
LEICESTER CITY COUNCIL – CAPITAL STRATEGY STATEMENT

Background

This statement represents a summary of the policies and practices that are contained in the Council's full capital strategy, which the authority will use to establish, monitor and manage future capital programmes. The Council has had a capital investment strategy since 1998. Since the strategy was introduced the Council has operated a 3-year rolling programme which has been based on the principles and priorities within the agreed strategy.

The content of the strategy is as follows:

- (1) Key priorities and targets for the Council
- (2) Service priorities
- (3) Key partners
- (4) Corporate working and cross cutting issues
- (5) Approach to prioritisation
- (6) Revenue Implications
- (7) External bidding
- (8) PFI/PPP policy
- (9) Monitoring and evaluation
- (10) Consultation

1. Key Priorities, Objectives and Targets for the Council

1.1 The Council's corporate priorities for capital spending are:

- Investment to deliver priorities in the Community Plan.
- Investment to facilitate Best Value in Council Services.
- Investment to facilitate the Council's four main resources strategies.

1.2 Community Plan

1.2.1 The Community Plan has been developed by Leicester Partnership for the Future, a multi agency group led by the City Council. The document was subject to far ranging public consultation. The Plan identifies 6 priorities (not in any particular order):

- (i) Jobs and Regeneration
- (ii) Education
- (iii) Environment
- (iv) Health and Social Care
- (v) Community Safety
- (vi) Diversity

1.2.2 The 6 priorities are supported by 48 specific goals, which will help deliver those overarching priorities. The Community Plan is enclosed. Of these goals, 17 (listed in Appendix 1) are a direct driver of capital investment.

1.2.3 The Council is working systematically to translate the Community Plan priorities into specific and measurable targets and objectives for the Council itself. As part of this process all service strategies and plans are continually reviewed to ensure that they reflect the revised priorities for the City. The Council's Performance Management Framework enables these strategic priorities to be translated into the business planning process across the Council and progress to be maintained and reported in the Best Value Performance Plan

1.3 Major Resources Strategies

1.3.1 The Council has four major resource strategies; Revenue Budget Strategy, Asset Management Plan, IT Strategy and Human Resources Strategy. Capital expenditure that helps to deliver these strategies will be one of the Council's capital priorities.

1.3.2 In particular, the maintenance and improvement of the Council's assets, including statutory requirements, identified as part of the Asset Management Plan will be a priority for capital spending.

1.4 Facilitation of Best Value

1.4.1 Capital projects, which facilitate improvements in services that help demonstrate best value, are a corporate priority. Such projects will most likely be identified after a fundamental service review (FSR) has been completed, or during pre-FSR work. The implementation of new technologies to improve services is likely to be a key theme. The Best Value review programme is based on a cross services charged approach and therefore capital requirement emanating from Best Value will be addressing cross service needs.

2. Service Priorities

2.1 Within the context of the corporate capital priorities the authority has determined the following service priorities for capital expenditure. A significant proportion of these priorities reflect the Council's commitment to maintaining its key assets identified through the AMP:

1. Arts & Leisure

New sports facilities, where this meets a gap in existing provision and the development of a cultural quarter within the St. Georges area of the city.

2. Education

Maintaining and improving school buildings to ensure their fitness for purpose and developing IT in schools. In both these cases, we would look to achieve a complementary approach to use of targeted funding from government.

3 Environment and Development

Implementation of the LTP, waste management and environmental initiatives including improvements to the city centre and the riverside. Regeneration priorities include the funding of capital aspects of the urban regeneration company, and general support for neighbourhood based regeneration. A complementary approach with NRF will be taken to maximise the value of such schemes to communities.

4. Housing

Getting Council Housing up to a reasonable level of fitness within 10 years, private sector renovation and disabled adaptations.

5. Social Services

Modernising services, recognising this may lead to a reduced level of physical property assets and maintaining effectively remaining assets within social services. It is expected that in many cases a complementary approach to joint priorities with the NHS will be taken.

6. Town Clerks

Investment in ICT infrastructure to meet developing business need, further development of E- Government and customer care initiatives, investment to comply with part 3 of the Disability Discrimination Act.

