

**South Holland District Council
Draft Capital Strategy
2011-16**

Foreword

South Holland currently invests each year in capital projects to improve or create public infrastructure within which it provides its services. The Council's capital strategy is the framework within which this annual capital programme is determined. It seeks to ensure that in the medium term the capital programme delivers the Council's priorities (set out in the Corporate Plan and HRA Business Plan) in the most efficient and effective way.

South Holland has a planned programme of **£20.9m** over the next five years. The Council is facing a number of competing demands on our limited resources. The Council has established South Holland Homes a Local Housing Company (LHC) to develop affordable housing and receive capital funding from the Homes and Communities Agency. Its first phase of development was completed in 2010, with six purpose-built affordable rented homes constructed, using central and local government funding. The latest phase of works is the refurbishment and resale of properties gifted by the Council, with sale proceeds being reinvested in further affordable homes. To achieve our ambitions the Council will continue to be innovative in its approach. We will work with all potential partners who share our aims. During 2010/11 we created a new company, Compass Point Business Services (East Coast) Ltd jointly with East Lindsey District Council to deliver merged back office services. This will see joint investment in ICT and deliver service improvements and ongoing savings. In addition, the Council is committed to working with Breckland District Council in order to implement a fully integrated joint management structure. This initiative is also intended to reduce senior management costs and thereby achieve substantial savings by working together.

The Council has continued to direct resources towards improving the local economy. During 2010/11 new industrial units have been built at Crease Drove, Crowland. Land has also been provided for businesses to develop. The development is now fully committed and has been a huge success, so much so that there was no need to market the facilities.

Another major development that is almost completed is The Food Heritage Centre at Red Lion Street in Spalding. This project will provide a multi-use building to house a food court reflecting local, regional and ethnic foods. There will be a number of small scale food and drink producers selling direct to the public. Boston College will offer further and higher education courses and will operate a training restaurant. The building will also house office space to encourage business development. The building is on budget and on schedule and will be open to the public in March 2011. Already the Council has received a lot of interest and we are expecting the project to be another success.

Another key area for capital expenditure is investment in our housing stock as outlined in our Housing Revenue Account Business Plan. The Government, in its consultation paper "Reform of Council Housing Finance" has now agreed to move to a devolved self-financing alternative. This is a radical reform which will see councils finance their own businesses from their own rents and revenues. It is expected that these new proposals will secure continued capital investment for the Council's dwellings stock, needed for the long term, although the exact benefits of the proposals won't be known for some time and have still to be assessed.

Despite the considerable capital investment already made and in progress, the Council continues to work with developers and partners on more innovative schemes within the district. This includes seriously looking at investment in "green" initiatives such as the installation of solar energy to improve energy efficiency.

Gary Porter
Leader
South Holland District Council

Terry Huggins
Chief Executive

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1.0 Executive Summary

South Holland is a unique environment in the fenland area of eastern England. This is the Capital Strategy for South Holland District Council. The strategy addresses the allocation of resources to support the Council's investment plans and how this supports our own corporate objective.

Our Corporate Priorities are as follows:

- more affordable housing
- care of our villages and towns
- a secure and diverse economy
- improving health through cultural and sporting opportunities
- improving access to services
- democratic community leadership
- maintaining capacity to deliver

The Council acknowledges that it is important to maintain its existing infrastructure. We have a 30 year repairs and renewals plan and are commissioning a strategic asset review to assist with this.

The purpose of the strategy is to provide a framework within which the Council's Capital Investment plans over the next five years may be delivered. The combined challenges of reduced funding opportunities, improving service quality, becoming more customer-focused and delivering efficiency savings is placing financial pressures on the local authority together with the current economic climate. This makes key documents such as the Capital Strategy and its related Medium Term Financial Strategy a key part of our integrated strategic financial and service planning cycle.

For South Holland District Council this means applying value for money principles to all schemes that we undertake with a clear focus on the outcomes that the investment will deliver. The strategy has been developed by the Capital and Assets Working Group and is formally approved by Council.

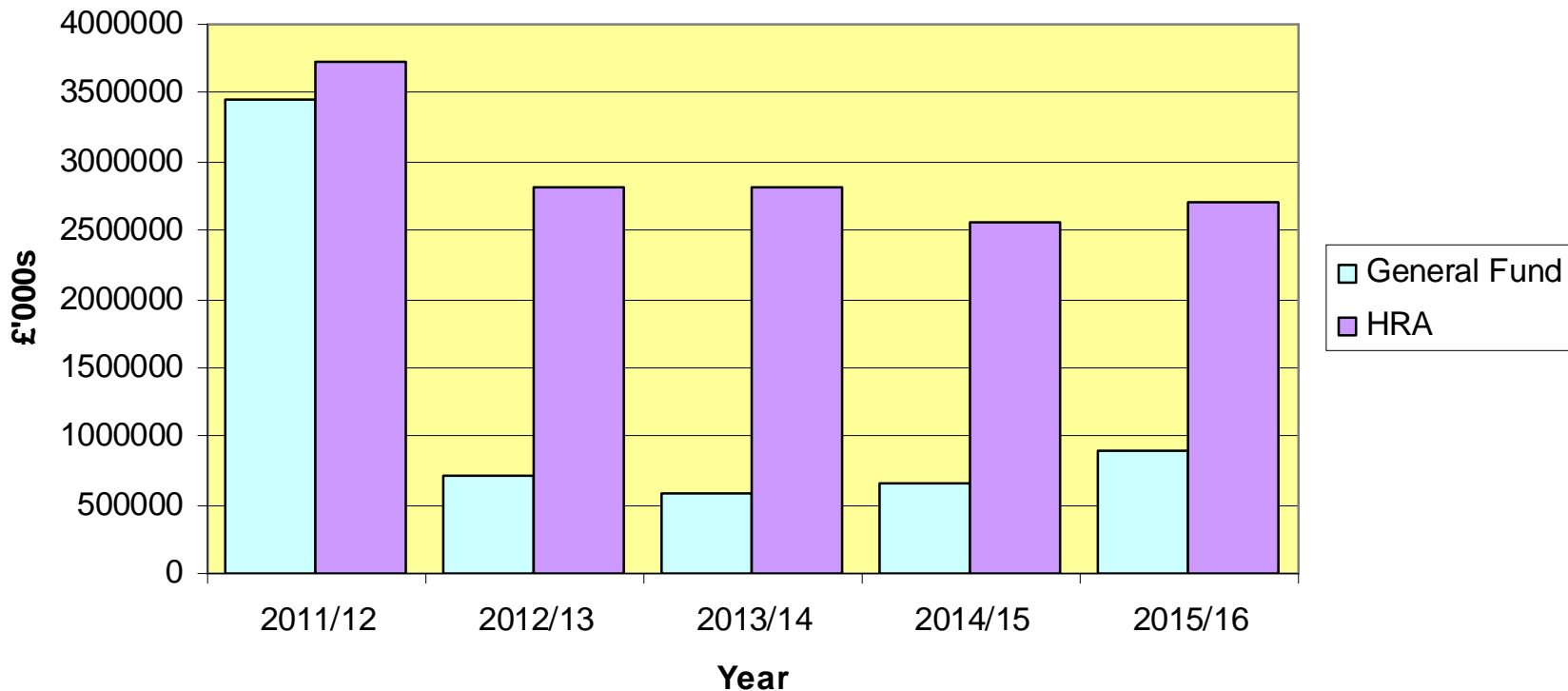
We are awaiting the final details of the review of the Housing Revenue Account that will hopefully provide the Council with greater financial freedoms. The future of council housing finance had been uncertain since the new formation of the coalition government formed. However, the Housing Minister has recently announced a decision to press ahead with the plans to dismantle the Housing Subsidy system from 2012. This will mean that the Council will be allowed to keep receipts from their tenants' rents. It is expected that these new freedoms will allow the Council to draw up a 30 year business plan for investment in the dwellings stock.

It is expected that other there may be more government initiatives and with the forthcoming spending review, will effect the Council's investment plans. Already the Council has seen grants withdrawn that had been secured.

The new Government are keen bring in their vision 'BIG SOCIETY'. This project will almost certainly impact on the Council's future plans. Charities and communities are expected to become more involved in determining the shape of the places where they live. With this in mind, any strategy that is now agreed is highly likely to change in the not too distant future.

Over the next five years we currently plan to spend **almost £21 m** on projects district wide. We review all funding opportunities so that we can decide how much we can afford to allocate to the Council's corporate priorities. This is particularly important as we are using reserves and receipts, which will have revenue consequences for the Council. It is anticipated that eventually the Council will have to borrow to pay for future investment in our General Fund assets.

SHDC Capital Programme 2011/12 to 2015/16



The Capital and Assets Working Group approved the 'option appraisal' methodology for agreeing schemes, giving each scheme the same chance as each other, using a scoring system. It also ensures that capital proposals are ranked in accordance with corporate objectives and the best use is made of the Council's assets, for example land holdings. As the housing stock comprises 87% of the Council's assets in value terms, the annual capital programme is dominated by housing expenditure.

2.0 Introduction

Sustainable Community Strategy

All South Holland District Council plans, including the capital programme, are set within overall plans contained in Lincolnshire's Sustainable Community Strategy 2009 - 2030. This is the overarching strategy for Lincolnshire which provides a framework for partners to achieve the shared long-term vision for the county. It contains 10 priority areas for improvement.

- (1) Children and Young People Achieving their Potential
- (2) Improve Health and Well-Being
- (3) Improve Skills and Conditions for the Economy
- (4) Reduce Alcohol Harm and Improve Community Safety
- (5) Growth and Improved Housing Provision
- (6) Promote social cohesion
- (7) Tackle the Causes and Effects of Climate Change
- (8) Improve Quality of Life for Vulnerable People
- (9) Get Connected
- (10) Improved Services Delivering Value for Money

All partners, including SHDC, are responsible for delivering actions and meeting targets against the strategic objectives within these priority areas.

In particular the South Holland Chapter of the Sustainable Community Strategy defines our long term view in this area and provides a local focus for funding decisions and partnership activity.

Vision and Priorities

Our Vision: To develop and promote South Holland as a thriving, living and working rural community.
The South Holland District Council Corporate Plan 2010-15 aims to develop and promote its vision through its seven priorities and three cross-cutting themes.

