

CABINET

Date of Meeting	Tuesday 16 th February 2016
Report Subject	Capital Strategy and Asset Management Plan 2016 – 2020
Cabinet Member	Leader of the Council and Cabinet Member for Finance
Report Author	Chief Officer (Organisational Change)
Type of Report	Strategic

EXECUTIVE SUMMARY

This report introduces the Capital Strategy and Asset Management Plan 2016 - 2020, which is a new Strategy for Flintshire County Council combining medium term plans for managing the Council's assets and its Capital Programme.

The report explains the need for the Strategy, its purpose, key aims, principles and content.

RECOMMENDATIONS

1	Members approve the Capital Strategy and Asset Management Plan 2016 – 2020 so that it can be adopted as the principal document for managing the Council's Capital property and Land resource assets.
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REPORT DETAILS

1.00	CAPITAL STRATEGY AND ASSET MANAGEMENT PLAN 2016 - 2020
	Introduction
1.01	The Council's assets, primarily land and property, are a significant and valued resource with a value of circa £750m (2014/15 Statement of Accounts). Over the last five years in excess of £12m of capital receipts have been generated through the sale and disposal of surplus land and property.
1.02	There is a need for a comprehensive and structured strategy which merges together capital resource planning and development, with asset management planning. Even more so in this current period of austerity where prudent use of capital resources in programmes of work can be used for strategic investment projects contributing positively to reduce the revenue budget gap that the Council faces.
1.03	In developing the Strategy officers researched what other Councils had produced and were doing. In a number of cases the Capital Strategy was a stand-alone document as was the Asset Management Plan, in others they were merged. Officers, after much deliberation, choose to merge both documents as the links between the two are obvious and complementary.
1.04	In preparing the Strategy it became apparent that there was a need to set out both the Council's strategic position for dealing with its capital resources whilst at the same time providing a degree of guidance in the capital planning process. This more structured approach should lead to greater awareness of the process as well as increased consistency, ownership and transparency of work programmes.
1.05	The key aims of the Strategy are: <ul style="list-style-type: none">• Provide a clear context within which proposals for capital expenditure are evaluated to ensure all capital investment is targeted to deliver the Council's priorities as set out in the Improvement Plan.• Sets out how the Council identifies and prioritises capital requirements and proposals arising from various strategies including Improvement Plan, Portfolio Business Plans, and other corporate strategies and how these will be managed within the limited capital resources available.• Critically challenge our current estate, continue with the programme of asset rationalisation, ensuring that assets retained are effective, efficient and sustainable to deliver services now and into the future.• Identify and consider options available to fund capital expenditure that minimises the ongoing revenue implications of historic capital expenditure and of any new investments.• Use partnerships, both public and private, more effectively to support our overall strategy.

	<ul style="list-style-type: none"> Establish effective arrangements for managing capital projects including the assessment of outcomes and achievement of value for money.
1.06	The document, which is in final draft for Members approval is structured into a number of sections which are briefly explained below.
1.06.1	The Here and Now – Explains the size, shape and value of the estate, spend by portfolio, progress in relation to estate rationalisation, vision, and the role of the Asset Programme Board.
1.06.2	Needs and Priorities – The section seeks to identify what we want our capital resources to deliver over the next five years and how these may link into our corporate priorities and plans.
1.06.3	Resourcing – Seeks to explain the sources of capital funding available and which capital schemes these resources would be applied to.
1.06.4	Capital Programme – explains how capital schemes will be prioritised for inclusion in the capital programme.
1.06.5	Governance of the capital programme including how the programme is managed and monitored.
1.06.6	Finally a number of appendices, more operational in nature, to assist officers in getting a scheme approved and managing the project including the Business Case approach to future capital allocations, and Capital Project Handbook/User Guide. There is also a glossary of capital terms.
1.07	<p>The Strategy's principles are as follows:</p> <ul style="list-style-type: none"> Set a capital programme for the medium term split into 3 sections; a reduced core programme of schemes that are regulatory / statutory in nature, a retained asset programme to improve or enhance the life of existing assets, and a larger investment programme for schemes linked to the Council's strategic priorities. Schemes included in our investment programme will be subject to completion of a business case to include a thorough appraisal of options and sensitivity analysis, with the schemes that generate efficiencies for the MTFs being favoured. Whole life analysis and the use of Net Present Value (NPV) calculations will be applied to schemes in the investment programme linked through to the MTFs. With Capital and Revenue resources under pressure innovative and creative solutions to procuring capital assets will be sought. Assets surplus to requirements will be disposed of when appropriate in order to generate the maximum capital receipt and benefit for the Council.

