

HERTFORDSHIRE COUNTY COUNCIL

CABINET
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Agenda Item No.

5

SINGLE CAPITAL POT AND CAPITAL STRATEGY

Report of the Corporate Director - People & Property and the Finance Director

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1. Purpose of report

To present:

- draft core data about the authority for consideration before submission to the Office of the Deputy Prime Minister
- property performance indicators for consideration before submission to the Office of the Deputy Prime Minister
- a draft Capital Strategy for internal use.

2. Summary

The County Council needs to submit the core data sheet and the property performance indicators to the ODPM by 31.07.2003 in order to secure an allocation from the Single Capital Pot.

Significant points are:

- Last year we got £1.743m under the Single Capital Pot discretionary element.
- This year the arrangements for award have been changed to delete the discretionary element and combine all the funding under the formula heading.
- This year we only need to submit data sheets, but we still have to produce a Capital Strategy.

3. Conclusion

The following documents require decision:

- Core data sheet (to go to the ODPM)
- Property Performance indicators (to go to the ODPM)
- Capital Strategy 2003 (for internal use).

Background

1. The Single Capital Pot, the Comprehensive Performance Assessment & the Prudential System

The Single Capital Pot is the government's arrangement for allocating borrowing approvals on an annual basis to local authorities.

An all-purpose borrowing approval replaced the general and supplementary credit approvals. The government's intention is to allocate the bulk of capital support to councils through the Single Capital Pot. For the first year the amount distributed represented just under half of the total that could potentially have been directed through the pot. Last year it was 60% and the intention is to increase it to 66% eventually.

The results of the assessments of the Capital Strategy and the Corporate Asset Management Plan were included in the Comprehensive Performance Assessment. Last year's results directly contributed to the *excellent* assessment that the county council achieved.

This year there are several changes to the approach, some of which were announced last year.

- (a) Local authorities that scored *good* for the strategy and plan do not need to submit them this year. The same applies to those authorities that received an *excellent* score under the Comprehensive Performance Assessment. This means that this year we only have to submit contextual information and the property performance indicator data. This will be used to inform decisions about local authority investment needs and priorities in spending reviews. However, there is a requirement that the Capital Strategies are still produced and the continued production of Asset Management Plans allows authorities to prove that they are still doing the right things.
- (b) The discretionary element of the Single Capital Pot has been abolished. All the basic credit approvals will now be allocated by the same method. The discretionary element previously provided a small incentive to authorities to produce and submit the documents. It was originally intended that the discretionary element would increase to around 20 per cent over time.
- (c) No ring fencing of funding will be made for those authorities assessed as *excellent* under the Comprehensive Performance Assessment except for funds 'passport' directly to schools. This means we should have greater freedom to deploy available grants to local priorities. A piece of work is underway to determine the practical extent of these freedoms and flexibilities for the county council.

The Local Government Bill currently going through Parliament will abolish credit approvals and replace them with a local prudential system. This new system is about self-regulation rather than control by central government on

the amount an authority can borrow to support capital investment. It will require individual local authorities to decide how much they can prudently borrow in line with the Prudential Code being developed by the Chartered Institute of Public Finance and Accountancy (CIPFA). It is hoped to implement the prudential system from April 2004 but this is dependent on the progress of the legislation.

Local Authorities will determine their total level of borrowing in accordance with the guidance of the Prudential Code. Having set a limit on the level of debt that can be incurred, authorities will be required to adhere to these limits. They will not be able to undertake new borrowing that would breach these limits. In developing future years' revenue and capital budgets the county council will be able to consider the relative importance of revenue and capital investment priorities and their impact on Council Tax without reference to externally set limits on borrowing.

2. Coverage

For the county council's services the Single Capital Pot covers the areas of local transport, education and social services.

3. Overview of assessment in 2002

For 2003 / 2004, 95 per cent of the Pot was allocated based on the needs assessment. The remainder formed the discretionary element, which was allocated by Ministers to reward those local authorities that demonstrate improved management of their capital assets including land and property assets.

Assessment for the formula element - 95% of Single Capital Pot	
1. transport	<ul style="list-style-type: none"> • Integrated transport - LTP • Length of principal roads • Bridges on principal roads and number in strengthening programme for non-principal roads • Length of non-principal roads by class weighted by the contribution to the estimated total backlog of expenditure at a national level.
2. education	<ul style="list-style-type: none"> • Basic need and Schools Access Initiative
3. social services	<ul style="list-style-type: none"> • Annual Capital Guidelines' formula, as set out in LASSL (2000)14

Assessment for the discretionary element - 5% of Single Capital Pot		
1. Capital Strategy		
2. Corporate Asset Management Plan		
3. Performance	• transport	Local Transport Plan
	• education	Schools Asset Management Plan
	• social services	Comments in the Capital Strategy.

