APPENDIX 1

NORTH AYRSHIRE COUNCIL

CORPORATE ASSET MANAGEMENT STRATEGY 2013 -2023

JANUARY 2013

1. INTRODUCTION

It is widely recognised that asset management is a core component of effective strategic management of large organisations.

North Ayrshire's first Corporate Asset Strategy (CAS) was approved by the Executive in March 2011. Since then a number of changes have taken place requiring an update to the strategy, these include;

- Approval of initial asset management plans and action plans in February 2012;
- Changes to the Council's Administration and Senior Management structure; and
- Establishment of Property Management and Investment as the Council's "corporate landlord" for all property assets.

Establishment of the "corporate landlord" means that all assets are now managed corporately across the organisation, supporting delivery of the Council's key objectives.

North Ayrshire Council's CAS is a high level framework for the management of the Council's core assets and infrastructure and sets out broad principles for the development of the Council's capital strategies and plans. The CAS does not restate the detail of the individual asset plans but sets these in the wider strategic context.

2. CORPORATE ASSET MANAGEMENT

The Council's CAS, Asset Management Plans and capital investment programme are affected by the continuing challenging financial climate. In developing its approach the Council recognises that a longer term financial plan for assets is vital to secure best value due to the high value of the assets together with the longer time frame to secure, develop or dispose of assets. By carefully planning investment and taking a longer term approach the Council will ensure that scarce resources are applied in a sustainable way that supports Council and partner priorities.

To assist the Council in achieving its key objectives it requires to ensure that management of its assets align with the broader priorities and plans of the Council and the Single Outcome Agreement. These are set out below:

- Regenerating our communities and increasing employment;
- Protecting vulnerable people;
- Improving educational attainment; and
- Operating more efficiently and effectively.

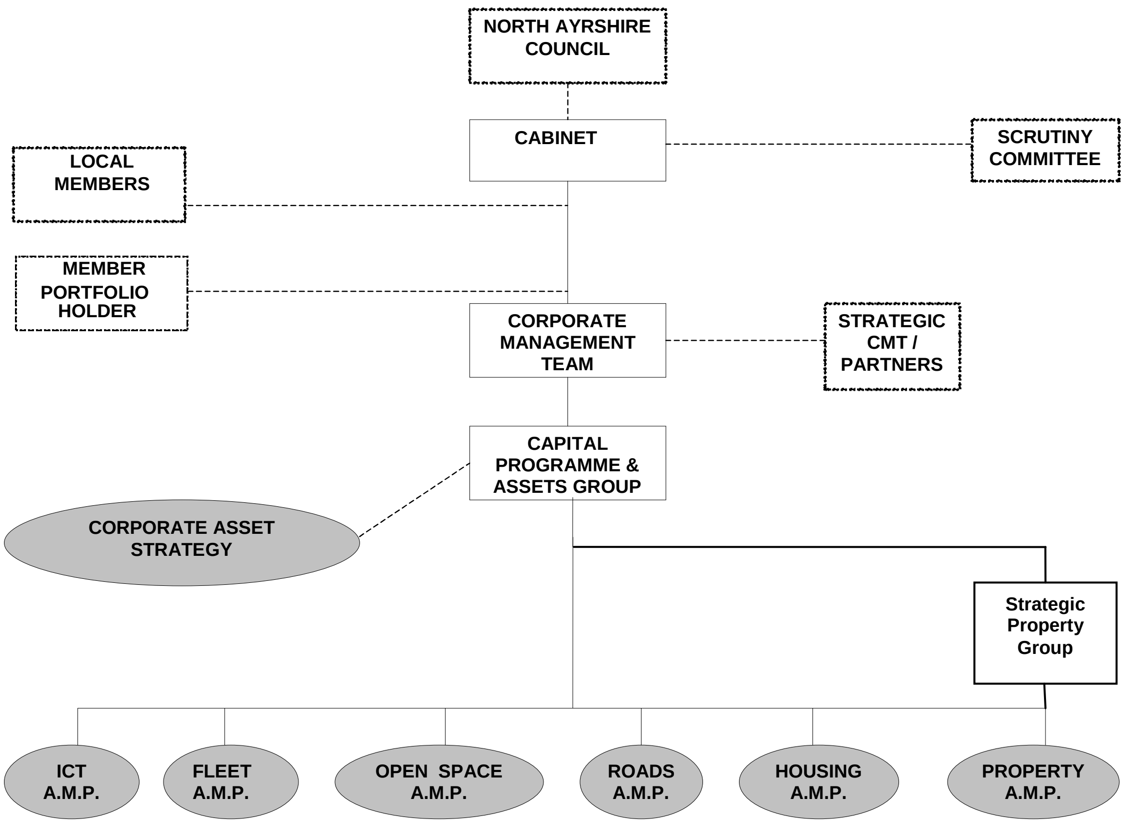
In addition to the four key objectives the Council Plan outlines the change that is required to deliver better services, address the challenges of an increasing older population and manage the reduction in public sector funding. It also recognises the importance of close partnership working with other agencies, communities and local people.

