

Leicester  
City Council

**FINANCE, RESOURCES AND EQUAL  
OPPORTUNITIES SCRUTINY COMMITTEE  
CABINET  
COUNCIL**

**23 JANUARY 2003**

**27 JANUARY 2003**

**30 JANUARY 2003**

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**CORPORATE CAPITAL PROGRAMME 2003/04 TO 2004/05**

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**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. 2002/03 was the first year of a new 3-year programme. This report recommends updating the “corporate” capital programme for the period 2002/03 to 2004/05. 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 2002.

**2 Summary**

**“Corporate” Capital Programme**

2.1 The Council approved a new Capital Strategy in January 2002. The Council subsequently set a 3-year capital programme based upon the priorities and policies set out in the strategy.

2.2 The Government intends to introduce a new system of capital controls, the “Prudential Framework”, from as early as 2004/05. The Prudential Framework will fundamentally change the way that authorities determine what resources are available for capital spending. Because of the significant uncertainty caused by the new system, it is recommended that the Capital Programme is not rolled forward a further year to 2005/06 at this point. Therefore, this report seeks to update, where appropriate, the 3 year Corporate Programme agreed by the Council on 31/01/02.

2.3 Two further schemes have been added to the programme, being a contribution to the development of the Peepul Centre and a further contribution to the costs of the Victoria Road East Extension. This is dependent upon the Cabinet approving such expenditure, on the basis of separate reports at its meeting on 27<sup>th</sup> January.

2.4 It is further recommended that a contingency of £0.9m (the balance of unallocated funding) be retained.

**“Service” Programmes**

- 2.5 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 corporate director with a recommended programme going to cabinet via scrutiny for comment.
- 2.5 The most significant "service" programmes are housing, transport and education. The housing programme will be considered by Housing Scrutiny on 9 January and Cabinet 27 January and will go to Council on 30 January for approval. A transport programme and education programme will be recommended to Cabinet in March.

### **Capital Strategy**

- 2.7 On 31/1/02, the Council agreed a new Capital Strategy. A summary of the capital strategy; the Capital Strategy Statement (CSS), was submitted to the Government in July 2002 as part of the assessment of the discretionary element of the Single Capital Pot (SCP). This was agreed by Cabinet on 25 July 2002. As a result some minor changes are required to the approved Corporate Capital Strategy. There are no substantial changes needed; most changes are of an aesthetic nature and mainly relate to updating the strategy in light of it now having actually been used to determine the capital programme, rather than this being the intended future purpose of the document.

### **Reserve Programme**

- 2.8 The Council approved a "reserve" programme which could be funded if the Council identified further capital resources, primarily from the sale of land at Bursom, which will be possible after the provision of an electricity substation. Cabinet agreed on 18/11/02 that £1m of the "reserve" programme of £1.8m should be set aside pending further clarity on any Council liability in relation to the provision of electricity for the purchase of the land at Bursom. It was further agreed that, subject to the sale of the land, the reserve Housing scheme of £500,000 should be approved. It is recommended that the remainder of the reserve programme continues to be "reserved".

### **Cultural Quarter**

- 2.9 This is the most significant and complex scheme in the current capital programme, and seeks both to deliver a concept and put together an appropriate funding package. The most difficult aspect at present is the funding of the proposed new theatre, for which a new funding strategy is being put together – this could result in the Council's level of risk increasing. For the time being, I believe it is essential that both the contingency and reserve programmes are considered as potential resources to assist in the management of risk, given the current level of uncertainty.

