

**For General Release**

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| <b>REPORT TO:</b>   | <b>CABINET 15 NOVEMBER 2010</b>  |
| <b>AGENDA ITEM:</b>   | <b>8</b>   |
| <b>SUBJECT:</b>   | <b>CAPITAL STRATEGY 2010-2030</b>  |
| <b>LEAD OFFICER:</b>  | <b>NATHAN ELVERY- DEPUTY CHIEF EXECUTIVE AND<br/>EXECUTIVE DIRECTOR OF RESOURCES AND<br/>CUSTOMER SERVICES</b><br><br><b>EMMA PETERS – EXECUTIVE DIRECTOR OF PLANNING,<br/>REGENERATION AND CONSERVATION</b> |
| <b>CABINET MEMBER:</b>  | <b>CLLR DUDLEY MEAD</b>  |
| <b>WARDS:</b>   | <b>ALL</b>   |
| <b>CORPORATE PRIORITY/POLICY CONTEXT:</b> <ul style="list-style-type: none"><li>- Delivering the Vision, Corporate Plan, Core Strategy.</li><li>- To be considered in light of progress on the Infrastructure Delivery Plan, Corporate Property Strategy &amp; ICT Transformation Strategy</li></ul>  |  |
| <b>FINANCIAL SUMMARY:</b> <p>There are no direct financial implications as a result of approving the Capital Strategy. It is a strategic document that details the investment we aspire to make. Investment will only be undertaken if it is affordable and in line with this strategy and the corporate vision. The 5 year Capital Investment Plan will detail the financial implications including the level of investment and funding sources.</p> |  |
| <b>FORWARD PLAN KEY DECISION REFERENCE NO.:</b>   |  |

**For general release**

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| <b>1. RECOMMENDATIONS</b>  |
| 1.1 That Cabinet reviews and approves the Capital Strategy 2010-2030 which is attached in appendix 1 to this report. |

## **2. EXECUTIVE SUMMARY**

- 2.1 This report seeks approval for the 20 Year Capital Strategy 2010-2030 (the Capital Strategy) which sets out how Croydon will finance, allocate and manage investment in assets efficiently to achieve the Vision set out in We Are Croydon

## **3. DETAIL**

### **3.1 Background**

- 3.1.1 In 2008/09 a review of Croydon's capital strategy focused on addressing the differences between Croydon's business need and the amount of capital funding available. As part of Step Change Croydon a further review focused on the council's underlying programme management and prioritisation arrangements associated with the Capital Programme. As a result of this, the 20 Year Capital Strategy and New Investment Programme with management support mechanisms has been prepared.
- 3.1.2 This report focuses on the overarching principles that form 20 year Capital Strategy. Work is also well advanced to develop a five year Capital Investment Programme and management support mechanisms. This is being informed by the Comprehensive Spending Review (CSR) published on the 20<sup>th</sup> October 2010. The Investment Programme will be reported to this committee in February 2011 as part of the budget setting report.

### **3.2 Draft Capital Strategy**

- 3.2.1 The Capital Strategy sets out the priority themes for Investment :
- i) Transforming our Place, ii) Managing our Assets and iii) Transforming our Services.
- 3.2.2 The purpose of the Strategy is to :-
- Prioritise and co ordinate funds to achieve our Vision
  - Invest in the most beneficial projects to meet Croydon's long term requirements
  - Manage delivery of investments effectively and efficiently
- 3.2.3 The benefits of the Strategy are to:-
- ensure that the Capital Programme is well planned and managed and recognised as a key delivery mechanism to achieve the Council's corporate priorities
  - Inform the targeting of investment towards achieving value in its widest sense
  - Encourage project managers to identify optimum solutions that meet Croydon's corporate objectives and local need, making scope for service integration and co – location
  - Support projects with sustainable benefits and cost reductions (invest to save)
  - Support effective risk management

- Ensure the capital appraisal process is not overburdened with inappropriate project business cases
  - Put in place effective control mechanisms to identify issues early and take appropriate action to minimise project slippage and failure
  - Inform programme sequencing to maximise coordination between projects and to identify additional benefits
- 3.2.4 The Capital Strategy also sets out how the programme will be implemented: including funding investment, aligning investment with Croydon's priorities and ensuring investment is managed effectively.
- 3.2.5 Funding Investment – this section of the strategy focuses on a range of mechanism as well as reaffirming Croydon's decision to raise finance through prudential borrowing (see p13 of the Capital Strategy).
- 3.2.6 Aligning Investment with Croydon's Priorities – this section of the strategy sets out a clear route through which the majority of projects will be initiated (see p14 of the Strategy). Specifically capital projects will be identified primarily through three strategies: Infrastructure Delivery Plan, ICT Transformation Strategy and Corporate Property Strategy. The capital portfolio will be updated on an annual basis to pick up any new business requirements as these strategies are updated. Thus, capital projects will always be directly linked to business need as set out in the council's policy framework.
- 3.2.7 Ensuring Investment is Managed Effectively – this section encompasses a number of management mechanisms (see p15-18 of the Capital Strategy). Attention is drawn specifically to the introduction (or amplification) of 5 corporate approval gateways through which all capital projects must proceed. The Strategy sets out high-level principles relating to appraisal of business cases and funding decisions. To proceed beyond each gateway (the level of detail will increase at each stage) the project will need to satisfy 5 core questions:
- *Is it needed?*
  - *Is it value for money?*
  - *Is it viable?*
  - *Is it affordable?*
  - *Is it achievable?*

Further detail is being set out in internal management guidance and a model Capital Business Case Template has been developed in line with corporate standards set by Corporate Programme Office and Step Change Croydon.

#### **4. CONSULTATION**

- 4.1 Extensive consultation has taken place including :-

External Consultation on the 'Imagine Croydon' campaign, the Vision and to help inform the Infrastructure Delivery Plan.

Internal consultation has also been extensive including on the ICT Strategy, Step Change Croydon and a series of workshops on the new arrangements for setting and managing the Capital Investment Programme.

- 4.2 This work has resulted in constructive feedback, and as a result the Strategy has been amended to reflect that feedback.

## **5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

5.1 There are no direct financial implications as a result of approving the Capital Strategy. It is a strategic document that details the investment we aspire to make. Investment will only be undertaken if it is affordable and in line with the strategy and the corporate vision. The 5 year Capital Investment Plan will detail the financial implications including the level of investment and funding sources. This investment plan will be reviewed annually and revised where appropriate to ensure that needs are met.

5.2 Approval of the Capital Strategy will enable the Council to undertake investment in its assets effectively to achieve the vision as set out in 'We are Croydon'.

### **5.3 Risks**

5.3.1 There are risks associated with the development of the Capital Strategy. These include :-

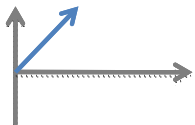
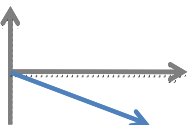
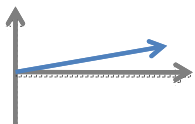
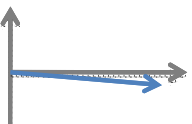
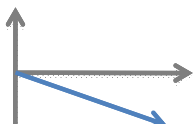
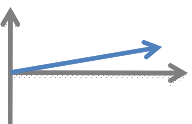
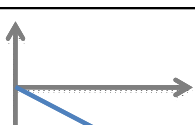
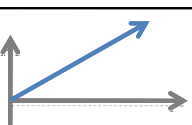
5.3.2 The risk of inflation and or borrowing rates increasing and therefore making the anticipated rate of investment unaffordable. This risk will be monitored and controlled as part of the capital monitoring and treasury management processes.

5.3.3 The risk of changes to the economic climate and potentially Government policy relating to public sector borrowing. This will be monitored and controlled by Corporate Finance.

5.3.4 A change in the business priorities of the Council resulting in the Capital Strategy no longer aligning to the Vision. The vision and strategy will be regularly reviewed to ensure they remain focused.

### **5.4 Options**

The options available are :-

| Option  | Quantity of Backlog   | Quality of Service  | Comments   |
|---|---|---|--|
| 1. Do Nothing   |  |  | <ul style="list-style-type: none"> <li>•Minimises Capital Spend</li> <li>•Minimises requirement to borrow</li> <li>•Does not address business need</li> <li>•Results in falling quality of service</li> </ul>  |
| 2. Continue Current Approach                                  |  |  | <ul style="list-style-type: none"> <li>•Begins to address backlog of maintenance in some areas</li> <li>•Maintain existing operational performance</li> <li>•Poor value for investment</li> <li>•Minimal external investment (public or private)</li> </ul>  |
| 3. Increase investment & without improving management systems |  |  | <ul style="list-style-type: none"> <li>•Fully address local backlog</li> <li>•Attracts investment (government and private)</li> <li>•Risks of project failure remains significant</li> <li>•Unlikely to invest in corporate prioritise</li> </ul>  |
| 4. Increase investment & improve management systems           |  |  | <ul style="list-style-type: none"> <li>•Addresses local backlog &amp; realises transformational projects</li> <li>•Attracts investment (government and private)</li> <li>•Focuses in investment on optimal solutions</li> <li>•Effectively manages risks</li> <li>•Ensures effective &amp; efficient delivery to achieve improved service quality</li> </ul> |

5.4.1 The recommended option is option 4. The Council have already agreed to increase investment and approval of the Capital Strategy will enable the improvement of management systems.

## 5.5 Future savings / efficiencies

5.5.1 A focused and well managed capital programme will result in savings and efficiencies for the Council through a reduction in ad hoc emergency repairs, improved carbon consumption leading to lower energy bills and repetitive repairs to the Council's estate.

5.5.2 A planned capital programme will reduce the need for abortive speculative costs and feasibility work.

5.5.3 Savings and efficiencies will also be made as the strategy allows for a more strategic approach that focuses on whole of the Borough rather than individual projects which have the potential to overlap.

Approved by: Katharine Eberhart, Head of Finance - PRC and Central Departments on behalf of the Director of Financial Services

## 6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

6.1 The Council Solicitor comments that there are no direct legal implications arising from this report.

6.2 (Approved by: Gabriel MacGregor, Head of Legal Services (Corporate) on behalf of the Council Solicitor & Monitoring Officer)

## 7. HUMAN RESOURCES IMPACT

7.1 There are no Human Resources considerations arising from this report.

- 7.2 (Approved by: Chris Baldwin, HR business partner, on behalf of the director, Human Resources & Organisational Effectiveness)

## **8. CUSTOMER IMPACT**

- 8.1 Investment in assets will have an impact for customers across the Borough. As assets are developed, improved or enhanced customers will be able to benefit from the improvements being made.

## **9. EQUALITIES IMPACT ASSESSMENT (EIA)**

- 9.1 An Initial Equality Impact Assessment has been undertaken. As with the Council's Financial Strategy it is only through the implementation of a wide range of specific programmes and projects that the impact will be known and clearly identified. The final capital investment decisions will only be undertaken if certain conditions have been met, including the completion of a Equality Impact Assessment.

## **10. ENVIRONMENTAL AND DESIGN IMPACT**

- 10.1 None directly associated with the Capital Strategy. These impact assessments will be undertaken as each programme and project is developed and before the investment decision is made.

## **11. CRIME AND DISORDER REDUCTION IMPACT**

- 11.1 None directly associated with the Capital Strategy. The impact of the reduction of Crime and disorder will be undertaken as each programme and project is developed and before the investment decision is made.

## **12. HUMAN RIGHTS IMPACT**

- 12.1 None

## **13. FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS**

- 13.1 The Capital Strategy will be accessible as part of the Councils Publication Scheme maintained under the Freedom of Information Act.

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**CONTACT OFFICER:** Jamie Ounan and Lisa Conroy

**BACKGROUND DOCUMENTS:** Capital Strategy  
Consultants Brief for development of Strategy



# Capital Strategy 2010-2030



**CROYDON**

[www.croydon.gov.uk](http://www.croydon.gov.uk)

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# Executive Summary

## Foreword by the Leader

This 20 year strategy provides an important link between the ambitions set out in our long term Vision for Croydon and the important investments in our infrastructure, which will help turn that vision into a reality.

This strategy looks at how Croydon will finance, allocate and manage capital investment into schools, roads, public spaces, civic buildings and sustainable energy networks that are so vital to supporting a successful, vibrant and healthy place. As well as transforming places this strategy has been designed to enable us to transform the way we directly deliver and enable 21<sup>st</sup> century services through better buildings and ICT.

The economic climate is challenging. However, Croydon is committed to investing now for the long term. Financing that commitment is made possible because of our recent track record of sound financial management. However, we are not complacent. Through this strategy we will make every penny of investment count by coordinating and prioritising all available funding to achieve our goals. This approach will transform the way we manage and deliver capital projects in a way that is cost effective and leaves a visible legacy for years to come.

# 1. Wider Context

In 2040 we will be London's most enterprising borough - a city that fosters ideas, innovation and learning, and provides skills, opportunity and a sense of belonging for all.

We are Croydon – This is Our Vision

We have an ambitious new Vision for the type of place Croydon will be in 2040. That vision imagines Croydon as an enterprising place, well placed to take advantage of opportunities that will arise as we experience wider changes to the economy, technology and the way we live our lives.

In respect of capital investment there are a number of global, national and local contextual drivers, which, together with our Vision set the scene for this local 20-Year strategy.

- **There is need to transform Croydon's infrastructure & built environment** which has become tired and worn. We want our neighbourhoods to be places to be proud of and Croydon's metropolitan centre needs to be an attractive place to do business. Investing in infrastructure will transform our borough and boost economic productivity and competitiveness.
- **Reductions to public spending as part of a wider rethinking of the relationship between the state and society.** Locally we aim to translate this into a transformation of the public services – not just doing things better but doing things differently.
- **Technology continues to rapidly evolve**, profoundly affecting many parts of our lives. Specifically technology is changing the way we communicate and the way customers can access information and our services. Technology also enables us to provide some our services more efficiently, and effectively.

In 2040 Croydon will be:



- **Energy is increasingly scarce and will become more expensive. This is linked to wider concerns regarding climate change**, to which buildings and infrastructure are major contributors. There is need to mitigate and adapt to climate change and in doing so there is an opportunity to reduce energy consumption and costs.
- **Customer demand is changing** in two respects. First, demographic change – our aging and growing population - is driving up the overall demand for services. Secondly, customers' expectations are rightly high and increasingly higher – that includes expectations of services and the quality of places in which we live and do business.

Achieving our Vision within this context requires significant up front investment and coordination. That investment has to be well planned, well coordinated and focused on the most important priorities. With this capital strategy we are taking a strategic approach to securing and directing additional investment in our local assets to enable Croydon to turn the 2040 Vision into a reality.

## Sound Financial Management

Croydon has built a reputation for sound financial management over recent years. We have developed a financial strategy for a time of unprecedented challenges for local government. That strategy places value for money at the heart of the organisation - making every penny count - and, despite the challenges, we have made a conscious decision to continue to invest for the long term in modern, cost effective infrastructure.

The Council has one of the lowest levels of borrowing per head in London. Currently repayment of capital borrowing equates to 0.6% of the revenue budget for the Council. With this context of sound financial management and low gearing the Council now feels confident to increase capital investment. This investment can be undertaken without putting increased pressure on council tax.

This Capital Strategy delivers the objectives set out in the Financial Strategy.

| Borough                  | Borrowing at 31.3.2010 (£m) |
|--------------------------|-----------------------------|
| Richmond                 | 40.9                        |
| Havering                 | 45                          |
| Redbridge                | 108                         |
| <b>Croydon</b>           | <b>216.1</b>                |
| Enfield                  | 220.4                       |
| Waltham Forest           | 313                         |
| <b>Average in London</b> | <b>431.6</b>                |
| Hammersmith & Fulham     | 475.5                       |
| Greenwich                | 507.4                       |
| Hackney                  | 601                         |
| Lambeth                  | 609.1                       |
| Southwark                | 761.7                       |
| Islington                | 775.5                       |
| Newham                   | 937.7                       |

## Invest to Save

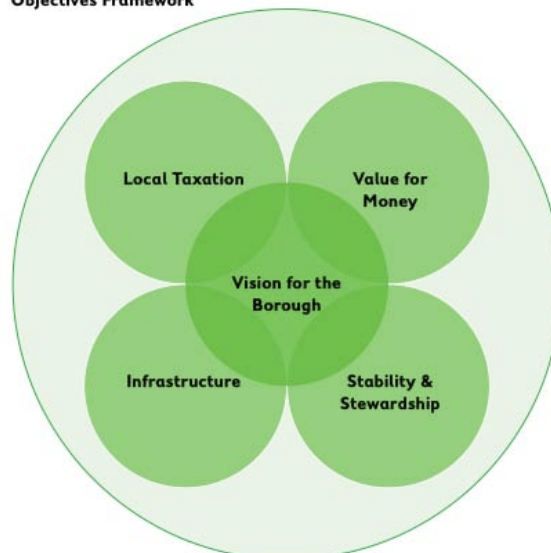
**Organisational Efficiency:** Our Financial Strategy prioritises “investing to save” by achieving reduced revenue costs whilst enabling the provision of quality public services from 21<sup>st</sup> Century buildings. Step Change is the single change programme for the Council prioritising and coordinating the delivery of efficiency improvements. Step Change is targeting the potential 15% of efficiencies available through corporate service transformation and a further 5% in working with our partners.

The efficiency savings and service improvements are to be achieved by doing things not just better but differently. Whether that is through new communication technology or new partnering arrangements, these will often require some capital investment. This approach, will be reflected in the type of projects prioritised in our capital investment programme

## Linking Capital and Revenue

Capital investment should always be considered along with revenue funding. Over the whole life of a capital project there may be a wide range of cost and cost saving implications. The whole life cost of each capital investment project will be considered from the earliest stage.

Objectives Framework



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## 2. Purpose of the Capital Strategy

This 20-Year Capital Investment Strategy sets out how Croydon will manage, finance and allocate investment in assets efficiently to achieve the Vision set out in We Are Croydon.

This Strategy's objectives are to:

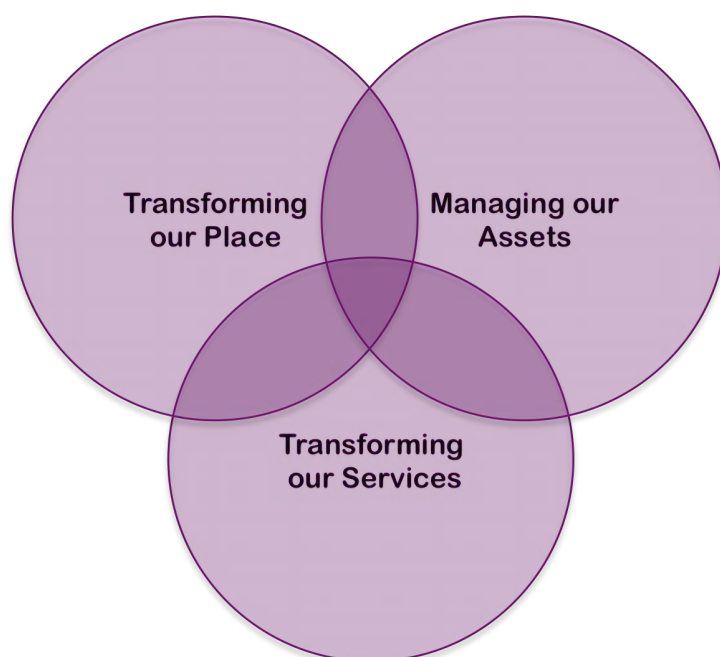
- Prioritise and coordinate funding to achieve the Council's Vision
- Invest in the most beneficial projects to meet Croydon's long term requirements
- Manage investment effectively and efficiently



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### 3. Investment Themes of the Capital Strategy

The Capital Investment Programme will be focus on three themes:



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## Transforming Our Place

We Are Croydon shows our commitment to quality, sustainable development and civic renewal. Investment in infrastructure is a vital element of making Croydon economically competitive over the long term. That means directly addressing underinvestment through public investment as well as strongly promoting private sector infrastructure investment, making it easier for business to set up and invest locally.

The Core Strategy sets out the spatial plan for Croydon that protects the local character of our centres and neighbourhoods whilst creating a low risk environment for investment where it is needed. The Core Strategy particularly prioritises the regeneration of Central Croydon as a thriving urban centre, recognising the need for enhanced transport connections and the need to address the dated physical appearance - and with it Croydon's image.

A theme running through all Croydon's place shaping strategies is sustainable development. That is sustainable in terms of environmental impacts and in terms of achieving lasting benefits from our investment. All programmes and projects under the capital strategy will be required to achieve high standards of sustainability.

### **Infrastructure Delivery Plan (IDP):**

The IDP delivery programme sets out the infrastructure necessary to realise Croydon's Vision. It sets out what infrastructure is required, when, where and by whom. That includes schools, transport infrastructure, cultural facilities, local low carbon energy generation as well as public realm and green space projects, so vital to quality of life. The Capital Strategy will play a crucial role in securing funding for these priorities.

**Coordinating Investment in our Places:** Master Plans, the Croydon Metropolitan Centre Planning Framework and Croydon Corporate Property Strategy will provide a further level of detail to ensure infrastructure and other development is coordinated and sequenced so that the transformation is cost effective and leaves a lasting legacy.



## **Transforming Croydon's Central Metropolitan Centre:**

Investing in Croydon's Metropolitan Centre is a priority to ensure we are an Enterprising City. We will aim to ensure potential infrastructure investments focus on:

- East Croydon Station capacity enhancement to improve the commuter experience and transform visitor's first impressions
- West Croydon Station master planning to take full advantage of opportunities from the new London Overground.
- Wellesley Road transformation to knit the metropolitan centre back together
- Town centre public realm and pedestrian improvements including green links and tree planting
- Cycle network improvements between destinations to encourage sustainable travel and healthy lifestyles
- Tramlink stock enhancement
- District Energy facility to support low carbon growth
- Digital Infrastructure for the most up to date global communication
- Public Service Delivery Hub to transform our services to the end user
- Remodelling Fairfield Halls as a cultural hub fit for the 21<sup>st</sup> Century

## **Civic renewal throughout the Borough:**

All of our neighbourhoods are important. Each requires careful management to retain and enhance their locally distinct character, and ensure communities are supported with the right infrastructure and services.

- Schools expansion and Children's centres
- Leisure Centres including Waddon Leisure facility and Regeneration Project
- New health care facilities
- Parks to be Proud of Programme
- Road maintenance, public realm, pedestrian and cycle network improvements
- Anti-flood measures

## **Focus on New Addington:**

New Addington is a regeneration priority for the council. Change here will be initially driven by public sector investment such as:

- A new swimming pool
- Better integrating the public services including the library and community facilities
- Public realm improvements



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## Transforming Our Services

Investment in assets and infrastructure is critical to enable us to deliver high quality services to the end user. As customers' needs and expectations change, so public buildings, offices and the communication technologies we use must evolve and adapt.

This Capital Strategy is designed to support well-targeted investment in new technology and modern council-owned buildings so they are fit for purpose and enable us to efficiently and effectively meet our customers needs to the high standard they expect.



**ICT Infrastructure:** Our corporate ICT (Information & Communication Technology) Strategy requires capital investment to deliver the information, communication and technology needed to achieve our priorities for public service improvements. We are clear that investment will help facilitate smarter ways of working including working more with partners across the Local Strategic Partnership to ensure economies of scale. The ICT strategy and programme focuses capital investment on four priority themes:

- Excellence in Customer Services
- Improving access for citizens and communities
- Transforming services for children and young people
- Enabling high performing organisation

This strategy will ensure capital investment is focused on priorities that will transform our Services, such as:

- Customer Relationship Management & Customer Access Strategy
- Transforming our Space (Public Service Delivery Hub, Children's Hub)
- System rationalisation
- Service redesign
- Flexible / Mobile working

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## Managing our Assets

### Corporate Property Strategy

Our Land and Property Portfolio is used in a number of ways to deliver the Council's goals. Our *Operational land or property* is needed to deliver the Council's core services to the end user or community such as homes for the elderly, leisure facilities, depots. Our *Corporate Accommodation* is the land and buildings used to accommodate the office and administration functions which support the delivery of Council services. From time to time our land and assets become *Underused or Surplus Property* at which point they can be put to other purposes.

**Return on Investment:** Investing in assets can be beneficial as the asset not only helps achieve our goals but can be used as a source of income. CCURV (Croydon Council Urban Regeneration Vehicle) particularly enables us to gain from investment in the development and reuse of assets over the long term.

This capital strategy is intrinsically linked with our Corporate Property Strategy. Together they will ensure the right balance of sustainable investment, management and reuse of assets to achieve our goals.



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## 4. Delivering the Capital Strategy

### How the Strategic Objectives will be delivered

#### 1. Coordinating and prioritising funding

To date there has been insufficient capital investment to achieve Croydon's Vision. Through this Strategy we will:

- Boost the council's capital funding to achieve the Vision through increased borrowing (within strict limits and linked to revenue savings)
- Use our own finance to leverage inward investment from private & public sources by:
  - Investing in enabling infrastructure, land or environmental improvements
  - Joint ventures
  - Providing gap funding where necessary

#### 2. Aligning investment with Corporate Priorities

Through this Strategy we will ensure all capital investment from Croydon's own funds and external sources will be focused on priorities set out in three key policy documents:

1. All investment will align with Croydon's Infrastructure Delivery Plan – including approved 'feeder' strategies and plans such as master plans
2. All investment will align with the Croydon's Corporate Property Strategy – including associated and approved delivery plans and maintenance plans
3. All investment will align with Croydon's ICT Strategy

Croydon will also seek to influence capital investment from private sources to achieve these priorities.

#### 3. Managing Investment Effectively

There needs to be the highest degree of professionalism in terms of planning, delivery, management, skills and governance of our capital investment projects. This will result in more successful outcomes and outputs, eradicate costly delivery failures, and increase the confidence of our citizens, leaders and staff.

