

CHESHIRE EAST COUNCIL

REPORT TO: CABINET

Date of Meeting: 20 September 2010
Report of: Borough Treasurer & Head of Assets and Head of Policy & Performance
Subject/Title: Capital Strategy 2011/2014
Portfolio Holder: Councillor Keegan / Councillor Mason

1 Report Summary

- 1.1 The Capital Strategy sets out Cheshire East's approach to capital investment and disposals and how it makes decisions in respect of all types of capital assets. This document links closely with the Council's Corporate Asset Management Plan (AMP) and shows how the Council is prioritising, targeting and measuring the performance of its limited capital resources so that it maximises the value of that investment to support the achievement of its key cross-cutting activities, initiatives and local and national priorities.

2 Decision Requested

- 2.1 To approve the Capital Strategy for 2011/2014.

3 Reasons for Recommendations

- 3.1 The Council is required to produce an Asset Management Plan and a Capital Strategy.

4 Wards Affected

- 4.1 Not applicable

5 Local Ward Members

- 5.1 Not applicable

6 Policy Implications – Climate Change – Health

- 6.1 The report contains policy proposals which will impact on service delivery.

7 Financial Implications (Authorised by the Borough Treasurer)

- 8.1 The report includes details of policy proposals which will affect service budgets from 2011/2012 onwards.

8 Legal Implications (Authorised by the Borough Solicitor)

8.1 There are no specific legal implications associated within this report.

9 Risk Management

9.1 Failure to adopt and maintain sound arrangements for the management of the Council's assets could lead to poor decision making and financial loss to the Council.

10 Background and Options

10.1 The Council owns a substantial portfolio of over 400 major property assets, with a combined asset value of £480m, which will assist in the delivery of a wide range of services to the people of Cheshire East. The strategy links to key corporate documents, in particular the Corporate Plan, Sustainable Community Strategy, Economic Development Strategy, Local Transport Plan, ICT Strategy and the Asset Management Plan.

10.2 The Capital Strategy is intended to ensure that the investment of capital resources contributes to the achievement of the authority's key objectives and priorities that are detailed in their community plans and strategies, it will determine the process for setting priorities between the various services and look for opportunities for cross-cutting and joined-up investment.

11 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

Name:	Lisa Quinn
Designation:	Borough Treasurer and Head of Assets
Tel No:	01270 686628
Email:	lisa.quinn@cheshireeast.gov.uk



CAPITAL STRATEGY 2011-2014

CONTENTS

1.	Introduction	Page 3
2.	The Capital Programme	Page 4
3.	Priorities and Targets	Page 5
4.	Consultation and Engagement	Page 9
5.	Key Partnerships and Partners	Page 9
6.	Asset Management	Page 10
7.	ICT Strategy	Page 13
8.	Housing Strategy	Page 13
9.	Identifying and Prioritising Capital Schemes	Page 15
10.	Funding & Procurement – Key Principles	Page 17
11.	Managing the Capital Programme	Page 18
12.	Conclusion	Page 19
13.	Annexes	Page 19

1. INTRODUCTION

1.1 The Capital Strategy sets out Cheshire East's approach to capital investment and disposals and how it makes decisions in respect of all types of capital assets. This document links closely with the Council's Corporate Asset Management Plan (AMP) and shows how the Council is prioritising, targeting and measuring the performance of its limited capital resources so that it maximises the value of that investment to support the achievement of its key cross-cutting activities, initiatives and local and national priorities.

The Council owns a substantial portfolio of over 400 major property assets, with a combined asset value of £480m, which will assist in the delivery of a wide range of services to the people of Cheshire East.

1.2 The Capital Strategy is intended to:

- Ensure that the investment of capital resources contributes to the achievement of the authority's key objectives and priorities that are detailed in their community plans and strategies
- Influence and encourage partnership working, both locally and nationally
- Reflect the visions and aspirations of local people for service delivery and recognise the potential for others to contribute ideas and resources
- Determine priorities between the various services and look for opportunities for cross-cutting and joined-up investment
- Encourage improvement and innovation in asset use, procurement and disposal
- Ensure revenue, capital and whole life costs are fully considered
- Describe how the deployment of capital resources contributes to the achievement of the described goals
- Encourage the consideration and use of a wide range of funding sources
- Promote, in conjunction with the AMP, corporate ownership and prudent consideration of property issues.

1.3 The Capital Strategy sets out:

- The link to key corporate documents, in particular the Corporate Plan, Sustainable Community Strategy, Local Transport Plan, ICT Strategy, Procurement Strategy, Housing Strategy, Economic Development Strategy and the Asset Management Plan.
- How the authority's plans are influenced by partners, and details of key partners
- How capital schemes are identified to meet those priorities
- How the choice is made between schemes competing for limited resources
- The framework for managing and monitoring the capital programme
- The process for post implementation review

- A summary of the Council's approved Capital Programme
- Sources of external funding and the impact of the programme on the revenue budget

1.4 The Capital Strategy forms an integral part of the Councils Medium Term Financial Strategy which provides the financial interpretation of the Councils Corporate Plan. Once a project has been approved and included in the Capital Programme the revenue implications of the capital expenditure need to be built into the revenue budgets included in the Medium Term Financial Strategy.

1.5 The strategic priorities feed into the establishment of service priorities. These service priorities are set out in service plans and from these plans potential capital schemes are identified for inclusion in the capital programme.

