

Leicester
City Council

FINANCE, RESOURCES AND EQUAL OPPORTUNITIES 24 JANUARY 2002
SCRUTINY COMMITTEE
CABINET 28 JANUARY 2002
COUNCIL 31 JANUARY 2002

CORPORATE CAPITAL PROGRAMME 2002/03 TO 2004/05

Report of the Chief Financial Officer

1. Purpose of the report

- 1.1 The Council has had a 3-year “corporate” capital programme since 1998/9. 2001/02 is the final year of the current 3-year programme. This report recommends a draft “corporate” capital programme for the period 2002/03 to 2004/05 based on the Council’s Capital Strategy and seeks Finance, Resources and Equal Opportunities Scrutiny Committee’s comments before Cabinet recommends a programme to the Council. This report also updates the Council’s existing Capital Strategy to bring it into line with the Capital Strategy “Statement” submitted to the Government in July 2001.

2 Summary

“Corporate” Capital Programme

- 2.1 The Council approved a new Capital Strategy in November 2000. The Council subsequently submitted a capital strategy statement (CSS), based on the approved strategy and subsequent Government guidance, to Government Office in July 2001. This was in preparation for the introduction of the Single Capital Pot (SCP), which will distribute mainstream government resources for capital from 2002/03. The CSS was endorsed by Cabinet in July 2001. The only significant difference between the Council’s approved capital strategy and the subsequent “statement” is the inclusion of capital priorities for specific services.
- 2.2 The Council’s Capital Strategy has been amended to reflect the “statement” submitted to the Government in July and is attached at Annex 1.

Process

- 2.3 The new capital strategy introduces a longer period of consultation bringing capital into line with the revenue process introduced last year (although delays to the capital settlement have meant this was not achieved this year).

2.4 There are two distinct phases for setting the corporate programme: -

Stage 1 - Initial sift to ensure that bids meet the stated priorities in the strategy.

Stage 2 – detailed analysis of the remaining schemes to prioritise against available resources.

2.5 This report suggests a programme recommended by the cabinet Lead for Resources as a result of the prioritisation exercise. The prioritisation was carried out after recognising 3 pre-commitments, being Bursom Electricity Sub Station, Braunstone Sports Centre and phase 1 of the Cultural Quarter.

2.6 A number of reserve schemes are recommended which are dependent upon the achievement of additional receipts to be generated at Bursom as a result of the sub station.

“Service” Programmes

2.7 The majority of the Council's capital programme is funded from “service” resources. These are resources that are, hypothecated to services by law or local policy. Programmes funded from “service” resources are developed by the relevant director with a recommended programme going to cabinet via scrutiny for comment.

2.8 The most significant “service” programmes are housing, transport and education. The housing programme went to Housing Scrutiny on 10 January and Cabinet 14 January and will go to Council on 31 January approval. A transport programme will be recommended to Cabinet on 25 March. A draft education programme is unlikely to be available until early spring in order to allow for adequate consultation with schools.

3. Recommendations

3.1 The Cabinet Lead for Resources has asked the Finance, Resources and Equal Opportunities Scrutiny Committee to: -

- i. give its comments on the draft programme prior to Cabinet recommending a programme to Council;
- ii. give its views on schemes which should be deleted from the programme if it wishes to suggest further schemes for inclusion.

3.2 Cabinet is asked to: -

- i. recommend the capital strategy to the Council;
- ii. recommend the capital programme shown at Annex 3 to Council, subject to any changes it wishes to make pursuant to comments from Finance, Resources and Equal Opportunities Scrutiny Committee;
- iii. designate the following as service resources for the purposes of this programme:-
 - housing capital receipts,
 - 80% of housing and 80% of the transport package elements of the Single Capital Pot
 - profits made by the Housing Maintenance DSO
- iv. Recommend to Council the following status of the schemes in Annex 3:-

- (a) Block A, being schemes which can proceed once the programme is approved, subject to compliance with Finance Procedure Rules;
- (b) Block B, being schemes which can proceed subject to a further approval by Cabinet with regard to the detailed implementation of the scheme;
- (c) Block C, being schemes which cannot proceed unless adequate resources become available, and are subject to a further report from the Chief Financial Officer to Cabinet.

Cabinet is asked to note that financial procedure rules give directors discretion to transfer resources between schemes during the course of the year. Cabinet is asked to recommend to Council that no such flexibility be permitted in respect of the Bursom sub-station (should expenditure be less than budget, the scheme approval will be reduced to meet the actual cost).

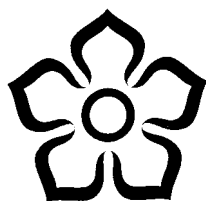
- v. Recommend that the Council incurs expenditure of £0.5m on the Cultural Quarter in 2001/02 to be funded from general fund reserves.

4. Financial and Legal Implications

- 4.1 This report is exclusively concerned with financial issues.

