

Asset Management & Capital Strategy 2016-17



The Malsters, Wetmore Road, Burton upon Trent,
Staffordshire. DE14 1LS
Telephone: 01283 508000

Fax: 01283 535412

CONTENTS

- 1. Introduction and Context**
 - 1.1 Introduction**
 - 1.2 Corporate Framework**
 - 1.3 Organisational Framework**
 - 1.4 Partnership Working**

- 2. Corporate Asset Policy**
 - 2.1 Corporate Property Asset Objectives**
 - 2.2 Performance Measures**
 - 2.3 Government Policy and Statutory Responsibilities**

- 3. Preparing the Capital Programme and Allocating Capital Resources**
 - 3.1 Bidding Process**
 - 3.2 Option Appraisals**
 - 3.3 Revenue Budget Implications**
 - 3.4 Risk Management**
 - 3.5 Consultations**
 - 3.6 Sources of Finance**

- 4. Delivering the Capital Programme**
 - 4.1 PRINCE 2 Project Management**
 - 4.2 Monitoring the Capital Programme**

- 5. Management of Property Assets**
 - 5.1 Responsibility for Management of Property Assets**
 - 5.2 Accommodation and Support Service Provision**
 - 5.4 Gap Analysis**

APPENDICES

- | | |
|-------------------|---|
| Appendix A | Outline of Main Sections of Capital Bid Form |
| Appendix B | Capital Programme |

1. INTRODUCTION AND CONTEXT

1.1 INTRODUCTION

This document sets out East Staffordshire Borough Council's (ESBC) approach to the management of its property assets and the allocation and management of capital resources. By effective management of property assets the Council aims to have the right space, at the right time, in the right place and at the right cost to properly support its Corporate Priorities and Objectives.

Primary responsibility for the Asset Management and Capital Strategy falls to the Corporate Management Team and the Business Assurance Group (BAG) which is chaired by the Chief Executive. The Strategy is presented to the Cabinet and Full Council. The Leader is the cabinet member with responsibility for assets.

The Council's philosophy is to maintain a strong, independent, effective and ethical local government for the people, representing all people and addressing needs. The Council will continue to provide civic leadership by being innovative and by vigorously representing local needs at regional and national level. We will set the pace for change, co-operation between all the public agencies and seek to work closely with the voluntary and business communities.

1.2 CORPORATE FRAMEWORK

The Corporate Plan sets out the Council's vision for the organisation. It shows how we will get to where we want to go over this period and it looks back at progress. It also sets the context for the Council's service plans and individual work plans that turn this into a reality.

The Plan is a template for the Council but it is also an important tool to show staff, residents and partners where East Staffordshire is heading.

The Council has in place a wide range of environmental policies, human resource policies and rules on standards of behaviour that together add up to an extensive range of ethical policies governing the way the Council conducts its business.

1.2.1 Corporate Priorities

The Council's Corporate Plan priorities are:

- Value for money services – protecting your money
- Promoting local economic growth – to benefit local people by turning aspiration into reality
- Protecting and strengthening communities – love where you live

The political and managerial structures of the Council are designed to facilitate delivery of key objectives to achieve these priorities. Targets underpinning the objectives are set out in the Corporate Plan. These targets are then disseminated through Heads of Service to senior managers and staff through the preparation of Service Plans and the Council's appraisal process for staff. This cascading principle similarly ensures that staff are aware of how their roles fit into the overall direction of the Council.

In addition to the Corporate Plan priorities, the Council ensures that capital resources are directed at its existing assets to ensure that these are of good condition and to achieve best use of these assets to deliver a better service.

In order to ensure both consistency and delivery of the Corporate Plan priorities the role of the Corporate Management Team is pivotal to the allocation of resources; this is expanded upon in section 3.

When considering the draft Capital Programme and assessing relative priorities, each member of the Corporate Management Team is expected to have regard to identified service priorities and Corporate documents and Strategies including this Asset Management & Capital Strategy, Housing Strategy, and the Medium Term Financial Strategy.

1.3 ORGANISATIONAL FRAMEWORK

The Corporate Management Team of the Council is:

- Chief Executive – Chair of BAG
- Heads of Service

The areas of responsibility and powers of these Officers and their staff are set out in the Constitution of the Council.