2.2 Over the period 2002/03 to 2004/05 the Council has 4 major schemes which are a high priority.

- i. Sport and Leisure Complex at Braunstone
- ii. Redevelopment of the wider area around the National Space Science Centre
- iii. Completion of the Education Secondary Review
- iv. Integrated Waste Management PFI

3. **Partnership working.**

3.1 The Council has a significant number of key partners with whom it develops and delivers services. The Council places a high value on Partnership working and we have developed a good reputation for developing effective partnerships. A Local Strategic Partnership (LSP) has now been established for the City, which is a mixture of public and private bodies. The Council has a number of key partners, these include:

Leicestershire Constabulary
Leicestershire Health Authority
Leicester Racial Equality Council

Environ
Voluntary Sector
De Montfort University

Leicester Promotions
African Caribbean Forum
Leicester Schools
Probation Service
Tenant & Resident Associations
University of Leicester

Chamber of Commerce
Education Partnership Board
Braunstone Community Association
Housing Associations
Primary Care Groups

- 3.2 The LSP will be the vehicle that will determine priorities for spending Neighbourhood Renewal Fund. The Council will seek to use Neighbourhood Renewal funding in a complementary way to its main programme spend (Capital and Revenue) in order to maximise the value of investment in communities.
- 3.3 There is a constructive process by which the views of partners are considered and developed into strategies and plans. Hence capital schemes flowing from these plans and strategies will have been shaped by partner involvement.
- 3.4 The Council has been very successful at bringing partners together to facilitate large-scale regeneration in the City. Major programmes involving significant partnership arrangements include City Challenge, SRB, Sure Start, Education Action Zone and New Deal for Communities; bringing in over £200m of investment into the City. The Council is actively supporting the development of the National Space Science Centre and surrounding area.
- 3.5 The nature of partnership for capital intensive projects can be different to that of more day to day activities. The following is a list of further key partners in the delivery of our capital programme. The list is illustrative rather than exhaustive:-

Hamilton Partnership	Leicestershire Regeneration Agency
Various Developers	English Partnerships
East Midlands Development Agency	Funding bodies, e.g. Lottery Commissions

- 3.6 Many of these partners are fundamental to specific physical regeneration projects across the City. The Council has recently developed an urban regeneration company to take forward key regeneration work partners in the City. The Urban Regeneration Company will clearly assist the Council to exert influence over developments where the Council is not the main partner.

4. Corporate Working and Cross-cutting outcomes

- 4.1 The Council has adopted a performance management framework with the purpose of ensuring that the corporate objectives set are delivered through an accountable system down to the level of the individual. The capital strategy is being developed within this framework. The performance management framework ensures a cross cutting approach to the development of Council services. The Council's Best Value programme is based upon cross-cutting reviews and therefore capital expenditure requirements identified from reviews (which is 1 of the 3 main corporate priorities) are cross cutting in nature.
- 4.2 The Council already delivers capital schemes that provide cross-cutting benefits. We have a track record for delivering cross-cutting schemes including partnership working, including many Government funded schemes:-
- DETR – Invest to Save Rounds 2 and 3 – “Wet Day Centre” and Leicester Information and Consultancy Net Works” – multi Agency schemes using new technology in services.
Home Office – Crime Reduction Programme – CCTV; joint scheme with Police.
DETR – Capital Challenge – Renovation of Council Homes by Private Sector.
- 4.3 There are a whole number of other cross-cutting schemes, including provision of Hostels and working with the Voluntary Sector. This approach demonstrates how the Council applies influence over other organisations through the use of its capital resources in order to lever in complementary resources to meet joint priorities.
- 4.4 The Council is currently in the process of a major corporate property review in order to rationalise its use of property to best meet the needs of customers. The policies outlined in this document, for example the prioritisation framework, demonstrate how cross cutting issues are taken account of in capital strategy.

5. Approach to Prioritising Investment

- 5.1 This section provides an overview of how capital expenditure is prioritised to further the Council's overall objectives and provide best value for money, where the Council has discretion in the allocation of those resources.

This section is not concerned with prioritising schemes that are entirely government funded. Such schemes will clearly have to demonstrate how government objectives for funding are to be met. A two-stage approach has been developed which will ensure that potential schemes offering the best overall balance of furthering corporate priorities and demonstrating value for money should proceed. Appendix 2 shows a graphical presentation of the process.