5 Author

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Financial Strategy Manager



Leicester
City Council

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CORPORATE CAPITAL PROGRAMME 2002/03 TO 2004/05

SUPPORTING INFORMATION

Report of the Chief Financial Officer

1 Capital Strategy

1.1 The Council's Capital Strategy

1.1.1 The Council has determined its 3-year "corporate" capital programme with reference to a capital strategy since 1998/9. In November 2000 the Council approved a new 3 year capital strategy. The Strategy provides a framework for the determination of and subsequent management of the Council's "corporate" programme and is to be used to establish capital programmes from 2002/03 onwards.

1.2 Capital Strategy Statement

1.2.1 From 2002/03 the Government will distribute mainstream capital resources to authorities through the "Single Capital Pot" (SCP). The SCP brings together various resources previously distributed through the Basic Credit Approval, Supplementary Credit Approvals and grant. The majority of the allocation is determined according to need. However, around 5% (rising to 20% in the longer term) is distributed according to Authorities' performance. The majority of the assessment for this "discretionary" element is based upon the Government's assessment of Housing, Transport, Education and Social Services in relation to their capital strategy and performance. However, an element is also included for the quality of an Authority's capital strategy and Asset Management Plan (the Council received the highest possible ratings and maximum possible allocations for these strategies).

1.2.2 As part of the SCP process, the Council submitted an abridged version of its full capital strategy, known as the Capital Strategy "Statement" (CSS) to the Government in July 2001. The CSS was based on the Council's agreed Capital

Strategy, with the additional of service specific priorities. The length and format of the CSS is specified by Government. The CSS was endorsed by Cabinet in July 2001 and is attached at Annex 1. The Council's Capital Strategy has now been updated accordingly and an Executive Summary is shown at Annex 2. The full document is available in the Members Area.

- 1.2.3 The public have been consulted on the priorities contained within the CSS and the findings were reported to Cabinet on 3 December 2001.

2. Resources

2.1 Types of Capital Resources

- 2.1.1 The Council has determined 2 types of capital resource: "Service" resources and "Corporate" resources.

- 2.1.2 "Service" resources are those resources ring-fenced to a particular service or scheme by legislation or government or local policy.

- 2.1.3 "Corporate" resources are those resources that can be spent entirely at the Council's discretion. The Corporate capital programme is only concerned with schemes funded from "corporate" resources. Programmes funded from "Service" resources are recommended to Cabinet by the relevant Director after consultation with the relevant scrutiny committee.

- 2.1.4 The most significant "service" programmes are housing, transport and education. The housing programme went to Housing Scrutiny on 10 January and Cabinet 14 January and will go to Council on 31 January approval. The transport programme will be recommended to Cabinet on 25 March. A draft education programme is unlikely to be available until early spring in order to allow for adequate consultation with schools.

2.2 "Corporate" Resources

- 2.2.1 All capital receipts, excluding Housing right to buy and other housing receipts, have been designated as "corporate" resources for the 2002/03 to 2004/05 capital programme. The other main "corporate" resource is contained within the Single Capital Pot (SCP).

- 2.2.2 The SCP gives authorities additional freedom to use previously "ring-fenced" resources for corporate schemes.

- 2.2.3 The SCP is a single allocation, in the form of a Basic Credit Approval, comprising elements for:-

Housing

Transport – allocation for maintenance

Transport – allocation for the Local Transport Plan "Package"

Education

Social Services

2.2.4 In principle the allocation is not hypothecated and can be spent on any projects that the Authority desires. However, in reality the additional freedom is restricted because the allocations of the 2 main elements of the SCP, Housing and Transport, are substantially based upon submissions made to Government. The Housing Investment Programme, Housing Business Plan and Local Transport Plan set out investment needs and strategies to implement the overall aims of these strategies. The service assessment as part of the “discretionary” award for these services is also likely to consider how far these strategies have been implemented. Therefore, if significant amounts of the notional Housing and Transport resources were spent on other services it is likely that future resources allocations to the Council would reduce.

2.2.5 In order to strike an appropriate balance between providing more freedom to the Council to determine its capital spending priorities, whilst seeking to ensure that future resources allocations are not affected, it is recommended that 20% of the notional housing and 20% of the transport (highways maintenance) SCP allocation are deemed “corporate” resources. The entirety of the transport “package” allocation has been treated as a “service” resource.