1. Affordable Homes

South Holland District Council is one of only a handful of local authorities actually building council properties. The Council is pleased to be recognised as an authority that is leading in this area and will continue to build more housing through our Housing Community Interest Company (South Holland Homes), the first of its kind. The situation in the housing market reinforces the need for affordable housing to be a priority.

2. Care of our Villages and Towns

Local people have voted the Council top in the country for the way refuse and recycling is collected. The Council will continue to carry out this service every week, clean the streets and look after the environment of our towns and villages. Providing good quality basic services will continue to be core to what we do. However, the focus for improvement in the medium term will be dealing with concerns about nuisance, anti-social behaviour and the idea that there is a lack of things for young people to do. We will continue to develop the way we work with our partners, particularly the police, parish councils and the county youth service, to make sure problems are prevented as far as possible and dealt with when they become an issue.

3. A Secure and Diverse Economy

In the current economic climate it is even more important that we work closely with the county council and other sub-regional and regional partners. This is not only to protect and improve the employment and economic prospects of residents but also to be ready for the end of recession and then recovery. We researched and published our new [economic development strategy](#) in 2009. Based on feed back from local people and businesses, the focus will continue to be to on land assembly, key developments and inward investment. We will continue to support the local economy by providing buildings and small industrial units for businesses to locate into and bring higher value jobs into our economy. We will continue to work with the Learning and Skills Council and Further Education providers to improve opportunities for vocational training.

4. Improving Health through Cultural and Sporting Opportunities

The focus for this priority is on delivering health and cohesion outcomes. In order to achieve the Council's ambition for a healthy community, active recreation will be encouraged particularly since the long term vision of providing modern, attractive, fit for purpose leisure facilities remains at the heart of this priority because of the strong relationship with health outcomes. The Council's [cultural strategy](#) is also directed towards improving opportunities for leisure and recreation in the area. The Council will continue to assess plans for this, for when economic conditions enable options to be brought forward.

5. Improving Access to Services

The community have better access to information and services, which helps them to make informed choices. The Council will continue to improve access to services, focusing on our Customer Services Centre, taking services out to our communities and using new technology to offer alternative ways of connecting with services. The aim is to make it easy for people to contact the Council through a variety of channels to suit their lifestyle and circumstances.

6. Democratic Community Leadership

It is important that the Council places leadership at the heart of everything it does and has a strong voice where there are opportunities to influence decisions made outside South Holland, that affect the district. The Council will continue to make sure that our councillors, who are the elected representatives of their communities, provide clear and accountable leadership and are supported and equipped to do this. The Council will build on the success of work in Holbeach and Donington to establish Portfolio Holders of Place across the district. The Councillors will be key active figures, helping people to influence issues which impact on their life, by getting involved in developing plans for their communities.

7. Maintaining our Capacity to Deliver

This has always been very important and the Council is pleased that the Audit Commission has categorised us as one of the top performing district councils in the country for the way we manage our finances and use our resources. However, the current pressure on finances and our medium term financial forecast has made this a priority in its own right. Estimates for revenue income remain down and cuts are predicted in public expenditure. The focus for attention will be delivering cash savings through improved efficiency resulting from the creation of Compass Point Business Services (East Coast) Ltd. We will manage our people, partnerships, information and communication technology and other assets to deliver our corporate priorities and the most essential services to agreed standards and performance targets.

OUR THREE CROSS CUTTING THEMES

The following cross cutting themes will influence all that the Council does in delivering our seven priorities and in other work of the council.

1. Improving Health. The health theme runs through many of our plans and strategies, the overarching priorities are:

- Providing services to promote healthy lives
- Making sure South Holland is a safe and healthy place to live
- Work with others to improve health in South Lincolnshire

“Improving health through cultural and sporting opportunities” is the main drive in the Council’s health improvement work. The Council also influences health through services such as food safety, pollution control, enforcement activity and working to achieve decent homes in the private sector.

2. Climate Change. The Council has developed a Carbon Management Plan to reduce its own use of natural resources and its impact on the environment. The Council will cut the amount of energy we use in order to meet targets on carbon emissions and reduce the amount we spend on energy bills. Within the term of this plan we aim to reduce our CO2 emissions by 25%.

The Council also plans to adapt to the effects of climate change such as flood risk, higher temperatures and more extreme weather. This work impacts the way in which all services are delivered. Understanding this and dealing with it is central to the Council’s long term plans. The Council will continue to prepare and plan for the potential impact through Strategic Flood Risk Assessment, the Coastal Strategy and the South Holland Local Development Framework and influence the East Midlands Regional Spatial Strategy.

2. Community Cohesion. South Holland has a long history of people moving into the area, including migrant workers, but scores poorly on measures of community integration and cohesion. The Rural Action Zone established a Commission to clarify the vision and the characteristics and nature of a cohesive South Holland. The Council is working with partners to implement the recommendations for improving cohesion in the area. The Commission reported in 2008, which included an understanding on how the Council’s own services could have a positive impact on cohesion. This has enabled working with partners to implement the recommendations. [Community Cohesion Policy](#)

This Capital Strategy has been prepared by the Capital and Asset Working Group, the Cabinet Portfolio Holder for Finance and Property, with contributions from all Heads of Service. The Strategy is intended to show how the Council determines its capital programme. The Policy Development Panel (part of our Scrutiny arrangements) is consulted and any feedback will be considered for inclusion. The strategy is reviewed annually in light of government guidance and feedback received from consultation.

3.0 About South Holland

The area South Holland covers is 74,238 hectares and is a sparsely populated rural area set in the south of Lincolnshire. It is part of the man-made drained Fens and as such, whilst it offers beautiful flat open landscapes with extremely fertile soils, a large percentage of the district is subject to flood risk. South Holland has many economic links across county and regional boundaries into Rutland, Nottinghamshire, Cambridgeshire and Norfolk. Particularly there are many direct links with the city of Peterborough to its immediate south. The north eastern boundary of the district is the unspoilt coastline of the Wash. Spalding provides the main population, economic and administrative focus of the district, but there are also significant settlements at Crowland, Holbeach, Long Sutton and Sutton Bridge.

As part of Comprehensive Area Assessment, individual organisations operating in the County receive an organisational assessment. The assessment for South Holland District Council confirms that the Council performs well overall and continues to be amongst the top performing district councils.

4.0 Key Objectives and Areas for Capital Spend

Objectives

- Make adequate provision for delivering on corporate priorities and demonstrate this through the resource allocation model
- Make adequate provision for future depreciation charges
- Support the operation of South Holland Homes (the Council's Housing Company)
- Make sure programmes of work are assessed against our sustainability matrix
- Ensure there are strong links with our Treasury Management Strategy Statement, Minimum Revenue Provision Strategy and Annual Investment Strategy.
- Set up Replacement and Refurbishment funds for fixtures and fittings and ICT replacements
- Promote "invest to save" projects
- Seek to utilise the prudential code in order to deliver our capital strategy. We will continue to review our debt free status in the light of the prudential capital framework.
- Identify, evaluate and reflect revenue consequences of the capital programme in revenue budgets
- Seek to attract investment from external funding sources, such as external agencies and/or partners, in line with our Capital Strategy
- Review the financing of Spalding Special Expense Account items that relate to capital assets.

- Make sure that the service priorities included in the council's capital strategy are fully funded
- Make sure that all homes meet the Decent Homes standard by 2011. Furthermore, the council will aim to retain the housing stock and improve it to a higher standard than the Decent Homes Standard. The Council aims to do this within existing resources, and without the assistance of the other three options of Private Finance Initiative (PFI), Large Scale Voluntary Transfer (LSVT) or Arms Length Management Organisation (ALMO)
- Review the asset management plan annually to identify surplus assets which can be sold in the following year to generate new capital resources
- Make sure that the Council's assets work for us by looking at them in a more strategic way
- Ensure all projects are managed through the 'project toolkit' to ensure a sound business case has been prepared, proper procurement channels followed and effective delivery of schemes that meet their original outcomes
- Aim to retain a level of revenue contributions towards the strategy from the Housing Revenue Account and General Fund
- Favour those schemes that generate income or reduce expenditure.
- Ensure the Council complies with International Financial Reporting Standards with regard to capital expenditure

Priority Areas of Spend

We are facing a number of competing demands on our scarce resources. To deliver the aims of the Council, the Capital Strategy document outlines an approach to ensuring corporate priorities are delivered through an ambitious yet achievable capital programme.

Following a recent review of the Council's Corporate Plan, **Affordable Housing** has emerged as a Council priority for the immediate future. The traditionally low wages available in the district, combined with the national and local rise in house prices, has given particular emphasis to the need for affordable housing. In recent years an on-going challenge has been the effective support of non-UK migrant workers within the district, putting additional strain on limited affordable homes in the area. The formation of a local Housing Company is seen as an innovative solution towards delivering affordable homes in the area. The Council is also exploring options in the mortgage market. The Government are also promoting new house build and are proposing to provide monetary incentives to Councils depending upon the number of new homes built within the district. The Council will be looking closely at this new initiative to ensure there are no barriers towards new house building and maximise any potential resources.

Achieving the **Decent Homes** standard is also a very important priority for the Council. The Council consulted with the tenants and established we wanted to achieve the 'Decent Homes Plus' standard.

Diversifying the economy is the Council's another key priority in our Corporate Plan. It is the third priority area for capital investment. We want South Holland to be more than a satellite for Peterborough or Kings Lynn. We want to reduce out-commuting for work and to be able to offer suitable employment choice locally. We can support the economy not only through direct contact and support with businesses and our partners but most importantly, by ensuring we support suitable employment development through our land use planning and other policies.

Another key area for one Council is the **provision of leisure facilities**. However, in recent years the Council has invested in the Peele Leisure Centre and Ayscoughfee Museum. The Council wants to further develop our leisure facilities in the district. This priority is under review due to the impact of the recession although officers continue to monitor options for delivering and updating current provision.

The Provision of improved Leisure Facilities is a Council priority as contained within the Corporate Plan 2007-2010. A Cabinet Working party has carried out an Options Appraisal on the future provision of leisure facilities and has recommended the replacement facilities option. Our plans for a new leisure centre are currently on hold given the economic climate.