The strategic approach will focus on best value and improvement, ensuring the council complies with best practice by:

- Having sound governance arrangements to improve corporate asset management;
- Ensuring the Council only retains assets which support its strategic objectives;
- Having a corporate approach to prioritisation of investment founded on a clear business case and clear criteria, with due consideration to whole-life costing;
- Delivering better public services through improved assets and appropriate colocation of services;
- Ensuring assets are fit for purpose, deliver best value in terms of investment, running costs, maintenance and environmental impact;
- Maximising usage of all assets;
- Maintaining the condition of core assets through life cycle investment;
- Complying with all statutory requirements;
- Establishing appropriate financial and performance measures, including benchmarking, which will demonstrate improved performance over time;
- Establishing post-project evaluation; and
- Implementing effective procurement, including partnership working with SFT and South West Hubco where appropriate.

3. GOVERNANCE

The diagram below represents the Council's governance arrangements for corporate asset management within the Council:-



3.1 Roles and Responsibilities

The **Council** approves the corporate framework and the medium and longer term investment programme.

The **Corporate Management Team**, the **Capital Programme and Assets Group (CPAG)** and the **Strategic Property Group (SPG)** ensure officer co-ordination of corporate asset management and support the Council and Cabinet at chief officer and senior management levels.

CPAG is chaired by the Corporate Director (Finance and Corporate Support), representation from senior officers across all Services. It meets on a monthly basis with the remit of:

- ensuring a strategic and corporate approach overview of asset management to ensure the Council's resources are deployed effectively;
- developing and delivering the corporate asset management plans;
- developing and delivering the Council's capital investment programme, minimising slippage on the delivering the programme;
- developing clear criteria for investment of Council resources on asset matters and assessing all investment business cases;
- developing and monitoring performance across all asset classes;
- developing a capital receipts strategy; and
- developing and implementing best practice in all asset matters.

Chief Officers and **Senior Managers** are responsible for:

- working together to ensure a corporate approach to asset management is in place and delivering the Council's asset management plans and associated investment programme;
- contributing to the development and delivery of asset strategies and plans; and
- ensuring consultation on asset management is undertaken with all relevant stakeholders.

3.2 Asset Plans

In line with the CIPFA "Guide to Asset Management and Capital Planning in Local Authorities" North Ayrshire has classified its assets under six categories, with the Housing Asset Plan being captured in the Housing Standard Delivery Plan :-

Asset Plan	Directorate	Chief Officer
Property (including Common Good assets)	Finance and Corporate Support	Head of Finance and Property
Housing	Finance and Corporate Support	Head of Finance and Property
ICT	Finance and Corporate Support	Head of HR and OD
Roads including structures, lighting and	Development and Environment	Head of Development Planning

water infrastructure		
Open Space	Development and Environment	Head of Environment and Related Services
Fleet including vehicles, plant and equipment	Development and Environment	Head of Environment and Related Services

Development of the asset management plans reflects best practice and North Ayrshire Council's commitment to sound asset management.

The Asset Plans aim to ensure that the Council holds the right assets and that they are fit for purpose in terms of condition, suitability, sufficiency and accessibility. The asset plans, including condition survey information are used to inform the capital investment programme.

The Asset Plans follow a broadly similar structure, establish a baseline of the Council's current asset base and are the vehicles for identifying future investment across all asset classes. The Plans critically appraised the Council's approach and set out clear actions for developing this; these were approved by the Executive in February 2012.

The Plans identify significant backlog maintenance in the property estate and roads network totalling £69m and £49m respectively. Given the significant investment in recent years and the future investment planned it will be important for the Council to make provision for lifecycle investment to maintain assets and infrastructure to a standard that supports service delivery.

In addition to the assets captured in the core asset plans there is a range of initiatives, including town centre regeneration which do not sit within any of the core asset plans as the assets are not Council owned. The need for investment in these assets is recognised in the Council's capital investment programme.

An initial progress report on each of the asset management plans was reported to Cabinet in October 2012. To ensure Members are fully apprised of progress on development of the Council's approach to the management of its assets, reports will be submitted twice a year, in October and April to Cabinet.

