



CITY OF
WORCESTER

**Capital Investment and Asset
Management Strategy**

2006/07 - 2010/11

*Making our assets work for us – to make Worcester a
great place to live, work and visit*

Key Messages:

- Providing operational assets that are in a satisfactory state of repair, and are energy efficient.
- Having proper regard to service providers' plans.
- Managing investment properties in accordance with the Council's investment strategy.
- Ensuring that all Council buildings to which the public have access are fully accessible by all members of the public.
- Disposing of properties that are surplus to requirements.
- The development of a programme of capital investment designed to facilitate the achievement of the Council's corporate plan, priorities and objectives.
- Nomination of a cabinet member to "make things happen" and an officer working party to develop and implement strategy.

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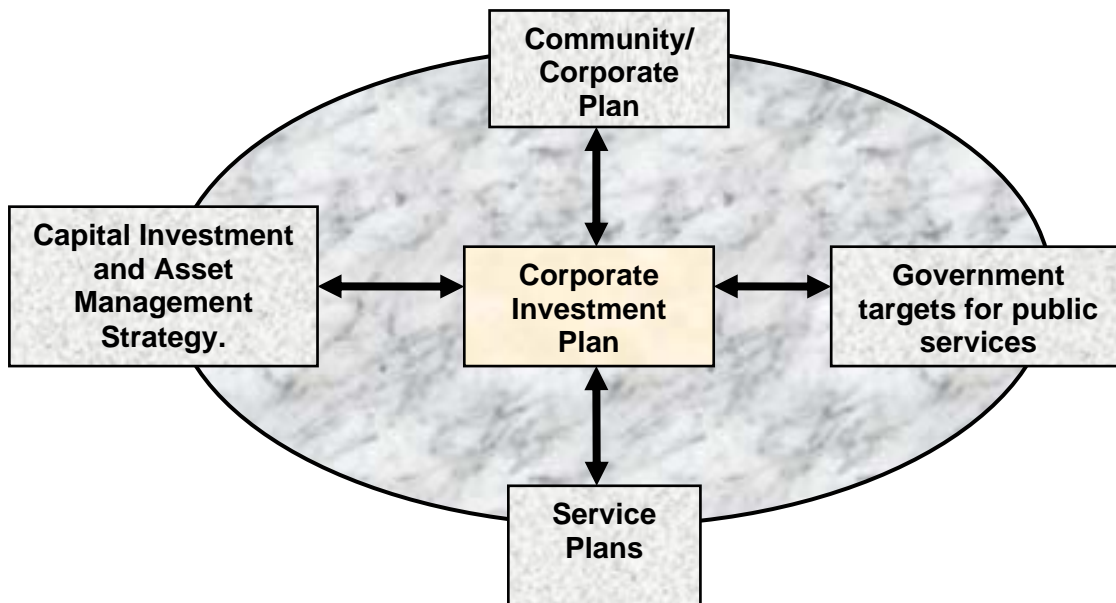
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Worcester City Council

Capital Investment and Asset Management Strategy

1. INTRODUCTION

- 1.1 This Capital investment and asset management Strategy sets out how Worcester City Council aims to use capital resources and management of its land and property assets:-
- to achieve its vision of 'Making Worcester a Great Place to Live, Work and Visit' and the Council's strategic priorities
 - to ensure that the Council's capital programme and investment decisions deliver quality and value for money local services in Worcester.
 - efficiently by minimising the financial resources tied up in land & buildings, and ensuring associated capital and revenue expenditure is directed efficiently and effectively to provide value for money.
 - effectively to meet the needs of the community with corporate financial and service planning through Councillor, community and partner involvement.
- 1.2 The Council works closely with Worcester Alliance, our local strategic partnership. In January 2003 the Worcester Alliance published the City's first community strategy, which laid out the partnership's long-term vision and values. The council also recognises the importance of working with residents and partners (outlined in this Strategy) in order to ensure delivery of the Community Strategy. The Best Value Performance Plan also takes account of the Community Strategy and outlines the Council's contribution to many of the priorities set out in it.
- 1.3 The Council will use the strategy to ensure that its capital investment and property holdings continue to be matched to corporate and service needs by:
- **providing operational assets which are in a satisfactory state of repair, fit for purpose and meet the needs of, and appropriate to, services.**
 - **providing operational assets which are energy efficient and where running costs are kept as low as possible commensurate with their use and, where appropriate, their status as listed buildings**
 - **having proper regard to service providers' plans and the encouragement of the efficient use of properties and technological developments**
 - **managing investment properties in accordance with the Council's investment strategy so as to produce the best rate of return for the Council to invest in other services**
 - **reducing the Council's office accommodation requirements over a period of 5 years to no more than 10 sq. metres net internal area per person**
 - **continue to consolidate office accommodation to improve public access to Council offices and services by 2011**
 - **ensuring that all Council buildings to which the public have access are fully accessible by all members of the public**
 - **ensuring that all assets are provided with satisfactory security, caretaking and cleaning services**
 - **disposing of properties which are surplus to requirements or do not meet the above requirements.**
 - **the development of a programme of capital investment designed to facilitate the achievement of the Council's corporate plan, priorities and objectives.**
 - **nomination of a cabinet member to "make things happen " and an officer working party - Capital Investment and Asset Management (CIAM) group to develop and implement strategy**



- 1.4 This document is intended for the use of all stakeholders to show how the Council makes decisions on capital investment in services and management of the authority's assets and how this links to their interest and relationship with the Council and in particular; -
- **for the Cabinet and Council;** to decide on capital investment and asset management policy within the overall Medium Term Financial Plan, and communicate this effectively to all stakeholders
 - **for service managers;** to improve their understanding of the council's capital investment and asset management priorities and assist them in bidding to win the allocation of capital resources, and to confirm their role in the management and monitoring arrangements
 - **for Councillors;** to improve their understanding of the need for capital investment and effective management of assets and help them scrutinise policy and management
 - **for employees;** to assist in cascading the council's policy on capital investment priorities, bidding and decision making arrangements so they have a better understanding of why and how capital spending is governed and to provide greater clarity regarding the basis for management of the Council's property assets.
 - **for residents & customers;** to communicate the council's policy and its impact on the provision of services
 - **for tax payers;** to demonstrate how the council seeks to prudently steward capital resources and look after its capital assets
 - **for partners;** to share with them our vision and help co-ordinate and seek further opportunities for joint ventures in Worcester
 - **for potential external funding partners;** to show how the council plans and controls capital spending and use of its portfolio
 - **for others who are concerned with public scrutiny;** to improve the openness and accountability of our decision making.

2. A STRATEGY FOR CAPITAL INVESTMENT AND ASSET MANAGEMENT

2.1 The Council's Capital Investment and Asset Management Strategy is an integrated part of the overall process for medium term planning of financial investment in service delivery, with very clear links to the corporate management of the Council's resources. The Council makes capital investment and asset management decisions based on; -

- A clear strategic vision of what is needed through consultation with stakeholders (Best Value Performance Plan)
- Informed choices about investing public money in capital projects and use of assets to satisfy the priority needs of services in Worcester through corporate working and appraisal of options
- An overall financial strategy through the Medium Term Financial Plan, and
- Judgements about the best use of the Council's revenue, capital and partnership resources (based on performance information and objective assessment criteria in the Budget Options Pool)

2.2 The City Council aims to achieve its vision of making **Worcester a great place to live, work and visit.**

Our work is steered by the following five key priorities: -

- **Cleaner and Greener;**
- **Performance Innovation and Efficiency;**
- **Urban Renaissance;**
- **Customer care and Citizen Engagement;**
- **Safer and Stronger Communities.**

Prudential Investment

2.3 The City Council also plans and implements investment in the City based on a set of guiding principles (Prudential Guidelines – Appendix A). The Prudential Regime has removed the capital control that required local authorities to get Government approval to borrow. This presents the City Council with opportunities:

- **No imposed limit of borrowing or credit arrangements.** The City Council can decide for itself how large its capital programme should be, and whether to finance capital spend through borrowing or credit arrangements. Government "supports" borrowing through RSG system, but councils are able to take out prudential borrowing in addition to the supported level to the extent that they can afford the revenue costs.
- **Level playing field for procurement.** The Council can choose the method of financing capital spend that is the best value for money (as evidence through options appraisals, business cases, etc).
- **Unsupported borrowing.** Decisions on unsupported borrowing will be made with reference to the overall capital programme - affordability, sustainability of the whole programme, depreciation accounting.
- **More creative solutions.** Because there are more options available, the Council can consider creative and innovative projects that wouldn't have been possible under the old system of capital controls (e.g., invest to save, etc).

Managing our Assets

2.4 To assist the evaluation of the portfolio the CIAM working party and the Cabinet review on an annual basis performance data for all operational and non operational properties challenging ownership, running costs and suitability of the buildings for the services provided. This is used to inform the Councils annual budget and medium term capital planning processes enabling informed judgements to be made regarding the retention, disposal and acquisition of properties.