The following table shows how the current five year capital programme supports corporate priorities:

Priority Area	Value Of Schemes (£'000s)				
	2011/12	2012/13	2013/14	2014/15	2015/16
Affordable Housing	4276	3,189	3,181	2,935	3,034
- Gypsy and Travellers	846	0	0	0	0
Care of Villages and Towns	1,106	24	24	20	60
Secure and Diverse Economy	0	0	0	0	100
Improving Health through Cultural & Sporting Opportunities	339	208	89	164	92
Improving Access To Services	50	0	0	0	0
Democratic & Community Leadership	20	0	0	0	20
Maintaining Capacity To Deliver:	479	90	80	80	240
- Support Infrastructure	65	20	20	20	60
Total	7,181	3,531	3,394	3,219	3,606

4.1 Affordable Housing Priority – To provide more high quality affordable housing

In determining South Holland's housing need, the Peterborough Sub-Regional Strategic Housing Market Assessment Update 2010 found an estimated annual shortfall of 587 affordable homes. It is accepted that some households are in more housing need than others and that the realistic policy target would be less than this. Through the Local Plan and the emerging Local Development Framework, the Council will deliver 295 new affordable houses between April 2011 and March 2013, which includes affordable housing delivered by all providers. Our work on this objective will make significant improvements in the following areas.

1. The provision of more high quality affordable housing
2. Providing and improving a high quality social housing landlord role
3. The reduction of homelessness
4. Working effectively with others to enable them to meet the housing needs of the district

We aim to provide affordable housing using the four main housing providers:

- direct provision by the Council through South Holland Homes
- private developers with or without the aid of financial support from the Homes and Communities Agency (HCA)
- provision by housing associations or charities with or without financial support from the HCA
- private sector landlords.

Affordable housing can be for discounted sale, for shared ownership, for social rent or 'intermediate' rent. The Council is working with a number of housing associations but also looking to expand our options in new areas. The Council has have worked with one local developer to successfully bring forward two projects through the HCA's Kickstart initiative with a total of 64 affordable homes. The Council has worked with another local developer on an innovative shared equity scheme, where the developer foregoes income in the early years of occupancy to make it affordable to the occupier.

The South Holland Strategic Housing service was inspected by the Government's Audit Commission in July 2007 and has been judged to be a good (2 star) service with promising prospects for improvement. The Council has keen to maintain this good progress. The Affordable Housing Working Group is the officer group managing and monitoring the delivery of all affordable housing. A monthly briefing is given to the Leader of the Council. Delivery is also monitored quarterly by Cabinet members. The Council is working with other local councils on a range of initiatives through the Lincolnshire Housing Strategy 2009/14. The Council is also working with the Homes and Communities Agency, South Kesteven District Council and Rutland regarding the Local Investment Plan, which prioritises local investment.

The Council will continue to examine our own land holdings to determine what is under-used, such as some garage sites and disused sewerage facilities, with the aim of possible redevelopment. Opportunities will be investigated to increase our own stock through the development of these sites. We have developed a land holding strategy and are currently evaluation some land sites for possible disposal.

The Council established the South Holland Local Housing Community Interest Company in 2008/09, which has the trading name of South Holland Homes. The Company is wholly owned by the Council and has a Board consisting of councillors, officers and a member of the South Holland Tenants' Group. Our new housing company has allowed us to receive funding of £267,000 for social rented homes from the HCA, which used to only be available to housing associations. We completed these homes in Tydd St Mary and Deeping St Nicholas in 2010, using surplus council owned land. These house families from the Council's housing register. More properties will follow in other areas in future phases. The Council also transferred 8 surplus homes at Flaxmill Lane, Pinchbeck to South Holland Homes for sale to local first time buyers.

The new build programme will also support the construction industry at a time when house building has declined because of the current economic downturn. This is an exciting time for us and we are looking to the future development and growth of South Holland Homes, as a key contributor to the development of affordable homes for the residents of South Holland.

4.2 Decent Homes Priority – To maintain the Decent Homes Plus Standard

The Council and its tenants recognised the need to invest in existing Council-owned properties to meet the Decent Homes Standard by 2010/11 and to maintain the standard in the years beyond. Ongoing stock condition surveys continue to be used as a basis for identifying work programmes beyond the Decent Homes programme. We will continue to undertake work to our properties to ensure we maintain our achievement of the Decent Homes plus Standard, and £12m has been provisionally allocated for refurbishing the housing stock over the five years from 2011 to ensure the standard will continue to be met.

Our decent homes standard has been increased to include:

- Replacement of current external doors
- Extractor fans, new floor coverings, kitchen decoration and bathroom refurbishments
- External wall insulation to homes with solid walls
- Replacement sewage treatment works
- Finlock gutter repairs (programme to recommence from 2015, as all gutters were re-lined during 2000/2001)
- Evaluating the non-traditional properties for possible future redevelopment

The Council is always looking at options to deliver energy savings. As part of this is currently looking at the possibility of installing solar panels in council dwellings and other Council properties. This project is only at a very early stage but it is hoped that in the near future something constructive will follow on from this work.

We have worked together to produce a Housing Revenue Account (HRA) Business Plan which demonstrates how we will continue to exceed the Government's Decent Homes Standard beyond 2010.

Housing Stock 1 April 2010					
	Non Traditional Dwellings	Houses and Bungalows	Medium Rise Flat	Low Rise Flat	Total
One Bed	0	710	0	76	786
Two Bed	52	1,255	24	169	1,500
Three Bed	369	1,229	0	0	1,598
Three Bed +	0	16	0	0	16
Totals	421	3,210	24	245	3,900

4.3 Economic Development Priority

South Holland District Council (SHDC) does not have a specific “statutory duty” to undertake economic development activities. However, in the Local Government Act 2000 all local councils were given legal powers to allow them to safeguard the “economic, social and environmental well-being” of their areas. For many years the Council has been delivering the right environment for business growth through its land use planning functions. SHDC also has a considerable history of supporting the local economy through initiatives such as town centre management, tourism promotion, control of parking provision and ensuring its commercial areas are environmentally clean. However, despite this, the food sector generally offers poor rates of pay, uses little advanced technology and consequently demands low levels of skill. Over time this has had an adverse impact on South Holland’s economy, hence it is a priority to diversify in an effort to generate a greater choice of more ‘quality’ jobs for local residents.

Like the rest of the country South Holland has felt the impact of the current global recession. South Holland has benefited from considerable private sector investment in the recent past (including new retail outlets at Springfields in Spalding and two new power stations). This has generated more jobs than it can fill, becoming reliant on a flexible migrant workforce. Unemployment doubled during 2008/9 although it has been falling through 2010. South Holland's economy has not suffered as much as many other areas because of its reliance on the traditional sectors of agriculture, horticulture, and food production when compared to the construction or financial services.

The Council's Local Plan has provided employment land across the district and policies have been established that will support suitable growth. South Holland's housing market is depressed due to the lack of national mortgage liquidity and is heavily influenced by Peterborough. The district's schools have good academic achievements but it is currently lacking in further or higher education provision. The new development at Red Lion Street will provide a new facility for Boston College and with the growth of Holbeach Campus, and the extension of sixth form provision, the situation is improving.

The Council's new Economic Development Strategy 2010 -15, (which is a corporate priority) aims to support the economy by:

1. Helping create an environment in which new businesses can start and existing businesses can grow
2. Generating a high quality of life so that people will want to both live and work in the district
3. Working with partners to tackle issues holding back economic growth and minimise the impact of the recession.

A major development in Red Lion Street is called The Red Lion Quarter. This is a mix of food retail, a further education facility run by Boston College and high quality managed start-up office space. The Council's new development of 3 acres of allocated employment land is close to the new A1073 in Crowland. These are small industrial units which are currently fully subscribed within 2 months of completion. This will create additional jobs in Crowland. The level of interest shows the underlying strength of the local economy.

The Council is working with developers and inward investors on several schemes to bring forward additional employment land and to improve the major town centres. The Council is also working closely with the Environment Agency to maximise and realise the potential of the Fens Waterway Project. This project has the potential to completely transform tourism within South Holland. The Council is also undertaking research with Network Rail and the Regional Development Agency to determine the future of rail freight options for the district.

The Council is also ensuring that opportunities with businesses, individuals and other organisations that position South Holland at the forefront of the new rapidly growing 'green' technology sector are not missed. With the district's large amounts of organic waste from food production and processing we are ideally situated to benefit from this new 'green' technology. The Council is ensuring the opportunities are not missed.

The new government proposals relating to regional bodies, the scrapping of EMDA and GOEM and proposals for the setting up of Local Enterprise Partnerships and changes to Business Link, do provide opportunities for local authorities and business to create a new working relationship. This Council will continue to be at the forefront of the debate on the most effective way to support and strengthen our local economy utilising the changes brought about by the new administration.

Local Authorities will get TIF (tax increment financing) style borrowing powers to kick start stalled regeneration plans. Discussions are taking place about the scope of TIF regimes, which could cover traditional city centre regeneration, transport, roads, schools and public spaces development regimes.

4.4 Leisure Facilities

The Council's most significant sporting facilities are located in Spalding supporting recreational and leisure activities across the entire district. The Council currently faces the considerable challenge presented by the gradual deterioration of the physical fabric of its largest and most used facilities the Castle Sports Complex and swimming pool. The Council had hoped to develop a new replacement facility, but the economic downturn has put this ambition on hold. Officers continue to monitor the situation and investigate the feasibility of such a project. As part of our leisure management contract with Leisure in the Community, there is a provision in the contract to use NNDR discounts to improve the customer facing facilities and services at the Castle Sports Complex. The swimming pool was partially re-furbished during the summer of 2009 due to the award of capital funding grant aid through the government's free swimming initiative.

Similar issues also face the well used South Holland Centre. As more visitors use the Centre, the challenge of refurbishment grows. The Centre was completely refurbished in 1998 and will continue to need a rolling programme of investment in its public and technical areas. These will include potential 'spend to save' programmes, to address energy use, and investment in digital cinema. During 2009/10 the Centre refurbished its public foyer and installed a revolving door to save energy, improve customer service and the centre's working conditions.

The Council secured Playbuilder grant funding and matched it with S106 developer contributions to refurbish both the Skate Park on the Fulney Field in 2009/10 in partnership with the Fulney Field Supporters Group and the children's play area in Monkhouse, Spalding in 2010/11. The Council through its capital programme is also refurbishing the Ayscoughfee gardens play area in Spalding in 2010/11. The Council's Playground stock is now generally aging or not meeting the needs of local communities and further investment/rationalisation is likely to be needed in the short to medium term.

