- Local growth deal - a £1.38bn proposal, including Government, public and private sector match.

Solent LEP prioritisation for capital programmes uses a scored methodology including the number jobs created, private sector leverage and deliverability. City Deal and Growth Deal funding to date have largely been drawn from Regional Growth Fund and FE capital funding, for which national eligibility and reporting remain.

Portsmouth City Council takes the Lead Accountable Body role for Solent LEP in terms of financial procedures and accounting, overseen by governance arrangements including a Board and separate panels.

2. CAPITAL RESOURCES

Current Capital Priorities and Potential Investment levels

The table below identifies the major priorities of the capital programme for 2015/16 to 2019/20.

Priority	Major Project	2015/16	2016/17	2017/18	2018/19	2019/20
		£M	£M	£M	£M	£M
Jobs for Local People						
Prevention and Early Intervention	Primary School Review	3.6	1.3			
	Early Years Expansion Programme	0.5				
	Schools Expansion	0.5				
	School Maintenance	1.6	0.2			
Good Quality & Affordable Housing	Disabled Facility Grants	1.3	0.3			
	Support for Estate Regeneration (General Fund)	0.9				
	Estate Regeneration (HRA)	5.7	4.3	3.8	5.1	0.9
	New Build (HRA)	6.7	7.3	6.1		
	Maintaining and Improving the Housing Stock (HRA)	53.1	35.0	24.6	23.6	21.6
Services for All	Active Travel (Cycling)	1.2				
	Bridges	0.8				
	Roads Programme 2015/16	6.3				
	Green Projects	0.4				
City Pride	Public Realm	4.4				
	Cultural Quarter	12.9				
	Watermark West Quay	2.8				
A Sustainable Council						

The capital programme report and the HRA 50 year business plan details all the projects currently being undertaken.

Methods of funding the capital programme

Government Grants

Capital resources from Central Government can be split into two categories:

1) Non-ringfenced – resources which are delivered through grant that can be utilised on any project (albeit that there may be an expectation of use for a specific purpose). This now encompasses the vast majority of Government funding and the Council will initially allocate these resources to a general pool from which prioritised schemes can be financed.

2) Ringfenced – resources which are ringfenced to particular areas and therefore have restricted uses.

Non-Government Contributions

Where there is a requirement to make an application to an external agency to receive external funding, and when appropriate to commit Council resources as matched funding to any bid for external resources, a business case should first be presented for consideration to the CCB. The business case must demonstrate how the project aligns to Council's priorities and how matched funding and any revenue consequences can be managed within the context of the capital and revenue budget. If the CCB considers the bid meets relevant criteria, it will be referred to the Leader of the Council, Cabinet Member for Resources and the Chief Financial Officer for a decision.

Local Enterprise Partnership

Priorities are largely as set by the Government Department concerned and jobs created, private sector leverage and deliverability. The process is led by the LEP Executive and agreed by Board. The lead accountable body is Portsmouth City Council.

Prudential Borrowing

The Council will investigate opportunities to resource capital projects using prudential borrowing where plans are sustainable, affordable and prudent. Full appraisal will take place to ensure that, where appropriate, sufficient revenue returns are generated to cover the cost of borrowing. Prudential Borrowing will also be utilised to cover the cost of initiatives, such as redundancy capitalisation (on receipt of appropriate Government directions), where the reduction in costs is a corporate issue.

Where it is considered that prudential borrowing is the appropriate method of funding, but it requires additional revenue financing, the cost will be built into the revenue budget planning process. There are various debt instruments available for financing prudential borrowing and these are explored in detail in the Treasury Management Strategy.

Since 1st November 2012 the "certainty rate" has enabled Southampton City Council to take advantage of a 20 basis points discount on standard loans from the Public Works Loan Board (PWLB) under the prudential borrowing regime, in return for providing improved information and transparency on locally determined long term borrowing and associated capital spending plans. The Council made a submission to Government in accordance with its deadline, advising of best estimates of long term borrowing and capital expenditure and has therefore qualified for the reduced borrowing rate. It is intended that the rate will be available until 31st October 2015, following which the Council will reapply for further years access if this is available.