4. CAPITAL INVESTMENT PROGRAMME

4.1 Capital Investment Programme 2012/16

On 1 February 2012 the Council approved its Capital Investment Programme for 2012/13 to 2015/16 totalling £126m, with the programme sitting at £135.342m as at 30 September 2012. Approval of the programme over 4 years reflected a shift to medium term planning around the Council's asset investment strategy. The profile of this programme as at September 2012 is summarised in the Table1 below.

Table1: Capital Investment Programme 2012/16 (as at December 2012)

North Ayrshire Council					
Summary of Capital Projects 2012/13 to 2015/16					
GENERAL SERVICES	2012/13	2013/14	2014/15	2015/16	Total
	£000	£000	£000	£000	£000
Chief Executive	267	654	-	-	921
Corporate Services	1,782	467	428	165	2,842
Education & Skills	12,017	27,600	24,325	13,903	77,845
Finance & Infrastructure	14,588	15,348	7,283	5,978	43,197
Social Services & Health	1,862	7,394	2,593	700	12,549
TOTAL GENERAL SERVICES	30,516	51,463	34,629	20,746	137,354
FUNDED BY:-					
General Capital Grant	9,421	8,552	12,963	12,918	43,854
Specific Capital Grant (Cwss)		144	212	28	384
Prudential Borrowing	11,100	36,006	9,413	6,571	63,090
Future Capital Receipts	50	-	832	1,768	2,650
Use Of Capital Fund	300	-	3,700	-	4,000
Use Of Repairs & Renewals Fund	3,500	-	3,000	-	6,500
Use of Change & Service Redesign fund	362	-	-	-	362
CFCR	2,266	2,060	1,950	-	6,276
Use Of General Fund Balance				-	-
Other Grants & Contributions	3,925	5,076	3,110	-	12,111
	30,924	51,838	35,180	21,285	139,227
Less: Funding For Police	(408)	(375)	(551)	(539)	(1,873)
	30,516	51,463	34,629	20,746	137,354

4.2 10 Year Capital Programme 2013/2023

Following approval of the six asset management plans CPAG has progressed the development of the Council's first 10 year capital investment programme, with a clear programme for the first 5 years and indicative proposals for the following 5 years. The longer term approach is desirable due to:

- the longer time frame required to define need and develop sound plans / business cases;
- the need to ensure that all investment fits with the longer term strategy;
- the time required to procure new assets or make significant changes to existing assets; and
- the high cost of acquiring, developing and using assets and the need to ensure these are in use for the longest time period.

In establishing a longer term programme it is important to recognise that the plan may be affected by a number of factors; the economy, inflation, availability of Scottish Government Grants, value and timing of capital receipts; and market condition in terms of the tenders submitted by contractors. The Programme will be reviewed on an annual basis to ensure projects can continue to be delivered within available resources.

In developing the 10 year capital programme a comprehensive review of anticipated need across all asset classes was undertaken by CPAG and reviewed by the extended Corporate Management Team. The review took into account existing planned investment for the period 2012/16. Investment was prioritised on the basis of unavoidable, emerging pressures and aspirational investment in the context of the Council’s key priorities and the need to ensure sufficient lifecycle investment in current assets. Investment priorities were then assessed against available resources, including additional prudential borrowing.

Given the longer term nature of the 10 year programme high level estimates have been established for a number of the schemes. Following approval of the programme, these will be developed to full schemes.

4.3 Project Business Cases

A Business Case template has been established to ensure a consistent approach is taken to the identification and prioritisation of investment needs. Key information includes;

- Aims and objectives
- Approach
- Scope
- Benefits
- Consequences of not proceeding
- Implications for stakeholders
- Key milestones
- Evaluation criteria / scoring against the single outcome agreement and asset management plans
- Capital costs, funding profile and revenue impact

This has been piloted and will now be rolled out, whereby all Business Cases are considered by CPAG with a recommendation being made to Cabinet for inclusion of new projects into the programme.

4.4 Lifecycle Investment and Asset Maintenance Strategy

There is a requirement for the Council to continue to continue to invest in a range of its core assets and infrastructure to sustain these for future service delivery. Resources have been prioritised to:

- ensure key properties are fit for purpose, as far as possible, in terms of condition, inclusion and suitability;
- help minimise further deterioration in the condition of the Council's roads network and continue the replacement of its ageing lighting columns,
- replace vehicles which are essential to the delivery of a range of services including Education and Skills, Social Services and Waste Services,
- replace some of the Council's ageing ICT equipment to allow the Council to maximise use of technology and operate as efficiently as possible;
- continue the Council's investment in its landfill site at Shewalton; and

- continue the investment to ensure our cemeteries meet the needs of our communities.