1.4 PARTNERSHIP WORKING

The East Staffordshire Local Strategic Partnership (LSP) has produced East Staffordshire's Sustainable Community Strategy 2008-2020 which sets out a shared vision for East Staffordshire, based on consultation. The partners in the LSP include the main suppliers of public services in the borough.

2. CORPORATE ASSET POLICY

2.1 CORPORATE PROPERTY ASSET OBJECTIVES

The Council holds property assets for the following reasons:

- To support the achievement of the **Corporate Plan Objectives and Targets**;
- To provide property from which to deliver a **direct service to the public** e.g. Community Parks and Leisure Centres;
- To provide property which **supports service delivery** e.g. Customer Service Centre;
- The use of non-operational property as an investment to make a financial return to support service delivery or to aid delivery of the Corporate Plan.

The property portfolio supports delivery of the Council's Corporate Priorities in the following ways:

- Use of the Council's property holdings to meet current and future corporate/service requirements and allow flexibility of use;
- Use of property economically, efficiently, effectively;
- Provision of clean safe accommodation/premises for staff/public;
- Support social well being and regeneration opportunities, where appropriate, this could be in partnership with others;
- Produce income/capital to support budgetary requirements.

It is the responsibility of each Service, in conjunction with the BAG, or through its Service Plan, to identify any property or part thereof, that is under used or surplus to their individual service delivery requirements. When considering if a property should be retained the reasons for the Council holding property and how well it supports the delivery of Corporate Priorities should be considered. If disposal is the chosen course of action the **Property Disposal Policy** must be followed.

Unless there are exceptional circumstances, the Council will only acquire land or property for the following reasons:

- Its contribution towards the provision of the Council's services
- Economic Development purposes
- Revenue income generation
- Strategic acquisition for redevelopment purposes
- As a result of a s106 agreement e.g. Public Open Space, rear access road

2.2 PERFORMANCE MEASURES

- Corporate Plan Targets
- Local Property Performance Indicators
- Service Plan Targets
- Departmental Performance Management

2.3 GOVERNMENT POLICY AND STATUTORY RESPONSIBILITIES

| Areas that influence the Council's Asset Management and Capital Strategy include:

- Compliance with specific legislation and regulations such as Health and Safety Legislation, Control of Asbestos at Work Regulations 2002, Civil Contingencies Act 2004, Disability Discrimination Act 2005, Regulatory Reform (Fire Safety) Order 2005, Landlord and Tenant Act 1954 and the RICS Code of measuring.
- Providing match funding for specific projects which enables projects to be undertaken that would otherwise be beyond the financial means of East Staffordshire Borough Council alone.
- Efficiency Programme initiatives
- Energy Performance in Buildings Directive, which derives from the Kyoto protocol on climate change.
- Central government publications and guidance

3. PREPARING THE CAPITAL PROGRAMME AND ALLOCATING CAPITAL RESOURCES

East Staffordshire Borough Council is a relatively small Authority and, as such, has limited capital and revenue resources. It is vital that the Authority ensures that it has a robust decision making process to ensure that resources are allocated in the most effective way.

In order that scarce resources are used in an efficient and effective way Capital Bid Forms are completed for all projects requiring capital investment. We have developed a scoring methodology for capital bids that ensures that capital resources are directed to those projects that score well against our Corporate Plan Priorities and other relevant issues. The bidding process is explained in detail below.

3.1 BIDDING PROCESS

The Business Assurance Group (BAG) oversees the process for assessing capital bids and preparing the capital programme. The BAG is chaired by the Chief Executive and consists of the other Chief Officers and the Programmes and Transformation Manager

The BAG has a role of recommending a Capital Programme to the Cabinet. Monitoring of the approved programme throughout the year is also carried out by the BAG; the role of the BAG is explained in section 4.

Officers are asked to submit details of schemes that they would like to pursue but due to there being very limited Council funding available, only those projects attracting alternative sources of funding will, to a large extent, be permitted to proceed.

The usual annual bidding process has, to a large extent, also been suspended in light of the restricted funding being available, however it is described below.