2.3 The Government’s Capital Settlement

2.3.1 On 13 December the Government announced its capital settlement to Authorities for 2002/03.

2.3.2 The following table gives details of the Single Capital Pot allocation.

Single Capital Pot -ACG	2001/02	2002/03	% increase
	£000	£000	
<u>Need Element - (95%)</u>			
Housing	9365	10214	9.1%
Transport - Package	6389	6614	3.5%
Transport - Maintenance	2764	4316	56.2%
Social Services	246	232	-5.7%
Education	337	96	-71.5%
Other	<u>427</u>	<u>425</u>	-0.5%
Total service ACG	19528	21897	12.1%
<u>Discretionary Allocation</u>			
Capital Strategy/AMP	0	100	
Service Assessments	0	715	
Total Discretionary ACG	<u>0</u>	<u>815</u>	
BCA before RTIA	19528	22712	16.3%
RTIA	<u>-1109</u>	<u>+259</u>	-123.4%
Total BCA	18419	22971	24.7%

2.3.3 Paragraph 2.2.5 above outlines the rationale for determining “corporate” resources from the SCP. In terms of housing, the allocations are supplemented by:-

	2001/02	2002/03	% increase
	£000	£000	
<u>Housing</u>			
Major Repairs Allowance	12875	13159	2.2%
Disabled Facilities Grant	720	405	-43.8%

2.3.4 The SCP resources available as “corporate” resources are therefore as follows:-

<u>Single Capital Pot Allocation</u>	2002/03	*2003/04	*2004/05	Total
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Other Service	0.4	0.4	0.4	1.3
Education	0.1	0.1	0.1	0.2
Social Services	0.2	0.2	0.2	0.7
Housing (20%)	2.0	2.0	2.0	6.1
Transport - maintenance (20%)	0.9	0.9	0.9	2.6
Discretionary element	0.8	0.6	0.4	1.8
Total SCP allocation	4.5	4.2	4.0	12.7

* estimates for 2003/04 onwards.

2.4 Education

2.4.1 The table below gives details of the education capital settlement. These resources are not corporate, and this section is included for information only.

	2001/02 (£000)	2002/03 (£000)	% change
Devolved Formula Grant - Schools	1,476	1,822	23.4
Condition Focused Capital	1,532	2,216	44.6
Seed Challenge	221	373	68.8
Schools Access Initiative	349	428	22.6
Modernisation Fund	0	1,244	new

2.4.2 There has been a significant increase in Education resources and a further increase of around 50% is expected in 2003/04. “Devolved Formula” and “Seed Challenge” go directly to schools, although the LEA determines specific schemes to be funded from “Seed Challenge”. The “Schools Access Initiative” is designed to improve access to schools for disabled pupils. Condition Focused Capital is available to the Authority to use to address spending requirements identified in the Education Asset Management Plan.

2.4.3 A new Modernisation Fund has been established to improve the “suitability” of school buildings of £1.244m for next year; the conditions of this grant are not yet known. It is also possible that the government may fund further schemes yet to be announced.

2.4.4 Overall, excluding the secondary review, the total allocation of the specific Education capital resources has increased from £3.578m to £6.083m next year, an increase of 70%.

2.5 Capital Receipts

2.5.1 Capital Receipts are the other main “corporate” resource available to fund the programme. The following capital receipts target is recommended by the Chief Financial Officer, after consultation with the Chief Property Officer.

It is policy to set aside resources from capital receipts sold in the year to provide for subsequent reductions in the Basic Credit Approval (the Government’s RTIA mechanism essentially taxes capital receipts). In 2002/03 the Government have made various retrospective adjustments to previous RTIA which has resulted in the Authority receiving a “windfall” of £0.9m. The following net receipts are forecast:-

	2002/03	2003/04	2004/05	Total
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Land/investment property	3.0	3.0	4.0	10.0
Operational Property	0.3	1.3	?	1.6
	<u>3.3</u>	<u>4.3</u>	<u>4.0</u>	<u>11.6</u>
Less RTIA	0.1	-1.0	-1.0	-1.9
Less Payment to EMDA		-1.6		-1.6
NET RECEIPTS	<u>3.4</u>	<u>1.7</u>	<u>3.0</u>	<u>8.1</u>

2.5.2 The operational property target of £1.6m represents the commitment to transfer land to the value of £1.6m to EMDA as part of the financing arrangements for the relocation of the depot at Abbey Meadows, agreed by Cabinet on 19 March 2001.

2.5.3 The above capital receipts targets are in addition to any under achievement of the target required for the 2001/02 capital programme of £7.755m by 2002/03.

2.5.4 As previously agreed, RTIA set aside from capital receipts, which provides a 1 year cashflow benefit, is being used to temporarily fund expenditure on Waste Management PFI consultants (£500,000) prior to the receipt of the Government’s PFI credit in 2003/04 and expenditure on Places of Worship (£400,000) in advance of selling the third site at Hamilton.

3. **Process for setting the “Corporate” programme**

3.1 The “corporate” capital programme is established with reference to the Council’s agreed capital strategy. A revised capital strategy, updated to reflect the Capital Strategy Statement submitted to Government in July 2001, is attached at Annex 2. The strategy priorities have been subject of (favourable) public consultation.

3.2 The Capital Strategy contains a 2 stage process for prioritising schemes against available resources.

3.3 Stage 1

3.3.1 The first stage involves sifting bids to ensure that they meet the stated capital priorities of the Council.

3.3.2 Cabinet recommended the following corporate priorities in July 2001:-

- 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 (Revenue and Capital Strategy, Asset Management Plan, HR Strategy and ICT Strategy).

