Public Document Pack

Argyll and Bute Council
Comhairle Earra Ghaidheal agus Bhoid

Customer Services
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3 March 2011

NOTICE OF MEETING

A special meeting of **ARGYLL AND BUTE COUNCIL** will be held in the **COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD** on **THURSDAY, 10 MARCH 2011** at **2:00 PM**, or at the conclusion of the Executive, whichever is the later, which you are requested to attend.

Douglas Hendry
Executive Director - Customer Services

BUSINESS

1. **APOLOGIES FOR ABSENCE**

2. **DECLARATIONS OF INTEREST (IF ANY)**

3. **ASSET MANAGEMENT PLAN AND CAPITAL PLAN 2011-12 TO 2013-14**
   Report by Head of Strategic Finance (Pages 1 - 236)

COUNCIL

ALL MEMBERS

Contact: Fiona McCallum Tel: 01546 604406

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Agenda Item 3

ARGYLL AND BUTE COUNCIL	COUNCIL
STRATEGIC FINANCE	10 MARCH 2011

ASSET MANAGEMENT AND CAPITAL PLANNING SUMMARY

1 INTRODUCTION

1.1 The Capital Planning Budget papers set out the direction of travel in respect of the planning for the use of the Council's assets and how the available capital resources are to be used to improve the asset base.

1.2 The Council when it set its Revenue Budget identified revenue funding which would allow for an additional spend of £3m on the road network in 2011-12 this has been augmented by a review of capital budgets within Development and Infrastructure to transfer an additional £4m to roads reconstruction over the life of the plan.

2 RECOMMENDATIONS

2.1 The Corporate Asset Management Strategy is approved.

2.2 The Corporate Asset Management Plan is approved.

2.3 The Treasury Management Strategy Statement and Annual Investment Strategy are approved.

2.4 The 3 Year Capital Plan is approved.

2.5 Approve taking the Helensburgh Office Project to tender and Full Business Case.

2.6 Note the Capital Plan Supporting Documents and Service Asset Management Plans.

3 DETAIL

3.1 The capital plan budget pack includes the Council's Corporate Asset Management Strategy which sets out the framework for the development and implementation of asset management to ensure that assets are used in an efficient and economic manner that achieves the Councils objectives of:

- Working together to improve the potential of our people
- Working together to improve the potential of our communities
- Working together to improve the potential of our area
- Working together to improve the potential of our organisation

3.2 The Corporate Asset Management Plan (CAMP) sets out how the Council will manage its assets in line with the strategy and forms the basis along with the Corporate Plan for determining which Capital

Projects should be included in the Capital Plan. The Service Asset Management Plans provide more detail on how each department will manage their assets to deliver services in line with their Service Plans. The Capital Plan includes the following projects previously approved:

- Progress and deliver the CHORD programme
- Progress Helensburgh Office Rationalisation to Gateway Stage H (Tender Action) of the RIBA Plan of Works
- Production of an OBC for the Dunoon Office Rationalisation Project
- Production of an FBC for primary campus for Dunoon.
- IT enablement for Process For Change - Progress Workforce Deployment & Customer Management (supporting IT & office rationalisation programmes)
- Tayinloan Slip - extending the breakwater and land bridge to improve berthing and ensuring design compatibility with proposed next generation ferry Tayinloan Gighia service.
- Milton Burn - flood alleviation works in vicinity of John St, Dunoon
- Upgrade of the A83 South of Muasdale as a joint funded project with Green Power
- Replacement of the consolidated server environment in the Council's main server room, Kilmory
- Applications Projects
- Mull & Iona Progressive Care Facility

In terms of asset sustainability the roads reconstruction programme is targeted at areas of high risk in SRMCS, the Community Services Asset sustainability programme aims to safeguard the condition of the school and social work estate, the Customer Services programme has replacement and development of IT resources and office rationalisation as key elements.

The CAMP also highlights how the Council will manage areas of high risk.