The annual capital bidding process incorporates Prince 2 Project Management methodology and is outlined below:

Stage	Completed by end:
1. Potential project discussed by project manager with Deputy Leader and Head of Service	July
2. Background information, including relevance to Corporate Plan priorities and costings prepared by project manager	August
3. Capital Bid forms made available to officers by Financial Management	August
4. Section A of Capital Bid forms completed by project managers	September
5. Chair of the BAG and Financial Management representatives review Capital Bid Forms and harmonise officers' scorings against the Corporate Plan to ensure a consistency of approach.	October
6. Assessment of financing options made by Financial Management and revenue impact of both financing costs and running costs calculated, based on bids being approved up to an appropriate total cost for all projects. Revenue costs built into the Revenue Budget	October
7. Draft Programme for the following 3 years considered by the BAG and bids prioritised using an evaluation criterion	October
8. Revised draft programme recommended by BAG to the Budget Board, including costs of financing	November
9. Draft programme presented to Leader/Deputy leaders' group and, following discussions, the proposed Programme is drawn up	December
10. Capital Programme approved by Council as part of the MTFS.	February

Officers are asked to consider potential projects for the forthcoming three years on an annual basis. Occasionally however additional “emergency” projects require approval during the year; in these cases the above procedures are still followed but over a shorter timescale e.g. two months. An outline of the issues to be considered in formulating a capital bid is given at **Appendix A**.

The BAG assesses the bids and discusses the viability and business case of each bid. The BAG will ask officers to justify and explain any bids where necessary and to talk through the business case for each bid. The BAG prioritises the bids using an evaluation criterion incorporating the scoring against the Corporate Plan and other important issues, as outlined above, and any other relevant information / priorities. Bids not scoring well will not be recommended for inclusion in the programme.

Based on the evaluation exercise and an assessment from Financial Management regarding the level of available capital resources and the costs of financing the projects, the BAG then draws up a draft programme that it recommends to the Leader / Deputy Leaders' Group for agreement. Leader and the Deputy Leaders will discuss

the proposed programme and make any changes necessary based on their view of the Corporate Plan priorities and any other issues they wish to address.

It is evident from the above that at two stages compliance with the requirements of the Corporate Plan are considered: first of all during the harmonisation process undertaken by BAG where any items not scoring well against Corporate Plan and other priorities are not recommended for consideration by Members; and secondly by Members themselves in their approval of the programme.

3.2 OPTION APPRAISALS

The scale and nature of a project will determine the level of detail needed in the option appraisal. With less complex projects the principles of appraisal apply, but the scale of the process should be proportionate to the scale of the planned project. Detailed option appraisals are prepared for the Council's larger and/or more complex projects e.g. Uttoxeter Leisure Centre refurbishment.

The options appraisal forms part of the capital bidding process and is carried out once the Officer has identified the business need for the project and discussed the main objectives of it with their Head of Service and Deputy Leader. The options available for providing the solution to this business need are then examined and a cost / benefit analysis is prepared for each option, including consideration of any relevant non-financial issues. Once completed, the results of this can be incorporated into the Capital Bid Form and the preferred option put forward.

3.3 REVENUE BUDGET IMPLICATIONS

The revenue implications for each capital bid are considered at the initial evaluation stage, covering both staffing /running costs associated with the bid and the financing costs over the lifetime of the asset created. One of the Chief Finance Officer's requirements when reviewing capital bids is to ensure that the revenue implications are realistic. The options appraisal exercise undertaken for larger projects seeks to ensure that the lifetime revenue implications of a capital project are fully considered and evaluated, are affordable and are included in the Medium Term Financial Strategy.

3.4 RISK MANAGEMENT

There are a number of key corporate risks to the Council in delivering its objectives. Corporate risks are selected on the basis that they would have significant impact on East Staffordshire Borough Council's ability to deliver critical services and might obstruct the Council's agenda of continuous improvement.

The Council manages all risks through the Corporate Risk Management Strategy and the supporting framework of internal control checklists.

As well as an effective risk management framework, the Council also has business continuity and emergency planning arrangements that are regularly reviewed and developed.

Relevant senior officers maintain detailed and robust risk registers to manage the key corporate risks as well as other risks identified.

The identification of the potential risks of a project is a part of the capital bidding process and officers must consider all these issues when submitting a bid. Service Plans also consider any potential risks to service delivery that may need addressing and the scoring mechanism recognises projects that have been identified through this process. The bid form also factors in the risk of the project itself into the scoring process.

3.5 CONSULTATIONS

One of the most effective mechanisms for consulting with the community has been the Ward Action Service Plan (WASP) process. This is regarded as an important means of identifying local Ward priorities and any common themes across the Borough.

