

**SOUTH HAMS DISTRICT COUNCIL**

**ASSET STRATEGY 2008**

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## **Strategic Aim**

***“To ensure our Property Assets are best used to support the Council’s Aims, Priorities and Targets.”***

## **SECTION 1**

### **CONTEXT AND INTRODUCTION**

- 1.1 The purpose of this document is to provide a strategy to optimise the use of property assets in terms of service benefits and financial return in order to meet corporate priorities and targets. The Asset Strategy is a step on from the previous Asset Management Plan and Capital Strategy documents in that it combined these two documents in order to ensure that the whole approach is “joined up”. This 2008 Asset Strategy updates the 2006 document.

#### **Financial Information**

- 1.2 The Council’s budgeted gross expenditure for 2008/09 is £43,070,000 with a net budget requirement of £9,979,000. The following table outlines the value of the Council’s fixed assets as at 31 March 2007:

	<b>31 March 2007 £000</b>
<b>Operational Assets</b>	
Land and Buildings	47,341
Vehicles, plant and equipment	2,841
Infrastructure Assets	2,699
Community Assets	321
<b>Non-operational assets</b>	<b>1,081</b>
<b>Total Value of Fixed Assets</b>	<b>54,283</b>

- 1.3 For 2008/09, the following capital and revenue income and expenditure is forecast in respect of the Council’s assets:
- Employment Estates and Investment Properties income totalling £1,295,000 from assets of £18,714,000 gross value.
  - Salcombe Harbour income of £815,000 generated from assets of £490,000 gross value.
  - Car Parks income totalling £2,896,000 from assets of £6,108,000 gross value.
  - Repairs and Maintenance expenditure in respect of Council assets totalling £787,000.
  - Grounds Maintenance expenditure of £656,000.

Asset Strategy Approach

- 1.4 One of the principal aims of an Asset Strategy (AS) is to ensure that the opportunity cost of having resources tied up in land and buildings is kept to a minimum and that expenditure (whether it be capital or revenue) is used effectively and efficiently to provide value-for-money. The land and property assets which a local authority holds are there to support the business of the local authority, that is, to provide services. One exception to that main rationale is where land and buildings are used for investment purposes in which case the emphasis instead will be on ensuring that the resource produces a maximum financial return. A balance should be struck between achieving profit and service outcomes.
- 1.4.1 Since the production of the last approved Asset Strategy in 2006, much progress has been made in moving forward on the actions contained within it. This has included:
- Developing the role of the Asset Management Group
  - Implementation of the Capital Programme
  - Establishment of a Planned Maintenance Policy including a further review of backlog maintenance for Council buildings and the revision of the planned maintenance programme
  - Development of the Building Maintenance Team in terms of external trading with public sector organisations
  - Review of the Council's Employment Estate and approval for disposal of a range of properties
  - Identification of assets managers across the Council to take strategic responsibility for their portfolios
  - Continued close working between Property Services and Financial Services to ensure links are strengthened between asset management and financial plans
- 1.5 The above are only outline updates and more information can be found at Appendix B and at Section 3.6.
- 1.6 There are a range of benefits that the Council should expect from this Asset Strategy:
- A co-ordinated approach to asset management across the authority which will take both corporate objectives and priorities into account as well as individual service group requirements in the context of property decisions.

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- A better understanding of its property assets, including what it owns, their condition, why they are held and what benefits they bring.
- Clear and explicit corporate responsibility for strategic asset management.
- Asset management decisions which are planned in a co-ordinated way and are consistent with the corporate prioritised needs of the authority.
- A performance measurement system for property assets which is simple and robust with indicators which relate to the Council's corporate objectives.
- Good and accurate data organised in such a way to facilitate analysis of performance by a particular portfolio and asset management decision-making.

