Cabinet

Tuesday, 15 December 2009 at 2.00 pm

County Hall, Oxford, OX11ND

ADDENDA

7. Service & Resource Planning Report for 2010/11 - 2014/15 (Pages 1 - 56)

The following annexes originally marked 'To Follow' are now attached

Annex 7 – Draft Asset Management Plan

Annex 8 – Draft Capital Strategy

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ANNEX 7

Oxfordshire County Council
Draft Corporate Asset Management Plan 2010/11

Introduction

1. The Asset Management Plan (AMP) has taken a different approach to previous years. It is a shorter, higher level document that intentionally avoids detailed explanations of needs or proposals for property and detailed action plans. It does however start to set out how our property will need to change to help meet efficiencies and objectives. It is a first step to having a clearly defined Asset Strategy, derived from corporate objectives and priorities. It is intended that the Strategy is fully developed by July 2010, to be used in the next round of Service and Resource Planning.

Purpose of the Asset Management Plan

2. The purpose of the AMP is to:

   - Give an overview of the Council's strategic direction and objectives and the implications this has for its property
   - Describe the objectives for property that arise from this and the strategy for each category of its assets (the asset strategy)
   - Set out the action to be taken, at a high level
   - Provide a clear statement of the Council's approach to its property

3. An initial Asset Strategy is included in the AMP but this will need to be developed. It will be a high level corporate strategy which establishes the role of the Council's assets in meeting strategic objectives and the business efficiency strategy. The strategy needs to be driven by corporate objectives, rather than services determining their property needs.

4. The Council's property will need to change significantly in terms of its size, composition, use and cost if it is to positively contribute to meeting Council objectives at a time of significant change.

5. Asset management is a contributor to business resource planning and seeks to ensure that the property asset base is optimally structured in the best corporate interest of the organisation. The Asset Strategy drives the asset management process.

6. The benefits of good asset management are clearly set out in best practice guidance. Land and buildings are the slowest of all strategic resources to respond to change, due to legal, financial, construction and development constraints and so it is necessary to plan for change in a systematic, long term way. Incremental change will not normally suffice as it cannot respond to the challenges of delivering modern public Services and delivery of

community objectives. The Asset Strategy will help to deliver a structured and programmed approach to change in assets. Good asset management and demonstrating a strong link between corporate objectives and how assets are managed is a requirement of central government.

7. There will also be a lower level Asset Programme which identifies specific needs and proposals based on the strategy, where possible involving cross-directorate shared use and funding and puts these in to programmes of action. The programmes will include acquisitions; capital projects; refurbishment; maintenance and disposals.

8. The Asset Management Plan considers the period from 2010/11 to 2014/15 to allow forward planning and integration with the Council's service and resource planning process, and Medium Term Financial Plan but also considers longer term business drivers and asset needs.

Objectives and Business Efficiency Strategy

9. The County Council's objectives and Business Efficiency Strategy determine decisions about the Council's direction and therefore its property.

10. The Corporate Plan for 2010/11 onwards is under development. It is likely to contain the following priorities and themes:

- **World Class Economy** - a need to balance housing growth and infrastructure needs; making it easier to get around the county; improving skills and educational attainment and supporting the local economy;

- **Healthy and Thriving Communities** - community self-help; civic pride; independent living and personalisation of services; crime and fear of crime including anti-social behaviour; improving health and well-being;

- **Environment and Climate Change** - mitigating and adapting to climate change including flooding and meeting our carbon reduction targets; waste and recycling and maintaining the built environment including 'clean and green';

- **Better Public Services** - making efficiencies; access to services; partnership working; customer engagement and responsiveness; equalities and locality working

11. There are also the cross-cutting themes.

- **Breaking the Cycle of Deprivation**, focused on reducing the gap between the best and worst off, targeting resources where they are most needed, prioritising Banbury and Oxford for pilot work and six localities (Abingdon, Banbury, Bicester, Carterton, Didcot, Oxford).

- **Localities working** – there is the need to ensure that the County Council has the appropriate assets to ensure the right services can be provided at a local level, in an integrated way

12. The **Business Efficiency Strategy** requires a rationalisation of the asset base to help deliver £106 million of savings between 2010/11 and 2014/15.

Financial Context

13. The UK Economy is still in recession although there are signs of modest growth. There is an uncertainty about the strength of the recovery and this is reflected in the forecasted growth for 2010 which stands at 1%. It is projected that the recovery in the unemployment could take up to 5 years. In addition, the scale of national debt means that public spending will be reduced by £50 billion over the next 4 to 5 years.

14. These conditions place higher demand on public services and have significant implications on capital resources. The council has already experienced a sharp reduction in the value of capital receipts as well as delays in delivery of the disposal programme during 2009. Similarly, it is witnessing increasing demands from developers to reassess and renegotiate the need for, and terms applied to, contributions and infrastructure secured through planning obligations. It is very likely that we will receive significantly less settlement from the central government from 2011/12 onwards.

15. This makes the effective use of the Council's limited capital resources of utmost importance in a financially very challenging environment, when the challenges of growth and infrastructure development have never been more significant.

How do our Assets Need to Change?

16. The Council's objectives, overall theme of breaking the cycle of deprivation and Business Efficiency Strategy mean that the asset base will need to change to support delivery of those objectives. The broad property implications of the objectives are shown below.

World Class Economy

- Infrastructure will need to be provided for growth areas
- Schools will need to be improved to help raise educational attainment, including through the Primary Capital Programme and Building Schools for the Future

Healthy and Thriving Communities

- Changes to the provision of adult social care will mean changes to the property estate

- Encouraging community self help through joint and community use of property
- The need to improve health and well-being will require more effective working and co-location with our partners

Environment and Climate Change

- The environmental impact of our property will need to be reduced and the estate be made more resilient to climate change to minimise impacts on services and costs
- Improved facilities for waste disposal and recycling will be required

Better Public Services

- The cost and size of the estate needs to be reduced
- The number of staff to be accommodated will decline
- The amount of maintenance that can be carried out may reduce and available funding must be used for the highest priorities
- Property must be treated as a corporate and community resource and its future planned with our partners
- Investment will need to be focussed on priority localities and services

The Council's Property Portfolio

17. The Council has approximately 850 properties, the vast majority of which are operational rather than investment properties. They have an asset value approximately of £1.4 billion. The main property types are listed below.

- 32 secondary schools
- 226 primary school
- 13 special schools
- 24 fire stations
- 43 libraries
- 20 day centres
- 10 highway depots
- 105 houses
- 26 children's centres
- 29 youth centres

18. There is significant investment in the portfolio each year, through the capital programme and the repairs and maintenance programme. This has led to significant investment in for example schools, offices, children's centres and libraries. However only 41% of the portfolio is fully fit for purpose and there is a maintenance backlog of £77.5 million. There will need to be significant change to the portfolio for it to be affordable and to ensure it supports delivery of the Council's objectives. The challenge is to reduce the size of the portfolio and refigure in a way that is strategically driven and affordable. This will involve radical review and cultural change.

Property Themes

19. In view of the Council's objectives and Business Efficiency agenda the Council's property themes are set out below. The purpose of these Themes is to set out the overall approach to property. There are specific and detailed targets for property included in the annual Report on the Performance of the Property Portfolio.

Theme 1	A smaller property portfolio contributing to efficiency savings
Theme 2	Changing the portfolio to support locality working
Theme 3	Increased co-location of services and sharing with partners and community organisations to improve service delivery and reduce costs
Theme 4	Property that is fit for purpose and supports emerging service business models
Theme 5	Improved environmental performance of our buildings to contribute to targets to reduce carbon dioxide emissions

Approach to Asset Base

20. The main types of property held by the Council are set out below with an explanation of the approach that is being taken. It is intended that decisions about assets are considered corporately and are guided by the themes above and not by individual service or type.

Offices

21. The Better Offices Programme had made substantial improvements to the quality of office accommodation, by disposing of unsuitable properties and investing in a smaller number of good quality, more effectively used offices. The programme will make a significant contribution to the provision of high quality services, reduce costs and improve environmental performance. There will need to be further improvement in the utilisation of offices to ensure that they are effectively used and help deliver efficiencies. This will require a clear vision, policy and support for the way we want our staff to work to ensure they make best use of time, property, information and reduce travel.

Adult Social Care

22. Improvements in adult social care are required to contribute to the theme of Stronger and Safer Communities and the corporate objectives of low taxes,

real choice and value for money. The need for improvements relate to residential care for those with physical and learning disabilities; day care for those with learning disabilities; day care for older people and Homes for Older People.

23. **Residential Accommodation for Adults with a Physical Disability and Acquired Brain Injury** can be provided through partner organisations but land would need to be provided through the County Council. The need identified is for about 30 units of accommodation a year.

24. **Residential Accommodation for Adults with Learning Disabilities - t**his strategy aims to provide Supported Living accommodation through partnership with Registered Social Landlords with an aim to provide purpose built accommodation to increase the independence of adults with learning disabilities. There will be a continuing need for purpose built premises and this is identified in the Learning Disability Housing Strategy.

25. **Homes for Older People - w**ork is continuing with the Order of St. John (OSJ) to re-provide the homes in Banbury, Bicester, Chipping Norton and Thame. The funding for the new homes is largely provided within the funding strategy for HOP's.

26. The remaining 8 homes within which OSJ provide a service need to be reviewed in the context of changing needs. The Resource Implications are not yet known. The Extra Care Housing strategy is seen as a key one for the redevelopment and re-provision of services in these homes. However, there is also a need to enable the development of Extra Care Housing throughout the County.

27. **Mental Health Housing** is an emerging strategy. The need is to replace residential accommodation with housing within the community, similar to the strategy for adults with learning disabilities.

28. **Day Service for Adults with Learning Disabilities** need to develop day services through a countywide distribution of care and resource bases.

29. As with Day Services for Older People there is now a need to re-provide the bases established in Headington and Cowley as this are no longer suitable to meet the changing needs of the clients however all this is subject to the review mentioned below.

30. **Day Centres for Older People -** need to change to meet the objectives of the Day Service Strategy to support people to live in their own homes. The issue is that are these services what people want when given a personal budget. A review of the services required is a priority in order to establish which further work on creating new resource centres is carried out. Bicester has already been achieved, Banbury is at the feasibility stage, and Abingdon and Oxford Options currently in progress. It is possible that some development will be possible as part of or alongside extra care housing developments or emerge

out of the new strategic sites developments. Increasingly there will be a need to link to health related services, currently provided in community hospitals.

31. **Day Services for Mental Health** is primarily provided by partner providers on a mixture of rented and county owned premises. This services need to be located in centres of population but can share existing locations such as community centres. There is a current need to find a location for a centre in Cowley.

Future Needs

32. There will be significant pressures arising from the demographic pressures on services for older people along with the implications of Self Directed Support and its impact on the services required by people. A substantial amount of work is underway in quantifying the capital requirements.

33. The major issues that have to be considered at this stage are:

- Funding and managing major service transition. Care and support of people in services for older people has to continue while the new services are developed. This transition will require hump or time limited additional funding. This could be financed from capital

- The use of County Council land and other assets in the development of facilities. For sheltered and extra care housing this will be particularly important for drawing down any grant support from the Housing Corporation, reducing the long term revenue costs, and ensuring that the County is able to get the best advantage from any section 106 arrangements and being able to ensure that there are nominations agreements in place that will allow our priorities to be met.

34. Both of these issues are very evident for the extra care housing strategy.

35. Alongside this - a comprehensive review is being undertaken to determine the **systems and processes** required by Adult Social Care for the future working and support of the new processes being put in place through Transforming Adult Social Care. This work is due to be complete in the New Year which will inform the amount of capital required for systems development.

Libraries

36. The asset strategy for the library portfolio is driven by current service constraints, population growth, service modernization and community needs.

