

AGENDA MANAGEMENT SHEET

Name of Committee	Cabinet
Date of Committee	21 July 2005
Report Title	Corporate Capital Strategy
Summary	The Cabinet is asked to approve the Capital Strategy that accompanies the report.
For further information please contact:	Virginia Rennie Group Accountant Tel: 01926 412239 virginia.rennie@warwickshire.gov.uk
Would the recommended decision be contrary to the Budget and Policy Framework?	No.
Background papers	None

CONSULTATION ALREADY UNDERTAKEN:-

Details to be specified

Other Committees	<input type="checkbox"/>
Local Member(s)	<input type="checkbox"/>
Other Elected Members	<input checked="" type="checkbox"/>	Cllr Naylor – “noted”, Cllr Booth – “noted”
Cabinet Member	<input checked="" type="checkbox"/>	Cllr Cockburn
Chief Executive	<input type="checkbox"/>
Legal	<input checked="" type="checkbox"/>	David Carter – report cleared for circulation
Finance	<input checked="" type="checkbox"/>	David Clarke - reporting officer
Other Chief Officers	<input checked="" type="checkbox"/>	The report has been considered by both the Corporate Capital Group and COMT
District Councils	<input type="checkbox"/>
Health Authority	<input type="checkbox"/>
Police	<input type="checkbox"/>
Other Bodies/Individuals	<input type="checkbox"/>

FINAL DECISION YES

SUGGESTED NEXT STEPS:

Details to be specified

- | | | |
|--|--------------------------|-------|
| Further consideration by
this Committee | <input type="checkbox"/> | |
| To Council | <input type="checkbox"/> | |
| To Cabinet | <input type="checkbox"/> | |
| To an O & S Committee | <input type="checkbox"/> | |
| To an Area Committee | <input type="checkbox"/> | |
| Further Consultation | <input type="checkbox"/> | |

Agenda No

Cabinet - 21 July 2005

Corporate Capital Strategy

Report of the County Treasurer

Recommendation

That the Capital Strategy, which accompanies this report, be approved.

1 Background

- 1.1 The Capital Strategy is an integral part of the annual budget setting process and provides a strategic basis for the authority's decisions on capital investment. It is a long-term plan to provide the infrastructure to meet the Council's objectives. The strategy shows how the authority is prioritising, targeting and measuring the performance of the capital programme.
- 1.2 The Capital Strategy has been considered by both the Corporate Capital Group and Chief Officers Management Team. Their comments have been included in the draft capital strategy that is before the Cabinet today for their comment and approval. The Strategy is attached for Cabinet Members. The document may be viewed on the Committee Administration System and on the Warwickshire Web.
- 1.3 If approved the strategy will provide a strategic framework within which departments can prepare their development bids for 2006/2007 to 2008/2009 over the next few months. If the 2006/2007 budget process shown elsewhere on today's agenda is agreed the resulting capital development proposals will come back to members for scrutiny in the autumn before the 2006/2007 budget is approved in February 2006.
- 1.4 Cabinet is asked to approve the Capital Strategy attached to this report.

DAVE CLARKE
County Treasurer

Shire Hall
Warwick
23 June 2005

Warwickshire County Council

Draft Capital Strategy

“Investing in our vision – “to make Warwickshire the best place to live and work”

July 2005

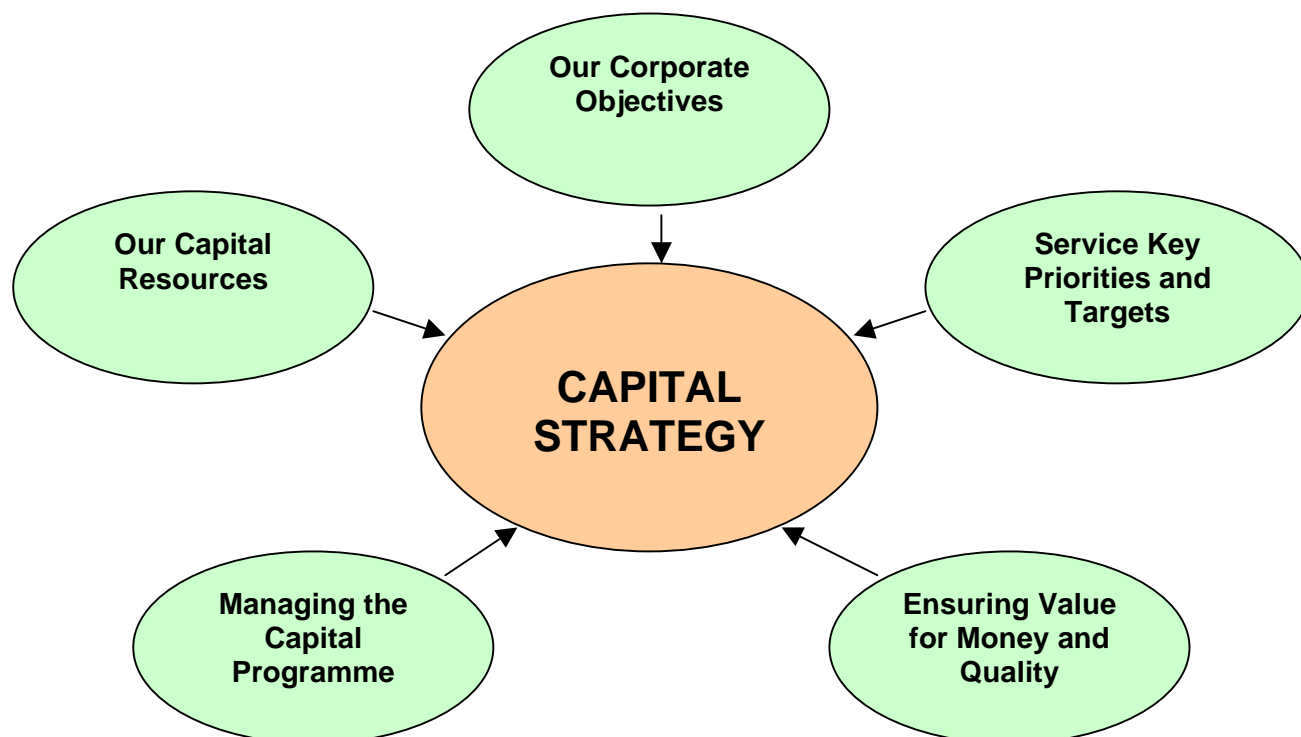
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Executive Summary

We have over many years invested in assets that have a lasting value, for example land, roads, buildings and large items of equipment such as vehicles. Such investment is called capital spending. Each year we need to spend more money to ensure our existing assets are still suitable for use in the provision of services and to invest in new assets to meet our changing needs and requirements.

Our Capital Strategy sets out a framework of how we aim to use our capital resources to invest in assets with a lasting value, ensuring all investment decisions maximise the benefits to the people of Warwickshire. It covers the five key themes shown in the diagram below.



Section 3: Our Corporate Objectives

We have six corporate objectives:

- Promote lifelong learning and personal development
- Promote the health and welfare of our citizens
- Improve the environment
- Reduce crime and improve the safety of the community
- Develop and maintain a vibrant local economy that promotes employment and prosperity for all
- Ensure sound governance of the County Council to provide accessible, responsive and well-managed services.

It is investment to deliver these objectives that forms the basis of the priority allocation of corporate resources. We aim to deliver these objectives in partnership with stakeholders wherever possible. Indeed this approach continues to be our preferred method of delivering capital investment.

Section 4: Our Capital Resources

The level of planned capital investment is partially determined by the level of resources available.

- All departments are encouraged to look for external funding prior to bidding for corporate resources.
- We continuously monitor and review our property portfolio to ensure we make the best use of the capital value tied up on those assets, taking decisions on the disposal of assets where and when it is in our best interest to do so.
- We borrow money for investing based on a set of principles called prudential guidelines. These include an assessment of affordability, efficiency, sustainability and investment returns. Our prudential guidelines are continuously monitored and agreed annually as part of the Treasury Management Strategy.
- Departments can use their own resources for day-to-day spending to directly fund capital investment. We also encourage investment that will result in savings or generate additional income in the future.