## **SECTION 2**

### **Aims and Objectives**

2.1 There are a number of aims and objectives in relation to the Council's Asset Strategy and these are summarised below:

2.1.1 To ensure that property assets are provided, managed and maintained in such a way as to fully support the provision of services across the Council in a cost effective way by:

- Understanding Services' property needs
- Assessing premises condition and ensuring there is a plan in place to maintain at the required level

2.1.2 Assets should be seen as a corporate resource where the impact of decisions is considered across the authority by:

- Regularly reviewing the role of the Asset Management Group to ensure it is functioning effectively and has the appropriate membership

2.1.3 That assets are maintained in such a way as to sustain or enhance value, reduce failure which might impact on service delivery or health and safety of staff/public, and optimise the effect of financial investment by:

- Regularly updated condition surveys
- Regular programmed inspection regime
- Implementation of a planned maintenance programme
- Use of suitably experienced internal and external specialists
- Securing the allocation of appropriate resources

2.1.4 To ensure that property assets are supporting the Council's corporate objectives and service delivery and that clear information is maintained in respect of the Council's asset base by:

- Links through service plans to ensure identification of asset needs
- Provision of an accurate asset register

2.1.5 To ensure that the property portfolio is kept under review through active asset management, including disposals, acquisitions and development projects, the implementation of a comprehensive improvement programme and clear links to the Council's priorities by:

- Reviewing property to identify sites for release

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- Identifying sites for development which will support corporate priorities
- Challenging the need for ownership/retention of property
- Seeking opportunities for sharing of property with partners

2.1.6 To ensure that all assets are regularly inspected and any identified risks are removed or properly managed in order to avoid injury and 3<sup>rd</sup> party claims by:

- Continuing the current Public Area Inspection regime
- Ensuring there is a co-ordinated approach to all inspections

2.1.7 To ensure compliance with legislation where it relates to the Council's assets by:

- Keeping abreast of legislative requirements where they relate to assets
- Ensuring adequate resources are identified to enable compliance

**SECTION 3**

**Corporate Asset Management**

**REVIEW MEMBERSHIP / TITLES OF GROUP - PA**

**3.1 Organisational Arrangements**

3.1.1 The table below sets out the relationship between the Senior Management Team, The Asset Management Group and Service areas:

<b>Senior Management Team</b>	
Chief Executive	
Asset Management Group	Strategic Director (Community)
Head of Property Services (Chair)	
Building Services Manager	
Principal Valuer	
Head of Business Development	
Affordable Housing Manager	
Principal Accountant	
Salcombe Harbourmaster	
Economic Development Officer	
Head of Community Regeneration	
Head of Landscape and Leisure	
Landscape and Recreation Manager	
Executive – Portfolio Holder	
Scrutiny Representative	
Affordable Housing Officer Representative	

**Asset Management Group**

3.1.2 The role of the Asset Management Group (AMG) has been fundamental in the provision of a strategic perspective on asset use,

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and the terms of the reference for the AMG have been developed to reflect the expansion of its remit. The full Terms of Reference are attached at Appendix A and are summarised below:

- Asset Strategy review and monitoring;
- Capital Programme monitoring and review;
- Major projects co-ordination, support and promotion;
- Acquisitions and Disposals – co-ordination and promotion;
- Use of Council land – policy setting and review;
- Asset Responsibilities – identification of asset managers;
- Monitoring compliance with legislation; and
- Supporting Corporate Initiatives where there are asset links.

3.1.3 The AMG meets at least quarterly and often more frequently in order to deal with the range of asset related matters that the Authority is dealing with. Agendas are circulated prior to the meetings and minutes with actions are issued subsequently. The AMG plays an essential role in co-ordinating the strategic property function for the Authority and promoting proposals to the Council's Executive. It is also an important "sounding board" for initiatives and provides an opportunity for innovative ideas to be debated and their impact understood across the Authority.

3.1.4 The Council's Head of Property Services acts as the Corporate Property Officer (CPO) and co-ordinates the work of the AMG.

### **Structure for Property Projects**

3.1.5 The diagram set out at Appendix O identifies how relationships regarding the Asset Strategy operate.

### **Linkages to Other Strategies**

3.1.6 In order for this Asset Strategy to be a corporate document it is vital that there are linkages to the Council's major strategies. The linkages are ensured through close co-ordination by the CPO, Asset Management Group, Corporate Management Team and Members.

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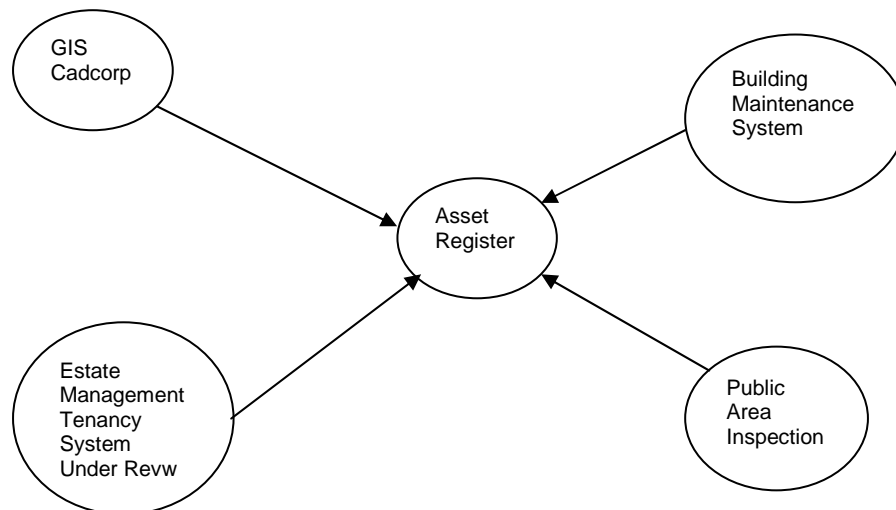
3.1.7 The Asset Strategy provides links to the Council's plans and strategies as set out below. Full details of these policies and strategies can be found at <http://www.southhams.gov.uk/nav-council-policies-plans.htm> :

- Customer Charter
- Approved Compulsory purchase Policy
- Code of Corporate Governance Policy
- Community Involvement Policy
- Environmental Policy
- Forward Planning Policies
- Freedom of Information Policy
- Housing Allocation Policy
- Access to Services Strategy
- Community Safety Strategy
- Community Strategy
- Community Consultation Strategy
- Corporate Equality Strategy
- Housing Strategy
- Leisure and Recreation Strategy
- Local Development Framework
- Prosperity Strategy
- Public Space Strategy
- Resource Strategy
- Risk Management Strategy
- Tourism Strategy

3.1.8 The CPO ensures that there is ongoing consideration of implications for property arising from these strategies.

### 3.2 Data Management

- 3.2.1 The accurate recording of property data is an essential part of ensuring the Council is managing its assets efficiently. It is certainly not unusual for authorities to lack information on usage, floor space, running costs, condition, type of construction, age and reason for retention of their properties.
- 3.2.2 South Hams has a comprehensive register of its assets and has now finalised the process of updating it to incorporate additional data that was being held on a separate system within Financial Services. Whilst the importance of a comprehensive register is recognised, it must not be over complicated as this can lead to confusion and low levels of usage.
- 3.2.3 The Council has also completed voluntary registration all of its assets with the Land Registry. This will help to ensure that the risk of unlawful encroachment is minimised and that accurate, more reliable, records are maintained. It will also simplify the process for future disposal of assets and provides more straightforward access for the public to check records of Council ownership.
- 3.2.4 The acquisition of the “Staysafe” property maintenance and stores system has provided an invaluable system for management of both maintenance and property inspections. A module for estate management to add to this system is under investigation. This will enable easy access to the relevant data, with linkages to ownership details, property inspection records and estate management tenancy details as shown in the diagram below:



### 3.3 Plan Development, Implementation and Review

3.3.1 Fundamental to the Asset Strategy is the need to systematically review and challenge property holding and use. Some of the basic questions we need to ask ourselves, together with how we respond to them, are set out below:

	<b>The Question</b>	<b>The Answer</b>
A.	What assets does the Council hold?	<ul style="list-style-type: none"> <li>• Maintaining an up to date asset register</li> <li>• Regularly reviewing the register</li> </ul>
B.	What assets are needed?	<ul style="list-style-type: none"> <li>• Service Plans</li> <li>• Links to other plans and strategies</li> <li>• Council Priorities</li> </ul>
C.	What condition are the assets in?	<ul style="list-style-type: none"> <li>• Condition surveys</li> <li>• Regular inspections</li> </ul>
D.	Do the assets meet the needs of the services and if not what changes are required?	<ul style="list-style-type: none"> <li>• Service Plans</li> <li>• Suitability surveys</li> <li>• Satisfaction surveys</li> </ul>
E.	Are additional premises needed or can existing ones be disposed of?	<ul style="list-style-type: none"> <li>• Sufficiency analysis</li> <li>• Surplus property review</li> </ul>
F.	Are the Council's property assets performing appropriately?	<ul style="list-style-type: none"> <li>• Measuring relevant PIs</li> <li>• Benchmarking with private and public sector</li> <li>• Compliance with legislation</li> </ul>

3.3.2 The outcome helps us to identify:

- Needs for capital projects;
- Opportunities for partnership schemes;
- How performance compares to others and where improvements should be considered;
- Where assets offer the opportunity for major development to deliver capital receipts and/or meet Council priorities;
- Proposals for acquisitions and disposals; and

- Revenue repairs, maintenance and improvement programmes.

3.3.3 The current Asset Strategy Action Plan is set out at Appendix B.

### **Project Appraisal and Corporate Prioritising**

3.3.4 In order to prioritise and agree which projects should be approved, the Council has operated a project appraisal process for a number of years. This approach includes consideration of:

- Contribution to Council Priorities (AppQ) & Community Strategy objectives;
- Key outcomes;
- Alternative approaches e.g. leasing, external providers, partnerships and shared use and other options;
- Acquisition of any land required;
- Any disposals required;
- Running costs including repairs and maintenance required over the life of the scheme;
- Risk assessment;
- Delivery of cross-cutting Council objectives, e.g. sustainability, community safety;
- Exit strategy.

3.3.5 A copy of the project appraisal pro-forma is attached at Appendix E.

### **Transfer of Assets (Quirk Review)**

3.3.6 During 2006 the Secretary of State for Communities and Local Government (CLG) commissioned the Quirk Review to investigate, amongst others, the potential transfer of local authority owned assets to community organisations. In 2007 CLG published its action plan in response to the Quirk Review and the CLG timetable is set out in appendix P. The Council will participate in the proposed risk managed approach to community management and ownership of public assets in accordance with the Government's guidelines as they are rolled out during 2008. Any such proposals will be considered by the Asset Management Group.

### **Capital Programme**

3.3.7 Projects in the current capital programme are considered in section 3.5 below and the Capital Programme Summary is set out at Appendix L.

### **Project Management Approach**

3.3.8 To take forward approved projects in the most efficient manner, and to reduce the risk of cost and time overruns, the Council has undertaken training for staff in formal project management and its use is a requirement for all projects. A project team has to be established for each project with clear

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roles and responsibilities for each member. Each scheme has a project sponsor, project manager and other team members. These are identified at the outset through the Project Appraisal Form.

- 3.3.9 The Council uses a post-project review process in order to identify what has gone well, what has gone less well and what can be learnt from each project. A copy of the Post Project Evaluation Pro-forma is attached at Appendix F. There has been a significant improvement in the number of projects which have come in within budget and on time since the introduction of this more formal project management approach. Performance monitoring is covered section 3.4 below and performance indicators are set out at Appendix D.

### **Capital Programme and Project Monitoring**

- 3.3.10 The Capital Programme is monitored formally by the AMG on a quarterly basis and a report is then submitted via the Senior Management Team (SMT) to the Executive at the same frequency. Where necessary, individual officers are invited to attend the AMG (where they are not already members) in order to provide additional information.

- 3.3.11 As stated above, the capital programme is formally managed using project management techniques and post project appraisal.

### **Major Developments on Council Land**

- 3.3.12 The Council has some significant land holdings in strategically important locations throughout the South Hams but opportunities to deliver against the Council's strategic priorities have, in some cases, not been maximised. These sites include:

- Totnes Southern Area
- Steamer Quay, Totnes
- The Creek, Salcombe
- Kingsbridge Quay
- Dartmouth – sites review

- 3.3.13 The first of these, Totnes Southern Area, is now making good progress towards delivering a scheme following a number of years where difficulties were experienced. Phase I is now complete. During phase II a major community consultation exercise, and direct appointment of architects by the Council, resulted in a development proposal which has widespread support and will deliver against the Council's number one priority of affordable housing. Construction has now started on site. Design and consultation is now commencing in respect of Phase III.

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3.3.14 Secondly, work has commenced on a full review of the Dartmouth Assets, under the management of a working group of officers.

3.3.15 To support housing needs the possible acquisition of Elewell House and the disposal of Avondale are under investigation. These will be completed in partnership with a Housing Association. The second homes council tax will be used to support a number of housing needs by allocating these capital funds to appropriate projects.

3.3.16 It is recognised that the achievement of such major developments is time and resource intensive. The AMG is currently considering the prioritisation of these projects in order to identify how they should be taken forward.

### Acquisition and Disposal of Assets

3.3.17 The Council recognises the benefits of acquiring property in order to support the delivery of its priorities. There are a number of good examples of this taking place such as:

- Totnes Southern Area – site assembly to deliver up to 100 housing units of which a significant proportion will be affordable. Phase I is now complete, phase II is in the process of construction and design work is commencing on phase III.

3.3.18 The acquisition of property is ideally undertaken by agreement rather than compulsion. The Operational Policy for Acquisitions and Disposals is set out at Appendix J. It is recognised that in order to deliver high priority projects it may be necessary to deal with landowners who are reluctant to dispose of their properties. As a result, the Council has approved a Compulsory Purchase Policy which is attached at Appendix G. Whilst it is not anticipated that CPO will be used frequently, the Council is very clear that this route is available in the appropriate circumstances.

- **Langage CPO** – there is currently a proposal for the Compulsory Purchase of land at Langage to enable the development of employment land at that location. Whilst not undertaking the development, the Council is the acquiring authority and therefore closely involved in taking forward the CPO process.

3.3.19 Receipts from the disposal of surplus/underused properties are an important part of the funding required to deliver the capital programme. The current assumption is that disposals will generate £500,000 per annum. Not only are capital receipts generated, but release of surplus properties can also have the benefit of reducing revenue costs associated with ownership.

- **Totnes Southern Area** – disposal is anticipated to generate a capital receipt in the region of £1m

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- **Employment Estates Review** – is anticipated to achieve significant capital receipts for re-investment into further employment generating projects

3.3.20 The Council approved a range of property disposals as part of the rationalisation of its estate. These have been pursued and have resulted in a number of property sales having taken place/being agreed. These include:

- Land at Nelson Road, Dartmouth – for residential development
- Land at Undercliff, Dartmouth – sold to private purchaser
- Land at Old Mill Lane, Dartmouth – being sold to Tor Homes for affordable housing scheme
- Yealmpton Toilets – for residential development
- Easements / right of way Manor gardens, Dartmouth – sale of Council's legal interest
- Coronation park, Dartmouth – grant of lease to RNLI

### **Employment Estates**

3.3.21 As stated above, a review of the Council's employment estate had now been carried out, attached at Appendix N, which recommended a range of disposals, development and retention of the existing estate. This followed the policy which was approved by Executive and a copy is also attached at Appendix N. The outcome of the review which was approved by Executive is included at Appendix N (2). These actions are now being progressed.

3.3.22 The Council has been very successful for many years in securing external funding to support the development of employment units. Although the current ERDF Objective 2 programme is coming to an end, it is anticipated that other sources of external funding will be available to support the cost of new developments. Such external funds assist the viability of Council schemes, often in cases where private sector investment would not make commercial sense. The Council will continue to monitor the availability of such funds and make applications where it is appropriate.

### **Public Space Strategy**

3.3.23 The Council has adopted the Public Open Space Strategy 2008-12. It presents a vision and objectives for nine types of open space including formal parks and gardens, play areas, amenity areas, allotments, churchyards etc. The Council is now working with partner organisations to work towards achieving the established local standards. This followed the audit and mapping exercise across the District. Condition survey work is being undertaken to identify where improvements are required in relation to safety, signage, access, lighting and layout of facilities.

### **Repairs and Maintenance**

3.3.24 The Council has assessed the condition and maintenance requirements of its building stock, both operational and non-operational. This has assisted in the development of a planned maintenance programme which is co-ordinated by the Council's Building Services Manager.

3.3.25 In order to ensure that a consistent and methodical approach is taken to the repair and maintenance of the Council's assets, a Building Maintenance Policy has been adopted. The purposes of the policy are:

- To clearly set out the key objectives to ensure a consistent approach to the maintenance of the Council's assets for effective delivery of services
- To encourage the adoption of asset management planning as a means of demonstrating value for money in the delivery of repairs and maintenance
- To encourage development, adoption and regular reviews of policies for repairs and maintenance
- To encourage a focus on the needs of users and the community
- To encourage harmonisation of repairs and maintenance practice and standards with users expectations
- To encourage the adoption of an efficient and consistent approach in the collection and recording of the property inventory, condition surveys and status information
- To encourage the adoption and regular review of a risk management regime to determine operational standards and rectification of defects arising from our own inspections and reports from the public
- To encourage continuing innovation in the repair and maintenance of buildings and other assets, whilst complying with the high standards of corporate governance
- To develop a rolling programme of Condition Surveys detailing the condition of the Council's assets that will drive the Planned Maintenance Programme on a yearly basis
- To develop a 5 year Resource Plan to outline how the capital and revenue resources will be allocated to minimise the backlog of the highest priority maintenance work
- Completion of the COPROP and local performance indicators
- To monitor the Council's consumption of electricity, gas and water resources and development of a carbon footprint

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3.3.26 The full Policy, with appendices, is set out at Appendix K.

