

CAPITAL STRATEGY 2015 - 2019**Introduction**

The Capital programme is derived primarily from the County Council's Strategic Plan. The Capital Strategy was last updated in February 2014 as part of the Medium Term Financial Strategy.

Background

Capital expenditure involves the acquisition, creation or enhancement of fixed assets with a long term value to the Council. Fixed assets shape the way services are delivered in the long term and create financial commitments for the future, including capital financing and ongoing revenue costs. The classifications are as follows:

Category	Asset type
Intangible Assets	ICT Software
Property, Plant and Equipment	Land and Buildings
	Vehicles, Plant, Furniture & Equipment
	Infrastructure Assets (Roads and Highways)
	Community Assets(including Country Parks and Historic Buildings)
	Surplus Assets
	Assets under Construction
Investment Properties	Investment Properties – held for income earning/capital appreciation
Assets Held for Sale	Assets Actively Marketed for Disposal
Heritage Assets	Assets held that contribute to the knowledge and history of the area

The Council applies a de-minimis limit of £10,000 for individual items to be charged as capital expenditure. Items below this limit are charged to revenue in the year that it is incurred.

Funding and Affordability**Capital Programme**

The capital programme totals £228.9m over 2015-19. The programme is funded by a combination of central government grant, external grants, capital receipts and contributions from revenue balances and earmarked funds.

The large majority of capital funding for schools and roads comes from central government.

The main points arising from government announcements on capital funding for 2015-19 are:

- All government funding is provided by capital grant
- The majority of funding is non-ring fenced
- Department for Education (DfE) grant for Basic Need of £51.5m for 2015/16 to 2016/17. (Allocations for Maintenance and future years Basic Need have not yet been announced).
- Department for Transport (DfT) grant for Highways maintenance and Integrated Transport projects of £62.3m for 2015/16 to 2018/19.

Government Grants

Grant funding is the largest source of financing for the capital programme, totalling £155.3m across the 2015-19 programme. Capital grants are awarded by central government departments including DfE, DfT and the Department of Health (DoH). While central government grants are allocated by specific central government departments, they are not ringfenced.

Capital Receipts

The sale of capital assets generates capital receipts which are used to finance the capital programme. A total of £36.8m are estimated to be achieved during 2015-19. Capital receipts include a £8.4m loan repayment from Lloyds bank for the Local Authority Mortgage Scheme (LAMS).

Revenue Funding

The capital strategy recognises the need to avoid prudential (unsupported) borrowing in order to not increase levels of debt and associated financing costs. In view of this the MTFS 2015-19 includes a total of £29.8m in revenue and earmarked fund contributions to fund the capital programme. The majority of this funding is towards a £25m invest to save project to replace street lights with LED technology to generate ongoing revenue savings.

External Contributions

A total of £7m is included in the funding of the capital programme 2015-19, mainly from section 106 developer contributions.

Prudential Borrowing

The Council is also able to finance new capital expenditure by undertaking unsupported borrowing. The financing costs of undertaking borrowing, often from the Public Works Loans Board, are charged to the revenue account and are funded by the Council. By using other sources of funding; capital receipts and one off revenue contributions, no prudential borrowing is included in the funding of the 2015-19 programme.

Resource Prioritisation

Resources awarded by central government for specific services, principally Education and Transport are prioritised through government determined mechanisms. Schemes financed through capital receipts and one off revenue contributions are prioritised through the corporate capital planning process.

The key principles underpinning the capital programme are:

- Generate a positive impact on the revenue budget
- Passport central government grants for key priorities for highways and education to those departments
- Maximise capital receipts and other sources of income such as the Leicester, Leicestershire Economic Partnership (LLEP), developer funds and external grants
- Invest in a limited number of priority areas including roads, infrastructure, economic growth and schemes that generate a positive return
- No or limited prudential borrowing

Capital Strategy Priorities

The main focus of capital investment over the medium term is expected to be:

Children and Families

Children and families in Leicestershire stay safe, achieve economic well being, and enjoy and achieve through developing a high quality learning environment and increased attainment, by:-