## **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 updated capital strategy to the Council.
- ii. recommend the capital programme shown at Appendix 3 to Council, subject to any changes it wishes to make pursuant to comments from Finance, Resources and Equal Opportunities Scrutiny Committee; and subject to its consideration of separate reports on the Victoria Road East Extension and the Peepul Centre.
- iii. designate the following as service resources for the purposes of this programme:-
  - housing capital receipts,
  - 80% of housing and 80% of the transport maintenance elements of the Single Capital Pot.
  - profits made by the Housing Maintenance DSO.
- iv. recommend to Council that £665,000 of transport schemes are brought forward from 2003/04 to 2002/03 to be funded temporarily from corporate resources and subsequently repaid from transport service resources in 2003/04.
- v. recommend to Council the following status of the schemes in Appendix 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, to the extent that the further approval has not yet been obtained;
  - (c) Block C, being reserve schemes which can proceed if adequate resources become available, subject to compliance with Finance Procedure Rules;
  - (d) Block D, being schemes which cannot proceed unless adequate resources become available, and are subject to a further report from the Chief Financial Officer to Cabinet.

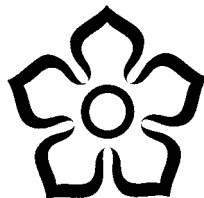
Cabinet is asked to note that financial procedure rules give directors discretion to transfer resources between schemes during the course of the year. Cabinet is asked to recommend to Council that no such flexibility be permitted in respect of the Bursom sub-station (should expenditure be less than budget,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

## **4. Financial and Legal Implications**

4.1 This report is exclusively concerned with financial issues.

## **5 Author**

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## CORPORATE CAPITAL PROGRAMME 2003/04 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 January 2002 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 was used to establish the capital programme for 2002/03 to 2004/05.
- 1.2.1 From 2002/03 the Government has distributed 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 (in theory) determined according to need. However, around 5% (rising to 20% in the longer term) is distributed according to Authorities' performance. The majority of 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; a further element is included for the quality of an Authority's Capital Strategy and Asset Management Plan. (Notwithstanding this general principle, some of the "need" elements also include partial assessments of performance, as will be seen below).
- 1.2.2 For the second year, the Council submitted an abridged version of its full capital strategy, known as the Capital Strategy "Statement" (CSS) to the Government in July 2002. The CSS was based on the Council's agreed Capital Strategy. The length and format of the CSS is specified by Government. The CSS was endorsed by Cabinet in July 2002 and is attached at Appendix 1. The Government awarded the CSS the highest rating of "good" for second year running and as such the Council will not have to submit a Capital Strategy to Government in future years.
- 1.2.3 Some minor changes are required to the Capital Strategy agreed by Council in January 2002 as a result of the CSS submitted to Government in July. Changes are largely aesthetic and

update the strategy in recognition that it is now being implemented. An executive summary of the updated strategy is shown at Appendix 2.

1.2.4 The public was 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 Corporate Director after consultation with the relevant scrutiny committee.

2.1.4 The most significant "service" programmes are housing, transport and education. A proposed housing programme went to Housing Scrutiny on 9 January and then to Cabinet on 27 January and Council on 30 January for approval. The transport and education programmes will be recommended to Cabinet in March.

### **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

Other services

Discretionary element

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 undertaken 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 It was agreed by the Council (when the 3 year Capital Programme was approved) that, in order to strike an appropriate balance between providing more freedom to the Council to determine its capital spending priorities, and ensuring that future resources allocations are not affected, 20% of the notional housing and 20% of the transport (highways maintenance) SCP allocation could be deemed “corporate” resources. The entirety of the transport “package” allocation was treated as a “service” resource.

### 2.3 The Government’s Capital Settlement

- 2.3.1 In December the Government announced its capital settlement to Authorities for 2003/04. The government has announced a Single Capital Pot allocation for Leicester for 2003/04 of £21,480,000. This compares to an equivalent allocation in 2002/03 of £24,622,000, and represents a decrease of 12.8% compared to the equivalent for last year. Much of the decline has been caused because of the abolition of Receipts Taken into Account (RTIA), which was the Government’s tax on capital receipts. RTIA raised by the Government was redistributed nationally through increased SCP allocations. Therefore, SCP allocations to all authorities reduce as a consequence of RTIA being abolished, although at a local level usable capital receipts will increase.

- 2.3.2 The BCA has been arrived at as follows.