Current service constraints

37. Fitness for Purpose Surveys show that libraries compare very poorly with the overall results for the county's property portfolio. 18 properties (44%) are identified as unfit for purpose or unfit for purpose with the potential for

economic improvement. Priorities for improvement (excluding funded priorities) are the Central Library, Chipping Norton, Cowley and Summertown.

Population growth

38. Significant, planned housing growth increases pressure on the library infrastructure which is often inadequate to meet the demands of existing communities. Securing improved or new provision in areas of planned growth (excluding the current capital priorities) is therefore a priority, most notably in Didcot and Grove.

Service modernization

39. Consultation indicates that the key determinants of library use and customer satisfaction are:

    17. An excellent book stock,
    18. Easily accessible services with retail type opening hours
    19. Relaxed, modern, comfortable environments

40. Since 2004 the library service has significantly improved in the first two areas and library use has increased. Modernisation of library buildings is now the most important action to be taken to improve performance, drive up core business and improve customer satisfaction. The busiest service points, with high footfall in the city and the county's towns are the highest priorities for improvement. Excluding the current capital programme, these include, Abingdon, Henley, Wantage and Witney,

Community need

41. In areas of disadvantage, library services have a role with other partners in helping to break the cycle of deprivation. The ways in which this may be achieved is currently being explored through the Community Libraries project and while demands on the library infrastructure in areas of relative deprivation may not always be great (for example in Berinsfield) there will be asset implications in delivering shared services, for example, through shared buildings.

Young People's Centres

42. The provision of high quality Young People's Centres as centres of excellence is at the heart of our local communities contribution to the five key Every Child Matters agenda; the 2010-2013 Children and Young People's Plan and the government's Youth Matters: Next Steps agenda by providing safe "places to go" for young people that are attractive, accessible and make young people feel valued.

43. The Children, Young People and Families Directorate restructured its services in January 2009 to create three areas with integrated teams working across

the areas and using local venues for service delivery. Young People's Centres offer an opportunity to be at the heart of this process and are already beginning to, or are planning to, provide opportunities for co-location wherever possible.

44. An Integrated Youth Support Accommodation Strategy 2009 was approved in July 2009, which included priorities for investment based on Fitness for Purpose, co-location opportunity and locality deprivation rating.

45. The drive is to develop contemporary environments where young people engage in positive activities and include multi-functional spaces, welcoming accessible cafe-style area and high quality external sports and play areas. There is a commitment to work up feasibility studies on the properties so with as opportunities for investment arise, there can be a rapid response.

46. There has been considerable success since autumn 2008 in securing external capital funding.

- "Back on Track" (Department for Children, Schools & Families) to provide facilities in four centres for alternative education provision and opportunity to enhance existing provision – Witney, Kidlington (both for completion in March 2010), Abingdon and Didcot (both for completion in March 2011) – £1.92 million. There is an additional investment of developer funds of £300,000 for Didcot.
- "Co-Location" funding (Department for Children, Schools and Families) to provide opportunities to co-locate services in Banbury, Chipping Norton and Bampton (for completion in August 2011) – £4.8 million.

47. There will be five year efficiency savings across OCC from April 2010. In current proposals, the revenue budget for youth and, in particular, for youth work risks significant reduction.

Re-use, Recycling & Recovery of Waste

48. The Waste Recycling Centre Infrastructure Development Programme is fundamental to the Council's priority and theme of Environment and Climate Change.

49. The priorities for the 2010/11 programme require the council to increase, refurbish/redevelop and geographically relocate its WRC assets to achieve sustainable, continuous improvement in service provision. Phase 1 (2010/11) will see construction of the County's first undercover Waste Recycling Centre and Reuse Shop, north of Oxford City. The development will serve as an enabler to the redevelopment of the Redbridge Recycling Centre Health and Safety issues. It is also proposed to relocate Dean Pit, near Chipping Norton.

50. The second phase (2012–15) of the programme will see the relocation of Alkerton to serve the Banbury area, relocation of Ardley to serve the Bicester area and the redevelopment/upgrade of Stanford-in-the-Vale. The longer term

(phase 3, 2015+) will review the need to develop smaller satellite recycling centres to serve housing growth.

Energy Recovery – information required

Schools

51. The priority areas approved for the distribution of available funding within the CYP&F Forward Plan are set out below. There may need to be some difficult policy decisions to ensure that the challenges and themes that need to drive change in the Council's assets are applied to schools. The priorities are currently:

- Primary Capital Programme
- Secondary Capital Programme (Building Schools for the Future)
- Provision of School Places
- Children's & Family Centres
- Halls and Kitchens
- Special Educational Needs
- Locally Controlled Voluntary Aided Programme (LCVAP)
- Risk Management Programme including health and safety
- Opportunity Developments
- Outdoor Education Service
- Improvement of Youth Centres
- Children's Homes Development

Resource Implications

52. The overall capital requirements of the asset strategy and the approach to funding those requirements and their revenue implications is set out in the Capital Strategy, which is prepared and approved to the same timescale as the AMP.

53. As the asset strategy is developed, the HR and ICT implications will also be set out in the AMP.

Performance Management

54. Performance against national and local property indicators is used to monitor performance of the property portfolio and with benchmarking information and targets for future performance, is included in the annual Report to the Cabinet on the Property Portfolio.

55. The report detailing the performance of the Council's property from April 2008 to March 2009 was considered by Cabinet in October. Work is ongoing to improve benchmarking information so there is better information about how our assets are performing compared with other authorities. Changes in the estate for 2008/09 were not all positive and this is another indicator that the approach to property needs to change.

56. In summary, the report showed:

- A slight reduction in the number of fit for purpose properties to 41%, although only one third of the portfolio was surveyed in 2008/09. The target of 90% of property fit for purpose by 2015 will be difficult to achieve
- Capital receipts of £6,947,871
- Total required maintenance increased by 4.4% from 2007/08. Total spend on repairs and maintenance reduced, although the percentage split between planned and responsive maintenance has improved to 59% and 41% respectively. This is disappointing in view of the additional prudential expenditure
- 64% of properties perform better than typical in terms of environmental performance – a slight reduction on 2007/08 largely attributable to a particularly cold winter

Organisational Arrangements

57. In November 2008 the County Council Management Team asked for a review of the Council's Capital Governance Structure.

58. The purpose of the review and new arrangements is to improve the delivery of corporate objectives through better management of our assets. Analysis carried out before the review stated that the structure in place at the time was an obstacle to this as there was:

- a limited visibility of top down priorities and cross-portfolio political debate on policy developments in the capital arena
- a limited strategic approach to place shaping
- disaggregated teams and functions
- limited application of strategic programme management

59. The new governance structure has a Capital Investment Board and a Capital Programme Board to replace the Capital Steering and Working Groups and these will operate at a higher level than and have strong links with Cabinet and CCMT. The aim is that the new structure will assist in:

- Changing the culture and approach to asset management
- Better planning of capital investment
- More effective use of assets
- Enhanced cross-service working
- Improved working and asset sharing with partners

60. The role of the Capital Investment Board is to set the vision and agenda for capital investment and asset planning to put in place the next generation of infrastructure and to deal with growth, joint service delivery and partner relationships.

61. The role of the Capital Programme Board is to provide a single point of contact for all capital and asset matters, to ensure development and delivery of the asset strategy, enhance cross-service and organisation working, develop a programme of strategic capital investment and to provide officer leadership and challenge.

62. Property Services is planning a restructure from April 2010 to allow a refocusing of resources to increase the capacity for strategic work, particularly development of the asset strategy.

Strategic Actions

63. The main strategic property actions required to support the achievement of the Council's objectives are to have:

By the end of 2009/10

- completed the Better Offices Programme
- a consolidated Facilities Management Service in place
- a strategy in place for the provision and procurement of Property Services from 2012 when most existing contracts come to an end
- a programme of property reviews to help achieve the asset strategy approved by the Capital Programme Board

By the end of 2010/11

- a fully developed asset strategy approved and in use to help ensure that decisions about property support the Council's objectives
- a plan underway for meeting Business Efficiency savings from reducing the size of the portfolio with savings commencing in 2011/12
- arrangements in place for joint asset planning with partners
- a "New Ways of Working" framework in place to allow our staff to work effectively and flexibly and to make the most effective use of our assets

By the end of 2011/12

- the new procurement arrangements for Property Services in place and able to deliver the savings required by the Business Efficiency Strategy

By the end of 2014/15

- delivered the property savings required by the Business Efficiency Strategy

Annually

- met the fitness for purpose targets
- met the disposals target
- delivered the capital programme
- delivered the repairs and maintenance programme
- met the target for reducing carbon dioxide emissions

8 December 2009

Mark Tailby
Assistant Head of Property

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ANNEX 8

OXFORDSHIRE COUNTY COUNCIL

THE CAPITAL STRATEGY (DRAFT)

2010/11 to 2014/15

DOCUMENT INFORMATION

VERSION HISTORY

The following outlines the high level changes that have been made to each version of this document and who made them:

Version	Notes	Changed by & Date
1	Draft prepared by Arzu Ulusoy- Shipstone in consultation with Directorates and Head of Finance & Procurement	26th November 2009
2	Head of Finance & Procurement	30th November 2009
3	Capital Programme Board	2nd December 2009
4	CCMT	9th December 2009
5	Arzu Ulusoy-Shipstone following S&P Scrutiny Committee	17th December 2009
7	Capital Investment Board	5th January 2010

SIGN OFF

Accepted by: The Cabinet

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Approved by: The Council

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REVIEW DATE

This document will be reviewed yearly from date of approval.

Preface

The Capital Strategy is a policy document that outlines Oxfordshire Council's approach to capital investment over the next five years. It is closely linked to other key strategic and policy documents, such as

- The Oxfordshire 2030
- The Corporate Plan
- The Asset Strategy and the Asset Management Plan
- The Local Transport Plan
- Service Business Plans and Asset Management Plans
- The Medium Term Financial Plan and the Treasury Management Strategy

The Capital Strategy is a response to the capital investment needs resulting from those key documents. It outlines how the Council's limited existing capital resources should be used, and how the capital resources potentially available should be maximised to effectively address the capital investment needs.

It is inevitable that the level the capital resources required to meet capital investment needs and aspirations will exceed the actual resources available. Therefore, one of the key purposes of the Capital Strategy is to ensure that no capital programme or project proposal is approved without determining whether there are better ways of achieving the stated objectives or better ways of using the available resources.

The Council will try to seek and employ a variety of different resources to close the funding gap. In this context, the second key purpose of the capital strategy is to ensure that capital investment plans are affordable, prudent, sustainable and demonstrates value for money.

This Capital Strategy covers these critical issues in three main sections:

- *Delivering Corporate Priorities through Capital in a Challenging Financial Environment*; in this section the capital needs and aspirations of the Council are presented in the context of national and local pictures, the Council's existing asset base, and the climate change and sustainability agendas.

- *Capital Strategy's Response to Needs and Priorities*; in this section the responses of the capital strategy to key capital investment challenges are presented in the short, medium and long-term.

- *Capital Programme- Governance, Development & Implementation*; in this section the capital investment policies, governance and decision-making structures are described.

The Council also plans to develop a longer-term capital investment strategy on a 10-15 year horizon to respond to the identified capital investment needs. This will be in conjunction with and follow the development of the Local Investment Plan, the Local Transport Plan 3 and the long-term Property Strategy.

1. Introduction

1. The Capital Strategy sets out the County Council's capital investment plans and explains how capital investment contributes to the Council's Vision and Priorities. It shows how the Council prioritises, targets and measures the performance of its limited capital resources. It also shows how the Council intends to maximise the value of its investment to support the achievement of its vision and priorities. It provides the framework for determining capital spending plans and the effective use of the Council's limited capital resources.