3.3.27 The funds for R&M have been placed into a central pot rather than being devolved to the various services. Whilst service managers have an input into expenditure, the Building Services Manager has responsibility for managing the budget and prioritising the works. It is also agreed that, because expenditure on R&M is not necessarily tied neatly to the end of financial years, annual budgets can be rolled forward through reserves thus providing flexibility where it is needed. This approach helps to avoid the risk of service areas spending up budgets as the year end approaches and also enables better prioritisation of works.

3.3.28 There is a major focus on the need to increase the level of planned maintenance as a proportion of the R&M spend and as a consequence for the reactive maintenance to be decreased. This can be challenging with some of the Council's buildings assets as these can be subject of vandal damage which clearly has to be dealt with in a reactive way. However, good progress is being made and the Council's in-house maintenance team now has a clear split between programmed and reactive duties.

3.3.29 The Council's aim is to achieve a condition category which reflects a balance between the Property Rating and the Condition Rating. The higher the Property Rating, the higher the Condition rating should be. This enables the focus of resources to be directed at those assets falling in the highest priority areas.

3.3.30 The level of Backlog Maintenance (buildings only) is identified in the Building Maintenance Policy. The surveys across all of the Council's buildings were last undertaken in 06/07. The Surveys are due to be updated in 2009/10. The current summary figures are:

5 Year Maintenance Liability from 2006/7	Liability (£'000)	Anticipated Budget (£'000)	Surplus/(Shortfall) (£'000)
Revenue R&M	5,358	4,635	(723)
Capital Works	3,659	3,410	(249)

3.3.31 The next major step is to have a clearer understanding of the condition of the Council's non buildings assets. £45,000 to carry out the necessary survey work has been identified and the programme for carrying out these surveys is under review.

### **Grounds Maintenance and Management**

3.3.32 As part of the grounds maintenance and management of assets, condition survey work is being undertaken to identify where improvements are required in relation to safety, signage, access, lighting and layout of facilities. Recent changes in grounds maintenance arrangements allow for clearer service standards to be applied for green space maintenance on a day-to-day basis.

3.3.33 A particular piece of audit work has been completed covering play areas managed by the Council. This will inform future management decisions for ongoing R&M and identify targeted priority areas for capital improvement leading to new future management and funding arrangements with partners.

3.3.34 This process of review and audit is also being delivered, with input from the Town Councils, to identify local priorities and opportunities to form funding packages with external sources such as the Lottery and S106 contributions. An example of this is in Kingsbridge where CABI Space have been engaged to provide consultancy (Central Government funded) to steer the process of establishing an Open Space Plan for the town and surrounding parishes.

3.3.35 It is anticipated that this process of review will identify works which will need to be considered for funding against unallocated funds in the capital programme. Opportunities to seek external funding to support works will also be considered.

### **Shared Use of Premises**

3.3.36 The Council wishes to take all reasonable opportunity to share assets with other organisations in order to help meet community need, maximise occupancy and reduce costs. Some examples of this currently taking place include:

- Follaton House – Space let out to Devon Registration Service, the Citizens' Advice Bureau and the CVS.
- Kingsbridge Leisure Centre – IT resource centre run in partnership with Kingsbridge Community College.
- Acorn Centre, Lee Mill – lease to Devon County Council (occupied by NPS Property Consultants)

## **3.4 Capital Strategy and Programme**

### **Prioritising the Capital Programme**

3.4.1 The projects incorporated in the capital programme are prioritised based upon a range of issues including:

- The extent to which the projects meet corporate priorities
- Requirements to meet legislation
- Asset condition
- Net Revenue Impact
- Opportunities to lever in external funding

3.4.2 The Council previously had a capital programme with approved projects, reserve projects and aspirational projects included on it. The main problem with this approach was that with limited funding very few of those schemes on the reserve and aspirational lists were able to be progressed. In addition, some of the approved schemes had not been progressed for a considerable time but were preventing other projects being incorporated in the approved programme.