	Summary of what is included in the Capital Strategy and Asset Management Plan
	Summary of Asset Management Plan
1.08	Corporate Office Accommodation – the main locations will continue to be at Flint and Mold, with a main depot at Alltami. The policy of consolidating occupation into phases 1 and 2 at County Hall with phases 3 and 4 being mothballed to save revenue running costs will continue.
1.09	Industrial Commercial Estate will be reviewed in the first quarter of 2016 with a strategy to be developed which will carefully consider this estates contribution to the local economy whilst at the same time reflecting on which assets are or are not considered to be ‘core business’. The long term option of the offices at Ewloe also needs to be fully considered; proposed local government reorganisation will be a factor in any future strategy.
1.10	Agricultural Estate. Continuation of current policy of selling to existing tenants or on the open market when vacant. Careful consideration given to any holding which may be more valuable in future due to changes in local planning guidance, in such cases medium term retention may be more favourable.
1.11	Clwyd Theatre Cymru. The building has a medium term plan for refurbishing and upgrading key areas. Both Welsh Government and the Arts Council for Wales have indicated that funding may be available nationally to support this work.
1.12	Plans for other assets included within the strategy have been drawn from the Improvement Plan, Portfolio Business Plans and other strategies. The information is already available in the public domain and includes reference to the Strategic Housing and Regeneration Programme (SHARP), School Modernisation Strategy and the Highways Asset Management Plan (HAMP).

	Summary of the Capital Programme
1.13	<p>The programme has been split into 3 sections; Statutory/Regulatory, Retained Assets and Investment Programmes.</p> <ol style="list-style-type: none"> 1. Statutory / Regulatory section – An annual allocation to cover regulatory and statutory works. Examples include; providing support to improve and adapt private sector homes (Disabled Facilities Grants), adaptations to schools for children with disabilities, any works required to keep buildings open by Health and Safety requirements etc. Portfolios will submit plans for review to the Assets Programme Board before the start of each financial year, and agree the basis of the programme with their respective Portfolio Cabinet Members. Funded generally by General Capital Grant and Supported Borrowing allocations. 2. Retained Assets section – An annual allocation to fund schemes that maintain, enhance and improve retained assets to deliver services. Significant needs identified within business plans / service plans / condition surveys etc. Covering service areas such as Schools, Highways, and Corporate Offices. Portfolios will submit plans for review to the Assets Programme Board before the start of each financial year, and agree the basis of the programme with their respective Portfolio Cabinet Members. Funded generally by General Capital Grant and Supported Borrowing allocations. 3. Investment section – These are new schemes arising from Portfolio business plans, the Improvement Plan and other strategies approved through selection process based on the provision of a sound business case. Funded by Capital Receipts and Debt / Alternative source of funding. <p>Sections 1 and 2 above are similar to the current core capital programme but will be much reduced compared with current expenditure levels to create room to fund the Investment section.</p>
1.14	<p>Future Capital Programmes will be set on a four year rolling basis reflecting the fact that schemes span more than one year and don't necessarily correspond financial year boundaries. Schemes starting in year one will be approved along with costs and funding in the subsequent three years. Schemes starting in years two onwards will be given indicative approval to enable services to plan more efficiently, but will ultimately be approved in the subsequent years' Capital Programme.</p>
1.15	<p>Headroom will be built in to the Capital Programme to enable the Programme to be more flexible so as to be able to allocate funding to small schemes as they present in year either as a result of opportunities or unforeseen circumstances.</p>