2. The areas considered by the Capital Strategy are

   - The challenging financial environment and the level and use of resources
   - The delivery of corporate priorities and infrastructure needs through capital investment
   - A robust, appropriate and sustainable financial strategy
   - Capital governance and decision-making

2. The Council's Vision and Priorities

3. The Vision for Oxfordshire is set out in the Corporate Plan.

   'We will deliver prosperity and security for the people of Oxfordshire by encouraging economic growth while improving the quality of life and environment for those living and working in the county."

4. The County Council has four corporate priorities: world class economy, healthy and thriving communities, better public services, and environment and climate change. There is also the cross-cutting theme of Breaking the Cycle of Deprivation, which focuses on reducing the gap between the most and least affluent, targeting areas where resources are most needed.

5. The Council already manages a significant capital investment portfolio, which addresses the priorities identified within the Corporate Asset Management Plan (CAMP) and the Local Transport Plan (LTP).

6. The Capital Strategy builds on the 2009/10 Strategy and previous strategies, and emphasises the significant contribution that the capital programme can make in delivering the four corporate priorities and in bringing benefits for wider communities. It also seeks to ensure that resources are used in the most efficient way and support the Council's objectives most effectively.

3. Delivering Corporate Priorities through Capital Investment in a Challenging Financial Environment

3.1. National Picture

3.1.1. Current Economic Conditions

7. The UK Economy is still in recession although there have been signs of modest growth recently. There is uncertainty about the strength of the recovery and this is reflected in the forecast growth of 1% for 2010. Recovery in employment levels could take up to 5 years. These conditions place a higher demand on public services and significantly affect two critical resources for the capital programme: capital receipts and developer contributions.

8. In the past, the one consistent factor in the funding of the capital programme has been the income derived from the sale of council assets. This has meant that the Council has not only benefited from a stable and predictable income stream but has also been able to use the increased value of capital receipts to deal with cost increases across the portfolio and bring more projects into the capital programme. However, during 2009, the Council has experienced both a sharp reduction in the value of capital receipts and delays in the delivery of the disposal programme.

9. A second key source of funding for infrastructure delivery over the last five years has been developer contributions. There have been significant contributions to the transport and schools programmes and, to a lesser extent, to the other programmes. However, the Council is witnessing increasing demands from developers to reassess and renegotiate both the need for contributions for infrastructure secured through planning obligations (S106) and the terms applied to these contributions. This is because of the slow down in the housing market and related viability and timing issues raised by private developers.

3.1.2. Local Government Finances

10. The scale of national debt means it is likely that public spending will be reduced by £50 billion over the next 4 to 5 years. It is expected that capital spending by the public sector will go down sharply and recover slowly. Local authorities are likely to receive significantly lower settlement from central government from 2011/12 onwards. This affects the capital programme in two ways:

   - capital allocations[1], which make up about 39% of the Council's capital resources, may be cut by 30% to 50%.
   - a squeeze in revenue budget allocations will make it very difficult for the Council to take up unsupported borrowing or to increase its prudential borrowing provision significantly.

[1] This includes supported borrowing and grant settlements from the central government.

11. It is clear that national government will be further challenging local authorities *to tighten* their asset management strategies. As a major owner and occupier of property, local authorities will be required to justify holding land and buildings and to dispose of assets that are surplus to requirements. It is expected that this will lead to further pressure being placed on local authorities to sell major assets.

3.1.3. The Total Place Agenda

12. In the context of the Total Place agenda national government departments are expected to bring further flexibility to the use of the settlement allocations already sent to the Council as a single pot. It is expected that this approach will bring improvements in outcomes for a place through a joined-up approach in service delivery.

13. Although in theory, capital settlements come as the Single Capital Pot and could be allocated at the Council's discretion, in practice, the funding for Transport and Schools comes from the Departments of Transport and Children Schools & Families respectively. It is likely that the total place agenda will have an influence on how these allocations will operate in the future through the Capital Spending Review 2010. The Local Transport Plan 3 already signals this change in approach at the national level.

3.2. Local Picture

3.2.1. Population

14. Oxfordshire's population is around 632,000 and the county's area is 260,500 hectares. It is the most rural county in the South East region; over 50% of Oxfordshire's population live in settlements of fewer than 10,000 people. The largest settlement is Oxford city with a population of 149,100. A quarter of Oxfordshire's population live in the city of Oxford with a similar proportion in its market towns and the remaining half living in rural areas. The population is ageing with substantial recent growth in the number of people aged 85 and over.

15. The County is facing significant demographic pressures. Economic prosperity and the quality of the environment make Oxfordshire an attractive place in which to live and work. Between 2006 and 2026 Oxfordshire's total population is forecast to grow by over 12%, whilst over the same period, the number of people aged 75 and over is projected to grow by 60%. Over the next twenty years the number of people aged over 85 is expected to double with one in four requiring intensive support from the social and health care system. It is expected that there will be an increase in the number of clients with learning disabilities as well as an increase in this client group's life expectancy. In addition, the increase in fertility rates in the existing population residing in existing housing will lead to an increase in the number of children requiring school places. This will result in an erosion of existing and forecast spare capacity in many primary schools and in time, secondary schools.

3.2.2. Housing Growth

16. Oxfordshire will experience significant housing growth over the next fifteen to twenty years. The Draft South East Plan proposes housing growth of 2,360 dwellings each year within Oxfordshire until 2026. This figure may increase to 2,760 per annum. Growth points have been designated within the county at Oxford and Didcot. Banbury, Bicester and Grove/Wantage are other county towns where this significant housing growth will be principally located. Bicester is the subject of a bid for growth funding to support the development of North West Bicester, which has been identified as an eco town location. There are also proposals (not yet agreed) for a significant expansion of the south east of Oxford City.

17. There will therefore be a need for considerable investment in new infrastructure to meet the pressures on essential services such as schools, libraries, roads, waste and extra-care housing provision. The key challenge will be to make sure that there are sufficient resources to fund, forward plan and implement this level of growth effectively. The increased housing development will create demand for both infrastructure investment and increased and better quality public services. There will also be a need to balance development and the protection of the environment and respond to the challenges of climate change.

3.2.3. Standard of Living

18. Oxfordshire is a diverse and changing county with areas of outstanding natural beauty and areas of significant housing and commercial development. It has a modern and prosperous economy, which demands a highly skilled workforce and well-developed infrastructure. Many residents enjoy a high standard of living and a good quality of life, supported by high quality county council services.

19. However, there are pockets of relative deprivation where residents have lower wages and low skills. There is poor housing, young people do not fulfil their potential at school and older people have poorer health than most. These pockets of the county's population derive little benefit from its economic success.

20. One of the key aspects of the Council's corporate plan is to narrow the gap between the most disadvantaged people and communities and the rest of the county to ensure that all the people of Oxfordshire can benefit from the development of a prosperous, vibrant and attractive county. The overall challenge is to reduce inequalities and break the cycle of deprivation by addressing the regeneration needs of disadvantaged groups and communities.

3.3. County Council's Infrastructure and Asset Base

21. The County Council has a wide range of infrastructure and property assets including schools, offices, highways depots, roads, bridges, park and ride sites, waste recycling centres and county farms.

22. The Council's capital assets were valued at £1,505.9m in the 2008/09 Statement of Accounts. The summary of the consolidated balance sheet is set out in the table below.

Category	Operational assets	Non operational assets	Total Assets
	£m	£m	£m
Intangible Assets	3.2	0	3.2
Land & Buildings	1,172.8	23.6	1,196.4
Vehicles & Plant	19.9	0	19.9
Infrastructure	286.4	0	286.4
TOTAL	**1,482.3**	**23.6**	**1,505.9**

23. This total excludes road and bridges. It is estimated that the roads alone represents approximately £2.5 billion infrastructure.

3.3.1. Asset Management Plan

24. The Council's Asset Management Plan reports a £77.5m repair and maintenance backlog figure at the end of 2008/09. Only 41% of the overall asset portfolio, composed of approximately 850 properties, is fit for purpose. The revised Asset Management Plan and the development of the long-term asset strategy will bring significant change to the way the Council's assets are managed. This is a necessary response to the business efficiency agenda, growth pressures, sustainability and environmental drivers and new work patterns. It is expected that this work will further break down the cultural and physical barriers between departments and create a more open infrastructure base for Oxfordshire.

3.3.2. Local Transport Plan

25. New highway initiatives for 2010/11 have been identified through the Local Transport Plan 2006-2011 in line with the current capital strategy. The key issue in the emerging third Local Transport Plan is the need to provide transport investment which supports economic development across the county while helping the authority meet its obligations for reducing greenhouse gases.

26. Substantial amounts of transport investment will be needed to support the new developments coming from the Local Development Frameworks. Some transport schemes are still outstanding and are required to cope with the impact of traffic implications from previous and current development rounds.

27. The Access to Oxford project was identified for national Major Scheme funding following publication of LTP2. Significant investment is required for the development of the project in order to reach the stage where up to £62m of national funding could be released.

3.3.3. Schools Infrastructure

28. A rapid and substantial growth in demand for primary school places is forecast over the period 2009 – 2016 indicating a likely demand for at least a further additional 178 Reception places in Oxford City. This is equivalent to, on average, creating an additional form of entry (30 pupils) per year on existing school sites. The current economic climate leads to further pressure in this area due to the number of pupils being shifted from private schools to state schools. Even if the total funding available, which includes the Primary Capital Programme allocation and is subject to future years' settlements, is considered sufficient to discharge the Council's statutory responsibilities, it is unlikely that it will meet all assessed needs with respect to condition and suitability.

29. The Council, working with the schools and the Schools Forum, is committed to pursuing the Education Transformation Agenda. The Building Schools for the Future (BSF) programme has the potential to support the delivery of this agenda by securing in the region of £600m of additional capital investment in Oxfordshire secondary schools over a 10 – 15 year period. However, the timing of this investment is not yet certain and it is likely to create budget pressure from the 'affordability gap' for both capital and revenue budgets.

30. The Council is also committed to increasing the number of schools with a distinctive character under the Choice and Diversity Agenda. This means encouraging secondary schools to acquire a second subject specialism, to consider the acquisition of foundation or trust status and, where existing schools are unable to deliver a consistently high standard of outcomes for students in particular, to create academies. Federations will too be encouraged to improve the educational experience of children and young people and provide exciting career development opportunities for teachers and support staff. These changes to school organisations will have an impact on the required school infrastructure.

31. There are further challenges arising from the transfer of responsibilities from the Learning and Skills Council to local authorities. A new statutory duty around children centres and a duty to participate in education and training post 16 by young people are also being introduced.

3.3.4. Transforming Social Care

32. One of the key challenges for the Council is to enable the development of extra care housing (ECH) throughout the County. The Council also targets the provision of 30 units of residential accommodation per annum for adults with physical disabilities. There is also an ongoing need for purpose built premises for adults with learning disabilities, and for mental health

housing. The majority of these service areas will be affected by the self directed support, personalised care or prevention agendas, and by other major service transition. This means that these services will be also subject to a comprehensive review of systems and processes to support future working practices.

3.4. Environmental Sustainability and Climate Change

33. The Council is committed to an 18% reduction in its carbon footprint by 2012 based from 2005/06 levels. It started to develop and implement a long-term robust strategy early to address its carbon emissions through the Carbon Management Programme. It is already investing on improvements in street lighting across the county and £1.8m on Energy Conservation schemes. In order to achieve the 18% reduction adopted by the Council it will be necessary for the emissions from all Council assets and activities (property, street lighting, travel and waste) to be reduced.

34. Another fundamental challenge is to deliver new housing and other growth that responds effectively to the challenges of climate change through the sustainable design and construction of new developments, which reduce energy use, water use, and waste, increase energy efficiency and the proportion of energy generated from renewables and minimise environmental pollution and the likelihood and impact of flooding.

