



## ***Managing Capital as a Resource for the City***

# CAPITAL STRATEGY

## *Asset Management Group*

*JULY 2002*



### 1. The Capital Strategy Objectives

1.1 The objectives of the Capital Strategy are to:

- set out the corporate objectives that will determine the Council's priorities and approach to capital investment in support of City Vision.
- inform the bidding for capital resources
- ensure that capital resources contribute to the achievement of the Council's corporate objectives
- pull together and determine the strategic capital priorities emerging from service unit business planning and ensure opportunity for crosscutting and joined up investment is maximised
- manage performance management and decision-making procedures that will help achieve the best use of capital resources.
- monitor the capital spending on projects and schemes, ensuring that the City's money is spent wisely

1.2 The Capital Strategy is considered and developed by the Asset Management Officer Group, consisting of senior officers from corporate services including Finance, Property, Economic Development and Corporate Policy. Corporate Management Team then finalises it at the same time as the Asset Management Plan before recommending it to Members of the Executive, Overview and Scrutiny Committee and full Council.

### 2. Carlisle City Council Services

2.1 The main service priorities during 2002/2003 are: Planning and Economic Development; Recreation and Tourism; Environmental Health; Refuse Collection/Street Cleaning; Housing and Central Services. The estimated Gross expenditure on these services is £62million. Of this, £18.5m is met from Grants and Receipts, £29.2m from fees and charges (which includes £3.8m of property income), and £1.1m from the Council's Reserves, leaving a net budget requirement to be financed from Council Tax of £5.1m and Government Grants of £8.1m. The Council will employ approximately 964 (full time equivalent) staff.

### 3. Community Planning and Consultation

3.1 The Capital Strategy contributes to the delivery of the City's community plan ***Carlisle City Vision*** through the ***Corporate and Best Value Plan 2002-2005***.

3.2 The Carlisle City Vision Partnership first met in October 2000 to develop a community plan for Carlisle. It has received national recognition from Local Government Minister Nick Raynsford in 2002 for its comprehensive community consultation and engagement process. It feeds into the broader Carlisle and Eden District Local Strategic Partnership, which is currently focussed upon the economic recovery of the area following the 2001 Foot and Mouth crisis.

### 3.3 The City Vision, which was published in March 2002, identifies five themes:

- Communities
- Economic Prosperity
- Health and Well Being
- Infrastructure, Environment and Transport
- Celebrating Carlisle

3.4 Each theme has a number of priorities for action that will be delivered by the multi-agency City Vision Partnership. The Council's contribution to delivering these priorities is detailed in its own Corporate Plan 2002-2005, which was published in June 2002. The objectives in the corporate plan are divided into two sections, council quality of life objectives (those related to delivering the community plan) and council management objectives (those related to how effectively the council is managed).

### 4. Capital Strategy priorities for the next three years

4.1 From City Vision, the Council's corporate plan has informed the development of the Capital Strategy by identifying potential future key capital projects. In turn, the Asset Management Plan, is driving the better use of assets to deliver services to the community and in identifying opportunities for capital receipts and partnership working to maximise outcomes from the capital programme. Examples of future capital schemes in the Corporate Plan, to be considered through the Capital Strategy are:

CITY VISION THEME	CORPORATE PLAN OBJECTIVES	POTENTIAL CAPITAL STRATEGY PRIORITY
Communities Objectives	CO 1 Encourage community participation and inclusion.	Review the accommodation for the shopmobility scheme.
	CO 2 Reduce crime and the fear of crime within our communities.	Pursue funding to install CCTV at all Neighbourhood shopping parades.
	CO 3 Tackle poverty & deprivation by ensuring regeneration is focused in areas of greatest need.	Raffles SRB. Target unfit private properties on an area basis (using the newly completed Housing Condition Survey).
Economic Prosperity Objectives	EP 1 In partnership, develop, support and modernise the local economy.	Establish an asset investment fund for economic assets
Health & Well Being Objectives	HW 1 Promote healthy living & lifestyles.	Improve provision of recreational pitches including football, cricket and rugby pitches  Provide and continuously improve Playgrounds  Invest in improvement to facilities for mourners at the crematorium.
Infrastructure Environment & Transport Objectives	IET 1 Promote and maintain a sustainable environment.	To increase recycling rates to meet the government's targets in the waste Strategy 2000
	IET 2 Promote good access and transportation in and around the City area	Improve the cycle path network in Carlisle.
Celebrating	CC 2 Have cultural and educational	Review in Partnership the creation of a