Through this Strategy we will:

- Establish a costed five-year programme to provide certainty for large transformation projects and the benefits they offer
- Ensure investment is coordinated across the programme
- Underpin programme planning with robust controls including appraisal systems, and quality programme and project management – to be applied irrespective of the funding source.



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## 4.1 Funding the Strategy

### Prudential Borrowing

The Council will raise an average of £40 million per annum over the next five years through prudential borrowing. Increasing the level of capital spend per head of population over the long term will enable the capital strategy to focus on a balance of sustainable investments in the borough's infrastructure.

Croydon historically has had consistently low levels of debt (approximately half the London average) and favourable borrowing rates. This enables us to increase borrowing to invest in our infrastructure and assets to improve services whilst remaining within overall prudential limits. This approach is likely to play a particularly prominent role in realising Croydon's Vision in times of reduced central government investment.

### Alternative Sources of Investment & Delivery

Croydon will only use its own financial resources when there is a clear rationale for public sector investment and there is no other suitable source. The council will seek to influence and use a range of alternative mechanisms to finance local capital investment.

**CCURV** A partnership between the council and John Laing set up to enable regeneration of key parts of the borough.

**Private Finance Initiatives (PFI)** The council will use PFIs when they provide a good value alternative.

**Government Funding** There will be considerably less funding from government sources than has previously been available. However, the Council will continue to work hard to ensure we receive our fair share of funding from Regional, National and European bodies where it will contribute to our priorities. External funding sources for infrastructure will change over time but are likely to include:

- Government Departments
- National & London regional regeneration agencies
- Transport Authorities

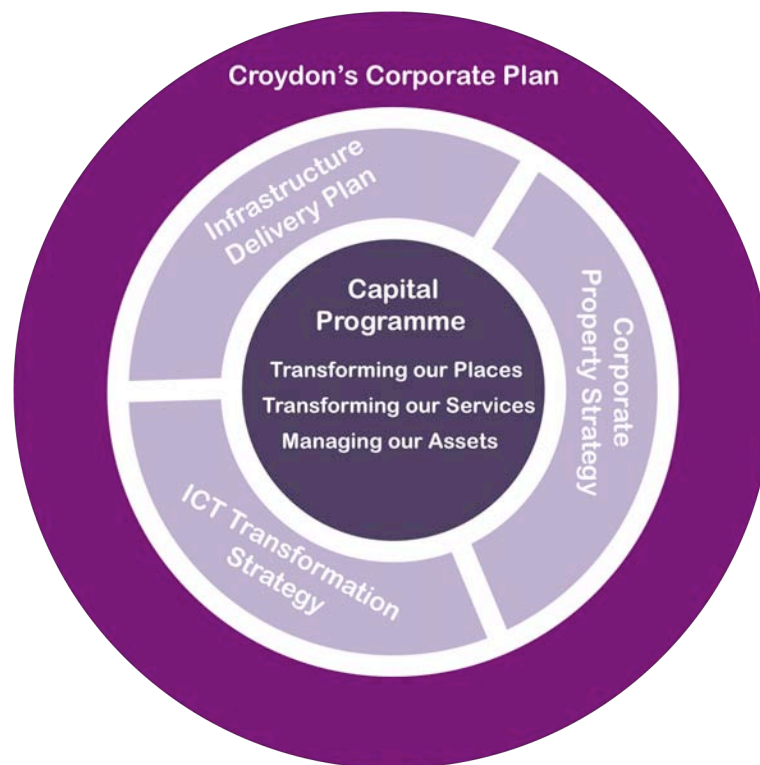
### Inward Investment, Developer Contributions & Tax Increment Financing

Through investing our own money in projects that improve the infrastructure and the image of Croydon as a place to do business, we aim to increase local competitiveness and attract further private sector investment to our borough. Our initial 'enabling' investment will go further, benefiting the local economy through creating jobs and enterprise opportunities. We also aim to capture the value (or uplift) of that investment through a range of mechanisms which potentially include increased tax revenue captured locally (tax incremental finance and New Homes Bonus), Section 106 Planning Contributions or an infrastructure tariff. Through these types of mechanisms the council will ensure private sector developers contribute their fair share towards essential infrastructure and that benefits of growth and prosperity are shared locally.

**Strategic Asset Management** The council will reinvest receipts from the sale of any surplus assets back into the local capital programme. We will also work with our local public sector partners to take a strategic approach to making the most of our collective assets to meet local goals.

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## 4.2 Aligning Capital Investment with Croydon's Priorities



### Targeting Strategic Priorities

Capital investment relates specifically to the purchase and enhancement of assets. The purpose of the Capital Strategy is to set out how the council will manage, finance and allocate capital investment in assets that will help to achieve local goals and priorities. Those local priorities are set out in a series of related corporate strategies.

At the highest level the council's Corporate Plan is our 'business plan' that sets out how the council will deliver the Vision. Underneath the Corporate Plan there are three primary strategies that collectively set out the capital investment priorities required to transform service quality (buildings and ICT systems) and transform the place (buildings and infrastructure) Those plans are the:

1. Infrastructure Delivery Plan (IDP)
2. Corporate Property Strategy (CPS)
3. ICT Transformation Strategy

It is during the development, delivery, evaluation and modification of these three strategies that decisions are best made about what type of new and modified assets are required to deliver local goals. Consequently, the priority programmes and projects identified through these strategies will make up the capital investment programme.