35. Waste Management is facing a period of rapid and radical change on a national level due to European Legislation, government targets and public expectations. Improvements must be sought to divert waste from landfill in line with the principles of the waste hierarchy. Investment is required to help avoid financial penalties from the Landfill Allowance Trading Scheme (LATS).

4. Capital Strategy's Response to Needs and Priorities

36. The Council's current capital strategy (Appendix 1) is that

- The earmarked funding received in the form of grant and borrowing approval for schools and transport are allocated according to the priorities in the Schools Asset Management Plan and the Local Transport Plan;
- The Capital receipts are corporate resources and used across the capital programme flexibly;
- Prudential guidelines are used to fund capital investment needs by borrowing repaid either from savings or from revenue over a 25 year period;
- External resources are used for the purposes for which they are issued;

37. As can be concluded given the picture of current economic and financial conditions, and local needs and pressures described above, it is of the utmost importance, in these financially challenging times, that the Council's limited resources are managed effectively. The task of successfully managing the Council's assets and infrastructure base, and managing growth and developing related infrastructure provision has never been more important.

38. The Council is responding to this in three ways:

- Devising an immediate response to stimulate the economy while maintaining focus on long-term affordability;
- Assessing the impact on the current capital strategy to ensure its longevity and sustainability;
- Considering longer-term implications and developing related action.

4.1. Immediate Response

39. A brief description of the immediate Capital Strategy responses to the identified needs and constraints is given below:

4.1.1. Manage the impact of current economic conditions on corporate capital resources

40. The Council is considering the effects of additional borrowing to replace the low or non-existent capital receipts and to deal with the timing issues in funding infrastructure. In the short-term unsupported borrowing is the only alternative to using capital receipts. Although interest rates are low at the moment, this option would still mean an increase in revenue costs from paying interest on the additional loans. Additionally, interest rates are likely to go up in the medium to long term.

41. Therefore, a prudent strategy for increased prudential borrowing on an invest-to-save basis is currently being employed to deal with the immediate pressures on capital resources.

4.1.2. Assess the corporate capital resources requirement to move the Sustainability and Climate Change agendas forward

42. The Council is procuring a residual waste treatment contract to direct waste away from landfill and to address the major investment required to meet national targets and those stated in the Oxfordshire Joint Municipal Waste Strategy. It is also investing in a long-term infrastructure programme for waste recycling centres (WRC) through the use of the performance reward grant and other corporate resources.

4.1.3. Provide contingency across the capital programme

43. The Council's capital budget setting principle is "a balanced position with sufficient level of contingency". Reduction in the value of the capital receipts during 2009/10 meant that the Council reported over £5m cumulative shortfall across the Capital Programme.

44. Although this level of over-programming is within tolerances recommended by the Audit Commission, the Council is reviewing its capital programme to set a balanced budget for the 2010/11 to 2014/15 period and set aside contingencies across the whole capital programme for unforeseen capital pressures and to accommodate possible changes in the capital resources position supporting the programme.

4.2. Impact on the Current Capital Strategy

45. It is likely that the current capital strategy will be affected from the picture presented above. Some of the key areas of consideration are presented below:

4.2.1. Prepare for the impact of changes to local government finances and the Total Place agenda on settlement allocations

46. Although the scale of impact of changes in these areas will not be known until the 3rd quarter of 2010, the Council has been working on achieving more flexible use of settlement allocations within the constraints of the current capital strategy. It was able to take advantage of the accelerated funding offer by Central Government in early 2009. The Council used this opportunity to stimulate local economic activity, to bring forward £1.5m highway maintenance work, and to generate revenue savings by deferring the unsupported borrowing requirement.

47. Both Transport and Schools programmes have undergone a funding sensitivity analysis to help understand the impact of likely cuts in government funding on the level of future investment in the related infrastructure bases. The analysis concluded that investment in integrated transport and non-statutory schools schemes will be severely affected by

cuts of over 30%. There is now broader consensus on the more flexible use of capital resources and the Council is ready to consider different applications of a single pot approach to achieve better use of resources in the capital arena.

48. The CCMT has been working to bring all capital programmes together and to ensure that the overall capital programme is owned corporately. These ongoing works will ensure that the Cabinet can influence these programmes more fully and that the determination of priorities for the overall capital programmes is more transparent. Mechanisms are currently being developed to ensure broader member engagement in the next Local Transport Plan and the development of the Schools Asset Management Plan.

49. The Council is also critically observing the impact of the total place agenda on central government allocations. It is observing how strategic programmes and settlement allowances and their future operation will be influenced by this agenda. It is likely that this approach will enable the Council to progress with its own localities investment agenda subject to the scale and timing of forthcoming funding provision.

4.2.2. Make capital receipts a thoroughly corporate resource

50. Council policy is to treat capital receipts as corporate resource, not automatically allowing the originating service to utilise them. The Council looks to maximise capital receipts from the disposal of surplus land and buildings, unless there is a better overall benefit. This approach will stay firmly in place while increased pressure on selling major assets and reducing the size of the property portfolio is likely.

51. Given the fact that the Council's Business Efficiency Strategy requires a rationalisation of the asset base to help deliver £106 million of savings between 2010/11 and 2014/15, there is a need to further strengthen the capital strategy regarding the ring-fencing of capital receipts for the re-provision of assets.

52. Although services can still make a case for the replacement of an asset, work is ongoing to determine whether a percentage of the related capital receipt should be top-sliced for corporate purposes. This is in order to

- encourage a case to be made for joint proposals, where the use of assets benefits more than one service area;
- firmly influence and challenge business cases for service re-provision based on ring-fenced capital receipt funding;

53. The Capital Programme Board will continue to consider each case on its merits. The Council will also be exploring the potential of funding the locality bases through different procurement options once the strategy is fully determined. This is particularly important when current economic conditions do not favour the disposal of assets and proposals based on

ring-fencing assets on an individual basis are likely to have viability and cashflow problems from the start.

4.2.3. Establish better links between the use of prudential guidelines and Council's Business Efficiency Strategy

54. The Council is currently using funding under prudential guidelines for two categories of expenditure:

    - capital investment which will result in future revenue savings; the cost of borrowing is met from these savings. Examples include Energy Conservation and the Better Offices Programme.
    - capital investment where the Council has a significant unmet capital need; a decision can be taken for capital investment to be funded by borrowing. The borrowing is repaid from revenue over a number of years.

55. The Council will continue to utilise unsupported borrowing to finance capital investment where there is a clear proven need and where this borrowing does not result in unacceptable increases in Council Tax levels. Currently, under the prudential guidelines, the revenue implications of every initiative are taken into account when estimating affordability of these proposals.

56. As part of its medium term planning process the Council also evaluates the relative merits of funding revenue or funding capital proposals. In the case of capital proposals it ensures that there is on-going revenue funding available to meet the impact of any additional borrowing requirements.

4.2.4. Continue to secure external funding and project specific grants where they enable the delivery of corporate priorities

57. The Council will try wherever possible to influence investment through the targeted use of its limited capital resources to lever in other investment to meet its objectives. However, the Council is clear that projects that may bring in further investment will only be supported if they meet the Council's priorities and objectives. The Council also evaluates long-term implications of accepting any external funding provision, in particular on its revenue budget.

58. The Council has benefited from this approach by securing approval for £4.6m co-location funding and £1.5m "Back on Track" funding from the DCSF, £1million Rural Capital funding to support 14-19 reform in rural settings and by achieving pilot status for the Single Conversation Programme from the Homes and Communities Agency.

59. The Council has also been working on making developer contributions an integral part of the asset management process through the effective use of section 106 agreements. This approach, too, ensures that future community assets are affordable and sustainable in the long term.

60. The Council will build on these successes and use its considerable experience in aligning funding streams and strategic programmes to meet its priorities in the context of its Capital Strategy. It will also enhance this strategy by using the Local Investment Plan (LIP) agreed by partners and take the opportunity to further align all available funding streams, including those from partner organisations at local, sub-regional, regional and national levels to achieve the agreed local vision and desired outcomes for wider communities. The Council believes that this approach will ensure generating funding for the longevity of the capital strategy and the capital programme and making maximum impact.

4.2.5. Continue to employ an effective year-end financing strategy for the capital programme

61. The Council's capital financing strategy is aimed at minimising the on-going liabilities to the Council's revenue budget arising from capital investment. The first calls on capital resources are therefore external funding (including S106), grants, supported borrowing[2], and capital receipts and reserves. The final calls, where necessary, are on unsupported borrowing and revenue contributions.

4.3. Long Term Considerations and Actions

4.3.1. Striking a Better Capital Investment Balance: Change in Service Priorities and Changes to Demographics

62. Demographic change puts pressure on other essential services, such as the provision of school places, home care, waste management and public transport facilities. Capital resources are already severely constrained based on the current needs arising from the Council's strategic and service priorities. The Council has long recognised that a strategic response to meeting and containing demographic pressures is required.

63. The Council therefore has been using all formulaic basic needs settlement and other resources from the schools capital funding, in line with the national policy, to respond to the increasing demand for schools places due to changes in demography and parental choice. The Council is aiming to secure additional funding to cope with the unexpected growth which is only partially offset by the low numbers of surplus places in other year groups in schools.

64. In 2008/09, £25m additional prudential borrowing was approved to respond to the investment need in services not receiving capital settlement from central government. However, there is still work to be done in this area to strike a better balance between those needs arising from changing service priorities and those arising from changes/shifts to the demographic picture.

[2] Note that the Council is a floor authority and therefore still needs to bear the cost of supported borrowing.

4.3.2. Funding Growth

65. The Council is proactive in ensuring, as far as possible, that all additional capital investment needs arising from new developments are funded from developer contributions. It has benefited from its good track-record of effectively identifying infrastructure needs arising from new developments and securing developer contributions to enable required infrastructure delivery. However, the scale of the infrastructure provision to respond to the described level of growth requires a different approach to capital investment planning and a stronger emphasis on funding infrastructure.

66. Initial analysis of long-term infrastructure implications of such a level of growth shows that significant investment in schools and transport infrastructure will be required as well as considerable investment in extra care housing, community facilities, green infrastructure and recreational resources. It is not yet clear what scale of investment will be required by our partners responsible for health and utilities infrastructure.

67. Given the affect of current economic conditions on developer contributions, several issues have become critical when managing this scale of growth:
    - Maintaining the viability of development proposals due to the reduction in land values;
    - The funding implications of providing infrastructure up-front due to timing issues;
    - Securing central government funding for some of the major infrastructure requirements when it is likely that the capital spending by the public sector will be cut by 30% - 50% following the CSR2010;
    - Being prepared to deal with uncertainties around the exact cost of infrastructure provision when the development takes place;

68. The Council has already started working with district authorities and other partners to identify further infrastructure funding streams under the umbrella of the recently established Spatial Planning and Infrastructure Partnership and with the Housing and Communities Agency as part of the Single Conversation Pilot. The Council and its partners are aiming to use the Single Conversation as an opportunity to pursue a new approach to infrastructure provision in which the investment fits the place rather than the place fits the programme.

69. Similarly, the Council and its partners are also trying to take advantage of the new Growth Fund[3] to support the delivery of infrastructure in growth areas. The application for Oxfordshire's share of the Eco-Town Pilots Support Funding (£60 million)[4] is also under progress. The use of these new funding streams is expected to unblock stalled developments to a degree. However, it is recognised that these are still relatively short-term solutions. Hence, there is still a need to investigate different funding

[3] A new unringfenced grant. This is part of the £1.7bn that Communities and Local Government will be investing across the Growth Areas, the Thames Gateway, Growth Points and Eco-towns during the CSR07 period.(£832m)
[4] £60m start- up funding for local infrastructure relating to eco-towns.

mechanisms based on the identified funding gap to help deliver infrastructure.