Ayscoughfee Hall Museum, a Grade II* listed building dating from the fifteenth century, it was thoroughly refurbished during the period 2003 - 2005, and so little structural work (apart from the vital routine maintenance required by the project's funders the Heritage Lottery Fund), needs to be undertaken at present. There were, however, a number of items of work that were outside the scope of the refurbishment that it is hoped will be dealt with in future years. The roofs and guttering around the building have become a problem resulting in a number of areas that are damp and of increasing concern. There is also the need to replace all of the Museum's inefficient and unsightly storage heaters, and this work has been scheduled in for the financial year 2012/2013.

4.5 Merged Services

South Holland District Council together with East Lindsey District Council has set up a new merged service company, Compass Point Business Services (East Coast) Ltd. It is expected that the initiative will save millions of pounds for council tax payers, some £30.7 million pounds over the next 10 years.

The customer services, revenues and benefits, ICT, human resources and finance functions at both Councils were transferred to the Company on 1st August 2010 and then they will be transformed through new ICT investment and more streamline processes.

The move will ensure quality services are delivered to the public at a reduced cost by a private limited company jointly owned by the two Councils.

In a separate initiative, Breckland District Council and South Holland District Council have both agreed to the appointment of the current South Holland District Council as their joint Chief Executive. The intention is to implement a fully integrated joint management structure. This initiative is also intended to reduce senior management costs and thereby achieve substantial savings.

Both councils are already successful, well run organisations and sharing senior management will enable them to continue to drive down costs and prepare for the reduction in government funding without cutting frontline services. The key objective of working towards a cost effective and fit for purpose shared management structure by the start of the new financial year, 2011/12 was also agreed.

4.6 Other Issues

There are a number of other key issues that will impact on our investment plans in the forthcoming years.

Gypsy and Traveller Sites

The Council has identified the needs of Gypsies and Travellers in the district through a Traveller Needs Assessment and we are making progress in providing suitable accommodation and services. We aim to deliver 3 Gypsy and Traveller sites, of which two are permanent and one is a stopping place. The first permanent site, at Holbeach, has largely been completed. The temporary stopping place, at Sutton Bridge was the subject of a Public Inquiry relating to a Compulsory Purchase Order. The Order has now been confirmed and the site is due for completion in 2011. The Council has received government funding of £1.753m to develop the sites.

Community Infrastructure Levy (CIL)

The Community Infrastructure Levy is a new levy that local authorities in England and Wales can choose to charge on new developments in their area. The money can be used to support development by funding infrastructure that the council, local community and neighbourhoods want – for example, new or safer road schemes, park improvements or a new health centre. The system is very simple. It applies to most new buildings and charges are based on the size and type of the new development.

Road Rail Hub

The interest in securing rail freight access to the Spalding area has arisen from work with the UK's leading retailers. They have been assessing ways to increase the use of rail freight within the retail supply chain. When asked in 2006 where the national rail network was deficient in terms of rail freight interchanges, Spalding was considered by the retailers to be one of the key "missing links."

In May 2008 the partners agreed to sponsor some initial research by The University of Lincoln, which highlighted the scale of road traffic related to the local food processing and distribution sector. It also identified the potential for converting some longer-distance road flows to rail. Subsequent discussions suggested that the University of Lincoln findings represented only a proportion of the total volume of road traffic generated locally by this sector. A presentation in October 2009 to invited local and national businesses was extremely well received by retailers, producers, logistic companies and by the four largest freight train operators and two major developers of rail freight interchanges.

Since the presentation to businesses, the level of interest has continued to grow. The EU, GOEM and the Department for Transport have indicated strong support for the proposal and have been proactively considering funding possibilities. There is an opportunity to

include some of the rail infrastructure planning work, associated with signalling and track-work that would be necessary to develop a facility, within the current overall planning taking place currently. As part of the joint line upgrade, there is the opportunity to include some rail infrastructure planning for signalling and track work necessary to develop this facility. Network Rail has included the possibility of the hub within their initial scoping work.

The implementation of a robust process of site identification for the rail freight interchange took place during 2010 and culminated in a site between Spalding and Deeping St. Nicholas being approved by Cabinet in July 2010. This has resulted in an increase in interest from businesses within the sector and there are currently a range of discussions taking place.

Delivering on Efficiency Agenda

The Council also has a refreshed Value for Money and Efficiency Strategy which is out for consultation. There was a need to change the Council's traditional approach to VFM which to date had delivered the required efficiency targets through service-based initiatives proposed by Heads of Service. A more strategic and planned approach to delivering efficiency gains was adopted, as part of the review of the MTFS with the following strands designed to achieve efficiency gains by managing with less.

8 KEY STRANDS:

- 1. Review the establishment and capacity**
- 2. Eliminating waste**
- 3. Pursuing Value For Money – lean systems and transformational programmes**
- 4. The BIG Society**
- 5. More effective procurement**
- 6. More effective use of assets**
- 7. Merged Services – sharing and merging services**
- 8. Carbon Reduction**

Against our Value for Money and efficiency framework of 8 strands there are two underlying principles which are in the process of being renewed. These are:

- Embedding efficiency and VFM throughout South Holland.
- Smarter procurement.

Once projects are commenced within the various strands it may be necessary to invest to deliver on-going revenue savings. Investigation into the more effective use of assets may also require capital investment or release capital resources for reinvestment.

Housing Reforms

During 2010 the Department for Communities and Local Government (CLG) consulted on the Reform of Council Housing Finance. The paper proposed the dismantling of the existing subsidy system and also considered an improved subsidy system. The main issues were:

- Councils are to finance their own businesses from their own rents, in exchange for a one-off redistribution of housing debt
- Each council to manage directly and fund their own debt
- Government to consider providing local flexibility for borrowing to fund investment, where this does not undermine the overall fiscal position for Government
- The pooling of all housing capital receipts would cease
- All new build council housing to be excluded from the HRA subsidy system, with councils retaining in full the rent and capital receipts from those homes
- Commitment to ensuring funding for improvements to common areas of estates
- The introduction of sinking fund for leasehold properties.

The key proposal in the consultation concerned the settlement of the existing £25bn of national housing debt and the redistribution of the debt to councils. The Council commissioned consultants (Tribal), who had prepared the debt restructuring model for the CLG, to assess the potential financial implications for South Holland District. Indicative figures indicated that South Holland would take on debt of £67m. From their analysis they concluded that, under the proposals at that time, the Council would be able to meet and maintain the identified capital investment and maintain a viable revenue account through the life of the business plan. Ministers have since confirmed that they are committed to dismantling the HRA subsidy system and replacing it with a reformed, 'self-financing' system of council housing finance and have laid down the necessary powers in the Localism Bill issued in December 2010. However, although councils will keep all rental income, sales receipts will continue to be pooled. This change, together with assumptions on discount factors and levels of debt and changes to the cost of borrowing, will certainly impact on the initial Tribal assessment. Further work will be needed once the finer details have been clarified. The CLG is expected to release further detailed proposals in January 2011, allowing the new system to be implemented from 2012/13.

Maintaining Asset Base

Replacement and Refurbishment Fund

The Council recognises the need to maintain its existing assets. A 30 year programme had been developed that identifies replacement and refurbishment demands and includes public land and buildings, general equipment and IT software and equipment. The ICT software and equipment is based on a 10 year plan. A replacement and refurbishment fund had been set up to meet the maintenance demands. However, from 2010/11 the fund could not meet all demands and some capital works had to be deferred pending considering other options for dealing with demand. The 30 year programme is therefore currently being reviewed by means of a detailed survey of all public buildings. Once this data has been analysed a new strategy will need to be agreed. In the meantime the fund is being used, in the main, to meet revenue demands only.

Planned contributions to and expected demands on the fund are shown in the table below:

Total Repairs & Renewals Fund Movements					
	2011/12	2012/13	2013/14	2014/15	2015/16
	£000	£000	£000	£000	£000
Brought forward	-402	-145	-177	-219	-288
Payments in	-131	-181	-181	-181	-181
Payments Out	388	149	139	113	93
Carried forward	-145	-177	-219	-287	-376

Masterplanning Exercise for Spalding

Spalding is our largest settlement and a significant market town within the sub-region. It will continue to be a driver of the district economy and a focus for future development. Spalding's vitality has a direct and significant effect on the economy and reputation of the whole district.

The Spalding Masterplan provides a sound context for strategic developments over the next 20 years, ensuring influence can be brought to bear on the mix of uses and the scale and location of development, transportation links and regeneration. The Masterplan includes:

- A vision for Spalding's future, defining the role and strategic context for the town which will shape, inform and influence local, county and regional strategic plan.
- A strategic framework for the physical regeneration of the town.
- Spatial plans for key locations within the town centre that will be the subject of supplementary planning guidance and/or action plans

The Masterplan will be a key lever for drawing down any Government funding that may become available for further detailed studies and regeneration projects.

ICT Strategy

South Holland District Council recognises that ICT forms an integral part of the delivery of high quality public services and that the people the Council serve expect to use technology to access services and communicate with us. Long term investment in ICT is essential to meet this challenge and to provide reliable systems and security for the data and information the Council holds and use. Technology also forms a foundation for partnership working and is an essential ingredient in delivering value for money and continuous improvement.

The Council has a commitment to break new ground and improve service delivery through the use of ICT and is working in partnership with other councils within Lincolnshire in the development of a new joint ICT Strategy. The Council is also working in partnership with Compass Point Business Services (East Coast) Ltd, since the investment in new technology formed a major element of the creation of the company.

It is expected that key elements within any new agreed joint strategy will be to:-

- 1) Deliver a firm ICT foundation for easier, efficient and effective working.
- 2) Deliver greater choice and a more personalised service for our customers by improving information and access to services.
- 3) Deliver improved ICT support to maximise the use of systems and investments.
- 4) Use ICT and improved Information Management to transform services and deliver efficient working.

Work on the joint strategy is at an advanced stage. Options for delivering ICT services across the county have already been identified and these options will be assessed over the coming months. Ultimately the delivery of the ICT Strategy is about ensuring that we use technology to deliver excellent and affordable services.

Grants and loans

South Holland District Council's community housing serve a number of grants and loans to home owners and tenants in South Holland. These are:

- Private Disabled Facilities Grants.
- Public Disabled Facilities Grants.
- Minor Repairs Assistance Grants.
- Decent homes loans.
- Empty Property Loans.

