

EAST AYRSHIRE COUNCIL

CABINET – 14 JANUARY 2008

CAPITAL INVESTMENT STRATEGY

Report by Executive Head of Finance & Asset Management

1. PURPOSE

- 1.1** To propose a Capital Investment Strategy around which a long term Capital Investment Programme for financial years 2009/10 to 2018/19 can be developed.

2. BACKGROUND

- 2.1** The Improvement Agenda which resulted from the Audit of Best Value and Community Planning approved by the Council in September 2006 included action to improve the Council's approach to asset management.
- 2.2** Whilst significant progress has been made on the agreed actions, a further improvement would arise from the development of a robust capital investment strategy, including an indicative 10-year capital programme which is revisited and updated annually.
- 2.3** The External Auditor in his latest report commended the Council's performance on delivery of its capital programme.

3. CAPITAL INVESTMENT STRATEGY

- 3.1** The purpose of the Capital Investment Strategy is to provide a framework for capital investment, with projects aligned to the Council's asset management aspirations which are themselves designed to support the overall objectives of the Community Plan. Key elements include;
- The delivery of services in high quality, accessible environments
 - Ensuring that investment proposals draw on consistent and reliable base data, robust consultation, option appraisal and transparency in prioritisation
 - Facilitating joint and cross-service working
 - Ensuring that capital spending delivers Best Value in the longer term
 - Maximising options for funding capital investment

- 3.2** It is proposed that the Council should aim to support the UK and Scottish Governments' recently stated objectives at a local level to encourage and accelerate capital spending to lessen the impact of the economic downturn.
- 3.3** The Council therefore seeks to implement an appropriate mix of capital investment solutions that will enable key objectives to be met and ensure that its scarce resources are focussed on the provision of assets deemed to deliver the most efficient, effective and economic approach.
- 3.4** The delivery of the Council's Single Outcome Agreements (SOA) indicates how the Council will achieve the Scottish Government's five Strategic Objectives which are designed "to focus Government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth." Specifically these are;

Wealthier and Fairer - Enable businesses and people to increase their wealth and more people to share fairly in that wealth.

Healthier - Help people to sustain and improve their health, especially in disadvantaged communities, ensuring better, local and faster access to health care.

Safer and Stronger - Help local communities to flourish, becoming stronger, safer places to live, offering improved opportunities and a better quality of life.

Smarter - Expand opportunities for Scots to succeed from nurture through to life long learning ensuring higher and more widely shared achievements.

Greener - Improve Scotland's natural and built environment and the sustainable use and enjoyment of it.

In addition the Council is committed to meeting the Concordat commitments agreed jointly with the Scottish Government.

- 3.5** Within these objectives specific priorities for the Council are;
- ensuring that buildings are fit for purpose and meet required statutory and regulatory standards including Health and Safety and Disabled Access
 - minimising costs by maximising the use of property assets including co-location of services wherever appropriate
 - improving the schools estate
 - utilisation of surplus accommodation particularly where this helps secure the longer term viability of under-occupied school buildings
 - regeneration of Kilmarnock and Cumnock Town Centres,
 - improving strategic road links including the A70 and A71
 - improving sports, leisure and cultural opportunities

4. WORKING IN PARTNERSHIP

- 4.1 The Council has a recognised commitment to partnership in the development of capital projects. This is a growing area and the Council actively promotes community involvement and working with other agencies to maximise the impact of the Council's capital resources to address key issues.
- 4.2 The Council continues to promote partnership working through its Co-location Board which meets on a regular basis. This is designed to ensure that the asset strategies of Community Planning Partners are complementary and support the wider Community Planning objectives.
- 4.3 The co-location of Council, NHS and other services has delivered significant benefits to communities and further opportunities to develop facilities offering similar synergy will be promoted and explored.

5. FRAMEWORK FOR MANAGING & MONITORING THE CAPITAL PROGRAMME

Total Project Management

- 5.1 The Corporate Management Team on 31st October 2007 approved the adoption of the Total Project Management (TPM) as the corporate project management framework for East Ayrshire Council. The TPM framework applies the project management structure as defined by PRINCE2.
- 5.2 TPM standardises the basic process for project management to achieve a consistency of approach and best practice, and increases the likelihood of the outcome meeting client specifications or identifying reasons for this not being achieved.
- 5.3 TPM requires that all capital schemes are supported by an Outline Business Case which contains appropriate option appraisal taking account of corporate priorities and key service objectives, along with a thorough assessment of capital investment requirements and on-going revenue implications through the adoption of "Whole Life Costing" principles.

Monitoring the Capital Programme

- 5.4 The Council will continue to maintain comprehensive and robust procedures for monitoring all capital projects and will report progress to Members through the Finance and Service Strategy Report. The collation of information to support this process will be carried out on a basis consistent with the best practice of PRINCE2 as defined by the Council's TPM Framework.

6. FUNDING CAPITAL INVESTMENT

- 6.1** There is a natural convergence between the revenue and capital budget setting process, as the direct impact of any investment funded from non-supported borrowing will result in additional recurring revenue costs. The Prudential Code requires the Council to ensure that its proposed capital programme is affordable over the medium to longer term, and that associated borrowing and consequential running costs can be met from annual revenues.
- 6.2** Whilst there are no plans to significantly support capital expenditure from revenue, the Council can consider additional borrowing above the proposed allocation where the investment will release revenue funds to finance the additional debt.
- 6.3** Additional projects which could be financed through annual revenue savings or income which will at least be equal to the annual debt servicing costs will be added to the programme as identified.

7 POLICY IMPLICATIONS

- 7.1** The Capital Investment Strategy is a key element in delivering the statutory duty of Best Value. It ensures that capital expenditure is incurred on projects which support the Council's overall strategic aims and ambitions.

8 FINANCIAL IMPLICATIONS

- 8.1** The proposed Capital Investment Strategy includes a requirement to minimise the whole life costs of assets employed. The actual costs of the programme which will be built around the agreed strategy will be included in proposals presented to a future meeting of the Cabinet.

9 RECOMMENDATIONS

- 9.1** It is recommended that Members;
- (i) Approve the proposed capital investment strategy outlined in this report; and
 - (ii) request the Executive Head of Finance and Asset Management to bring forward to a future meeting of the Cabinet a detailed programme which conforms to the principles set out above.

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AMcP/AK
5 January 2009

LIST OF BACKGROUND PAPERS NIL

Members wishing further information should contact Alex McPhee, Executive Head of Finance & Asset Management, Telephone 01563 576300.