3.4.3 As a result, the previous programme was completely overhauled, with only those projects on the approved programme which were underway or contractually committed remaining. This enabled the Council to have a clear focus on producing a revised capital programme which identified:

- Schemes underway
- Schemes contractually committed
- Projects required to ensure fixed asset value and life was maintained
- Affordable housing projects
- Projects required to comply with legislation
- Requirements for vehicle and plant replacement
- Projects which would deliver against the top corporate priorities

3.4.4 Previous experience demonstrated that seeking to use a formal scoring system for projects did not always lead to outcomes which demonstrated a logical conclusion. Instead, as a result of Members commitment to maintaining existing assets, the initial focus was on approving projects which would otherwise lead to significant deterioration in the condition and value of the Council's assets. Service delivery is at high risk of being compromised if assets are likely to fail.

3.4.5 Projects which are required to ensure the Council complies with its statutory obligations were also included. The main focus here was on the works required to buildings to avoid breaches of the Disability Discrimination Act legislation. This required capital works on a number of the Council's properties.

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- 3.4.6 Replacement of vehicles and plant is required on an ongoing basis and forms part of the capital programme. This is largely funded through contributions to reserves and is updated annually.
- 3.4.7 This simplified approach to prioritising the capital programme has enabled the development of a clearer and more focused system. New projects coming forward have to be seen in the light of their impact on Council priorities, available resources and the impact of their approval on the current programme.
- 3.4.8 The sources of funding of the capital programme are considered below. However, it is important to understand that where there are projects being promoted which do not impact negatively on the Council's medium term financial strategy then it may be possible to support these in addition to the main capital programme.

### **Funding the Capital Programme**

- 3.4.2 There are a number of ways in which the capital programme is funded. These include:
- Existing capital resources
  - Capital receipts from disposals
  - External grant – eg National Lottery, ERDF
  - Second homes Council Tax
  - Right to Buy receipts – from Tor Homes
  - S106 Planning Agreements
- 3.4.3 The Council must take into account the impact of capital expenditure on the Medium Term Financial Strategy (MTFS) of the Authority. For example, for every £40,000 of lost interest on existing capital resources the Council Tax must be increased by 1% in order to sustain our financial position.

### **Existing Capital Resources**

- 3.4.11 Capital reserves, i.e. the fixed asset restatement account, capital financing account and useable capital receipts reserve are the subject of complex government controls. The useable capital receipts reserve, standing at £10.1M at 31st March 2007, is available to meet capital expenditure. In addition, various service specific reserves exist to finance asset replacement.

### **Capital Receipts**

- 3.4.4 Where Council assets have been identified as surplus to requirements, these are disposed of on the open market. Such receipts can form an important

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source of funding for the capital programme. Within the current 5 year programme, capital receipts totalling £2.5M have been assumed.

### **External Funding**

3.4.5 The Council seeks to take advantage of available external funding when assessing potential capital projects. Recent successes have allowed the provision of industrial units through ERDF Objective 2 funding, as well as the construction of a new leisure centre at Dartmouth, drawing upon contributions from the National Lottery and Parish and County Councils.

### **Second Homes Council Tax**

3.4.14 The Council has received £2,366,000 from Devon County Council in respect of 2nd Homes Council Tax receipts. This sum is available to support the housing programme. The County Council have, however, decided that no further funding of this type will be available.

### **Right to Buy Receipts**

3.4.6 The Council transferred its housing stock to South Hams (now Tor) Housing on 22nd March 1999. Under the terms of the agreement, the Council is entitled to a proportion of the proceeds from the future sales of council houses until the year 2028/2029. The actual amounts receivable are based on a formula which is subject to external audit verification. It is anticipated that approximately £500,000 will be received annually over the next 5 years.

### **Section 106 Planning Agreements**

3.4.7 The Council is closely engaged in negotiations with developers in respect of securing a wide range of s106 contributions. These include sums for housing, education, open space and recreation. A comprehensive register is maintained in respect of contributions and a copy is attached at Appendix M.

3.4.8 The funding of the Council's capital programme relies significantly on securing these contributions and continuing active work in this area is an essential function of the planning team working in partnership with other services.

### **Current Capital Programme**

3.4.9 The current approved capital programme and funding arrangements for the remaining 2 years of the programme are set out at Appendix L and summarised below.