Disabled Facilities Grants -Grants are allocated to disabled persons on the recommendation of an Occupational Therapist to fund adaptations to allow the person to remain in their home.

Disabled Facilities Grants are paid to private home owners (funded jointly by the General Fund and government grants) and to tenants of Council owned properties (solely funded from the Housing Revenue Tenants Account). Funding for adaptations to Council dwellings has been solely from the Housing Revenue Account. However, a recent Government announcement has indicated that a national fund of £116m will be available nationally from 2012/13 to assist with funding these works. The Council has not yet been advised of its share of these funds. Disabled Facilities Grants are mandatory. The Council is legally obliged to approve a grant after 6 months of receipt of all relevant documentation.

Minor Repairs Assistance Grants - Minor repairs assistance grants are offered up to a maximum of £1,000 and paid to private homeowners to assist them in carrying out essential repairs to their homes. The grants are means tested and are only offered to vulnerable people i.e. those on a qualifying benefit.

Decent Homes Loans - Decent homes loans are offered from £1,000 to a maximum of £20,000, to assist homeowners in meeting the decent homes standard in the private sector. Loans are means tested and are repayable when the house is disposed of. The loan is calculated on an equity share basis so that both the owner and the Council benefit from any increase in the value of the property. All money is recycled back into the budget for offering further loans. Decent homes loans are only available to vulnerable people i.e. those

who are on a qualifying benefit. The funding stream used to finance the Decent Homes Loans has recently been withdrawn. We will be able to continue offering these loans until the money currently in reserves is expended; it is anticipated that this will last for a period of approximately three years. After this we will allocate further loans from the money which is received from the disposal of properties that have previously been given loan assistance.

Empty Property Loans - Empty property loans are offered from £1,000 to a maximum of £20,000 to assist empty property owners in meeting the decent homes standard, so that the property can be sold, let or occupied by a family member. Loans are means tested and are repayable when the house is disposed of. The loan is calculated on an equity share basis so that both the owner and the Council benefit from any increase in the value of the property. All money is recycled back into the budget for offering further loans.

Fuel Poverty - In accordance with NI187a/b performance indicator, we are now in the process of sending out surveys to households that have been identified to be within fuel poverty. It is from these surveys that we will assess their current Standard Assessment Procedure Energy Performance Procedure rating. If found to be either below 35 or between 35 and 65 the Council will provide advice on schemes that are available to energy efficiency improvements. This is tied into the council loans scheme.

5.0 Approach to Funding

5.1 Definitions

The Local Government Act 2003 – which includes the legislation for the capital finance system – does not specify what precisely constitutes capital expenditure. Instead it:

- refers to “*expenditure of the authority which falls to be capitalised in accordance with proper practices*”.
- enables the Secretary of State to prescribe by regulation which local authority expenditure shall be treated as capital expenditure – and which shall not be treated as capital expenditure
- enables the Secretary of State to prescribe by regulation that the spending of a particular local authority shall – or shall not – be treated as capital expenditure

The following categories of expenditure are expenditure for capital purposes:

- acquisition, reclamation, enhancement or laying out of land exclusive of roads, buildings and other structures
- acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures
- acquisition, installation or replacement of movable or immovable plant, machinery and apparatus and vehicles and vessels
- making of advances, grants or other financial assistance towards expenditure incurred or to be incurred on items detailed in (1)
- to (3) above or on the acquisition of investments
- acquisition of share capital or loan capital in any body corporate
- issue of a loan instrument in respect of which not all repayments by the authority are due within 1 year of issue
- works to increase substantially the thermal insulation of a building
- works to increase substantially the extent to which a building can be used by a disabled or elderly person

- the acquisition of computer software, plus the in-house preparation of it, provided that the intention is to use the software for at least 1 year.

Regulations state that expenditure on repair and maintenance which does not increase the life, value or extent of use of an asset is not deemed to be capital expenditure.

Balance of Funding

A limitation on capital investment is the availability of funding to finance large capital schemes. Sums involved are likely to be significant meaning that predictions on likely resources must be robust to ensure successful outcomes of planned works. The Prudential Code sets out how we manage and control the impact of capital investment decisions. All decisions are made in the context of affordability (Council tax and Housing Rents).

Our capital resource estimates can be changed by new demands for resources, success or lack of success in securing external funding, additional revenue pressures, shift in the prioritisation of Government resources. The volatility of the property sales and valuation market also affects the Council's estimates.

For these reasons absolute values for available capital resources are constantly revised to reflect such changes.

Resources for capital may be generated internally or externally. Internally generated resources such as receipts from the sale of assets and revenue contributions have a greater degree of internal control. We are also borrowing internally but there are minimum revenue provision implications associated with this. If the Council were to undertake unsupported borrowing to fund any schemes there would be additional cost implications in the form of minimum levels of principal loan repayment together with interest. These costs would fall to be met from revenue, impacting on either Council tax levels or Council house rent levels dependant upon the scheme. Externally funded resources require interaction with third parties who will require assurances in order to invest. Such resources are often competed for which creates an element of uncertainty. The benefit is the inward attraction of funds to allow more ambitious schemes and at a lower cost to residents.

The Council's capital programme amounts to over £21 m over the five year period 2011/12 to 2015/16. It is funded from a combination of external grants and contributions, direct revenue contributions and its own resources resulting from asset sales. The programme currently includes a small amount of borrowing from 2011/12 and onwards although by the year 2015/16 this borrowing rises to some £583,000. There are many uncertainties affecting local government finances; the recently announced cut in revenue grant funding, the HRA review proposals and more locally, the impact of the recession and more specifically any effect on Council fees and charges.

Additionally, further capital and revenue works are expected be identified from the asset review that is currently underway. At this stage, for the short term at least, it is hoped that borrowing can be avoided. However, the HRA proposals will require the Council to take over a certain level of debt and unless the Councils current financial position improves dramatically, the Council may have no alternative but to borrow to fund further capital investment.

The Council's Capital Programme approved in March 2011 is shown in the table below: -

Head of Service	Value Of Schemes (£000's)				
	2011/12	2012/13	2013/14	2014/15	2015/16
Head of Housing & Property	4,367	2423	2415	2169	2368
Head of Planning & Development	1,156	24	24	0	0
Head of Community & Neighbourhood	1333	964	855	950	918
Head of Partnerships, Performance and Community Development	-	20	-	-	-
Chief Executives Office	325	100	100	100	320
Total	7,181	3,531	3,394	3,219	3,606

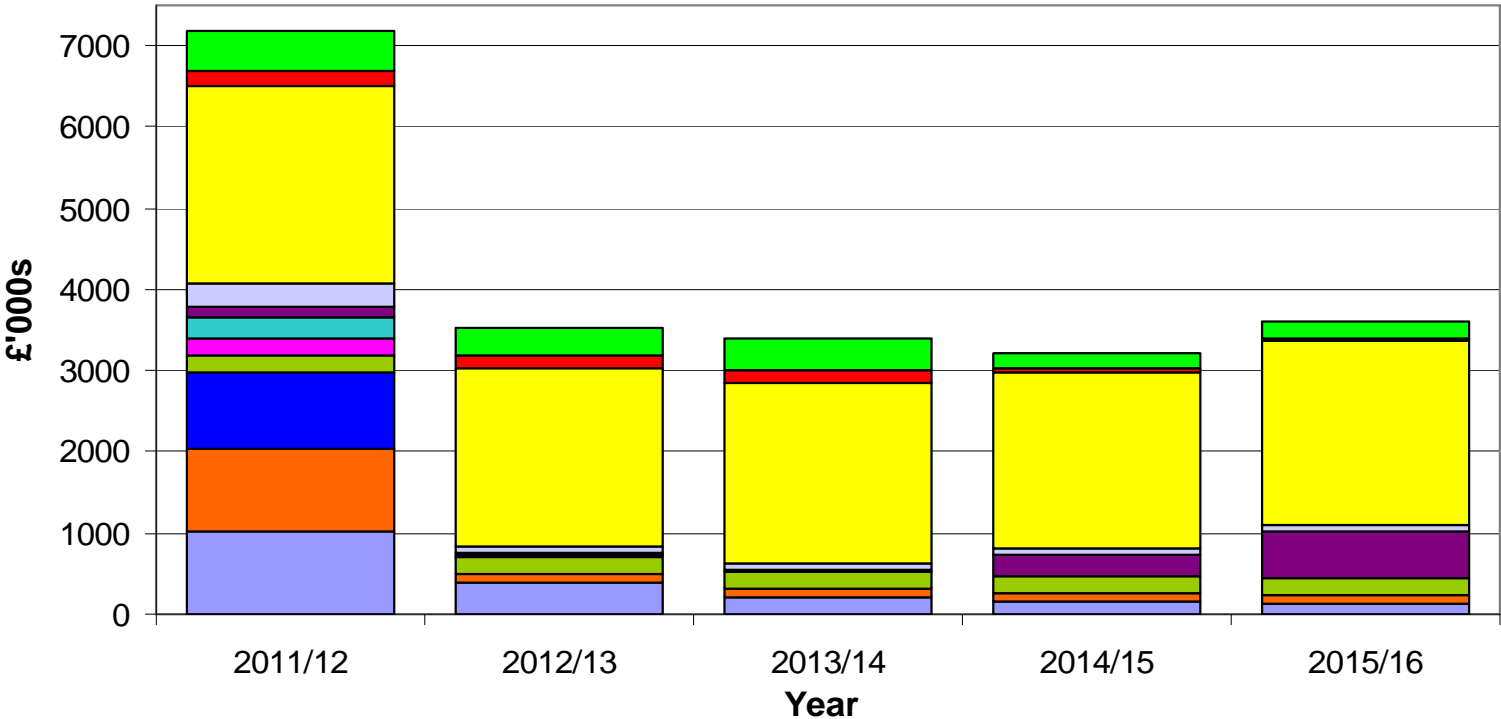
The Capital Programme is to be financed as follows:

CAPITAL PROGRAMME 2011-2016					
Source of Finance	2011/12	2012/13	2013/14	2014/15	2015/16
	£	£	£	£	£
Capital Receipts	1026	396	217	159	127
External Funding	1008	100	100	100	100
S.106 Funding	952	-	-	-	-
SCP - DFG's	206	206	206	206	206
Replacement and Refurbishment	194	24	24	-	-
Specific Reserves	280	-	-	-	-
Unsupported Borrowing	119	40	-	268	583
Regional Housing Grant	303	75	75	75	75
Major Repairs Allowance	2409	2178	2223	2174	2276
Direct Revenue Funding - GF	186	176	166	49	39
Direct Revenue Funding - HRA	498	336	383	188	200
Total Funding	7181	3531	3394	3219	3606

Key Sources of Funding

The diagram below shows the diversity and spread of available capital funding. The diagram gives the indication that access to external funding and S106 developer's contributions play a small part in future years. Lack of predictability can make planning uncertain. Other funding streams such as Government funding for Housing stock repairs offers firmer assumptions due to their annual nature.

