

LONDON BOROUGH OF NEWHAM CAPITAL INVESTMENT STRATEGY - 2008/09 to 2012/13

The Council's Strategic Vision

Newham is an ambitious borough with an ambitious council. We have created a vision for the borough that **by 2012 Newham will be a major business location where people choose to live, work and stay.**

The council is working hard to turn this vision into a reality. Newham is one of the few London boroughs to have a directly elected Mayor, who is answerable to residents about the performance of the council. Based on our vision and what residents tell us is important, the Mayor has created an annual Mayor's Contract, setting out what we will achieve over the next year.

This covers 17 promises based around the key areas of clean, safe and green neighbourhoods, helping residents and businesses cope in the economic downturn, and activities and opportunities for all. Each of these promises has clear, measurable targets. You can read the [Mayor's Contract](#) on our website.

To make these improvements we will be working to improve the quality of services in these key areas, and making efficiencies and savings so we offer improved services without asking for anything more in council tax.

We are also working closely with our partners to achieve sustainable impact on wider issues of employment, health inequalities, safety, social cohesion and sustainable communities. We are playing a key role in the regeneration of Newham, with major projects including the Olympic and Paralympic Games in 2012 and the regeneration of Canning Town, Custom House and Forest Gate. The council envisages that the games will support the achievement of the vision and will revitalise and transform the environment and infrastructure of the area, leaving a legacy for future generations.

The council is in a unique position as a catalyst to make change happen in the borough and we are setting ourselves ambitious targets to turn our vision into a reality.

The vision presents many challenges to the council and its partners but also presents a great opportunity. The capital investment required will be substantial and in many areas will need to be sustained over the long term.

What is the Purpose of the Capital Investment Strategy?

Capital investment is the directing of resources into major projects, such as school, infrastructure and housing refurbishment that will have a long-term benefit for the borough and community.

This Capital Investment Strategy sets out the London Borough of Newham's approach to capital investment, prioritisation of resources and the objectives it hopes to achieve through capital expenditure. It identifies the internal and external factors that drive this approach, drawing together the objectives from the council's planning framework, including strategies such as the Children and Young People's Plan.

The Capital Investment Strategy is a rolling five-year plan that demonstrates how capital investment will support the achievement of the vision. It is part of a fully integrated corporate and community planning framework to direct resources to the most appropriate areas of need within the community. The approach to achieving this is set out within this document.

The council has developed a robust financial planning framework to support the change agenda within Newham and deliver the commitments it has made. The two key elements are the *Capital Investment Strategy (CIS)* and the *Medium Term Budget Strategy (MTBS)*.

How is the Capital Investment Strategy Achieved?

Achievement of the strategy will be measured by how the council uses and invests its capital assets and resources to make improvements to the quality of services and environment in Newham.

The success of the strategy will be measured by feedback from the community on the achievement of the vision and the provision of excellent services. The council's Corporate Plan measures year on year service improvements to ultimately achieve the vision.

Newham's Capital Investment Strategy operates at four levels:

- The community level – through the Community Strategy and the Newham Partnership Board (a Local Strategic Partnership joining with key partners across the borough).
- The council – through the corporate planning process, to provide a joined up approach to investment.
- Service level – process for service managers to devise plans for submission to Star Chamber to ensure they can deliver and contribute to the vision.
- Project / Scheme – the appraisal and delivery of individual projects.

Success will also be measured on outcomes with the achievement of:

- Value for Money
- Duty of care
- Maintaining the Asset Base
- Customer access
- Service delivery
- Regeneration and place shaping
- Counter recession initiatives

Option appraisal forms a key part of resource utilisation to ensure available funds are used in a cost-effective manner.

The **Corporate Plan** for 2008 to 2011 agreed by Council in June 2008 is explicitly linked to achieving the vision. It focuses on delivering aims and outcomes that describe what Newham will look and feel like when the vision is achieved. When the vision has been achieved, Newham will be a place:

- Which is attractive, clean and well maintained.
- Which is safer and where people feel safer.
- Where young people are healthy, educated, safe, have high aspirations for employment and good self-esteem.
- Where the diversity of its people is celebrated, where people live harmoniously, respect each other and play a full part in the life in of their community.
- Which is thriving economically and socially and where all people share in the growing prosperity.
- Where health and well being and the quality of housing continues to improve, where people are active, have greater independence and where the most vulnerable are supported.

The **Community Strategy** has been drawn up to reflect the aims of the vision.