70. The Council plans to develop a longer-term capital investment strategy on a 10-15 year horizon to effectively manage the infrastructure requirements arising from this unprecedented planned housing growth. This will be in conjunction with and follow the development of the Local Investment Plan, the Local Transport Plan 3 and the long-term Property Strategy.

71. The next section lists some of the models that the Council will look into as part of the development of the longer-term capital strategy development in more detail.

4.4. Funding Options to Meet Capital Investment Challenges

72. There are a number of innovative funding options and delivery models available or under development to support infrastructure delivery. The Council acknowledges that these options and models need to be fully evaluated to determine the most appropriate solution based on the nature of the infrastructure need, the scale of the funding gap and the availability of funding sources offered by Central Government.

73. The Council is committed to exploring all relevant options in consultation with its partners in delivery to ensure the effective management of growth and the timely provision of related infrastructure.

4.4.1. Public Private Partnerships (PPP)/Private Finance Initiative (PFI)

74. The PPP/PFI funding models are used as long-term contract between the puclic sector client and a private sector special purpose vehicle to deliver infrastructure and services in exchange for an annual performance related payment. The Council looks at these models of funding for its major schemes and takes a decision on the merits of each individual case. It has successfully used PPP funding to develop the Oxford Castle site working with the private sector and SEEDA. It has also upgraded homes for the elderly in partnership with the Order of St John.

75. It has fully investigated PFI options but has not so far decided this has been appropriate for any scheme. This is due to the fact that while this model works well in many circumstances, they have not been found appropriate in financial terms. However, the Council is still working on employing similar models when it is suitable for its objectives. It is currently considering suitable options for funding the waste treatment contract, possibly through a Design, Build, Finance, Operate (DBFO) deal with the private sector. Similarly, it is considering the Local Education Partnership Model under the Building Schools for the Future Programme.

76. In future, the Council will also need to look at more competitive versions of this model, such as competitive or incremental partnerships and see whether or not any of them is applicable for or tailor made to the specific circumstances of the infrastructure requirement.

4.4.2. Local Asset Backed Vehicles (A form of PPP Model)

77. This funding mechanism aims to encourage private sector investment by making regeneration projects appealing on a long-term basis. The current economic conditions and their impact on the public finances and land values mean that it is likely that very limited funding will be available from both the public and private sector. It is expected that the use of this funding mechanism will increase in the coming years given the expected increase in asset rationalization by local authorities.

4.4.3. Transport Innovation Fund

78. The Department for Transport's long-term funding guidelines forecast that Transport Innovation Funding will grow to over £2 billion by 2014/15, subject to the outcome of CSR2010[5]. The Council is currently developing the Local Transport Plan (3) and will test the applicability of this funding against the assessed need and long-term aspirations. This funding is currently directly linked to authorities who are pursuing road user charging. Funding of this is likely to reviewed post general election.

4.4.4. "Partnership for Schools" Approach to Education Funding

79. Partnership for Schools has started overseeing about £13.2 billion education funding on top of the existing £9.3 billion for the Building Schools for the Future Programme. Initial indications are that PfS will move towards a "One Conversation" approach around schools funding[6]. Although details of this approach are not yet clear, it is expected that the allocation of this funding will be linked to how/where the schools will fit and enhance the community.

4.4.5. Community Infrastructure Levy

80. The Community Infrastructure Levy (CIL) is being introduced to give local authorities extra resources to invest in vital facilities, public services and social infrastructure and to give developers greater certainty about their role and contribution.[7] Although this mechanism aims to bring much needed flexibility to the use of contributions from developers, there are concerns arising from its implications for the County Council. It is still not clear how the CIL income will be apportioned, how it will be transferred from charging bodies to infrastructure delivery organisations, and how it will affect the future of the S106 agreements. Hence, central government's response to concerns raised by county councils across the UK will be critical in determining the future capital strategy implications of this new funding mechanism.

[5] DfT (26th January 2006): Policy, guidance and research; the Transport Innovation Fund
[6] PfS (10th September 2009): Partnership for Schools launches "one conversation" with local authorities.
[7] DCLG (August 2008): The Community Infrastructure Levy

4.4.6. Tax Increment Financing (TIF) and Accelerated Development Zone Funding

81. Tax Increment Financing[8] is a mechanism that enables the use of anticipated future increases in tax revenue to finance the current improvements (such as new or improved infrastructure) that are expected to generate those increased revenues. The UK central government announced a study of its use in April 2009. Most of the designated growth authorities and city regions are waiting the result of this study to further determine their funding strategy for growth.

4.4.7. Rolling Fund

82. There is also a growing interest in creating a Rolling Fund for funding infrastructure up-front. This is a mechanism by which local authorities along with their partners use initial public money to forward-fund major infrastructure schemes where infrastructure is needed to support the planned development. The cost of infrastructure is then recovered from public and private sector funding streams as they come forward. It is important to structure and manage the fund in a way that it takes into account any delays or reductions in the recovery.

83. The Council acknowledges that the level funding available from the central government and the private sector is constantly changing and current economic conditions will put further constraints on available future infrastructure funding. There are number of ways in which central government try to bring short-term release to current market bottle-necks. However, more sustainable and long-term funding models are needed to effectively manage the growth agenda and deliver the related infrastructure in a timely manner.

[8] British Property Federation (November 2008): Tax Increment Financing

5. Capital Programme: Governance, Development & Implementation

5.1. Capital Programme

84. The current capital programme for 2009/10 to 2014/15 totals £555m[9]. The figures for the years 2011/12 onwards are a draft based on an indicative programme put forward to the Cabinet. This programme includes some indicative projects where no firm costings or business cases have been produced. These projects will only be progressed after a formal approval process, as outlined in the capital strategy, and if funding is available.

85. The current Cabinet was elected in June 2009. The Cabinet has reviewed all priorities for the capital programme against the Corporate Strategy. The attached programme is based on these priorities.

5.2. Governance

86. The Council's has the vision of "developing a truly corporate approach to strategic capital investment, infrastructure and asset planning". It recognises that implementing a high-profile total capital governance structure is essential to fulfil this vision and ensure success in the capital arena.

87. That is why, capital governance arrangements were reviewed in the context of the immediate challenges presented by the infrastructure gap and the growth, total place, co-location and cross service delivery agendas. A new capital governance structure was agreed immediately after this review and has been in operation since September 2009.

88. The new structure establishes a strong direct link between the mainstream capital programme and capital investment needs arising from the growth agenda (in particular strategic sites) and from cross-departmental and cross-organisational co-location and joint service delivery initiatives. The key features of this structure are listed below:

5.2.1. The Council & the Cabinet

89. The Council and the Cabinet continue are the key democratic decision-making bodies as per the Council's constitution. The Council approves the key policy documents and the capital programme as part of the Council's Policy and Budgetary Framework. The Cabinet recommends priorities, policy direction and the capital programme to the Council for approval. The Cabinet also approves new inclusions to the capital programme in line with the scheme of delegation and the financial procedure rules.

[9] This figure is based on the October 2009 Capita Programme and will be updated when the new capital programme is agreed by the Council.

5.2.2. The Capital Investment Board (CIB)[10]

90. The Capital Investment Board is a high-level political platform providing a cross-portfolio approach to and political steer on policy developments, strategic infrastructure development, the use of resources discussion and the growth, co-location and joint service delivery agendas.

5.2.3. The Capital Programme Board (CPB)[11]

91. The Capital Programme Board is a strong officer group with a clear remit and function to be the single point of contact in all capital and asset matters across the organisation with clear accountability and a sufficiently high level of authority and decision-making power.

5.2.4. Strategy Development: Virtual Capital and Asset Planning Task Force

92. The CPB has the authority to set up temporary task forces or to request already existing task groups to report to them directly to make the required development, change and improvement happen in the capital arena. The CPB is accountable for ensuring the delivery of priority work-streams agreed by the CIB. Hence, the CIB evaluates the requirements of these agreed work-streams and identifies the key officers best placed to take leadership of these work-streams. These officers then become responsible for delivery and become personally accountable to the CPB for delivering assigned targets, outputs and outcomes.

5.2.5. Business as Usual: Programme/Project Delivery Boards

93. The CPB has the authority over the specific portfolio/programme/project delivery boards to strengthen the reporting lines between portfolio and programme/project management. The Over-arching Programme Delivery Boards deal with capital and asset management issues across the directorate portfolio and report progress to CPB. They also act as Challenge Panels 3- 4 times a year with the Capital Programme Manager and high level directorate representatives in attendance. Sub-programme and project delivery boards are responsible for effective programming of commissioned programmes/projects within the given scope and budget.

94. An overview of the new governance structure and terms of reference for new platforms are presented in Appendix 2.

5.3. Capital Programme Development & Implementation

95. The Council has been using a scoring matrix and option appraisal methodology to underpin its capital decision-making process. Recent changes in the context within which the capital strategy is developed mean that there is a need to strengthen the development framework for the capital programme.

[10] See Appendix 2b for the terms of reference of the Capital Investment Board
[11] See Appendix 2c for the terms of reference of the Capital Programme Board

96. In particular, the Council has taken steps to enhance the strategic alignment of the capital programme with corporate priorities and to balance capital investment needs arising from planned growth and the maintenance of the existing portfolio. In order to achieve these two objectives, the capital-programme-entry and the project approval processes have been updated.

97. The Council is developing a two-stage approval process for capital resources allocation. If a project is approved at stage 1, it is accepted in principle to the Council's capital programme and allocated a project development budget. This stage is also called "commit to investigate". At stage 2, the project receives full political approval for work to commence and expenditure to be incurred, subject to the budget constraints of the project delivery budget allocation.

5.3.1. Capital Resource Allocation

98. The Council is currently developing a new capital resources allocation model in order to align the use of capital resources to the delivery of corporate priorities through the use of a tool that is transparent, objective and outcome/result focused.

99. The model will be integrated into the service and resource planning process helping facilitate the allocation of available resources and helping the cabinet to make more informed decisions about the priority capital investment proposals by providing a strong strategic assessment gateway and evidence based rationale for the allocation of capital resources.

5.3.2. Technical Assessment (Options, Deliverability and Affordability Appraisals)

100. Given the scarcity of both land and capital in relation to future needs, OCC must ensure that each investment decision represents the best possible use of these limited resources, and the best long-term solution for the authority and its citizens a whole. It is critical for the long term future of the Council's infrastructure base and to ensure the wise and responsible use of resources that each investment decision is based on a full consideration of all possible solutions and a full recognition of life cycle cost.