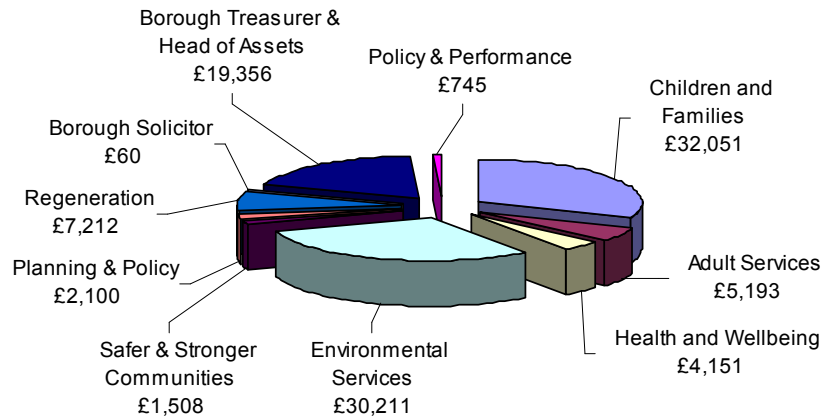
2. THE CAPITAL PROGRAMME

2.1 A summary of Cheshire East's approved capital programme for 2010-11 (£102.6m) is shown in Annex 1, together with details of the funding sources. Over half of the programme (51%) is funded from external sources (grants, contributions), the remainder is funded from borrowing, linked capital receipts and revenue contributions.

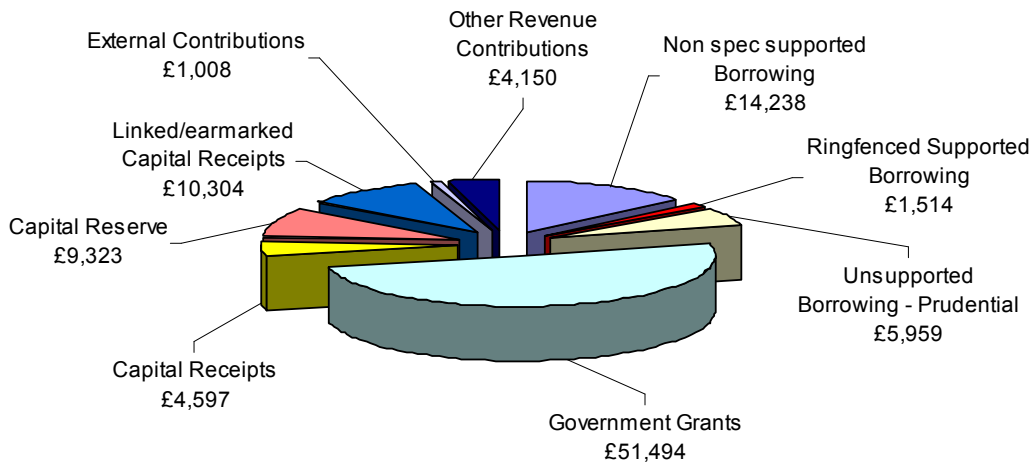
Some of the major capital schemes for 2010-11 include:

- Alderley Edge By-Pass Scheme
- Queens Park Restoration
- Libraries (radio frequency identification of books) – purchase of self service terminals in libraries
- Introduction of a single revenue and benefits system
- Essential replacement of core ICT infrastructure
- Completion of the Office Accommodation Strategy

Capital Programme 2010-11 Analysis by Service £000s



Capital Financing 2010-11 £000s



3. PRIORITIES AND TARGETS

3.1 The effective management of capital is key to the delivery of the Council's priorities and the Capital Strategy outlines how limited capital resources are allocated to help achieve these priorities.

The Sustainable Community Strategy – *Ambition for All*

3.2 The Council has worked with partners over recent months to prepare Cheshire East's first Sustainable Community Strategy, "*Ambition for All*".

This strategy sets out a 15 year vision for Cheshire East, for its people and its places. It also identifies immediate priorities for action which partners need to deliver together if we are to achieve our ambition.

3.3 The vision set out in *Ambition for All* is that, in 2015:

Cheshire East is a prosperous place where all people can achieve their potential, regardless of where they live. We have beautiful, productive countryside, unique towns with individual character and a wealth of history and culture. The people of Cheshire East live active and healthy lives and get involved in making their communities safe and sustainable places to live.

3.4 There are 7 priorities for action set out in the strategy, and these are:

1. Nurture strong communities
2. Create conditions for business growth
3. Unlock the potential of our towns
4. Support our children and young people
5. Ensure a sustainable future
6. Prepare for an increasingly older population
7. Drive out the causes of poor health

3.5 Many of these priorities have implications for how the Council, together with other service providers and local communities, use our capital and our assets. For example, increasing physical exercise is a major contributor to good health and is effected by the quality and location of leisure and recreational facilities. Similarly, good quality, accessible community facilities are a significant factor in the life of many voluntary and community groups.

3.6 At a larger scale, our ambitions for economic growth, for affordable, and appropriate housing which reflect the long-term needs of our ageing population, and for good transport accessibility, all impact our decisions on capital and assets.

3.7 It is important that we work with our partners to be clear on the longer-term capital and asset needs within Cheshire East, and to invest wisely in the short-term to realise these longer-term aims. This Capital Strategy provides the lead in ensuring we adopt a long-term, planned approach to our capital investment and use of assets.

The Corporate Plan

3.8 In order to delivery the vision and priorities set out in *“Ambition for All”*, partner organisations must identify the contributions they will make and reflect this in their individual business plans. For the Council this is our Corporate Plan where we have set out 5 corporate objectives:

1. To give the people of Cheshire East more choice and control about services and resources
 2. To grow and develop a sustainable Cheshire East
 3. To improve life opportunities and health for everybody in Cheshire East
 4. To enhance the Cheshire East environment
 5. Being an excellent Council and working with others – to deliver for Cheshire East
- 3.9 The overarching criterion for assessing capital investment bids is the extent to which they will deliver on these corporate objectives.

