

The Executive**On 25 July 2006**Report Title: **CAPITAL STRATEGY 2006 - 2011**Report of: **ACTING DIRECTOR OF FINANCE**Wards(s) affected: **All**Report for: **Key Decision****1. Purpose**

1.1 To approve the Capital Strategy for 2006 - 2011

2. Introduction by Executive Member for Finance (Cllr Toni Mallett)

2.1 The capital strategy provides the Council with a corporate and strategic context, sets out the agreed framework for future investment and explains how investments will be managed, monitored and measured. It will also allow us to strategically plan for the five years so the council can achieve its goals and continue to improve performance and provide value for money.

2.2 The Council should continue to focus on locating alternative funding such as the use of prudential borrowing, external grant funding and maximising capital receipts from surplus assets.

3. Recommendations

3.1 That the Capital Strategy for 2006 – 2011 be approved.

Report Authorised by: **Gerald Almeroth
Acting Director of Finance**

Contact Officers: Frances Palopoli 0208 489 3896

4. Executive Summary

4.1 Since 2002, the Council has been required to maintain a Capital Strategy though this no longer has to be submitted formally for Government assessment. This strategy looks forward to the next five years.

4.2 The strategy supports the Council's future planning of capital investment and assets and also contributes to the Council's CPA assessment and annual Audit Commission inspection of Use of Resources.

5. Reasons for any change in policy or for new policy development

5.1 The capital strategy confirms existing policies in respect of capital investment and allocation of resources.

6. Local Government (Access to Information) Act 1985

Reports to The Executive on 30 July 2004 and 26 July 2005 relating to Capital Strategy/Asset Management Plan.

7. Background

7.1 The Council previously had been required by Government to produce a Capital Strategy. The previous strategy for 2001-2006 was agreed at Executive in July 2001. This was submitted to Government office for London (GoL) for assessment, receiving a top rating of "good".

7.2 Whilst it no longer has to be submitted for assessment, it remains a key document in assisting the Council's investment decisions and also feeds into the Council's Comprehensive Performance Assessment and the annual Audit Commission's Use of Resources assessment.

7.3 The Capital strategy provides corporate and strategic context, sets out the agreed framework for setting future investment, including prioritisation, and explains how investment will be managed, monitored and measured. Finally it sets out key strategies for the next 5 years, which are either underway or required, and how they will contribute to achieving the Council's key corporate priorities flowing from the Community Strategy.

7.4 Given the timeframe of the strategy, it is recommended that an annual update is undertaken to ensure it remains current and relevant.

7.5 Given the likely tightening of capital investment from central government departments over the timeframe of the strategy and the current identified funding gap, officers should remain focused on how alternative funding sources can be accessed such as extending the use of prudential borrowing and learning from the experience of other authorities as well focusing on leveraging in funding from partners and an active disposal programme that maximises capital receipts.

7.6 The Capital Strategy 2006 – 2011 is attached at Appendix A.

8. Consultation

8.1 The report has been circulated to each Council department and to the Assets Strategy Board which is chaired by the Head of Corporate Property and comprises departmental staff with responsibility for assets.

9. Summary and Conclusions

9.1 Whilst not required to be submitted formally to Government, production of a Capital Strategy has now become embedded in the Council's overall business planning framework providing direction for future investment.

9.2 Current assessment of likely resources and investment need in the Strategy suggests a shortfall of up to £116m over the period of the Strategy. Whilst some strategies are in place to bridge this gap others, particularly around nursery, primary and junior schools, corporate, commercial and community buildings and highways maintenance are currently unresolved and officers should remain focused on how alternative funding sources can be accessed or services provided by alternative means.

10. Recommendation

10.1 That the overall Capital Strategy for 2006 – 2011 be approved.

10.2 That the forecast funding shortfall of £116m the period of the Strategy be noted.

11. Financial Implications

11.1 There are no direct implications except to note potential investment shortfall over the period covered by the strategy.

12. Comments of the Head of Legal Services

12.1 The Head of Legal Services has reviewed this report and notes the contents of the Capital Strategy 2006-2011. Members should note the funding shortfall set out paragraph 3.5 of the Strategy and that there is a risk that the solutions set out in paragraph 9.3 and 9.4 may not resolve the funding shortfall as envisaged.

13. Equalities Implications

13.1 This document focuses on the Council's priorities which inherently include consideration of equalities issues.

14. Use of Appendices / Tables / Photographs

Appendix A - Capital Strategy 2006 – 2011