

CYNGOR GWYNEDD



Report to a meeting of Cyngor Gwynedd

Date of meeting:	11 July 2024
Title of Item:	Asset Plan 2024-2034
Cabinet Member:	Cllr Dyfrig Siencyn
Contact Officer:	Dafydd Gibbard, Chief Executive

THE DECISION SOUGHT

- a) The Council is requested to adopt the Asset Plan 2024-2034 (Appendix 1), in accordance with the Cabinet's recommendation on 11 June 2024 and to include:
- The financial sums recommended in Appendix 1
 - Uncommit the financial sums in the current Asset Management Plan as specified in paragraph 24 of this report
 - The Cabinet to prioritise and decide on the allocation of the two areas referred to in part 27-30 of the report, namely planned maintenance and the next phase of projects to modernise schools, should additional capital resources become available in the future.

BACKGROUND AND RATIONALE

1. Our assets (namely our buildings, roads, vehicles, information technology and equipment), are essential to be able to provide services to the people of Gwynedd.
2. The costs of using our assets from day to day come under the Council's revenue costs, while costs to renew, upgrade and provide new assets are capital expenditure.
3. Our Assets Plan is our long-term plan to plan ahead to prioritise capital expenditure enabling us to manage our essential assets and avoid the risk of failing to provide services.
4. Our current Assets Plan was adopted in 2019 and reviewed in 2021. Although five years remain of our current Asset Management Plan, it is good practice to have a 10-year plan for multiple reasons:
 - Capital expenditure requires time to plan in advance
 - Departments need assurance if they will have the capital to manage risks
 - Opportunities to apply for grants – need to know if we have match funding

- The capital situation is constantly changing – inflation has had an impact which means we cannot achieve as much, as well as less money available
 - Departments' requirements change over time – much has changed since 2019.
5. The result of this is that we require an up-to-date Asset Plan in response to the risks and needs that are alive today and for the next few years.

Available capital resources

6. Of course, the key context to all of this is the resource that is likely to be available to fund the Scheme.
7. The Council receives a capital grant from the Welsh Government annually to be used for our asset management priorities.
8. When the Asset Plan was adopted in 2019, it was reported at the time that we would receive £6.6M of capital resource per annum, and this has not increased since the previous Plan was established back in 2009. Between 2018 and last year, we also received amounts that were higher than this, approximately £2M per annum on average, in the form of grants for a specific purpose.
9. However, the messages we are receiving from the Government indicate that the additional grants will come to an end, and that our core capital grant will continue on the same level for the coming years, namely approximately £6.6M per annum. In reality, this means that we will not be able to deliver as much with the core resource – considering inflation levels over the past 5 years, the value of £6.6M in 2009 is equivalent to £4.3M today, which is a 34% reduction.
10. In setting our new 10-year plan, we presume that £47.7M of capital funding is available for us to extend our plan for an additional 5 years. We reach this conclusion having considered our annual capital grant amount as well as capital and funds that have not been allocated in the current Asset Management Plan.
11. To be able to respond to new schemes that arise that could not be anticipated when setting this plan, we will continue to make a £0.5M provision per annum to address those requirements.
12. This brings the additional amount available for us to extend the Asset Management Plan until 2034 to **£45.2M**.

Procedure for identifying capital investment requirements

13. In order to start the work of establishing our new 10-year Plan, applications were invited from Departments to state their potential capital needs over the next 10 years. Heads of Department and their officers were asked to consider their capital requirements which would allow them to continue to provide a service to residents, to manage risks and to achieve schemes such as the Council Plan's priorities.
14. 70 applications were submitted with a total value of **£129.3M**. These applications were a combination of new schemes and the continuation of schemes whereby we

have been allocating an annual sum. I assessed all of these and each scheme was placed in the following categories, which notes the risk of not delivering them.

HIGH RISK – failure to continue using the asset due to substantial health and safety risks, regulator' requirements or that the asset has reached the end of its lifespan. Or, substantial loss of income to the Council if we cannot invest.

MODERATE RISK – Some impact on service provision or it is a developing scheme, and included in the Council Plan.

LOW RISK – Developing scheme only and not included in the Council Plan.

