

**HERTFORDSHIRE COUNTY COUNCIL**

**CABINET**

**MONDAY 23 JULY 2001 AT 10.00 AM**

**EXECUTIVE COMMITTEE**

**MONDAY 23 JULY 2001 AT 2.15 PM**

Agenda Item No.

**1**

**SUBJECT: SINGLE CAPITAL POT : CAPITAL STRATEGY AND  
CORPORATE ASSET MANAGEMENT PLAN**

Report of the Corporate Director - People and Property and the Finance Director

Author: Tony Comer                      Tel: 01992 55(2)6215  
          Andrew Nightingale         Tel: 01992 55(2)5331

Executive Member:- David Beatty

**1. Purpose of report**

To present:

- A draft Capital Strategy for consideration before submission to the Department of, Transport, Local Government and the Regions (DTLR) (formerly the DETR)
- a draft Corporate Asset Management Plan for consideration before submission to the DTLR
- a more detailed report on the approach to property, performance and actions.

**2. Summary**

The County Council needs to submit a Capital Strategy and a Corporate Asset Management Plan to the DTLR by 31 July 2001 in order to secure an allocation from the discretionary element of the 'Single Capital Pot'.

What can be highlighted from these are:

- The plans and strategy documents are closely prescribed in **their format** by Government.
- Most of the property performance indicators are new and closely prescribed.
- The size of the prize is proposed to be £100,000 for 'good' submissions this year plus a share of up to 5% of the national capital allocations. This is not yet confirmed by Government.
- We have good indicators in most areas. Our weak areas are time and cost predictability at the early stages in building projects. Since September 2000 all our project processes have been audited and reviewed. There is a new project management unit and a nationally accredited project process in place for property projects above £25,000 for project sponsors and project managers.

- Our main building challenges arise from the ageing of the building stock. The performance indicator shows a backlog in building maintenance of at least £117 million or 8 times our current level of maintenance spending.

Owing to the urgency of this matter it has not been possible to put the matter to a meeting of the Resources Prosperity Partnership & Consultation Select Committee . Comments have been invited from the Select Committee Spokesman. Any comments received will be reported to the Cabinet.

### **3. Conclusion**

The following documents need decision:

Capital Strategy 2001	Approve or amend or reject
CAMP DTLR Return 2001	Approve or amend or reject
Business Improvement Plan in CAMP Cabinet Report 2001.	Approve or amend or reject

## **Background**

### **1. The Single Capital Pot**

The Single Capital Pot refers to the Government's new arrangements for allocating borrowing approvals on an annual basis to local authorities. Implementation takes effect from 1<sup>st</sup> April 2002.

An all-purpose borrowing approval will replace the existing general and supplementary credit approvals.

The intention is that all-purpose borrowing approvals will give local authorities more discretion in delivering capital investment. However, the Government will still require local authorities to fulfil national investment priorities particularly in education. Where a local authority fails to deliver national priorities the Government would replace the all-purpose borrowing approvals with supplementary credit approvals.

The Government's intention is to allocate the bulk of capital support to councils through the single capital pot, although this is not supported by the figures. Data produced by the former Department for the Environment, Transport and the Regions (DETR) and analysed by the Local Government Association reveals that in the financial year 2001/02 only 26 per cent of central capital support has been allocated as general credit approvals. On latest forecasts, this will increase to 43 per cent when the single capital pot is introduced in 2002/03 before falling back to under 40 per cent in 2003/04. So the bulk of capital resources will continue to be earmarked for specific programmes.

The Single Capital Pot as a resource allocation mechanism will cease if the Government replaces the present capital control system with a prudential capital system. However, other aspects like the need for capital strategies and asset management plans established under the Single Capital Pot will continue as part of the new prudential capital system. A new prudential system would require new legislation and implementation before 2004/05 seems unlikely.

### **2. Key Features**

The key features of the single capital pot system are:

- Allocation Methodology and Single Pot Funding
- Capital Strategies
- Corporate Asset Management Plans

### 3. Allocation Methodology and Single Pot Funding

The first single pot allocation will be made in December 2001 for the financial year 2002/03.

The single capital pot covers local transport, education, social services, housing and receipts taken into account.

### 4. Allocation Methodology

The current allocation methodology for county council services can be summarised as follows:

- **Local transport:** covers:
  - ◆ Integrated Transport block where resources will be allocated according to an overall assessment of the quality of Local Transport Plans, including need provided in each plan and an assessment of the relative scale and nature of the problems and challenges to be addressed and the solutions proposed; and
  - ◆ Roads Maintenance block comprising the three separate elements of:
    - (a) principal roads: allocation based on the length and condition of the principal road network;
    - (b) bridges: bids for all strengthening work on the primary route network are met in full, whilst for those not on the primary road network the allocation is based on the number in an authority's strengthening programme; and
    - (c) non-principal roads: the allocation is based on the lengths of roads in the various classes (urban/rural, classified/unclassified) weighted by the contribution these classes make to the estimated total backlog of expenditure at a national level.
- **Education:** in 2002/03 this will cover basic need allocated in line with current practice on the basis of additional pupil places required. This method may change subsequently as the 'sufficiency' content of asset management plans develops. Schools Access Initiative funding will be included in 2003/04.
- **Social Services:** the allocation formula will continue to be the Annual Capital Guidelines' formula, as set out in LASSL (2000)<sup>14</sup>. The formula has been frozen for the next three years to allow for high predictability between years, so only changes in population data will affect allocations.