The strategies and the delivery mechanisms they prioritise will be regularly reviewed and updated. Any modifications will be reflected in the annual review of Croydon's capital programme. Contingency measures will allow for unforeseen circumstances in between major strategy reviews.

The key themes of this strategy set out indicative projects and programmes arising from the IDP, CPS and ICT Strategy.



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## 4.3 Ensuring Investment is Managed Effectively

### Effective Portfolio Management

Achieving high quality results from the investment is the most important aspect of this Strategy. The increased scale of investment requires a shift in the quality of portfolio management, project and programme planning and delivery. This strategy introduces new measures to ensure the best results.

#### **Strategic Commissioning within the Portfolio**

Capital projects and programmes will be identified from the three corporate strategies and activated at the right time to ensure optimal return on investment. Similarly projects will be decommissioned or redesigned as necessary to efficiently achieve Croydon's goals.

### **Maintaining a Balanced Programme of Investment**

Until recently the limited capital funds had reduced the Council's ability to invest in strategic projects. This strategy changes that. However, we recognise that smaller scale projects can have an equally profound impact on quality of life and quality of services in Croydon. So the programme will be defined and managed to achieve and integrate a balanced portfolio of investments. A balanced programme of investment will include projects that meet all of Croydon's goals for transforming services, places and investing up front to achieve savings.

#### **Long-Term Investment: A Five Year Rolling Programme**

This strategy moves the council from an annual investment plan to a five year rolling programme. There will be a constant flow of projects being completed as well as new projects entering the programme, all designed to achieve our local goals. A five-year rolling investment plan will provide greater certainty for financial and resource planning. This is particularly critical for the largest transformational projects with long lead-in and delivery periods.

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## Appraisal & Funding Decisions

### Principles of Better Appraisal

As part of Croydon's new approach to capital investment:

- All capital programmes and projects will be subject to comprehensive but proportionate appraisal (as part of a broader Gateway approval system)
- The appraisal system will be universally applied, rigorous, transparent and focus on a clear decision
- There will be a clear separation between the appraisal & assurance function and the project or programme management function
- All projects and programmes will be appraised and approved before any expenditure is committed (other than preliminary expenditure necessary for preparation of a business case)
- Scrutiny at every gateway includes consideration of following five tests:

*Is it needed?*

*Is it value for money?*

*Is it viable?*

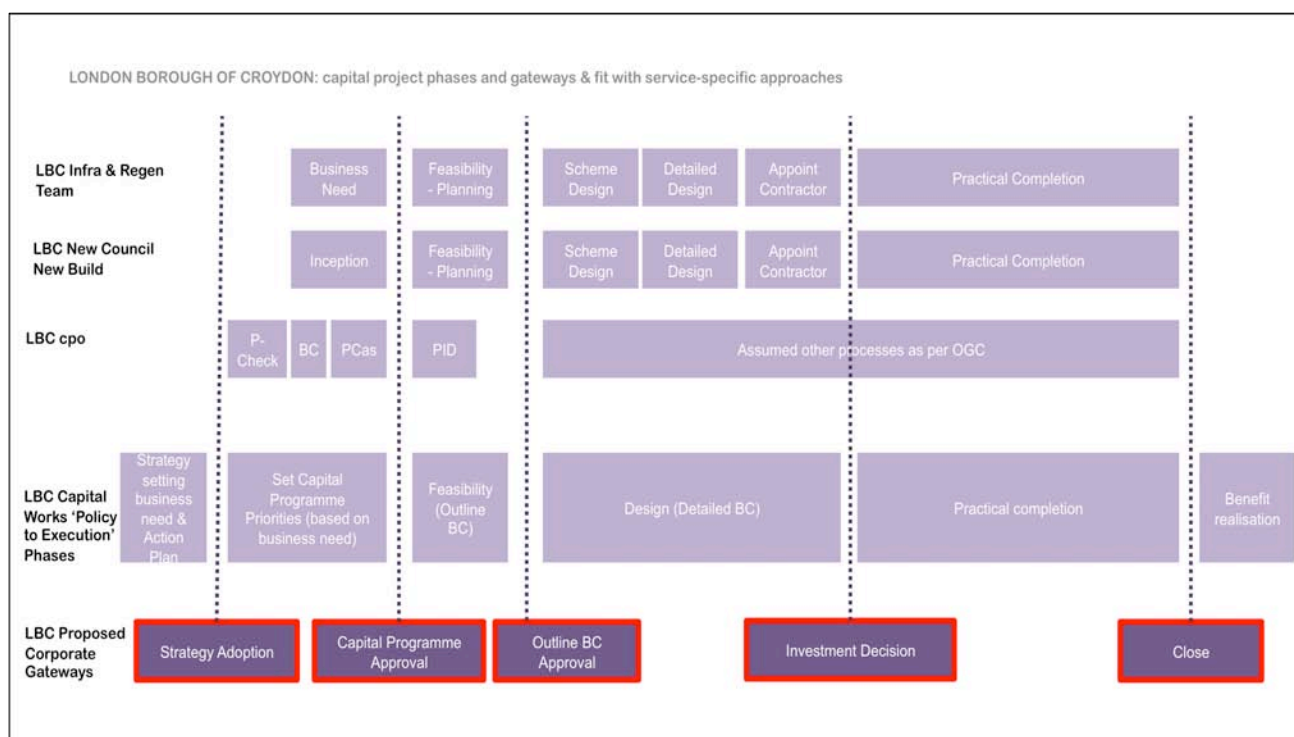
*Is it affordable?*

*Is it achievable?*

In line with Government 5 Cases Model and related HM Treasury Green Book, these principles will enable the council to make sound investment decisions based on scrutiny and the evaluation of projects and programmes.