- Ensuring the sufficiency and suitability of existing accommodation
- The provision of additional accommodation where extra pupil places are needed
- Improving and maintaining the quality of accommodation in order to increase pupil attainment and achievement
- Replacement of temporary buildings with permanent accommodation as a consequence of planning requirements; especially those within conservation areas
- Refurbish and redevelop key buildings to create hubs for the provision of early help services

Environment & Transport

- Transport assets such as roads and footways are well managed and maintained
- The impact of traffic on communities and individuals is reduced
- Reduce road congestion and improve air quality
- The number of road casualties are reduced
- Improved road network performance and reliability
- Bus and Cycle improvements
- Street lighting – a £25m invest to save programme to replace all County Council maintained street lights with LED lighting including a central management system and the de-illumination of traffic signs on bollards
- Construction of a new bridge over the M1 to provide a gateway to the new Lubbethorpe sustainable urban extension
- Construction of a new bridge over the river Soar at Zouch, Loughborough which carries the A6006
- Major transport scheme improvements funded from bids for external grants, a total of £36.2m is included in the capital programme 2015-19
- Completion of the Ashby Canal Extension from Snarestone to Illot Wharf

Waste Management

- Less waste is produced and a reduced proportion of this goes to landfill by increasing recycling and composting
- Improvements at recycling and household waste sites and transfer stations to provide modern, user friendly facilities, improved health and safety on site and improved recycling to reduce waste tonnage to landfill.

Adults & Communities

- More older people are able to live independently through the development of Extra Care Housing in Leicestershire
- Respite and Community Life Choices – refurbishment of buildings to amalgamate community life choice services with existing adult social care services
- Programme of replacement of mobile libraries subject to service review
- Libraries – reconfiguration of space in major libraries to improve library room hire facilities for adult learning and to generate additional income
- Provision of changing places/toilets – facilities for people who need personal assistance
- Disabled Facilities Grant - to fund major housing adaptations for vulnerable people to stay safely in their own home

Chief Executives

- Rural Broadband scheme to develop superfast broadband to homes and businesses in the County areas with poor service
- Investment in the Loughborough Science and Enterprise Park
- Programme of grants to rural businesses to support economic growth
- Programme of grants to village halls, community centres and church halls and match funding towards projects within town centres

Corporate Resources

- Investment in the replacement and upgrade of the corporate ICT infrastructure
- Reprovision of the ICT data centre to improve resilience and energy efficiency
- Replacement of the wide area network
- Programme of general improvements to County Farms and Industrial Estates
- Delivery of projects to enable the sale and redevelopment of surplus land

Corporate Programme

- Corporate Asset Investment Fund - Investment in property and land assets, including, farms and commercial properties to improve economic development, and to increase the size and quality of land and property portfolio ensuring the sustainability of the Councils investment portfolio by replacing assets sold to generate capital receipts.

- Energy Strategy Programme - Invest to save measures to reduce energy consumption across the County Council property estate to deliver ongoing efficiency savings and reduce carbon emissions in the line with the Environment strategy
- Investment in the County Hall campus to reduce property running costs, increase space for rental opportunities and modernisation of Anstey Frith House to create enhanced registration services and to provide an out of hours facility for County Hall
- Delivery of a programme of major capital maintenance projects on the County Hall campus including renewal of the heating distribution systems, window replacement and reroofing of specific areas.

Asset Management Planning

Buildings

Asset Management is part of the Strategic Property Service, headed up by the Strategy Manager reporting to the Assistant Director, Strategic Finance and Property, Corporate Resources Department. The team seeks to provide the strategic direction for the use, management, development, planning and procurement of the Council's property resources.

The section develops all the estate strategies, asset management plans and property elements of the corporate capital and revenue programmes, in conjunction with departments and arranges their implementation through the appropriate areas of Property Services.

The asset management team seeks to ensure the Council is making full use of all the retained assets, also that under-performing or surplus assets are identified and dealt with by either their disposal to bring in resources to assist in support of the capital programme or investment to improve their usage. Outcomes from condition survey information together with on going reviews of the property portfolio, feeds into the capital and revenue programmes.