### 5. Single Pot Funding

In 2002/03, 95 per cent of the amount allocated through the Pot will be based on the needs assessment through factors detailed in the preceding section, Allocation Methodology. The remaining 5 per cent will form the discretionary element of the Pot, which will be allocated by Ministers to reward those local authorities that demonstrate

improved management of their land and property assets. Ultimately, the Government envisages that the discretionary element will increase to around 20 per cent.

The allocation of the discretionary element will be based on an assessment of the authority's capital strategy, corporate asset management plan and overall service performance, which is explained below.

- Capital strategy and corporate asset management plan: the draft assessment criteria includes primary and secondary requirements and the outcome of the assessment process results in a simple range of gradings ('good', 'satisfactory' or 'poor'). A fixed lump sum of equal weight will be applied. A local authority will earn £50,000 each for a 'good' capital strategy and a 'good' corporate asset management plan.
- Service performance: a five-grade assessment ('well above average', 'above average', 'average', 'below average' and 'well below average') will be applied to service performance, based on assessment of service-specific plans (transport: local transport plan and annual progress report; education on the school asset management plans; and social services on the way service issues are dealt with in capital strategies), in each single pot service provided by the local authority. The service performance assessments will then be amalgamated into one of the five-grade bands.

The following minimum payments have been indicated under the five-grade bands:

<b>Overall assessment</b>	<b>Minimum payment</b>
Well above average	£100,000
Above average	£75,000
Average	£50,000
Below average	£25,000
Well below average	£0

Last year interim or progress documents were submitted for the Capital Strategy and the Corporate Asset Management Plan. This year actual versions of the documents have to be submitted by 31.07.2001. This report includes the draft versions of the documents for consideration. Submissions will have to be made annually in future.

## 6. Capital Strategy

The Government requires a high level summary of the council's approach to investment and the strategy document should not (a) duplicate information on strategies for particular services and (b) be no more than six A4 pages in length. The document should:

- highlight the key priorities and targets for the council;
- list its key partners;
- illustrate how the council is working corporately and with others to achieve key cross-cutting outcomes;
- explain the approach to prioritising investment; and
- explain how the council will monitor and evaluate progress.

The assessment of the authority's capital strategy, submitted as part of the recent Single Capital Pot 'dry' run, has revealed an overall assessment of *"a very good start...[and] nearly all the key issues have been covered in good detail"*.

## 7. Corporate Asset Management Plan

The Corporate Asset Management Plan (CAMP) is a new requirement from the DTLR. It is intended to set out the longer term needs for property across the authority and how they will be achieved through a prioritised delivery plan. It also pays attention to how we identify need and deliver solutions.

The DTLR has issued guidance on the form and content of the Corporate Asset Management Plan including placing an absolute limit of 20 sides of A4 and a font size of a minimum of 10 point. The draft guidance on appraisal is focused on progress on process, although the final guidance may be different.

Attached is a draft of the return to the DTLR (marked DTLR Return 2001) which is designed to meet the process requirements and also to show that the Council is well advanced in actually using the processes to deliver its property objectives and so its overall service objectives.

To overcome the shortcomings of the official return and to meet previous requests for a single, comprehensive document on property, a more detailed report has been produced (marked the Cabinet Report 2001). This sets out more information on :

- The council's approach to property
- Its performance in meeting its Corporate Property Objectives
- Actions to be taken.

This year it has not been possible to include all the information which is necessary to provide a complete description, but the report indicates where extra information will be included in the future.

In producing the document for the DTLR several practical issues have arisen, particularly with the performance indicators. A letter will be submitted with the DTLR Return which explains our learning points in the hope adjustments will be made in the future.

#### 8. Performance

To assess the overall performance of the council the draft guidance from the DTLR indicates that the several documents will be examined. The relevant ones for the county council are:

- The Local Transport Plan
- The Schools Asset Management Plan
- The Capital Strategy in relation to 'Social Services'.

Weightings will be used to ensure that authorities delivering different ranges of services are treated equally.

#### 9. Timing

The Capital Strategy and Corporate Asset Management Plan have to be submitted by 31.07.2001. The allocation will be announced in December 2001.

#### 10. Financial implications

The council's performance in satisfying the DTLR's requirements will have an impact on the level of general borrowing approvals that the council receives from 2002 / 2003 and may also influence our chances of success when bidding for other funding opportunities which may arise.

The overall assessment of progress following the 'dry' run has been positive.

However, it has not been possible to ascertain whether this new method of resource allocation will change the level of funding between the different classes of authority.