Within the council there is a strong corporate driven service planning process. This adds value to the overall sum of the individual services themselves, ensuring they are co-ordinated and meeting overall corporate aims and objectives. It also provides for a joined up, corporate approach to resource management. Many of the funding programmes that the Council manages are already cross-cutting in nature.

To achieve the vision, the council aims to build on the service improvements made. The council adopts a medium term approach to its budget strategy representing a planned

corporate approach to the redirection of resources to produce modern methods of service delivery into priority service areas.

The Capital Investment Strategy uses a joined up corporate management approach; this allows a focused and prioritised approach to meet the needs of the community and the outcomes desired. The Audit Commission's Key Lines of Enquiry quality indicators provide a guide to ensure best practices in managing the capital programme are followed.

Asset Management

The council has an *Asset Management Plan* that operates alongside this strategy document. The council has a wide asset base and is determined to ensure effective and efficient use of these assets.

Service asset management plans (SAMPs) form an essential element of good asset management planning and have a key role within the Key Lines of Enquiry for Use of Resources – Property. As part of this process each service area prepares its own SAMP (covering a period of 3 – 5 years) to enable informed decisions to be made about setting priorities for financial investment in the operational building stock.

The council has an objective to improve the efficiency of its office accommodation to secure lower running costs. Support functions have been relocated to a single back office, Newham Dockside (Building 1000), to deliver a modern unified back office infrastructure to support the delivery of front line services and service access. The council has an objective to improve the efficiency of its office accommodation to secure lower running costs by using fit for purpose office premises. This will lead to the sale of existing buildings and will generate significant capital receipts.

The front office review will also consider how the council delivers its services to the general public. The front office service brings together libraries, local service centre and contact centres into one service with the aim of delivering excellent services to the community.

Setting the Capital Investment Strategy

The full council sets the capital Investment priorities as part of the annual budget framework and medium term plan.

Capital needs will be identified and delivered through the Community Strategy, Local Area Agreement, the Corporate Plan, and service plans.

The strategy has a five-year horizon and covers the council's planned capital investment, with the funding implications of the Investment Strategy included within the budget framework.

Capital Prioritisation

As demand outstrips available financial resources, there is a need to prioritise schemes to ensure the most pressing priorities are addressed first.

Newham Executive Board (NEB) is the key officer group within the council that drives forward the resource planning and allocation process on a top down approach in line with the council's key themes. Service managers identify investment needs and opportunities on a bottom up approach to ensure essential schemes or opportunities are not missed.

Proposals are developed by project managers and sponsors and initially submitted to Capital Star Chamber (membership of Chief Executive, Executive Directors of Resources and Change plus the Head of Finance).

The Star Chamber will assess resource bids against criteria such as the following to ensure sound investment decisions are made:

- Value for Money – are the outcomes worth the investment? Is it affordable within resources and have other options been considered?

- Deliverability – is the scheme deliverable? What services and assets are required to achieve the scheme (i.e. is land available?)
- Relevant to council objectives – does the proposal fit with the overall aims of the programme and the council? The scheme must be matched to corporate and service plan outcomes including the vision
- Future revenue impact – ensure revenue costs are mapped over the whole life of the scheme (is there adequate maintenance provision? will expected revenue savings be delivered?)
- Statutory requirements – does the council have a legal requirement to provide a service. What risks are there in providing a different level of service?
- Physical / visual impact within the borough – will the scheme make an impact on the whole community or will benefits be at a local (ward) level?

Once a project is approved by Star Chamber, it will be formally reported to the Mayor.

Value for money is easier to assess for revenue projects as the previous year's activities can provide a benchmark for comparison and to show improvement if the service is provided more effectively. The nature of one off capital projects is more difficult to compare from year to year, however comparison against other options and how other organisations provide the same service can show if value for money is being achieved.

Housing and Education building refurbishment project prioritisation is based on the findings of stock condition surveys.

Prioritisation and Resource Allocation Process

This approach enables the council to determine its investment priorities both at a corporate level and within individual service areas. The use of common assessment criteria ensures that service investment plans fit with and complement the corporate aims and objectives and lead to the achievement of the vision. Once each project has addressed the investment criteria, it goes through an option appraisal process (such as a whole life costing analysis to ensure the ongoing costs of the scheme are considered) before it is included in the capital programme.

The Mayor has made finance and property a key priority. Councillor Lester Hudson is Executive Member for Finance and Asset Management to oversee issues.

Detailed capital investment programmes for Housing and Education are submitted to the Mayor and Cabinet for approval on an annual basis. These schemes will include those such as Building Schools for the Future, Decent Homes and this funded from supported capital expenditure where funded from detailed business case is submitted for other projects as part of the resource allocation process.