**Final investment decisions** will be taken only once a full business case has been approved through the relevant gateway. Approval will be based on the following criteria:

1. The investment is necessary to deliver corporate priorities
2. The project or programme has been justified as the best way of delivering corporate priorities following proper options appraisal taking into account the costs and benefits of a project over its whole life cycle
3. No suitable alternative funding source is available
4. Suitable consultation has been undertaken & permission are in place or confirmation received that the proposal can be supported (i.e. planning permission)
5. Project design work has been completed and project is ready for tender
6. Full project funding is in place or confirmation received that the proposal will be supported by other funders
7. The project complies with current environmental / energy efficiency standards
8. The project has undergone Equalities Impact Assessment



## Approval Gateways

Programmes within the Council operate bespoke systems tailored to different industry standards. To ensure consistently high standards and effective programming across the entire portfolio, all Capital Projects will require corporate approval to proceed at key commitment points (Gateways).

**Strategy Adoption - Agreeing Business Need:** There is a clear set of business needs that are aligned with other corporate goals. The strategy delivery plans must have undergone basic feasibility and strategic options assessment before a programme or project can be included in one of the three key strategies: IDP, Corporate Property Strategy, ICT Strategy.

**Capital Programme - confirm Strategic Fit and prioritise for Inclusion in the Capital Investment Portfolio:** Project is prioritised for investment from Croydon's own finance and sequenced with other investments. Signing off in the capital investment portfolio will release developmental funding where necessary.

**Outline Business Case - Commitment to a single preferred option:** project requirements have been developed and a single options chosen that provide best balance of strategic fit, value for money and risk.

**Investment Decision:** Prior to tendering the package of work based on sign off of a full business case (integrated with the Corporate Procurement Board processes).

**Project Close:** focusing on benefits achieved, all obligations met and lessons to feedback into the portfolio.

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## Governance

Governance should not be unnecessarily bureaucratic, but must put the right controls in place to manage a multi-million pound portfolio of projects. An effective and proportionate governance structure will enable us to make timely and responsive decisions, based on sound business cases. It will follow principles of risk management, escalation and of regular reporting.

## Monitoring the Strategy

**Financial Monitoring:** will be undertaken monthly with quarterly reporting to Cabinet during the development and delivery phases

**Benefits Monitoring & Realisation:** will cover tracking and reporting on progress towards delivery of outcomes as well as the final realisation of benefits during and after completion. The process will be part of an emphasis on continuous improvement and embedded into the Gateway approval system.

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# Glossary of Terms

## **Assets & Places Board**

A corporate board that acts as the strategic driver for key council initiatives that seek to define and regenerate Croydon's physical and built environment

## **Asset**

There are two types of assets :- Tangible and Intangible.

- Tangible Assets - An asset that has a physical form such as machinery, vehicles, buildings and land.
- Intangible Assets – An asset that is not physical in nature eg. Goodwill, brand recognition, patents and copyrights.

## **Asset (enhancement of)**

Enhancing an asset is the carrying out of works which are intended to:

- substantially lengthen the useful life of the asset or
- substantially increase the open market value of the asset or
- substantially increase the extent to which the asset can or will be used in connection with the functions of the local authority

## **Capital Expenditure**

Expenditure on the creation or enhancement of assets. Specifically:

- the acquisition, reclamation or enhancement of land
- the acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures
- the acquisition, installation or replacement of moveable or immovable plant, machinery and vehicles
- the acquisition or preparation of computer programs, including expenditure on the acquisition of the right to use a program if the authority acquire or prepare the program for a period of one year plus for any purpose relevant to its functions.

## **Corporate Gateway Review**

A review that precedes the authorisation to commence or move to the next project stage.

## **Programme Management**

The co-ordinated organisation, direction and implementation of a portfolio of projects and activities that together achieve outcomes and realise benefits that are of strategic importance.

## **Project Management**

Planning, organising, securing and managing resources to achieve specific goals and objectives

## **Portfolio Management**

A mechanism for the commissioning and management of projects and programmes in response to a defined and agreed organisational strategy.

## **Professional & Technical Services Commissioning and Delivery Hub for the Built Environment and Infrastructure**

Coordinating the management, the development and delivery of capital programmes and projects across the council.

## **Section 106**

Planning obligations (or section 106 agreements') are private agreements negotiated, usually in the context of planning applications, between local planning authorities and persons with an interest in a piece of land, and intended to make acceptable development which would otherwise be unacceptable in planning terms.

## **Step Change**

The single change programme for the Council that will prioritise and deliver efficiency improvements over the period 2010 to 2015. Step Change is governed by a dedicated Board.

## **Tax Increment Financing**

Public financing method that enables borrowing against predicted growth from locally raised business rates, usually for purposes of infrastructure improvement