One recently introduced debt instrument that could be utilised going forward is the LGA Municipal Bonds Agency. The agency will be an independent body with its own governance structure, accountable to its council shareholders and the LGA. It is the Councils intention to become a shareholder in this agency which should allow access to cheaper borrowing and provides a viable alternative to the Public Works Loans Board (PWLB). This is explored in further detail in the Treasury Management Strategy.

Capital Receipts

Capital Receipts come from the sale of the Council's assets. If the disposal is Housing Revenue Account land or property then not all of the receipt is available to support the capital programme as a percentage has to be paid over to the DCLG.

Where the sale of an asset leads to the requirement to repay grant, the capital receipt will be utilised for this purpose. Once this liability has been established and provided for, capital receipts will be available to support the capital programme as a corporate resource.

Where the asset has been funded from prudential borrowing a review will be undertaken to determine whether the most cost effective option is to utilise the receipt to repay debt, considering the balance sheet position of the authority.

HRA Right to Buy Receipts

In most cases there will be no ring fencing of capital receipts to specific projects. One exception to this is the retained Right to Buy (RTB) receipts held by the Council under the agreement signed in June 2012 and amended in June 2013. Under this agreement any retained RTB receipts, which are not used for the specific purpose of providing replacement affordable housing, must be returned to DCLG.

Revenue Contributions

An element of the revenue budget can be set aside to fund the capital programme (Direct Revenue Financing), and within the main Capital Programme Update Report Table 5 details the amount that is forecast to be available for the next five years, however with increasing General Fund revenue pressures these amounts available will need to be regularly reviewed.

A service or school may wish to offer some of its revenue budget to support the financing of a capital project. This is acceptable if it can be demonstrated that this funding is unfettered.

Use of Leasing

The Council does have the option to lease assets utilising an operating lease arrangement, with the advent of Prudential Borrowing this source of financing is becoming less attractive. There are also plans in place by the International Accounting Standards Board to review how leased assets are treated. This may make this source of funding even less attractive.

Tax Increment Financing (TIF)

The Local Government Finance Act 2012 which received Royal assent on 1 November 2012 provided the legislative framework for the introduction of TIF. This initiative was first announced in October 2010 as an incentive to grow local economies and attract new businesses to areas and has been the subject of a consultation process.

In essence TIF allows Authorities to borrow against future increases in Business Rate revenues generated as a result of local developments and growth. By capturing predicted increases in income from business rates, it will create an income stream that can be used to borrow against, repay existing borrowing incurred under existing borrowing powers or to reimburse costs to a developer for the initial lay out of infrastructure work. This alternative financing for the infrastructure work is aimed at kick-starting regeneration and thereby supporting locally driven development and growth.

This approach has been successfully used in the USA for a number of years and the American experience (both positive and negative) has been used to inform the debate on the implementation of TIF.

S106 Agreements

In considering an application for planning permission, the Council may seek to secure benefits to an area or restrict uses or activities related to a proposed development through the negotiation of a ‘planning obligation’ with the developer. Such obligations, authorised by section 106 of the Town and Country Planning Act 1990, generally either improve the quality of the development, or overcome difficulties which would otherwise result in planning permission being refused. A planning obligation must:

(a) be necessary to make the development acceptable in planning terms;

(b) be directly related to the development; and

(c) be fairly and reasonably related in scale and kind to the development.

As such, therefore, the Council may in some instances receive funds to enable it to undertake works arising from these planning obligations.

Examples of the use of planning obligations are the:

- Provision of affordable housing;
- Improvement to community facilities - Public open space / play areas, employment, skills and education;
- Improved transport facilities
- Public art;
- Renewable energy measures;
- Specific measures to mitigate impact on a local area - parking restrictions, landscaping or noise insulation.

The use of any S106 funding will be presented to the CCB for review to ensure maximum use can be made of the funding and where possible there is an alignment with other capital schemes and the Employment and Skills agenda.

Community Infrastructure Levy

The Community Infrastructure Levy (CIL), governed by the Community Infrastructure Levy (Amendment) Regulations 2013 is a levy that Local Authorities in England and Wales can choose to charge on new developments in their area. The levy is designed to be fairer, faster and more transparent than the previous system of agreeing planning obligations between local Councils and developers under section 106 of the Town and Country Planning Act 1990. Whilst similar to the section 106 it does not replace it.

