



REPORT TO: POLICY & RESOURCES COMMITTEE ON 10 MAY 2016

SUBJECT: CORPORATE ASSET MANAGEMENT PLAN

BY: CORPORATE DIRECTOR (CORPORATE SERVICES)

1. REASON FOR REPORT

- 1.1 To provide Committee with a report of progress made against the Corporate Asset Management Plan for 2015/16 and to consider targets for 2016/17.
- 1.2 To review the recommendations of the Audit Scotland report “Major capital investment in councils follow-up” and to recommend actions in response to the recommendations in the report.
- 1.3 This report is submitted to Committee in terms of Section III (A) (30) of the Council’s Scheme of Administration relating to the formulation, implementation and review of asset management policies and practices, and to the maintenance of an overview of the Councils property disposal programme.

2. RECOMMENDATIONS

2.1 It is recommended that Committee:

- (i) **considers and notes the report of work done to date to meet the targets set in the Corporate Asset Management Plan for 2015/16;**
- (ii) **notes the status of Asset Management Plans for each type of asset;**
- (iii) **considers the recommendations contained in the Audit Scotland report: “Major capital investment in councils – follow-up”;**
- (iv) **approves the targets set in the Corporate Asset Management Plan for 2016/17; and**
- (v) **notes that, as a matter of urgency, the council will be asked to review the policies and priorities underpinning the preparation work required for the capital plan from 2017/18 onwards and, meantime, officers are not working on any capital projects which are likely to be aborted due to financial constraints.**

3. BACKGROUND

- 3.1 Policy and Resources Committee approved the Council's first Corporate Asset Management Plan on 23 September 2008 (para 6 of the Minute refers) and annual updates thereafter. The updated plan for 2015/16 was approved by Policy and Resources Committee on 12 May 2015 (para 6 of the Minute refers).
- 3.2 A schematic representation of the Asset Management Planning process is included as **APPENDIX 1** to this report.
- 3.3 A summary of progress to date on developing individual Asset Management Plans is included as **APPENDIX 2** to this report.
- 3.4 Audit Scotland carried out a review of major capital investment by Councils in 2012. This was reported in 2013 and a follow-up study carried out in 2015 to review the extent of compliance with the recommendations in the 2013 report. The follow-up study was reported in January 2016 and the report concludes that further improvement in the management of capital investment is generally required.

4. REPORT ON PROGRESS UNDER THE CORPORATE ASSET MANAGEMENT PLAN

4.1 Targets for 2015/16

4.1.1 The targets for 2015/16 are listed below:

- Review the draft 10 year capital plan for affordability following guidance from the Service Development Group
- Review the Council's Capital Strategy to ensure that it reflects best practice as encapsulated in the CIPFA guidance on Capital Strategies and Programmes.
- Further develop reporting of risk to Policy and Resources Committee
- Continue to develop asset management planning for Open Space
- Continue to develop asset management planning for harbours
- Review the Council's Community Asset Transfer policy
- Review arrangements for rents of property at less than market value.
- Bring forward proposals for a policy on buildings which no longer have a strategic fit with Council priorities with a high community profile.

4.2 Progress towards targets

4.2.1 Review the draft ten year Capital Plan for affordability.

The Asset Management Working Group has revised the ten year Capital plan, updating it for the latest available asset information and identified budget pressures. The draft ten year Plan now extends from 2016/17 to 2025/26 and includes expenditure of £288 million, excluding all new budget pressures. The first year of this draft Plan was used as the basis for the Capital Plan for 2016/17 which was approved by Council on 30 March 2016 (paragraph 8 of the Minute refers). The plan is unsustainable over the 10 year period, as

noted by Council at that meeting. Revision of the 10 year plan remains a key priority for asset management but is dependent on guidance from members.

Status: the technical underpinning of the Plan has been strengthened and is more comprehensive. The Council has formally recognised that its current level of service provision is not financially sustainable and has agreed to work towards addressing this problem over the next two years. This work will need to result in a reduction in the Council's areas of priorities to enable the Council to afford to maintain / improve its assets in line with Council policies. Future revenue budgets will need to provide sufficient money to repay the loans that will be required in this regard.

4.2.2 **Review the Capital Strategy to ensure it reflects best practice.**

A revised Capital Strategy was drafted in the light of CIPFA guidance on Capital Strategies and Programmes and this was approved by Council on 30 March 2016.

Status: complete.