Section 5: Service Key Priorities and Targets

At a service level the key priorities for capital investment incorporate the priorities of our partner agencies (especially central government) as well as delivering our corporate objectives. This is because compared to the resources provided/directed by government or third parties the level of resources that is affordable, and we have complete discretion over, is small.

Our service priorities are also outlined in more detail in a number of linked plans such as the Local Transport Plan, the Implementing e-Government Statement, the Local Education Plan and the Corporate Asset Management Plan.

Section 6: Managing the Capital Programme

Our capital strategy is an integrated part of the overall processes for financial and service planning. In making investment decisions documented processes ensure we obtain maximum value and benefit. These processes cover:

- Bidding for external resources
- The development of project appraisals
- The corporate bidding process and appraisal of projects
- Managing the bidding process and constructing the capital programme
- Risk management, and
- The performance management, monitoring and review framework

Section 7: Value for Money and Quality

Over and above our procedures for the effective management of the capital programme we operate a number of key policies and processes to ensure our assets and any new capital investment provides value for money and is of the appropriate quality. We do this through:

- The use of asset management plans for schools, other properties, highways and bridges.
- Financial targets for commercial property.
- The corporate procurement strategy and the use of Prince2 project management methodology, and
- The use of performance indicators and benchmarking.

Section 1: What is the Capital Strategy?

The Capital Strategy is a document that sets out how we aim to use capital resources to achieve our vision of “Making Warwickshire the Best Place to Live and Work” and deliver our corporate objectives.

To do this it sets out:

- How the Capital Strategy fits into our overall corporate and strategic planning for investment in services throughout the county.
- The key priorities and targets for capital investment in the future.
- An overview of how capital investment is planned and controlled within our corporate planning and performance management framework.
- How we ensure value for money and quality from our capital investment.

This document is intended to be used by stakeholders to show how we make decisions on capital investment in services and how this links to their interest and relationship with us. It can be used by:

- **Cabinet and Council** - to decide on capital investment policy within the overall medium term financial plan and communicate this effectively to all stakeholders.
- **Service managers** – to improve their understanding of our capital investment priorities and assist them in bidding to win the allocation of capital resources, and to confirm their role in the management and monitoring arrangements.
- **Councillors** – to improve their understanding of the need for capital investment and help them scrutinise policy and management.
- **Employees** – to assist in cascading our policy on capital investment priorities, bidding and decision-making arrangements so they have a better understanding of why and how capital spending is governed.
- **Residents and customers** – to communicate our policy and its impact on the provision of services.
- **Taxpayers** – to demonstrate how we seek to prudently steward capital resources and look after our capital assets.
- **Partners** – to share with them our vision and help co-ordinate and seek further opportunities for partnerships in Warwickshire.
- **Others who are concerned with public scrutiny** – to improve the openness and accountability of our decision-making.

Section 2: Context

Situated at the heart of England, Warwickshire covers an area of just under 200,000 hectares. Its central location provides has excellent road and rail links to London and elsewhere.

The population of Warwickshire is 519,000. It is a growing county and is expected to grow by 4,000 people a year over the next five years. The biggest rate of growth of any age group will be the very elderly – aged over 85 – where numbers are expected to grow by around 4.5% each year for the next five years. The overall number of children aged 5 to 14 is expected to decline by 2,700 (-4.2%) by 2011, but will grow at some locations. Over the same period, the numbers of 15 to 19 year-olds seems likely to increase by about 600 (1.9%).



There is not one dominant town. The towns with populations of over 20,000 are:

- Nuneaton (78,400)
- Rugby (61,400)
- Leamington Spa and Bedworth (both approximately 42,000)
- Warwick, Kenilworth and Stratford (all around 23,000)

There are also significant variations in population density. In Nuneaton and Bedworth there are 15.2 people per hectare, in comparison to only 1.3 in Stratford-On-Avon district. The average for England and Wales is 3.4 people per hectare.

Much of the county has a buoyant economy, but there are some relatively deprived declining industrial areas in the north. Much of Nuneaton and Bedworth lies within the Coventry-Nuneaton Regeneration Zone, a priority area for investment by the regional development agency, Advantage West Midlands.

Such demographic, social and economic change not only puts pressure on essential services, such as schools, roads, waste management and public transport facilities, but also puts into sharp relief the long term development of the County which is addressed in such plans as the Warwickshire Structure Plan and the Local Transport Plan.

Our gross and net planned revenue spending for 2005/2006 are £637.4 million and £493.4 million respectively. Our assets are worth £1.18 billion.

Our assets			
Buildings			
• Homes for elderly people	10	• Group homes and hostels	25
• Schools, including special schools	253	• Other social services properties	20
• Youth centres	23	• Smallholdings	61
• Other education properties	7	• Administrative buildings	36
• Libraries	24	• Housing	45
• Museums	4	• Other	45
• Waste disposal sites	8	Land (hectares)	2,424
• County parks and nature reserves	11	Roads (kilometres)	3,769
• Transport workshops and depots	5	Vehicles and equipment	432
• Fire stations	19		

With assets worth £1.18 billion, the need to finance new growth and financial constraints we haven't invested as much as we would have ideally liked to maintain our assets. We need to invest some £100 million in our schools assets to bring them up to the standard required. In addition the non-education and highway maintenance backlog totals some £61 million, giving a total maintenance backlog of some £161 million.