Draft Economic Development Strategy

- 3.10 Cheshire East Council is leading on the formulation of the above strategy in conjunction with other stakeholders in the public, private and voluntary sector. New legislation places a stronger duty on local authorities to lead in analysing the local economy, and develop policies and actions that respond accordingly in promoting the local economic well-being of their areas.
- 3.11 Collectively, we need to ensure that we set out clear objectives and priorities that both take account of, and influence, national, regional and sub-regional policy developments. These objectives are:-
1. To ensure that Cheshire East maintains and enhances its role as a 'knowledge economy', through innovation in its businesses and skills development in its workforce.
 2. To provide a better connected economy, through enhancing our existing transport connections to other areas, making the most of strategic location and assets.
 3. To actively raise the profile of Cheshire East and 'sell' the undoubted assets and opportunities of the area, particularly to external investors, influencers, decision-makers and visitors.
 4. To facilitate economic growth through progressing schemes that will create jobs and improve the attractiveness of the area as a place to invest, live and visit.
 5. To enable a first-class quality of life for all our communities.
- 3.12 In order to achieve these objectives the main priorities will include:
- actively seeking and promoting opportunities to implement next generation broadband speeds across Cheshire East;
 - improving public transport and locating jobs closer to home in order to reduce carbon emissions;
 - reducing congestion and improving transport links between the towns in Cheshire East and rural settlements;
 - building on the educational assets of the area;
 - building on the individual cultural, heritage and wider assets of all our towns;

- responding to the challenge of climate change through mitigation and adaptation;
- ensuring an appropriate range and mix of housing is available to meet the needs of different parts of the existing and future labour market.

3.13 The three spatial priorities for Cheshire East Council are Crewe, Macclesfield and our sustainable towns.

Highways – Local Transport Plan

3.14 Cheshire East is allocated resources for capital expenditure in respect of Maintenance and Integrated Transport in support of the objectives set out in the Local Transport Plan. The Department for Transport guidelines indicate that the priorities are improving accessibility and public transport, tackling congestion and pollution, reducing the problems of road safety and effective asset management to improve road conditions. Although local discretion can be applied in the use of this funding, their use needs to reflect these national guidelines and priorities.

3.15 The Local Transport Plan includes the capital settlement for the period 2006/07 – 2010/11. Details of the capital settlement for 2011/12 onwards are not expected until October 2010 and it is anticipated that grant funding will be reduced by as much as 40%. The current ring-fencing arrangements will be reviewed in light of these reductions.

Draft Visitor Economy Strategic Framework

3.16 The visitor economy is an important contributor to businesses and communities in Cheshire East, generating over £600m per annum to the local economy. The visitor economy generates economic and social activity for visitors and residents alike. It not only supports jobs and economic well being, but it helps to support facilities and amenities for local communities, encourages residents to stay and spend leisure time in the local area and helps to build distinctive communities, thus increasing local pride and self confidence. It also enhances the image of an area, turning a location into a commodity, thereby attracting commercial investment from outside the tourism industry by demonstrating to potential investors that the area is good to locate in. It provides a source of income for the natural and built heritage, providing an economic driver for regeneration and new uses for buildings or land.

3.17 In order to build on this success and generate further wealth Cheshire East Council will:

- Support the development of tourism infrastructure;
- Ensure that Visitor Economy needs and opportunities are taken into account as part of regeneration projects and decisions relating to planning, transport, public realm, events, culture and countryside/greenspace;

- Work with partners to encourage and facilitate business sector development in areas such as food, equestrian, accommodation, attractions development, skills training and visitor welcome.

4 CONSULTATION AND ENGAGEMENT

- 4.1 The Council consults local residents and other stakeholders each year on a whole range of issues. The setting of the Council Tax at an affordable and sustainable level is important to our residents, but this has to be balanced with their demands for service improvement in certain areas. Our aim is to become more accountable to our customers and to make our decision-making processes more transparent.
- 4.2 However the Council wishes to go beyond consultation. We will therefore communicate the challenges both in terms of policy, service delivery and finance. We will also inform customers and stakeholders about the context within which the Council operates, so that decisions are taken in partnership whilst understanding the consequences of these decisions.

5. KEY PARTNERSHIPS AND PARTNERS

- 5.1 The Council is committed to working in partnership to enable more effective use of public money through a shared understanding of the needs and issues in Cheshire East and co-ordinated provision of services.
- 5.2 Partners on the Local Strategic Partnership Executive Board include the Cheshire Constabulary, the Cheshire Fire and Rescue Service, the Central and Eastern Cheshire Primary Care Trust, the South Cheshire Chamber, the Cheshire East Housing Delivery Partnership, MMU Cheshire (Manchester Metropolitan University), and the Cheshire East voluntary sector.
- 5.3 Partnership delivery is organised through five thematic partnerships:
- The Safer Cheshire East Partnership
 - The Children's Trust
 - The Health and Well-being Partnership
 - The Economic Development, Learning and Skills Partnership
 - The Environment and Sustainability Partnership
- 5.4 The Local Strategic Partnership has also established seven Local Area Partnerships (LAPs) covering the areas of Congleton, Crewe, Knutsford, Macclesfield, Nantwich, Poynton and Wilmslow. Their role is to improve services, ensure local people influence decision-making and to actively engage and empower communities.

6. ASSET MANAGEMENT

- 6.1 Effective asset management planning is a crucial corporate activity if a local authority is to achieve its corporate and service aims and objectives and deliver its services. Its importance is recognised by the Government, which has produced guidelines on asset management planning in local government. Whilst the Comprehensive Area Assessment (CAA) no longer includes a formal assessment of how well the organisation manages its asset base it is important for the Council to continue to demonstrate that it treats its assets as an integrated corporate resource and to show the extent to which fixed assets are maintained in “fit for purpose” condition.
- 6.2 The Corporate Property Officer role is held by the Asset Manager, who has responsibility to report on all strategic property matters and is the designated Officer overseeing development of the comprehensive Asset Management Plan updated by annual review. All key decisions affecting the Council’s property and asset management policies are made by the Portfolio holder for Procurement, Assets and Shared Services.
- 6.3 The Capital Strategy has close links with the AMP, particularly in terms of current and recently completed capital schemes and asset disposals. The AMP will aim to achieve the best use of resources through:
- continuously assessing the condition of properties in order to quantify and prioritise maintenance spending to improve the condition of the portfolio.
 - undertaking whole life costing on major building projects to obtain the best balance between capital and revenue expenditure.
 - Continuously monitoring property performance, energy and running cost to optimise use and improve efficiency.
 - the Asset Challenge process, which will ensure that every opportunity is explored to rationalise the estate, contributing to medium term financial strategy in terms of both capital receipts and revenue savings.
- 6.4 Alongside its staff, property is any organisation’s most costly asset. A strategic asset management approach, leading to a smaller, more agile estate focussed on service delivery, will bring about significant savings while still meeting operational objectives.
- 6.5 Using a strategic approach to asset management, linked to the organisation’s vision, helps to challenge the status quo, and delivers innovative new ways of working. Examples include:
- 6.5.1 Using a “service challenge” approach to assessing asset needs – placing improved service delivery at the heart and ensuring that the asset challenge programme drives this;
- 6.5.2 Building on the OGC initiative of “working beyond walls” with more radical ways of working used to increase efficiency;