The council has established a project management framework known as '**Ideas to Implementation**'. This framework ensures that all projects follow basic project management principles in managing the scheme from development to successful completion. Details are on the following link <http://cms/corporateprojects/managingprojects/>.

Before a scheme is approved a business case has to be made to a programme office as part of a gateway process. Risk assessments have to be conducted and option appraisals undertaken. There is a requirement to ensure that projects are present in service plans and that links to corporate aims are clear, ensuring that they are contained within the performance management framework, and are compatible with council priorities and service requirements.

The resource allocation process is initially overseen by the recently created Capital Star Chamber. After approval, the implementation is overseen by Resources Board or Service Boards. Any issues are to be escalated to Star Chamber or Newham Executive Board for resolving.

The *whole life costing business case approach* is key to the evaluation and prioritisation, ensuring that the proposal can meet the needs identified, represents value for money and is

both deliverable and affordable over the long term. This approach would identify where alternative funding solutions are available e.g. PFI, partnerships, external funding bids, prudential borrowing. Once a project has been approved the framework demands regular reporting on project progress.

Consultation

Consultation on schemes within the Capital Investment Strategy takes place with key stakeholders. The council has well-established key mechanisms to obtain the community's views on the achievement of corporate objectives, performance, service quality and budget priorities. By using this information, the council can ensure that investment decisions reflect the concerns of its residents, as ultimately the council is seeking to deliver the vision for its local area.

The key mechanisms are:

- Influential councillor framework
- The Newham Partnership
- Local Action Partnership Boards
- New Deal for Communities Programme
- Surveys (i.e. Newham Household Panel Survey, capital issues forum, London council surveys (formerly the ALG), tenant and leaseholder surveys and communications tracking study).

Cross Cutting Activity

Part of the Capital Investment Strategy is the continued identification of appropriate options for relevant "cross-cutting" activities, to further the objectives of the Authority and partnering organisations.

The council is committed to making the best use of its assets and will seek to establish the possibility of the shared use of assets when undertaking asset management reviews.

The council's capital programme currently supports its crosscutting strategies in a number of ways, including:

- **Single Back Office (Newham Dockside - Building 1000)** - The establishment of a single head office building was a fundamental part of the Corporate Plan and Asset Management Plan in determining how the council is organised to improve the delivery of services and operational effectiveness and efficiency. It will also ensure more efficient use is made of the council's buildings.

Previously, back office staff were based in 24 different buildings. To achieve savings in running costs, the majority of support staff have been relocated to a single location, Newham Dockside (Building 1000), The Royals. A single back office allows a joined up approach to service provision and more flexible working practices to be employed. Travelling time between offices will be reduced.

The relocation is expected to reduce annual operating costs by £6.65 million, roughly half of the current cost of running existing buildings. Surplus office buildings will be sold to partly fund the project. The council will operate one civic and democratic base in the future.

- **ICT infrastructure** - The council is pursuing a telecommunications network development strategy intended to deliver ubiquitous access to fully converged network services in the borough. To this end, it has engaged with a large number of stakeholders, which extends to the Olympic Development Authority (ODA) in order to maximise the benefits from the 2012 Olympic & Paralympic Games to the borough and its partners.
- **Local Area Agreement** - This is an agreement between Newham's Mayor (on behalf of the council's partners and stakeholders) and Communities and Local Government (CLG)

which provides a framework for delivering the aspirations of the Community Strategy through outcomes shared across the Newham Partnership.

- **Local Fund Project** - This is a project to fund £11 million of projects. These schemes will cover road, pavement & lighting renewal, traffic management and parks projects, such as landscaping and the installation of play equipment.
- **Microsoft HP contract** - The council entered long-term strategic partnerships (subject to break points in accordance with EC legislation) with Microsoft and HP in order to provide an up-to-date and standardised computer hardware and software infrastructure, with in-built technology refresh, ensuring optimal provision across the Authority. The benefits have been extended to partners, including the Olympic Delivery Authority (ODA) and Newham Homes.

Partners and External Funds

The London Borough of Newham recognises the benefits of added value and synergy created through partnership working and is committed to working in partnership with external bodies, where there are joint aims and objectives that would be best met through joint investment. Its partners can influence the council's Capital Investment Strategy through consultation on key strategies, joint working on specific projects and joint working to benefit a specific area.

