Appendix A

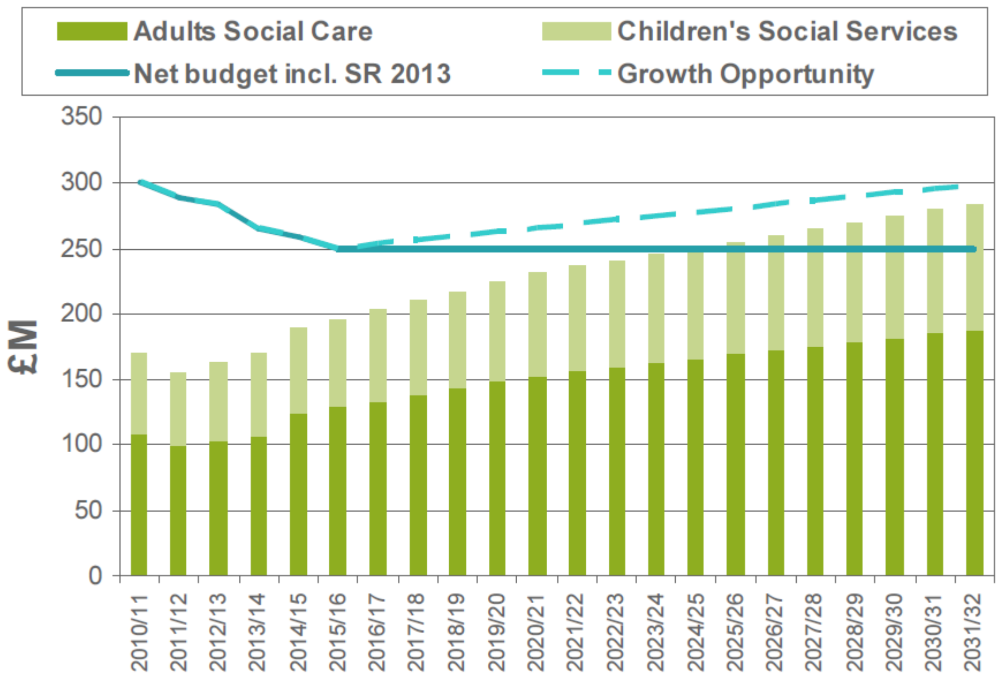
Capital Strategy

1. Strategic Context

Barnet Council is ambitious about the impact that capital investment plans will have on the borough over the next 10 to 20 years. This capital strategy sets out how these plans will deliver against these ambitions.

The Council, alongside most public sector organisations, is facing unprecedented challenges in planning for the delivery of services over the coming years. An increasing population in Barnet is creating additional demand for services. Customer expectations continue to increase and technological advances change they way that we communicate with customers and the way people want us to communicate with them. Alongside this, the Government's plan to cut public spending by £81 billion by 2015 will have a big impact on councils across the country. For Barnet, this translates into a 26% cut to government grant funding over 4 years to 2015, with confirmation of austerity measures for until at least 2018. Tough choices are required.

These challenges make the status quo unaffordable. The graph below shows that, with our current delivery models and projected demographics, we would **only be able to fund Adult Social Care and Children's services by 2028/9**, with only £43m to spend on other services by 2020. Barnet currently spends £132m on other services (waste, libraries, street cleansing and support services). Population increase, inflation and social care changes increase total budgets by 48% over 10 years (4.8% per annum).



This situation is exacerbated by significant demographic change. By 2016, the number of 5-9 year olds will increase by 23% and the number of people aged over 90 will increase by 17%.

Alongside the revenue budget challenge that the graph above shows, the result of this is that we also face an **infrastructure funding gap of more than £100m.**

2. Strategic response

There are a number of ways that the Council is responding to the challenges of increased population, increasing customer expectations and declining resources:

- The Council's overall response is the **One Barnet programme**, which is transforming the way that services are delivered, challenging existing delivery models, and changing the way that the Council interacts with citizens;
- This picture of changing demographics is used to inform **investment in services**. The Council's budget strategy directs resources into **Adults and Children's Social Care** services over the next 3 years to meet the demands of increasing client groups in these services;
- This analysis is also used to inform the Council's capital investment plans. **The infrastructure gap of £100m** can be reduced by delivering regeneration plans, working with other agencies to lever in investment into Barnet, and ensuring that internal capital budgets are used as effectively as possible.