- 6.5.3 Partnership working with other service providers to provide a better service to customers, to capitalise on synergies and provide a single point of access.
- 6.6 Therefore, Asset Challenge is carried out with service managers on a rolling programme as part of a corporate led property review or in response to a proposed/ necessary change.
- 6.7 The vision for the portfolio is that in the next 5-10 years there will be:
- a reduction in the number of buildings through the disposal of buildings in a poor condition which no longer meet operational requirements or cannot be adapted or refurbished cost effectively;
 - an improved quality of environment for customers and staff by way of a more equitable distribution of space and a reduced carbon footprint;
 - improved accessibility for disabled people;
 - co-location of appropriate services whether Council-run or not in locations which enable services to get closer to customers;
 - touch down facilities for staff operating in the field using mobile technologies.
- 6.8 Properties found to be unused and under-utilised during a property review will be assessed and, if found to be surplus, will be assessed for potential either for utilisation by another service, retention as an investment property, regeneration opportunity or for disposal.
- 6.9 Capital receipts from the disposal of income-producing properties will be reinvested in properties providing a higher return/income, unless the requirements of the authority at the time dictate otherwise. Capital receipts from non-income generating properties are utilised to help fund the Council's capital programme.
- 6.10 Exploring potential outsource/joint venture arrangements will be an increasingly important way to optimise the use of public assets, and may also act as a catalyst for regeneration. One such approach is the use of Local Asset Backed Vehicles (LABVs). These are special purpose vehicles owned 50/50 by public and private sector partners with the specific purpose of carrying out comprehensive, area based regeneration or renewal of operational assets. In essence, the public sector invests land/property assets, which are matched in cash by the private sector partner. The partnership may then use these assets as collateral to raise debt financing to develop and regenerate the portfolio.
- 6.11 Detailed Condition Survey information is used to monitor the condition of the assets for which the authority has a repairing responsibility and to prepare planned maintenance schedules to inform budget setting. Planned maintenance and capital projects can also take into account improvements to facilitate more efficient service delivery, energy efficiency and compliance with statutory requirements, and designing out crime.

- 6.12 The Asset Management Plan sets out a clear vision for establishing a new Corporate Landlord Function. The Corporate Landlord role involves a coherent, corporate overview of the acquisition, management, maintenance, improvement, review and rationalisation of property assets. Property related budgets should be centralised as far as possible to enable efficiencies of scale in procurement and a more effective management and timetabling of works.
- 6.13 The concept ultimately involves holding all property in a single support service which becomes a notional landlord. Occupying departments no longer “own” their operational assets, and become notional tenants. The role of the corporate landlord is to provide occupying services with the right accommodation for their needs, in the right location. The corporate landlord is responsible for facilities management and all repairs and maintenance, and for the payment of running costs including Business rates, utilities, insurance and cleaning.

Schools

- 6.10 A fundamental review of priorities for delivery of existing Children and Families programmes has been undertaken in response to the proposed reduction in central government capital funding. Despite this review our commitment to rebuilding, refurbishing and upgrading the fabric of our schools will remain the strategy for delivering projects that respond to local priorities including.
- Continued support for extended schools/community use projects for the delivery of extended services.
 - The Primary Capital Programme.
 - Raising standards in the primary and secondary sectors.
 - Diversity (e.g. expanding popular and successful schools).
 - Inclusion (e.g. providing efficient and accessible high quality provision for pupils with special education needs and disabilities)
 - Schools workforce reform.
 - The 14 –19 Agenda.
 - National Curriculum requirements.
 - Addressing pupil behaviour and attendance.
 - E-learning.
 - School security
- 6.11 In line with the 15 year ‘Primary Strategy for Change’ capital funding criteria, expressions of interest have been received from schools to be included in the remaining years of the programme (subject to Government confirmation in the Autumn). These will be fully assessed against criteria agreed by the Schools Forum and subject to the level of funding awarded; appropriate projects will be progressed in October with an opportunity for additional funding to continue the strategy over the remaining 12 year period. The expression of interest to be included in an earlier wave of the Building Schools for the Future (BSF) Programme was not approved and the new Government has recently withdrawn this programme.

7.0 ICT STRATEGY

- 7.1 Cheshire East has a commitment to break new ground and improve service delivery through the use of Information and Communications Technology (ICT) systems. Every service which Cheshire East provides, benefits directly from an innovative approach to ICT.
- 7.2 The development of both systems and the supporting infrastructure is undertaken in partnership with other organisations and agencies. These range from our immediate geographical neighbours such as Warrington and Cheshire West and Chester; partners in service delivery such as the NHS, PCT's, Police, Fire and Rescue; through to partnerships with the voluntary and private sector organisations. ICT continues to actively seek partnership to provide integrated information systems and efficiencies.
- 7.3 The ICT service currently relies on both revenue and capital from a number of different sources in order to run services and deliver its corporate programme of work. ICT development work is financed by capital funding and staffing costs are recharged to the capital programme. As more systems are developed, ICT Strategy will need to recharge the revenue consequence of the capital development programme to services to enable ongoing support and maintenance of systems.
- 7.4 Capital costs are funded by capital reserves, unsupported prudential borrowings and grants. The use of the capital reserve to fund significant new ICT investment is not sustainable over the medium term and as a result, the use of unsupported borrowings is likely to increase which will have a revenue impact.
- 7.5 Cheshire East has inherited over 450 legacy application systems, in excess of 4000 desktops/laptops (using different local software), a variety of telephone systems, a multitude of telecommunication lines and contracts, three data centres (which are wholly owned and used exclusively by Cheshire East) and also shares the use of other data centres with Cheshire West and Chester. This mixed estate of applications, hardware, infrastructure and data centres presents a clear opportunity to reduce ongoing costs and to improve resilience through rationalisation and harmonisation. ICT Strategy continues to review, in conjunction with services, both systems and the supporting infrastructure to standardise and reduce costs wherever possible.