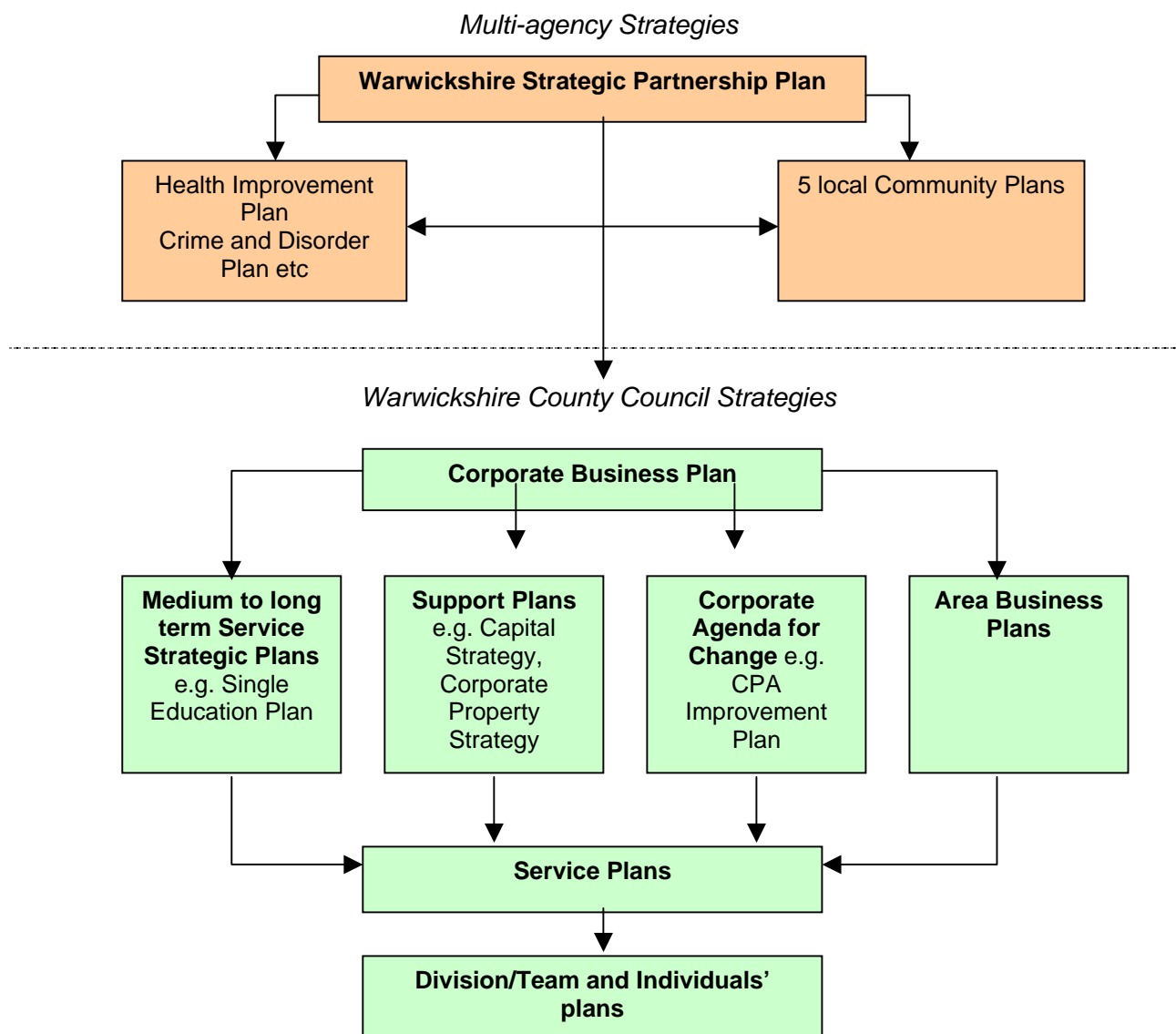
Section 3: Our Priorities

The Capital Strategy cannot be viewed in isolation. It influences and is influenced by many strategies and plans.

The Warwickshire Strategic Partnership Plan and corporate business plan are the key drivers. Other specific plans that focus on specific aspects of our work and link directly to the Capital Strategy are:

- Local Transport Plan – reviewed on a five year cycle
- Health Improvement Plan – through use of joint priorities
- Implementing E-Government Statement – capital investment in delivering the e-government agenda
- Corporate Asset Management Plan and Service Asset Management Plans – a rolling review of our property portfolio
- Regeneration Strategy and Local Agenda 21 – these are used to inform bidding for regeneration and appraising projects
- Treasury Management Strategy – ensuring all borrowing is prudent and affordable.

Diagram 3.1: Warwickshire's Plans

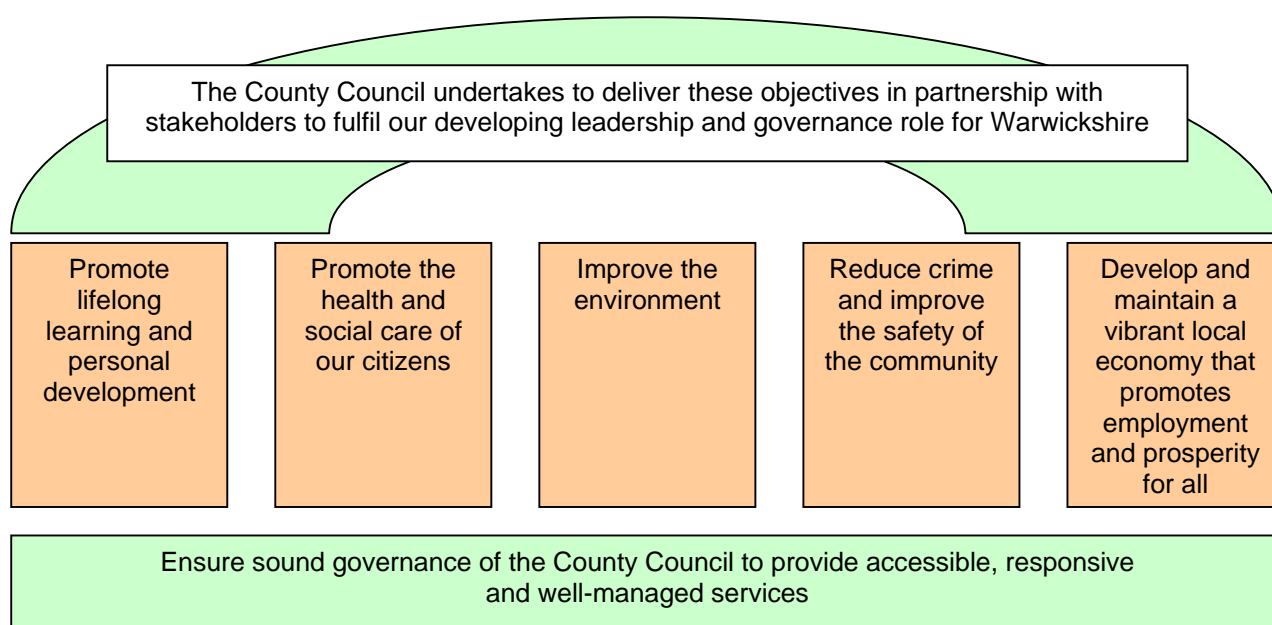


All the plans and strategies referred to above are subject to public consultation. For some service specific plans this consultation may be directed at those groups with a specific interest in the issues being consulted upon. The views of a wide range of stakeholders are taken on board when drawing up the Strategic Partnership Plan. This includes seeking the views of stakeholder organisations such as the Health Authority and Police Authority as well as established focus groups of Warwickshire residents including 'hard-to-reach' groups such as young people and the Warwickshire Panel (a survey of 1000 residents undertaken by MORI).

Our vision of making Warwickshire the best place to live and work is supported by our long-term aims; set out in our five corporate objectives describing what business we are in. The sound management of these five objectives is described by our sixth, underlying corporate objective.

Diagram 3.2 outlines the six corporate objectives. It is investment to deliver these objectives that forms the basis of the priority for allocation of capital resources. Appendix 1 outlines in more detail the medium term priority outcomes for each objective and how we believe investment will help us achieve these strategic priorities.

Diagram 3.2: Warwickshire's Corporate Objectives



Across these objectives when further prioritising we are committed to upholding four key principles:

- We aim to achieve improvement for all but with the fastest improvement for the most deprived
- We aim to ensure equality of opportunity for all
- We aim to be a customer focused organisation
- We aim for sustainability, by taking into account the needs of future generations in our planning.

We have for many years been working in partnership with other local authorities, agencies and partners in the delivery of capital investments and improved service delivery. This approach continues to be our preferred method of delivering capital investment.

We will continue to work with partners to develop and improve services. Partnerships are fundamental in both determining investment priorities through consultation and as a vehicle to deliver better services.

Section 4: Our Capital Resources

When assessing the level of planned capital investment to undertake we make a judgement about the level of capital resources, including capital receipts, that are likely to be available over the period of the programme.

Our main capital resources are:

- Service specific grants and third party contributions
- Capital receipts – these are generally a pooled corporate resource (except 2/3 of receipts from surplus land or property at a specific school site school which is allocated back to schools)
- Borrowing – the introduction of the prudential code from 1 April 2004 has enabled us, for the first time, to make judgements about the level of borrowing we can afford
- Revenue contributions/self-financing schemes

Service Specific Grants and Third Party Contributions

Bids for service specific resources such as grants and third party contributions are dealt with on a service-by-service basis and all Departments are encouraged to look for external funding prior to bidding for any corporate resources. We have a separate team within our Planning, Transport and Economic Strategy Department that has been established for a number of years to optimise our take-up of external funding.

Bidding for external resources depends on the service and awarding body. For example:

- Targeted Capital Fund – the DfES invite applications every two years for two projects up to £6 million each or a single project of up to £12 million. Assessment is based on the potential to improve educational standards. For 2006/7 and 2007/8 a single bid has been submitted of £12 million to contribute to the replacement of North Leamington School.
- Education Basic Need – This funding is now allocated by the DfES on the basis of a formula that takes into consideration surplus school places and housing growth. There is a facility for bidding for support of exceptional growth e.g. a new town.