<b>Single Capital Pot –ACG</b>	<b>2002/03 £000</b>	<b>2003/04 £000</b>	<b>% increase</b>
<u>Need Element - (95%)</u>			
Housing	10214	8604	(15.8)
Transport – Package	6614	6747	2.0
Transport – Maintenance	4316	3237	(25.0)
Social Services	232	182	(21.5)
*Education	1747	2328	33.2
Other	<u>425</u>	<u>282</u>	<u>(33.6)</u>
Total service ACG	23,548	21,380	(9.2)
<u>Discretionary Allocation – 5%</u>			
Capital Strategy/AMP	100	100	0
Service Assessments	<u>715</u>	<u>619</u>	(13.4)
BCA before RTIA	24,363	22,099	
RTIA	<u>+259</u>	<u>(619)</u>	
Total BCA	24,622	21,480	(12.8)

\* The Education allocation for 2001/02 has been adjusted for comparability to include the Modernisation and School Access Initiative funding for that year, which was provided in the form of SCA’s.

#### 2.3.3 Housing

The housing allocation has decreased by 15.8%, which is disappointing. By far the main reason for this appears to be the abolition of RTIA, although other reasons include a change in the assessment of the Council from a “well above average” housing authority, to an “above average” authority; and a reduction in the weighting given to performance in the assessment (weight reduced from 33% to 20%).

#### 2.3.4 EPCS and Social Services

The EPCS and Social Services blocks have reduced to £282,000 and £182,000 in 2003/04 compared to £425,000 and £232,000 respectively in 2002/03. This is in line with expectations and mainly due to the abolition of RTIA. Allocations are largely based on a population driven formula, so will have been affected by the recent census showing a falling population in Leicester.

#### 2.3.5 Transport

The allocation for transport has decreased from £10.930m in 2002/03 to £9.984m in 2003/04. This is mainly due to a reduction in the maintenance element of 25% (the government only guaranteed 75% of the 2002/03 maintenance funding in 2003/04). This also reflects the fact that the Leicester’s bridges have been assessed to be improving and thus require less funding. The Integrated transport ‘package’ has increased by 2.0% from £6.614m to £6.747m.

#### 2.3.6 Education

The allocation of capital resources earmarked for Education has increased from £6.431m in 2002/03 to £10.088m in 2003/04, making an overall increase of 57%. This increase is mainly due to national increases in education capital funding. In addition the Council has been successful in a bid for £4.25m in total, of which £1.489m will be allocated through the single capital pot in 2003/04 to provide an additional 513 school places. There has also been an award of £248,000 for expanding popular schools provided through the single capital pot.

#### 2.3.7 Discretionary Allocation

5% of the SCP allocation is awarded according to performance. This comprises two main assessments; an assessment of an Authority’s Capital Strategy and Asset Management Plan, and assessments of major services. Both the Council’s Asset Management Plan and Capital Strategy were again assessed by government office as “good”, the highest rating possible, which has resulted in the maximum allocation of £100,000. The overall rating for the service strategies was “average” compared to “above average” last year. This is due to Housing being redesignated to “above average” from “well above average” last year, and Education being redesignated to “below average” compared to “average” last year.

#### 2.3.8 RTIA

RTIA is the Government’s tax on capital receipts, which is redistributed nationally through the ACG’s. RTIA was abolished on all capital receipts from 1<sup>st</sup> April 2002. However, in 2003/04 there is still RTIA, in respect of the actual receipts generated in previous years. The charge for RTIA in 2003/04 of £619,000 relates to a final adjustment for prior year receipts as a result of the Council overachieving its capital receipts target in 2001/02.

2.3.9 Overall the effect of the settlement is a marginal increase in corporate resources. However, the Housing capital programme will be smaller as a result of the reduced Housing settlement.