3.3 The overall capital summary report sets out the resources the Council has available to support the procurement and improvement of its assets. It explains where the resources come from in terms of revenue support for loan charges, capital grants from the Scottish Executive and additional revenue resources which are available to pay for the loan charges in respect of prudential borrowing.

3.4 There has been no provision made within the resource calculations for capital receipts to support the capital programme except where external funding has been identified on a project specific basis. The report demonstrates that the draft capital plan is compatible with the resources available over the three years. The Council has funding to support capital investment over the next 3 years of 2011-12 £28.680m, 2012-13 £33.860m, 2013-14 £24.665m giving a total of £87.205m

3.5 Over the last few years the Council has been changing its approach to capital planning. These changes have been based around 3 elements to the capital plan – asset sustainability, service development and strategic change. Business cases have been produced to justify why projects have been chosen for inclusion in the capital plan. The business cases have been scored by the Asset Management Board and the scores are included in the capital plan supporting documents.

- Asset sustainability projects will be managed as a single programme for each service throughout the year with overall progress against the asset sustainability programme reported quarterly to the Executive.

- Service development projects are required to complete initial business and outline business cases. Final approval for the service development projects will be given at outline business case stage. This will be before tenders are invited. Once tenders are returned the project can proceed providing the tender is within the budget set at outline business case stage. Service development projects will be overseen by separate project boards established within the relevant department and will report quarterly on projects on an exception basis.

- Strategic change projects will need to pass through 3 gateways – initial business case, outline business case and full business case. Consideration of the initial and outline business case only gives authority to proceed to the next stage. Final approval to accept tenders and commence works is only given upon consideration of the full business case. The full business case should be based on returned tenders. Cross departmental project boards chaired by a head of service will be set up for each strategic change project and quarterly progress reports on each strategic change project will be prepared and submitted to the Executive.

3.6 The Council requires to approve a Treasury Management Strategy Statement and Annual Investment Strategy in advance of the start of the each financial year. The statement sets out the Council's strategy for borrowing and investment for the forthcoming year along with the Council's Prudential Indicators.

3.7 The Council in setting the revenue budget identified additional funding to support loan charges which will allow an additional £3m of capital expenditure to be incurred to improve the Road network. In addition to this the Executive Director for Development and Infrastructure has reviewed his capital programme to transfer £1.582m in 2011/12 and £2.483m in 2012/13 to Roads Reconstruction.

3.8 The key points to note from the proposed 3 Year Capital Plan are as follows:

- Support for our corporate objectives in relation to improving the potential of our people, our communities and our area through-
    - Investment of £15.813m in the school estate
    - Investment of £6.930m in community facilities and private sector housing support
    - Investment of £15.500m in roads reconstruction
    - Investment in CHORD programme with planned expenditure of £20.7m over the 3 years (The CHORD programme remains at £30.8m but some expenditure falls outwith the current 3 years period)
- Support for our corporate objectives in relation to improving the potential of our organisation through-
    - Investment in IT of £6.118m
    - Investment in offices including office rationalisation of £2.979m
    - Investment in the carbon management plan of £1.5m

4 CONCLUSION

4.1 The papers in the budget pack outlines how it is proposed to allocate the capital plan in detail for 2011-12, 2012-13 and 2013-14. Residual projects already approved that continue into 2011-12 have also been included. The draft capital plan is affordable within the funding available from borrowing/loan charges, general capital grant and capital receipts.

Policy – Sets budgets that allow capital investment to be allocated to policy priorities.
Financial – Sets detailed budgets for capital expenditure.
Legal – None.
Personnel – None.
Equal Opportunities – None.