101. The Council is in the process of streamlining its technical assessment process for evaluating readiness and value for money of all its capital investment proposals to ensure a standard approach across the programme portfolio. The agreed principles are:

- Analyse a range of possible solutions at the feasibility phase of each major capital investment;
- Base the options appraisal on the life cycle costs of possible solutions, including the discounted cost of future expenditures to determine their affordability;

- Explore different project delivery models that, where possible, include partnerships, sharing costs with other organisations, obtaining grant contributions or generating revenue income;

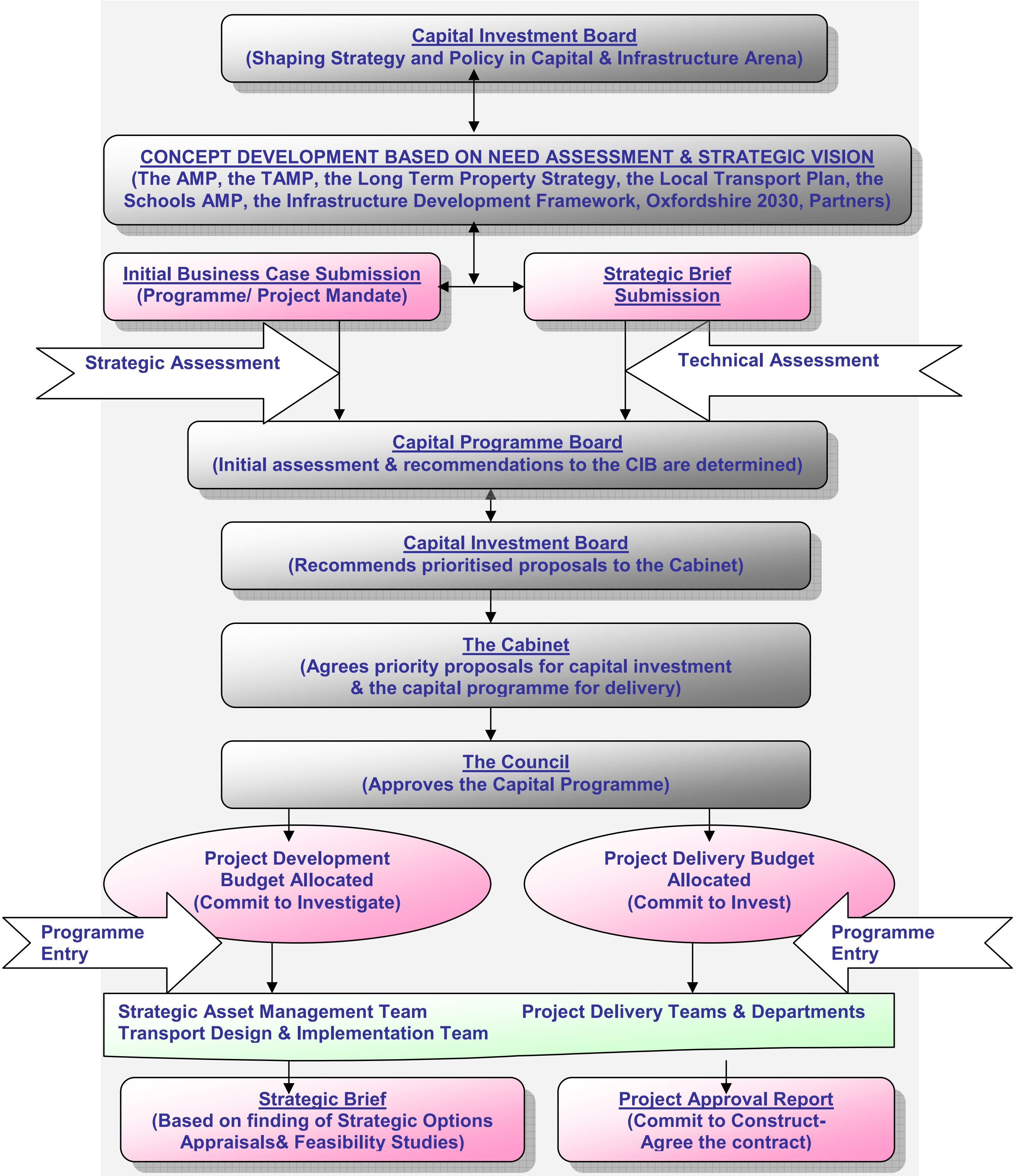


Figure 1: Two-stage Approval - High Level Process Map

102. The high-level process map above shows the two-stage approval process. The capital resources allocation model and the technical assessment are shown within this process.

103. This approach will further ensure that investment in assets carries the underlying principle of seeking maximum benefit from the sum invested. Indeed, the revenue implications of any schemes are therefore considered at both stages of the process. However, more details are provided prior to full political approval being granted for proposals.

104. The Council is also making adjustments[12] to the capital decision-making processes following the introduction of the new governance structure. The principle behind these adjustments is ensure that the overall structure is supported by appropriate officer teams operating clear, agreed, open and transparent corporate policies, protocols and procedures. Detailed protocols are under development and will follow the approval of the capital strategy.

105. The revised project approval thresholds[13] and a more detailed framework on the two-stage approval process are provided in appendices 3 and 4 respectively.

5.3.3. Procurement

106. The Council has established collaborative partnerships with both the professional services and construction services supply chains through innovative strategic procurement initiatives. It has developed delivery mechanisms focusing on build-ability, supply chain management and incentivised long-term framework partnerships with contractors. These include

- Core Multi-Disciplinary Consultants appointed on a 7 – 10 year term capable of delivering the Council's Capital Programme.
- Framework Consultants (3 Multi-Disciplinary and 1 Cost Management) appointed on 4-year terms, selected for their expertise and capability to deliver education projects;
- Similar Core and Framework arrangements are in place for construction services. These delivered up to 60% of the Council's Capital Programme, with the remainder procured in the open market.

107. The current contractual arrangements can be terminated in 2012. The Council is reviewing the full range of options for the provision and procurement of all property consultancy, contracting, and facilities management services with the intention that revised arrangements securing efficiency benefits will be put in place from April 2012.

108. The Council is due to enter into new contractual arrangements for the delivery of the Transport service which involves operating in an integrated

[12] These amendments are subject to approval by the Council in January 2010.
[13] These thresholds will be an amendment to the Financial Procedure Rules following the Council approval.

organisational structure aimed at generated a more efficient operation. This will enable us to plan the overall resource from inception to delivery on the ground thus smoothing the workflow throughout the year, planning future years and hence gaining greater effectiveness and efficiency.

109. The Council is currently procuring a residual waste treatment contract which utilises similar principles to a Private Finance Initiative (PFI) and is based on the Government's standard contract. The Council is also considering setting up a Local Education Partnership (LEP) to deliver projects for Building Schools for the Future (BSF) as this is the preferred model of delivery by the Partnership for Schools.

5.3.4. Partnership Working

110. The Council has a strong vision to create sustainable places by working closely with its partners. It recognises that it can only achieve its objectives through partnership working and is therefore committed to working with public, private, voluntary and community organisations.

111. The Council already has a history of pursuing joint-working and joint-service delivery initiatives for better outcomes for communities and citizens of the County. It will continue to actively seek opportunities to work in partnership to provide capital investment in Oxfordshire.

112. The Council is currently
- working on the West End Project in partnership with Oxford City Council, South East England Development Agency (SEEDA) and other partners. The renaissance of Oxford's West End is the single biggest regeneration project that Oxford has seen for some decades and will shape the city centre experience for a hundred years to come.
- operating a private public partnership with the Oxfordshire Care Partnership (Orders of St John – referred to as OCP/OSJ) to provide residential care homes for the elderly;
- working in partnership with District Councils in collection and treatment of waste, including delivering improved recycling and reduction in landfill;
- working with the Housing and Communities Agency and other partner organisation under the Single Conversation Pilot Project to provide a shared framework at a local level for the delivery of housing and economic growth, infrastructure, regeneration and community objectives.

5.3.5. Performance Management

113. The Council agrees a rolling five-year capital programme annually in accordance with its priorities. The capital programme is updated quarterly and its performance is reported monthly to the Cabinet. The Council' use of capital resources indicator was 90% at the end of 2008/09. This is a significant improvement from 18.58%[14] slippage reported in 2007/08

[14] Based on budget setting figure of £108.1m and the reported capital outturn of £88m.

outturn position. The Capital Programme Manager is working closely with directorates to achieve further improvements in 2009/10 and the years beyond.

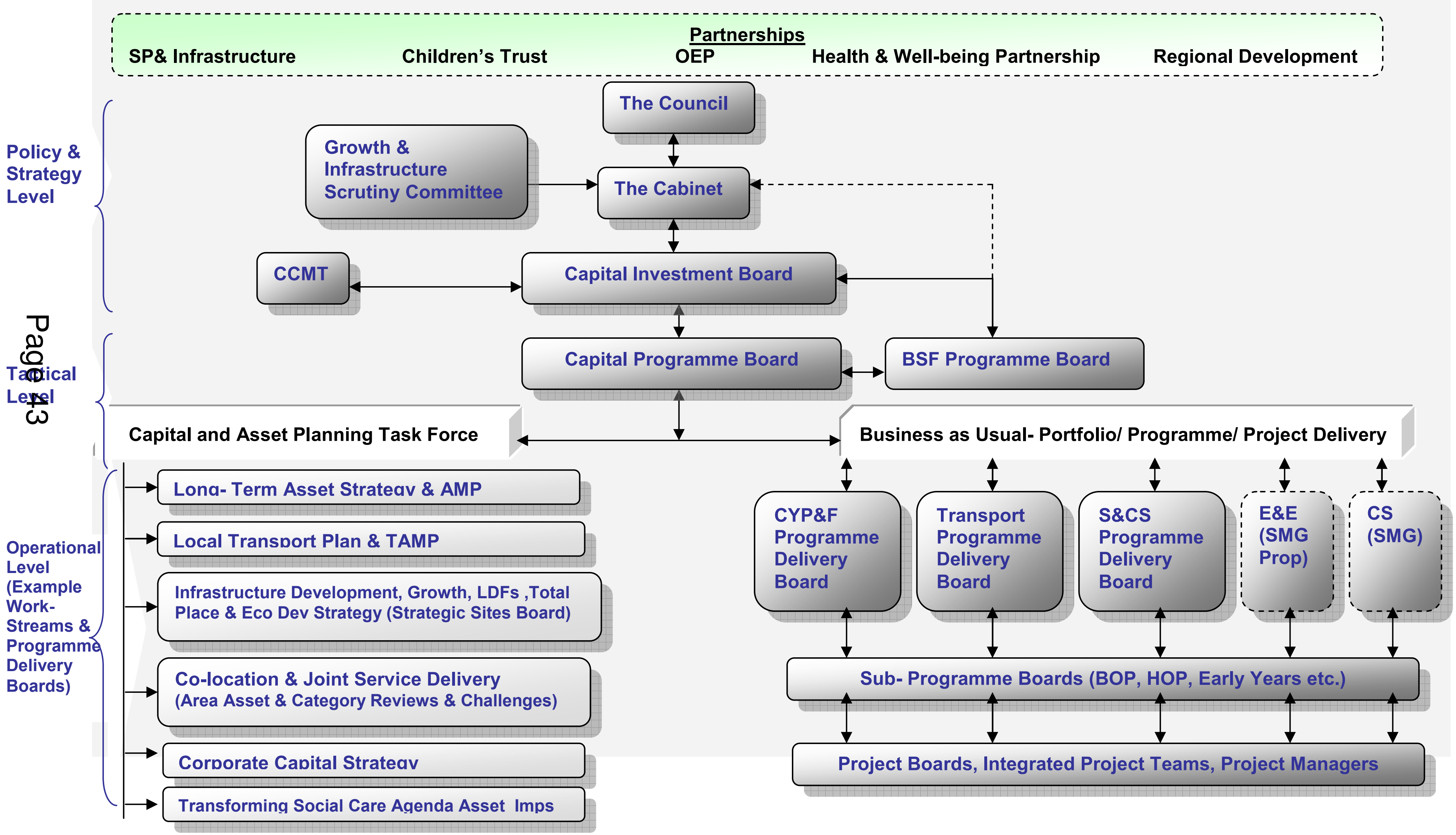
Appendices

APPENDIX 1

The Capital Investment Strategy: 2010/11 to 2014/15

CAPITAL INVESTMENT STRATEGY FOR 2010/11 to 2014/15	
Resources	**Investment Strategy**
CYP&F- Supported Capital Expenditure (S.C.E)	This funding is ring-fenced for CYP&F Capital Programme. This funding is therefore allocated according to the priorities set out in the Schools Asset Management Plan.
LTP- Supported Capital Expenditure (S.C.E)	This funding is ring-fenced for Transport Programme under the E&E Capital Programme. This funding is therefore allocated according to the priorities set out in the Local Transport Plan.
Usable Capital Receipts	This funding stream is generally treated as flexible corporate resources. The policy also allows directorates to retail the capital receipts if a) it is planned to be used for direct re-provision of the property released b) it is planed to be used for another service priority which is consistent Council's overall priority and the AMP
Developer Contributions	This funding is used within the framework of the specific developer agreement. The policy will state that developer contributions are appropriately exploited to deliver the various infrastructures where appropriate and consistent with the framework contract. Appropriate contributions where secured and held in the account would/should be used in preference to other monies.
Capital Grants/ External Funding	These resources are provided by the national government or other external funding organisations and used for purposes for which they are issued. It is difficult to forecast a contribution for capital grants as they are led by specific investment programmes launched by these authorities and specific government departments in different time intervals.
Unsupported Borrowing	This funding stream is treated as a specific resource for a) a significant unmet capital need, a decision can be taken for capital investment funded by borrowing b) capital investment will result in future revenue savings, the cost of borrowing has been met from these savings (i.e. invest to save basis)
Capital Reserves	This funding stream is generally treated as flexible corporate resources. The policy also allows these resources to be earmarked for specific programme or project.
PFI/ PPP	Decisions are taken on the merits of each individual case and PFI/ PPP funding is considered as an option with all other suitable options for funding its major schemes.

