

**INVESTING IN DEVON**  
**Report of the Director of Finance, IT and Trading**

**Recommendation: That the report be noted.**

1. The purpose of this report is to explain to Members how the different funds set out in Report FI/07/92 "Investing in Devon" can be accessed. A copy of this report is attached for information at Appendix A.
2. For access to the locality allocation of £25,000 per Member, it would be appreciated if the attached pro-forma, shown at Appendix B, could be completed and returned to County Hall as indicated. Where Members wish to "club" together, it would be helpful if one Member could take the lead. The Director of Finance, IT & Trading will seek the approval of Councillor Greenslade, as Executive Member for Policy and Resources, for each application and notify each Member when this approval has been obtained. It will then be necessary for the local Member to liaise with the relevant Directorate to ensure the procurement/delivery of the project.

[Where Members have already made an application to the Director of Finance, IT & Trading, there is no need to repeat the application on the pro-forma.]

3. Applications to access the other funds indicated in the "Investing in Devon" report should be discussed with the relevant Executive Member and Director and the Option Appraisal forms completed.

[Again, where application has already been made, there is no need to repeat the application.]

The first batch of applications will be considered by the Members Working Group (Councillors Greenslade, Hart, Brazil and Hannon) on 27 March 2008. It is anticipated that the Group will meet every 2 months thereafter.

4. It would be appreciated if Members could emphasise to District Councils, Parish and Town Councils, voluntary organisations and other organisations that all applications must be sponsored by the local County Councillor and that applications should refer only to capital expenditure on projects (not ongoing revenue expenditure).
5. It is important that Members follow the procedures set out in this report and in the "Investing in Devon" report and the pro-forma for locality allocation, so that we have complete documentation for Audit purposes and we can demonstrate that the Council is getting excellent value for money for the Airport receipt. If Members have any queries, please do not hesitate to contact me either by email or telephone (extension 3309) at County Hall.

John Mills

Electoral Divisions: All

Local Government Act 1972

List of Background Papers

Contact for enquiries: John Mills - Tel. 01392 383309

Background Paper                      Date                      File Ref

Executive Member: Councillor Brian Greenslade

**INVESTING IN DEVON**

**Report of the Director of Finance, IT & Trading**

**Please note that the following recommendations are subject to consideration and determination by the Executive (and confirmation under the provisions of the Council's Constitution) before taking effect.**

**Recommendations:**

**That the scheme set out in Appendix 1 for additional investment in the Council's strategic priorities be approved.**

1. There are many things the County Council wishes to do to make life better for the people of Devon. Year after year, consultation with the general public, service users, businesses, and other groups has highlighted the need for additional investment by the County Council. Consultation has pointed to the need to strengthen Devon's economy; to improve and protect the County's superb natural environment; to provide facilities to give Devon's children and young people the best start in life; to enhance the cultural opportunities within the County; and to ensure that Devon's older and vulnerable people are able to enjoy independence and have choice in the services they need.
2. The County Council sold Exeter International Airport in January this year, netting a receipt of just over £48m, nearly double what would have been received had the Airport been sold in 2005. This provides the opportunity to make much needed investment in Devon. Consideration has been given, during the past months, as to how this might best be done to achieve maximum value from the receipt. A draft scheme is attached at Appendix 1. Essentially, this sets out some general principles for the selection of capital projects; how the receipt might be divided into a number of theme-specific funds; how the Council ensures that it will obtain good value for money (through the Option Appraisal process) and how schemes will be approved.
3. Briefly, the specific funds proposed are:-
  - A Local Projects Fund, to support smaller projects which can make a significant difference in the various towns and villages in Devon;
  - A Green Fund, to promote Carbon Reduction and Environmental Projects;
  - A Community Fund, to develop provision for Youth, Older People, and Community Centres;
  - An Economic Development Fund, for projects to develop the Devon economy;
  - A Schools Estate Development Fund, to support projects which are unable to be developed as part of the named Capital Programme;

- A Major Projects/Programmes Fund, to promote projects of very significant importance to Devon and which would meet several of the Council's strategic priorities.
4. Clearly, it is important that the Council has a robust approach to the selection and procurement of projects and it is envisaged that the programme of projects would be delivered over a 3 year time period.
  5. If the draft Scheme is agreed, robust option appraisal will ensure that the Council achieves good value for money. In addition, by phasing the expenditure over a 3 year timescale, the Council continues to achieve a substantial investment income from the receipt over this period. The receipt from the sale of the Airport offers a unique opportunity to make a significant investment in the County and the attached draft Scheme is commended to Members for consideration.

John Mills  
Director of Finance IT & Trading

Electoral Divisions: All

Local Government Act 1972

Contact for Enquiries: John Mills  
Tel No: (01392) 383309 Room 199

<u>Background Paper</u>	<u>Date</u>	<u>File Ref</u>
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Nil

Executive Member: Councillor Brian Greenslade

## INVESTING IN DEVON

This scheme describes the Council's approach to the selection of projects to be funded from the receipt from the sale of the Airport.

