

Cheltenham Borough Council
Cabinet – 16 September 2014
Council – 13 October 2014
Asset Management Plan and Capital Strategy – update

Accountable member	Cabinet Member for Finance, Councillor John Rawson
Accountable officer	Director of Corporate Resources (Section 151 Officer), Mark Sheldon
Ward(s) affected	All
Key Decision	Yes
Executive summary	This report outlines the progress made in developing the Council's Asset Management Plan and Capital Strategy and makes recommendations for funding some initial proposals at this stage.
Recommendations	<p>That Cabinet / Council</p> <ol style="list-style-type: none"> 1. Approve the principles on which the new Asset Management Plan and Capital Strategy will be based and the methodology for prioritising capital projects, outlined in sections 2 and 3 below. 2. Approve the funding of the projects outlined in paragraphs 4.2 to 4.4 below, totalling £891,700, to be funded from capital receipts.

Financial implications	<p>As contained in the report and appendices.</p> <p>Contact officer: Mark Sheldon.</p> <p>E-mail: mark.sheldon, mark.sheldon @ cheltenham.gov.uk</p> <p>Tel no: 01242 264123</p>
Legal implications	<p>None specific arising from the report recommendations save for any contractual arrangements required to deliver the immediate funding proposals.</p> <p>Contact officer: Peter Lewis</p> <p>E-mail: peter.lewis@tewkesbury.gov.uk</p> <p>Tel no: 01684 272012</p>

HR implications (including learning and organisational development)	<p>The proposals include funding to allow for the extension of a full time temporary contract and an increase in hours of another post within the urban design team to cover the period 2015/16 and 2016/17 in order to support the delivery of the public realm improvement programme.</p> <p>Contact officer: Julie McCarthy</p> <p>E-mail: julie.mccarthy@cheltenham.gov.uk</p> <p>Tel no: 01242 264355</p>
Key risks	<p>As outlined in Appendix 1</p>
Corporate and community plan Implications	<p>The aim of the report is to direct resources towards the key priorities identified in the Council's Corporate Business Plan.</p>
Environmental and climate change implications	<p>None arising from this report.</p>

Background

- 1.1 The Council's Asset Management Plan (AMP) and Capital Strategy (CS) outlines the Council's approach to managing its assets (buildings and infrastructure) and the decision making process in respect of these assets. The current plan ends on 31st March 2015 and is currently under review.
- 1.2 The council has recently benefited from a significant capital receipt as a result of the sale of North Place and Portland Street car parks and also has unallocated capital receipts from the sale of Midwinter allotments and other assets including Montpellier lodge. The council has a once-only opportunity to ensure that these capital receipts are used wisely. The Asset Management Plan and Capital Strategy will propose how these receipts will be used and set a continuing framework for capital investment.
- 1.3 The original intention was that the AMP and CS would be presented to the Council in October 2014 for approval. However, there are a number of significant work streams that have yet to be concluded and therefore the capital investment / capital allocation required to deliver them has yet to be finalised. The outstanding workstreams include:
- 1.4 **Accommodation strategy:** Despite the Council's best efforts to acquire a major town centre property, the owners decided not to sell to the Council or indeed any other potential buyer. Work is continuing to identify and appraise the Council's options, including the potential to build offices on the Shopfitters site for the Council and other public sector partners.
- 1.5 **Boots Corner public realm:** Since the Transport Regulation Order (TRO) process has yet to be concluded, the council is not in a position to progress with the public realm investment proposals. It is anticipated that the TRO process will be completed in the autumn of 2014, which will then determine whether or not the original plans for improvements to Boots Corner will take place.
- 1.6 **Car park strategy:** The development of the council's car park strategy is under way. However, it is not yet completed because it is linked to the proposed Boots Corner closure, which will have an impact on where and how the council should increase or decrease parking provision to improve traffic flows and serve the needs of residents and visitors.