15. This resulted in a value of **£79.1M** schemes in the high-risk category, **£44.8M** in the moderate risk category, and **£5.4M** in the low-risk category.
16. Sessions were held with Elected Members on 24 and 25 April to present the challenge of setting a balanced plan and to gather their views on our risk assessment on each of the schemes.
17. I also presented options that we can implement to balance the scales, and asked for Members' feedback on these options, namely:
 - Take advantage of every opportunity to attract grants for the priorities of the Asset Management Plan;
 - Consider small schemes of less than £500k as part of the annual bidding process;
 - Seek opportunities to reduce the annual amount for some of our continuous schemes;
 - Fund a smaller amount than the full amount;
 - Refer some housing matters for consideration when reviewing our Housing Action Plan;
 - Ask the Education Department to prioritise school modernisation schemes;
 - Prudential borrowing.
18. At the end of the session, a questionnaire was shared to gather their views. The main messages were as follows:
 - Recognition that the choices were difficult due to the financial situation
 - That the risk of the Children's Homes scheme should be escalated to the red category
 - That an attempt should be made to relocate staff from the Cibyn Offices to other buildings in the town in order to avoid the need to invest
 - That consideration should be given to using the Council Tax Premium to finance housing issues – specifically the investment required in our small holdings

- That a discussion with Town / Community / City Councils should be reopened to see if there are opportunities to transfer assets
- That our schools investment programme should be prioritised, and reduced bearing in mind the impact that demography will have on our situation over the coming years.

19. With estimates predicting that an additional £45.2M would be available for our capital investments for the next 10 years, we will not be in a position to fund all of the schemes, and indeed, it even appears that we are approximately £34M short to be able to deliver all of the high-risk plans.

20. With this in mind, there was no choice but to restrict on what we can deliver.

21. As a result, all the applications were assessed once more and in order to set a plan that we can fund, we had to recommend approving less than what the Departments had requested for a number of schemes.

22. Although there are a number of schemes in the orange risk category that we will want to deliver as they are a priority for the Council, the capital that will be available for us will not enable this. However, it is recommended that two schemes are prioritised for the following reasons:

- Aberdyfi Harbourmaster's Office – we are statutorily required as the Harbour Authority to provide a suitable work location for the harbourmaster to be able to fulfil their duties. The current building has come to the end of its lifespan, and repairing it is not sensible in economic terms. Therefore, we will have to make provisions to erect a new building (£500,000) but before then, there is a need to ensure that we have considered all other potential solutions e.g. sharing a building with others in the vicinity.
- Bangor Health Hub – Members will be aware that a business case has been drawn up to submit a major grant application to realise an innovative scheme between the Council and the Health Board on a site in Bangor City Centre. It is intended to transform the former "Debenhams" unit in Canolfan Menai into a Health Hub for the city and, as a result of this, substantially increase the number of daily visitors to the city centre. The business case includes a contribution of £500,000 from the Council towards the £25M that will be required to achieve the work.

23. Subsequently, the schemes' total is £49.5M which is still £4.3M higher than the available funding and, as a result, what has already been approved in our current plan will need to be revisited.

24. In light of that, it is recommended to uncommit as noted below in the table:

Department	Scheme	Amount in the current Asset Plan	Sum to be uncommitted
Housing and Property	Extra Care Housing (the third scheme)	£2,500,000	£1,500,000

Environment	Feasibility studies of the transportation service	£375,000	£60,000
Adults	Homes for the Elderly	£1,100,000	£500,000
HE/YGC	Prevention of Road Deterioration	£4,120,000	£600,000
HE/YGC	Traffic Lights Renewal	£378,000	£75,000
HE/YGC	Security Fencing	£545,000	£250,000
HE/YGC	Flooding on the highway	£520,000	£125,000
HE/YGC	Upgrade water pipes to housing estates	£1,500,000	£1,000,000
Children	Canolfan Maesgeirchen	£460,000	£215,000
			£4,325,000

25. In a number of cases, it is recommended to cut our current spending, for financial reasons only i.e. to be able to reduce our spending requirements to correspond with the budget available. In those cases, smaller amounts are recommended after comparing the risk level in these fields with the risk level associated with some of the new investment requirements.