### 1. General Principles

- All spending must be 'capital' spending and be compatible with the County Council' green agenda.
- All spending must be allocated within the terms of the DCC option appraisal process. This includes requirements to demonstrate value for money, alignment with strategic priorities, revenue cost implications and fairness.
- Projects which address more than one strategic priority or Supporting Strategy will be favoured.
- Projects which can attract match funding will be favoured.
- Projects which reduce future revenue costs and/or carbon emissions will be favoured.
- Money spent should make an observable difference for Devon people. Projects should be capable of being strongly branded so Devon people can see where the money has been spent.
- Where feasible, Devon people should have input into spending priorities.
- Money must not be spent on projects that could reasonably expect to be funded by another body within an acceptable timescale.
- Projects normally funded through existing major capital programmes funded by Central Government, would only be supported by the use of this receipt if it can be demonstrated that this will significantly advance delivery, achieve enhanced environmental performance and value for money.

### 2. Spending Themes

2.1 It is important that all proposals can demonstrate alignment with the Council's strategic priorities:

- giving Devon's children and young people the best possible start in life
- strengthening Devon's economy
- celebrating Devon's culture
- improving Devon's environment
- promoting independence and choice for Devon's adults

together with the overarching "Making Devon Greener" objective.

2.2 In managing spending against the receipt, it needs to be recognised that a variety of projects will come forward for consideration – in terms of size, timescale for implementation and in addressing more than one strategic objective. Some projects will require much more consideration than others because of their size, potential impact, risk and the need to develop proposal with partners. Bearing these considerations in mind, it is suggested that the receipt is sub-divided into a number of themes or 'funds' against which projects can be submitted for consideration.

2.3 These 'themes' or 'funds' might be classified as follows, and are in ascending order of the process required for project approval:

(a) A Local Projects Fund: It has been recognised by Government that it is important for local members to have some access to funds, albeit modest, which can make a significant difference at a local level. Indeed, the Council has taken a major step forward in the past few years by allocating each Member £10,000 of revenue funding to support community activities within their Division. Provided that alignment with the Council's strategic priorities can be demonstrated, and that the criteria set out in Appendix 1 can be met, it is suggested that local members can bid for up to £25,000 for a project, together with the facility to club together for larger projects. This fund would need £1.55m to be set aside from the receipt.

(b) Targeted Programmes

(i) The 'Green' Fund: for carbon reduction projects, fuel poverty alleviation, boiler replacement, Energy Saving Trust type work and similar projects, and the promotion of environmental projects.

(ii) The 'Community' Fund: for Youth provision, provision for older people, Sports and Leisure facilities, multi-use Community facilities, and supporting local amenities and attractions, Libraries and public transport facilities.

(iii) The Economic Development Fund: for projects to develop the Devon economy including promotion of the Devon brand projects, Science Park and economic regeneration projects. It might be necessary for the Council to work with private sector partners in a different form of organisation (e.g. a company) to promote these projects.

(iv) The Schools Estate Development Fund: for the removal of outside toilets, Horsa huts, supporting small schools, and ensuring adequate sport facilities.

Members might wish to consider earmarking up to £5m for each of these funds. Bearing in mind the time taken to develop priorities and deliver projects, this could be used over a 2 to 3 year period. The four funds above would require £20m of the capital receipt from the sale of the Airport to be earmarked.

(c) The Major Projects/Programmes Fund: This would be established for projects of very significant importance to the County and would demonstrate meeting several of the Council's strategic priorities. Each proposal will be subject to rigorous appraisal to demonstrate good value for money. The balance of the receipt, about £26.5m, would be set aside for projects of this nature.

### 3. The Approval Process

(a) In accordance with Financial Regulations, the Executive will need to approve this scheme (or an amended scheme) and, subsequently, the programmes of projects to be supported from each 'Fund'. For the Local fund, it is suggested

that the Leader/Executive Member for Resources is authorised to approve individual projects.

- (b) Each proposal to be discussed with the relevant Executive Member(s), Director and Finance Officer to complete the project appraisal documentation at Appendix 2.
- (c) A Members Sub-Group will consider all other proposals in terms of alignment with strategic priorities, value for money, affordability and timescale. Project appraisal documentation will be required for each proposal, to enable the Group to prioritise and rank competing proposals.
- (d) The Director of Finance, IT and Trading will seek approval from the Leader/Executive Member for Resources by way of a Capital Programme variation letter, with periodic reports to the Executive setting out details of schemes approved. The Capital Programme will be amended accordingly.
- (e) Major projects will require the approval of the Executive.
- (f) Procurement of projects will be undertaken by the relevant Director in accordance with the Council's procurement procedures.