2.3.10 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 Services	0.5	0.3	0.3	1.1
Education	0.1	-	-	0.1
Social Services	0.2	0.2	0.2	0.6
Housing (20%)	2.0	1.7	1.7	5.4
Transport – maintenance (20%)	0.9	0.6	0.6	2.1
Discretionary element	0.8	0.7	0.5	2.0
Less RTIA	0.5	(0.6)		(0.1)
<b>Total SCP allocation</b>	<b>5.0</b>	<b>2.9</b>	<b>3.3</b>	<b>11.2</b>

\* estimates for 2004/05

## 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.

	2002/03 (£000)	2003/04 (£000)	% change
Devolved Formula Grant - Schools	2,195	3,824	74.2
Condition Focused Capital	2,216	2,891	30.5
Seed Challenge	373	373	0
Schools Access Initiative	403	638	58.3
Modernisation Fund	1,244	2,362	89.9

2.4.2 The education settlement shows substantial increases in the capital funding earmarked for education, which reflects national increases in resources available.

## 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 was agreed when the 3-year corporate programme was agreed, after adjusting for the abolition of RTIA.

	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	0	1.6
	<b>3.3</b>	<b>4.3</b>	<b>4.0</b>	<b>11.6</b>

2.5.2 The operational property target of £1.6m represents a 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 Since the capital programme was set by Council in January 2002, there have been a number of changes to the assumptions of Capital receipts.



- 2.5.4 It was agreed by Council to remove the ring fencing of the planned Capital receipt from the sale of Granby Halls and the St Margarets site from the Braunstone Leisure Centre Scheme and to manage the receipts required as part of the overall Capital receipts target.
- 2.5.5 Changes to requirements for the replacement registration office scheme have led to further corporate receipts being available.
- 2.5.6 There are also other minor changes to receipts expectations that have increased the estimated receipts available by approximately a further £350,000.
- 2.5.7 In summary the “corporate” resources available for the period 2002/03 to 2004/05 are:

	<b>2002/03 £m</b>	<b>2003/04 £m</b>	<b>2004/05 £m</b>	<b>Total £m</b>
SCP	5.0	2.9	3.3	11.2
Net Capital Receipts agreed by Council	3.3	4.3	4.0	11.6
Further Capital Receipts	<u>0.8</u>	<u>2.2</u>	<u>0</u>	<u>3.0</u>
	9.1	9.4	7.3	25.8

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

- 3.1 The “corporate” capital programme was established with reference to the Council’s agreed capital strategy. The following is a brief description of the process that was followed to set the 3-year programme when the strategy was originally developed in 2001. A revised capital strategy, updated to reflect the Capital Strategy Statement submitted to Government in July 2002, is attached at Appendix 2. The strategy priorities were the 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.
- 3.4 Stage 2
- 3.4.1 The second stage of the prioritisation process involved ranking schemes according to 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 considered 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.

#### **4. Recommended Schemes**

4.1 The programme subsequently approved by Council is shown at Appendix 3. This has been updated to reflect subsequent changes approved by Cabinet and approved slippage.

4.2 Two further schemes are subject to separate consideration by Cabinet on 27 January:-

Peepul Centre	£260,000
Victoria Road East Extension (urgent)	<u>£800,000</u>
	<u>£1,060,000</u>

#### **4.3 The Peepul Centre**

4.3.1 The Peepul Centre is a £14.4 million multi-purpose centre planned for the Belgrave area of the city to be run by Belgrave Baheno. The proposed services to be delivered from the centre include nursery and crèche provision, arts events, restaurant, cyber cafe, ICT training, fitness studio, facilities for Asian weddings and conference hire.

#### **4.4 Victoria Road East Extension**

4.4.1 The Victoria Road East Extension (VREE) is a major road associated with the development of land in the Hamilton area of the City. The road along with the Lewisher Road Link (LRL), is to be funded by the landowners in the area which includes the City Council. There was originally £1.77m for the VREE and £0.3m for the LRL in the capital programme but this provision will need to be increased by £800k to meet higher construction costs and higher than anticipated contributions towards the LRL than when the programme was originally set. However land values have also increased by over £1million over the same period, which will be of benefit to future capital programmes.