APPENDIX 2 (a) - The New Capital Governance Structure- Overview



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Appendix 2 (b)

CAPITAL INVESTMENT BOARD- TERMS OF REFERENCE

1. Role

14. The Capital Investment Board (CIB)'s role is to shape the vision and set the agenda for capital investment and asset planning activity in order to put next generation infrastructure in place. It aims to provide a cross-portfolio approach to and high-level political steer on capital investment, strategic infrastructure development, the use of resources discussion and the growth, co-location and joint service delivery agendas. It will play a key role in managing relationships with partnerships and in making cross-organisational working a reality in the capital arena for the County.

2. Composition & Resources

15. The board is composed of the members of the CCMT and of the Cabinet. It will be chaired by the Leader of the Council, and supported by the Capital Programme Manager. The Board will meet every two months.

3. The Remit & Function

16. The remit of the CIB is

a) To shape and influence county's capital investment, strategic infrastructure and asset strategies and recommend strategic resource allocations according to capital priorities for the county
b) To secure commitments from partners to progress the agreed outcomes and projects and to identify and negotiate further enabling measures by uncovering and exploiting linkages with other policy/strategy blocks
c) To ensure that the vision for the strategic direction and scale of ambition for the organisation's capital investment portfolio are clear by providing a strategic steer on national, regional and cross-organisational challenges, risks and opportunities.
d) To advise on the policy development and priorities in the capital arena
e) To contribute to the development of a corporate approach to the use of capital resources at the policy level
f) To consider/debate key capital strategy/policy documents, long-term strategic asset matters and key property related initiatives
g) To define the top-down view and expectations in the capital arena through the provision of an early steer on approach and priorities
h) To review the framework for prioritising capital investment proposals aligning the AMP, TAMP and CS to the Corporate Plan
i) To promote and champion the importance of capital matters on political platforms
j) To provide visible corporate leadership & commitment at events and in communications
k) To receive and review regular progress reports from the Capital Programme Board (CPB) regarding the delivery of priority work-streams

l) To receive and review regular progress reports from the Building Schools for the Future (BSF) Board and to link the BSF programme with the overarching capital programme

4. Decision- making

17. The CIB is a working party and provides opportunities for high level collaboration between members and officers. Actual decisions are made in accordance with the scheme of delegation i.e. either by the Cabinet, by the relevant portfolio holder or by an officer of the authority following consideration by the CIB. Any proposal that is outside the approved budget and policy framework is referred back to full Council in accordance with the Constitution.

5. Key Outcomes

18. The use of Capital Resources directly related to the service delivery and corporate priorities and Council's aspirations for growth and infrastructure development;

19. Greater Cabinet and CCMT awareness of the infrastructure asset implications of all decisions;

20. Clearly defined capital priorities strongly linked with Council's policies and long-term strategies

21. Enhanced corporate and partnership working within the capital arena

22. Increased leverage of capital funding from wide range of sources (realisation of capital receipts, securing external funding through national and regional initiatives, generating long-term infrastructure and growth funding)

23. Realised opportunities for increasing income and/or reducing expenditure in management of property assets with direct contribution towards Council's efficiency programme

6. Reporting Arrangements & Communication Plan

24. Minutes of the meetings, with action items, will be circulated <u>within 10 working days</u> to members of the Board, members of CPB, the chairs of the Programme Delivery Boards and lead officers for the strategic work-streams.

25. The Growth and Infrastructure Scrutiny Committee will receive quarterly updates.

26. The Strategy and Partnership Scrutiny Committee will receive annual updates

27. There will be a continuous dialog with the Spatial Planning and Infrastructure Partnership. This dialog and relationship will be managed at the elected member and director level.

28. There will be a continuous dialog with the CPB and with the BSF Programme Board. These dialogs will be managed by the Assistant Chief Executive & Chief Financial Officer and the Director of Environment & Economy, and the Director of Children Young People & Families respectively.

7. Review Arrangements

29. Reviews will be carried out annually.

Appendix 2 (c)

CAPITAL PROGRAMME BOARD- TERMS OF REFERENCE

1. Role

1. The Capital Programme Board (CPB) is a strong officer group with a clear remit and function to be the single point of contact in all capital and asset matters.

2. The board's role is to ensure the development and delivery of long term infrastructure and asset strategies, the achievement of better long term planning of capital investment, better use and management of assets, greater local-decision making and accountability within the capital arena and the enhancement of cross-service strategic working among directorates and in partnership with other organisations.

3. It will create a programme of strategic capital investment for Oxfordshire and ensure that strategic capital investment is planned and delivered in the most effective way possible. It will establish a strong corporate centre, facilitating effective decision-making and providing officer leadership and challenge in the capital arena.

2. Composition

4. The board has a small number of core members who are tasked to take a strategic view on the use of capital resources, capital investment and asset planning in line with Council's priorities. Members of the board will be accountable for ensuring the delivery of the specific capital targets and benefits agreed by the CIB. The membership of the CPB is listed below:

   - Assistant Chief Executive & Chief Finance Officer (the Chairman)
   - Director for Environment & Economy
   - Head of Transport (E&E)
   - Head of Property (E&E)
   - Head of Finance & Procurement (CC)
   - Head of Sustainable Development (E&E)
   - Head of Strategy and Transformation (S&CS)
   - Head of Commissioning, Performance and Quality Assurance (CYP&F)
   - Head of Strategy (CC)
   - Capital Programme Manager (CC)

5. The members of the CPB have, between them, responsibility for the Council's key strategic and service plans, including the Capital Strategy, Asset Management Plan, Long-term Property Strategy, Local Transport Plan, Strategy for Change for Secondary and Primary Schools, Strategic Sites Development, the Corporate Plan, the Medium Term Financial Plan, and regional and sub-regional strategies. This ensures the board supports both internal and external key strategies, plans and objectives.

6. Assistant Chief Fire Officer and Head of Service Support for the Community Safety and Shared Services Directorate will also have an invitation to all meetings of the Board where resources allocation and capital projects prioritisation are discussed.

7. The Board will be supported by the Capital Finance Team and meet every two months starting from 9th October 2009. These meetings will be in line with the meeting calendar for the CIB so that there is always 4 weeks between CIB and CPB meetings.

3. The Remit & Function

8. The remit of the CPB is

a) To consider and determine capital investment and asset management issues across the organisation by establishing a strong corporate centre and facilitating effective decision-making in the capital arena;
b) To provide officer leadership and challenge in the capital arena by taking a corporate view on capital and asset management and the use of capital resources throughout the authority and by giving a strategic focus and co-ordination to capital and asset planning across the corporate portfolio;
c) To be accountable for ensuring the delivery of the specific capital targets and benefits for the organisation agreed by the CCMT and the Cabinet;
d) To set the strategic direction for the capital and asset planning task force and to challenge/assess/steer their progress against strategic objectives;
e) To establish and maintain linkages with partnership structures at appropriate stages and to advise CIB on co-ordinating the liaison with partners on co-location and joint service delivery proposals as required;
f) To make recommendations on capital investment priorities to CCMT, CIB and the Cabinet;
g) To agree capital investment decisions within the capital arena within the given remit and tolerances across the portfolio where priorities are already agreed by the cabinet as part of the Council's budgetary framework;
h) To determine implications of applying for external funding and to agree applications in consultation with the CIB;
i) To ensure that there is a programme of action and appointed work-stream leaders in place to deliver the agreed priority work-streams by the CIB;
j) To develop, own, monitor and report progress against the agreed yearly plan on exception basis to the CIB;

4. Decision- making

9. The CPB is an officer working group. It takes its decision-making power from the delegated authority of member officers as per Financial Procedure Rules (FPR) and the Council's Constitution. It makes decisions only where priorities are already agreed by the cabinet as part of the Council's budgetary framework. It also ensures that necessary consultation is carried out with the CIB and relevant directors as part of the decision-making process. Decisions over £5m and new inclusions to the Capital Programme will be referred to the Cabinet in line with the FPR. Any

proposal that is outside the approved budget and policy framework will be referred back to full Council in accordance with the Constitution.

5. Key Outcomes

10. The use of Capital Resources directly related to the service delivery and corporate priorities and Council's aspirations for growth and infrastructure development;

11. Creation of a single point of contact for all capital matters.

12. Continuous improvement in strategic planning and delivery of the capital programme ensuring that strategic capital investment is planned and delivered in the most effective way possible

13. Better long term planning of capital investment, better use and management of assets, greater local-decision making and accountability within the capital arena.

14. Increased leverage of capital funding from wide range of sources

15. Enhanced of cross-service strategic working among directorates and in partnership with other organisations.

16. Realised opportunities for increasing income and/or reducing expenditure in management of property assets with direct contribution towards Council's efficiency programme

6. Reporting Arrangements & Communication Plan

17. Minutes of the meetings, with action items, will be circulated within 10 working days to members of the Board, members of CIB, the chairs of the Programme Delivery Boards and lead officers for the strategic work-streams.

18. The Growth and Infrastructure Scrutiny Committee will receive quarterly updates.

19. The Strategy and Partnership Scrutiny Committee will receive annual updates.

20. There will be a continuous dialog with the CIB and with the BSF Programme Board. These dialogs will be managed by the Assistant Chief Executive & Chief Financial Officer and the Director of Environment & Economy, and the Director of Children Young People & Families respectively.

7. Review Arrangements

21. Reviews will be carried out annually.

APPENDIX 3

NEW CAPITAL PROJECT APPROVAL THRESHOLDS (DRAFT) (BASED ON REVISED FINANCIAL PROCEDURE RULES)

12. No capital commitment shall be entered into unless:-
    a) it is included within the Capital Programme (either as a specified individual scheme or as part of a Planned Annual Programme) approved by the Council or is fully funded within the revenue budget and the Head of Finance & Procurement has confirmed that finance is available; and
    b) in the case of a project costing (exclusive of ~~capital fees and~~ the initial cost of any lease required):-
        - ~~£75,000~~ £200,000 or less, it has been approved by the Service or Cost Centre Manager;
        - between ~~£75,000~~ £200,000 and ~~£200,000~~ £500,000, it has been specifically identified and approved by the Head of Service;
        - between ~~£200,000~~ £500,000 and ~~£500,000~~ £1,000,000, it has been specifically identified and approved by the Director;
        - between ~~£500,000~~ £1 million and £2 million the Director and Head of Finance & Procurement have approved a detailed project appraisal for that project;
        - between £2 million and £5 million the Chief Finance Officer, in consultation with the relevant Cabinet Member, has approved a detailed project appraisal for that project;
        - ~~£1 million~~ £5 million and over the Cabinet has approved a detailed project appraisal for that project; and

the tender figure falls within the provisions of paragraph 13 below.