4.2.3 **Further develop reporting of risk.**

The Audit Scotland report 'Major Capital Investment in Councils' recommended that Councils develop and maintain a risk register for their Capital Plan. In response to this the capital budget monitoring reports to this Committee now include a section specifically dealing with the risks which have been identified for the Capital Plan. It was intended that this process would be developed further with capital budget managers during 2015/16. Little progress has been made with this during 2015/16 but it is intended to develop this in 2016/17 but identifying and reviewing risks for individual projects at Gateway stages during the year and including these in the quarterly monitoring reports to the Committee.

Status: in progress

4.2.4 **Open Space.**

The assets which fall under the Open Space AMP are currently recorded on a spreadsheet, with remote footbridges now also recorded on the Roads asset management system. The asset range includes footbridges, cemeteries, buildings in cemeteries (eg Kinloss Abbey), car parks at cemeteries, tarred paths and roadways in parks, street lights in parks, steps, war memorials.

There is no programme of monitoring or maintenance of these assets, although war memorials are given a visual inspection before Remembrance Sunday. This area of Asset Management Planning was included for completeness following guidelines set out in the CIPFA Guide to Asset Management and Capital Planning. It does not constitute a high priority for the Council in terms of the Council's states priorities in Moray 2023. Work will continue in this area as and when other priorities permit.

Status: ongoing but low priority

4.2.5 Harbours.

The asset management planning process has commenced, with details of the infrastructure that forms the structure of harbours (jetties, piers, quay walls), roads, lighting, etc. being recorded in the database used for roads assets. Offices and other buildings will sit with the property asset management database. Annual inspections are being undertaken to inform maintenance needs to make sure assets are safe and maintenance is appropriately targeted. The initial surveying process is complete and the results being analysed. It is anticipated that a harbours Asset Management plan will be completed during 2016/17.

Status: in progress

4.2.6 Review the Community Asset Transfer (CAT) policy

A revised CAT policy was approved by this Committee on 1 September 2015 (paragraph 6 of the Minute refers).

Status: complete

4.2.7 Review arrangements for rents of property at less than market value

Revised arrangements for rents of property at less than market value were approved by this Committee on 1 September 2015 (paragraph 8 of the Minute refers).

Status: complete

4.2.8 Policy for Council buildings with no strategic fit with Council priorities

A policy for Council buildings which no longer have a strategic fit with Council priorities but which have a high community profile was agreed by this Committee on 1 September 2015 (paragraph 5 of the Minute refers).

Status: complete

5. AUDIT SCOTLAND FOLLOW-UP REPORT

- 5.1 The main points from the Key Messages of the Audit Scotland report "Major capital investment in councils: follow-up" are set out below:

Area for improvement	Suggested improvements
Capital Investment Strategies and Plans	<ul style="list-style-type: none"> • Long-term strategy • Strategy should identify opportunities for collaboration with other bodies • Plan should set out the rationale for prioritising and progressing major projects • Plan should set out the expected benefits of these projects
Management and monitoring	<ul style="list-style-type: none"> • Routinely revisit and review business cases through the life of every capital project • Formal mid-term review of projects • Post project evaluations

Area for improvement	Suggested improvements
Scrutiny	<ul style="list-style-type: none"> • Report cumulative spending over more than one financial year against total capital budget for individual project • Routinely report project risks • Routinely report non-financial information eg benefits realised. • Continuing programme of member training on capital issues.

5.2 The recommendations made in the report to address these points are summarised below:

Recommendation	Moray Council Status	Ref
Prepare business cases which comply with good practice for every capital project	Gateway process requires business case / justification proportionate to the project	
Revisit and monitor business cases throughout every capital project	Not routinely done	5.4
Post-project evaluations: identify good practice / lessons learned and proactively share these	Not routinely done	5.5
Review projects at key stages re progress and potential problems	Quarterly report to P&R	
Develop capital monitoring to include: <ul style="list-style-type: none"> • Cumulative spend against total budget • Progress against key milestones • Reasons for and consequences of any slippage / delays / change in timing of spend • Benefits realised v benefits expected • Update of risks 	Was done for major flood schemes, otherwise not done	5.6
	Spend against financial profile only	5.7
	Part of budget monitoring report	
	Not done	5.8
	Risk reporting in budget monitoring report but not comprehensive	5.9
Regular training for elected Members on capital investment		5.11