3. ORGANISATIONAL ARRANGEMENTS

3.1 Member Level

- The Portfolio Holder for Performance, Innovation and Efficiency has been identified as the Cabinet Member with responsibility for property matters.
- The Council approves the Capital Investment and Asset Management Plan and monitors performance. The Cabinet decides on any major acquisitions or disposals of land. The Cabinet has considered the latest Property Performance Indicators as part of its approval of this Capital Investment and Asset Management Plan.
- The Council's Performance Management and Budget Scrutiny one of the Council's scrutiny committees, receives regular reports on progress in implementing the Plan.

3.2 Officer Level

- A key measure towards achieving the Council's objectives was the formation of the Corporate asset management Group known as the Capital Investment and Asset Management working party (CIAM). CIAM term of reference attached as Appendix B
- The working party is chaired by the Head of Financial Services and made up of representatives from across all Council services senior management. A major responsibility for CIAM is to produce the Capital Investment and Asset Management Strategy. The Group is accountable to the Senior Management Team and the Cabinet for the implementation.

4. PLANNING, IMPLEMENTATION AND REVIEW

Capital Investment

4.1 The Capital Investment and Asset Management working party reviews investment needs and bids for Capital Resources, to feed into the Council's five year Medium Term Financial Plan. It is the policy of the Council to review its overall financial strategy each year as part of the strategic review of policy, although it is envisaged that this would not involve major changes to this capital investment and asset management strategy. The strategy reflects the following;

- The Council's strategic priorities, national priorities, central government policies and initiatives e.g. Gershon and Lyons
- Changes arising from the Community Plan and consultation with stakeholders
- Information arising from Efficiency and Value for Money agenda, and operational demands and opportunities
- Other corporate drivers e.g. e-government, re-structuring
- Priorities given to schemes that address areas of Council activity that have been identified as requiring improvement (e.g. best value performance indications, value for money, and review)
- The Council Asset Management Plans will guide priority given to the maintenance of existing assets, as opposed to the creation of new assets.
- Priority given to schemes that will lever in additional resources when the scheme supports the Council's strategic objectives.

- Relative priority given to schemes will include consideration of the quality of measures of success and the likelihood of completion to time and budget.
- The Council will use CPO powers and pump priming to deliver strategic development projects
- The use of prudential borrowing (covered by Prudential Rules) will be used to assist in delivering key Council priorities, expenditure in advance of capital receipts being realised, and to deliver the programme through new ways of working.

4.2 The Council's capital investment planning is, therefore, integrated with all aspects of financial and service planning within the Medium Term Financial Plan. This is a five-year forward projection of revenue and capital resource plans and budget strategy, and includes a risk assessment of issues likely to affect the Council over a longer period. Projects (revenue and capital) are assessed for their effectiveness in meeting the council's strategic priorities. The Capital Programme is a budgeted "starts list" of priority schemes split between funded and unfunded (next in line for funding) projects. It also gives project plans, policy aims, performance targets, anticipated start dates and key milestones. As such it is used to monitor the progress of capital project and spending against the budget, based on a 5-year projection of capital and other key resources. Paragraph 6 sets out how the Council manages the bidding process and constructs the Capital Programme.

Capital Investment Financing

4.3 The framework for the capital financing system is laid down in the Local Government and Housing Act 1989. Capital control regulations were changed by the implementation of the Prudential Code, which enables the council to make judgments about the level of borrowing it can afford (from revenue). This is a major change in the way the council determines the level of capital resources available to it from borrowing, leasing, and partnership ventures. It should open up new and more effective ways of funding the Capital Programme. The restriction imposed through legislation together with the pressure on the Council's capital resources affect the choices about how capital projects may be financed.

4.4 The Council's investment needs are in excess of the capital resources available. The ability to realise capital schemes to be incorporated in the capital programme is governed by the availability of locally generated resources, nationally directed resources and external funding. The Council like many others must prioritise spending demand and seek to maximise any additional sources of finance that it can obtain. Appendix C sets out the Council's strategic capital needs.

4.5 It is clear that the resources available to fund capital projects are scarce in comparison to the demand, therefore, the Council needs to have regard to the financial resources available to fund it. The main sources of funding are detailed below: -

- Capital Receipts – primarily resulting from the sale of the Council assets;
- Capital Contributions – including contributions from developer (often under Section 106 Planning Agreements) and grants towards specific schemes.
- Use of Council's own resources – either by revenue contribution to capital, or use of earmarked reserves.
- Borrowing - the Council now has more freedoms to borrow under the Prudential Code provided it can demonstrate that it has the resources to service the debt.
- Grants from government, Lottery and others
- Partnership & joint venture initiatives
- Private sector sources & sponsorship
- Government initiatives (PFI/PPP)
- Leasing, renting and contract hire

- 4.6 Capital Receipts from the disposal of assets will continue to be a major source of funding for the council. The council is actively pursuing the disposal of a number of major sites for redevelopment. As a result of the housing transfer the Council has negotiated an agreement to enable it to continue to receive a share of the proceeds from “right to buy” sales. These could result in significant capital receipts. When assessing the amount of capital investment to be planned, the council makes a judgement about the level of capital resources, including capital receipts that are likely to be available over the period of the programme.
- 4.7 **Revenue implications:** the revenue implications of all capital projects are reported at various stages; including the bidding process, budget options, the overall capital programme, the Medium Term Financial Plan and revenue budgets, at commissioning and approval of tenders, and when monitoring of variances. This enables the cost of capital and full “life cycle” costs to be taken into account in considering the relative merits of each scheme. Also, the prudential code requires the Council to set prudential limits for servicing debt with associated costs being allowed for within the revenue projections.
- 4.8 The monitoring and control of capital investment is carried out as follows;
- **Project Management:** report by the project lead officer (budget holder or cost centre manager); exceptions and variances reported in accordance with Financial Regulations, and fed into the financial monitoring report or capital project management report
 - **Capital Programme management:** the Capital Investment and Asset Management Working Party to receive regular reports on the overall project management of the capital programme showing performance against targeted timetable, cash flow and outcome
 - **Monthly financial monitoring reports:** to each Head of Service to report on any material changes within the capital programme (resources or spending plans) as part of the council’s overall financial monitoring, and
 - **Bi-monthly Financial Monitoring:** Report on the capital programme included in the overall financial monitoring report (summarising the above) to Senior Management Team, and to the Cabinet.

5. MAKING OUR ASSETS WORK FOR US

- 5.1 A principal aim of the Capital Investment and Asset Management Strategy is to ensure that capital and revenue expenditure on the portfolio is directed efficiently and effectively to provide value for money. The Council holds property and invests in capital development projects with the aim of supporting and improving the delivery of services. It is the role of CIAM to ensure it is clear how the Councils asset base is involved in implementing its stated aims and key priorities.

Corporate Review of Existing Assets

- 5.2 The Council’s property requirements are being continuously reviewed through the Asset Management Planning process which is designed to:-
- Be a rolling review of operational and non- operational assets and the justification for holding them in the context of their contribution to facilitating the Councils strategic objectives.
 - Promote an awareness of the opportunity cost of assets in terms of their impact on the council’s revenue and capital budgets.
 - Enable continuous review of the suitability of assets for their purpose (including their running costs), and their effectiveness in supporting the service and customer needs
 - Improve the information available for property management and co-ordination

- Be informed by and inter-relate with service best value reviews
- Be a means of establishing performance targets for use of the asset and for the Performance Plan, and therefore a means of facilitating comparisons internally and externally

Guidelines for Disposal of Assets:

5.3 The City Council seeks through the Asset Management Plan, and its corporate approach to the continuous monitoring and review of the Council's property portfolio, to ensure it optimises the investment in assets and opportunities to make best use of the Capital Value tied up in those assets. Decisions on disposal of assets are made bearing in mind the following guidelines; -

- assets that are surplus to requirements in the short, medium and long term
- assets not achieving financial and or service delivery performance targets
- achieving best value from disposal; financial returns, legal obligations, and corporate policies on other sale arrangements
- key triggers for considering the feasibility of disposal
- promotion of key strategic policies of the Council

Financial Targets for Investment Property:

5.4 The Council takes advice on property and commercial valuations using its internal professional property unit and when appropriate external advisors as well. In order to ensure optimum return on investment consistent with strategic policies the council manages the property portfolio having regard to the following principles;-

- the need to optimise the return on all property investment
- in appropriate circumstances consider the cross cutting needs of other policies e.g. tourism and "cleaner and greener"
- optimise rent review periods and lease periods consistent with the Council's strategic aims
- existing corporate policy on charging - broad principles which follow the Audit Commission paper "The Price is Right".

A key service objective for the Property Services team is to maximise income from the investment portfolio and to exploit new opportunities for income generation from the Councils assets.

Guidelines for Acquisition of Assets

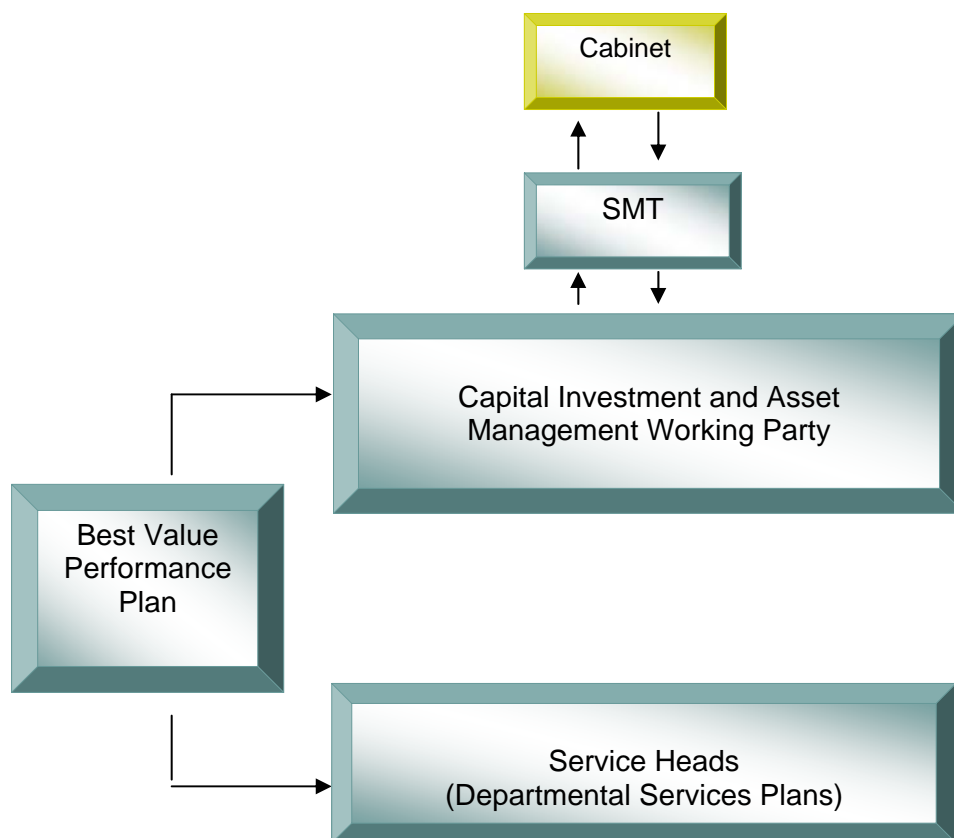
5.5 The Council undertakes relatively few acquisitions and these are always related to the implementation of key strategic priorities. Decisions on the acquisitions of asset are made with regards to the following guidelines,

- promotion of key strategic policies of the council
- providing value for money and facilitating assets that represent a sound financial investment for the Council

6. CONSULTATION /WORKING WITH PARTNERS AND THE COMMUNITY

6.1 The Council recognises that the views and needs of its stakeholders (the public in general, service users and the Council's employees) provide the foundation for any corporate plan. This is particularly true in terms of ensuring the appropriate and effective allocation of financial and property resources as part of its capital investment and asset management planning processes.

6.2 **CIAM provides a corporate vehicle for decision-making** regarding the management of property assets and capital investment at a strategic level. The composition of the working party ensures that the needs of service departments and stakeholders at the operational level are always fully understood but that such decisions are also made within the context of the Council's corporate aims and objectives as contained in its Best Value Performance Plan. This role is illustrated in the diagram below.



Regular On-going Consultation

- 6.3 The Council has an annual process for consulting users about repairs and improvements that they consider are necessary to the Council's office accommodation. These views are taken into account in preparing programmes for maintenance and improvements for future years. There is also an annual questionnaire by the surveyors in the in-house Building Maintenance Team to service departments to maximise levels of satisfaction with the services being provided by themselves and contractors.
- 6.4 Worcester City Council has extensive experience in working with service users and partner organisations and neighbouring councils on a collaborative and consultative basis. In addition, these organisations with which the Council is currently working in partnership are available within the Council website.
- 6.5 The City Council continues to review and improve the way it works with partners, and seek new ways of establishing partnerships to better provide for the citizens of Worcester, including; -
- integrating our services with those provided by partners and neighbours
 - sharing assets and resources such as buildings and vehicles
 - new ways of consulting and involving the community
 - joint planning for the community (Worcester Alliance)

- new bodies with varying relationships to the Council; including employee operated Industrial and Provident Societies, Joint Venture Companies e.g. Worcester Racecourse Ltd., or arms length companies for major services e.g. the Destination Management Organisation
- involvement in the strategic partnership for the provision of customer services across the area, shared services and joint working.
- leasing of assets to “not for profit” organisations for the indirect delivery of services e.g. community centres , MOLL

7. MANAGING THE BIDDING PROCESS AND CONSTRUCTING THE CAPITAL PROGRAMME

7.1 The council plans its budget and capital programme by amalgamating decisions about priority and the allocation of capital and revenue resources to ensure a corporate and consistent approach. A chart within the Council Medium Term Financial Plan (MTFP) gives an overview and graphical representation of this process.

7.2 Early in the Service Planning & Budget Process, Bids for new capital schemes will be invited using a standard bidding form – Capital Appraisal Report (Appendix D). The form will seek information about the project including feasibility, option appraisal, financial (cost benefit) appraisal, fit with strategic priorities, and risks. Bids will be vetted to ensure they qualify as capital expenditure and pass the “de minimis” level. They will be scored to assess their priority in accordance with the criteria set out at Appendix D.

Feasibility - Bidding for external resources:

7.3 Bids for resources must be informed by this Strategy, the Council’s corporate plan and strategic policies and the Medium Term Financial Plan (revenue and capital consequences). In addition to this;-

- project officers should always consider the potential for obtaining external funds for any project that they may be considering within this Strategy and involve the Lottery and Funding Officer to assist in improving our performance in attracting additional external resources for capital investment
- bids to external funding sources such as grant aiding agencies, PPP, PFI, and the National Lottery should only be considered for projects supporting existing policies or corporate strategies. Capital and revenue resources required by the City should be previously identified and earmarked or approved within the budget
- bids for long term funding; such as borrowing, leasing or PFI, should only be made where there is revenue and capital capacity within the Medium Term Financial Plan
- bidding should take account of internal guidance on bidding produced by the Lottery and Funding Officer

Feasibility - Development of Project Proposals:

7.4 In order to avoid undue abortive work, proposals for [new] capital projects should only be drawn up on the basis that;-

- it is likely to be assessed as high priority (see Appendix D Para 6) within the context of the BV Performance Plan and this Strategy
- it has been developed following consultation (where appropriate) with residents, customers, councillors, partners and stakeholders
- it is approved by the appropriate Head of Service and Capital Investment and Asset Management Working Party

Bidding process and appraisal of proposals:

7.5 A bidding document will be used for the appraisal and priority assessment of proposed projects. This will be in accordance with the arrangements published from time to time as part of the budget review process and outlined at Appendix D. The appraisal contains the following essential elements:-

- **Feasibility of proposal/scheme:** to demonstrate the overall feasibility of the bid
- **Option Appraisal:** to demonstrate that the proposal has been tested against alternatives and benchmarks
- **Financial (cost benefit) Appraisal:** to demonstrate that the proposal represents good value
- **Whole life costing:-** to demonstrate and indicate future commitments, renovations, etc.

7.6 **Assessing Priority – How the Council will assess individual bids against overall strategic priorities and the capital strategy:** from the evidence provided by the bid document, proposals are assessed (by the Capital Investment & Asset Management group) and then placed in the budget options pool (capital or revenue) to enable Councillors to make informed decisions about the allocation of resources. Appendix D sets out the criteria to be used for this assessment.

7.7 **Production of the Corporate Capital Programme and reserve list:**

The assessment and production of the corporate Capital Programme (schemes that are funded) and reserve list of schemes that are not yet funded will follow the Council's budget review process and involve:-

- Consideration of proposals and appraisals put forward by service managers to the corporate Capital Investment and Asset Management (Officer) Working Party, and matched to this Capital Strategy
- Senior Management Team consideration of the overall programme bearing in mind resources likely to be available
- Consideration of the assessments made for each project and the resulting justification and priority by the Senior Management Team
- Senior Management Team construct the overall Capital Programme for submission to Cabinet to reflect forecast cash flows, and ensure a balanced programme in terms of policy and the resources available for funding (capital and revenue)
- Consideration of the overall Capital Programme policy by Portfolio Holders for Financial Prudence and Value for Money and Property before reporting to the Cabinet

Capital Programme put forward and considered by Cabinet as part of the budget process [scrutiny will be subject to the councils arrangements for scrutiny]

7.8 **Procurement Strategy for Capital Investment and Asset management:**

The procurement options available to project managers for individual projects must follow the Council's Procurement Strategy and the Procurement Code that is embodied in the Council's Constitution. The Procurement Strategy takes account of the government's initiative "Rethinking Construction" being driven through the construction industry to address the needs of end users, move away from traditional restrictive and confrontational processes; and aim to achieve targets for reducing costs, time, and defects and increase predictability. For construction works the council will procure through partnering arrangements seeking to maximise the works portfolio for the benefit of partnering efficiency. Potential partners will be selected by advertisement, construction line and local representation. Partners will be chosen on the basis of an objective quality based evaluation process. The Council will properly evaluate the basis for its capital programme and other works and be committed to it, prior to any involvement by a partnering contractor. Works will be packaged to suit the partnering method. Construction partners will be involved with projects at a very early stage and

will contribute to, and influence the complete design process to the benefit of the council.