- 1.7 Cemetery and Crematorium investment:** The issues with the council's cremators have resulted in the need to take a longer term view about what investment is required at the crematorium to meet future needs. Work is being commissioned to consider a range of options including the replacement of the cremators in the existing building to the complete replacement of the crematorium and chapels in a new building the boundaries of the existing site.
- 1.8** Given that these significant projects are still work in progress, an allocation of money to them at this stage would be premature. The Cabinet Member for Finance is therefore proposing that the AMP and Capital Strategy will be aligned with the budget cycle for 2015/16 budget, at which time the council may be clearer about the direction of travel for some of these projects.
- 1.9** Bringing the AMP and Capital Strategy forward at the same time of the budget for both Cabinet and Council approval and will also have the advantage that they can be fully aligned with the budget strategy and the MTFS; and that public consultation can be carried out on the Capital Strategy as part of the budget consultation.
- 1.10** However, there are some projects which require an early decision to fund in order to facilitate important key corporate objectives and these are set out in paragraphs 4.2 to 4.4 below.

2. Principles on which the new Asset Management Plan and Capital Strategy will be based

- 2.1** The council owns a diverse portfolio of land and property assets. The Asset Management Plan (AMP) will set out the Council's approach to the management of its asset portfolio over the next 5 year period (2014/15 to 2019/20). It will outline how it will use these assets to deliver services to the public, outcomes for the community and support the objectives in the corporate plan.
- 2.2** The quality, condition, suitability and sustainability of the council's operational assets have a direct bearing on the quality and deliverability of front line services. It is therefore extremely important that these assets are fit for purpose, safe to work in and visit and managed in a proactive and efficient way in response to the changing requirements of our customers, staff and legislation. The AMP will outline the council's approach to planned maintenance and investment in the property portfolio.
- 2.3** Cheltenham is a unique town. The council therefore has a responsibility to protect and where possible enhance the features that help to give the town its character and quality of life and contribute to its economic prosperity, including its street scene, its parks and gardens and its historic buildings. The AMP and the Capital Programme will set out ways in which the council can meet this responsibility.
- 2.4** The council is facing a challenging financial outlook as a result of the reducing government grant support and a shift towards rewarding councils for business and housing growth. The current Medium Term Financial Strategy (MTFS) forecasts that, even if the current budget strategy work streams are delivered, there will remain an unresolved budget gap of £1.2m. It is therefore essential that the AMP and the Capital Strategy should make a positive contribution to the MTFS. They can make this contribution either by helping to create additional revenue streams or by achieving reductions in the cost of the asset base.
- 2.5** Energy is an increasingly scarce commodity and will become ever more expensive. This is linked to the wider concerns regarding climate change, to which our buildings are major contributors. There is an ongoing need to mitigate and adapt to climate change through careful investment aimed at reducing energy consumption.

3. Methodology for developing the Capital Strategy

- 3.1** As part of the outturn report in July 2014, a list of potential capital projects was presented to the

Council for information and comment (Appendix 9). However the project listed substantially exceeded the amount of capital available.

- 3.2** Accordingly, Cabinet and officers have put a robust system of project appraisal process in place to establish an order of priority. All projects now require a Priority Assessment Tool (PAT) form to be completed which outlines the project and describes how it will meet the Council's corporate objectives. These projects are then evaluated against the Council's corporate plan, scored accordingly and ranked.
- 3.3** The key objectives against which projects are measured are as follows:
1. Enhancing and protecting our environment
 2. Strengthening our economy
 3. Strengthening our communities
 4. Enhancing the provision of arts and culture
 5. Delivering value for money services
- 3.4** An officer panel will assess bids for capital funding and their recommendations will be referred to the Budget Scrutiny Working Group and the Asset Management Working Group and subsequently onto Cabinet for approval. Where investment in leisure and cultural services concerned, the Cheltenham Trust will also be involved in the decision-making process.
- 3.5** It will be the responsibility of the Cabinet, acting on the advice from the Cabinet Member for Finance, following consultation with relevant officers and Cabinet portfolio holders, to decide whether or not to confirm or amend the recommended priority order.