Capital Programme Financing 2011/12 to 2015/16



- Capital Receipts
- S.106 Funding
- Replacment and Refurbishment
- Unsupported Borrowing
- Major Repairs Allowance
- Direct Revenue Funding - HRA
- External Funding
- SCP - DFG's
- Specific Reserves
- Regional Housing Grant
- Direct Revenue Funding - GF

5.2 External Grants and contributions

The regional system for allocating capital funding for housing is being phased out during 2010/11. This means that the budgets which were used to fund a number of sub-regional projects, covering affordable housing research and private sector housing, will no longer be available and some other funding sources will be changed and moved away from a regional framework.

The Comprehensive Spending Review made funding available to councils, through the Homes and Communities Agency (HCA), to tackle the backlog of HRA homes that are not meeting the Decent Homes Standard. This funding is not intended for councils, such as South Holland, who have already met the Decent Homes Standard. The Government's view is that the HRA reforms should provide landlords with enough resources to ensure that the properties that are already decent remain so. Full details of the HRA reforms had not been published at the time of writing.

The Council is currently working with partners (including the HCA) on a Local Investment Plan for South Holland, South Kesteven and Rutland. This will largely focus on the HCA's investment in new affordable housing through housing associations and 'new partners', but set within a broader socio-economic context. Full details of the funding available are not yet clear, but it will be greatly reduced and with little scope for new projects starting on site before 2013.

The Council will continue to receive capital funding from central government for private sector Disabled Facilities Grants (DFGs). The Government states that there will be additional resources for DFGs in Council properties through the HRA reforms, once these are implemented.

5.3 Borrowing

The Council will positively investigate opportunities provided by the freedom to procure capital investment financed by Prudential Borrowing where plans are sustainable, prudent and affordable. We have set borrowing limits under the Prudential Code, however, the Councils is keen to keep council tax levels low and therefore will seek to use all other methods of funding before entering into any unsupported borrowing. Unsupported borrowing impacts on the revenue budget since it has to be repaid including any interest costs. As a result of the recent spending review announcement, the cost of borrowing from the Public Works Loans Board (PWLB) has increased since the PWLB immediately increased their rates by an average of 1%.

The details of the recently announced 'Tax Increment Finance powers', allowing councils to fund key projects by borrowing against future increases in locally collected business rates are still awaited. The Council will consider the benefits of this new initiative once it has been evaluated.

The Government's annual allocation of Supported Borrowing for housing, introduced to finance councils' Decent Homes programme ceases after 2010/11. We are working with our Treasury advisers as we consider borrowing will be an essential requirement if we are continue with housing capital investment in the district. The PWLB increase in interest rates will also impact on the modelling of the capital investment needs of the Housing Revenue Account when considering the effects of the new HRA proposals from 2012/13.

5.4 Revenue Contributions

Councils in England face a substantial reduction in funding per year for four years starting in 2011/12, with spending power expected to reduce by 27% over the four years after taking all grants from central government into account. In money terms, the Councils 2011/12 reduction alone equates to 18.2%.

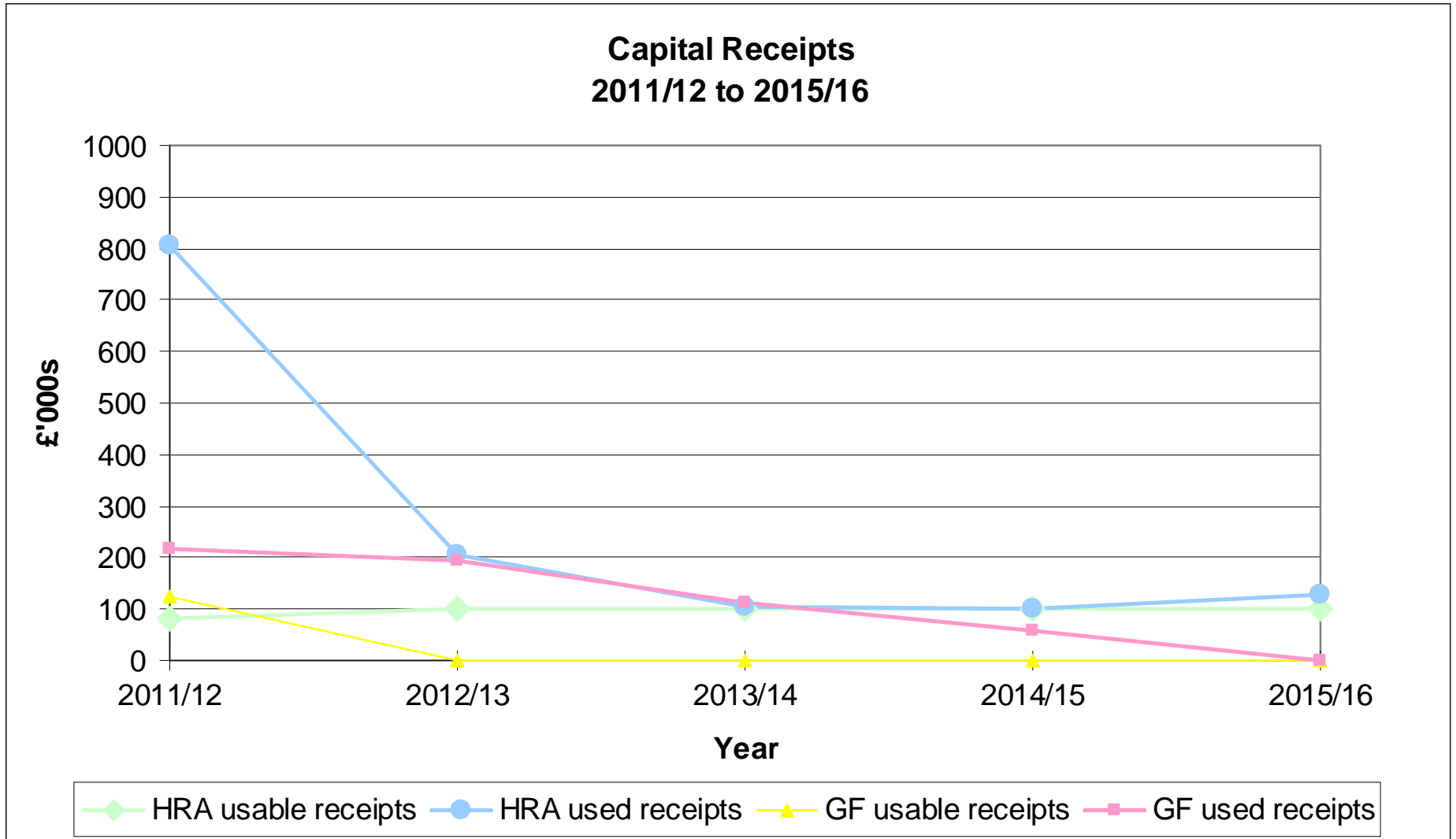
We are therefore no longer able to retain capacity within our General Fund budgets to make revenue contributions although a small amount is included for 2010/11 and onwards. Contributions are also made to the Replacement and Refurbishment Fund from both the General Fund and the Housing Revenue Account. The HRA will continue to make contributions to the capital programme, in the short term at least, until the review proposals have been assessed.

5.5 Capital receipts

There are three main sources of capital receipt; Council House Sales (75% of proceeds repayable to DCLG), Housing Land and General Receipts (which are 100% usable for reinvestment). A number of receipts from the disposal of assets at Crowland that were funded from capital grants from the East Midland Development Agency are required to be set aside for further economic development investment in the Crowland area. The table below shows the latest year end forecast position. In a number of areas we have earmarked receipts for affordable housing so receipts can be retained.

	2011/12	2012/13	2013/14	2014/15	2015/16
	£'000	£'000	£'000	£'000	£'000
Housing	349,906	245,781	241,656	239,531	212,781
General Fund	410,898	219,498	106,598	50,198	50,298
Set Aside for Crowland Investment	365,000	365,000	365,000	365,000	365,000
Total	1,125,804	830,279	713,254	654,729	628,079

The chart below plots in year receipts against receipts applied in each year.



5.6 S106 – Planning Obligations

S 106 Contributions	2008/09	2009/10	2010/11	2011/12
	£'000	£'000	£'000	£'000
Received at 1 April	2,034	2,644	1,981	1,663
Received during year	639	39	32	500
Applied during year	-29	-702	-350	-952
In hand at 31 March	2,644	1,981	1,663	1,211

Table will be updated

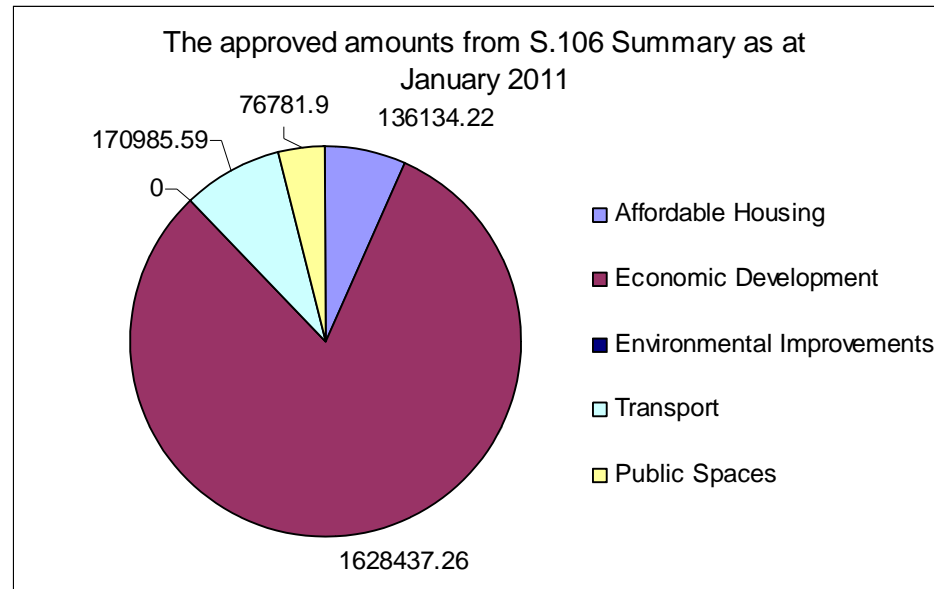
The last few years has seen the development of two gas fuelled power stations in South Holland, one at Spalding and one at Sutton Bridge. Both had S106 agreements put in place as part of their development. The planning system is a key tool in delivering our corporate vision through ensuring that development is of a high quality and makes a sustainable and positive contribution towards the wider community. Planning approval for a second power station at West Marsh Road Spalding has been given and this has also has a substantial S106 agreement attached to it. It is expected that some £4.4m will be received to fund both revenue and capital investment within the area. One of the key proposals is for a new public park and further funding is also included for sport and leisure facilities in Spalding and Pinchbeck.