8. HOUSING STRATEGY

- 8.1 The vision of the Cheshire Housing Alliance is to provide a housing offer that supports the creation of balanced, sustainable communities and the regeneration of the sub-region's most deprived neighbourhoods, through effective lobbying, partnership working and community engagement, to create a sub-region where all residents can achieve independent living in good quality, affordable homes that are appropriate to their needs.

8.2 The four priorities listed below have been identified as the key issues for the sub-region. More information on these priorities can be found in the Cheshire Sub-Regional Housing Strategy 2009-2012 document.

- PRIORITY ONE: To increase the supply of affordable housing to support economic growth and development.
- PRIORITY TWO: To make best use of the sub-region's existing housing stock.
- PRIORITY THREE: To meet the housing and accommodation-related support needs of the sub-region's most vulnerable residents.
- PRIORITY FOUR: To increase the supply of market housing to support economic growth and regeneration and to meet local housing needs.

8.3 The following targets taken from the 2009-12 action plan will require capital resources:

- Develop appropriate affordable rural housing
- Increase the number of homes in the social housing sector achieving the Decent Homes Standard (DHS)
- Harmonise social housing stock condition surveys
- Achieve DHS for all RSL- owned homes (including LSVTs)
- Increase the number of homes in the private housing sector achieving the Decent Homes Standard
- Harmonise private housing stock condition surveys
- Ensure compliance with legislative requirements for Houses in Multiple Occupation (HMOs)
- Use enforcement powers where necessary to ensure private rented and owner occupied properties reach an acceptable standard
- Increase the number of households within the Cheshire East area taking advantage of energy efficiency schemes
- Encourage homeowners and private landlords to invest in maintaining their homes
- Bring empty private sector homes back into use
- Re-use brownfield land, neglected and derelict buildings in appropriate locations for new housing development
- Deliver the recommendations of the Cheshire Partnership Area Gypsy and Traveller Accommodation and Related Services Assessment through partnership working
- Improve the provision of accommodation for older people
- Identify and bring forward suitable sites for the development of private sheltered housing, retirement housing or extra care schemes
- Assist older people to continue to live comfortably and safely in their own homes
- Fulfill statutory obligations with regard to Disabled Facilities Grants (DFGs)

- Increase take-up of grants/ loans to enable older and vulnerable people to improve the security and condition of their home.

9. IDENTIFYING AND PRIORITISING CAPITAL SCHEMES

9.1 For each of our portfolios and service priorities, we have reviewed our main aims and outcomes through the AMP process and identified those that require the use of capital assets. Our primary concern is to ensure that capital investment matches the Councils overall priorities as set out in the Corporate Plan. From our AMP and the various service strategies developed with partners to achieve our aims, we identify annually the need for new capital schemes. Schemes go through a four-stage process:

- Scheme identification from service strategies / AMP
- Inclusions in the Capital Programme following scheme appraisal and prioritisation
- Scheme implementation through Capital Programme procedures, including regular monitoring
- Post-implementation review to ensure the scheme achieved its stated aims and was implemented to plan

9.2 Through the business planning process new proposals that come forward will be considered by the Efficiency Group. This group acts as the co-ordinating Group for the Council for Business Planning purposes. It is a Cabinet Member and Corporate Manager Group that is charged with challenging the Directorate plans for service delivery and resource allocation. It will also be charged with collating the Council's new cross-cutting principles, transformational plans and innovative ideas. The Group will assist the Council in meeting the challenge of the Coalition Government's Comprehensive Spending Review (CSR) and the work that the Group will do through the summer will be the springboard for the Budget Challenge/Scrutiny sessions from October.

9.3 Any proposals with capital implications will require a strong business case including the justification for the project and details of costs and available funding. The proposals will be reviewed against the Corporate Objectives by the Efficiency Group and referred to the Capital Asset Group who will consider the proposals against the available funding envelope. Those schemes which have been assessed to have sufficient merit will go forward to the next stage.

9.4 Following this initial process services will then be required to submit detailed business cases for those schemes going forward for consideration. The schemes will receive an initial assessment by the Capital Appraisal and Monitoring Group (CAMG) who will assess the viability of the scheme and provide guidance on technical, legal and planning issues to Project Leads. The CAMG will consist of officers from Asset Management and Corporate Finance. Professional expertise from Engineering, Planning, Legal and Procurement will be drawn on as required and external consultancy services

will be procured for feasibility studies, option appraisals etc where internal resources and / or expertise are not available.