The motives for partnering within the context of the council's Capital Investment Strategy are clear:

- To secure resources that would otherwise be unavailable
- To share risk
- To produce joined up solutions that add value that might not otherwise be achieved
- To demonstrate that public and private sector can work together to deliver the vision

The community strategy process brings together the strategic partners in the vision. The Newham Partnership (a Local Strategic Partnership) and Local Action Partnership Boards (LAPBs) include a wide range of partners.

LAPBs include partners relevant to the particular theme for example, the Police (Community Safety), Learning and Skills Council and Further Education Colleges (Life Long Learning).

Partnering opportunities are being developed through the Local Area Agreement.

An example of a completed project is the Department of Health's NHS LIFT (Local Investment Finance Trust) project, this included a £14.6 million investment in Newham Health Centres.

Newham council has an **Arms Length Management Organisation**, Newham Homes to manage the council housing stock of 16,500 properties and to bring them up to a Decent Homes standard (a central government measure of housing quality by 2011). Capital investment in these properties is intended to reduce the annual repairs & maintenance financial burden. Central Government are accelerating this investment.

East London Lettings / Choice Homes UK – Operate a choice based, single waiting list of council homes for residents of the borough. It is an alliance of eight East London boroughs whose role involves influencing Housing investment strategy across East London. The aim is to attract public subsidy in order to facilitate the creation of sustainable communities throughout the region.

Housing Association Partners carry out the majority of the development within the borough, addressing the requirement for a variety of affordable housing solutions.

English Cities Urban Fund (Canning Town Regeneration) - English Cities Fund (ECf) was developed by English Partnerships and its two joint venture partners, AMEC and Legal & General, to invest in mixed-use projects in town and city centres and their fringes in assisted areas in England, where local economies fall below the EU average.

East London Lettings Company – This operates a choice based, single waiting list of council homes for residents of the borough.

The Local Space initiative – Local Space is a registered social landlord (RSL) created by Newham to provide temporary Housing accommodation to the borough. The intention is that Local Space will provide higher quality accommodation than that provided by the private sector at a similar cost. Once Local Space has achieved the initial objective of providing 1,000 extra units, there is potential for further partnership working to achieve common objectives.

Housing PFI schemes - In addition to the Newham Homes / ALMO project, the council entered into a HRA PFI scheme for Canning Town in June 2005 to refurbish 1,020 council properties as part of the Decent Homes Initiative. This would represent an investment in the period of £24 million, with an overall contract value of £180m (including revenue costs) over the 30 year life of the project.

The Forest Gate PFI scheme was signed in early 2009, and will see 894 properties refurbished over 20 years. Investment under the project will total £176 million.

Brooks Estate - Capital investment on the Brooks estate is aimed at bringing housing units within both tower blocks and low-rise properties to an extremely high standard. All units should meet the "Plaistow Charter", a very stringent standard agreed with local residents. These ensure properties are secure by design, have internal space standards, are accessible, energy efficient, environmentally sustainable and have future-proof communication technology provision.

Building Schools for the Future (BSF) - Local Education Partnership - Building Schools for the Future (BSF) is a nationwide initiative aimed to improve secondary education standards. It is the biggest investment plan in education for over 50 years and the government has made a commitment to invest over £260 million to transform the delivery of secondary school education in Newham. Funding will be by PFI credits, supported borrowing and capital grant. An agreement was signed in early 2009 to provide two new PFI schools (Lister and Rokeby) and to refurbish six others under the first wave of the project. The council's private sector partner in the scheme is Newham Transformation Partnership (NTP).

The key point remains – partnering must add value and impact, and is not something to be engaged in lightly and just for its own sake.

Newham's Capital Investment Strategy 2008/09 to 2012/13

Newham's Capital Investment Strategy for the period 2008/09 to 2012/13 totals £897.2 million. A summary of the capital expenditure for each service area, together with the funding sources, is shown within Appendix A.

Capital resources used to fund Newham's capital programme include:

- Central Government supported capital borrowing
- Prudential code borrowing (additional borrowing approved within the budget strategy)
- Capital grants
- Capital receipts
- Capital reserves
- Major Repairs Allowance (MRA)
- Revenue budgets
- Partnership investment
- Private Finance Initiatives (PFI)
- Leasing

The option appraisal process ensures other financing sources are considered.

Resource considerations are integral to the approval of projects.

Details of projects included within the current Capital Investment Strategy for each service area are listed within appendix B of this document.