Planning agreements, known as section 106 agreements usually contain planning obligations whereby one or more of the parties to the agreement agree to provide or do something related to the development for which planning permission is being granted. These agreements may require a developer to construct or provide something or may take the form of a financial contribution. Obligations frequently relate to infrastructure for the local community or to lessen the impact of development in some way.

The South Holland Local Plan was adopted in July 2006. It contains Policy SG6 - Community Infrastructure and Impact Assessment. This policy states:

'Proposals for new development will be required to include measures to demonstrate how public infrastructure and services required to support the development will be delivered. The delivery of such services will be secured by planning conditions or legal agreements/planning obligations.'

This policy provides the statutory development plan basis upon which the Council will seek developer contributions towards a wide variety of community facilities and infrastructure, including affordable housing, through S.106 agreements. A new commitment is sought for S106 affordable housing monies received in the future to go to the Housing Company.



5.7 New sources

The Council hopes to receive further capital resources from government and other organisations funding initiatives. There is much uncertainty about future government funding generally. Agreement has already been reached on top-slicing Area Based Grants within Lincolnshire. The Council has already been successful in 2010/11 in receiving funding under the Salix scheme which supports energy efficiency and carbon reduction initiatives. A further scheme has been included within the 2011/12 programme. The option of installing solar energy not only to public buildings, but also to council dwellings to improve energy efficiency is also in the early discussion stage as is the feasibility of installing a wind turbine at the Priory Road, Spalding building.

New Homes Bonus

In August 2010, the government announced that Councils that approve developments will qualify for a New Homes Bonus for every property that is built. The government will agree to match the additional council tax raised by every new house for the next six years. Councils will be allowed to use these cash bonuses to fund frontline services, council tax discounts or house building. However, this funding is not new funding as the government will be top slicing the formula funding to meet the cost of this new initiative. At this stage, no decision has been made as to how these funds will be spent.

5.8 VAT

As a VAT registered body, the Council can recover VAT it pays. The Council can recover exempt input tax up to the value of 5% of all the VAT it incurs. This is known as the de-minimis limit. Monitoring and control of exempt input tax is key for the Council as where exempt input tax exceeds the 5% limit the whole amount is irrecoverable and will represent an additional cost to the Council. This requirement was relaxed in 2007/08 and 2008/09 where HMRC no longer required local authorities to follow this requirement, however with effect from the 2009/10 financial year the 5% limit is again required. Each capital investment is closely reviewed to assess its VAT implications.

6.0 Framework for managing and monitoring

6.1 Capital and Asset Working Group

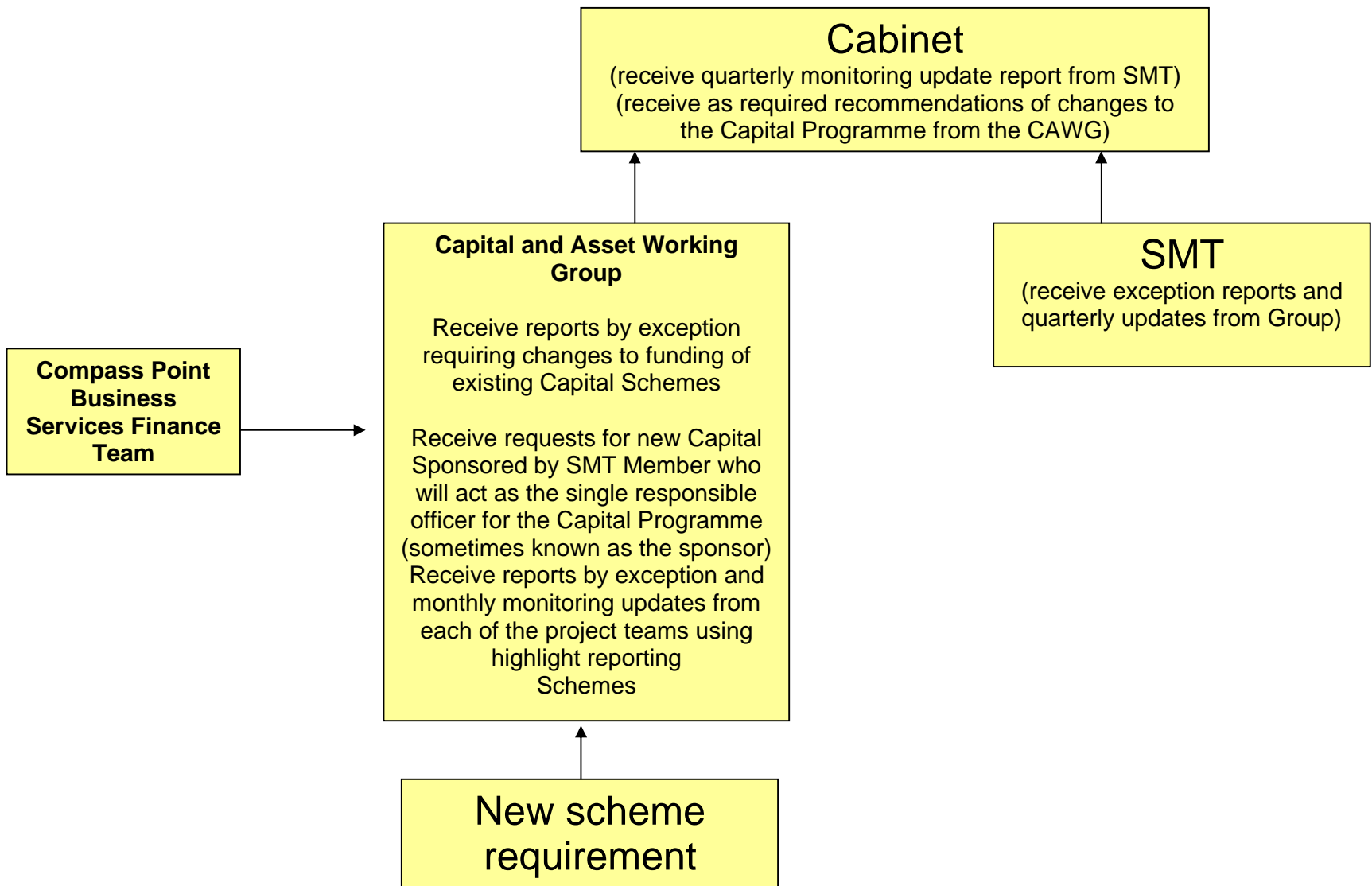
The overall objective of this group is that it is the main decision maker without, as far as possible, the need for officers to make further reference to Cabinet or Council. There are two functions associated with the management of the Capital and Asset Programme:

1 Allocation of Capital Funding

- Monitoring capital funding and application
- The assessment of the available funding resources
- Assessment of proposed schemes and business cases
- Prioritisation of schemes
- Recommendations of approval of schemes within the programme
- Approval of change control to capital schemes where this changes funding requirements

2 Monitoring of the delivery of the Capital Programme and Asset Management Plan

- Approval of the Individual Project Initiation Documents (PID) for each scheme for set thresholds
- Regular review of project progress handling exceptions
- Management of risks and issues
- Removal of barriers to delivery
- Approval of any changes to schemes not requiring funding changes
- Recommendations of any changes to schemes that require funding changes
- Post implementation review taking account of any corporate learning opportunities



- We will review the prudential borrowing system to see if any opportunities exist for further funding.
- Our capital plans depend significantly on our housing right to buy receipts.
- Our Housing capital programme is dependent on the Major Repairs Allowance (£2,160,000 assumed for 2011/12) and capital receipts which is focused on maintaining the Decent Homes Standard that was achieved in 2010/11.
- We exploit opportunities for external funding wherever possible.

6.2 Bidding and Prioritising

Each year all bids for capital resources, however funded, must be submitted on the Corporate Capital Bid Form to the Head of Finance. All bids include an estimate of the likely revenue consequences (expenditure or savings) over the future 5 years. The bidding process focuses on how the scheme supports the Corporate Plan/Improvement Plan and requires the bidder to detail which of the Corporate Objectives the scheme benefits. The specific customer facing outcomes are also required so that these aspirations can be monitored on completion. Also at this stage bidders are required to show the scheme has 'in principle' support from their Director and their Cabinet Portfolio Holder, that alternative options have been explored and the scheme is deliverable in the intended timescale.

Once all bids are received they are assessed jointly by the Head of Finance in line with the Corporate Project Prioritisation Scheme. All bids received, plus this initial assessment, are presented to the Capital and Asset Working Group for consideration. The CAWG recommend to SMT a prioritised list of schemes which are finally checked that they are in line with corporate objectives and are then presented, together with financing options, to Cabinet and Council. Once the programme is agreed by Council any bids for additional resources must go through the same process and can only be agreed by Council. The bidding round is conducted annually so that every year the 5 year programme is reviewed and refined and reflects the latest corporate objectives.

Prioritisation Scheme

The existing system of prioritisation is reviewed annually. The capital programme includes explicit outcomes for each scheme so that the intended outcomes can be measured and compared on completion. The Council has a five year costed capital programme reviewed annually. An estimate of future funding levels sets the spending level of the programme. Key outputs have been set by the Council in their objectives which cascade down from the Council's existing Mission Statement and Corporate Plan. All capital investment required to achieve these outputs will be incorporated into the Council's capital programme.