Capital Receipts

Through the Asset Management Plan, and our corporate approach to the continuous monitoring and review of the Council's property portfolio, we seek to ensure we optimise the investment in assets and opportunities to make best use of the capital value tied up in those assets. When making decisions on the disposal of assets and hence the generation of capital receipts we take a number of factors into consideration:

- Whether assets are surplus to requirements in the short, medium and long term
- Whether assets are achieving their financial or service delivery performance targets
- If we would be achieving the best value from the disposal
- The level of any financial return
- Any legal obligations, and
- The impact on corporate policies and the promotion of key strategic policies

Borrowing

We plan to borrow money to finance capital investment based on a set of guiding principles (prudential guidelines). These include the principles of affordability, prudent funding, efficiency, forward planning, outcomes, sustainability and investment return as follows:

- Affordability: the cost of repaying any borrowing and any running costs arising from the new investment are affordable within the approved revenue budget both for the current year and over the medium term
- Prudent funding: borrowing is only undertaken within pre-set limits as approved in the Treasury Management Strategy
- Efficiency: borrowing provides an economic funding mechanism to minimise the impact of revenue costs on service accounts and to spread the costs over a reasonable number of years
- Forward planning: develop longer planning horizons to enable resources to be set aside and built up for major investment
- Outcomes orientated: borrowing is justified as effective in contributing to the outcome of the community plan, best value performance plan and other corporate/service plans
- Sustainability: borrowing allows us to make making the best use of existing assts, local skills and resources
- Investment return: we are able to optimise the financial return on council owned assets

Revenue Contributions/Self-financing Schemes

If service departments are able to make resources available from their revenue budget these can be used directly to finance capital investment. Alternatively, if a scheme is an invest to save project (resulting in a saving in a services revenue budget) or will generate additional income, and these are at a sufficiently high level to cover the cost of borrowing the scheme is allowed to proceed.

For all other non self-financing schemes departments are required to make a contribution to cover the revenue consequences of capital funded by borrowing or by using capital receipts. The revenue consequences are assessed when departments bid for capital resources and must compete for resources against other revenue budget pressures.

Approach to the Private Finance Initiative (PFI)

PFI will be considered on all schemes where it is felt the scale and nature of the required investment is likely to attract PFI credits.

Section 5: Service Key Priorities and Targets

As outlined in Section 3 priority is given to investment to deliver our corporate objectives. Across these objectives when further prioritising we are committed to upholding four key principles:

- We aim to achieve improvement for all but with the fastest improvement for the most deprived
- We aim to ensure equality of opportunity for all
- We aim to be a customer focused organisation
- We aim for sustainability, by taking into account the needs of future generations in our planning.

However, although the prudential code has given us additional freedoms over borrowing, compared to the resources provided/directed by Government and third parties, the level of resources that is affordable and we have complete discretion over is small. This means the scope for prioritising corporate resources is limited. Resources earmarked by central government for specific purposes, principally education and transport, will continue to be prioritised through government-determined mechanisms.

At a service level therefore key priorities and targets for capital investment need to incorporate the priorities of our partner agencies (especially central government) as well as delivering the corporate objectives in order to achieve the maximum benefit. To meet these requirements our capital investment is further determined by the following objectives and priorities:

Education

The main objective of the education service is to make it possible for the people in Warwickshire to fulfil their educational potential and to improve standards. As a result of falling pupil numbers and the demographic changes the service is beginning to develop a reorganisation plan linked to the removal of surplus places. Outside of this the priorities for education capital expenditure are:

- Basic need
- Urgent work to prevent the immediate closure of premises, address any immediate high risk to the health and safety of occupants and remedy any potential serious breach of legislation
- National and county initiatives
- Essential work required within two years that will prevent serious deterioration of the fabric or services, address a medium risk to the health and safety of occupants, or remedy a less serious breach of legislation
- Projects leading to significant revenue savings
- Other projects that directly affect pupils learning

There is an urgent need to replace unsuitable secondary school stock. It seems unlikely that we will benefit substantially from the Government initiative “Building Schools for the Future” until at least 2013. In the meantime we will seize opportunities to facilitate the rebuilding of individual secondary schools. Such opportunities are currently being investigated for North Leamington and Kineton schools.

The DfES require us to maintain a detailed schools asset management plan that includes details of the condition and suitability of every school in the county. This plan is documented separately from this capital strategy.

Social Services

Social Services has a corporate responsibility for delivering the objectives of “promoting the health and social care of our citizens” and “ensuring sound governance of the County Council to provide accessible, responsive and well managed services”. Within this, specific key objectives for the Social Services Department are to:

- Promote a better quality of life, independence and social inclusion for older people.
- Develop and implement services designed to meet the requirements of the Children Act, in particular the development of a better range of services for children and families.
- Work with the health community and other key partners to promote independence, improve health and reduce inequalities.

To do this we will:

- Continue to reassess the ongoing need for our building stock in the light of the modernisation agenda. This could mean the reprovision of services in a different format in a different configuration of buildings.
- Protect, maintain and upgrade where necessary our retained stock.
- Explore opportunities to make the most effective use of property and land assets, particularly in partnership with other agencies.
- Explore new ways of working to make best use of office accommodation and assistive technology, in order to promote the most efficient use of space whilst providing staff with a productive working environment.

Transport

Our transport policies, objectives and targets are set out in Warwickshire’s Local Transport Plan (LTP) 2000. Our aim is to improve traffic flow, limit congestion, reduce road casualties and ensure affordable transport is available for those without cars.

Our activities include:

- Traffic management and infrastructure improvements designed to improve vehicle flow, conditions for cyclists, pedestrians and those travelling by bus; to reduce casualties and to reduce the impact of traffic on the environment
- Design and construction of major improvement schemes
- Improving bus services and subsidising necessary ‘non commercial’ bus services
- Developing initiatives which help meet the transport needs of people in rural areas
- Encouraging improvements to rail services and the provision of new railway stations
- Organising school crossing patrols
- Promoting and organising road safety activities in schools and elsewhere, including pedestrian, cycle and driver training
- Encouraging the use of more sustainable travel modes by publicising the TravelWise message, promoting workplace travel plans and developing safer routes to schools
- Collecting and analysing road casualty and traffic information
- Fleet management and maintenance in support of our transport fleet
- Managing the home to school transport network

Additionally, we are required to maintain all roads in Warwickshire except motorways and trunk roads. Our maintenance activities include:

- Repairing roads, pavements and bridges
- Winter gritting and snow clearing
- Street lighting provision and maintenance
- Gully emptying and drainage repairs
- Grass cutting and tree maintenance
- Maintaining traffic signals, signs and road markings
- Co-ordinating road works carried out by utilities (gas, water etc)
- Removing obstructions and authorising skips and scaffolding
- Ensuring new roads and pavements are constructed to adequate standards

Our transport aspirations are to:

- Implement major local transport schemes
- Improve public and community transport, including the School Links bus fleet, to increase access to alternatives to the private car
- Ensure more reliable journey times for people travelling on the county road network

Our transport targets are to:

- Maintain satisfaction with transport services and road maintenance
- Improve road conditions, bus patronage and travel to school other than by car
- Improve the environment of our towns and accident reduction in specific areas (LPSA 2)

Waste Disposal

We will continue to work with waste collection authorities to develop and implement an integrated waste strategy for Warwickshire:

- Promoting waste reduction, re-use and recycling through our WasteWise initiative
- Disposing of the household waste and abandoned cars collected by the Borough and District Councils
- Providing and managing household waste sites
- Paying recycling credits to Districts, local schools and charities

Our local agenda is:

- Working towards a sustainable environment (for carbon emissions and waste minimisation and recycling)
- Undertaking the investment necessary to deliver our local plans including the Integrated Waste Management Strategy, the Minerals Local Plan, the Waste Plan and the Local Bio-Diversity Action Plan for Coventry, Warwickshire and Solihull

Our aspirations are to:

- Reduce volumes of waste long-term and minimise the amount going to landfill

Our targets are to:

- Meet long-term national targets for recycling and composting
- Deliver our Local Public Service Agreement target to increase recycling rates (LPSA2)

ICT and E-government

The use of ICT is seen as critically important to the modernisation and transformation of our services. It also supports and facilitates the achievement of corporate ambitions to be more citizen-focused with high standards of service delivery. This importance is reflected in the County's Strategic Plan, the Annual Business Plan and the Annual Implementing e.Government Statements to the ODPM. It is also acknowledged to be a strategic risk.