- 9.5 The business cases will set out how returns on investment will be achieved either through enhanced income generation, cashable revenue savings or performance improvement.
- 9.6 The Capital business cases from all services will be considered by the Capital Asset Group (CAG) and placed into overall priority order having due consideration to the estimated resources available. The Capital Asset Group will consist of the Borough Treasurer and Head of Assets, Head of Finance, Head of Asset Management, Head of Policy & Performance, Head of Corporate Improvement, Partnerships Manager, Heads of Services or their representatives and representation from the CAMG.
- 9.7 The Capital Asset Group will provide an interface between Cabinet and Officers and their remit will be to:
- Consider the capital bids against Council priorities and objectives using the key selection criteria set out in paragraph 9.8;
 - Review available resources and affordability, options for bridging the affordability gap include; exploring the possibility of external funding sources, prudential borrowing, downsizing the programme, deferring schemes until a later year, or deleting the scheme from the programme.
 - Oversee the preparation and review of the three year capital strategy;
 - Oversee the management and monitoring of the capital programme including a review of existing commitments.
 - Update and review the Asset Disposal Plan.
 - Recommend a draft capital programme
- 9.8 Capital schemes will be prioritised in terms of their fit with the Corporate Objectives of:
- Transformation – does the scheme contribute towards the corporate transformation goals;
 - Infrastructure – does the scheme support the ICT infrastructure and asset base;
 - Compliance – does the scheme contribute towards compliance with statutory legislative and health and safety requirements.
- 9.9 A list of capital projects will then be submitted to the Efficiency Group Challenge sessions for member scrutiny. The process will include:-
- meeting with the relevant Directors and Portfolio Holders to challenge and review the prioritisation of capital schemes;
 - reviewing the overall purpose of the capital programme and ensure the proposed capital schemes are consistent with the overall strategic plans of the Council;

- recommending a list of schemes for consultation and onto approval by Cabinet and Council in February.

9.10 Annex 2 shows the business planning process for 2011-14, including key dates.

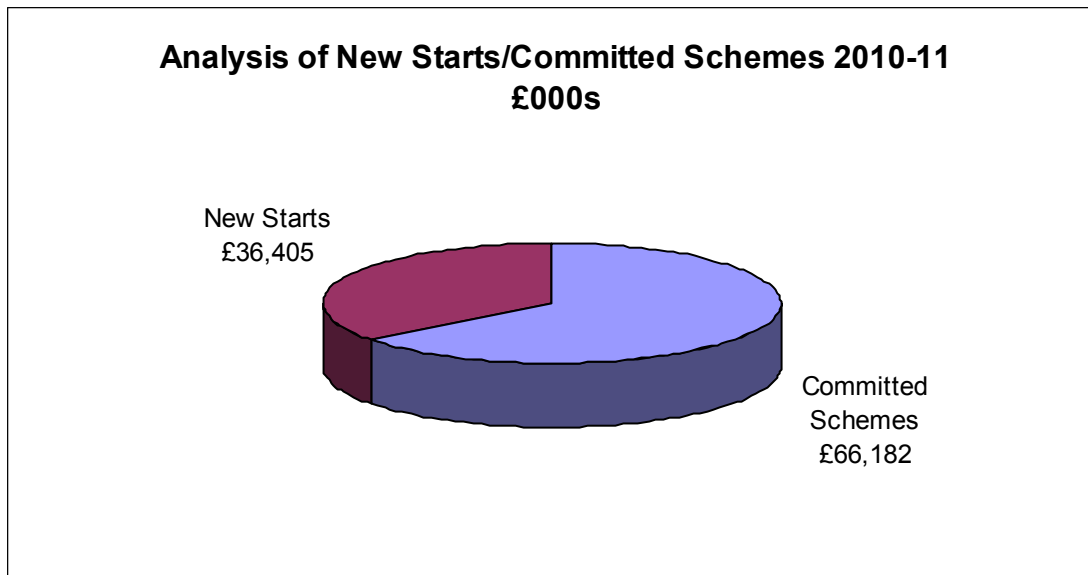
10. FUNDING AND PROCUREMENT – KEY PRINCIPLES

- 10.1 Cheshire East's Capital Programme is funded from a number of sources, including government grants, capital receipts, external contributions, revenue contributions, borrowing and the capital reserve. The timings and amounts of both capital expenditure and receipts are difficult to predict with any certainty and this is reflected in the fact that both the financial forecasts and Capital Programme are constantly changing.
- 10.2 The Council's Capital Receipts Policy will ensure that receipts are used in the most beneficial way to support corporate priorities and strategic objectives of the Council. The policy is intended to separate the use of resources from the means of acquiring resources therefore supporting the strategic approach to capital investment. This will mean that all receipts will be pooled centrally and allocation to capital projects will be via the Capital Asset Group. The Council has implemented a Disposals Policy as part of the Asset Management Plan, where property assets are not meeting the Council's objectives, their retention will be subject to asset challenge and a process of rationalisation and disposal for surplus/under-performing property will be adopted.
- 10.3 The Capital Asset Group will recommend the assigning of available resources to finance the capital programme recognising the constraints of any ring-fencing arrangements and the requirement to balance front-line service and core programme requests.
- 10.4 Services may bid for unsupported (Prudential) borrowing to pay for capital projects that meet key corporate or service priorities and cannot be funded from any other source. As Prudential Borrowing is funded wholly from Council Tax, it should only be used where it can be demonstrated that it is affordable and sustainable in the long term. The Treasury Management Strategy 2010/11 sets out the Borrowing Requirement and Strategy for the Council which is to maintain maximum control over its borrowing activities as well as flexibility on its loans portfolio. The objective of the Council is to stabilize the borrowing position so that new borrowing in any year does not exceed the level of debt repayment.
- 10.5 The capital process will give due consideration to the fundamental principles of the Procurement Strategy. The strategy details how procurement will be managed using the latest procurement techniques to ensure that savings are released so that they can contribute to the delivery of front line services. Capital Procurement will give due consideration to the principles of Sustainable Procurement including whole life costing. . .
- 10.6 The procedures for the approval, control, monitoring and procurement of capital schemes are detailed within the Authority's Financial Procedures.