3.3.3 As well as these corporate priorities a number of service priorities were also agreed. These can be seen in paragraph 2 of the CSS (Annex 1).

3.4 Stage 2

3.4.1 The second stage of the prioritisation process involves ranking schemes according a financial and qualitative assessment. The financial assessment includes consideration of risk, financial benefits, additional match funding generated and revenue affordability.

3.4.2 The qualitative assessment considers such factors as the statutory requirement for spending, further consideration against stated priorities, whether the scheme meets Government expectations, community impact and findings from public consultation.

3.4.3 Individual assessments are not attached to this paper but are available if required. A further description of the prioritisation process is shown in section 5 of the CSS (Annex 1).

4. Recommended Schemes

4.1 The recommended programme is shown at Annex 3. The following section briefly describes each proposed scheme.

4.2 Sports Centre (£1m)

This scheme represents the estimated additional capital programme contribution required to fund the new sports centre at Braunstone, in addition to the sale of St Margaret's Baths and Granby Halls.

4.3 Talis (£73,000)

The joint arrangement with the County Council to run the existing libraries computer system comes to an end at 31st March 2002. A new city council libraries system known as Talis is to be acquired to replace this, which should lead to a more efficient service. Part of the capital cost is to be met from the payback fund as the scheme should also generate revenue savings, and part is to be met by leasing. The total cost of the new system is £385,000.

4.4 Hamilton Library (£30,000)

The proposal is for funding of £30,000 for professional fees in advance of building work for a new library at Hamilton. Most of the capital resources are to be supplied by the developers under a section 106 agreement.

4.5 Cultural Quarter (£5.1 million)

Phase 1 of the Cultural Quarter development (£6.6 million) was approved by Cabinet on 5 November 2001 in advance of determining the main programme. Phase 1 of the scheme includes the provision of a new theatre and creative industries productions facilities. Approval is sought £5.1million for the period 2002/03 to 2004/05. Approval for further £0.5million of spending in 2001/02 (contained within the £6.6 million) is sought to be funded from general fund reserves. £1 million of the approved scheme is not programmed until 2005/06 which falls into the next 3 year capital programme.

4.6 Bridge Refurbishment (£100,000 per annum)

This block sum will enable a programme of works to be developed in order to carry out urgent repairs and improvements to Council bridges that are not on the main public highway, primarily on the Great Central Way.

4.7 Watercourses (£100,000 per annum)

This scheme will carryout urgent repairs and improvements to watercourses in the City, based on surveys of the City's requirements.

4.8 Meynells Gorse (£30,000)

This scheme addresses an urgent need for an additional site at Meynalls Gorse Caravan Park. The scheme will enable applications to be made for additional Government grant for 75% match funding.

4.9 Allotment Strategy (£100,000)

The Cabinet approved an allotments strategy on 19 November 2001. The strategy requires up front 'pump priming' in order to release subsequent land for investment to facilitate the strategy.

4.10 Bowstring Bridge (£30,000)

There is a need to demolish the bridge in order to make it safe. A funding strategy is being developed to fund the demolition costs. However, there is an urgent need to provide remedial works to protect the public from any immediate danger.

4.11 Capital Receipts – pump priming (£100,000)

The capital programme is dependent upon the Council realising £10m of investment property receipts over the period 2002/03 to 2004/05.

In many cases, pump priming investment on items such as infrastructure works and access is required before certain sites are saleable and in some cases this up front investment can also lead to larger capital receipts in the future. This scheme would allow a “pump priming” fund to be operated, in parallel with the operation of the “ring fenced” investment property account allowing a more sustainable approach to raising capital receipts to be achieved.

4.12 Bursom Sub Station (£1,800,000)

On 10 September, Cabinet approved the construction of an electricity sub station at the Bursom development in order to enable the Council to develop the site in the future. It was agreed that £1.8m of the Council’s corporate capital programme would be ‘reserved’ in the event of the identified funding package for the scheme not being realised.

4.13 Education Secondary Review (£600,000)

This scheme will enable further works to be carried out through the project, which are needed to meet additional spending pressures identified in the final stages of the project. The additional expenditure will fund changes in the scope of the improvement programme at several schools and includes necessary health and safety related works. This additional expenditure represents 2% of the existing approved scheme.

4.14 Education Minor Works Block Sum (£200,000 per annum)

This rolling programme will enable the Education department to prioritise urgent works that are ineligible for funding from other education “service” resources, primarily Government allocations.

4.15 Elderly Persons Homes (£250,000 per annum)

By 2007 all Elderly Persons Homes will have to meet new registration standards being developed by the National Care Standards Commission. The exact requirements are not yet known and therefore at this stage it is not possible to be precise about the detailed works required. The suggested scheme will enable a programme of works to be started, which has regard to the standards and the residential care strategy. The position will be reviewed when the programme is rolled forward next year.

4.16 Family Centres (£100,000)

This allocation is to make capital improvements that are expected to emerge from the best value review of services for vulnerable children including some reconfiguring of current family centres. This links to the Departmental Revenue Strategy.

4.17 Learning Disabilities (£100,000)

This allocation is to provide for capital needs emerging from the review of the learning disabilities service in the light of the government’s valuing people

initiative. The aim is to support the independence of people with learning disabilities.

4.18 Children's Homes (£100,000 per annum)

All Council Children's Homes now meet the existing statutory standards. However, ongoing investment is needed in order to ensure that standards continue to be met, and that high levels of 'wear and tear' are addressed.

4.19 ICT investment (£100,000)

Social Services is implementing Carefirst as its new management information system. The existing capital programme makes provision for additional IT equipment to enable a greater level of access to management information for managers. In order to widen the benefits of Carefirst even further more investment in IT is recommended, particularly in personal computers in order to increase the ratio of staff with access to appropriate information.

4.20 Social Services Minor Works (£100,000 per annum)

This will allow ongoing improvements to all sectors of the Social Services estate including health and safety work and urgent demands.

4.21 Housing (£1,250,000)

This allocation will enable further investment in the service adding to the service specific resources the service has. The allocation commences in 2003/04 (a reserve scheme is recommended in 2002/03 – see section 6). Spending of the allocation is considered as part of the totality of the housing programme.

4.22 Town Hall (£100,000 per annum)

This allocation will allow a programme of works to continue in order to bring more of the Town Hall into operational use.

4.23 ICT Infrastructure (£100,000 per annum)

The present and future demands placed upon the Authority's ICT network infrastructure are different to the past, primarily the need to respond to e-commerce and e-business.

The existing network was primarily designed to support data transfer. However, new communicative technologies mean that larger bandwidths are required. Authorities exchange much more information with other agencies, businesses and members of the public electronically than in the past, which requires greater data security.

5 Schemes Pending Further Cabinet Approval

5.1 Under the Council's new financial procedure rules, schemes in the programme costing less than £1m can commence without further approval. The schemes

below are specifically excluded from this permission, and further approval to a detailed scheme.

5.2 Gilroes Cemetery Extension (£200,000)

There is an urgent need to extend the land available for burial at the cemetery. There is also an urgent drainage problem that needs addressing. This scheme represents the first phase of a series of proposed works and it will enable the City to meet its burial needs for the next 5 years.

5.3 Saffron Hill Cemetery (£63,000)

This scheme will enable various works to be carried out within the Children's section of the cemetery including kerbing, hard and soft landscaping and the provision of seating.

5.4 Playground and Kickabout Area Improvements (£100,000 per annum)

This block sum will enable a number of refurbishments to existing playgrounds and kickabout areas as well as allowing some scope for the creation of new kickabout areas.

5.5 Saffron Lane (£600,000)

This scheme will enable the Council to provide temporary funding in the event of the redevelopment of Saffron Lane by the Leicester Riders proceeding. Discussions are currently taking place with the Riders and proposals are expected shortly.

5.6 Conservation and Heritage Initiatives (£165,000)

This scheme represents improvements to buildings/sites in the St Georges area of the city. A bid for match funding from English Heritage is to be submitted under its heritage economic regeneration scheme. Property owners will also be approached in order to lever further resources into the scheme.

5.7 Riverside (£50,000 per annum)

This is a block sum bid to fund a range of environmental and regeneration improvements to the riverside. These could include improvements to waterside wildlife habitats, access, mooring facilities and the appearance of the riverside area.

5.8 Local Environmental Works (£300,000 per annum)

This scheme will enable a programme of local works to be developed, supplementing the available revenue budget of £200,000 (subject to proposed reduction of £100,000 in 2002/03 and 2003/04) within the Environment and Development department. The programme is likely to be area focused, with provision for urgent works across the City.

5.9 Disability Discrimination Act (£300,000 per annum)

The 3 year capital programme up to 2001/02 contained a rolling programme of £100,000 per annum to carry out adaptations to enable improved access to services for disabled service users. It is recommended that the rolling programme is significantly increased to £300,000 per annum to enable a larger programme of works to be undertaken, which will assist the Authority in meeting the requirements set out in Part 3 of the Disability Discrimination Act. A detailed programme will be recommended to Cabinet, which takes account of the views of disabled service users.

5.10 Asset Management Plan (£950,000)

The AMP will pull together authorities' requirements for investment in existing assets both in terms of maintenance and improvement of buildings and necessary investment in gathering information on the condition and suitability of the Council's land and buildings.

The Central Maintenance Fund (CMF) provides revenue funding to carry out urgent repairs and maintenance of buildings. The recommended block sum will supplement the CMF budget to enable more priority works to be undertaken and to provide some resource for producing detailed surveys of the condition of the Council's buildings, which will help future decisions about spending on or disposal of buildings.

5.11 Revitalising Neighbourhoods (£100,000 per annum)

Whilst it is anticipated that capital requirements will largely be met through rationalisation of existing assets, it is recognised that the final proposals for the project may require some capital investment, particularly up-front pump priming, in order to enhance service delivery at a local level.

5.12 Highways Maintenance (£300,000)

This allocation will enable further investment in the service, adding to service specific resources. Spending of the allocation is considered as part of the totality of the transport programme.

6. Reserve Schemes

6.1 There are a number of schemes that are good schemes, according to the prioritisation exercise, but which cannot be afforded within available resources. It is recommended that these schemes are held as reserve schemes dependent upon further resources being identified. It is anticipated that additional resources may be generated from the sale of land at Bursom, as a result of building a new sub-station on the site. If additional receipts are realised further approval will be sought from Cabinet to include these schemes in the programme. In some cases schemes are at a fairly early stage in their development and therefore further work is required before more detailed proposals can be brought back to Cabinet. The following schemes are recommended as reserve schemes.

6.2 Housing (£500,000)

This allocation will enable further investment in the service adding to the service specific resources the service has and spending priorities will be considered as part of the totality of the housing programme.

6.3 Spinney Hill Park (£130,000)

This allocation represents the estimated City Council match funding required in the event of an application being made to the Lottery Commission to carry out improvements to the park.

6.4 Social Services – Visamo Day Centre (£190,000)

This scheme will allow redevelopment of the Visamo Day Centre in order to create further capacity to meet the additional demand for the service, which provides services to the Asian Elderly with mental health problems.

6.5 Customer Service Centre (£350,000)

This scheme is still in development and involves the relocation of certain front of house services into one easily accessible location in order to provide a more convenient and comprehensive service to customers. Options are still being developed and the proposed allocation is indicative.

6.6 Tennis Centre Match Funding (£200,000)

The Tennis Centre scheme is currently in development with work progressing with the Council's major partners on the proposed scheme, including establishing financial commitment and determining the exact specification of the scheme.

6.7 Feasibility

There are a number of capital schemes, which are still in development that may require upfront feasibility funding to develop proposals in order to attract external funding.

7. **Contingency for Further Pressures**

7.1 The capital programme will be rolled forward by 1 year each year. It is considered unlikely that there will be scope for substantial additions to the 3-year programme from 2002/03 to 2004/05. Therefore, it is considered prudent to establish a contingency in order to deal with any unexpected event or demand. The difference between the approved programme and available resources amounts to £2.4m.

8. **Slippage and the use of temporary funding**

8.1 Although the recommended programme balances over the period 2002/03 to 2004/05, year 1 of the programme, shows a slight funding deficit. The Chief Financial Officer considers this cash-flow issue to be manageable within the scope of the entire capital funding and it is likely that it will be addressed through unavoidable slippage.

9. **Financial Implications**

9.1 This report is exclusively concerned with financial issues.

10. **Legal Implications**

10.1 There are no specific legal implications arising from this report.

11. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph References Within Supporting information
Equal Opportunities	YES	5.9
Policy	YES	The programme has been formulated with reference to the approved capital strategy.
Sustainable and Environmental	YES	5.7, 5.8
Crime and Disorder	NO	
Human Rights Act	NO	
Elderly/People on Low Income	NO	

12. Background Papers – Local Government Act 1972

12.1 Cabinet 30/7/01 – Capital Strategy 2002/03 to 2004/05
Cabinet 3/12/01 – Revenue and Capital Strategy 2002/03 to 2004/05 – Public Consultation.

13. Consultations

13.1 All departments have been consulted on the programme. The public have been consulted on capital priorities.

14. Report Author

Graham Feek
Financial Strategy Manager

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 the Council's entire future capital programme for the period 2002/03 to 2004/05. This time scale is consistent with the Council's Revenue Budget Strategy. The Council has had a capital investment strategy since 1998. Since the strategy was introduced the Council has operated a 3-year programme which has been based on the principles and priorities within the agreed strategy. The capital strategy is an overarching corporate strategy which guides the development of all service related capital strategies and the development of specific capital projects.

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. Of these goals, 17 are a direct driver of capital investment;

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

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 monitored 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 are most likely to 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 approach and therefore capital requirements emanating from Best Value will address cross service needs.

2. Service Priorities

2.1 Within the context of the corporate capital priorities, the authority has determined the following priorities for each service area for capital funding from "corporate" resources (those resources that the Council can spend at its discretion), up to 2004/05. These priorities will be reviewed annually. 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 the use of targeted funding from the 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. It is expected that in many cases a complementary approach to joint priorities with the NHS will be taken.

6. Town Clerk's

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. Over the coming months this will clearly affect the way in which the Council plans its services. The LSP will be supported by a number of key strategic partnerships, for example, crime, environment and regeneration, which will ensure that a multi-agency approach is taken to service planning. This will clearly also affect capital expenditure. The Council has a number of key partners, which include:

Leicestershire Constabulary	Environ
Leicestershire Health Authority	Voluntary Sector
Leicester Racial Equality Council	De Montfort University
Leicester Promotions	Chamber of Commerce
African Caribbean Forum	Education Partnership Board
Leicester Schools	Braunstone Community Association
Probation Service	Housing Associations
Tenant & Resident Associations	Primary Care Groups
University of Leicester	

3.2 The LSP will be the vehicle that will determine priorities for spending Neighbourhood Renewal Fund monies. 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 with 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 and it will ensure a corporate approach to prime physical regeneration in the City.

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 involving 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 is a variety 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 1 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 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 doing 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, whether cross cutting issues are 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 contention 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 had, a 3-year Revenue Budget Strategy. The current 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 off 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.
- 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 an 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 carry out relevant benchmarking activities in relation to capital projects and property use. The Council already belongs to the OCTOPUS property group and this work 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.

31.7.2001

Capital Strategy 2002/03 to 2004/05 – Executive Summary**1. Introduction**

- 1.1 This document is the Council's capital strategy which explains how the Council will identify priorities for capital spending; and manage, monitor and review its spending programmes.
- 1.2 The Council first adopted a capital strategy in 1998. Since then, all subsequent capital programmes have been based on the policies and procedures set out in that strategy.
- 1.3 Since the original strategy was approved, there have been a number of significant changes in Local Government, including Best Value, the modernising agenda and the introduction of the 'Single Capital Pot'. The City adopted its first ever Community Plan in November 2000. These issues necessitated the development of a new capital strategy which was approved in November 2000.
- 1.4 As part of the preparations for the 'Single Capital Pot', the Council submitted a summarised capital strategy 'statement' to the Government Office in July 2001, updating the previously agreed strategy. The 'Single Capital Pot' will distribute mainstream government resources to authorities from 2002/03. This document reflects the updated statement and provides a framework for establishing and managing the Council's future capital programmes.
- 1.5 Nationally more resources are being made available for capital schemes than has been the case in the recent past. The Council needs to be in a position where it can react quickly to funding opportunities that arise and can demonstrate that it can deliver effective capital schemes in return for resources. An effective capital strategy may be a prerequisite to various future funding streams (in addition to the 'Single Capital Pot').

2. Content

- 2.1 The strategy has 9 sections: -

Introduction
Application
Capital Strategy Context
Current Capital Programme
Capital Resources Strategy
Capital Priorities
Programme Setting
Monitoring and Evaluation
Capital Strategy Review

- 2.2 What follows is a brief description of the main issues contained in each section.

3. Introduction

- 3.1 As described above, there are several reasons why the Council has produced a new capital strategy. The significant amount of change generated by the modernising agenda requires authorities to have the tools to deliver it. There are a number of plans and strategies that the council has, or is developing, which create an overall framework for achieving its key aims and objectives; the capital strategy is one of these strategies.

4. Application

- 4.1 The strategy applies to all the Council's capital expenditure and will be effective from April 2002, although aspects of the strategy concerned with prioritisation only apply to schemes funded from resources that the Council can spend entirely at its discretion ("corporate" resources).
- 4.2 The strategy is based on a 'top down' approach to investment; thereby enabling the Council to direct capital monies that it can use at its discretion to projects which help it best meet its corporate aims and objectives.
- 4.3 Corporate priorities for spending are supplemented by service specific priorities, which help those services meet their aims and objectives, within the Council's overall policy framework.
- 4.4 Capital schemes which are funded entirely from government resources will have to demonstrate how they meet government priorities as well as the Council's.

5. Capital Strategy Context

- 5.1 The Council's performance management framework assists in the effective management of Council business in order to achieve overall corporate aims and objectives. There are a number of overarching strategies which underpin service and operational strategies within this framework; the Capital Strategy is one such strategy.
- 5.2 The strategy clearly has significant links to Best Value and the Community Plan; these are described, as are the Council's main strategies and plans.

6. Current Capital Programme

- 6.1 The Council has had a 3-year capital programme since 1998/9. The new programme extends to 2004/05.
- 6.2 In 2001/02 the Council intends to spend in excess of £70m on capital schemes, funded from a variety of sources. Clearly, this is a significant amount of money and demonstrates the need to have effective policies and procedures in place to manage capital resources.

7. Capital Resources Strategy

- 7.1 Capital resources have been defined as either "corporate" or "service" resources.
- 7.2 "Corporate" resources are those which the Council can spend entirely at its discretion, whereas "service" resources; generally are hypothecated to a service area or function (usually) by the funding body. All capital receipts, are (prima facie) a corporate resource.
- 7.3 The strategy contains a specific policy on bidding for resources which require some form of match funding from the authority; in essence all potential schemes which cannot be fully funded by the lead service area must be assessed against other schemes to ensure that match funding represents value for money and furthers the Council's overall capital priorities.
- 7.4 The strategy adopts a policy for the use of Public Private Partnerships, including PFI. A methodological approach will be taken to ensure that best value is obtained from capital resources by identifying suitable schemes for alternative funding solutions, hence freeing up mainstream resources to fund other priority areas. PPP and PFI will be used in appropriate circumstances to generate additional capital resources.

8. Capital Priorities

- 8.1 The strategy identifies corporate and service priorities.

There are 3 main corporate priorities, of equal importance, for the use of "corporate" capital resources over the next 3 to 5 years.

- (i) Any scheme which helps the Council deliver objectives within the **Community Plan** will be a priority.
- (ii) Schemes which support the Council's **main resources strategies**; the 4 key resource strategies, other than the capital strategy, are:
 - Revenue Budget Strategy
 - Asset Management Plan (AMP)
 - ICT Strategy
 - Human Resources Strategy

This may result in capital spending to:

- generate revenue efficiencies required by the revenue strategy
- rationalise and maximise the use of operational buildings
- invest in ICT infrastructure, particularly to modernise systems and facilitate better services

The AMP will specifically identify the requirements of Council Housing and the Local Transport established through the Housing Business Planning and LTP processes.

- (iii) Schemes which help facilitate **Best Value** through improvement in service or reduction in cost will be a priority for capital investment. Such schemes may be identified through fundamental service reviews.

8.2 Service Priorities

Within the context of the corporate capital priorities, the authority has determined the following priorities for each service area for capital funding from "corporate" resources following a prioritisation and public consultation exercise. These priorities will be reviewed annually. 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. George's 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 the use of targeted funding from the 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. It is expected that in many cases a complementary approach to joint priorities with the NHS will be taken.

6. Town Clerk's

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.

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

- v. Sport and Leisure Complex at Braunstone
- vi. Redevelopment of the wider area around the National Space Science Centre
- vii. Completion of the Education Secondary Review
- viii. Integrated Waste Management PFI

9. Programme Setting

9.1 The overall aim is to continue to have a rolling 3-year capital programme which is approved by the January preceding the first relevant financial year. This will enable schemes to commence early in the financial year and will aid the overall management of the programme.

9.2 There will be two main processes to determine the overall programme. Rationing of schemes to be funded by "service" resources will be led by the relevant Service Director, through the Cabinet and the relevant Scrutiny Committee, as defined in financial procedure rules. However, a corporate prioritisation framework will be used for allocating "corporate" resources.

9.3 The prioritisation will seek to identify projects which achieve the best balance between meeting corporate capital priorities and providing value for money.

9.4 The Council will use a 2-stage approach to prioritise schemes against available "corporate" resources. The first stage is concerned with identifying schemes that further the 3 main capital priorities for "corporate" resources or specifically meet an agreed 'service' capital priority. Stage 2 is a detailed financial and qualitative assessment to determine the overall value for money of schemes in order to identify the allocation of "corporate" resources.

9.5 The financial assessment considers the 'life cycle' costs of projects against alternative solutions, such as doing nothing or doing the minimum possible. Issues such as risk, leverage of external resources and opportunities for partnership solutions are also considered.

9.6 The qualitative assessment includes assessment of any statutory requirement for the expenditure, further evidence of advancing corporate capital priorities, and the scope to meet national priorities and the impact on the community of the scheme.

9.7 Cabinet will make proposals to Council. Consultation will take place with appropriate Scrutiny Committees. The system will be fully documented.

10. Monitoring and Evaluation

10.1 Financial Procedure Rules set out the responsibilities for the financial management of capital schemes. There will be a 2-stage monitoring and evaluation procedure. Routine financial monitoring will be supplemented with information on physical progress and relevant outputs achieved against those originally identified at the scheme's inception.

- 10.2 For appropriate schemes, where the benefits of the scheme will be realised over a longer period of time, a review of the scheme may be programmed into the Council's best value performance plan.
- 10.3 The ongoing monitoring system will be supplemented by post implementation review of appropriate projects. The aim is to ensure that any relevant lessons are learnt from the management of capital projects in order to continue to improve the overall management of the programme.
- 10.4 Post implementation review will be carried out by an officers' working group. Cabinet will decide whether any reviews should be referred to the relevant Scrutiny Committee for consideration.

11. Capital Strategy Review

11.1 Specific issues that will be reviewed annually include:-

- Capital priorities
- Monitoring and evaluation procedures
- Prioritisation process

11.2 Clearly, as Best Value becomes more mature it is likely that the result of Fundamental Service Reviews will have implications for capital spending. This will be considered routinely.

12. Summary

12.1 The capital strategy is a comprehensive working document which will assist the Council to manage its capital resources efficiently and effectively over the medium to long term. It complements the Council's overall performance management framework and will be a valuable tool for assisting the delivery of corporate aims and objectives.