13. Where the total project cost as recorded in the Capital Programme is
    - ~~£200,000~~ £500,000 or more and any tender or other variation may effect more than a ~~10%~~ 5% increase on that total project cost, this must be approved by the ~~Director~~ Head of Service in consultation with Head of Finance & Procurement;
    - between ~~£500,000~~ £1 million and £2 million and any tender or other variation may effect more than a ~~10%~~ 5% increase on that total project cost, this must be approved by the Director and Head of Finance & Procurement;
    - between ~~£1~~ £2 million and £5 million and any tender or other variation may effect more than a ~~10%~~ 5% increase on that total project cost, this must be approved by the Chief Finance Officer;
    - £5 million or more, approval by the Cabinet is required.

12. In the case of insurance reinstatements paragraphs 12 and 13 above apply to the gross cost of the scheme only if the Council is contributing more than £75,000 or where there is a change in the service provided.

13. The Chief Finance Officer will ensure that the Capital Programme Board monitor and control expenditure against approved budgets and address any problems of overspending or resource re-allocation.

14. Capital budgets for new projects or changes to the approved capital budgets for projects in the programme will be put forward for approval as part of a financial monitoring report by the Chief Finance Officer.

15. The Leader of the Council may in conjunction with the Chief Finance Officer approve any proposed change to the Capital Programme in advance of the financial monitoring report to Cabinet where funding has been agreed with the Chief Finance Officer.

16. In respect of disposals of land and property:-
    a) processes followed should be robust and transparent and in accordance with current legislation;
    b) where the estimated disposal value is less than £2 million the Head of Property Services, having taken financial and legal advice, may arrange for the disposal of land or property;
    c) where the estimated disposal value is between £2 million and £5 million, a decision of the Chief Finance Officer is required;
    d) where the estimated disposal value of individual property assets is equal to or greater than £5 million, a decision of Cabinet is required;

17. In respect of disposals of land and property at less than Best Consideration:-
    a) where the estimated disposal value would otherwise have been at less than £250,000, the Head of Property Services may arrange for the disposal of land or property;
    b) where the estimated disposal value would otherwise have been between £250,000 and £1 million, the Head of Property Services shall prepare a report to the Chief Finance Officer, requesting approval to proceed with the disposal;
    c) where the estimated disposal value would otherwise have been at or above £1 million, the Head of Property Services and the Chief Finance Officer shall prepare a report to Cabinet, requesting approval to proceed with the disposal;

18. In respect of the acquisition of land and property where budget provision for an acquisition exists within the total Council budget, the Head of Property Services may approve a purchase of land or property

Explanatory Note

The Council's Financial Regulations require a project approval before proceeding individual schemes where it exceeds £0.2m. The schemes must have an option appraisal which looks at the different ways the desired outcome could be delivered and at whole life considerations to ensure that value for money are applied at all stages of projects. The project approval reports must consider the revenue consequences of proposed investment alongside the capital funding to ensure that the full cost of implementing a scheme is included in the approval process.

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Appendix 4: CAPITAL PROGRAMME ENTRY PROCESS & PROJECT APPROVAL FRAMEWORK

STAGES	STAGE 0 Concept Development	STAGE 1 Project Development	STAGE 2 Project Delivery	STAGE 3 Project Closure
Responsible Owner	CIB, CPB, Directorates Partners Transport Strategy Team Property Strategy Team	Transport Design & Implementation Teams Property Strategy & Tactical Teams	Transport & Property Project Delivery	The Client Directorate Transport & Property Strategy/Delivery Teams
Activity	Evidence need & strategic fit Define vision, objectives, aspirations & outcomes Identify infrastructure issues (condition, sufficiency, suitability, growth)	Options Appraisal Feasibility Study Outline Design Procurement Route Early assessment of land, highways, planning, utilities, sustainability, ICT issues Stakeholder Consultation	Statutory & regulatory approvals Detail Design (inc. ICT) Tenders, work/purchase orders (where required) Value engineering Change Control Supply chain management	Post implementation reviews Handover Plan (inc. responsibility for financial completion) Updates to asset register & other databases Defects reporting Performance reporting
Criteria	Strategic Assessment (the Capital Resource Allocation Model)	Technical Assessment (Options, Deliverability & Affordability Appraisals)	Deliverability against the brief, budget, timescales, procurement & quality	Client Satisfaction Survey Quality inspections End Project Report (RAG)
Outputs	Initial Business Case (Project Mandate)	Strategic Brief (Outline Business Case) Monitoring Report & Risk	Project Approval Report (Full Business Case) Monitoring Report & Risk	Impact Assessment/Benefit Realisation Report Lessons learnt report
Cost/Savings Resources	Conception Cost Form Funding Sources Revenue Imps (Annex 3) CFT, S106 Team & FBPs	Cost/Benefit Analysis Project Abnormals & WLC Revenue Imps (Annex 3) CFT, S106 Team & FBPs	Detailed cost & resources plan (inc. WLC, VfM, VAT) Financial Appraisal Form CFT & FBPs	Final account valuation FPR- ± 5% , SAP capital close, SAP revenue start CFT & FBPs
Communication & Consultation	Users& other Directorates Portfolio Holder Stakeholders & Partners Service Providers Local Members Capital Programme Mng. CPB & CIB	The Client & Directorates Portfolio Holder Stakeholders & Partners Service Providers Local Members Capital Programme Mng. CPB, CIB & PDB	The end user and the client representative liaison Collaboration with contractor Neighbourhood Liaison Portfolio Holder Capital Programme Mng. CPB & PDB	Post project appraisal meeting (end users, the client directorate, project team & key stakeholders) The client representative Capital Programme Mng. CPB & PDB
Approval	**Commit to Investigate** **Prj. Development Budget** **FPR, Cabinet & Council**	**Commit to Invest** **Project Delivery Budget** **Cabinet & Council** **(Programme Entry)**	**Commit to Construct** **Prj. Approval Budget ±5%** **S151, Portfolio Holder, Cabinet**	**Client Acceptance** Revenue Budget (running & operating costs) Service Manager

Appendix 5

2010/11 Capital Budget Setting Process Map

Capital Budget Setting Process			
Timetable (week commencing)	**Programme Review Process**	**Capital Bid Evaluation Process**	**Financial Control Process**
29th June 2009	The Capital Budget Setting Process endorsed by the CSG	New AMP Templates produced by Property Services (PS)	• Disposal Programme Update (June 09) • The Capital Programme Update (July 09)
6th July 2009 & 13th July 2009	CYP&F Challenge Panel (2)	• CWG approves the new AMP Template • New AMP Templates sent to Directorate Property Representatives	• Support to the Challenge Panels • Produce MMR Report with revised profiles (July 09)
20th July 2009 & 7th Sep 2009	Directorates work on • their AMP templates and link them with their Annex 3; • their current capital programme and review them in light of new AMP priorities;	• Capital Resources Allocation Model Workshop;	• Capital position statements (individual shortfall positions) for individual programmes produced and communicated to the Directorates • Produce MMR report with revised profiles (Sep 09) • Service & Resource Planning Report Input (Sep 09)
14th Sep 2009	Directorates • Work on their proposals to reduce the shortfall; • Consider the results of the challenge panel actions; • Cross-check and revise expenditure profiles with more than £500k allocation in 2009/10 and 2010/11;	• Directorate AMP Templates returned to the PS; • The Capital Investment Board (CIB) considers the capital programme position and endorses the principles of 2010/11 budget setting process (agreed by the CSG in July 2009); • The CIB considers the draft CRAM and makes recommendation for its further development;	• New project report finance information check; • Disposal Programme Update (Sep 09) • S106 Resources Profile Update (Sep 09)
21st Sep 2009 & 28th Sep 2009	• E&E- Other Programmes Challenge Panel (PSMT); • New programme delivery boards set up and start operation; • Identification of projects that will be included in the cost challenge	• PS quality check the AMP returns • Resources shortfall determined based on the AMP returns; • 2010/11 Transport project/ programme proposals returned to the CPM; • The CRAM criteria development & consultation;	• Capital Programme Update (Oct 09) • Produce MMR report with revised profiles (Oct 09)

Capital Budget Setting Process			
Timetable (week commencing)	**Programme Review Process**	**Capital Bid Evaluation Process**	**Financial Control Process**
5th Oct 2009 & 30th Oct 2009	• The Capital Programme Board (CPB) reviews the CP and make recommendations to the CIB on deferrals; • Directorates consider the recommendation coming from the CPB and provide additional information to inform the CIB meeting; • S&CS Challenge Panel;	• The CPB considers the new capital bids and makes recommendations to the CIB; • Directorates consider the recommendation coming from the CPB and provide additional information to inform the CIB meeting; • Strategic Directors asked to do a final review of the services' capital priorities and their timetable for implementation • The AMP is revised in light of Directorate returns; • The CRAM is tested using projects/ programme within the current CP;	• Contractual commitment levels determined; • Revenue implications of capital bids cross-checked against Annex 3s
2nd Nov 2009 & 16 Nov 2009	• CYP&F Challenge Panel; • Results of challenge panels cross-checked with the delivery partners	• CCMT considers the proposed list of capital bids; • The capital strategy is reviewed in light of the revised AMP; • Final capital bid & de-prioritisation/ deferral proposals is prepared for the CIB following the feedback from a) Challenge Panels b) Portfolio Holder c) Strategic Directors/ CCMT	• Produce MMR report with revised profiles (Nov 09); • Any significant change affecting the surplus/ shortfall position reported to the CPM; • Results of the challenge panels are integrated to the capital programme; • Service & Resource Planning Report Input (Nov 09)
23rd Nov 2009	CIB considers the draft/ interim programme for 2010/11 & makes the final adjustments to the delivery timetables in light of the strategic priorities	The Capital Star Chamber (the CIB) • The CIB considers the final bid portfolio & makes required prioritisation/ de-prioritisation/ deferral decisions; • The CIB considers the details of the CYP&F and Transport Capital Programmes & makes required prioritisation/ de-prioritisation/ deferral decisions;	• An interim position statement is produced for the CIB • Disposal Programme Update (Nov 09) • S106 Resources Profile Update (Nov 09)
30th Nov 2009 & 7th Dec 2009	• Final updates made to the individual programmes	• The CPB considers the draft Capital Strategy and AMP; • Preparation for presentations to the Scrutiny Committees (Strategy & Partnership (17th December 2009), Growth & Infrastructure (7th January 2010))	• Produce MMR report with revised profiles (Dec 09); • Annual capital settlement confirmations integrated to the resources profile

Capital Budget Setting Process			
Timetable (week commencing)	**Programme Review Process**	**Capital Bid Evaluation Process**	**Financial Control Process**
14th Dec 2009 & 28th Dec 2009	▪ Final controls and updates to the capital strategy & capital programme reports	▪ The AMP and CS finalised following the comments from the CPB & the Portfolio Holder;	• Final controls and updates to Period 3 Capital Programme Update and 2009/10 Capital Programme
4th Jan 2010 & 25th Jan 2010	▪ Directorates consider any significant changes to the draft capital programme and report to the CPB;	• The CIB considers the AMP & the CS and makes recommendations to the Cabinet; • Strategy & Partnership Scrutiny Committee considers the Capital Strategy& 2009/10 Capital Programme (@14th Jan 2010); • The Cabinet considers and approves the proposed CS, AMP and CP (@19th Jan 2010)	• Capital Programme Update (Jan 10) • Significant changes (over £250k) to the CP are integrated into the Feb 09 Programme for approval by the Council
9th Feb 2009	Council approves the Capital Strategy& 2009/10 Capital Programme		