The Council actively considers other forms of procurement including joint procurement with other local authorities and the Private Finance Initiative (PFI), and Public / Private Partnerships (PPP), which can also be used to lever in private sector capital. Where possible Procurement activity will be conducted in collaboration with other Public Sector Organisations where there are financial benefits in aggregating demand and benefiting from shared resources and specific expertise

11. MANAGING THE CAPITAL PROGRAMME

- 11.1 The Capital Programme will be monitored regularly throughout the year. Progress updates will be submitted to Cabinet on a quarterly basis as part of the financial reporting procedure. The monitoring process will focus on the main issues affecting each service, update progress on the Capital Programme, provide explanations of major variances between the in-year budget and latest forecasts and request Members to approve Supplementary Capital Estimates (SCE's) and Virements.
- 11.2 Progress on individual schemes within the Capital Programme will be monitored monthly by the project leads and service accountants who will provide regular reports to the Capital Appraisal and Monitoring Group (CAMG).
- 11.3 Major capital schemes will be subject to a post-implementation review within one year of completion. These reports will focus on financial performance and also evaluate the non-financial objectives. Post implementation reviews provide valuable benchmarking information and assist in ensuring that project outcomes are measured against initial project goals.
- 11.4 A mechanism for the rolling forward of capital schemes is in place and a review of slippage will take place at the end of each financial year. Capital schemes which do not commence during the approved start year will be reviewed and any delays will be monitored. The carry-forward of schemes will not follow automatically and new approval will need to be sought on an annual basis
- 11.5 During 2010/11 a fundamental review of the Capital Programme is being undertaken to ensure that schemes brought forward from legacy authorities that no longer fit with the corporate policies and objectives of Cheshire East Council are removed from the programme, this will enable resources to be re-allocated and used more effectively. An analysis of new starts compared to brought forward schemes is provided below.



12. CONCLUSION

12.1 The Capital Strategy will be a means of consulting and communicating with our partners, local people and businesses about capital priorities to deliver the vision in our Corporate Plan, and to assist in the continuous improvement of our services. It will be linked to all the Council's plans and strategies and by the Council's Service and Corporate AMP's. The Capital Strategy and the AMP will both take account of and join up the capital consequences of all the Council's other plans and together represent a realistic, costed three year programme linking capital assets to outputs. They will enable property to continue to provide best value in the future by continuing to review and establish performance indicators and setting performance targets and ensuring that these are monitored effectively.

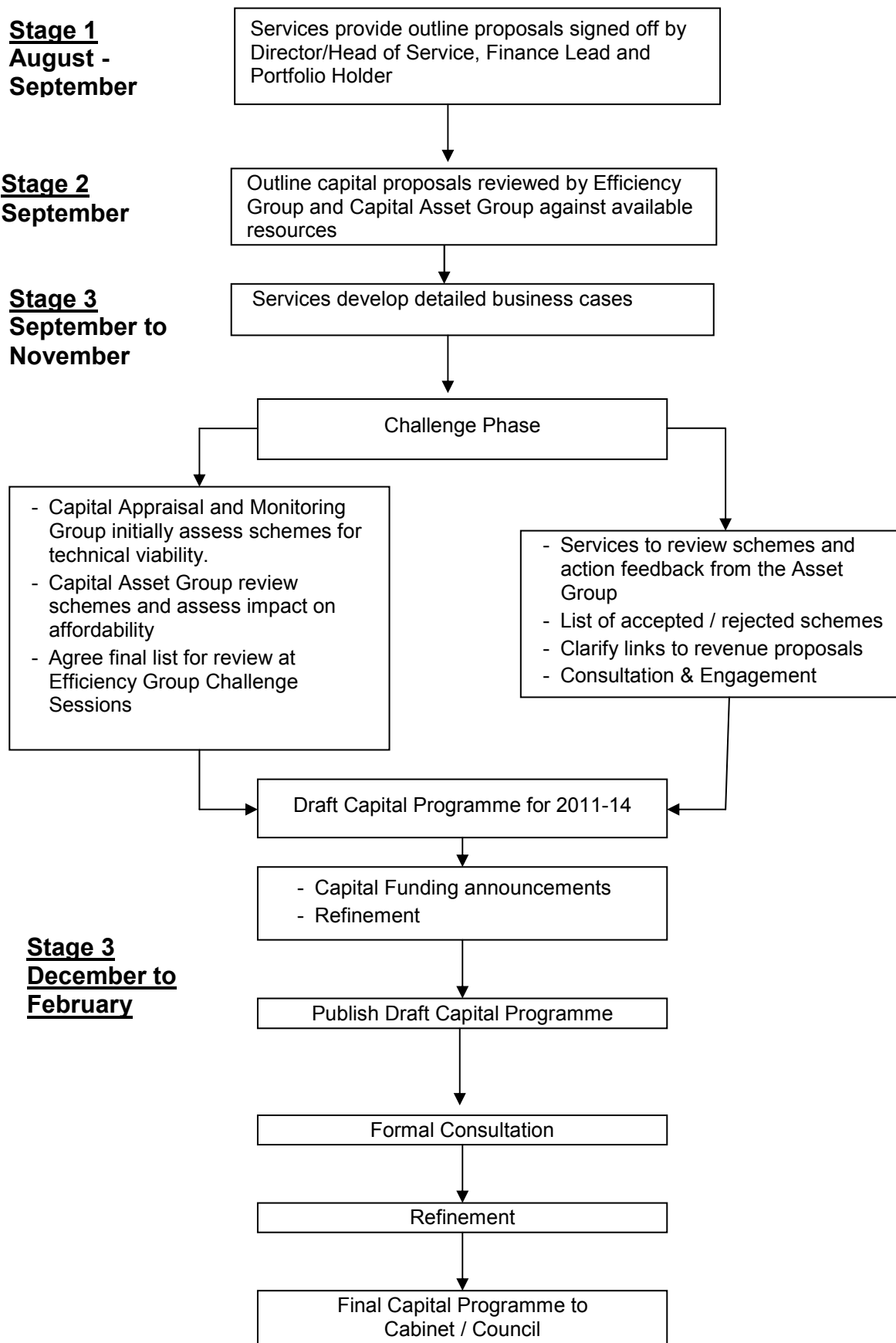
13 ANNEXES

- 1 Capital Programme 2010-2014
- 2 Capital Planning Process
- 3 Glossary of Terms