4.5 When Cabinet approved the Transport capital programme on 25 March 2002, a significant amount of "overprogramming" was included in order to ensure that full spend was achieved against the available Basic Credit Approval (BCA) in 2002/03. This was done in order to ensure that all BCA was utilised in 2002/03: any underspend may have resulted in the Council losing resources. The position has been carefully monitored throughout the year. It is now estimated that the transport capital programme will overspend against available transport resources in 2002/03 by up to £665,000 as a result of the "overprogramming". It is therefore recommended that £665,000 of "corporate" resources are used to temporarily fund the overspend and that this is repaid from transport "service" capital resources in 2003/04. This cashflow issue can be managed within available resources and has no impact on the corporate programme.

#### **5. Reserve Schemes**

5.1 A number of good schemes (as assessed by the prioritisation process) could not be afforded within resources available when the original programme was approved. These schemes were held as reserve schemes dependent upon further resources being identified. It was anticipated that additional resources would be generated from the sale of land at Bursom, as a result of building a new sub-station on the site. It is expected that additional receipts from Bursom will be achieved, although the precise timing is uncertain.

#### **6. Contingency for Further Pressures**

- 6.1 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, assuming Cabinet approves additional spending on VREE and the Peepul Centre, amounts to £0.9 m.

## 7. Financial Implications

- 7.1 This report is exclusively concerned with financial issues.

## 8. Legal Implications

- 8.1 There are no specific legal implications arising from this report.

## 9. Other Implications

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

## 10. Background Papers – Local Government Act 1972

- 10.1 Council 30/1/02 – Corporate capital programme 2002/03 to 2004/05  
Cabinet 27/7/02 – Capital Strategy 2002/03 to 2004/05

## 11. Consultations

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

## 12. Report Author

Graham Feek  
Financial Strategy Manager

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


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**Background**

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****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.

Appendix 1 cross-references the current programme to these priorities.

**1.2 Community Plan****1.2.1** The Community Plan was developed by the 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

**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’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.

1.3.2 The Council has a procurement strategy that helps the authority secure value for money through all forms of procurement, including capital investment. The strategy contains a procurement 'toolkit' which provides practical steps to assist in determining the best procurement option. The 'toolkit' draws upon the recommendations from the Egan report.

#### 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. All the Council's services are fundamentally reviewed over a 5-year period. There are a number of capital schemes in the current programme as a consequence of a Best Value review, including:-

- Customer Services Centre
- New Parks customer services centre
- Children's Homes
- St Matthews Library (SRB funded)

## 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 ICT 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 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.

## 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	Probation Service
Crime & Disorder Partnership	Leic Shire Economic Partnership	Leicester Environment P'ship
Cultural Strategy Partnership	Leicester Promotions	Tenant and Resident Assoc
De Montfort University	Leicester Regeneration Agency	University of Leicester
Diversity & Equalities Partnership	Leicester Schools	Voluntary Action Leicester
Education Partnership Board	Leicester Racial Equality Council	Voluntary Sector
Environ	Leicestershire Constabulary	

3.2 Examples of some capital schemes being developed with these partnerships include:-

- Braunstone Community Association – joint health and social services centre
- Crime & Disorder Partnership – CCTV
- Leic'shire Chamber of Commerce (and others) – Textile Resources Centre
- Primary Care Trusts – NHSLift (see below)

3.3 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. For example, the New Parks Customer Services Centre is jointly funded by council & NRF resources. The Council also submits a Joint Local Transport Plan with Leicestershire County Council for central Leicestershire.

3.4 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.

3.5 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 Centre (NSC) and surrounding area.

3.6 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)

3.7 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 spending which will be taken into account when the capital strategy is rolled forward. Where performance management information has identified poor performance it has led to capital investment requirements coming forward. For example we are now in the process of procuring new systems for payroll and local tax to improve performance.

#### 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.

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.

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 NHS Lift initiative.