Carlisle Objectives	facilities of a high standard.	dedicated theatre and art facility in the Carlisle area.
		Improve the Sheepmount to provide a regionally important facility for athletics football and other outdoor sports.

5. Council Management Objectives

5.1 The Council has agreed 8 new management objectives. In relation to the Capital Strategy, it states:

- CM 7 To effectively manage our resources strategically through 3 year financial planning
  - Change the financial ledger to provide more flexible financial information.
  - Instigate capital investment to ensure the sustainability of assets for both the Council and Stakeholders.
  - Raise Capital Receipts to support the Capital Strategy

6. Best Value

6.1 The Corporate Plan is annually updated to incorporate the Best Value Performance Plan (BVPP). The BVPP uses these corporate objectives as the basis for priority setting and performance management. Best Value Fundamental Performance Reviews are organised on a thematic basis and the outcomes recommend capital needs for the Capital Strategy to address.

7. Partnership Working

7.1 The Council's capital and asset value contributions are used to pump prime other sources of funding to achieve maximum impact. Recent examples are:

- Housing Stock Transfer. The Council has selected Riverside Housing Association to be its partner for the potential transfer of 7200 houses, which will result in £43m of reinvestment in the Housing Stock in the first five years. The tenants' vote will be on 26<sup>th</sup> July 2002.
- Leisuretime. The Council is externalising the assets of the Sands Leisure Centre, City Pools and Outdoor Recreation facilities to a company. This will provide capital investment in the facilities, as recommended in the Best Value Review of Leisuretime.
- Sheepmount. The Council is currently in Round 2 of the bid to Sport England to provide improved facilities at the outdoor athletics facility. If successful, the bid will bring £1.35m from Sports England, and will require £725,000 of investment from the City.
- Lanes Development. This award winning development is the City Council's main shopping centre and has achieved a further 11 retailers in 2002, enhancing capital value and rental income.
- Kingmoor Park Development. This multi-million pound project to develop the only regional strategic employment site north of Lancaster has seen £400,000 of City capital invested in a company partnership with the County, private sector and English Partnerships combined to European monies (KONVER).

8. Capital Programme 2002/03 to 2005/06

8.1 Council's approach to PPP/PFI and other external funding - Funding for Capital projects is sought from all sources including emphasis on the attraction of external and competitive funding regimes, considered by the Council's External Funding Officer, appointed in 2001. In respect of PFI, the Council is in partnership with the County Council regarding the proposed Carlisle Northern Development Route. As a sole enabler, the City has not as yet made use of PFI funding but it will be explored as part of the review of economic and other assets in 2003.

8.2 A summary of the funding of capital schemes is shown below:

Expenditure:	2002/3 Revised£	2003/4 Illustrative £	2004/5 Illustrative £	2005/6 Illustrative £
General Fund	1,707,000	1,272,000	300,000	300,000
HRA	7,156,000	0	0	0
Housing GF	994,000	475,000	400,000	400,000
Vehicle, Plant & Equip	1,023,000	955,000	632,000	391,000
	10,880,000	2,702,000	1,332,000	1,091,000
Funded By:				
Capital Receipts	2,516,000	338,000	200,000	200,000
HRA Major Rep Allowance	4,897,000	0	0	0
Disabled Facilities Grant	156,000	150,000	150,000	150,000
Loan	1,140,000	325,000	350,000	350,000
Revenue Contributions	543,000	0	0	0
Capital Projects Fund	1,212,000	0	0	0
Reserve Funds	1,023,000	955,000	632,000	391,000
Grants	327,000	0	0	0
Resources b/f	0	934,000	0	0
	11,814,000	2,702,000	1,332,000	1,091,000
Gross Revenue Budget	£62,000,000			
Net Revenue Budget	£14,300,000			