Capital Programme 2010-2014

	2010-11 £000	2011-12 £000	2012-13 £000	Total £000
People				
Committed schemes				
Children and Families	23,284	2,538	50	25,872
Adult Services	3,864	1,633	0	5,497
Health and Wellbeing	3,751	700	385	4,836
	30,899	4,871	435	36,205
New Starts				
Children and Families	8,767	4,773	537	14,077
Adult Services	1,329	1,000	0	2,329
Health and Wellbeing	400	400	400	1,200
	10,496	6,173	937	17,606
Total Capital Programme - People	41,395	11,044	1,372	53,811
Places				
Committed schemes				
Environmental Services	18,668	3,237	0	21,905
Safer & Stronger Communities	0	0	0	0
Planning & Policy	0	0	0	0
Regeneration	4,932	374	0	5,306
	23,600	3,611	0	27,211
New Starts				
Environmental Services	11,543	8,949	8,949	29,441
Safer & Stronger Communities	1,508	160	160	1,828
Planning & Policy	2,100	0	0	2,100
Regeneration	2,280	2,900	1,230	6,410
	17,431	12,009	10,339	39,779
Total Capital Programme - Places	41,031	15,620	10,339	66,990
Performance & Capacity				
Committed schemes				
Borough Solicitor	60	0	0	60
Borough Treasurer & Head of Assets	10,968	1,283	0	12,251
HR & Organisational Development	0	0	0	0
Policy & Performance	655	185	0	840
	11,683	1,468	0	13,151
New Starts				
Borough Solicitor	0	0	0	0
Borough Treasurer & Head of Assets	8,388	1,704	2,954	13,046
HR & Organisational Development	0	0	0	0
Policy & Performance	90	10	0	100
	8,478	1,714	2,954	13,146
Total Capital Programme - P & C	20,161	3,182	2,954	26,297
Total Committed schemes	66,182	9,950	435	76,567
Total New Starts	36,405	19,896	14,230	70,531
Total Capital Expenditure	102,587	29,846	14,665	147,098
FINANCING				
Non spec supported Borrowing	14,238	4,035	300	18,573
Ringfenced Supported Borrowing	1,514	0	0	1,514
Unsupported Borrowing - Prudential	5,959	619	0	6,578
Government Grants	51,494	20,912	10,186	82,592
Capital Receipts	4,597	2,529	3,634	10,760
Capital Reserve	9,323	280	0	9,603
Linked/earmarked Capital Receipts	10,304	700	385	11,389
External Contributions	1,008	586	160	1,754
Other Revenue Contributions	4,150	185	0	4,335
Total Sources of Funding	102,587	29,846	14,665	147,098

2011-14 Capital Planning Process



GLOSSARY OF TERMS**Asset Management Plans (AMPs)**

A plan maintained by the authority of the condition and suitability of its buildings, updated regularly and utilised to prioritise future capital programmes

Capital Expenditure

Expenditure of over £10,000 on the acquisition of fixed assets, or expenditure that enhances or adds to the life or value of an existing fixed asset, e.g. land and buildings.

Capital Programme

The authority's plan of capital works for future years, including details on the funding of the programme. Included are the purchase of land and buildings, the erection of new buildings, design fees and the acquisition of vehicles and major items of equipment.

A service area may also have a specific programme of capital works which is made up of numerous individual capital schemes. In such circumstances new bids for funding and capital monitoring will be carried out on a programme, rather than scheme, basis.

Capital Receipts

Income over £10,000 from the sale of a fixed asset. They can only be used to finance other capital expenditure or repay outstanding debt on assets financed from loan. They cannot be spent on revenue items.

Capital Scheme

An individual capital project which is monitored and managed in isolation. Groups of similar capital schemes within a service area may however be managed collectively to form a specific programme of works.

Capital Strategy

To assist with long-term planning for capital investment the government has encouraged Local Authorities to produce capital strategies. The strategy should provide clear strategic guidance about the Council's capital investment processes and policies.

Community Strategy

The Community Strategy identifies priorities for action and acts as a framework for other public service planning. It influences the delivery of a wide range of services such as housing, education, transport, crime prevention, economic development, culture and leisure.

Government guidance suggests that the Community Strategy should meet four objectives which are to:

- Allow local communities to articulate their aspirations, needs and priorities
- Co-ordinate the actions of the councils, and of the public, private, voluntary and community organisations that operate locally

- Focus and share the existing and future activity of those organisations so that they effectively meet community needs and aspirations
- Contribute to sustainable development

Comprehensive Spending Review (CSR)

The public expenditure planning process introduced by the government in 1997 to replace the system of annual public expenditure surveys. Each CSR covers a three year period.

Local Transport Plan (LTP)

A rolling five year plan of local transport strategies for achieving an integrated transport system to tackle the problems of congestion and pollution.

Private Finance Initiative (PFI)

Long term contractual Public Private Partnership (PPP) under which the private sector takes on the risks associated with the delivery of public services in exchange for payments tied to agreed standards of performance.

Procurement

The purchase of goods and services, with a strategy being developed to assist with the definition of quality standards and securing provision of the best possible services for local people for a given price.

Ring Fenced Funding

Funding that is for specific projects and therefore cannot be allocated to other general projects.

Service Plans

Part of the business planning processes for service departments, ensuring that their objectives meet the overall aims and objectives of the Council, and targets are set for improvements in service delivery.

Slippage

This is when delays occur in capital works and therefore payments are not made in the financial year originally anticipated.

Supported Capital Expenditure

- Borrowing allocations from the Government that replaces the previous system of credit approvals. These allocations enable services to borrow to fund capital schemes, and they will receive revenue funding to pay for the borrowing costs.
- Capital grants awarded by Government under the same system and are direct capital grants rather than borrowing approvals.

Unsupported Borrowing

Local Authorities can set their own borrowing levels based on their capital need and their ability to pay for the borrowing. The levels will be set by using the indicators and factors set out in the Prudential Code. The borrowing costs are not supported by the Government so the Council needs to ensure that it can fund the repayment costs. This borrowing may also be referred to as Prudential Borrowing.