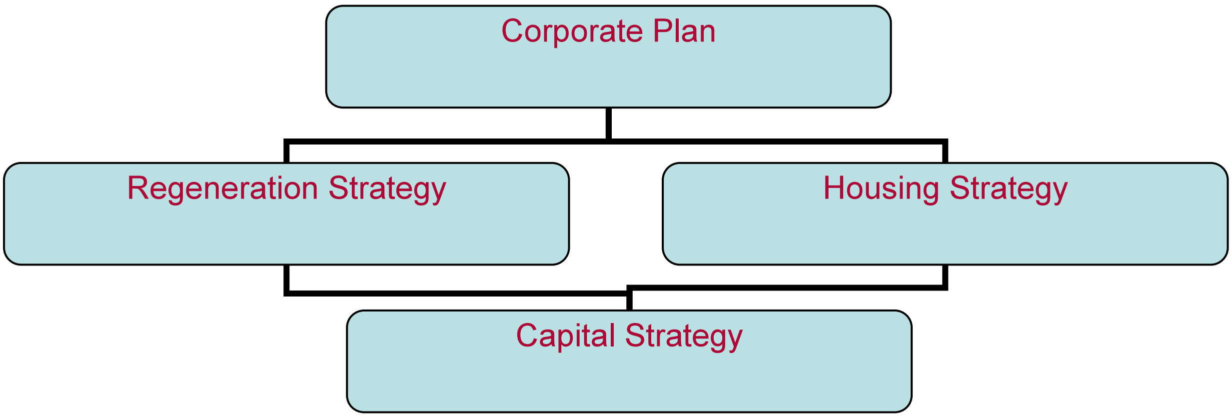
The changing structure of local government finance provides opportunities to meet these challenges, despite the significant reductions in government grant support for the foreseeable future. For example, the recent **localism bill** provides for greater autonomy for Councils around **business rates** and **housing revenue account funding**. Funding sources that were previously collected by central government will increasingly be collected locally, with the risks and rewards associated with this sitting with local authorities.

A growing borough is likely to see increases in business rate growth, so there are opportunities for Barnet from localisation of business rates. The challenge for the Council is to ensure that it can stimulate business growth and turn these opportunities into reality.

The Housing Revenue Account settlement that came into place on 1st April 2012 now sees the Council benefiting financially from greater resources available both for the provision of housing services and also for investment in housing stock.

3. Aligning capital investment with Barnet's priorities

The Capital Strategy sits within the context of other key Council strategies, which support significant planned growth for the borough over the next 15 years, drawing out themes relevant to capital investment and ensuring that these objectives have the resources to enable them to be delivered.



The Corporate Plan 2013/14 sets three strategic priorities. Barnet Council will work with local partners to:

1: Create the right environment to promote responsible growth, development and success across the borough.
2: Support families and individuals that need it – promoting independence, learning and well-being.
3: Improve the satisfaction of residents and businesses with the London Borough of Barnet as a place to live, work and study.

This is underpinned by six priorities:

In 2013, we will deliver this, by focussing our efforts on these outcomes:
1: To maintain a well designed, attractive and accessible place, with sustainable infrastructure across the borough. 2: To maintain the right environment for a strong and diverse local economy. 3: To create better life chances for children and young people across the borough. 4: To sustain a strong partnership with the local NHS, so that families and individuals can maintain and improve their physical and mental health. 5: To promote a healthy, active, independent and informed over 55 population in the borough so that Barnet is a place that encourages and supports residents to age well. 6: To promote family and community well being and encourage engaged, cohesive and safe communities.

The **Regeneration Strategy** supports the Council's corporate priorities with the following strategic objectives:

- Enhance Barnet as a Successful London Suburb through delivery of quality new places and neighbourhoods in the areas of the borough in greatest need of investment and renewal
- Deliver sustainable housing growth and infrastructure, and improve the condition and sustainability of the existing housing stock
- Ensure residents in all areas of the borough can share in Barnet's success while taking responsibility for the well-being of their families and their communities
- Promote economic growth by encouraging new business growth while supporting local businesses and town centres
- Help residents to access the right skills to meet employer needs and take advantage of new job opportunities

The **Housing Strategy** supports the Council's corporate priorities with the following strategic objectives:

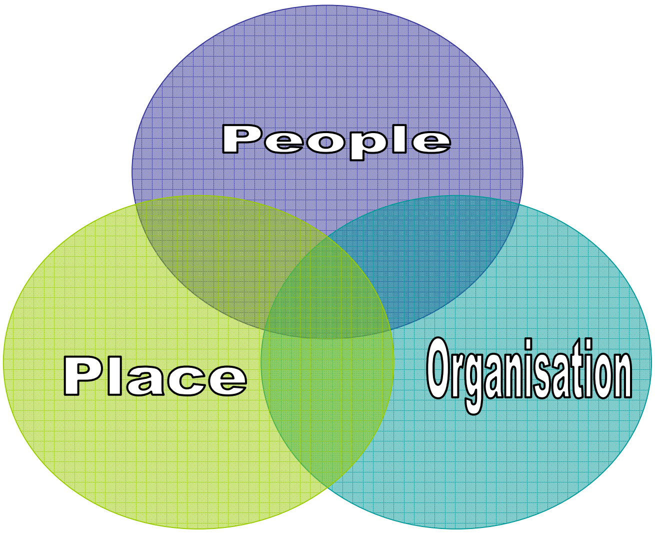
- Increasing housing supply
- Improving the condition and sustainability of the existing housing stock
- Promoting mixed communities
- Maximising the options for home ownership
- Housing related support options that maximise the independence of residents
- Excellent value services that exceed residents expectations