8. DATA MANAGEMENT

8.1 The classification of assets into the following groups is an important aspect of asset management as it assists in identifying the purpose for which the asset is held and its contribution towards achieving the Council's corporate aims and objectives.

- Operational
- Operational – Other Land and Building
- Non-Operational – Investment
- Non-Operational – Vacant/Surplus
- Community Assets

8.2 A detailed breakdown of the portfolio by Asset Group as at the end of f.y. 2005/06 is provided at Appendix E.

8.3 Having access to reliable and detailed information regarding the portfolio provides the key to decision making at both a strategic and routine property management level. Such information should include:-

- Running Costs broken down to the recognised property management categories, i.e. Rent, rates, maintenance, insurance etc
- Property management records; legionella, lift maintenance, electrical testing etc.
- Future maintenance and plant replacement programmes. (The Council uses a categorisation process to manage and monitor the condition of its building stock which is updated on an annual basis, see Appendix F).
- Key data on floor and site areas, occupancy levels,
- Tenancy and income details (where appropriate)
- Key data on quantifying property by size,
- Narratives on property.
- Photographic record of properties.
- Key data on history; date built, planning, alteration details and dates, occupiers
- Tenure
- Asset value

8.4 The validity of such information needs to be monitored and updated on a regular and ongoing basis. Verification of certain core property data e.g. costs, areas, and usage is undertaken in connection with the Council's 5 yearly rolling programme of asset valuations using the Council's corporate asset database.

8.5 To assist with the asset management planning and capital accounting processes the Council is proposing to invest in the purchase of a new asset management database. Following a selection and evaluation process it is intended that this will be operational from 1/4/07.

9. PERFORMANCE MANAGEMENT, MONITORING AND IMPLEMENTATION

9.1 The Council's performance against the national Property Performance indicators for f.y. 2005/06 is set out in Appendix G. These broadly measure building condition, returns, running costs and administration costs and have been reported to the Performance management panel, the Senior Management Team and the Cabinet. As mentioned above both the performance management panel and the Cabinet have received reports on the repair and maintenance of the portfolio. The Cabinet also receives a quarterly report on the progress and performance of the Capital Programme.

9.2 Regular reports are also made to the Performance Management Panel in respect of progress in implementing the Property Management and Facilities Management Best Value Review. This contains, inter alia, a number of local performance indicators e.g.:-

- By Financial year 2005/06 to produce a rate of return for the investment portfolio equivalent to the Investment Property Databank Index and within the top quartile for Property Performance Indicator 2 for the Council's Audit Commission Group
- To reduce the average net internal floor area per office-based employee to 10 sq.m. by October 2006.
- To establish by 2006 and sustain planned maintenance works at least 80% of total maintenance works.
- To improve client satisfaction levels in respect of building maintenance to not less than 90% by 2006.
- To increase the level of funding secured from Heritage Lottery Fund and any other external sources for the repair, structure and improvement of the historic buildings in the Council's ownership with a view to receiving at least £500,000 of external funding in the period down to 2006.

9.3 The Council has also developed a series of local Performance Indicators to supplement and further refine the information available in the national PIs . These are re-produced at Appendix H.

Performance management of Projects and Review of Capital Programme

9.4 The Capital Programme sets out clear performance measures including policy aim, total cost, target implementation, desired outcome, and capital and revenue funding. Nominated project officers are responsible for the day-to-day control of each capital project, requiring appropriate professional and project management skills. The council aims to improve project management with the adoption of Prince 2 standards for project management and Prince 2 training provided for a number of key project managers, who will be able to provide advice and guidance to others on project management The Council has adopted Best Value Performance Indicators (PI's), Property PI's (see Asset Management Plan) and local indicators to help inform the council's corporate management of all aspects of service and financial management including the capital programme. The Capital Investment and Asset Management Working group is primarily responsible for the performance of capital investment. In order to improve on this discussions are planned with other councils to help benchmark and identify best practice as part of the council's commitment to continuous improvement.

9.5 An upgraded financial management system, new property management system, through an improved capital coding structure, commitments accounting, and reporting arrangements will greatly assist improved capital monitoring and should streamline reporting arrangements.

9.6 A primary responsibility of CIAM will be measuring performance and updating the capital investment strategy. Essentially this will include: assessing how the Council is progressing towards its capital investment priorities, providing solutions to capital investment needs, promoting continuing improvement and assessing developments in Council plans.

9.7 The Council Financial Regulations (included in the Council Constitution) require all budget holders to take pro-active action to monitor and manage their respective budget. This includes making full use of the Council's financial management system. Each scheme is required to be delivered on time and on budget.

9.8 The specific milestones and targets set for schemes within each project plan are used in the monitoring process. These targets include:

- The percentage of the scheme delivered within the time parameters set out in the project plan
- The percentage of spends compared to estimate.

9.9 The Council had undertaken a Peer Review exercise for the last Comprehensive Performance Assessment. This strategy addresses the Peer Review conclusion regarding the need for improvements in consultation, strategy and communication. It has also been revised following government office guidance and feedback on previous strategy, and a benchmarking review to compare and contrast it with other highly rated Council. Improvements have been developed as a result of this. The Council's CIAM strategy has been drawn up by the Capital Investment and Asset Management working party, with member input, prior to its approval and adoption by the Cabinet.

Improving the Capital Investment Process

9.10 Appendix I set out examples of how the Council has improved the capital investment process in recent years. This includes the strengthened invest to save policy and a new appraisal and assessment process.

THE PRUDENTIAL CODE – AN INTRODUCTION

1 Background

- 1.1 Part 1 of the Local Government Act 2003 concentrates on the capital finance regime. The old system of credit approvals – Basic Credit Approval (BCA) and Supplementary Credit Approval (SCA) was abolished at the end of 2003/04 financial year, and replaced by a new system, referred to as the “Prudential Regime” for financial years 2004/05 onwards.
- 1.2 The basic principle of the prudential regime is that local authorities will be free to invest in capital spending plans as long as they are **affordable, prudent, and sustainable**.
- 1.3 In response to the requirements of the Local Government Act 2003 and in particular the Prudential Regime for Capital Finance, the Chartered Institute of Public Finance and Accountancy (CIPFA) developed and regulate the Prudential Code, by setting out indicators (Appendix A) that local authorities must use and the factors they must take into account to demonstrate that they have fulfilled the objectives outlined in 1.2 above.

2. Objectives and Principles of The Code

- 2.1 The key objective of The Code is to provide authorities with a more **flexible framework** within which to undertake capital planning. In the old system, local authorities effectively require centralised consent to make capital investment to support the provision of services. This consent is no longer needed in the new system. Instead, local authorities have a statutory duty to keep the scale of their capital investment under review - by **self regulation** (by having regard to the Prudential Code)
- 2.2 The Code places great weight on the importance of **affordability** as the ultimate constraint on the amount that an authority can spend or borrow. This includes consideration of the resources likely to be available, the revenue consequences of capital projects, e.g., interest costs arising from borrowing and investments, reserves, balances, risks and uncertainties associated with all these areas.
- 2.3 The Code promotes an **integrated framework for capital and revenue planning over a minimum 3-year timeframe**. In order to achieve this it anticipates that authorities will integrate the decisions required for The Code into the local strategic planning and asset management frameworks and anticipates that capital spending decisions will be made through proper options appraisals.
- 2.4 The Code emphasised how borrowing should be **prudent and sustainable**, based on affordability calculations and medium term financial plans and strategies.
- 2.5 The Code promotes the use of **prudential indicators** (Appendix A) to assist in the management of these objectives.
- 2.6 The Code requires adherence to the CIPFA Code of Practice for Treasury Management in the Public Services.

3. How Worcester City Council Has Implemented the Code

- 3.1 All the financial planning documents produced by the City Council reflect the principles of The Code.

- 3.2 The Code has some significant procedural implications, the most obvious being the requirement to undertake 3 years forecasting of all the resources available to the Council. This should result in a budget report that not only sets the budget and Council Tax for the year ahead, but also looks forward and provides estimates of the budget and Council Tax levels for the subsequent two years (these are estimates only and not prescriptive). The output should be a rolling financial planning process as shown in the **City Council Capital Investment and Asset Management Strategy**.
- 3.3 The City Council (in compliance with the Code) identifies a number of key prudential indicators – each contributing to one or two of the key principles of affordability, prudence, and sustainability, as well as issues of good professional practice. The Code does not specify what the indicators should be set at, as this will be different for each authority, depending on their local circumstances. These are considered and approved through the same process as the budget. The indicators like the financial forecasts, covers the forthcoming year plus the subsequent 2 years.
- 3.4 The Chief Finance Officer (Head of Financial Services at the City Council) has established measurements and monitoring procedures for all forward looking indicators to ensure that proper account and action is taken in the event of a deviation from the forecasts.

4. Impact on Corporate Priorities

- 4.1 The Prudential Code underpins all aspects of local authority capital spending, and consequently affects all corporate priorities.