Specifically this means we need to:

- Modernise and sustain our ICT infrastructure from desktop to network to central servers in a secure and resilient form.
- Develop and maintain an e-enabled customer strategy that ensures consistent, high quality services are provided at the lowest transaction cost via the Web, the Customer Service Centre, and One Stop Shops.
- Redesign and transform back office services to ensure that they are fully integrated and function more effectively and efficiently.
- Improve the efficiency and flexibility of systems and related data management through the development and maintenance of Business Systems Architecture.
- Create and sustain a corporate Intranet that provides staff with electronic access to information and knowledge held formally and informally.

- Provide mobile and home-based staff with secure access to systems and services at any time, from anywhere and from any device.
- Enable joint working with partners from reciprocal access to services, to shared / jointly operated systems and facilities.

Regeneration and Economic Development

Our Regeneration Strategy steers our regeneration activities, which are invariably undertaken in partnership with others. They are designed to address social, economic and environmental disadvantage in urban and rural areas, and maintain the vitality of our town centres. Our activities include:

- Securing external funding for projects
- Town centre and market town improvement schemes
- Regeneration projects, including the Pride in Camp Hill Project and delivering other projects in the Coventry and Nuneaton Regeneration Zone
- Promoting rural accessibility through community transport schemes

Our local agenda is to:

- Undertake the investment necessary to deliver our local plans including the AWM Regional Economic Development Strategy, “Agenda for Action”, our Economic Regeneration Strategy, Regeneration Strategy and the National Trading Standards Performance Plan
- Complete the regeneration of Camp Hill through our Pride in Camp Hill partnership and our Early Years Centre in Stockingford

Our aspirations are to:

- Redress economic imbalances across the county
- Provide work opportunities for all
- Improve the local skills base
- Offer local people an improved range of employment opportunities
- Provide a sharper competitive edge for the county as a choice business location
- Deliver good support for business start-ups

Our targets are to:

- Narrow the gap between high and low average incomes across Warwickshire
- Redress imbalance in the range of Quality of Life indicators across the county
- Increase employment compared to the national average
- Raise employer satisfaction rates
- Make more Warwickshire people confident consumers

Libraries, Heritage and Trading Standards

The key objectives are:

- To deliver services at locations which are community based, flexible and enable innovative display and service delivery.
- To provide locations which are good, fit for purpose and welcoming for staff and customers.
- To explore partnership arrangements to offer enhanced customer services within and outside Warwickshire County Council.

Property and Office Accommodation

Our policy is to only hold property required to deliver services. To do this all Chief Officers are required to account for accommodation the use to provide services on an annual basis.

The Cabinet will be invited to adopt a new Corporate Property Strategy in July 2005. The key elements of this will form the basis of our property and office accommodation priorities.

Cross Cutting Activity

We will work across the boundaries both internally between services and externally across organisations where resources can be combined and objectives and aims are consistent. This will be done to maximise the benefits delivered and the return from our investments.

Capital Spending Patterns/Plans

Our capital spending has increased from £57.9 million in 2003/2004 to an estimated £103.7 million in the current year. As part of setting the 2005/2006 Budget in February 2005 members also agreed a capital programme for the following two years, based on the known level of resources currently available. This is summarised in the table 5.1.

Table 5.1: Capital Spending Patterns and Plans 2003/2004 to 2007/2008						
Service	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	Future Years
	£000	£000	£000	£000	£000	£000
Education	25,302	30,935	46,985	22,782	19,479	4,991
Social services	470	633	1,588	883	-	-
Transport	17,903	25,471	33,041	22,493	10,504	6,064
Waste disposal	2,680	20	1,255	173	-	-
ICT and e-government	1,869	2,038	1,828	1,875	1,650	-
Regeneration and Economic Development	3,666	8,686	2,808	1,007	-	-
Access to Services	1,365	1,728	1,268	-	-	-
Libraries, Heritage and Trading Standards	721	367	825	108	-	-
Fire and Rescue	686	857	926	-	-	-
Office Accommodation and Property	1,893	2,022	12,505	2,959	259	-
Other Services	1,388	1,621	698	2,393	-	-
Total Capital Spending	57,943	74,378	103,727	54,673	31,892	11,055

The capital programmes for 2006/2007 and 2007/2008 above were approved by the Council in February 2005. The future years programme will be further enhanced by:

- Additional developer funded schemes for transport and other services
- Additional government funded education and transport projects
- Projects approved in line with our medium term objectives
- Purchases of vehicles, plant and equipment funded from revenue budgets

Section 6: Managing the Capital Programme

Our Capital Strategy is an integrated part of the overall process for financial and service planning, with clear links to the corporate management of our property assets and resources. We make capital investment decisions based on:

- A clear strategic vision of what is needed
- Informed choices about investing public money in capital projects to satisfy the needs of services in Warwickshire
- An overall financial strategy, and
- Judgements about the best use of our revenue, capital and partnership resources

Capital investment is managed in accordance with this Capital Strategy.

Feasibility – bidding for external resources

Bids for resources must be informed by this strategy, our policies and the medium term financial plan. In addition to this:

- Project officers should always consider the potential for obtaining external resources for any project that they may be considering.
- Bids to external funding agencies should only be considered for projects supporting existing policies or corporate strategies. The availability of external grants should not determine investment priorities.
- Any of our own capital and revenue resources required, as a contribution to a bid for external resources should be identified and earmarked/approved within the budget before any bid is submitted.
- Bids for long term funding such as borrowing, leasing or PFI should only be made where there is revenue and capital capacity within the medium term financial plan.

Feasibility – development of project proposals

In order to avoid undue or abortive work, proposals for new capital projects should only be drawn up on the basis that:

- It is likely to be assessed as high priority within the context of this strategy and the corporate business plan.
- It has been developed following consultation (where appropriate) with residents, customers, councillors, partners and stakeholders.

Bidding process and appraisal of projects

A bid document will be used for the appraisal of projects. This will be in accordance with the arrangements published as part of the budget process. The appraisal should contain the following essential elements:

- Feasibility of proposal/scheme - to demonstrate the overall feasibility of the bid.
- Option appraisal - to demonstrate the proposal has been tested against alternatives and benchmarks.
- Financial (cost benefit) appraisal – to demonstrate the proposal represents best value.
- Timetable – to ensure the project is well planned and can be delivered without slippage.