The capital strategy sets out how our capital investment plans are pulled together to ensure the delivery of the strategies as set out above.

4. Capital investment themes

The overall themes for the capital strategy are built around organisation, people and place.

Appendix A



People – the most important stakeholders for Barnet Council are local residents. The capital strategy focuses on capital investment plans that make a real difference to people. The most significant priorities are:

- Investment in provision of **additional school places** (primary and secondary) **and education facilities**
- Investment in **disabled facilities adaptations** to support older people to live at home and maintain their independence.

Place – the capital strategy must underpin the regeneration strategy and deliver its aspirations for Barnet as a place. The most significant priorities within this are:

- Investment in **roads and pavements**; and
- Investment in **infrastructure** to support the delivery of regeneration projects.

The **Infrastructure Delivery Plan** (IDP) responds to demographic change in Barnet up to 2026 and drives the Councils prioritisation of investment in infrastructure. The population is expected to increase by 14% in the next 15 years. The IDP sets out the infrastructure required to support this growth. The high level of projected growth within a number of specific areas has strongly influenced how and where infrastructure such as open spaces, schools, leisure facilities and health centres is to be delivered.

The IDP sets out the funded capital infrastructure projects across Barnet, and where these are delivered by Barnet Council, these are reflected in the Council's capital programme. The IDP also sets out unfunded infrastructure projects. The Community Infrastructure Levy is one source of funding designed to support these unfunded schemes.

Consideration will be given to using HRA funding (both existing capital funding), on strategic interventions to enable schemes to progress in accordance with the **regeneration strategy**.

Organisation - alongside this, some funding needs to be set aside for essential projects to enable the council to fulfil its statutory duties and this is reflected in the programme. The most significant priorities within this are:

- **Health and safety works** on Council owned buildings;
- **Drainage** works;
- Investment in **equipment** to support services.

5. Funding the capital strategy

Capital investment plans are funded from a range of sources, resources generated internally, and those levered in from external organisations.

These funding streams are as follows:

- Developer Contributions through Section 106;
- Community Infrastructure Levy
- New Homes Bonus
- Government Grant Funding
- Prudential Borrowing
- Capital Receipts
- Housing Revenue Account Funding
- Tax incremental financing

Developer contributions through s106 funding is ringfenced to specific regeneration projects where delivery of particular items of infrastructure is necessary to manage future impacts of the development and is allocated to these within the programme.

The Council is intending to set a **Community Infrastructure Levy** (CIL) from April 2013. This will be applied to all new development and is not ring fenced to individual schemes. The funding generated from this source will be added to the capital programme and allocated to the delivery of specific infrastructure projects.

Cabinet have taken the decision to earmark the **New Homes Bonus** (NHB) to fund infrastructure projects and this will be allocated as such in the capital programme. The level of NHB allocated to Barnet is dependent on the number of new homes that are delivered in the borough in each year. The total estimated funding available through NHB over the period to 2016 is over £30m.

Government grant funding (£90.5m) remains available to fund specific projects, usually this funding is ringfenced. The most significant elements are funding from the Department for Education in respect of new school places (estimated to be £20.8m in total over the period to 2018), and funding from Transport for London in respect of highways projects (approximately £9.9m last year).

Capital investment plans can be supported by prudential borrowing. Borrowing plans need to be prudent, affordable and sustainable, and these criteria are tested by applying prudential indicators as set out in the Council's annual budget report. Barnet Council currently spends £975 per head on borrowing. This compares to the average across London of £1,504 per head. The Council's budget strategy allows provision for additional prudential borrowing on an annual basis to fund high priority capital projects. Revenue provision allows for additional project of approximately **£10m per annum** and will ensure that the overall spend per head on borrowing **will not exceed the London average over the 5 year period of the current capital programme**. This funding is not ringfenced, and can be allocated to Council priorities, principally investment in additional school places and education, and investment in road and pavement improvements.