In areas where a CIL is in force, land owners and developers must pay the levy to the local Council. The charges are set by the Council, based on the size and type of the new development. The money raised from the CIL can be used to support development by funding infrastructure that the Council, local community and neighbourhoods want, such as new or safer road schemes or park improvements.
The CIL:

- gives Local Authorities the freedom to set their own priorities for what the money should be spent on;
- gives Local Authorities a predictable funding stream that allows them to plan ahead more effectively;
- gives developers much more certainty from the start about how much money they will be expected to contribute;

- makes the system more transparent for local people, as Local Authorities have to report what they have spent the levy on each year; and
- rewards communities receiving new development through the direct allocation of a proportion (15% or 25% depending on whether a Neighbourhood Plan is in place) of levy funds collected in their area.

Private Finance Initiative (PFI)

Although PFI schemes are not shown within the capital programme as they are not financed by capital resources, PFI is a means by which the Council can facilitate major new infrastructure projects. PFI schemes involve partnerships between the public and private sector to fund public sector infrastructure projects with private capital.

Under PFI, a private sector contractor agrees to accept the risks associated with the design, construction and maintenance of the asset over the contract term, which is typically for a 25 year period. The public sector partner pays an annual fixed price during the contract term, part of which is subject to inflation. At the end of the term, the asset is wholly owned by the Council. The Government has provided significant support for PFI schemes although this has recently reduced in line with the general reduction in funding for the public sector.

No additional PFI projects are anticipated. Any such proposals would be presented to the CCB for evaluation before presentation for Members approval.

Resourcing Strategy

The Council's strategy for deploying resources is to ensure that all resources are being utilised to achieve the Council objectives. As most capital financing can be used for projects at the Council's discretion, then the Council is able to address its own priorities and shape the capital programme to a locally rather than a nationally driven agenda.

The Council will ensure that it takes full advantage of the freedom and flexibility arising from the removal of ring fencing of resources to facilitate the achievement of council objectives. All non-ringfenced capital funding and other non-specific Council capital resources, will be considered a Council resource and allocated via the Council Capital Board. This resource will then be managed so that only schemes which can demonstrate the attainment of Council capital priorities will be allocated funds. The Council Capital Board (CCB) will review the Council Strategy and the Capital Strategy each year to ensure the priorities are aligned making recommendations to Cabinet/Council on the prioritisation of resources for:

a) the initial capital programme; and
b) any subsequent revisions to the capital programme.

The Cabinet/Council will make the final decision on the overarching capital programme for and will subsequently delegate the updating of the programme and revisions to projects to the Leader of the Council and Cabinet Member for Resources, in conjunction with the Chief Financial Officer, in order to minimise delays in the capital programme

The CCB will review the usage of any ring fenced resources to ensure alignment with other spending plans and the maximisation of benefits to the Council.

In determining how the non-ring-fenced resources will be allocated the CCB will have regard to:

1. The preparation of the statutory Local Transport Plan, and Transport Asset management strategy;

2. The preparation of the Asset Management Plan for Schools and Council Buildings to ensure health and safety issues have been dealt with appropriately; and
3. The Council's obligation to finance adaptations to the homes of disabled residents for which it expects to receive a grant from Central Government is now to be passported directly to the Better Care Fund along with the Adults Personal Social Services grant. It has been agreed with the CCG that these monies will be retained by the Council in 2015/16, as part of the S75 pooling arrangement detailed in the Revenue Budget Report.

Grant funding allocations notified to the Council also include information about capital maintenance funding for Voluntary Aided (VA) schools. This grant is paid directly to the Church of England and Roman Catholic diocese respectively and is not therefore included within the Councils capital programme. Expenditure undertaken by the Council on VA schools is planned with regard to the availability of contributions from this grant and diocesan resources.

3. CAPITAL INVESTMENT AND DISPOSAL APPRAISAL PROCESS

All capital investment will be commissioned by the CCB. This will enable any expenditure and it's funding to be better aligned with the Council and City priorities as well as that of other partners and funding sources. These partners, from both the public and private sector will be at both a regional level and also at a district level.

Once initial strategic capital requirements have been identified and prioritised, full business cases will be commissioned for the highest priority projects.

The Council is currently reviewing its programme management arrangements including a review of the documentation being utilised. It is anticipated that project management documentation will be adapted to ensure it can be utilised for capital projects and for review by the CCB.

