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**Capital Strategy
2003**

Introduction

1. The Capital Strategy sets out how the County Council's Capital programme is being directed towards the corporate priorities set out in the Medium Term Corporate Strategy. It has been approved by the Cabinet.

Medium Term Corporate Strategy

2. Our vision is to listen to the views of Leicestershire people and, by working with them, ensure they enjoy the quality of life which they expect; to live in a county which is safe, healthy, attractive and prosperous.
3. To achieve this vision we will:
 - Work with partners to deliver quality and responsive services.
 - Achieve excellence in education and learning.
 - Improve social care and support for vulnerable people.
 - Create a better transport system.
 - Rise to the challenge of waste.
 - Seek a safer County.
4. A series of statements of what we intend to achieve against these priorities have also been published in the Medium Term Corporate Strategy. The Capital Strategy identifies those priorities that will require capital investment.
5. The Medium Term Corporate Strategy takes account of the significant issues identified through the following:
 - **The Community Strategy.** This strategy has been produced by the Leicestershire Local Strategic Partnership (LLSP). The LLSP board comprises key partners and representatives of key partnerships including District LSP's. Examples of where this strategy has influenced the Corporate Strategy and Capital Strategy include the focus on; recycling of household waste, multi-agency arrangements for better access to services through new joint face to face access centres and better arrangements for receiving telephone calls and managing web sites.
 - **Best Value Reviews and other Service Reviews.** The Medium Term Strategy includes the main investment priorities identified through service reviews. The main reviews that have implications for capital investment are the Best Value Reviews

of Learning Disability Services, Highway Network Management and Special Education Needs.

- **Service Strategies.** The County Council has a number of other major strategic plans, service strategies and service plans. These have also been considered within the process of refining the Medium Term Corporate Strategy. These include the Local Transport Plan, Education Development Plans, Social Services Childrens Services plan and Community Care Plan.
- **Central Government Priorities.** These are reflected within the Corporate priorities through a variety of means including a response to Government legislation such as waste and a response to bidding guidelines for funding e.g. Electronic Government. In addition in 2003 a Public Service Agreement with Central Government was signed. This sets out a series of targets that the County Council has agreed to achieve. Two of these, recycling and road safety, require capital expenditure and were approved in the 2003/4 to 2005/6 Capital Programme.
- **Views of the people of Leicestershire.** All the plans and strategies referred to above have been subject to widespread public consultation. For some service specific plans this consultation may have been directed at those groups with a specific interest in the issues being consulted upon. For example in drawing up the Best Value Review of Learning Disabilities service users, staff, Leicestershire Learning Disability Partnership Board and partner agencies such as primary care trusts and district councils were consulted. A general consultation has taken place developing the Community Strategy. This has involved seeking the views of stakeholder organisations such as the Health Service and Police Authority as well as establishing focus groups of Leicestershire residents, including 'hard to reach' groups such as young people. Their views have been taken on board in drawing up the Community Strategy.

Asset Management

6. The Corporate Asset Management Plan (AMP) and the Education AMP are taken account of in determining investment priorities. The process of reviewing the condition, suitability and sufficiency of the Council's premises will by its very nature highlight those areas where capital investment is required.

7. Core Asset Management information together with input from service departments, principally through Occupation Agreements and the objectives set for Property Services in conjunction with service departments, have helped in identifying those buildings which require investment. As a consequence there is a direct link into the capital planning process.
8. The key objective of the Education AMP is to develop a high quality plan that secures maximum external funding, allocated on a priority basis, to help deliver national and local priorities premised on raising educational attainment.

Capital Strategy Priorities

9. The main focus of capital investment over the medium term has emerged from the process of determining the medium term corporate priorities of the Authority as set out above. They also take account of service plans such as the Local Transport Plan and importantly take account of the Asset Management Planning Process, both Corporate and Education. The main focus of capital investment over the medium term is expected to be:

Cross cutting

- Better access to better services.
- Work towards the Governments e-government target.

Education and Learning

- Increase academic achievement to top quartile at all four key stages.
- Replace five secondary schools.
- Address issues identified by OFSTED inspection in relation to special educational needs strategy.
- Move towards common admission date.
- Increase use of ICT to transform teaching and learning.
- Improve access to and quality of Libraries.
- Replace temporary accommodation

Health and Care

- Improve the learning disability service.

Waste

- Improve Recycling and Household Waste Sites to increase recycling and composting to meet national strategic targets.
- Provision of appropriate infrastructure to implement the Household Waste Strategy and move to a more sustainable system of Waste Management in future.

Transport

- Improve highway services through halting the deterioration in the condition of main roads and remove the backlog of worn out carriageway.
 - Reduce road casualties.
10. Although only two cross cutting priorities have been identified some projects will clearly impact on more than one corporate priority. Cross cutting approaches have been developed for these projects that involve not only corporate working within the Authority but working with external partner organisations. The Better Access to Better Services initiative is a good example of a cross cutting issue that involves external partners. The benefits are beginning to materialise. This includes the new Fleckney multi-agency centre.