One off revenue projects - in addition to capital investment, the council is proactive in the use of one off funding sources (e.g. the use of reserves). These would not satisfy the definition of capital expenditure; however they represent one off investment in delivering better services and allow service development. These one-off revenue projects currently total £1.6 million and are detailed in Appendix C.

Further Local Investment - as part of the Budget Framework for 2009/2010, the Mayor has agreed to consider further capital investment into the borough's infrastructure of £84million over the next three years, in order to deliver many of the priorities within the Corporate Plan. At the time of preparing this document, no individual approvals have been given so are not included within the figures within the appendices.

Revenue Implications / Medium Term Strategy

The council has identified significant capital investment needs across the borough. In pursuing these, it will need to ensure they represent value for money. However, capital investment can result in ongoing revenue costs, either through the cost of financing and/or additional operating costs. To sustain the level of investment, the council must be able to afford the consequences. To achieve this, the council's Capital Investment Strategy is integrated within the budget strategy.

The Medium Term Budget Strategy (MTBS) is the means by which the council manages such issues, ensuring that spending decisions are related to strategies enabling resources to be targeted at areas of need and invested in the future of the borough and its residents. This is a three-year rolling financial plan, reviewed on a regular basis, from which annual budgets and council tax levels are set. The medium term approach ensures that a realistic approach to capital investment is taken. It is also the context within which the council's borrowing levels under the *Prudential Code (self-regulation)* are considered to ensure schemes are affordable over the long term. This allows the consideration of "spend to save" schemes, where pay back through revenue savings would more than meet increased financing costs. Where prudential borrowing is used to finance projects, the cost of that borrowing will be repaid over the lifespan of the individual projects financed. The Treasury Management strategy complies with statute and professional codes of practice to manage the financial and risk implications of providing financing for the capital investment strategy.

Risk Management

The council's *Risk Management Strategy* acknowledges the importance of dealing with issues such as cost overruns and time delays on capital schemes. The council put a revised *Procurement Strategy* and *Code of Practice* in place in May 2008. The aim is to deliver projects on time, cost effectively and on budget. A key factor in this strategy is the management of risk - procedures for the assessment and management of risk are embedded within council decision making procedures.

Monitoring and Evaluating Progress

It is one thing to have a Capital Investment Strategy, but it is quite another to deliver and sustain it over the medium to long term. *Delivery* is the key issue for Newham. The council has recognised that the management of capital projects and investment programmes is key to success.

The Performance Management Framework (PMF) is the way in which the council's strategies are translated into delivery plans and how the impact of implementing these actions is measured and monitored to enable the performance of the council to be effectively managed.

The PMF is the tool by which Newham ensures a consistent approach to performance management. It encompasses all services and it allows individuals to see how their work will help to achieve the vision. The implementation of the strategies and plans within the PMF are

monitored by officers at Newham Executive Board and senior management meetings for reporting to the Mayor and elected Members. It demonstrates the rigorous approach the council has to performance management which ensures that the council and partners have knowledge of how well each other is doing against individual and also jointly owned planned outcomes and also to drive continuous improvement.

There are several layers within Newham's PMF. The Corporate Plan (published with the council's best value performance indicators, in June 2008) sets out the council's strategic direction and outlines what the borough will be like when the council has achieved the borough's vision, thereby outlining its contribution to the Community Strategy. This includes performance measures, which will measure the impact of the activity being carried out to achieve the aims and outcomes in the Corporate Plan. These plans are integrated within the council's capital programme, for example plans will increase employment opportunities in the area by linking residents to employers.

In addition, service areas have service plans that outline how their service contributes to delivering the corporate and delivery plans and any other key strategies. These plans identify a wider set of performance indicators. Where service heads deem it appropriate, plans have been prepared for individual services within their area of responsibility. These again will include a wider range of performance indicators, many of which are at a more operational level.

The council's staff management procedures (including the staff performance management and appraisal processes) allow individual members of staff to see their role in achieving service plans and ultimately the vision.

Discussions take place quarterly with service representatives to monitor progress of schemes and to assess potential risks at an early stage. Quarterly monitoring reports are submitted to the Executive Director of Resources and any issues arising are reported on an exception basis to Newham Executive Board.

The Strategy is designed to be flexible to allow changes to be made as circumstances change.

Feedback

Comments are welcome on the council's Capital Investment Strategy document and the information that it contains.

For example, does this document provide relevant information about the council's approach to capital investment? Is it easy to understand?

If you would like to provide some feedback on this document, please contact Kevin Miles, Chief Accountant (kevin.miles@newham.gov.uk) in the Financial Management and Accountancy section of the London Borough of Newham.