For proposals initially commissioned by the CCB the following approvals process will be put in place:

a) Outline Business Case (OBC) which will focus on options appraisal and quantifiable outcomes.
b) Full Business Case (FBC) – the final investment decision. This will focus on the how the priorities set out in the OBC will be delivered, including:
   I. Project description
   II. Consultation
   III. Expenditure and funding including whole life costs and revenue implications
   IV. Outputs
   V. Any further option appraisal
   VI. Value for Money
   VII. Delivery
   VIII. Timescales
   IX. Risk Management
   X. Sustainability, Forward strategy and evaluation
   XI. Asset Management
   XII. Procurement
   XIII. Equality Impact Assessment
   XIV. Environmental Impact Assessment

c) Change Requests where delegated tolerance levels will be exceeded.

For proposals that are identified by officers there will be an initial extra step in the process, which will be undertaken on an annual basis:

a) Concept Outline – this will cover the initial concept idea, potential costs and funding sources, links to the Council Strategy and the City Plan, how outcomes will be improved.

It should be made clear that these will be the exception and the main focus will be on projects commissioned by the CCB.

Where there is already an agreed asset management plan the CCB can choose to request elements of the above business case come forward as they see fit.

How projects will be appraised

Capital Projects will be appraised using the following criteria:

1. Does the project deliver or facilitate the delivery of a strategic priority?
2. Is it worth planning – is it value for money?
3. Can we afford to progress the project and commit funding?
4. Does the project stimulate or add to economic growth?

Business cases will be appraised by a small team of officers prior to being received by the CCB. The team should consist of a finance, legal, property, and strategy officer. The team will make recommendations to the CCB having appraised the scheme using the above criteria.

4. HOW THE CAPITAL REQUIREMENTS WILL BE PRIORITISED

Once a project has demonstrated that it meets the Council's strategic objectives and it has been agreed that it is suitable for capital investment, the strategic requirements will be prioritised using the following criteria (it should be noted that these are not mutually exclusive or in ranking order):

The criteria will examine if the proposal is:

1. Related to mandatory, contractual or legislative service delivery requirements
2. Required to achieve the delivery of a specific revenue budget saving within the revenue budget setting process
3. Required to support Service Plan priorities
4. Linked into other regional objectives
5. Supporting the evolving localism agenda
6. Reducing costs or backlog maintenance of assets management/estate management
7. Providing a general revenue saving (not directly linked to the budget cycle) or offering the delivery of a more efficient service
8. Fully funded from external resources (including project management etc.)
9. Bringing in substantial external resources for which Council matched funding is required
10. Likely to have the highest impact on achieving improved performance against the Council's key objectives

This criteria will be reviewed and any changes reported each year in line with the Council Strategy. Following this, a process of commissioning alongside officer requests for funding will be undertaken and will be presented to Members each year as part of the process for approving the capital programme, or during the year if projects come forward outside the normal timeframe.

All projects should demonstrate that they:

- Deliver the highest impact in achieving the required outcomes;
- Are financially sustainable and any adverse revenue implications can be dealt with within existing budgets, and the whole life cost of the project has been considered;
- Have identified risks and appropriate actions to negate these risks;
- Have identified key milestones;
- Have a full exit strategy identified where the project involves a disposal; and
- Have a method of procurement identified and represents value for money.

5 CAPITAL PROGRAMME DECISION MAKING CYCLE

The diagram below illustrates the decision making cycle for capital projects and the link to the revenue budget, the Medium Term Financial Strategy, and the Council Strategy

Month	Activities
Sept	• Capital Strategy for forthcoming year is agreed at Council alongside the Council Strategy and the Medium Term Financial Strategy • A review of existing projects is undertaken to ensure they are still a priority
Oct	• Outline Business cases are commissioned for priority areas • Call put out for Concept Outlines • Capital requirements of revenue savings identified
Nov	• Outline business cases are reviewed and prioritised • Concept outlines are reviewed and prioritised
Dec	• Settlement information received • Capital Receipts reviewed • Move to full business case for priorities • Move to Outline business case for officer identified projects
Jan	• Funding available reviewed • Priorities analysed
Feb	• Capital Budget Report submitted outlining priority projects for the forthcoming year • Potential revision to Capital Strategy following settlement information and review of MTFS assumptions • Analysis of business cases undertaken • Budget set for the year
Mar	• Outline Business cases reviewed and where appropriate move to full business case • CCB identifies which projects it would like to monitor on a regular basis • Monitoring of the projects pre implementation commences
Apr to Aug	• Commencement of projects and monitoring put in place

6 HOW THE COUNCIL WILL PROCURE ITS CAPITAL PROJECTS

The structure of the Council’s procurement function includes designated Commercial Procurement Managers whose focus is to support all capital projects.