6.3 Whole Life Costing

Whole Life Costing (WLC) is defined in ISO Standard 15686-5, “Buildings and constructed assets – Service life planning”, as a tool to assist in assessing the cost performance of construction work, aimed at facilitating choices where there are alternative means of achieving the client’s objectives where those alternatives differ, not only in their costs but also in their subsequent operating costs’.

Although much of work done with regard to WLC refers to construction projects it can be used when assessing any capital items or projects which have on going running costs or when items require ongoing renewal or replacement. WLC shifts the emphasis of capital appraisal from comparing alternative construction/acquisition costs to a best value approach by reviewing comparative costs over the life of the scheme. These costs will include the initial acquisition/construction costs, annual operating costs and costs associated with disposal or scrapping of the asset. These ‘costs’ are net of any income for example rents or income arising from disposal.

Types of cost to be considered include:

Capital Costs		Revenue Costs		
Construction	Purchase	Facility or Component	Operations	Disposal
Site Design Construction Commission Fit out Professional fees In-house fees Finance	Price Design Adaptation Commission Fit out Professional fees In-house fees Finance	Inspection Maintenance Repair Replace Commission Refurbish Energy Utilities Management	Rent Rates	Dismantle Demolition Sale

Whole Life Costing is not always appropriate for assessing much of the Council’s capital programme since much of it relates to works of a ‘maintenance’ nature where investment options are largely prescribed. There are many schemes which are suitable for appraisal using WLC. These are schemes which includes a project which creates a new asset, for example construction of new industrial units.

Where appropriate 'Whole Life Costing Forms' are completed as a supplement to the capital bid form. This form will require information such as estimates of life of the asset, operating costs/income, costs of scrapping, demolition or sale. Operating costs should reflect annual costs but indicate when any extraordinary costs may be incurred for example repainting at designated periods.

The 'Whole Life Costing Form' should also give details of any alternative options that could deliver the same outcome. This options appraisal process may include comparing the buy or lease option or items such as using higher quality materials to give a longer life. It will also include the basis of the recommendation for one alternative over others from non-financial perspectives.

6.4 Invest to Save

The medium term financial strategy does allow the use of balances if a project can show a return on investment for the Council.

6.5 Procurement

The Council's Sustainable Procurement Strategy ensures that resources are procured efficiently and effectively and that innovative procurement methods are encouraged to achieve value for money. All contracts over £75,000 are handled by Procurement Lincolnshire.

Procurement Lincolnshire is a shared service partnership between the local authorities in Lincolnshire. Procurement Lincolnshire will operate at a strategic level focusing on those activities that will lead to better public services and greater savings from public procurement. The members are Boston Borough Council, South Holland District Council, City of Lincoln Council, North Kesteven District Council, East Lindsey District Council, West Lindsey District Council, South Kesteven District Council and Lincolnshire County Council who formally host the service on behalf of the member partners. They have identified two strategic procurement aims under the broad headings of:

- Efficient and effective procurement
- Socially responsible procurement

The efficiency agenda sets challenging targets for Partner Authorities to meet. To achieve these targets Procurement Lincolnshire and their partners have to consider alternative ways of delivering goods, services and works, establishing at the outset any opportunities to deliver in a more cost effective way, whilst understanding fully all of the costs incurred over its life.

Adopting a sustainable development approach as part of collaborative working at the regional, sub regional and local levels has a positive role to play in place shaping to improve the prosperity and vitality of communities. It will help maximise the positive contribution that all sectors, public, private and the third party, can make to the delivery of services to improve the quality of life for all communities.

6.6 Value for Money

The Council recognises that effective procurement lies at the heart of delivering value for money and is essential if the Council is to obtain real improvements to quality and service costs.

The Council seeks to achieve value for money by applying rigorous contract procedure rules in the selection and management of its suppliers and contractors, to ensure that the Council's receives efficient, effective and competitively based services and that quality is maintained throughout the life of the Contract.

In order to achieve value for money it is fundamental that there is a developed supply market; retaining work in-house will only be justified where the Council can show that it is competitive with the best alternative.

The Council has established a Value for Money Matrix Group. Our Value for Money Strategy sets out the principles of VFM and how these are to be put into practice. The strategy will demonstrate how we achieve a balance between economy, efficiency and effectiveness and will outline the responsibilities for ensuring the Council provides VFM services. It will be incorporated into the Medium Term Financial Strategy.

6.7 Risk Management

Each significant major capital project will have its own risk log as laid down in the Council's updated risk management policy and strategy. All risks that will affect the project will be considered. These can include political, economic, legal, technological environmental and organisational risks as well as financial. Each risk will be recorded and managed throughout the life of the project and action taken as appropriate to mitigate the risks.

6.8 Evaluation

A post project evaluation model has also been developed as part of the project toolkit based on Prince2 methodology.

7.0 Capital Spending Proposals and Fixed Assets

Fixed Assets

Capital expenditure on our own assets is reflected in the balance sheet of the Council. As part of new International Financial Reporting Standards effective from 1 April 2010 the Council is required reclassify its fixed assets under different categories on its balance sheet. These changes will be reflected for the first time in the Statement of Accounts to be published by 30 June 2011. The Council is allowed to incur capital expenditure on assets that it does not own and in these cases the expenditure is not added to the Councils balance sheet.

The following table illustrates the change in the net book value of the Councils assets over the last eight years. The value has generally increased year on year although the reduction as at 31 March 2010 on HRA assets reflects the national reduction in property values as a result of the economic recession.

	31/03/2003	31/03/2004	31/03/2005	31/03/2006	31/03/2007	31/03/2008	31/03/2009	31/03/2010
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
HRA	123,053	183,461	179,421	189,589	194,489	197,490	169,826	169,267
General Fund	13,928	17,499	15,313	17,873	18,527	20,473	23,194	25,713
TOTAL	136,981	200,960	194,734	207,462	213,016	217,963	193,020	194,980

8.0 Links to partners

As a partner in the Lincolnshire Sustainable Community Strategy Board, the Council is committed to delivering the long term vision, strategic objectives and specific delivery plans of the Sustainable Community Strategy (SCS) for Lincolnshire. These objectives have been incorporated in to our own corporate priorities. Our Capital Strategy is influenced by, and aligned to these priorities, the SCS and the South Holland chapter within it.

Although there are no longer district local strategic partnerships in Lincolnshire, the South Holland Rural Action Zone (RAZ) will continue to play an important part in bringing partners together to develop and promote South Holland as a thriving, living and working rural community. Where there is opportunity for us to help deliver the vision and objectives through appropriate capital works, this is incorporated into our Capital Programme through the established budgetary and policy framework.

Economic Development and Regeneration is one of this Council's priorities. The RAZ partners will continue to work on opportunities for regeneration through providing new solutions to traditional rural problems. This addresses community needs through improving social and economic well being.

SHDC has limited resources. However, it can directly influence the development of its local economy by prudently match-funding other sources of investment. For example, the Red Lion Street Project is redeveloping a derelict, town centre brown field site in Spalding which is drawing significant capital from a range of partners including Lincolnshire Enterprise, Lincolnshire County Council, EMDA, Learning and Skills Council and Boston College. SHDC hosts a range of partner's staff within its own office accommodation in Spalding, such as Business Link and the Wash Fens Rural Development Programme team.

The Strategic Partnership Team has the objective of ensuring that SHDC has a co-ordinated and consistent approach to partnership working and that we are best placed to take full advantage of the emerging opportunities.

9.0 Links to other strategies

The Capital strategy is a key corporate document. The Council has a five year Medium Term Financial Strategy and five year capital plan (with 5 year revenue implications) that links the estimated available resources directly to individual themes.

10.0 Performance measurement

The Council operates a Performance Management system through the Council's Performance Review process, in place for all staff (individual performance plans) and ensures that individual's performance contributes to the Council's objectives. The Cabinet receive quarterly reports on progress against the capital programme. Scheme outcomes are an essential part of capital monitoring, which is undertaken by the CAWG (and reported to Cabinet.) Any problems encountered with delivery issues are then fed back into next years bidding round. There is a corporate project toolkit for managing projects. The Cabinet and Council, through quarterly reports, consider progress and any revisions to the approved capital programme as it forms part of our budgetary and policy framework (part of the Council's Constitution). All capital schemes are on the approved capital programme which ensures monitoring of progress on externally funded schemes is integral to our procedures.

All grants and partnership schemes are included in the approved capital programme. This information is maintained by Compass Point Business Services (East Coast) Ltd. Monitoring the performance of grants is carried out through the Capital and Asset Working Group. Monitoring of Housing grants (private and public sector) on a monthly basis is carried out by the Community Services Manager, and monthly reports on finance and progress go to the Corporate Director.

11.0 Disposal Strategy

The Council's Asset Management Plan details our approach to asset disposal. As a principle the Council release funding from under-utilised assets. Asset management will be a key component in the Council's efficiency strategy. As this is a key component of financing the capital programme sensitivity analysis will be undertaken to ensure that the impact of a shortfall in receipts is fully understood.

12.0 Innovation

Innovation – the successful exploitation of new ideas is encouraged by the Council. The Capital and Assets Working Group tries to stimulate a significant increase in innovation throughout the Council.

13.0 Consultation

The Council puts local needs and priorities at the heart of how we plan our services and our financial strategy by listening to communities of place and communities of interest as well as key partners. The Council's aim is to increase the number of people who are actively engaged in constructive two-way dialogue with us on the things that affect their lives; and feel able to influence the end result because of this.

It is recognised that the way the Council leads on and supports engagement is vital in delivering this in a fair and equitable way. This is not just about accountable democratic local government. It is also about making sure that local people feel able to influence decisions and policies that affect them and have every reasonable opportunity to do so.

Housing

Housing forms almost 90% of the value of the Council's asset base and involvement with its stakeholders is key to the success of the Housing Strategy. The South Holland Tenants Group was formed 12 years ago and is regularly involved in consultation on housing issues. Property Service has a full time Tenant Liaison Officer who, besides collating satisfaction surveys, has daily contact with tenants on a project basis. A local performance indicator measures satisfaction with the service. The Tenant Participation Compact is in place and the agreed action plan is regularly monitored.

LINKS TO MORE INFORMATION

The Capital Strategy is one of the Council's key corporate strategies. If you want to know more or want to see how it fits in with the overall Corporate Plan, please refer to these documents:

SHDC - INTEGRATED PLANNING FRAMEWORK