4. Cabinet recommendations for immediate funding

- 4.1** Although the AMP and the Capital Strategy will come to Council in the budget cycle, there are a number of items of capital spending which the Cabinet Member for Finance is proposing that the Cabinet and Council should approve now from the Capital Reserve. All of these projects score highly for meeting corporate objectives; and all of them have a degree of urgency about them.
- 4.2 High Street public realm improvement: £561,700.**
The Borough and County Councils have worked very successfully to jointly fund high quality paving works in the town centre including the repaving of both sides of the Promenade. This new funding will help to secure much-needed investment in public realm including repaving work in the High Street and town centre as outlined in the High Street analysis report supported by the Cheltenham Development Task Force. It meets corporate objectives 1 and 2 (environment and economy) above. The investment (£244,400 in 2015/16 and £317,300 in 2016/17) will fund both the cost of public realm improvements plus the extension of contracts for temporary staff to 2016/17 in order to ensure that a range of projects within the town centre are delivered. This funding may be ultimately be substituted with or supplemented by external funding from other sources.
- 4.3 Car park investment: £250,000.**
Much of the equipment in the town's off street car parks is old and needs to be replaced on a phased basis as part of a cyclical investment programme. On occasion there are breakdown failures which mean that the council loses revenue and the cost of certain replacement parts can mean that replacement with a new machine is a more cost effective longer term solution. The procurement of new machines also allows additional functionality to be introduced for the benefit of customers, including the option of payment by credit/debit card and can incorporate software

which provides real time information about machine breakdowns, visitation and income. This approach will also allow the standardisation of equipment, making longer term maintenance less complex and gives data against which cash collection can be reconciled. This allocation will enable us to start a rolling programme of equipment renewal and will contribute to corporate objectives 1 and 5 (environment and value for money) above

4.4 Town Hall chairs: £80,000.

The chairs currently in use at the Town Hall have reached the end of their life and need replacing. It had been hoped that the chairs could be replaced as part of a first phase of the Town Hall redevelopment scheme which involved changes to the staging mechanics. However it now appears that, for technical reasons, the staging work cannot be done separately from the comprehensive redevelopment scheme. Accordingly it is proposed that the chairs should be replaced like for like. If the redevelopment scheme commences before the new chairs have reached the end of their useful life, they can be moved to Pittville Pump Room to substitute for older chairs that are in need of replacement; or else they can be sold on. This expenditure is business-critical and meets corporate objectives 2, 4 and 5 (economy, arts and culture and value for money) above.

5. Consultation

5.1 The Budget Scrutiny Working Group and Asset Management Working Group will be consulted in developing the Asset Management Plan and Capital Strategy.

6. Performance management – monitoring and review

6.1 Projects which deliver revenue savings will be monitored as part of the quarterly budget monitoring report to Cabinet.

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Appendices	1. Risk Assessment
Background information	1. Capital 'wish list' Appendix 9 July 2014 Council

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1	If the council does not use its scarce capital resources and invest wisely the "one off capital receipts to deliver its objectives then there is a risk that its performance objectives may not be met.	MS	1/9/14	4	3	12	Reduce	Funding bids will be objectively assessed against the corporate plan objectives and the 'BtG' programme board, Budget Scrutiny Working Group and Asset Management Working Group will be informed and consulted on the relative merits of each bid before recommending where to direct investment.	December 2014	Mark Sheldon	
2	If the council does not use its scarce capital resources and invest wisely the "one off capital receipts to support the MTFS budget gap then there is a risk that it may miss an opportunity to meet its longer term financial targets.	MS	1/9/14	4	3	12	Reduce	Funding bids will be assessed for the contribution they make to the MTFS and the 'BtG' programme board, Budget Scrutiny Working Group and Asset Management Working Group will be informed and consulted on the relative merits of each bid before recommending where to direct investment.	December 2014	Mark Sheldon	