- 5.3 The report does not make any specific recommendations on the area of capital investment strategies and plans. However, the suggested Corporate Asset Management Plan for 2016/17 includes the further development of the rationale for prioritising projects for inclusion within the Capital Plan, as suggested in the Key Messages.
- 5.4 Although the report relates to major capital investments, the recommendations appear to be blanket recommendations for capital programme management. To revisit and monitor business cases throughout every capital project would be very resource intensive. It would have the advantage of identifying “mission creep” and avoiding this occurring. It is recommended that review of business cases is linked to triggers (eg tender 10% above budget). Triggers for review will be identified for each milestone (see paragraph below). Where review of the business case is not triggered it is recommended that project review is limited to review of the benefits achieved against those expected. Financial review against anticipated costs will continue to be monitored for all items within the capital plan.
- 5.5 Post-project review is part of the Gateway process. The Asset Management Working Group will bring forward guidance as to when this Gateway stage is appropriate. This is included as an action within the Corporate Asset Management Plan for 2016/17. The Group received and considered its first completed project review in March 2016, from which it was evident that the shared learning will be of benefit to the Council.
- 5.6 It is intended to include an appendix detailing total costs of projects across years, following the method used to monitor major Flood Alleviation Schemes, in future budget monitoring reports to this Committee. This will only apply to individual projects, and not to ongoing programmes of work (eg roads resurfacing).
- 5.7 Budget managers are currently requested to identify projected quarterly expenditure. This reflects project milestones and it is intended that future construction projects are monitored against the achievement of the following milestones:

Business case	Land acquisition	Planning permission	Tender	Contract award	Build status	Completion	Post project evaluation
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- 5.8 Potentially the monitoring of benefits achieved involves a major change of emphasis towards the monitoring of outcomes. As a first step towards this the expected benefits of both projects and programmes of work contained within the Capital Plan will be recorded and reported. As the Capital Plan is largely based on Asset Management principles it is anticipated that the benefits expected will mainly relate to the approved asset standard for the class of asset in question.

- 5.9 A more comprehensive review of risks and mitigations will be incorporated into capital budget monitoring. This will be developed with budget managers.
- 5.10 It is anticipated that the development of capital monitoring to include improved risk monitoring, benefits and milestones will evolve over a period of time.
- 5.11 An in-depth members briefing session was held on 27 January 2016 and subsequent extensive engagement preceded the approval of the Capital Plan for 2016/17 on 30 March 2016. Further engagement will be required on the entire financial plan (revenue and capital) and this will be led by the Corporate Management Team.

6. CORPORATE ASSET MANAGEMENT PLAN 2016/17

- 6.1 The Corporate Asset Management Plan for 2016/17 forms **APPENDIX 3** to this report. The Plan reflects a year of consolidation, with the key aim being to ensure that work needed to underpin and deliver a ten-year Capital plan is identified, resourced and carried out. A feature of this will be the strengthening of the Gateway process, ensuring that the correct level of challenge is built into the process. The Plan also reflects the recommendations of the Audit Scotland follow-up report on major capital investment. The key tasks identified in the Plan are:

- To review the draft ten year Capital Plan as and when the council provides guidance in relation to service levels which are financially sustainable;
- Meantime, as a matter of urgency, seek guidance from the council on its policies and priorities to minimise the amount of potentially abortive work that would otherwise be generated by continuing to apply the current priorities and policies, which are unaffordable;
- the Asset Management Working Group will continue to present single year plans;
- To develop the Gateway process, including guidance on the process of prioritising projects for inclusion in the ten year Capital Plan;
- To develop monitoring and reporting to include:
 - benefits of projects;
 - project-specific risks;
 - progress against milestones; and
 - total cost of projects where these span more than one financial year.

7. SUMMARY OF IMPLICATIONS

(a) Moray 2023: A Plan for the Future / Service Plans

Asset Management Planning assists the Council to deliver Council and Community Planning priorities whilst achieving Best Value.

(b) Policy and Legal

There are no policy or legal implications arising directly from this report.

(c) Financial implications

There are no financial implications arising directly from this report. Asset Management Planning feeds into the Council's financial planning process.

(d) Risk Implications

There are no risks to the Council arising directly from this report. Asset Management Planning reduces the risk to the Council of unexpected issues arising relating to the Council's assets.

(e) Staffing Implications

There are no staffing implications arising directly from this report. All planned actions will be carried out within current staffing resources.

(f) Property

There are no property implications arising directly from this report.

(g) Equalities

There are no equalities implications arising directly from this report.

(h) Consultations

Members of the Asset Management Working Group, the Head of Financial Services, the Head of Legal and Democratic Services, Lissa Rowan, Committee Services Officer and the Equal Opportunities Officer have been consulted in the preparation of this report.

8. CONCLUSION

8.1 Progress continues to be made in the development of Asset Management Planning processes and plans.

8.2 The Corporate Asset Management Plan for 2016/17 sets out the actions planned for this financial year to progress Asset Management Planning in the Council.

8.3 The key action is to review the Council's ten year Capital Plan, which is currently unsustainable. This action requires direction from members.

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Background Papers:

Ref: