

Leicester
City Council

CABINET

15 JULY 2002

CAPITAL STRATEGY – SINGLE CAPITAL POT SUBMISSION 2003/04

Report of the Chief Financial Officer

1. Purpose of the report

- 1.1 The Council has to submit a capital strategy statement (CSS) and Asset Management Plan (AMP) to Government Office by 31 July 2002 to be used in the assessment of the Single Capital Pot (SCP) allocation for 2003/04. This report recommends a revised CSS, rolled forward to 2005/06, for submission.

2 Summary

- 2.1 A capital strategy sets out an authority's priorities and procedures for establishing and managing its capital programme. Leicester has had a capital strategy since 1998/9. In July 2001 the Council had to submit a CSS for assessment as part of the introduction of the SCP. The CSS is a summary of the Council's full capital strategy and is written according to guidance set out by the Government, including the requirement for it to be no more than 6 pages long.
- 2.2 The CSS was awarded a "good" rating, which is the highest of the 3 possible designations, and the Council received £50,000 of additional borrowing approval as a result. Leicester is also part of a an Office of the Deputy Prime Minister (formerly Department of Transport, Local Government and the Regions) case study, being undertaken by York Consulting, which seeks to identify good practice in developing capital strategy and asset management.
- 2.3 Some, relatively minor, modifications to the CSS have been suggested by Government Office. The recent Local Government White paper "Strong Local Leadership Quality Public Services" recommended that the requirement to submit an annual CSS and AMP will be waived for authorities who were assessed as "good" in 2001 and receive another "good" assessment in 2002. Clearly, the need to undertake good asset management and deliver a good capital strategy will remain.
- 2.4 In May 2002 the Council received the submission guidance for the 2003/04 round of SCP allocations. It is very similar to the previous year, although the focus is now more on actual delivery. In some cases the requirements (primary and secondary) require further clarification from the Government, which may make further (minor) amendments necessary to the CSS. It is recommended that the Chief Finance Officer be given delegated authority to make any necessary amendments as a consequence.

- 2.5 The Council agreed a new 3-year capital strategy in July 2001 and approved a 3-year capital programme up to 2004/05 in January on the basis of that new strategy. It is recommended that the strategy is rolled forward by 1 year to 2005/06.
- 2.6 Changes to the previous capital strategy statement are mainly concerned with ensuring the document remains up to date and provides evidence of delivery of the previous CSS. The main processes agreed for setting and monitoring the programme have worked well; the 3 year corporate programme was based upon the system of prioritisation set out in the strategy and the provisional capital outturn for 2001/02, to be reported to Cabinet on 29 July, will confirm a significant reduction in slippage from the previous year.
- 2.6 Cabinet agreed the present priorities contained in the strategy in July 2001, which were then subject to public consultation, receiving positive endorsement. At this point it is not recommended that these priorities are rolled forward to 2005/06. Priorities from 2005/06 onwards will be considered later in this 3-year programme in order to influence spending from 2005/06 onwards.
- 2.7 As was the case last year, the Council's (full) Capital Strategy will be updated later in the year to reflect changes in the CSS submitted to GOEM.

3. Recommendations

3.1 Cabinet is recommended to :-

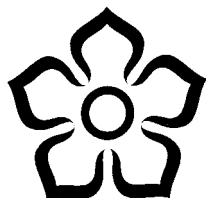
- i. Endorse the draft capital strategy statement shown at Appendix 1 ;
- ii. Give the Chief Finance Officer delegated authority, in consultation with the Cabinet Lead for Resources, to make any necessary amendments required as a consequence of any further Government guidance.

4. Financial and Legal Implications

4.1 Authorities were awarded up to £50,000 in Basic Credit Approval for a "good" capital strategy in 2001/02; Leicester received the maximum allocation in 2002/03. A similar level of allocation is anticipated for "good" strategies in 2003/04.

5 Author

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Financial Strategy Manager



Leicester
City Council

LEICESTER CITY COUNCIL – CAPITAL STRATEGY STATEMENT 2002/03 – 2005/06

Report of the Chief Financial Officer

SUPPORTING INFORMATION

Requi-
rement

Background

P2

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. All “corporate” schemes since 1998/9 can be linked back to an agreed corporate capital priority in the strategy. This statement represents a summary of the policies and practices that are contained in the Council’s full capital strategy, which the authority uses to establish, monitor and manage the Council’s entire future capital programme for the period 2002/03 to 2005/06.

The content of the capital 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

P1

- 1.1 The Council’s corporate priorities for capital spending for the period 2002/03 to 2004/05 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 was developed by Leicester Partnership for the Future, a multi agency group led by the City Council which has now been subsumed under the Local Strategic Partnership (LSP). The document was subject to far ranging public consultation. The Plan identifies 6 priorities (not in any particular order):

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

Health/Social Care

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

Community Safety

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

Environment

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

Education

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

Jobs/Regeneration

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

1.2.3 The Council's Performance Management Framework requires these strategic priorities to be translated into service strategies through business planning 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, ICT Strategy and Human Resources Strategy. Capital expenditure that helps to deliver these strategies will be one of the Council's capital priorities. 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 that facilitate improvements in services, which 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 a key theme. The Best Value review programme is based on a cross service approach and therefore capital requirements emanating from Best Value will address cross service needs. For example, the corporate capital programme includes schemes in relation to customer services and children's social services that are the result of recommendations from Best Value reviews.

P6

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 2005/06. These priorities are reviewed annually. A significant proportion of these priorities reflect the Council's commitment to maintaining its key assets identified through the AMP:

1. Cultural Services and Neighbourhood Renewal

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 and Lifelong Learning

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, Regeneration and Development

Implementation of the LTP, waste management PFI 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 Care and Health

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, in particular through the NHS Lift project.

6. Resources, Access and Diversity

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 approved 5 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
- v. Developing a Cultural Quarter within the St George's Area of the City.

P8/S4

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 operating in the City since June 2001. The LSP is 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:

African Caribbean Citizens Forum	Learning and Skills Partnership	Primary Care Trusts
Braunstone Community Association	Leic'shire Chamber of Commerce	Leic'shire Part'ships NHS Trust
Crime & Disorder Partnership	Leic Shire Economic Partnership	Probation Service
Cultural Strategy Partnership	Leicester Promotions	Leicester Environment P'ship
De Montfort University	Leicester Regeneration Agency	Tenant and Resident Assoc
Diversity & Equalities Partnership	Leicester Schools	University of Leicester
Education Partnership Board	Leicester Racial Equality Council	Voluntary Action Leicester
Environ	Leicestershire Constabulary	Voluntary Sector

3.2 The LSP is the vehicle that determines priorities for spending Neighbourhood Renewal Fund monies. The Council seeks 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. The Council submits a Joint Local Transport Plan with Leicestershire County Council for central Leicestershire.

P7

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	English Partnerships
Various Developers	Funding bodies (e.g. Lottery Commissions, Sports England,
East Midlands Development Agency	New Opportunities Fund)

3.6 Many of these partners are fundamental to specific physical regeneration projects across the City. The Leicester Regeneration Company (LRC) has been established to take forward key regeneration work with partners in four key areas of the City. The LRC will 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. The LRC is currently developing a masterplan for the City which is expected to be complete in the autumn. This will clearly influence future decisions on capital strategy.

S4

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 a system accountable down to the level of the individual. The capital strategy has been developed within this framework. The performance management framework ensures a cross cutting approach to the development of Council services.

P2

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.

S10

At present, the Council is working with the City’s two Primary Care Trusts and the Partnerships NHS Trust to develop multi-purpose Health and Social care facilities, incorporating primary and secondary care, under the Government’s NHSLift initiative.

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.

S4
S10

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

P4

5.1 The capital strategy statement submitted to GOEM in 2001 described how the Council would prioritise schemes to be funded from resources that the Council can spend at its discretion “corporate” resources.

5.1.1 The Council set its corporate capital programme for 2002/03 to 2004/05 in January 2002. The programme was established through the use of the prioritisation system outlined in the July 2001 submission.

5.1.2 A 2-stage process was used to formulate the programme.

5.2 Stage 1

5.2.1 Stage 1 considered whether schemes could demonstrate quantifiable benefits that furthered the agreed corporate capital priorities. The main purpose of stage 1 was to reduce the number of schemes bid for to a manageable number, which could then be considered in more detail at Stage 2

5.3 Stage 2

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

5.4 Financial Assessment

5.4.1 There were two main financial assessments; a Net Present Value (NPV) assessment and an Affordability assessment, (within the context of the Council's revenue strategy). There was also consideration of issues such as financial risk and leverage of external resources.

5.5 Qualitative Assessment

5.5.1 This part of the assessment considered other issues, such as the effectiveness of the scheme, where it is not possible to ascribe a financial value. The following issues were considered: -

- *Statutorily Required Expenditure and proven service need:* is there a legislative requirement or a strong service agreement for the expenditure?
- *Fit with corporate capital priorities:* further consideration was given to how well the scheme met priorities, and whether there were any priorities that it conflicted with.
- *Meeting government expectations:* did the scheme meet specific government policy aims?
- *Community Impact:* is there other corroboratory evidence that the scheme will deliver significant benefits to communities.
- *Public Consultation:* findings from public consultation on the Capital Strategy and the Resident's survey carried out by MORI were considered.

5.6 Overall Value for Money

5.6.1 Each part of the assessment was given a weighting to balance financial and qualitative factors in order to indicate which schemes fitted best within the strategy. The ranking of schemes was used by Members to assist the overall allocation of resources to schemes.

5.6.2 The process was fully documented. Appendices 1 to 3 provide evidence of the approach adopted.

- Appendix 1 identifies all schemes that proceeded to stage 2 of the assessment and their relative ranking according to the prioritisation.
- Appendix 2 gives an example of the scoring for one particular scheme.
- Appendix 3 shows the NPV of the example scheme.

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 and the priorities for additional funding up 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.

6.2 An assessment takes 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 costs 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 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 (described in paragraph 5.4.1).

S1

8. **PFI/PPP Policy**

8.1 The prioritisation process considers 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.

S2

9. **Monitoring and Evaluation**

S8

9.1 The Council currently has effective capital and revenue monitoring procedures that are set out within the Council's Finance Procedure Rules.

9.2 Corporate 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 Finance 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 Finance Procedure Rules. There are clear rules for dealing with under and over spending.

9.4 Monitoring through the Council's political management structure is supported by an officer group who will meet regularly to review progress.

9.5 Improvements in the capital monitoring process were introduced in 2001/02. These enhancements have resulted in spending performance improving compared to 2000/01, with slippage in spending reducing by 40%.

9.6 The Capital Strategy is rolled forward each year. Evaluation and monitoring are essential to ensure that the strategy is delivering its overall aims. The annual review will also take account of the recommendations from Best Value reviews.

9.7 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.

P7

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 consulted on its revenue and capital strategies with the public over summer 2001. There was a high level of support for the Council's priorities for capital spending. The prioritisation process (see paragraph 5.5 above) systematically considered the feedback received when delivering the capital programme for 2002/03 to 2004/05.
- 10.2 Previous consultation has also 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.

11 Financial and Legal Implications

- 11.1 Authorities were awarded up to £50,000 in Basic Credit Approval for a "good" capital strategy in 2001/02; Leicester received the maximum allocation in 2002/03. A similar level of allocation is anticipated for "good" strategies in 2003/04. Other implications are shown in the table below:

Other Implications	Yes/No	Paragraph referred
Equal Opportunities	Yes	1.2.2
Elderly/People on low income	Yes	1.2.2
Policy	No	-
Sustainable & Environmental	Yes	1.2.2
Crime & Disorder	Yes	1.2.2
Human Rights Act	No	-

12 Background Papers

- 12.1 DTLR, "Single Capital Pot Guidance 2002 – Part 2 Assessment", 8 May 2002.

Scheme

1 Tallis (Library information system)

FINANCIAL ASSESSMENT

	2002/03 £' 000	2003/04 £' 000	2004/05 £' 000	TOTAL
- Cost	73	0	0	73
- Unacceptable risk (Y/N)	N			
- Revenue Affordability (Y/N)	Y			
	Score (1 - 10)	Weight	Weighted Average	
- NPV (opportunity cost)	10	3	30	
Additional funding secured	5	3	15	
- Risk assessment	8	2	16	
- Alternative funding available	7	2	14	

QUALITATIVE ASSESSMENT

- Statutory / Service need	6	6	36
- Fit with corporate priorities	7	5	35
- Meets govt expectations	5	2	10
- Community Impact	5	4	20
- Public consultation	5	3	15
		30	191

APPENDIX 3

	yr1	yr2	yr3	yr4	yr5	yr6	yr7	yr8	yr9	yr10
cost	73	0	0	0	0	0	0	0	0	0
savings joint arrangement	-(50)	-(50)	-(50)	-(50)	-(50)	-(50)	-(50)	-(50)	-(50)	-(50)
cost of manual system	-(100)	-(50)	-(60)	-(70)	-(80)	-(90)	-(100)	-(110)	-(120)	-(130)
discount factor	1	0.943	0.890	0.840	0.792	0.747	0.705	0.665	0.627	0.592
NPV	-77	-94	-98	-101	-103	-105	-106	-106	-107	-107
										-1003
										73
										-13.7