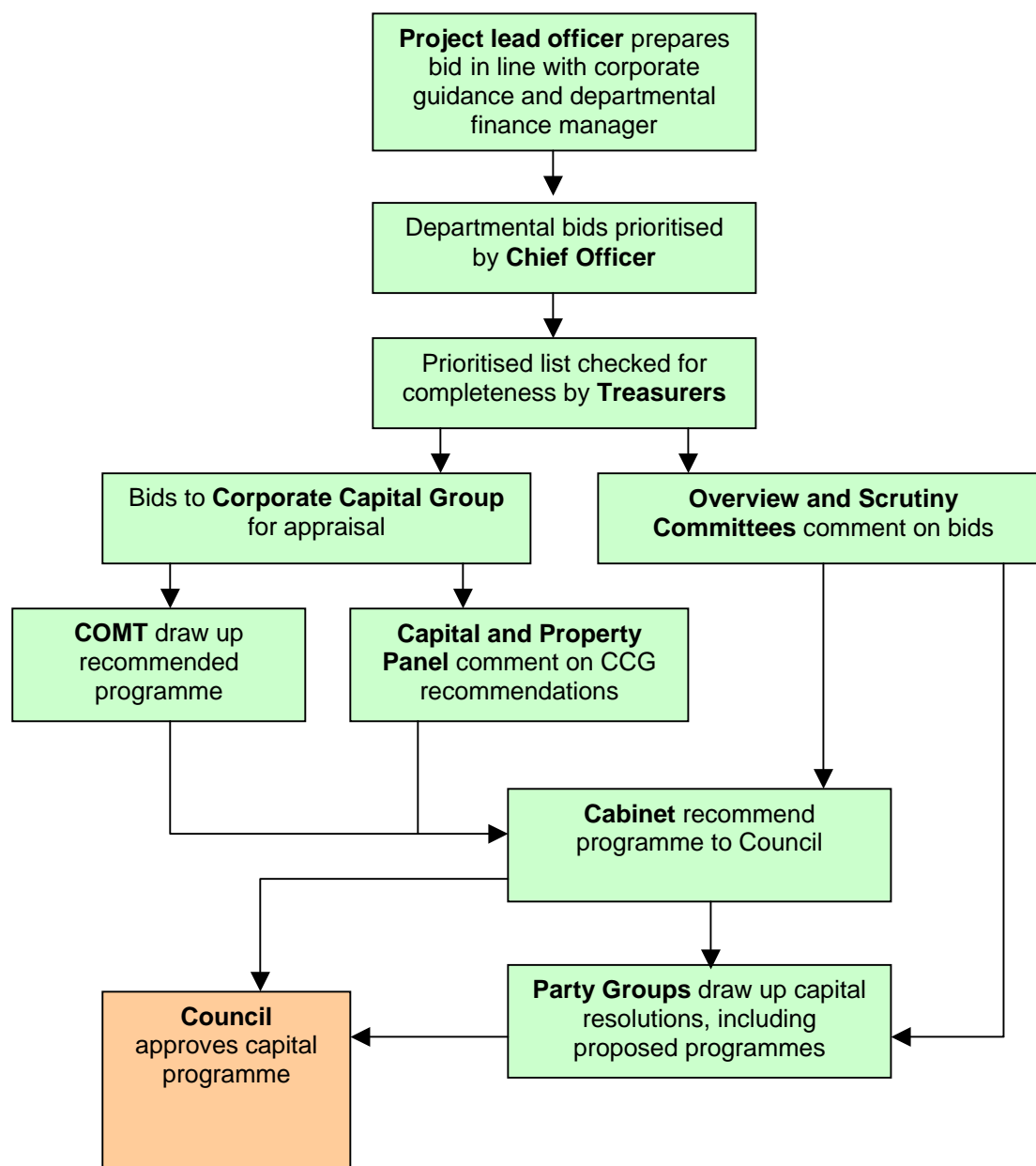
To ensure consistency and to ease the appraisal process all bids are completed to a standard format. A copy of the bid form is attached at Appendix 2.

Managing the bidding process and constructing the capital programme

Bids are prioritised by departments, audited by the Treasurer's Department for completeness, appraised by the Corporate Capital Group (CCG) then reported to the Capital and Property Panel, the relevant Overview and Scrutiny Committee and Cabinet for prioritising before going on to Council for approval. Diagram 6.1 shows the various stages in assessing the priority of schemes and determining the capital programme.

Resources earmarked by central government for specific purposes, principally Education and Transport, will be prioritised through government-determined mechanisms.

Diagram 6.1: Production of the Capital Programme



Risk management

Typical risks to the capital programme include overspending against agreed budgets and/or slippage in the timing of capital receipts. Regular expenditure monitoring meetings are held to ensure problems are identified at an early stage. Estimated funding from capital receipts is based on the approved assets disposal programme, which is subject to regular internal review.

Performance management, monitoring and review framework

Once approved the management of the capital programme is delegated to the Corporate Capital Group (CCG), which is a cross-departmental sub-group of the Chief Officers Management Team (COMT). This Group also reports to the Capital and Property Panel, a member body that oversees and scrutinises the work of CCG as well as providing guidance on policy developments for capital investment.

We recognise the importance of performance monitoring and have a variety of mechanisms in place to ensure capital investment is appropriately controlled and evaluated:

- Officers monitor physical progress regularly, usually monthly and there is a system of exception reporting to clients and members where problems occur
- Financial progress is reported quarterly to COMT/Cabinet, highlighting any key issues for members to consider
- A full review of the whole capital programme is submitted to Cabinet twice a year and includes any variations to schemes and the overall financing of the programme
- Post contract appraisal of projects is carried out to provide feedback to the success or otherwise of the design solution, procurement process and customer satisfaction levels
- Projects part of fully funded by grant are monitored in accordance with the funding conditions of the funded body
- Reports are also presented throughout the year to Cabinet on specific schemes where decisions are required under the rules of the contract and financial standing orders.

We have a comprehensive capital manual as a guide for all officers involved in capital investment. The manual covers roles and responsibilities of officers involved in delivering capital projects, tendering and selection, post-project review and financial management.

Section 7: Value for Money and Quality

Over and above our procedures for the effective management of the capital programme we operate a number of other key policies and processes to ensure our assets and any new capital investment provides value for money and is of the appropriate quality.

Asset Management Plan

We have for many years carried out a corporate rolling review of our property portfolio. CCG and the Director of Property Services continue to review and update this through the maintenance of the asset management plan. The plan is designed to:

- Be a rolling review of asset holdings and the justification for them
- Enable continuous review of the suitability of assets for their purpose (including their running costs) and their effectiveness in supporting service and customer needs
- Improve the information available for property management and co-ordination
- Be informed by and inter-relate with service best value reviews
- Be a means of establishing performance targets for use of the asset and for the performance plan and therefore a means of facilitating comparisons internally and externally.

The Government Office of the West Midlands rated our Asset Management Plan as “good” in 2002. As a result we are no longer required to formally submit our asset management plans for annual approval.

Financial targets for commercial property

We take advice on property and commercial valuations using our internal professional property unit and when appropriate external advisors as well. In order to ensure the optimum return on investment consistent with strategic policies we manage our property portfolio using the following principles:

- The need to optimise the return on all property investments
- In appropriate circumstances consider the cross-cutting needs of other policies e.g. environmental sustainability
- Optimise rent review periods and lease periods consistent with the councils strategic aims

Procurement

The procurement options available to project managers for individual projects must follow our internal protocols, which are embedded in the constitution. Our local code of corporate governance sets out how decisions are made and the procedures to be followed to ensure they are efficient, transparent and accountable to local people. Contract standing orders, financial standing orders and the procurement code of practice are the framework against which officers will undertake procurement and contracting activity, thereby promoting standards, ensuring probity and guaranteeing a consistent approach.

We will strive for continuous improvement in procurement and through effective procurement will seek to optimise the value for money it spend, deliver quality services and ensure best value from each and every purchasing decision. All major projects are undertaken using Prince2 project management methodology.

- The procurement strategy takes account of the governments initiative “rethinking construction” being driven through the construction industry to address the needs of end users, move away from traditional restrictive and confrontational processes and aim to achieve targets for reducing costs, time, defects and increase predictability.

For construction works we will seek to procure through partnering arrangements. Potential partners will be selected by advertisement. Partners will be chosen on the basis of an objective quality based evaluation process. We will properly evaluate the basis for our capital programme and other works and be committed to it prior to any involvement by a partnering contractor. Works will be packaged to suit the partnering method. Construction partners will be involved at an early stage and will contribute to, and influence the complete design process to the benefit of the people of Warwickshire.

