

**Policy and Resources Committee****7 December 2015****Long Term Asset Investment Plan - Project Update****CPS-23-15-F****Executive Manager – Capital Programme****Capital Programme Service****1.0 Summary**

- 1.1 This report provides an update on the work that has taken place to develop a Long Term Asset Investment Plan (LTAIP) for the period up to 2050. It highlights a number of key actions, describes the approach to be taken moving forward and provides an indicative timescale for delivery.

2.0 Decision Required

- 2.1 That the Policy and Resources Committee RECOMMEND that the Council;
- 2.1.1 Note the progress made by the Executive Manager – Capital Programme in developing a Long Term Asset Investment Plan.

3.0 Detail

- 3.1 The Council has had a 5-year Asset Investment Plan (Capital Programme) since October 2010. This has been reviewed and updated since then as part of the annual budget setting process. This Asset Investment Plan (AIP) has been reduced in scale as the Council has progressed towards reducing its draw on reserves to a sustainable level and since 2013/14 it has been funded without drawing on reserves other than for Spend to Save Projects and the new Anderson High School.
- 3.2 Now that the 5-year AIP is funded on a sustainable basis, it does not change dramatically at each annual review. This has benefits in planning and programming both works and cash flow.

- 3.3 This has highlighted the benefits that could come from an AIP that extends further into the future. A timeline of 35 years was decided initially and on 3 December 2014 the Council agreed to the recommendations in a Long Term Financial Plan (Min Ref: 99/14), prepared by the Executive Manager – Finance, which describes the financial backdrop and the financial constraints relating to the LTAIP.
- 3.4 The Long Term Financial Plan (LTFP) explored predicted capital spend into the future, from estimates by Council officers and from historical trends. Based on that information, it was estimated that the Council would need to spend £17.2m per year on capital in order to maintain the existing asset base. This figure makes no allowance for ‘growth’ projects that would increase the asset base. When set against predicted total core capital income of £6.3m (from Capital Grant and Capital Receipts), this leaves an annual shortfall of £10.9m.
- 3.5 The LTFP then explored a number of financial modelling options, which looked at borrowing to fund this shortfall. It compared different levels of borrowing to support capital spend as well as assessing historic interest rates and concluded that a sustainable level of spending on capital (at 2014 prices) would be £10-£11m per annum.
- 3.6 Any Asset Investment Plan relies heavily on service planning across the Council and in particular any predictions relating to future levels of service. The indicative LTAIP, included as Appendix A to this report, has been produced based on the assumptions and information set out below. It is provided in order to give a sense of scale only.
- 3.6.1 As shown in Appendix A to this report, ferry related projects account for 45% of spend over the next 18 years or so. Members will no doubt be aware of work recently commissioned by Transport Planning to examine the future of transport links of all types across Shetland, both in terms of level of service and in terms of management and funding. It must therefore be recognised that the outcome from that exercise, which will not be available until well into 2016, may alter this indicative plan significantly.
- 3.6.2 No allowance has been made for new buildings, even where they would be on a ‘like-for-like’ basis. The LTFP made an allowance of £3m per annum for this type of project. The capital building maintenance allowance has also been reduced from £2.1m to £1m per annum.
- 3.6.3 This indicative plan seeks to balance service needs with the identified sustainable level of capital spend identified in the LTFP. The capital spending predictions used in the LTFP have all been re-examined. Most have been reduced or re-profiled to reduce annual spend.
- 3.6.4 Housing Revenue Account projects, Spend to Save projects and the new Anderson High School are not included in this plan.

3.7 Next Steps

As can be seen from Appendix A to this report, balancing capital spend with the sustainable funding levels will be a challenge well into the future. Over the next 15 years the predicted average spend per annum is still unaffordable at over £12m per annum. The predicted spend figures in later years suggest that the situation will be less challenging, but it is unrealistic to think that new aspirations will not emerge by that time. As indicated at 3.6.1 above the future model of inter-island transport links may change this indicative plan significantly. It is therefore intended that Members will be provided with a more detailed update late in 2016.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – This exercise contributes to the aspirations in Our Plan 2016 to 2020 by prioritising spending on building and maintaining assets.
- 4.2 Community/ Stakeholder Issues – None arising from this report.
- 4.3 Policy and/ or Delegated Authority – The Policy and Resources Committee has delegated authority to secure the co-ordination, control and proper management of the financial affairs of the Council.
- 4.4 Risk Management – The Council has made good progress in implementing the Medium Term Financial Plan, however there is every indication that the financial environment facing the Council into the future will be increasingly challenging. There is a risk that the draw on reserves will revert to an unsustainable level.
- 4.5 Equalities, Health And Human Rights – None arising from this report.
- 4.6 Environmental – None

Resources

- 4.7 Financial – This indicative LTAIP identifies the likely scale of the financial challenge that the Council will face over the next 35 years totalling £278m, which is an average of £12m per year over the next 15 years reducing thereafter to £5m per year. These figures exclude any Spend to Save projects, HRA projects and the Anderson High School project.
- 4.8 Legal – None
- 4.9 Human Resources – None
- 4.10 Assets and Property – None

5.0 Conclusions

- 5.1 This report provides an update on the work that has taken place to develop a Long Term Asset Investment Plan for the next 34 years.

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List of Appendices:

Appendix A – Indicative Long Term Asset Investment Plan

Background documents:

Long Term Financial Plan

www.shetland.gov.uk/about_finances/documents/LongTermFinancialPlan.pdf

END

Indicative Long Term Asset Investment Plan 2016-2050

CPS-23-15 Appendix A

Category	Building Maintenance	Building Projects	Ferries & Terminals	Harbour Works	ICT	Roads & Bridges	Streetlighting	Tugs & Harbour Craft	Vehicles & Plant	Waste Services	Totals
Year	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
1 2016/17	1,323	3,023	950	1,945	675	1,226	196		1,519	280	11,137
2 2017/18	2,180	2,339	2,200	920	675	1,245	226		1,465	50	11,300
3 2018/19	1,050		6,050	820	675	1,193	201		1,515	300	11,804
4 2019/20	1,000		7,950	320	675	976	199		1,430	50	12,600
5 2020/21	1,000		6,100	290	675	1,015	199		1,470	50	10,799
6 2021/22	1,000		7,200	700	676	975	263		1,400	140	12,354
7 2022/23	1,300		8,700	375	676	975	263		1,400		13,689
8 2023/24	1,500		4,550	625	676	975	263		1,400	140	10,129
9 2024/25	1,000		4,550	650	676	975	263	6,300	1,400		15,814
10 2025/26	1,150		4,900	500	676	975	263	6,300	1,400	140	16,304
11 2026/27	1,500		3,600	150	676	855	263	300	1,400		8,744
12 2027/28	1,000		4,200	75	676	855	263	850	1,500	140	9,559
13 2028/29	1,050		7,200	175	676	855	263		1,400		11,619
14 2029/30	1,250		8,800	175	676	855	263		1,400		13,419
15 2030/31	1,000		7,000		676	855	260	900	1,400		12,091
16 2031/32	1,000		4,800		676	855	260	900	1,400		9,891
17 2032/33	1,000		2,400		676	855	260	900	1,400		7,491
18 2033/34	1,100		1,800	125	676	855	260		1,400		6,216
19 2034/35	1,100			250	676	855	260		1,400		4,541
20 2035/36	1,000			550	676	855	260		1,400		4,741
21 2036/37	1,000			350	676	855	260		1,400		4,541
22 2037/38	1,000			450	676	855	260		1,400		4,641
23 2038/39	1,000			350	676	855	260		1,400		4,541
24 2039/40	1,000			550	676	855	260		1,400		4,741
25 2040/41	1,000			600	676	855	260		1,400		4,791
26 2041/42	1,000			350	676	855	260		1,400		4,541
27 2042/43	1,000			325	676	855	260		1,400		4,516
28 2043/44	1,000			200	676	855	260		1,400		4,391
29 2044/45	1,000			350	676	855	260		1,400		4,541
30 2045/46	1,000				676	855	260		1,400		4,191
31 2046/47	1,500				676	855	260		1,400		4,691
32 2047/48	1,000				676	855	260	500	1,400		4,691
33 2048/49	1,050				676	855	260		1,400		4,241
34 2049/50	1,250				676	855	260		1,400		4,441
Totals	38,303	5,362	92,950	12,170	22,979	31,050	8,588	16,950	48,099	1,290	277,741