#### **4. The Appraisal / Prioritisation / Ranking Process**

It is important that the Council can demonstrate that its capital expenditure proposals are fair, transparent, aligned to strategic priorities and provide good value for money. To enable this to happen, Members and the relevant Director and Director of Finance, IT and Trading are asked to complete the appraisal documentation attached at Appendix 2 for each proposal in excess of £250,000. This is fairly simple in content – all that it seeks to do is to ensure that the costs of each project are fully thought through; that any ongoing revenue costs arising from the implementation of the project are known and budgeted for; that the project is aligned with the Council's strategic priorities; that steps are taken to identify and describe the benefits from the project; and that for larger projects, alternative options have been considered and there is an understanding of the 'whole life' costs of the project. The Director of Finance, IT and Trading is happy to advise on these aspects

Project Appraisal

**(1) About the Project**

Responsible Directorate:	
Project Name:	
Project Initiator:	
Statement of project objectives:	
This project will help deliver against the following corporate and service objectives and in the following ways:	
Objectives	Explain how the project will contribute

**(2) Project Benefits**

Please describe below what the benefits to the Council and the Community will be from this project. Please be as specific as possible.



**(3) Realistic Alternatives**

Are there any realistic alternatives which could deliver the Project Objectives. Do the minimum is always the first to be considered. For each alternative outline what the project would entail, any initial pros/cons and risks, and (if required) the reason for rejecting.

Alternative	Narrative	Accept/Reject?

Based on the above list, the following project is proposed to meet the objective:

Proposed Start Date:		Proposed Duration:	
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**(4) Financial Information**

COSTS <i>Enter fin year</i>	/	/	/	/	/	Total
<u>Devon County Council</u>						
Capital Costs						
Additional Revenue costs						
<u>Other Partners</u>						
Capital Costs						
Additional Revenue costs						
Major risks associated with this option				Mitigation?		
<b>ASSETS</b>						
Will this project result in a NEW asset?						
Will this project affect (enhance or otherwise) an existing asset?						
Is the County Council the Accountable Funding Body?				Yes/No		

<b>LOCAL PROJECT FUND APPLICATION FORM</b>	
<b>Name of Councillor(s):</b>	
<b>Electoral Ward(s):</b>	
<b>Project Name &amp; Description:</b>	
<p><b>Capital Expenditure:</b></p> <p>Are you sure this is a Capital project? <span style="float: right;">Yes/No</span></p> <p>Capital Expenditure is defined as expenditure on the acquisition of a fixed asset, or expenditure which adds to, and not merely maintains the value of a fixed asset. (For more detailed definition, see the attached.)</p> <p>If you are uncertain as to whether your proposal constitutes 'capital' expenditure, please contact Susan Deaney, tel. 01392 382453.</p>	
<p>Are there any ongoing revenue costs which the Council would have to fund as a result of this project? <span style="float: right;">Yes/No</span></p> <p>If yes, please give details:-</p>	
<p><b>Project Details</b></p> <p>Will this project result in a NEW asset? <span style="float: right;">Yes/No</span></p> <p>Will this project enhance an existing asset? <span style="float: right;">Yes/No</span></p> <p>Does the Council own the asset? <span style="float: right;">Yes/No</span></p> <p>Is this a "capital" grant to another organisation? <span style="float: right;">Yes/No</span></p>	

### **DCC Strategic Priorities**

Please indicate which of the below listed five priorities identified in the DCC Strategic Plan 2006-2011 the proposed project will meet:-  
(more than one box can be ticked)

1. Giving Devon's children and young people the best possible start in life.
2. Strengthening Devon's economy.
3. Celebrating Devon's culture.
4. Improving Devon's environment.
5. Promoting independence and choice in Devon.

### **Project Objectives and Benefits**

Please explain below the reasons for and objectives of this project and how this project will benefit your local community.

### **Financial information**

Estimated Cost of Project:

Revenue Costs or Savings from undertaking the Project:

### **Expected Year of Expenditure:**

When completed, return the form to Finance Strategy Group, Room 180, County Hall.  
If there are any queries, please contact Susan Deaney, Tel 01392 382453.

## Definition of Capital Expenditure

Capital expenditure is expenditure on the acquisition, creation or enhancement of tangible fixed assets. It is expenditure which adds to, and not merely maintains, the value of an existing asset provided that it yields benefits to the authority and the services it provides are for a period of more than one year.

Capital expenditure includes:

- acquisition, reclamation, enhancement or laying out of land
- acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures
- acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles and vessels.
- grants to organisations for capital purposes.

In this context, enhancement means the carrying out of works which are intended to:

- lengthen **substantially** the useful life of the asset, or
- increase **substantially** the market value of the asset, or
- increase substantially the extent to which the asset can or will be used for the purposes of or in conjunction with the functions of the local authority concerned.

Under this definition, improvement works and structural repairs are **capital expenditure** whereas expenditure to ensure that the fixed asset maintains its previously assessed standard of performance should be recognised **revenue expenditure**.