We are leading on an initiative with the West Midlands Centre of Excellence in this area to:

- Standardise contract documentation
- Undertake joint training
- Benchmark costs
- Combine contracts to give greater purchasing power, and
- Use a reduced number of partnering contracts.

Corporate standards will seek to regulate quality, equal opportunity, competition, sustainability, economic regeneration and a life cycle costing approach.

Innovations

We are constantly looking towards innovative solutions in delivering capital investment through new financial, tendering, construction and partnering solutions where these maximise the benefits delivered.

Performance indicators and benchmarking

We operate an IT based performance information management system as an integral part of our performance management framework and code of practice. It is an IT based system which stores key performance information such as objectives, targets and performance indicators.

We have adopted the government's Property Performance Indicators and undertake several benchmarking studies through COPROP and CIPFA including: office accommodation, primary and secondary schools, social services homes, energy policy. Other internal performance measures are the post contract review questionnaire and customer satisfaction surveys. Further details of performance indicators are given in our Asset Management Plan.

The LTP includes a comprehensive set of targets related to our key priorities for transport investment. We have adopted a Highway Maintenance Policy incorporating a comprehensive set of performance indicators.

The published best value performance plan contains a number of performance indicators relating to capital across all services.

Continuous improvement

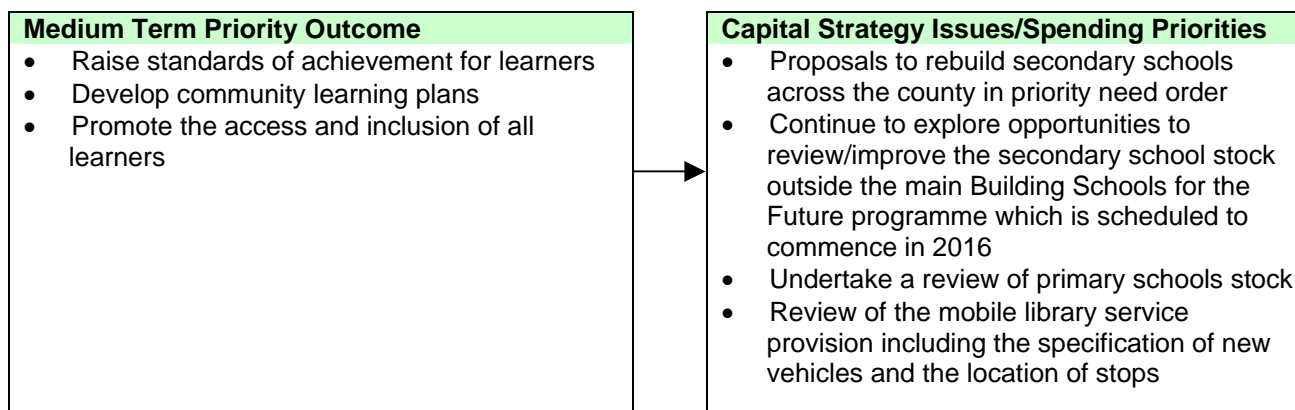
As an authority we are constantly looking to continuously improve the quality and value of the services we provide.

Capital investment is often a catalyst and key driver of improvement allowing us to make step changes in the way we provide services.

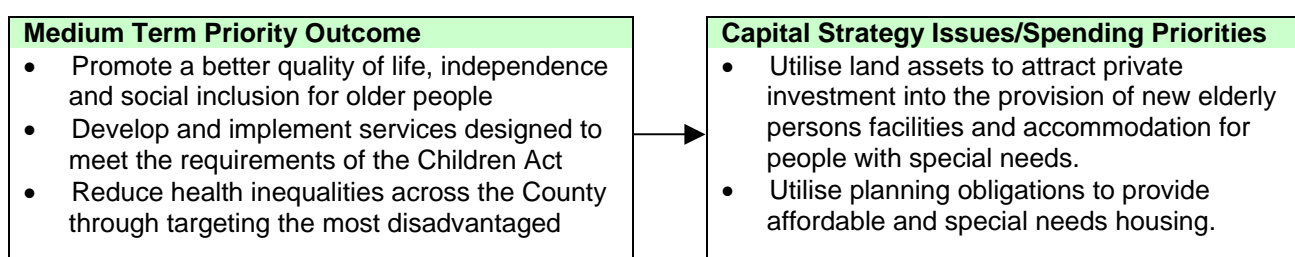
We are also constantly looking to improve the way we plan and manage the capital programme. This capital strategy and the associated capital manual are reviewed annually to ensure they continue to be relevant and remain at the forefront of all capital investment decisions and the management of the capital programme.

Corporate Objectives and their related Capital Priorities

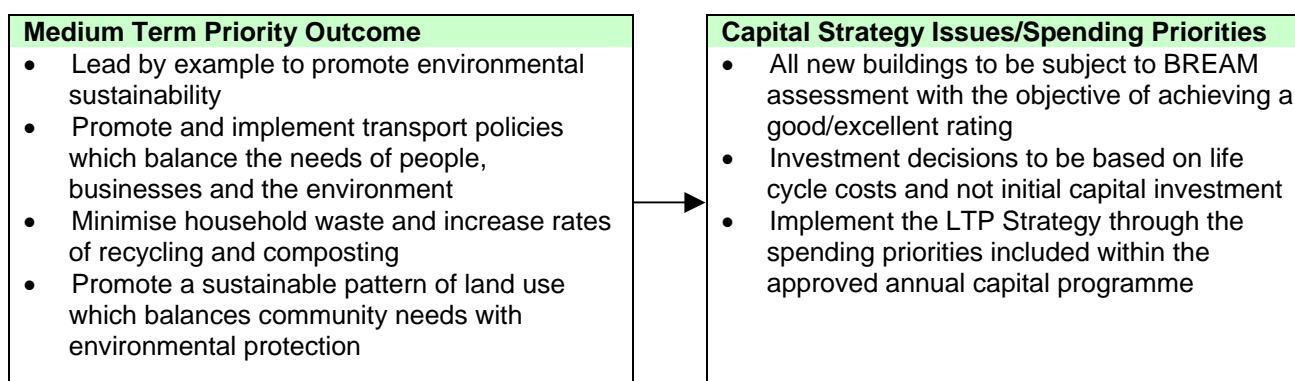
Corporate Objective: Promote Lifelong Learning and Personal Development



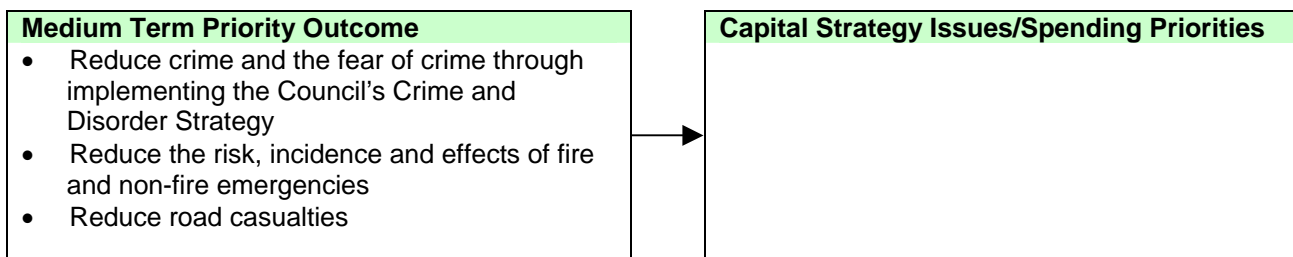
Corporate Objective: Promote the Health and Social Care of our Citizens