8.3 The programme is forecast to reduce over the next three years due to the proposed transfer of the Housing Stock, on which the bulk of the expenditure is spent. Capital receipts from Right to Buy Council House Sales, which currently funds a substantial proportion of the General Fund capital programme, will reduce. A surplus land disposal strategy, with a SMART target of achieving a minimum of £500,000 per year of new receipts, has recently been introduced through the Asset Management Officer Group to help bridge the gap.

9. Links to Other Relevant Strategies and Plans

9.1 The Capital Strategy is cross cutting. It impacts on every Service Plan and strategy of the Council. The Corporate Planning Framework, provides a mechanism for the prioritisation of investment, with its close links to the Housing Strategy, Economic Prosperity Strategy, Cultural Strategy, Asset Management Plan, and the Regeneration Strategy – the latter emerging from the Best

Value review on Regeneration. Each Service Plan for Business Units must include capital, revenue and property asset requirements, which are closely monitored by the Asset Management Group. The linkage can be shown as follows:



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## 10. Approach to Prioritisation of Investment

10.1 The Council's rolling three-year budget cycle starts early in each Municipal year and addresses the prioritisation of both its revenue budget and capital programme.

2. As part of the annual budget process, services, put forward capital bids arising from their strategy documents, service plans and Best Value reviews. A formal system of project appraisal to score and assess capital project applications against set criteria is now used to assess schemes for inclusion in the capital programme.

3. As part of the appraisal, a ranking score is accorded to each of the bids by the Asset Management Officer Group and reported to the Corporate Management Team. The scoring system is based on:

- Linkage to the Councils key corporate objectives and the City Vision
- Contractual and Legal commitments
- Financial Implications – including the availability of external funding/partnership working. Critical within the project appraisal process is the inclusion of both Capital and Revenue implications to identify entire scheme costs.

10.4 The objective of the ranking score is to assist the Council to assess the bids against the community's priorities in City Vision in relation to Council wide resources. Corporate Management Team includes their recommendations in a report on the total scheme bids, which is then considered by Portfolio Holders of the Executive as part of the budget process.

## 11. Monitoring and Evaluation

2. A project plan is established for each project. This is subject to regular monitoring against milestones by the Project Officer.
3. Then the Capital Programme is monitored and reviewed by the Asset Management Officer Group. Quarterly reports are made to the Corporate Management Team, the Executive and critically examined by the Council's Overview and Scrutiny Committees, which considers risk management issues.
4. Changes in budget positions, scheme costs and removal or inclusion of schemes is reported to the full Council for approval, together with any remedial action necessary.
5. The monitoring and control of capital schemes also reviews the effectiveness of completed schemes in achieving Council objectives and recommends where appropriate changes to procedures to improve delivery.

## 11. Performance Measurement and Innovation

11.1 The Council's corporate planning process, incorporating results and lessons from Best Value Reviews, is used to drive a system of local performance indicators to monitor the effectiveness of service delivery and capital utilisation. The Office of the Deputy Prime Minister (ODPM) series of Performance Indicators contributes towards monitoring of assets to identify targets for additional investment.

11.2 Each capital project incorporates measures for monitoring. This methodology, along with the utilisation of the ODPM indicator 5 for capital projects, provides the framework for planning and ongoing necessary improvements.

3. In relation to Asset Management a series of 15 indicators have been formulated. In particular,

- 5 ODPM indicators, include the monitoring of capital expenditure through what is known as the Egan indices.
- There is a SMART target for the achievement of capital receipts. Further details about the Council's corporate approach and evidence of plan development and implementation is outlined in the Council's Asset Management Plan.