	Total borrowing levels (£m)	Borrowing per head of population (£)
Average across London	347.4	1,504
Barnet	321.8	975

The budget strategy also includes a target of **£50m of capital receipts** over the period 2013-16 to support the capital programme. Again this funding is not ringfenced, so can be allocated to Council priorities, principally investment in additional school places and education, and investment in road and pavement improvements.

The Council also has funding available for capital projects through the **Housing Revenue Account** (HRA). This includes annual funding to support improvements to Council housing stock, and also includes the additional headroom available for investment in housing assets through the HRA reform that came into place on 1st April 2012.

6. Governance of the capital programme

a) 5 year rolling programme

This capital strategy takes the Council from an annual process of allocating capital budgets, to a 5 year rolling programme.

This provides the organisation with greater certainty in delivery of capital projects and will ensure that resources are managed more effectively and that they deliver better outcomes for people, place and the organisation.

b) Appraisal and funding decisions

Final investment decisions will be taken only once a full business case has been approved through the investment appraisal board. Approval will be based on the following criteria:

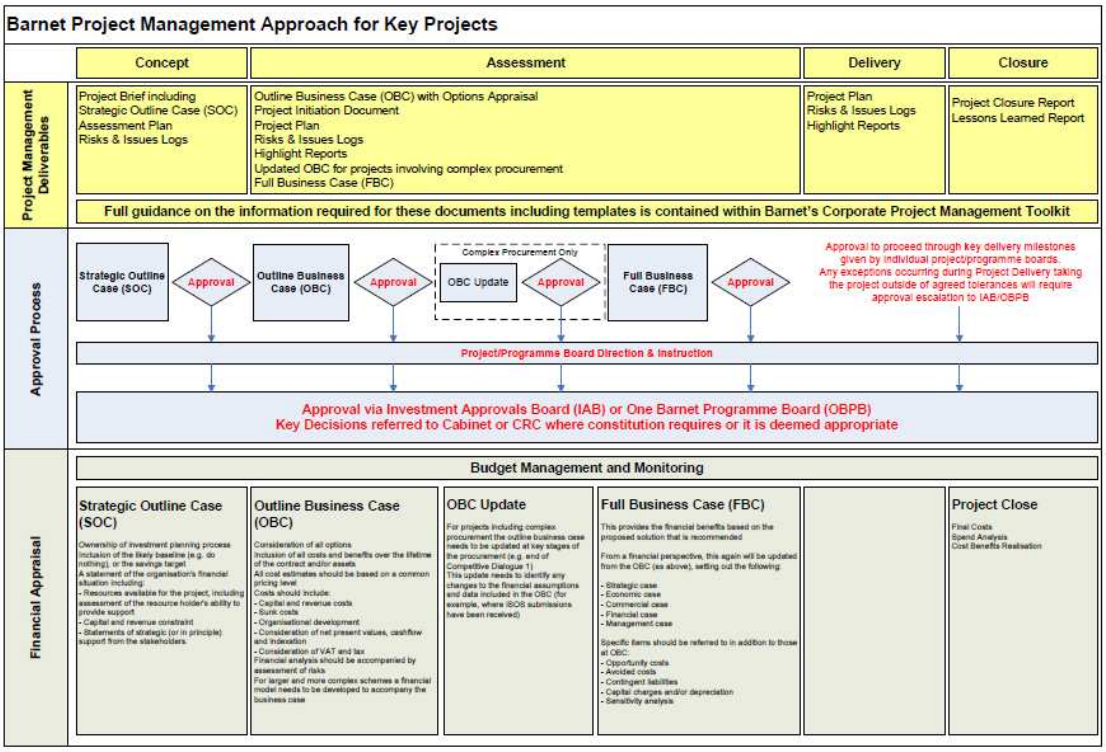
1. The investment is necessary to deliver corporate objectives.
2. The project or programme has been justified as the best way of delivering corporate priorities following proper options appraisal taking into account the costs and benefits of a project over its whole life cycle.
3. No suitable alternative funding source is available.
4. Full project funding is in place or confirmation received that the proposal will be supported by other funders.
5. The project complies with current environmental / energy efficiency standards.
6. The project has undergone Equalities Impact Assessment.

The Investment Appraisal Board meets on a regular basis to ensure that these criteria are met before capital projects become live in the capital programme.

c) Governance

Governance should not be unnecessarily bureaucratic, but must put the right controls in place to manage a multi-million pound portfolio of projects. An effective and proportionate governance structure enables the Council to make timely and responsive decisions, based on sound business cases. It follows principles of risk management, escalations and of regular reporting.

The Council follows the project management approach as set out in the diagram below:



d) Monitoring the strategy

Financial monitoring: will be undertaken monthly with quarterly reporting to Cabinet during the development and delivery phases.

Monitoring of delivery: this is undertaken through the Investment Appraisal Board at the gateway review stages