5. Conclusions

- 5.1 The Code gives greater freedom for borrowing to local authorities but this must be done responsibly. The Code requires the following matters to be taken into account when making capital investment decisions
- a) Value for Money, e.g. Option appraisal for all projects
 - b) Stewardship of assets, e.g. Asset management planning
 - c) Service objectives, e.g. Strategic planning for the authority
 - d) Practicality, e.g. Achievability of the forward plan
 - e) Prudence, e.g. Implications for external borrowing
 - f) Affordability, e.g. Implications for Council Tax
- 5.2 The indicators assist the City Council in ensuring that the above principles are complied with. The Cabinet also recognise that the Prudential Code places a duty on local authorities to ensure that when making any decisions on capital investment explicit regard must be made to:
- Option appraisal
 - Asset management planning
 - Strategic planning
 - Achievability of the forward plan
- 5.3 The City of Worcester adopted and implemented the CIPFA Code of Practice for Treasury Management in the Public Services and the Prudential Code.

TERMS OF REFERENCE OF CIAM WORKING PARTY

- To promote improved capital investment and asset management throughout the Authority.
- To produce a Capital Strategy and an Asset Management Plan designed to assist the implementation of the Council's Strategic Objectives as set out in the Best Value Performance Plan.
- To produce a Capital Investment Plan (Capital Programme) in accordance with the Capital Strategy, Medium Term Financial Plan and Budget Strategy, designed to assist the implementation of the Council's strategic objectives as set out in the Best Value Performance Plan.
- To monitor the implementation of the Capital Programme and Asset Management Plan on a quarterly basis and to review and amend the Plan for the following year.
- To be responsible for ensuring the Council's corporate responsibilities for its buildings and its "landlord-type" responsibilities are undertaken, leaving the individual service responsibilities for services.
- To maintain up to date and relevant data regarding the Council's property portfolio.
- To derive asset management implications from the Council's strategic objectives, Best Value Performance Plan and Corporate Plan.
- To obtain information from Service Departments, occupiers and Finance about future requirements from assets and review asset requirements in light of these.
- To maintain up to date condition surveys of all properties, categorising into four categories according to the state of repair and maintenance.
- To review asset requirements and financial implications in light of the condition survey.
- To agree and monitor performance indicators to maximise the performance of the Council's assets, having regard to the nationally agreed performance indicators.
- To consider what is required by way of benchmarking and to consider and review benchmarking information received by members of the Working Party.

STRATEGIC CAPITAL PROGRAMME

Subject	Planning, Management & Timing	Total Capital Value	Policy on funding of capital costs	Funding annual costs	Aims of investment, Benchmarking, Review process,	Outcomes and Performance Indicators (PI)
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The Council's Capital Programme is established each year in accordance with:

- the Council's Strategic and Corporate priorities
- this Capital Investment and Asset Management Strategy
- the Council's strategic capital investment needs as set out in the following table
- assessment of individual capital schemes in accordance with the processes set out in this Strategy
- De Minimis is set at £5,000; i.e. the Council would not normally capitalise individual schemes / projects or equipment costing less than the De Minimis level of £5,000

Cleaner and Greener City: Cllr Allah Ditta

- Making the city's streets, Neighbourhoods, parks and open spaces cleaner and more attractive for residents and visitors

<i>Parks & Playgrounds</i>	<i>Health & Safety survey – 3 sites per year which will enable all to be replaced over a period of 15 years. Designs subject to consultation with local children and young people.</i>	<i>£1.8m over 15 years</i>	<i>General Capital Programme</i>	<i>Base Budget</i>	<i>Risk management, Annual H&S survey carried out since early 1990's using external specialist, Benchmark against international standards</i>	<i>Good quality play facilities that meet local needs, PI - no claims for injury, and no complaints</i>
<i>Parks; Improvement of Riverside, Parks</i>	<i>Reinvestment of receipts from sale of Racecourse lease and use of Lottery funding to enhance heritage parks</i>	<i>£2.6m over 5 years</i>	<i>Specific reserve and Lottery funds</i>	<i>Base Budget</i>	<i>External consultant public consultation and lottery bid</i>	<i>Regeneration of parks and riverside open spaces, Increase in public satisfaction</i>
Replace vehicles and equipment	<i>Replacement plan based on useful working life and best value for money.</i>	<i>£5.0m, over 5 to 10 years</i>	<i>General Capital Programme</i>	<i>Base Budget</i>	<i>Aim to maintain productive capacity and reduce funding costs, & benchmark with other Councils</i>	<i>Fit for purpose fleet, Contribute to VFM indicators for the service</i>

- Encourage sustainable waste management through recycling and reducing waste

<i>New vehicles and equipment</i>	<i>Implementation of new "wheeled bins" system by 31st March 2008</i>	<i>£1.5m, over 3 years</i>	<i>General Capital Programme</i>	<i>Base Budget</i>	<i>Provide new vehicles and equipment to support recycling, benchmark with other Councils by member committee</i>	<i>Wheeled bins distributed to all areas of city Recycling targets met, No complaints after first 6 months of operation</i>
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STRATEGIC CAPITAL PROGRAMME

Subject	Planning, Management & Timing	Total Capital Value	Policy on funding of capital costs	Funding annual costs	Aims of investment, Review process, Benchmarking	Outcomes and Performance Indicators (PI)
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Safer and Stronger Communities: Cllr Francis Lankester

- Reducing crime and fear of crime in the city.

<i>Community Safety</i>	<i>Annual programme of works to improve public safety (lighting etc.)</i>	<i>£15,000 (p.a.)</i>	<i>General Capital Programme</i>	<i>Base Budget</i>	<i>Community Safety Partnership</i>	<i>Target to reduce risk and public perception of crime in specific areas</i>
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- Using the Local Area Agreement to give local neighbourhoods the chance to manage the services that will make their communities stronger.

<i>Community Develop't</i>	<i>Assist in enabling community facilities for each major neighbourhood</i>	<i>?</i>	<i>Capital Programme</i>	<i>Medium Term Plan</i>	<i>Enable appropriate facilities in each local community, Local management committees</i>	<i>Partnership schemes negotiated with local management committees</i>
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- Working with partners to tackle housing shortages in the city and increase affordable housing.

<i>Housing Renewal</i>	<i>House Renewal Grant Programme – Statutory obligations to provide disable facility grants to householders</i>	<i>£½m p.a.</i>	<i>Gov't Grant & Capital Programme</i>	<i>Base Budget</i>	<i>Increase housing standards in the private sector, Provide facilities for disabled residents</i>	<i>Demand for Disabled facilities Grants met, No private housing in state of disrepair</i>
Balanced supply of housing	Loans and grants to housing associations, Provision of low cost housing and alternatives to Bed and Breakfast accommodation,	<i>?</i>	Former HRA ¹ cash Prudential Borrowing	Not yet funded	Increase the supply of low cost housing, and temporary accommodation	Reduced numbers presenting as homeless, Reduced waiting list No reliance on B&B

¹ HRA = Housing Revenue Account; the account used to manage former council houses prior to transfer to Worcester Community Housing.

STRATEGIC CAPITAL PROGRAMME

Subject	Planning, Management & Timing	Total Capital Value	Policy on funding of capital costs	Funding annual costs	Aims of investment, Review process, Benchmarking	Outcomes and Performance Indicators (PI)
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Urban Renaissance: Cllr Martin Clarke

- Delivering a high quality built and natural environment, particularly in the city centre, and enhancing local transport choice.

University	Assist in enabling development of University campus and Library project in partnership with the University and the county council		Cost neutral	Non	Sale of depot and transfer to alternative site	Land at Butts made available for development of the Library project
Transportation	Reinvestment of receipts from sale of car park land to improve security & standards. Partnership with the County to regenerate the High St. pedestrian area.	£1.0m plus	Specific reserve	Base Budget	Car park design benchmarked against standards for "Secure Car Park" status. High Street – external specialists used for detailed design to gain benefit of comparison with other recent designs (e.g. Kensington High St.)	All public car parks assessed as "secure by design" Reduced public perception of crime in car parks and central shopping area
Historic Buildings	Renovation of historic buildings Use of external (top-up) funding	£80K p.a. Plus ext funds	Capital Programme	Base Budget	Improve quality of historic buildings Development of the Commandery Museum and the Guildhall to improve public access and use	No historic buildings falling into disrepair Increased public access to key buildings
Council Offices	Organisational review – one council ethos, linked to customer service centre / Worcestershire Hub partnership	£4.0m	Capital Programme /partnership	Base Budget	Office Accommodation – aim to get all head office in one place. Benchmarking of space standards (property BVR),	PI office density less than 10 ^{sq m}
Public Buildings	Annual maintenance review and life cycle costing	£2.0m	£548,000 funded	Balance not yet funded	Keep under review each year. Property Best Value Review produced PI's and benchmarking Building Maintenance major and backlog repairs	All public buildings in category A assessment for state of repair

- Helping to develop Worcester's cultural events and appeal as an all-year-round tourist destination.