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Funding of the Capital Programme (Non-Housing)

	2008/09	2009/10	Total
<u>Total Capital Expenditure</u>	2,009	1,499	3,508
 <u>Financed by:</u>			
<u>External Contributions</u>	494	214	708
 <u>Capital Resources</u>	 1,515	 1,285	 2,800

**Addition to Existing Capital Programme – Langage CPO**

3.4.10 The Council is currently progressing with a proposal for the compulsory acquisition of land at Langage required for the provision of employment development at that location. Whilst the development is to be undertaken by a third party, if acquisition by compulsion is necessary then South Hams Council will be the acquiring authority. It will be necessary for the Council to make financial provision to fund the acquisition although this will be subject to full cost recovery from the developer.

3.4.11 It is therefore necessary for the Council to include the acquisition of this land in its capital programme.

### **3.5 Performance Management and Monitoring**

3.5.1 If the use of property assets is to be optimised, it is essential that performance is measured, that the results are meaningful and that action is taken in response to the outcome. The CPO, in consultation with the AMG, will submit reports to SMT and the Executive as follows:

#### **Annually – for consideration and approval**

- Revised Asset Strategy
- Updated Capital Programme (based on evaluation of prioritisation and appraisal process)
- Updated 5 year repair, maintenance and improvement programme (informed by ongoing condition surveys)
- Proposals for disposals/acquisitions (may be more frequent than annually)

#### **Quarterly – for information and review**

- Local property performance indicators (as they are developed), as part of service performance monitoring.
- Progress of the approved capital programme.
- Progress on approved disposals and acquisitions.

3.5.2 All reports to Members are viewed by the SMT prior to circulation, as part of the internal report monitoring process.

#### **Performance Measures**

3.5.3 The following asset related Best Value Performance Indicators (BVPI) are collected and reported as part of the Council's Performance Plan. The BVPI are being abolished will be replaced by the abolished and replaced during 2008 by the new National Indicators:

- BVPI 156 – the percentage of local authority buildings open to the public in which all public areas are suitable for and accessible to disabled people
- BVPI 180 – this covers a range of energy related indicators. Whilst no longer mandatory the Council has continued to collect this data. However we are now developing local indicators for energy which are more useful to the Council.

- 3.5.4 In addition, as set out in the Building Maintenance Policy, we are also collecting local PIs (Appendix D) and are also actively engaged in establishing systems to collect and report on the newly developed COPROP indicators. This information enables the Council to regularly review its performance both internally and with other comparable organisations.
- 3.5.5 Membership and attendance at the CIPFA AMP Network has also been valuable in enabling best practice to be shared.

### **Carbon Management**

- 3.5.6 The Council has been accepted on the Phase 6 Local Authority Carbon Management Programme which is run by the Carbon Trust. The programme is to be launched in May 2008 will identify an action plan and set targets to reduce the level of carbon produced from the Council's property assets. The action plan may impact on the priorities in the capital programme.

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### 3.6 Summary of Progress during 2007/08

3.6.1 The progress of asset related issues has been significant over the last 12 to 18 months, and below is a brief summary of some of the key achievements:

<b>Capital Schemes</b>	DDA works – £180k (on time and budget)
	Admiral Court Phase 3 - £450k – 4 units sold, solicitor instructed on the disposal of remaining 3 units.
	Quayside Leisure Centre – Replacement boilers (on time and budget)
	Totnes Pavilion – Replace Public Address and Alarm system (on time and budget)
	Civic Hall Public Toilets – Refurbishment (on time and budget)
	Ferry Workshops, Dartmouth – Replace roof and wall cladding (on time and budget)
<b>Major Projects</b>	Totnes Southern Area – secured planning consent, appointed developer, started on site.
	Langage CPO – significant work currently being undertaken to enable this.
	Sherford New Settlement – input from range of services.
	Adoption of Townstal Access Road, Dartmouth, subject to street lighting.
	Registration of all Council owned Land
<b>Disposals</b>	Malthouse, Kingsbridge – under offer
	Town Bowling Club, Kingsbridge – under offer
<b>R&amp;M</b>	Staysafe Building Maintenance software installed and operational
	Play area maintenance transferred to Property Services
	Reduced administration on building materials stock system
	Tone Leisure – day to day R&M responsibilities transferred to Tone Leisure
<b>Cap. Programme</b>	Quarterly monitoring successfully through AMG
	Focused on Council assets and development
<b>Policies</b>	Establishment of Building Maintenance Policy