5.2 Stage 1

5.2.1 Stage 1 of the assessment framework will be to ensure that schemes can demonstrate quantifiable benefits which further corporate capital priorities. Schemes will aim to show outcomes that can be subsequently monitored and evaluated at a later point in time. The section on monitoring and evaluation (below) describes this further. There will be an initial review to ensure that all potential schemes clearly meet corporate priorities. The number of schemes, which do so, is likely to exceed available resources. Stage 2 of the process assesses the overall value for money of schemes in order to rank schemes against available resources.

5.3 Stage 2

5.3.1 Stage 2 includes a financial and qualitative assessment of each potential scheme.

5.4 Financial Assessment

5.4.1 There are two main financial assessments; a Net Present Value (NPV) assessment and an Affordability assessment, (within the context of the Council's revenue strategy). There will also be consideration of issues such as financial risk and leverage of external resources. The calculation will be the primary factor in determining the overall financial value for money of a scheme.

5.4.2 The NPV assessment will consider the overall scheme costs over the life of the project. The assessment will be compared to a "do nothing" option or "do minimum" option (if do nothing is not an option). Costs will include capital and revenue costs, quantification of risks to the project, any relevant opportunity costs and financing costs.

5.4.3 The difference in NPV between the scheme and the comparator, when contrasted to the project outcomes identified at stage 1 of the prioritisation, will give an indication of the unit cost of the proposed service enhancement. In some cases this will be comparable with external benchmarks. In cases where the main purpose of the scheme is to provide an efficiency benefit the NPV will identify this efficiency.

5.4.4 The Asset Management Plan will assist the Council to identify the long-term costs and benefits of its assets, which will enable a more holistic view of procurement options to be taken. The Council's procurement strategy can be used to assist the identification of options.

5.4.5 Each year the Chief Financial Officer will issue guidance on how the financial assessment will work and provide standard documentation to assist members in their evaluation of competing proposals.

5.5 Qualitative Assessment

5.5.1 This part of the assessment will concentrate on other issues, particularly the effectiveness of the scheme, where it is not necessarily possible to ascribe a financial value. The following issues would be considered:

5.5.2 *Statutorily Required Expenditure*: is there a legislative requirement for the expenditure?

5.5.3 *Fit with corporate priorities*: further consideration will be given to how well the scheme fits with priorities, are cross cutting issues identified, and whether there are any priorities which it conflicts with. This assessment will identify the environmental implications (for example Local Agenda 21 and sustainability issues) and any contradiction with them.

5.5.4 *Meeting government expectations*: does the scheme meet specific government policy aims?

5.5.5 *Community Impact*: is there other corroboratory evidence that the scheme will deliver significant benefits to communities, for example finding from MORI polls or other consultation.

5.6 Overall Value for Money

- 5.6.1 All of the factors considered in the financial and qualitative assessment will be used to form an overall conclusion about the value for money of a scheme. This prioritisation will be used to allocate "corporate" resources to the best schemes. All parts of the assessment will be formally documented.

6. Revenue Implications

- 6.1 As well as the value for money of a scheme, overall revenue Affordability is also important. Since 2000/01 the Council has a 3-year Revenue Budget Strategy. The strategy sets out the Council's tax and spending plans over the period to March 2005. Capital expenditure that runs contrary to the principles set out in the revenue strategy and affects the delivery of the revenue strategy is clearly inappropriate. This strategy also sets out the priorities for new money and expectations of savings to be achieved in order to deliver the plan.
- 6.2 An assessment will take place that considers the revenue implications of a scheme over the period of the revenue strategy and beyond to ensure that there is not a contention. Any additional running cost relating to capital expenditure must be contained by the spending department within their approved Departmental Revenue Strategy.
- 6.3 Each year the CFO and CPO will recommend the level of capital receipts for the following 3 year period. The assessment will be based upon both the requirements for revenue and capital funding and information about property available for disposal from the AMP.

7. Framework for bidding for external resources

- 7.1 Services can bid for external resources provided they are able to contain the revenue implications within their approved Departmental Revenue Strategy and they can provide any necessary match funding required. Where match funding cannot be identified the Council will assess the match-funding requirement within the prioritisation framework, as would be done for any other scheme.