DMO ²	Partnership with Worcester Alliance to develop DMO with pump priming funds	£50K			To enable DMO	DMO launched
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² DMO = Destination management organisation being set up jointly by the City in partnership with Worcester Alliance.

STRATEGIC CAPITAL PROGRAMME

Subject	Planning, Management & Timing	Total Capital Value	Policy on funding of capital costs	Funding annual costs	Aims of investment, Review process, Benchmarking	Outcomes and Performance Indicators (PI)
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Customer Care and Citizen Engagement: Cllr David Tibbutt

- Championing the needs of council customers and developing our Customer Service Centre.

<i>Customer Services</i>	<i>Maintain Worcestershire Hub Partnership project, develop Hub jointly with County council</i>	??	<i>No additional funds</i>	<i>Base Budget</i>	<i>Maintenance of Hub and relocation to Library in 2011</i>	<i>First class Customer Service Centre, No complaints from public</i>
Public Buildings	Programme of works established with external disabled access group to be completed by October 2004	£1.3m	Capital Programme	Base Budget	Benchmarking through use of Disability Access Group (DAG) to assess how other organisations have addressed this. PI; buildings access passed as satisfactory by DAG	Statutory obligations from Disability Discrimination Act
Public Services	IT equipment investment IT strategy & investment plan based on useful working life	£3.5m approx' over 10 years	Capital & IT (Rev) investment fund	Base Budget	Reduced revenue capacity precludes continuation of past policy to fund from revenue. Review in light of Prudential Code; aim to reduce funding costs, & benchmark with other Councils.	Public and back office services supporting public facing services efficient and upto date, No public complaints

- Creating clear performance standards.
- Improving communication and consultation with residents and the council's workforce.

<i>Non identified</i>						
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STRATEGIC CAPITAL PROGRAMME

Subject	Planning, Management & Timing	Total Capital Value	Policy on funding of capital costs	Funding annual costs	Aims of investment, Review process, Benchmarking	Outcomes and Performance Indicators (PI)
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Performance, Innovation and Efficiency: Cllr Roger Knight

- Making the best use of financial resources by delivering services through grant aid, external contracts and partnerships, and generating income by selling council services and securing sponsorship.

<i>Partnership and External Funding</i>	<i>Opportunities for generating extra investment in assets are regularly reviewed. S106 agreements monitored separately. Lottery and other external funding for specific projects</i>	<i>>£2m (S106)</i>	<i>Neutral</i>	<i>Neutral</i>	<i>Includes S106 agreements with developers.</i>	<i>PI = complete schemes per specification and timing in agreements or funding bids</i>
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- Balancing the budget and keeping council tax increases to no more than 2.5% above the Retail Prices Index. Ensuring fair and open council tax and benefit services.
- Making sure the council is efficient, raising productivity and enhancing value for money.

<i>Invest to Save</i>	<i>Invest to Save Policy, Prudential borrowing policy</i>	<i>?</i>	<i>Invest to Save Fund</i>	<i>Base Budget</i>	<i>Investment that yields revenue savings with a pay back of less than 3 years Schemes that are self funding or produce revenue savings</i>	<i>Reduced revenue costs</i>
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Capital Appraisal Report (CAR) – Bidding Form

Guidance to Service Managers: This Bidding Form should be completed and returned to Finance Services for evaluation. Guidance on how to bid is provided below. This is an extract from the Capital Strategy. The assessment criteria that will be used to assess the individual bids against overall strategic priorities and the capital strategy are set out overleaf at the foot of the bidding form. It would be helpful if, as part of your bid, you could provide us with your view of the assessment score. Clearly the assessors including CIAM will make their own judgements, but the purpose of your bid is to justify your view of the relative importance and priority for your scheme. You are advised to read the Capital Strategy before preparing your bid.

The Bidding process: This form will be submitted to the Capital and Investment Working Party who will assess all bids which are then placed in the [Capital] budget options pool for reporting on the Senior Management Team (SMT) and Councillors (the Cabinet). The cabinet will then make a recommendation on the overall capital programme to the Council at their annual budget meeting in March.

Bidding - Priority Assessment

1. The Council uses a Capital Appraisal Report/Bidding Form to collect information and assess proposals for their suitability and priority using the criteria set out below. It is designed to evaluate the priority of existing service commitments, expenditure and new proposals for capital or revenue expenditure; for inclusion in a Budget Options Pool. For capital bids an important test will be; is the expenditure for capital purposes and in excess of the de minimis (£5,000). Advice should be sought from the Finance service to establish this if in any doubt.
2. **Bidding for resources – collecting information and the service manager’s assessment of the proposal:** All proposals for Revenue and Capital investment must be set out on the Bidding Form -CAR, setting out clear performance measures including policy aim, target implementation, and desired outcome / service improvement. This requires completion of following information.
3. **Feasibility of proposal/scheme:** to demonstrate the overall feasibility of the bid set out;-
 - The nature of the problem being resolved by this proposal
 - A description of the proposed expenditure, the service and strategic policy satisfied by the scheme
 - Any statutory obligation or legislative requirements for this proposal
 - The urgency of the proposal and its impact on risk management
 - What funding is in place for the scheme, and the overall impact on resources and budgets
 - If capital funding is involved does the proposed expenditure qualify as capital expenditure and pass the de minimis level?
4. **Option Appraisal:** to demonstrate that the proposal has been tested against alternatives and benchmarks set out;-
 - The alternative options that are available to resolve the problem
 - Why the project/scheme or option has been selected over other options including “status quo”
 - The cost/benefit of the scheme over those other options
 - The impact on policy and service delivery (also bearing in mind risk assessment)
 - Benchmarking used to assess the preferred way forward
 - Any factors that would be significantly effected by selecting an alternative option; e.g. sustainability, community safety, equality, e-government, partnership working
5. **Financial Appraisal:** to demonstrate that the proposal represents good value set out; -

- The total costs of the scheme; capital and revenue costs, showing impact over medium term (5years); clearly identifying running costs, capital financing costs and life cycle costs (maintenance etc.) and impact on the Council Tax (Band D)
- Any additional income, external funding or reduced costs (invest to save) that **will** arise
- Any capital receipt that **will** arise, and the impact on capital value / useful life / asset rental (for capital accounting)
- Any impact of this proposal on other resources or assets
- A risk analysis and assessment
- How many people will benefit from this proposal and how will the proposal address public dissatisfaction with the service
- How will the project improve performance and delivery of the service (quality) in seeking best value
- The effect on partnership working arrangements

6. **Assessing Priority – How the Council will assess individual bids against overall strategic priorities and the capital strategy:** from the evidence provided by the bid document, proposals are assessed (by the Capital Investment & Asset Management group) and then placed in the budget options pool (capital or revenue) to enable Councillors to make informed decisions about the allocation of resources.

Assessment of Bid Project name:	Relative weighting and scoring			Score
Statutory obligation or legislative requirement	Doesn't meet (0)	Meets in part (10)	Meets fully (20)	
Essential maintenance or planned replacement	Doesn't meet (0)	-	Meets fully (15)	
Other specified operational requirement	Doesn't meet (0)	Meets in part (10)	Meets fully (15)	
Risk Management (health, safety, security)	High risk (0)	Medium risk (15)	Low risk (20)	
Compliance with Council's Strategy:-				
• Cleaner and Greener City	Doesn't meet (0)	Meets in part (5)	Meets fully (10)	
• Safer and Stronger Communities	Doesn't meet (0)	Meets in part (5)	Meets fully (10)	
• Urban Renaissance	Doesn't meet (0)	Meets in part (5)	Meets fully (10)	
• Customer Care and Citizen Engagement	Doesn't meet (0)	Meets in part (5)	Meets fully (10)	
• Performance, Innovation and Efficiency	Doesn't meet (0)	Meets in part (5)	Meets fully (10)	
Leads to material improvement in service	Doesn't meet (0)	Meets in part (5)	Meets fully (10)	
Benefits a significant % of the city population	Doesn't meet (0)	Meets in part (5)	Meets fully (10)	
Extent of external funding (capital & revenue)	0% (0)	Per 2% (1)	100% (50)	
Invest to save – pay back period	< 3 years (5)	< 2 years (10)	< 1 year (20)	
			Maximum (210)	

Capital Appraisal Report – Bidding Form

<i>Project Details: definition of project and outcomes:</i>	Comments / advice to managers
Project title	
Service	
Strategic Policy satisfied by the scheme	This should be a direct reference to a statement in the Best Value Performance Plan
Policy aim / Performance targets / service outcome	Includes service improvement targets and desired outcome from project
Target for implementation	Milestone dates for agreement of design, tenders, start on site and completion / open for service
Project Officer	The person who is primarily responsible for managing the project
Options Appraised:	
Specific Funding identified:	

FINANCIAL INFORMATION

Bid Title:	
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Capital Scheme Costs

Category	2007/08 £000's	2008/09 £000's	2009/10 £000's	2010/11 £000's	2011/12 £'000's	TOTAL COST
EXPENDITURE						
Feasibility Study						
Professional Fees						
Contractor Payments						
Land Acquisition						
Internal/External Design Charges						
Capital Salaries/Fees						
Other Capital Costs						
Total Expenditure						
INCOME						
Contributions						
External Funding						
Sale Proceeds						
Other Income						
Total Income						
Net Scheme Cost						

Cash flow for the next five years: Anticipated cash flow of capital payments including payments in prior years (should add up to the total capital cost). Where payments are forecast to continue after the end of the 5 year period a footnote to this effect must be added showing the balance of payments due.