These (“close to the people”) issues often do not correspond with borough wide or national priorities, but the Council does wish to respond to them. Many are related to small physical improvements such as traffic calming, footway lighting etc and the Council therefore allocates a proportion of its capital programme to these local schemes which come forward from the WASP and Neighbourhood Working Fund Initiative processes.

3.6 SOURCES OF FINANCE

The bidding process ensures that consideration is given where possible to either alternative sources of funding or part funding other than the Council's limited capital resources. Current and planned capital expenditure and resources is set out within **Appendix B**.

3.6.1 External Grants and Contributions

Officers are encouraged to seek external funding for potential capital projects before submitting a bid and the Council has a very good track record of attracting alternative sources of funding. In the past, the Council has been successful in achieving and delivering on Single Regeneration Budget projects and more recently Growth Point Funding (£5.6m).

3.6.2 Borrowing

From April 2004, the Prudential Code for Capital Expenditure in Local Authorities gave the Council the power to also undertake unsupported borrowing to finance its Capital Programme. The Council must ensure that any borrowing decisions it makes are prudent, affordable and sustainable.

The powers give the Council the flexibility to decide the best method of financing capital expenditure, bearing in mind the associated pressures on the revenue budget to finance the borrowing costs. An options appraisal exercise is undertaken to assess whether unsupported borrowing is viable, and to consider other alternatives, such as leasing.

Previously, prudential borrowing has been utilised to purchase fitness equipment for both Meadowside and Uttoxeter Leisure Centres. An option appraisal exercise identified a significant saving to the revenue budget compared with a leasing option. The borrowing costs are being fully met from existing leasing budgets. In addition, prudential borrowing has also been utilised to support the re-development of Meadowside Leisure Centre and Burton Market Hall.

3.6.3 Capital Receipts

Capital Receipts are generated when the Council sells surplus land and buildings and these funds can be used by the Council to invest in new capital projects.

The Council views its capital receipts as the "funding of last resort" for capital projects and will always assess the impact on the Revenue Budget and the opportunity costs of using these receipts before approval is given.

As part of the approved Medium term Financial Strategy for 2015/16 the Council set-aside £1.54m of capital receipts, predominantly from the sale of the Town Hall Annex and Carter Square Car Park to re-pay the prudential borrowing associated with the

Burton Market Hall re-development. This generated savings to the revenue budget of £60k per annum.

3.6.4 Revenue Resources

The Council also uses its Revenue Budget to fund capital investment, although given the various pressures on the budget; the contributions are often relatively small. The proposed MTFs for 2016/17 onwards includes an annual revenue provision of £0.1m to support the ongoing pressures on the disabled facility grants budget. This tops up anticipated funding from Staffordshire County Council of £436k in 2016/17.

3.6.5 Developers Deposits

The Council receives developers' deposits as a result of granting planning permission, where works are to be carried out or new facilities provided as a result of that permission. The sums are given for both revenue and capital purposes and must be spent in accordance with the agreement and within the timescale set out in the agreement.

Recent use of these resources includes the rebuilding of the changing rooms at Shobnall Leisure Complex and support for community play facilities.

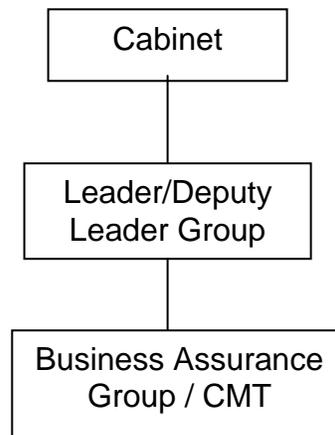
3.6.6 Other sources of Capital Financing

Other sources of finance, such as private finance initiatives, are investigated as and when appropriate.

4. DELIVERING THE CAPITAL PROGRAMME

4.1 PRINCE 2 PROJECT MANAGEMENT

The structure below, which fits into the PRINCE 2 profile, has been adopted:



4.2. MONITORING THE CAPITAL PROGRAMME

Each Head of Service appoints (preferably) a PRINCE 2 trained officer for each project to act as Project Manager, who ensures that reports are submitted on time.

It is the Project Manager's responsibility to ensure that updates on the progress of the project are reported to the lead officer and ultimately the Business Assurance Group. The project manager will liaise with the lead officer and provide a Highlight Report on the project. Highlight Reports will be requested on a monthly basis and provide a summary on the latest progress and any issues that have arisen on the project since the last report.