8. PFI/PPP Policy

- 8.1 The prioritisation process will consider opportunities for more cost-effective delivery through PFI/PPP. The Council has in the past transferred liabilities of its balance sheet to the private sector, for example the transfer of Council Homes to the private sector. The Council is currently procuring an integrated waste scheme through PFI. The Council will continue to identify such opportunities in the future based on a rational assessment of procurement options.

9. Monitoring and Evaluation

- 9.1 The Council currently has effective capital and revenue monitoring procedures that are set out within the Council's financial regulations.
- 9.2 Departmental Directors are designated as responsible for the effective management of capital schemes. Lead Directors are responsible for delivering schemes to budget, timescale and overall requirements and report such progress to committee routinely. Scrutiny Committees and the Cabinet receive regular financial monitoring reports throughout the year, culminating in an outturn report at the end of the financial year.
- 9.3 The Chief Financial Officer co-ordinates and monitors the overall progress of the capital programme, including its financing. This is again done through regular committee reports as defined in Financial Regulations. There are clear rules for dealing with under and over spending situation.
- 9.4 From 2002/03 an enhanced system of monitoring and evaluation will be implemented. The existing financial monitoring and management, set out in financial regulations, will be supported by monitoring and evaluation against scheme outcomes that are agreed as part of the initial assessment and prioritisation of schemes.
- 9.5 There will be a 2-stage monitoring and evaluation assessment.
- 9.6 When a project is included in the capital programme, it will be established at what point the benefits and significant milestones of the scheme are capable of being assessed. Depending upon the scheme, some of these benefits and milestones will be capable of monitoring throughout the construction of the scheme or shortly after the completion of the scheme. In such cases the formal monitoring and evaluation will take place within the normal financial monitoring cycle. Therefore the annual outturn reports to committees will include an assessment of those schemes which have been completed within the period.

- 9.7 Other schemes will clearly have a much longer payback period in which benefits and efficiencies will be realised. These are more likely to relate to large-scale projects. Whilst project milestones, such as various construction phases, could be monitored as described above there would need to be a different process to monitor the long-term benefits.
- 9.8 Monitoring through the Council's political management structure is supported by a officer group who will meet regularly to review progress. It is proposed that an evaluation of such schemes will be programmed within the Council's overall performance management framework. The BVPP will be updated when such schemes are approved.
- 9.9 The Capital Strategy will be rolled forward each year. The evaluation and monitoring will be key to ensuring that the strategy is delivering its overall aims. The annual review will also take account of the recommendations from Best Value reviews.
- 9.10 As well as monitoring specific capital schemes the Council, through the process of asset management planning will carryout relevant benchmarking activities in relation to capital projects and property use. The Council already belongs to the OCTOPUS property group and this group will be used to inform the benchmarking. Benchmarking of factors such as space utilisation will provide useful information to aid, amongst other things, property rationalisation.
- 10. Consultation**
- 10.1 The corporate capital priorities, emanating from the Community Plan were subject to far ranging public consultation over summer 2000. The Council also carried out wide ranging public consultation on its revenue budget strategy over the same period. The Council will again be consulting on its revenue and capital strategies with the public over summer 2001. This will be run by an independent organisation.
- 10.2 Previous consultation has influenced capital expenditure, for example the public consultation exercise in 1999 regarding the Council's General Fund Budget identified a public demand for investment in Leicester's Markets, which was subsequently approved in the following year's capital programme.

16.7.2001

Community Plan – Goals With Relevance to Capital

Diversity

Remove barriers to full and active life
Develop good quality accessible housing
Sporting opportunities for ethnic minorities/disabled

Community Safety

Burglaries in selected areas/city centre
Crime/disorder in selected areas/city centre

Education

Raise standards for all
Promote learning environments beyond school
Raise standards of PE/Sport

Health/Social Care

Local accessible health/social care services
Independence of older/disabled people
Support services for children and families

Environment

Slow down growth in car travel
Increase recycling
Leicester's historic environment

Jobs/Regeneration

Physical regeneration of priority areas/riverside
Cultural quarter. Heritage quarter, new sporting facilities
Promotion of city centre