Funding Sources

11. In previous years the vast majority of the Capital Programme has been financed from earmarked resources from central government. These resources have been targeted at specific services, principally education and transport. The level of complete discretion the County Council has in determining its capital priorities has been limited to projects funded from capital receipts, the discretionary element of the single capital pot and non education and transport credit approvals.
12. The planned introduction of the prudential capital regime in 2004/5 will fundamentally change the way in which the capital investment decisions are taken. Under the new regime the County Council will be free to borrow to fund capital projects on condition that the level of capital investment proposed is prudent, sustainable and affordable.
13. The new prudential system puts the onus on the Authority to think more strategically about the role of capital finance. It will be necessary to consider both capital and revenue decisions together. The key will be forward planning to determine the

affordability of proposals. The Council plans to approve a medium term financial plan that will set out in more detail both the capital and revenue expenditure plans of the Authority for the next three years.

14. The County Council, wherever possible, seeks to access funding from other sources for capital projects. In recent years it has been successful in obtaining capital monies through the Local Transport Plans, Lottery Grants, Education Targeted Capital, Single Regeneration Budget, European Union Grants such as ERDF and contributions from developers. We will continue to actively seek third party contributions for investment priorities.
15. The County Council has considered the appropriateness of public private partnerships, including the Private Finance Initiatives (PFI) for projects in recent years. These include Libraries and Waste. Currently projects under consideration are the replacement of five system built schools and street lighting. These projects are at an early stage in the evolution process, discussions are taking place with the 4Ps, the Government funded organisation set up to provide advice to local authorities on PFI's. Given the earmarked Central Government funds available, particularly for education projects, PFI will continue to be considered for all large scale capital projects. The DfES is currently consulting on a national proposal to replace/refurbish all secondary schools through a process similar to PFI.

Prioritisation of Resources

16. The County Council will continue to bid for earmarked resources, particularly in the context of the Medium Term Corporate Strategy and Capital Strategy. Corporate guidelines have been developed to regulate the bidding process. The availability of external grants should not determine investment priorities.
17. Resources earmarked by Central Government for specific purposes, principally Education and Transport, will continue to be prioritised through government determined mechanisms. For Education this is the Education Asset Management Plan and other resource 'pots'. Transportation resources will continue to be allocated through the Local Transport Planning process.

18. **The Capital Programmes Group** is the Corporate Officer Group that considers all Capital issues. This group has developed our appraisal system to prioritise discretionary capital investment that considers the impact of the following factors:

- Achievement of Medium Term Corporate Strategy objectives.
 - Meeting legal requirements e.g. Health and Safety and Contractual Commitments.
 - Other service objectives.
 - The cost of the scheme and the degree to which other funding sources are accessed.
 - The risks associated with the scheme.
 - The ongoing revenue cost or savings associated with the scheme.
19. The overall score generated by each project informs the projects put forward for inclusion into the Capital Programme. The Capital Programme is ultimately recommended by Cabinet, following consideration by Scrutiny, for approval by the County Council.
 20. In 2004/5, assuming the prudential code is introduced, the prioritisation system will be developed so that capital and revenue growth requirements can be considered at the same time. The key factors that will influence priority will be those set out above.

Partnership Working

21. The County Council will continue to work with its partners to develop and improve its services. Partnerships are fundamental in both determining investment priorities through consultation and as a vehicle to deliver better services. This is reflected in the two key strategic documents; the Medium Term Corporate Strategy and Community Strategy.
22. Examples of partnership working where capital expenditure is, or has been, a major factor include:
 - Partnership with Leicestershire District Councils is essential in delivering the outcomes within the Household Waste Management Strategy, including the Public Service Agreement.
 - The Leicester-Shire e-Government Partnership of District Councils and the County is responsible for improving the electronic delivery of services.

- Partnership between the Health Service, Shelthorpe School, Social Services and Voluntary Organisations to construct and operate an early excellence centre. This centre will provide a wide range of education, health and social services in one of the most deprived wards in Leicestershire.
 - Partnership with a Further Education College, New Leaf housing association, voluntary sector and a District Council to provide modern facilities for people with learning difficulties. This is an outcome of the Best Value review.
 - Partnership with developers through section 106 agreements has enabled private sector capital to be used for public sector assets, particularly schools and highways.
23. The County Council has been recognised nationally for its partnership working. The partners behind the Conkers Discovery Centre and Ashby Canal, which includes the County Council, recently won the English Partnership award for the best regeneration project involving a partnership between the public, private and community sectors.