Integration of revenue and capital financial planning provides opportunities for greater efficiency by selection of the most effective procurement processes.

Efficiency gains via procurement will be achieved by:

- Efficient procurement processes which are constantly being enhanced and improved;
- Strategic pro-active contract management of the wider supply chain either directly or through Primary contractors to ensure that efficiency savings and cost optimisation through project completion and beyond;
- Procuring fixed price contracts with risk / reward terms to incentivise further efficiencies. This will require a focus upon getting the design/specification right first time whilst also ensuring that services give both Property and Procurement sufficient notice of any forthcoming capital projects;
- Joining in region wide procurement initiatives and framework agreements where they can demonstrably provide savings through economies of scale;
- Exploring and introducing where practicable PFI and Public Private Partnership (PPP) agreements and other innovative financing arrangements where practicable;
- Exploring and introducing where practicable Leasing/borrowing strategies which will consider the most effective means of acquiring assets;
- Identifying from the Capital and maintenance programme the contracting/framework creation opportunities which will leverage most effectively the council’s spend and return the best value for money;
- Ensure the full asset lifecycle cost is considered as part of the asset acquisition process; and
- Ensure that any capital project procurement comply with the council’s sustainable procurement and ethical procurement policies as well as the Social Value Act.

One of the key objectives of complying with these policies should be to use our capital project procurements to generate jobs, apprenticeships, NEET employments opportunities and training for long term unemployed for the citizens of Southampton. As such these procurements should be used as a vehicle for delivering economic growth in Southampton.

7. HOW THE COUNCIL WILL MONITOR AND MEASURE THE PERFORMANCE OF THE CAPITAL PROGRAMME

The CCB has a remit to review the financial performance of the capital programme. Financial monitoring reports will therefore be considered by Cabinet on a quarterly basis together with a capital outturn report. Issues that have been considered and recommend by the CCB can be reported to Cabinet as necessary via the regular financial monitoring reports. Where a potential cost overrun has been identified, the CCB will explore possible solutions in detail. It will also consider any underspending or identified surplus resources which can be reallocated to other priorities.

Where there is a delay in the commitment of programme/project resources, the CCB will require project managers to report the reasons for the delay and consider whether it would be appropriate to recommend the decommissioning of the project and the reallocation of non-ring-fenced resources to other projects. It should be noted here there may be a potential revenue consequence of doing this due to the capital accounting requirement to transfer abortive costs to revenue.

The Local Portfolio Capital Boards will be responsible for monitoring the implementation and delivery of the individual projects. The CCB will decide which projects and programmes it would like to receive a regular progress and performance update on based around strategic importance and associated risk.

The performance of the capital programme is also measured by the prudential indicators which are reported to Cabinet and Council as part of the Treasury Management Strategy, the Treasury Management half yearly review, and the post year-end review.

8. <u>THE COUNCIL CAPITAL BOARD</u>

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

- Cabinet Member for Resources (Chair)
- Leader of the Council
- Chief Executive
- Assistant Chief Executive
- Chief Financial Officer
- Deputy Chief Financial Officer

By invite:

- Director for Place
- Director for People
- Director for Corporate Services

The Board will meet on a monthly basis with the remit of:

1. Discuss and recommend actions around developing capital issues
2. Develop the capital strategy
3. Commission the coming years capital programme
4. Review the capital receipts position
5. Review the assets disposal plan
6. Monitor the performance of the capital programme overall
7. Monitor the performance of strategic and high risk projects
8. Periodically review the strategic fit of projects
9. On an annual basis recommend the tolerance levels for project variations in time to allow the Financial Procedure Rules to be updated and approved by Council

The full terms of reference for the Board are included in the Financial Procedure Rules and will be updated annually to reflect any changes to the Council Capital Board.