1.16	<p>The annual timetable for creating and approving the Capital Programme will be as follows:</p> <p>Investment Section</p> <ul style="list-style-type: none"> • Expressions of interest put forward by Portfolios – Reviewed by Asset Programme Board in July. • Following the success of the ‘Expression of Interest’ Portfolios will submit a full Business Case – Considered by Asset Programme Board in October. • All schemes put forward for Cabinet and Corporate Resources Overview and Scrutiny approval in December. <p>Statutory / Regulatory and Retained Assets Sections</p> <ul style="list-style-type: none"> • Lump sum allocations considered by Asset Programme Board in November, and put forward for Cabinet and Corporate Resources Overview and Scrutiny approval in December. • Portfolios detailed plans for the use of lump sum allocations to be reviewed by the Assets Programme Board in January and agreed with their respective Portfolio Cabinet Members. <p>The full rolling Capital Programme including schemes funded by capital grants will be put forward for Cabinet and Council approval in February.</p> <p>Please note that the 2016/17 – 2019/20 Capital Programme is slightly different due to time constraints in introducing the Strategy and the need to explain the changes to Members and Officers.</p>
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2.00	RESOURCE IMPLICATIONS
2.01	Implications for assets and financial implications as set out within the report. Other resource implications include Officer time in delivering the Strategy and associated capital programme which is not considered to be a significant change.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None required. Consultations undertaken include the Assets Programme Board and the Chief Officer Team, both supported the proposals and principles.
3.02	The strategy and covering report was shared with Corporate Resource Overview and Scrutiny Committee for comment, observations and general support.

4.00	RISK MANAGEMENT
4.01	Decisions made which involve the Council's assets and its Capital Programme often have very large and long term financial implications. The purpose of the Capital Strategy and Asset Management Plan is to set a clear framework within which such decisions can be made mitigating the risks involved.

5.00	APPENDICES
5.01	Appendix 1 – Draft Capital Strategy and Asset Management Plan 2016 – 2020. Draft Capital Strategy's appendices; Appendix A – Investment Section approval process Appendix B – Capital Project Handbook / User Guide

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Various working papers Contact Officer: Neal Cockerton – Chief Officer, Organisational Change Telephone: 01352 703169 E-mail: neal.cockerton@flintshire.gov.uk

7.00	GLOSSARY OF TERMS
7.01	<p>Asset Management Plan - A plan maintained by an authority of the condition and suitability of its assets, updated regularly and utilised to assess future capital needs</p> <p>Capital Expenditure - Expenditure on the acquisition of Non-current Assets or expenditure that extends the life or value of an existing asset</p> <p>Capital Programme - The Council's financial plan covering capital schemes and expenditure proposals for the current year and a number of future years. It also includes estimates of the capital resources available to finance the programme</p> <p>Capital Receipt - Receipts (in excess of £10,000) from the disposal of an asset</p> <p>Capital Scheme - An individual capital project which is monitored and managed in isolation. The aggregate of all schemes comprises the Capital Programme</p> <p>Capital Strategy - A corporate document providing clear strategic guidance about an authority's objectives, priorities and spending plans, demonstrating the link to key corporate and service objectives. May be combined with the Asset Management Plan (AMP) to form a single</p>

document

Disposal - The decommissioning or transfer of an asset to another party

Financing - The process of allocating resources to meet the cost of capital expenditure, which can be done on a project, asset or whole programme basis. This contrasts with making the invoice payments relating to capital expenditure, which should be managed within the authority's overall treasury management policy

Non-current Asset - A resource controlled (but not necessarily owned) by an authority, from which economic benefits or service potential are expected to flow to the authority for more than 12 months

Whole Life Costs - The costs of acquiring or creating an asset, operating it, maintaining it over its useful life and finally any costs of disposal (i.e. the total cost of ownership)