Procurement Strategy

24. A procurement strategy is being developed that aims to ensure that:
- All procurement activity reflects corporate objectives.
 - Best practice is followed.
 - A more strategic approach is adopted.
 - Value for money is achieved.
25. In terms of capital procurement, examples of innovation in respect of Egan/Rethinking Construction include:
- A major extension has been constructed at one school and a second is underway. Both schemes were procured through a design competition supported by a management fee and guaranteed maximum price. The quality of designs were very good and the completed scheme was finished on time, within budget with minimal defects. Customer satisfaction was very high and the process was well received by the DfES Regional Architect.
 - An innovative partnership approach was employed for the construction of the Ashby bypass. This involved setting a 'target' price for

the scheme. An open book approach was adopted whereby the County Council could inspect the financial records of the contractor to verify variations to the target price. The Council and the contractor agreed to share the variations with the target price.

- A Strategic Partnering Alliance has been agreed with a major national contractor to deliver two education projects. It is anticipated delivery of the project will be improved through performance indicators that will include predictability on time/cost, customer satisfaction, health and safety, profitability/cost, defects and energy/water usage.
- Term contracts for programmed maintenance with contractors for tarmacadam, fencing, windows and mobile replacement have resulted in predictability on time, cost and quality with improved customer satisfaction. It has also substantially improved the efficiency of the in-house team through the reduction in time and resources needed to prepare documentation.

Performance Measurement and Monitoring

26. The County Council recognises the importance of performance monitoring and has a variety of mechanisms in place to ensure that capital investment is appropriately controlled and evaluated.
- (i) Officers monitor physical progress regularly, usually monthly, and there is a system of exception reports to clients and members where problems occur.
 - (ii) Financial progress is reported to Cabinet and Scrutiny three times a year. The frequency of reporting will increase once the new Education Capital Monitoring System beds in. In addition clients receive regular financial monitoring reports for individual projects.
 - (iii) The system for evaluating the contribution the capital project has made to service outcomes is, for the vast majority of the programme, well developed. On completion Education Schemes, set out in the Education Asset Management Plan, are evaluated against pre determined targets. These can range from the improvement of Educational attainment to the removal of surplus places. The results are communicated to stakeholders, principally the schools, the LEA and

Central Government through the asset management planning process. An example of the type of evaluation undertaken is the post completion review of two science laboratories. The evaluation covered the procurement process, build quality and learning outcomes. The results have been included in subsequent specifications.

Transportation schemes performance is measured in three ways; expenditure against budget is monitored monthly for project managers, outputs are recorded for example km of bus lanes built and outcomes are also monitored. These are monitored against local and national targets and include indicators such as the number of deaths and serious injuries on Leicestershire roads. This information is published in the Transportation Annual Progress Report and is widely distributed to a variety of partner organisations.

Other projects are evaluated in relation to service outcomes. This includes monitoring performance against outcomes as set out in the Medium Term Corporate Strategy. For example the contribution capital investment will make to recycling will be measured via the monitoring of Public Service Agreement targets. The performance will be communicated to stakeholders, including District Councils and Cabinet.

The County Council's strong record on achieving outcomes is in part due to effective performance monitoring. This was recognised in 2001 when the County won the prestigious Royal Town Planning Institute's National Award for Planning Achievement for the regeneration of the Ashby Woulds area. The judges stated that the cross cutting scheme achieved 'dramatic improvements to the environment, image and economy of the area'. These include reclamation of 90 hectares of derelict land, allocation of 10 hectares of new employment land, planting of 250,000 new trees, new visitors attraction, new housing and a new stretch of canal.

- (iv) Post contract appraisal of completed projects is carried out to provide feedback on the success or otherwise of the design solution, procurement process and customer satisfaction levels.
- (v) Projects part or fully funded by external capital grant are monitored in accordance with the funding conditions of the funding body. This generally includes monitoring both expenditure and service outcomes.

- 27. Benchmarking is routinely used as part of performance management. This can range from benchmarking energy use per square metre to outcomes such as recycling rates per household. The benchmarking of water usage within County Hall is an example of where the process led to a positive outcome as the high consumption was rectified by the replacement of the water mains. Service outcomes are also regularly benchmarked through the Best Value process.
- 28. An example where benchmarking has resulted in stretching targets being set that will improve service delivery is the target to reduce the number of people killed or seriously injured on County and trunk roads by 2005. The target that is included within the public service agreement was set taking account of both prior year performance and the performance of the 'best' local authorities. The achievement of this target will require capital expenditure over the next two years on areas such as junction improvement and traffic calming.

Summary

- 29. The County Council aims to manage the capital programme effectively so as to ensure that the people of Leicestershire achieve the maximum benefit from capital investment.
- 30. The extent to which progress will be made against the priorities set out in the Capital Strategy will ultimately depend on affordability. The availability of capital grants, notional credit approval and other sources of finance will be critical, although in this respect the introduction of the prudential system will introduce more flexibility.

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