These updates, combined with the latest financial position, target dates and risk assessments for each project and a summary of the programme overall, form the report that is then made by the lead officer to the Business Assurance Group. A "traffic light" system is used, whereby schemes are coloured depending on their latest position as follows:

Green = to be completed on target

Amber = project delayed or overspend expected (within tolerance)

Red = fundamental problem with scheme and/or significant overspend

5. MANAGEMENT OF PROPERTY ASSETS

5.1 RESPONSIBILITIES FOR MANAGEMENT OF PROPERTY ASSETS

The Leader is the cabinet member with responsibility for assets. The Head of Service – Paul Costiff is the current designated Corporate Property Officer (CPO). The CPO is authorised to take the lead on asset management planning across all services and to ensure that property assets are regarded throughout the Council as corporate assets. The CPO's responsibilities include:

- Asset Management Strategy
- Disposals and acquisitions
- Land terrier, asset register and lease database
- Property Performance Indicators
- Land and property valuations

Each Service is responsible for the day-to-day maintenance of its property assets as recorded in the Asset Register.

5.2 ACCOMMODATION AND SUPPORT SERVICES PROVISION

Facilities Management and Asset Management provide property services for the Council either in-house or through consultants, assessing the best method for provision in each instance.

In-House	Externalised	Mix
Cleaning	Quantity Surveying	Asset Management
Porterage	Architectural	Repair & Maintenance
Facilities Management	Valuation	Estate Management

5.4 GAP ANALYSIS

Gap/Surpluses	Action	Who
Property Condition Survey information is in some cases out of date and a new surveys are being organised on a rolling programme.	Work to carry on in 2016/17 in relation to Yoeman Industrial Estate.	External Consultants/Contractors

Main Sections of Capital Bid Project Brief Form

Section A – completed for Bid submission

i. Project Name, Description and Objectives

A brief summary of the project and its objectives i.e. what is to be achieved by the project.

ii. Justification and Reasons for the Project

Setting out the reasons why the project is necessary and how it helps meet Corporate and Service Objectives and addresses items in the Deputy Leader's annual report. The various options that have been considered and the recommended option are also set out.

iii. Scoring against the Corporate Plan Priorities and Other Issues

To ensure that projects are appraised on a consistent and objective basis and are aligned to Corporate Plan priorities. Other important issues that are not specifically mentioned in the Corporate Plan are also taken into account eg Health and Safety and Risk Management issues. Weightings are applied to the scores with Corporate Plan priorities and statutory requirements carrying the most weight.

iv. Cost and Funding Profile

Estimates of the costs of the project and timing of these costs and the funding sources investigated and identified

v. Additional Revenue Budget impact of the Project

Lifetime revenue costs for the project

vi. Consultation

That has taken place with community groups etc

Section B – completed for successful Bids

vii. Project Outcomes and Scope

The expected and required deliverable/products/outcomes that the proposed project must create or acquire and the major areas, functions and processes to be addressed during the project, that is, what is "in" and what is "out".

viii. Outline Project Plan

The main stages of the project are set out together with target dates for their completion.

ix. Project Constraints, Assumptions and Risks

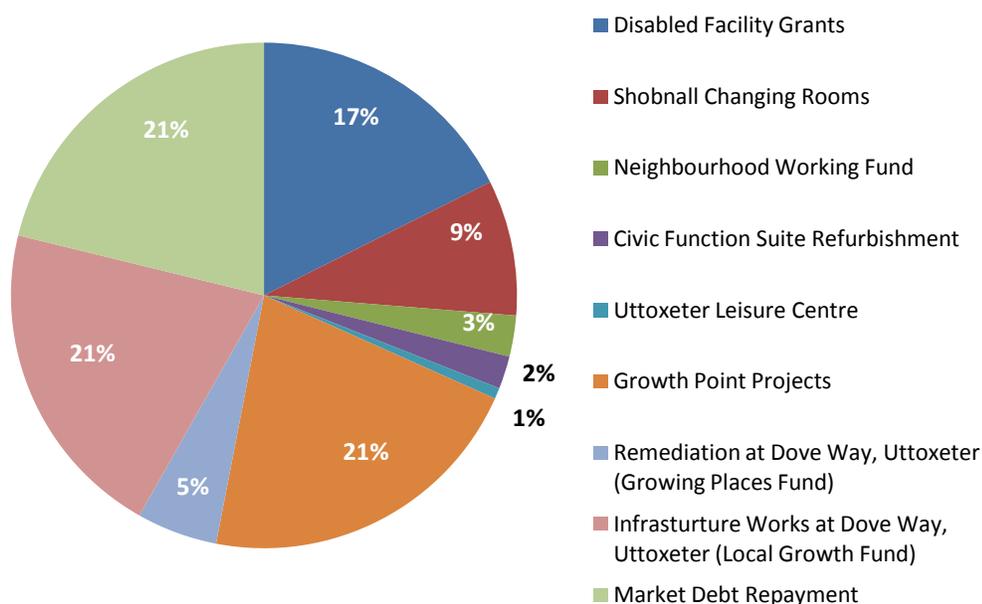
Restrictions and expectations on time, resources, funding and/or the eventual outcome and the key risks facing the project.