During 2014 the County Hall Master Plan has been completed, establishing strategic priorities for investment to ensure the campus is appropriately maintained and providing a source of sustainable income through improved efficiency of use by the Council and leasing of surplus accommodation to public sector partners. The Masterplan is now being delivered as a key enabler project within the Council's Transformation programme.

In addition, the Property Energy Strategy was developed and approved in 2014, identifying key programmes of invest-to-save projects, new policies, procurement approaches and working practices required to reduce the Council's energy consumption across its property estate, reducing financial costs and carbon emissions.

Working through its Corporate Governance, the asset management team seeks to deliver a strong client focus working closely with departmental intelligent clients, other stakeholders and with an increasing focus on joint working and partnership initiatives.

The forward strategy for the County Council's estate is set out in its Corporate Asset Management Plan. This document includes the capital and revenue programmes against

an overview of the performance of the County Council's performance in the previous year.

Highway and Associated infrastructure

The County Councils local transport plan 3 (LTP3) long-term strategy to 2026 provides the commissioning framework within which it will manage and maintain the transport system in future. It places a strong emphasis on making best use of the existing network and maximising the benefits and value for money of its investments.

The highway network is the Council's largest asset. Given the scale of the financial challenge, a new strategy is being adopted to investment in highways which will involve concentrating resources on maintaining and making the best use of this existing asset, rather than seeking to improve or add to the asset over the medium term.

Improvements to the highway network will require greater pursuit of external resources such as Government grants, developer funding and Single Local Growth Fund (via the Leicester and Leicestershire Economic Partnership), supplemented by County Council generated capital receipts where possible. Fundamental changes were introduced to capital infrastructure funding through the implementation of the Government's Single Local Growth Fund process and revised maintenance funding arrangements. It will therefore be important to allocate resources, where available, to the development of high quality scheme bids to ensure that the County Council does not lose out through the increasingly competitive element to government funding.

In order to maximise the impact of funding that can be secured for improvements, the County Council is doing more to define the roles of the various elements of the road network so that it is able to target investment where it will be of most benefit, particularly in terms of supporting economic prosperity and growth.

Consultation

The views of the people of Leicestershire determine the priorities set out in the County Councils Strategic Plan, which in turn determine the capital programme priorities. In addition, relevant stakeholders should be consulted when individual capital schemes are being developed. This should include service users, local members, other public sector organisations and special interest groups.

Procurement

Property

A commissioning review has been undertaken for property services, with construction projects now delivered through:

- Council procured and operated frameworks for reactive maintenance and minor construction projects;
- Use of national and regionally frameworks for larger construction projects procured through collaborative buying organisations (SCAPE and the East Midlands Property Alliance).

Construction contract approaches have been developed to support both the Councils construction programme but also increasing commercialisation of property activity to offer income for the organisation by supporting public sector partners in project delivery including Academy schools.

The importance of managing the construction supply chain is an area of increasing importance in Property commissioning, to ensure small and medium enterprises (SME) suppliers and the local and regional economy is supported in the use of framework contracts.

Highways

A review of Leicestershire Highways has determined the overall future approach to procurement of highways schemes as:

- Design services - the Midlands Highways Alliance is currently procuring a replacement to the existing Professional Services contract which finishes in mid April 2015. The new contract will essentially provide the same access to external specialist resources as the existing contract.
- Highways maintenance – the County Council’s Highways Works Alliance (HWA) contract with Lafarge Tarmac has now ceased. In the short-term, all externalised HWA activities are effectively being brought back in-house and will be provided by a mixed economy of direct in house provision and service-specific external sub-contractors, where appropriate. This interim arrangement will operate whilst the Looking after Leicestershire’s Highways (T4) transformation project is developed and implemented to ensure services are as efficient as possible, prior to robust value for money benchmarking with commercial providers.
- Major schemes – through the Midland Highways Alliance, the County Council has access to a framework contract. This contract has 5 contractors available for contracts between £0.5m and £5m and three contractors for works between £5m and £25m. The contract runs from April 2014 to March 2018.

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