4. Assessment of the Capital Strategy 2002

The government requires a high level summary of the council's approach to investment. The strategy should:

- highlight the key priorities and targets for the council;
- list its key partners;
- illustrate how the council is working corporately and with others to achieve key cross-cutting outcomes;
- explain the approach to prioritising investment; and
- explain how the council will monitor and evaluate progress.

The quality requirements were increased in 2002 compared with 2001. The Capital Strategy was assessed against eight primary and eleven secondary requirements and the assessment results in a grading : *good, satisfactory* or *poor*. Last year a local authority achieving a *good* assessment - which meant that they had met all the primary requirements and at least 75 % of the secondary ones - earned £50,000.

The comments by the Government Office Eastern Region on last year's Capital Strategy include:

'It was encouraging to see the corporate processes in place for the management of capital investment.'

'There were also good examples of cross-cutting initiatives being dealt with.'

'The level and type of partnership working is extremely positive.'

'The council has taken on board the comments we made last year on the transport element of the Capital Strategy.'

'This is a positive document. The information on performance measuring and monitoring however, was not adequate to meet the criteria. A shift of emphasis would resolve this.'

The score obtained was '*satisfactory*'. A meeting has been held with GoEast to discuss the performance measurement area and how this could be improved.

5. Assessment of the Corporate Asset Management Plan 2002

The Corporate Asset Management Plan (CAMP) is intended to set out the longer term needs for property across the authority and how they will be achieved through a prioritised delivery plan. It also pays attention to how we identify need and deliver solutions. It can be seen as a property equivalent of the Local Transport Plan and the Best Value Performance Plan.

The quality requirements were increased in 2002 compared with 2001. The Corporate Asset Management Plan is assessed against seventeen primary and twenty-six secondary requirements and the assessment results in a grading : *good, satisfactory or poor*. Last year a local authority achieving a *good* assessment - which meant that they had met all the primary requirements and at least 75 % of the secondary ones - earned £50,000.

The comments from Government Office Eastern Region on last year's CAMP include:

'The council is clear about its property objectives and the information needed to achieve these objectives.'

'Clear and detailed information is given on the six programmes for property to help ensure that the council delivers the Promises to Hertfordshire.'

'Good links exists between property and corporate objectives, and it is good to see the council making use of property that it does not own to deliver services, as well as optimising shared use opportunities.'

'It is extremely positive that a comprehensive suite of local performance indicators are in use which, amongst other things, links assets to the achievement of corporate goals.'

'The council clearly considers assets corporately.'

'The authority is clearly well advanced in asset management planning, and this comprehensive document is moving away from process to outcomes.'

The score was *good*.

6. Assessment of performance 2002

To assess the overall performance of the council several documents are examined by the ODPM. The relevant ones for the county council are:

- The Local Transport Plan
- The Schools Asset Management Plan documents (Local Policy Statement and Statement of Priorities)
- The Capital Strategy in relation to 'social services'.

Last year the DfES awarded the Schools Asset Management Plan documents a grading of 3 (on a scale of 0 = low and 4 = high). This was against increased quality requirements and places the county council in the top third of local education authorities. Only one authority achieved a score of 4. The score from this assessment was used in the performance assessment for the Single Capital Pot.

Weightings were used to ensure that authorities delivering different ranges of services are treated equally. Service performance was scored on a five-grade assessment in each single pot service provided by the local authority. The service performance assessments were then amalgamated into one of the five-grade bands.

The following minimum payments applied last year under the five-grade bands:

Overall assessment	Minimum payment
Well above average	£100,000
Above average	£75,000
Average	£50,000
Below average	£25,000
Well below average	£0

7. This year's documents

The latest version of the Capital Strategy is attached together with the core data sheet and the sheet covering the national property performance indicators that has to be submitted to the ODPM.

A Corporate Asset Management Plan is not being produced this year. It has been replaced by a simple Property Plan and several feeder documents. The Plan will be presented to the Cabinet in October 2003.

8. Timing

The Context Sheet and the Property Performance Indicators sheet have to be submitted by 31.07.2003. The allocation will be announced in December 2003.

9. Financial implications

The council's performance in satisfying the ODPM's requirements in relation to the discretionary element had an impact on the level of general borrowing approvals that the council received for 2003 / 2004. The CAMP and the Capital Strategy were submitted in July last year in accordance with the guidance issued by the ODPM.

The results were:

Assessed	Assessment	Allocated to HCC
CAMP	Good	£50,000
Capital Strategy	Satisfactory	£25,000
Performance - education	Above average	£1,668,000
Performance - social services	Above average	
Performance - highways	Average	
Total		£1,743,000

The previous year we were allocated a total of £1,241,000.