In addition to capital funding the Council has £4.417m of revenue funding available for major and day to maintenance and statutory compliance of the non-housing property estate. CPAG is currently developing more robust criteria to ensure these resources are targeted most effectively to address backlog maintenance.

5 FUNDING STRATEGY

5.1 Funding Principles

In developing the Council's corporate 10 year capital investment programme it is important to ensure the investment proposals are affordable now and in future years in terms of the debt charges which require to be funded via the revenue account. As such a number of broad principles are proposed:

- As far as possible initiatives should be funded from the Scottish Government Grant, noting that this is expected to continue to fall in the next Spending Review period;
- Where there is a clear business case and efficiencies or significant contribution to strategic objectives can be demonstrated, investment may be funded via additional prudential borrowing;
- Where external funding, grants or partner contributions, can be secured for a key Council priority and match funding is required by the Council;
- Where capital receipts have been confirmed this can be used to enhance the core investment programme, recognising the risk around value and timing of capital receipts.

Outwith the above, additional prudential borrowing will only be supported where provision is specifically made within the Council's medium / long term revenue financial plan.

5.2 Funding Sources

In determining the affordability of its capital investment programme, an estimate is made of available resources, giving due consideration to the inter-dependencies between the capital and revenue budgets. Capital investment may generate, avoid or reduce cost pressures on the revenue budgets depending on the nature of the investment. Similarly, revenue investment in asset maintenance may avoid or delay the need for capital expenditure.

Funding of the current investment programme is noted in table 1 above. The main sources of funding are prudential borrowing and Scottish Government Grant. Other sources include; revenue contributions; use of earmarked funds; contributions from other organisations and capital receipts. The high level of revenue contributions in the 2012/16 programme reflects the draw down from earmarked funds.

5.3 Prudential Borrowing

The Prudential Code for Capital Finance in Local Authorities was introduced on 1 April 2004. The Code enables councils to set their own limits whilst ensuring that the investment plans are affordable, prudent and sustainable. The Council can borrow over a number of years to augment its capital income, provided the resultant annual debt repayments can be accommodated within the revenue budgets for future years. The Council's Treasury Management Strategy sets out the prudential indicators, with regular reporting to Members.

5.4 Capital Grants

Scottish Government general capital grant is a significant funding source for the General Services capital programme. The local government capital allocation declined by £128.8m from £691.8m in 2011-12 to £563m in 2012-13; in addition capital allocations were re-profiled with £120m in 2012/13 and £100m in 2013/14 being taken out of the capital allocations and added back in 2014/15 and 2015/16, respectively. The impact of this for North Ayrshire is reflected in table 1 above.

Grant levels for future years are also forecast to reduce, although the extent of the reduction is currently uncertain, an indicative £9m per annum has been built in the current financial model. Forecasts of government grant for future years will require to be closely monitored and spending plans adjusted as appropriate, particularly recognising the long lead time associated with capital projects and the limited ability to reduce spending once projects have been initiated.

5.5 Capital Receipts

The economic downturn has adversely affected the Council's ability to generate capital receipts from the disposal of surplus land, buildings and other assets. Financial commentators' views differ on the likely timing and rate of recovery, this creates some difficulties in identifying the optimal time to market properties. A conservative view of the value and timing of capital receipts has been factored into the draft 10 year programme.

A working group with representation from Estates, Planning, Economic Development and Financial Management has been established to develop a longer term strategy for disposal of surplus assets. This will inform the assumptions underlying the forecasts in the current draft programme and revisions will be made as appropriate.

5.6 Other Sources of Funding

In the current capital plan the Council has been successful in securing funding from other organisations e.g. Irvine Bay Regeneration Company, SPT. In addition plans are in place to draw down funds from a range of earmarked reserves.

6 SUMMARY

North Ayrshire has been developing its approach to asset management to ensure it complies with best practice and delivers best value. This is being achieved through the updating of its Corporate Asset Strategy (CAS) and implementation of the Action Plans around its six Asset Plans. Both the CAS and the Asset Plans have informed the development of the 10 year capital investment programme. Having a longer term

Capital Investment Programme in place allows the Council to plan more effectively around its core assets.

The Corporate Asset Strategy and Capital Investment Programme will continue to develop via:

- An annual review of the investment programme will be carried out and amended for any significant matters and will be considered as part of the Council's annual budget setting process, ensuring a rolling firm 5 year plan with planning assumptions for the remaining 5 years
- Progress report twice a year on development and implementation of the six asset management plans
- Regular two-monthly capital monitoring reports will continue to be reported to Cabinet