Revenue Implications of Scheme (Are these budgeted or subject to a budget bid for revenue resources?)

Category	2007/08 £000's	2008/09 £000's	2009/10 £000's	2010/11 £000's	2011/12 £'000's	TOTAL COST
EXPENDITURE						
Employees						
Maintenance & Repairs						
Utilities						
Rates						
Other Running Costs						
Total Expenditure						
INCOME						
Fees & Charges						
Other Income						
Total Income						
Net Revenue Cost						

7. **VAT Issues** – a full VAT appraisal must be carried out as part of this exercise, please indicate here that you have asked Finance Services for advice.

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8. **Whole Life Costs:** -

Lifespan of the Project:

What are the major repair and refurbishment items over the life of the project?

Items	Estimated Refurbishment Cost £	Lifespan Years	Annual Cost £
Total Annual Cost			

Notes:

1. All figures to be entered at September 2006 prices
2. Savings to be entered as minus expenditure

Breakdown of Portfolio by Asset Category

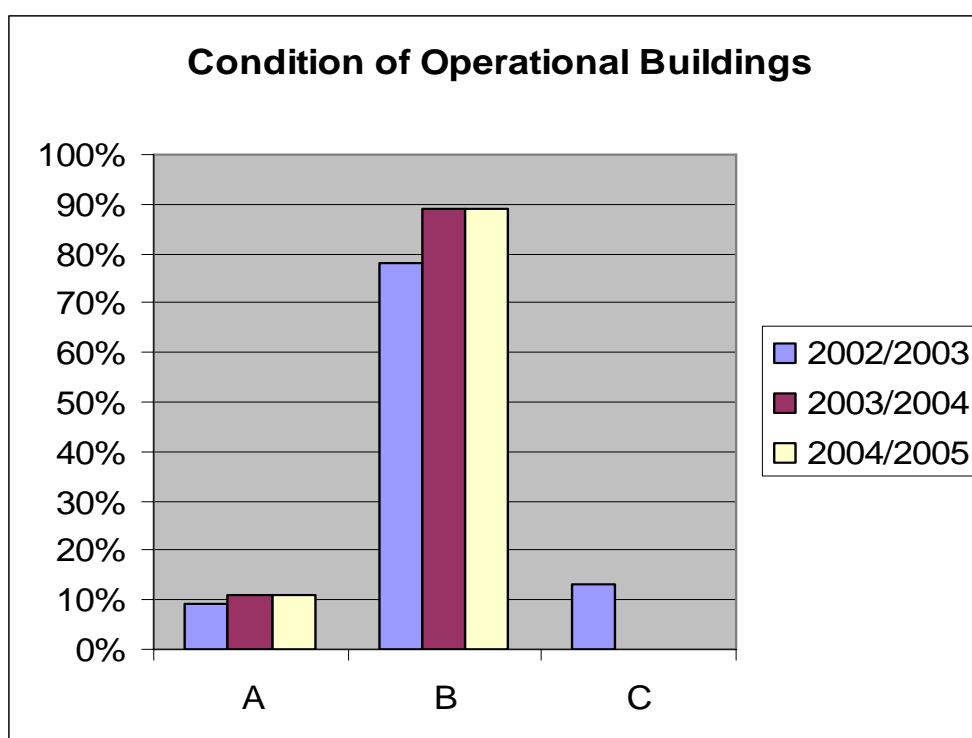
OPERATIONAL			
Property	No. Units	Asset Valuation	Income
Office	7	£4,193,500	£35,000
Civic Accommodation	1	£4,350,000	£5,000
Community Centres	10	£6,451,500	
Museums	2	£2,200,000	
Sports Centres	4	£8,126,000	
Multi Storey Car Park	1	£3,367,000	£440,000
Public Convenience	9	£764,000	
Stores/Depot	3	£208,000	
Hostel	2	£535,000	
Crematorium	1	£1,440,000	
Allotments	24	£212,000	£8,220
Car Parks (Surface)	16	£7,676,500	£1,870,000
Total	80	£39,523,500	£2,358,220

NON OPERATIONAL			
Property		Asset Valuation	Income
Investment			
Retail	3	£916,000	£56,500
Industrial Sites	3	£993,500	£109,850
Industrial Units			
Buckholt Business centre (n.b Council is managing agent for head landlord)	16		£85,000
Miscellaneous	4	£422,250	£130,600
Agricultural	2	£29,500	£450
Total	28	£2,361,250	£382,400
Surplus Property	2	£38,000	£98,000
Land Held For Development	3	£636,600	
Other Land and Buildings	30	£945,860	£62,000

State of repair of the Portfolio

The condition survey of operational properties has been updated in the last 12 months and again used to inform the annual repair and maintenance proposed bid process and maintenance programming. All of our operational buildings have been re-assessed as either Category A and/or B status.

Approximately 19% of Operational properties are now rated as Category A standard (Good – performing as intended and operating efficiently); the remaining 81% are assessed at Category B standard (Satisfactory – performing as intended but exhibiting only minor deterioration.)



Combined actual revenue and capital spend recorded across the property portfolio for 2004/05 was £1,255,345, this will have further improved our maintenance standard. Revenue funding for maintenance for 2005/06 is presently set at £1,068,512 bids for an additional capital funding of £719,196 have been secured to further support maintenance of public buildings. This includes £88,913 renovation works at the Guildhall £107,143 for roof recovering works at the Pumphouse/Conservation centre in Gheluvelt park extension and £131,250 for refurbishment of all- weather pitches at Nunnery Wood Sports Complex.

The overall condition of the Council's building stock continues to be driven up under this good husbandry.

Asset Management Data 2006 – comments on trends/changes in data below

Last updated 21 June 2006

Indicators that IPF produce comparisons as relevant indicators – all Council figures are close to the previous years IPF averages

- Industrial properties, Rate of Return – not applicable, changes to portfolio have taken out industrial element
- 2. Retail properties, Rate of Return – The slight reduction in this years average IRR can be attributed to the outcome of a recent rent review at 11 Foregate, which was lower than previously forecast. .
- 3. Management Costs/m2 of all buildings – data assessed from property timesheets. Figure continues trend of year-on-year reduction and, at £1.10/m2, is slightly below last year's IPF average.
- 4. Repair & Maintenance costs/m2 of Operational buildings – Increase reflects (1) The significant increased expenditure on planned maintenance of the Council's building stock in 2005/06, including £385,486 of capital money, and (2) The net 1867m2 decrease in floor area (due to the transfer of Farrier House and the Museum of Local Life from the Operational to the Non Operational list.)
- 4. Energy costs/m2 of Operational buildings – decrease due to actual costs being available for use in 2006 (2005 figures were based on budgets)
- 4. Water costs/m2 of Operational buildings – decrease due to actual costs being available for use in 2006 (2005 figures were based on budgets). Also, savings were made by acting on the recommendations of a water management consultant.
- 4. CO2 kg/m2 of Operational buildings – figure same as last year as data not reliable due to low priority of the AG21 group and changes to Business Support functions.

Indicators without IPF comparisons as they are not good indicators

- 1A. Percentage of Operational floor space in condition A, B, C, or D – improvement in condition of buildings reflect better quality, newer buildings as a proportion of the portfolio ie. Graveney & Wyatt Houses and City Centre Community Centre.
- 1A. Percentage of Non-Operational floor space in condition A, B, C or D – the apparent substantial improvement simply reflects the transfer of Farrier House and the Museum of Local Life (both condition B) from the Operational to the Non Operational list.
- 1B Operational buildings Backlog – the apparent decrease of £370,396 (compared with 2005) becomes an increase of £153,254 when adjustment is made for the transfer of Farrier House and Museum of Local Life to the Non Operational list.
- 1B. Non-Operational buildings Backlog – the apparent increase of £532,050 (compared with 2005) reduces to an increase of only £8400 when adjustment is made for the transfer of Farrier House and Museum of Local Life to the Non Operational list.
- 5A. Percentage of Projects completed on Cost – this indicator and 5B varies each year as project completions dictate. This year 8 projects were eligible and only the Park Street Hostel went over the building budget.
- 5B. Percentage of Projects completed on Time – 2 of the 8 eligible projects did not complete on time. Park Street Hostel was delayed due to damp proofing problems in the basement and Tolladine Sure Start due to delays making the unique design work in practice on site.