- x Outline Business Benefits/Business Case**
A brief summary of the business benefits that are expected to stem from the project.
- xi Spend Profile**
Giving expected spend figures for the four quarters of each financial year.
- xii Planning Permission and Building Regulations Approval**
Confirming whether or not planning permission is required and has been granted and whether Building Regulations approval has been granted. If either has not been granted the timescale for making the submission must be stated.

East Staffordshire Borough Council's Capital Programme

Capital Programme 2015/16

The budget for capital spending for 2015/2016 amounts to £7.2m. The main areas relate to infrastructure and remediation works at Dove Way Uttoxeter (£1.9m), growth point projects (£1.6m), repayment of debt associated with the market hall Re-development (£1.5m), disabled facility grants (£1.3m) and other projects such as the Civic Hall and the neighbourhood working fund. The following chart illustrates the projects covered by the 2015/16 Capital Programme.

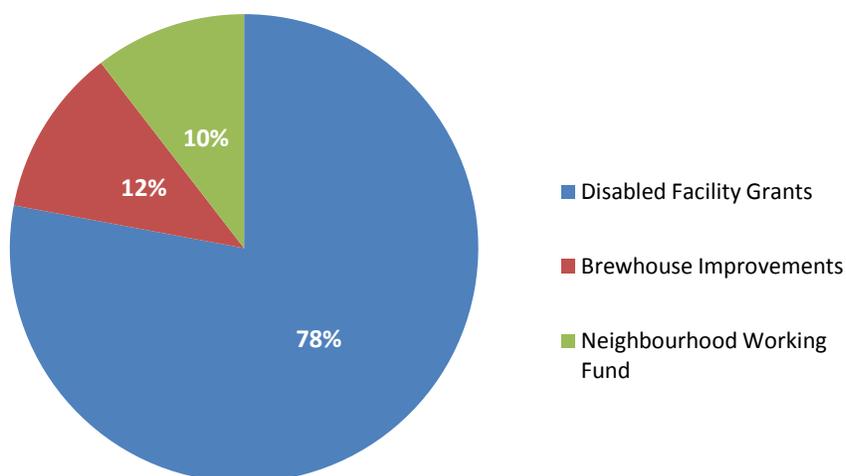


The sources of finance for the capital programme are shown in the table below:

Source	£'000
Usable Capital Receipts	2,033
Capital Reserves / Revenue	884
External Grants	3,979
Borrowing	375
Total	7,271

Capital Programme 2016/17

The areas of new expenditure for the Capital Programme in 2016/17 total £0.9m and are shown in the following chart:



In addition to this, a number of the projects shown within the capital programme for 2015/16 are taking place over a number of years. As a consequence, the balance of funding will be rolled forward at the end of March 2016 into 2016/17.

The sources of finance for the capital programme are shown in the table below:

Source	£'000
Revenue Budget	-
Receipts	211
Grants/Contributions	745
Total	956

Further Information

Alternative formats of this publication are available on request.
Please contact us to discuss an appropriate format.

Call: 01283 508536

Email: angela.wakefield@eaststaffsbc.gov.uk

Email: liz.eastaugh@eaststaffsbc.gov.uk

Call: 01283 508399

Email: lisa.turner@eaststaffsbc.gov.uk

Angela Wakefield – Legal Services Manager
Lisa Turner – Chief Accountant
East Staffordshire Borough Council