- 4.3 There are 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, and to provide further resources for corporate priorities. The policies outlined in this document, for example the prioritisation framework, demonstrate how cross cutting issues are taken account of in capital strategy.
- 4.5 For example, the NSC to which the Council contributed towards the match funding required has proved to be a catalyst for further investment which will deliver a number of cross-cutting outcomes such as jobs and the regeneration of the wider area.
- 4.6 The Council has a Local Public Service Agreement with the Government. Whilst at present this does not directly affect capital spending, consideration will be given through the capital strategy to the potential use of the capital element of the Performance Reward Grant in due course.

## 5. Approach to Prioritising Investment

5.1 The Council set its corporate capital programme (resources that the Council can spend at its discretion) for 2002/03 to 2004/05 in January 2002. The programme was, and future programmes will be, established through the use of the prioritisation system outlined in the July 2001 submission. The additional flexibility of Single Capital Pot enabled the Council to agree a programme that delivers its corporate capital priorities.

5.1.1 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 and given a weighting. For example, the public placed a high priority on things to do for youths; the programme includes provision for new kick-about areas and improvements to playgrounds.

## 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 2 to 4 provide evidence of the approach adopted.
- Appendix 2 identifies all schemes that proceeded to stage 2 of the assessment and their relative ranking according to the prioritisation.
  - Appendix 3 gives an example of the scoring for one particular scheme.
  - Appendix 4 shows the NPV of the example scheme.
- 5.6.3 Since 1998/99 the Council has operated an internal capital payback fund which provides capital support for VFM schemes where the capital investment generates ongoing revenue savings. These revenue savings are used to replenish the fund to allow future investment. Schemes such as on street parking meters, energy saving equipment and new fitness studio equipment have been funded in the past.

## 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. For example, the replacement library computer system (Appendix 3) was funded by a variety of sources, including revenue which was planned for and prioritised within the department's 3-year 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).

## 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 project through PFI which will deliver £32m of capital investment and involve collection, treatment and disposal of municipal waste. The scheme was determined after a thorough option appraisal which determined that PFI was the best method of getting the necessary investment into the service. 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 has effective capital and revenue monitoring procedures that are set out within the Council's Finance Procedure Rules (the relevant extract is shown at Appendix 5).
- 9.2 Corporate Directors are designated as being responsible for the effective management of capital schemes. Corporate 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. Monitoring through the Council's political management



structure is supported by an officer group, chaired by the Financial Strategy Manger who meet regularly to review progress.

- 9.4 Improvements in the capital monitoring process were introduced in 2001/02. All capital schemes have agreed milestones to aid monitoring of progress and each Director provides the CFO with an assurance statement regarding the status of their projects. These enhancements have resulted in spending performance improving compared to 2000/01, with slippage in spending reducing by 40%.
- 9.5 The formal reporting structure is also supplemented by further reporting of scheme progress, where appropriate, to specific stakeholders. For example, reporting of physical and spending progress of SRB schemes to partnership boards and similar arrangements for the A46/47 scheme with the Hamilton Partnership.
- 9.6 From 2002/03 the monitoring system will be enhanced further to ensure a systematic appraisal of scheme outcomes against the outcomes agreed at the outset of projects.
- 9.7 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. For example, the capital expenditure at St Matthews library (para 1.4.1) has resulted in usage increasing by 600%.
- 9.8 As well as monitoring specific capital schemes the Council, through the process of asset management planning, carries out benchmarking activities in relation to capital projects and property use. The Council already belongs to the OCTOPUS property group. This is providing useful benchmarking information on, amongst other things, property PIs and space utilisation, which provide useful information to aid property rationalisation and target general improvements to property and capital management. Overall the Council compares favourably on property indicators monitored through the group. Benchmarking of capital programme spending performance has also been carried out through the East Midlands Treasurers' Group.

## **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.
- 10.3 There has also been significant internal consultation in order to develop the strategy to ensure there is ownership at a corporate level. An internal officers group chaired by the Financial Strategy Manager and members' group chaired by the Leader of the Council were established in order to develop the strategy.

**30 July 2002**

## Capital Spending – Analysis by Corporate Priority

	2002/03 £000s	2003/04 £000s	2004/05 £000s
<b>1. Community Plan</b>			
<b>a) <u>Diversity</u></b>			
Places of worship	965		
Meynells Gorse Traveller's site	30		
<i>*Housing</i>			
Window & Door replacement programme	6,950		
Reroofing	1,200		
Renewing Kitchens & Bathrooms	1,550		
Disabled adaptations to Council dwellings	1,300		
Central Heating	3,000		
Other HRA schemes	5,204		
Renovation grants in renewal areas	1,800		
Disabled Localities Grants	1,300		
Other Housing General Fund schemes	1,985		
Disability Discrimination Act ramps	309	300	300
<b>Total Diversity</b>	<b>25,593</b>	<b>300</b>	<b>300</b>
<b>b) <u>Community Safety</u></b>			
Playground Improvements / Kickabout areas	100	100	100
<i>*Local Transport Plan</i>			
Local Safety schemes	341		
Safer routes to school	2,370		
Traffic calming	885		
Community Safety lighting	550		
<b>Total Community Safety</b>	<b>4,246</b>	<b>100</b>	<b>100</b>
<b>c) <u>Education</u></b>			
Education schemes (other than Secondary Review)	7,935	200	200
<b>Total Education</b>	<b>7,935</b>	<b>200</b>	<b>200</b>
<b>d) <u>Health / Social Care</u></b>			
Children's homes improvements	298		
Elderly Person's Homes	250	250	250
Learning disability / Family centres	200		
Minor works	100	100	100
<b>Total Health / Social Care</b>	<b>848</b>	<b>350</b>	<b>350</b>
<b>e) <u>Environment</u></b>			
Riverside	68	50	50
Local Environmental works	300	300	300
St George's conservation	65	50	50

*LTP Environment schemes	6,021		
Total Environment	<u>6,454</u>	<u>400</u>	<u>400</u>
<b>f) Jobs / Regeneration</b>			
*SRB programmes	3,939		
Sure Start	797		
Revitalising Neighbourhoods	100	100	100
Total Jobs / Regeneration	<u>4,836</u>	<u>100</u>	<u>100</u>
<b>2. Resources Strategies</b>			
Asset Management Plan	350	300	300
ICT infrastructure	100	150	150
Total Resources Strategies	<u>450</u>	<u>450</u>	<u>450</u>
<b>3. Best Value</b>			
Children's homes	100	100	100
**Customer services centre		350	
Total Best Value	<u>100</u>	<u>450</u>	<u>100</u>
<b>***4. Major City Schemes</b>			
I. Sport and Leisure Complex at Braunstone	2,000	1,900	
II. Redevelopment of the wider area around the National Space and Science Centre	5,089		
III. Completion of the Secondary Review	5,822	993	
IV. Cultural Quarter	2,646	1,800	1,100
V. (The Capital costs of the Integrated Waste Management Scheme of over PFI credits)			
Total Major Schemes	<u>15,557</u>	<u>4,693</u>	<u>1,100</u>
<i>Schemes Funded by Service Resources</i>			
Meeting priorities of appropriate funding bodies	8,140	733	400
Total Capital Programme	<u>74,159</u>	<u>7,776</u>	<u>3,500</u>

\* One year programme.

\*\* Reserve Scheme to be funded when financing identified.

\*\*\* City Council Resources.



<u>Scheme</u>	1	Tallis	(Library information system)	
<b><u>FINANCIAL ASSESSMENT</u></b>				
	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>	<u>TOTAL</u>
	£' 000	£' 000	£' 000	
- Cost	73	0	0	73
- Unacceptable risk (Y/N)	N			
- Revenue Affordability (Y/N)	Y			
	<u>Score</u>	<u>Weight</u>	<u>Weighted</u>	
	(1 - 10)		<u>Average</u>	
- NPV (opportunity cost)	10	3	30	
Additional funding secured	5	3	15	
- Risk assessment	8	2	16	
- Alternative funding available	7	2	14	
<b><u>QUALITATIVE ASSESSMENT</u></b>				
- 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	
		<b>30</b>	<b>191</b>	

	<u>Yr 1</u>	<u>Yr 2</u>	<u>Yr 3</u>	<u>Yr 4</u>	<u>Yr 5</u>	<u>Yr 6</u>	<u>Yr 7</u>	<u>Yr 8</u>	<u>Yr 9</u>	<u>Yr 10</u>
<b>cost</b>	73	0	0	0	0	0	0	0	0	0
<b>savings joint arrangement</b>	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)
<b>cost of manual system</b>	(100)	(50)	(60)	(70)	(80)	(90)	(100)	(110)	(120)	(130)
<b>discount factor</b>	1	0.943	0.890	0.840	0.792	0.747	0.705	0.665	0.627	0.592
<b>NPV</b>	(77)	(94)	(98)	(101)	(103)	(105)	(106)	(106)	(107)	(107)

**(1003)**

73

**(13.7)**

### 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 the 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 The Council has submitted a summarised capital strategy, the Capital Strategy Statement (ESS) to the Government Office in July 2001 and July 2002, updating the previously agreed strategy. The 'Single Capital Pot' now distributes mainstream government resources to authorities. This document reflects the updated CSS approved by Cabinet on 15<sup>th</sup> July 2002 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 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 2002/03 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, although for the period of the current programme Housing Right to Buy and other housing receipts have been designated a "service 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 exercise which was subject to public consultation. 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. 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. George's area of the city.

#### 2. Education and Lifelong Learning

Maintaining and improving school buildings to ensure their fitness for purpose, and developing ICT 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 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.

8.3 Over the period 2002/03 to 2004/05 the Council has 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 Georges area of the city.

#### 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 The Local Government Bill will introduce a new system of capital controls, known as the 'Prudential Framework'. In future, authorities will no longer be told how much they can borrow by Government but will be free, within limits, to define their own level of borrowing based upon it being affordable to the authority.

9.3 The new system is expected to be introduced in 2004/05. Detailed guidance is on the system is not expected until the summer of 2003.

9.4 The main benefits of the new system are that "self-financing" capital schemes, such as those which generate a revenue saving or payback are likely to be much easier to fund in future. The scope to fund other "self-financing" schemes is unknown at present.

9.5 Appropriate borrowing levels will be determined through the Council's Revenue Budget Strategy. This will then inform what capital resources the Council has available to fund schemes.

9.5 In view of the large amount of uncertainty associated with this new system, the "Corporate" capital programme will not be rolled forward, at this point, to 2005/06. However, the following

describes the process followed to set the 2002/03 to 2004/05 "Corporate" capital programme. Rationing of "Service" resources is carried out by the relevant Corporate Director, through cabinet and the relevant scrutiny committee, as defined on Finance Procedure Rules.

- 9.7 The prioritisation of schemes to be funded from "corporate" resources seeks to identify projects which achieve the best balance between meeting corporate capital priorities and providing value for money.
- 9.8 The 2002/03 to 2004/05 Corporate programme was based on a 2-stage approach to prioritise schemes against available "corporate" resources. The first stage identified schemes that further the 3 main capital priorities for "corporate" resources or specifically met an agreed 'service' capital priority. Stage 2 involved a detailed financial and qualitative assessment to determine the overall value for money of schemes in order to inform the allocation of "corporate" resources.
- 9.9 Issues such as risk, leverage of external resources and opportunities for partnership solutions were also considered on the financial assessment.
- 9.10 The qualitative assessment included 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.
- 9.11 Cabinet made proposals to Council, with consultation taking place with appropriate Scrutiny Committees. The system was fully documented.
- 9.12 It is anticipated that future programmes will be developed using this established system.

## 10. Monitoring and Evaluation

- 10.1 Finance 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 and the CPA 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.