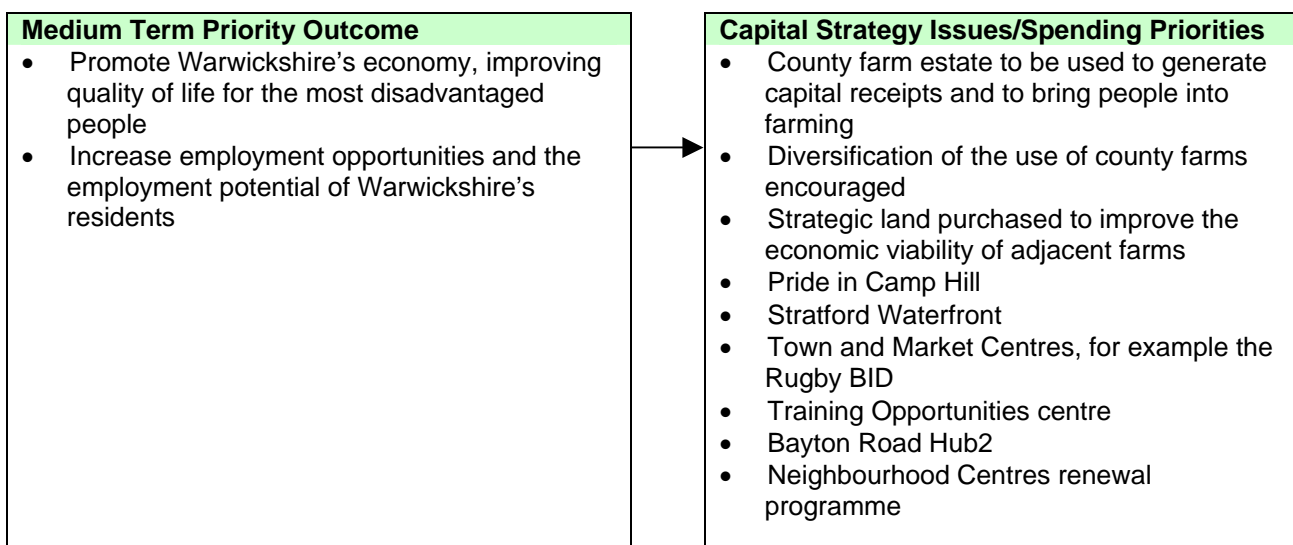
Corporate Objective: Improve the Environment



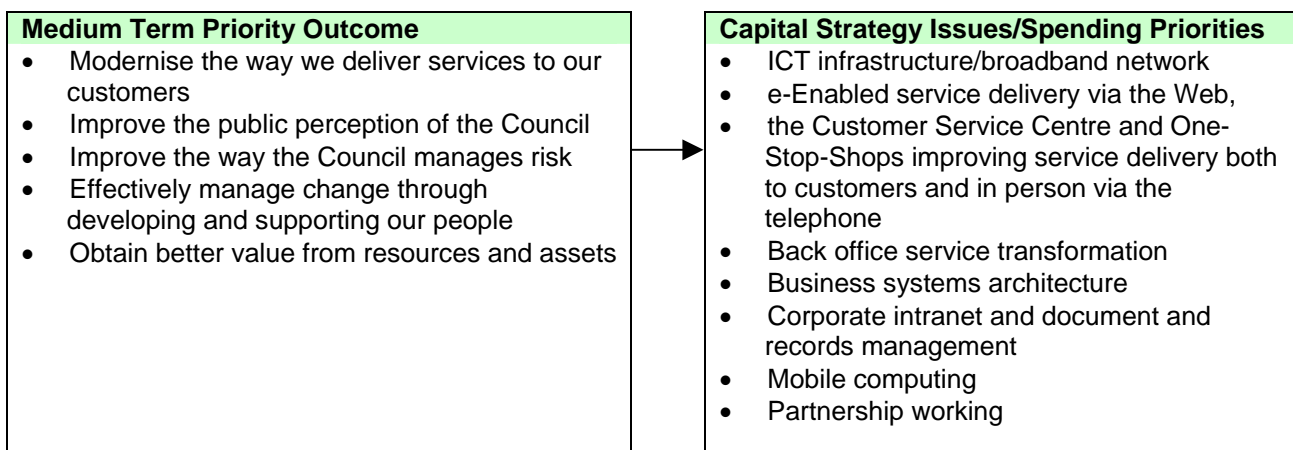
Corporate Objective: Reduce Crime and Improve the Safety of the Community



Corporate Objective: Develop and Maintain a Vibrant Local Economy which promotes Employment and Prosperity for all.



Corporate Objective: Ensure Sound Governance of the County Council to Provide Accessible, Responsive and Well-managed Services



Capital Development Appraisal Form

1. Bid Details

Bid title:	
Project reference:	Responsible officer:
Relevant Overview and Scrutiny Committee:	
Brief description and scope of bid:	

2. Need and Justification

a) Is this bid to maintain existing assets or for service expansion/enhancement?
b) How does the project meet County Council's medium term objectives as outlined in the Corporate Business Plan 2004-2007?
c) How does the bid contribute to the service meeting its vision/strategy?
d) How does the bid meet Government priorities/policies?
e) How does the proposal accord with the Authority's Capital Strategy?
f) How does the scheme meet needs or objectives generated from Asset Management Plans?
g) Is the bid for a block allocation? Yes/No If so, how will the funds be prioritised into individual projects?
h) What are the benefits of undertaking the scheme? Include output measures against which the scheme can be assessed.

3. Option Investigation

a) What alternative options for achieving the benefits have been considered?
b) Explain the reason for this option being proposed.
c) What are the service consequences of not undertaking project?
d) Outline the key risk areas that may mean the expected benefits are not delivered

4. Financial Implications

Is the financial statement attached? YES/NO

a) What are the financial implications of the alternative options outlined in 3a above?
b) Is there any alternative/extra funding potentially available towards funding this project? If so how will the project be changed?
c) Are there any VAT implications?
d) Have ongoing additional revenue implications been addressed and if so, how?
e) What is the likely effect on the asset register of the proposal?
f) What has been put in place to control slippage?
g) What is the cost of feasibility work/preliminary costs and how these will be funded?

5. Financial Statement

Capital Statement

	Before 2005/06 £000	2005/06 £000	2006/07 £000	2007/08 £000	2008/09 £000	After 2008/09 £000	Total £000
A Capital Costs							
1 Land & land compensation							0.0
2 Works - main contracts							0.0
3 Works – other							0.0
4 Vehicles, plant & equipment							0.0
5 Property services fees							0.0
6 PTES fees							0.0
7 Miscellaneous							0.0
Total Capital Cost	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B Less Funding Available							
1 External grants & contributions							0.0
2 Revenue							0.0
3 Other (please specify)							0.0
Total Funding Available	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C Net Capital Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0
D Less Consequential Funding							
1 Capital Receipts							0.0
2 Other (please specify)							0.0
Total Consequential Funding	0.0	0.0	0.0	0.0	0.0	0.0	0.0
E Net Borrowing Requirement	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Revenue Statement

	Before 2005/06 £000	2005/06 £000	2006/07 £000	2007/08 £000	2008/09 £000	After 2008/09 £000	Total £000
F Revenue Consequences							
1 Employees							0.0
2 Running costs							0.0
3 Equipment and furniture							0.0
4 Leasing charges							0.0
5 Other							0.0
Total Running Costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6 Debt servicing costs							0.0
Total Revenue Impact	0.0	0.0	0.0	0.0	0.0	0.0	0.0
G Revenue Funding Available							0.0
H Net Cost to Revenue Budget	0.0	0.0	0.0	0.0	0.0	0.0	0.0

6. Timetable

	Relevant Factor (Yes/No)	Date if Known (mm/yy)	Comment
Detailed design work to start		__ / __	
Estimated contract start date		__ / __	
Length of contract		__ / __	
Date of Land Purchase		__ / __	
Planning permissions		__ / __	
Compulsory Purchase Orders		__ / __	
Grant approvals		__ / __	
Consultation (inc. area committees)		__ / __	
Public Enquiries		__ / __	
Tendering Arrangements		__ / __	
Completion of legal agreements		__ / __	
Negotiations with scheme partners		__ / __	
Other (please specify)		__ / __	

Other Comments on Timetable