26. There are additional reasons that lead to recommending less investment on a few schemes:

- Extra Care Housing – although developing more Extra Care Housing will be crucial as our population ages and the numbers requiring care will increase, it is possible to use other sources to fund them e.g. Social Housing Grant or the Supported Housing Fund and, considering our lack of capital, the Housing and Property Department will need to be asked to prioritise funding a further Extra Care Housing scheme from the grants that will be available over the next few years.
- Upgrading water pipes to housing estates – the work programme has now dealt with pipes that were in the worst condition category and our annual maintenance costs for the remaining pipes have reduced as a result. There is now no justification for us to continue investing in this field.
- Canolfan Maesgeirchen – in light of discussions with the community, an alternative solution has been agreed upon for this requirement.

27. At the end of all this, we continue to face two substantial challenges that we cannot solve at present, namely that we have no financial provision for planned maintenance of buildings, or the next phase of projects to modernise schools.

28. In this respect, and given the impact and seriousness of not investing in both of these fields, it is recommended that we should carry out a review of the capital resources in a year's time in the hope that our capital situation will have improved by then, that some schemes become cheaper as we go on to price them more accurately or we will have found a way of funding a capital loan from revenue savings. It is also

possible that a few schemes will not continue should we be unsuccessful with grant applications for match funding e.g. Penygroes Health Hub and Bangor Health Hub.

29. Should this happen, it is recommended to prioritise any capital that is released to invest in these two specific fields that have not yet been addressed.
30. In the meantime, some schemes in the field of Education are already part of this Scheme (Tryfan, Hirael, Suitability, Secondary Safety) and we have some funding that was displaced with a grant to invest in planned maintenance of buildings.

Governance and Audit Committee

31. On 23 May 2024, the Asset Management Plan was submitted to the Governance and Audit Committee for them to scrutinise the process of establishing our Plan. Members of the Committee noted that they were satisfied with the process.

Further Considerations

32. The Well-being of Future Generations (Wales) Act 2015 involves improving the social, economic, environmental and cultural well-being of Wales. The act places a well-being duty on public bodies which is aimed at delivering the seven well-being goals, namely a prosperous, resilient, healthier, more equal Wales with cohesive communities and a vibrant culture and thriving Welsh language which is globally responsible. The plan was prepared within the principles of the Act.
33. Reducing the impact on Gwynedd residents and future generations was crucial to the process of establishing our Asset Management Plan. The process in itself has prioritised the applications that would cause the biggest risks to Gwynedd residents should we not deliver them, and those that contribute to our well-being objectives / priority areas in the Council Plan. Also, several of the schemes are associated with preventive work and look at the long-term which seeks to ensure sustainable services for the future.
34. In accordance with the legal duties under the Equality Act 2010 ("The Act") (including Welsh public sector duties) when making decisions, the Council must give due attention to the need (1) to eliminate unlawful discrimination (2) promote equality of opportunity and (3) encourage good relations based on the protected characteristics as well as addressing socio-economic impacts.
35. This report does not recommend any action that will affect the Service provided to anyone with protected characteristics. Indeed, the Assets Plan intends to ensure that we direct any capital Resources available to those locations that will have a positive impact on all our residents, including those with protected characteristics.
36. Some schemes, especially in the field of social care and housing, aim to improve the quality of the service for those with protected characteristics, and those schemes are evident from the list.

ANY CONSULTATIONS UNDERTAKEN PRIOR TO RECOMMENDING THE DECISION

Chief Finance Officer

“The Asset Management Plan is an important and far-reaching statement which sets the direction for the Council’s capital strategy for the next 10 years, and I support the decision sought. Officers from the Finance Department have worked closely with the report’s author and I can confirm the accuracy of the financial information contained therein, and I believe that the budgetary forecasts are reasonable and fair.”

Monitoring Officer

“The responsibility for establishing an Asset Management Strategy is a decision of the Full Council on the recommendation of Cabinet. That means assessing and reaching a conclusion on a range of issues including statutory and legal requirements, priorities and meeting needs within the anticipated resources. Regard must also be held to the impact assessments which have been prepared. The appropriate information for adopting the Strategy is provided in the report.”