2006

Last updated 21 June 2006

Indicators Comparisons for Asset Management Plan

Indicator	2 industrial ROR (%)	2 retail ROR (%)	3 Mgmt costs	4 Repair & Maint costs	4 energy costs	4 Water costs	4 CO2 (tonnes/m2)
wcc 2002	13.00	15.85	£12.06	£14.33	£6.06	£1.93	0.0507
wcc 2002 revised			£1.14				
ipf high	29.42	24.00		£79.00	£15.67	£14.95	96.9700
ipf medium	12.34	12.00		£11.54	£6.53	£1.45	0.0800
ipf low	1.00	2.16		<u>£2.02</u>	£1.29	£0.19	0.0200
wcc 2003	13.00	15.85	£12.91	£14.57	£5.51	£1.49	0.0381
wcc 2003 revised			£1.11				
ipf high	18.25	21.45	£7.65	£197.52	£16.90	£16.69	1.7300
ipf medium	11.47	10.25	£1.68	£13.69	£6.96	£1.81	0.1000
ipf low	15.93	1.00	£0.11	£2.00	£3.00	£0.48	0.0300
wcc 2004	NA	11.00	£1.22	£14.28	£4.96	£1.68	0.0410
ipf high		17.47	£12.96	£42.86	£13.65	£4.04	0.1600
ipf medium		11.62	£1.43	£14.91	£6.42	£1.62	<u>0.0734</u>
ipf low		1.00	£0.08	£4.00	£1.88	£0.43	0.0280
wcc 2005	NA	10.00	£1.19	£17.96	£7.54	£1.87	0.0410
ipf high		18.50	£9.00	£125.00	£591.00	£6.41	0.1600
ipf medium		11.50	£1.16	£13.89	£7.22	£1.56	0.0680
ipf low		7.22	£0.15	£1.14	£0.32	£0.07	0.0035
wcc 2006	NA	10.00	£1.10	£29.66	£6.35	£1.84	0.0410

Indicators without IPF comparisons	WCC 2002	WCC 2003	WCC 2004	WCC 2005	WCC 2006
1A Operational floor space in condition A	9%	9%	11%	37%	40%
1A Operational floor space in condition B	64%	78%	89%	63%	60%
1A Operational floor space in condition C	27%	13%	0%	0%	0%
1A Operational floor space in condition D	0%	0%	0%	0%	0%
1A Non-Operational floor space in condition A	0%	0%	0%	0%	0%
1A Non-Operational floor space in condition B	100%	100%	74%	44%	75%
1A Non-Operational floor space in condition C	0%	0%	26%	56%	25%
1A Non-Operational floor space in condition D	0%	0%	0%	0%	0%
1B Operational backlog value	£2,526,579	£1,805,849	£1,469,414	£2,017,394	£1,646,998
1B Operational backlog in Priority 1	0%	0%	0%	0%	0%
1B Operational backlog in Priority 2	25%	68%	56%	56%	57%
1B Operational backlog in Priority 3	75%	32%	44%	44%	43%
1B Operational backlog in Priority 4	0%	NA	NA	0%	0%
1B Non-Operational backlog value	£360,000	£330,000	£377,100	£257,100	£789,150
1B Non-Operational backlog in Priority 1	0%	0%	0%	0%	0%
1B Non-Operational backlog in Priority 2	44%	42%	56%	64%	25%
1B Non-Operational backlog in Priority 3	56%	58%	44%	36%	75%
1B Non-Operational backlog in Priority 4	0%	NA	NA	0%	0%
5A Percentage of projects on Cost	100%	90%	100%	86%	88%
5B Percentage of projects on Time	100%	10%	75%	71%	75%

2007. PROPERTY PERFORMANCE INDICATORS.**COPROP PERFORMANCE MANAGEMENT INITIATIVE -
CORRELATION WITH 2006 INDICATORS DATA SOURCES.****NOTE: NEW DATA MUST BE COLLECTED FROM APRIL 2006.**

		Title
PMI 1. A, B, C & D: CONDITION & REQUIRED MAINTENANCE (National Indicator)		
1A.	% Gross internal floor-space in condition categories A-D	
1B.	Required maintenance by cost expressed:	
	i)	as total cost in priority levels 1-3;
	ii)	as a % in priority levels 1-3;
	iii)	overall cost per square metre GIA.
1C.	Annual percentage change to total required maintenance figure over previous years	
1D.	i)	Total spend on maintenance in previous financial year
	ii)	Total spend on maintenance per square metre GIA
	iii)	Percentage split of total spend on maintenance between planned and responsive maintenance
PMI 2. A, B & C: ENVIRONMENTAL PROPERTY ISSUES (National Indicator)		
2A.	Energy costs/consumption (gas, electricity, oil, solid fuel) - to be reported by property category in £ spend per m ² GIA and by kwh per m ² GIA.	
2B.	Water costs/consumption – to be reported by property category in £ spend per m ² GIA and by volume m ³ per m ² GIA.	
2C.	CO ₂ emissions – to be reported by property category in tonnes of carbon dioxide per m ² GIA.	
PMI 3. A, B & C: SUITABILITY SURVEYS (Local Indicator)		
3A.	% of Portfolio by GIA sqm, for which a Suitability Survey has been undertaken over the last 5 years.	
3B.	Number of properties, for which a Suitability Survey has been undertaken over the last 5 years.	
3C.	i)	% of properties graded as good or satisfactory
	ii)	% of properties for which grading has improved
	* since the last suitability survey was carried out at the property	
PMI 4. A, B, C & D: BUILDING ACCESSIBILITY SURVEYS (Local Indicator)		
4A.	% of Portfolio by GIA sqm for which an Access Audit has been undertaken by a competent person.	
4B.	Number of properties, for which an Access Audit has been undertaken by a competent person	
4C.	% of Portfolio by GIA sqm, for which there is an Accessibility Plan in place.	
4D.	Number of properties, for which there is an Accessibility Plan in place.	
PMI 5. A, B & C: COUNCIL OFFICES		
5A. (i)	a)	Offices (m ² GIA) as % of total portfolio
	b)	Offices (m ² GIA) as % of total operational portfolio
	c)	Offices (m ² GIA) space per head of population
	d)	None of the above

5A. (ii)	Office space (m ² NIA) as a percentage of total floor space (m ² NIA) in operational office buildings	
5A. (iii)	a)	% of office buildings shared with other public agencies
	b)	% of operational buildings shared with other public agencies
5B. (i)	Average floor space (m ² NIA) per FTE (full time equivalent employee) (offices)	
5B. (ii)	Annual property cost per workstation (not FTE)	
PMI 6. A & B: Spend*		
6A.	Property costs as a % of the Revenue Budget	
6B.	Property costs per m ² GIA by CIPFA categories	
PMI 7. A, B & C: Time Predictability *		
7A.	Time Predictability, Planning and Design: The percentage of projects where the actual time between Commit to Prepare Proposals and Commit to Construct is within, or not more than 5% above, the time predicted at Commit to Prepare Proposals OR	
7B.	Time Predictability, Design only: The percentage of projects where the actual time between Commit to Design and Commit to Construct is within, or not more than 5% above, the time predicted at Commit to Design	
7C.	Time Predictability, Post-Contract: The percentage of projects where the actual time between Commit to Construct and Available for Use is within, or not more than 5% above, the time predicted at Commit to Design (Split?)	
PMI 7. D - F: Cost Predictability *		
7D.	Cost Predictability, Planning and Design: The percentage of projects where the actual cost at Commit to Construct is within +/- 5% of the cost predicted at Commit to Prepare Proposals OR	
7E.	Cost Predictability, Design Only: The percentage of projects where the actual cost at Commit to Construct is within +/- 5% of the cost predicted at Commit to Design	
7F.	Costs Predictability Post Contract: The percentage of projects where the actual cost at Available for Use is within +/- 5% of the cost predicted at the Commit to Design (Split?)	

Continuous Improvement of the Capital Strategy_

The capital strategy sets out an action plan of issues and improvement needed and during the past 12 months the council has made significant progress as follows; -

<i>Improvement Action Plan</i>	<i>Progress made in addressing issues:</i>
Resource problems: limited resources and high demands for priority projects; seeking new as well as existing avenues for funding using both internal and external sources.	Bids for Heritage Lottery funding successful and continue, consultants engaged for riverside parks regeneration funding bids. New bidding and assessment process to strengthen links between priorities and resource allocation.
Development of Internal Processes: Capital Prudential Guidelines, development of Partner relationships, review assessment process, (including integration of Risk Management procedures) strengthen corporate property management and Officer Working Party, link the Asset Management Plan and Procurement Strategy, property management improvement plan, review guidelines for the disposal of assets, & seek alternative investment vehicles.	Partnerships continue to be developed at strategic and project levels, new assessment process now in place together with strengthened decision making process, alternative funding and investment vehicles continue to be identified; e.g. shared use of community building being researched, and alternative management partnerships for shared use sports facilities (in place). Managers trained in strategic risk management principles.
Consultation: as per Peer review improve consultation with stakeholders	Annual Public consultation on the Budget included capital items with revenue options
Project Management: Introduce Prince two standards into project management	Corporate plan sets this as a key priority for the council; training programme are now in place.
Project/Budget responsibility: Nominate an officer to be responsible for each individual capital project	This is reflected in the Budget book with nominated officer for each on-going projects with the Capital programme.
Performance management of capital programme: Improve targets and monitoring	Each individual capital scheme has a budget holder/manager assigned who is responsible for the successful delivery of the project – on time and on budget. Larger schemes/projects may also have a project sponsor from senior management team.