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Bruce West,
Head of Strategic Finance

CAPITAL PLANNING & BUDGETING PACK
2011-2012 to 2013-2014

BUDGET PACK CONTENTS PAGE

Argyll Bute COUNCIL

CORPORATE ASSET MANAGEMENT STRATEGY

Author	Chair Asset Management Board
Owner	Asset Management Board
Date	February 2011
Version	1.1

1.0 Argyll and Bute Council – Corporate Plan

The Corporate Plan 2011-12 sets out the Council's strategic objectives and outcomes. The key features of the Corporate Plan are incorporated within this strategy with sections on the Corporate Asset Management & Capital Plan, Services Asset Management Plans and Asset Performance Management. In addition the strategy will deal with the application of the Capital Programme Planning and Management Guide; particularly the use of Business Cases in appraising capital project opportunities.

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1.1 Corporate Objectives

The Council's corporate objectives are:

- Working together to improve the potential of our people
- Working together to improve the potential of our community
- Working together to improve the potential of our area
- Working together to improve the potential of our organisation

There are important links between the Corporate Plan, the Community Plan and the Single Outcome Agreement (SOA). The outcomes set out in the Corporate Plan are the Council's contribution to the SOA. Each outcome is linked to one or more of the national outcomes set by the Scottish Government.

Asset Management is one of the five work streams within the Scottish Government's "Efficient Government" agenda; as a key element in the drive for efficiency gains.

In line with Best Value Guidance: "Sound Management of Resources" the Council's Corporate Asset Management Strategy and Corporate Asset Management & Capital Plan sets out how the Council will manage its assets to deliver the Council's Strategic Objectives.

1.2 Community Partners

Community Planning Partners have worked in partnership with the Council to ensure that the SOA identifies the outcomes for Argyll and Bute and the partnership action required for effective implementation.

The Council will foster partnerships and co-operation with organisations and agencies in the public, private and voluntary sector.

1.3 Asset Management – Core Values

The Council will ensure that the assets it provides are used in a fair, consistent, efficient and effective way, taking into account their social and environmental impact and the needs and aspirations of our people, communities, areas and organisation.

2.0 Asset Management – A Definition

Asset Management is a structured and systematic approach to managing fixed assets on an ongoing basis. This approach addresses all phases of an asset's life cycle, from pre-acquisition through to retirement.

An effective Asset Management programme means knowing what you own, where it's located, what it costs you, what it will cost you in the future, whether it will support current and future service delivery and who is responsible for it.

3.0 Commitment to Asset Management

The Local Government in Scotland Act 2003 provides the legal framework for both the Prudential Code and the Best Value arrangements. Under the Prudential Code local authorities are authorised to make capital investments where it can be demonstrated that these investments are affordable, prudent and sustainable. A local authority, which secures Best Value, is one, which promotes continuous improvement in the performance of its functions.

Asset Management is one of five work streams within the Scottish Government's "Efficient Government" agenda. This initiative cites the better management of assets by all parts of government as a key element in the drive for efficiency gains.

Asset Management is a key element of achieving Best Value. Councils have a statutory duty to deliver Best Value. This has significant implications for asset management as Councils must:

- Ensure that management arrangements secure continuous improvement;
- Balance quality and cost in relation to the procurement of assets;
- Ensure asset management decisions contribute to sustainable development.

3.1 Fixed Assets

The Council has an Asset base at 31 March 2010, with a Net Book Value of £471.08m (2009 £349.6m) that includes:

Description	Number	Description	Number
Administrative Buildings	49	Halls	8
Depots	32	Roads (Miles)	1,406
Primary Schools	80	Bridges	954
Secondary Schools	10	Car Parks	138
Swimming Pools	4	Museums and Libraries	10
NPDO Schools (excluded in 2009) *	5		

*The CIPFA Code of Practice now requires the inclusion of Long Term Leased property on Balance Sheet.

4.0 Overall Aims and Objectives of the Asset Management Strategy

Assets must be used primarily to enable the most effective provision of Services together with the achievement of strategic objectives; and this should be done in the most efficient and economical manner. The Asset Management Strategy (AMS) aims to provide an integrated approach to realising the Council's overall strategic aims and objectives for optimising Assets. A primary objective of asset management is reducing the total cost of ownership while maximising the benefits from investment in these assets.

This document provides a strategic direction of travel and sets out the framework for the development and implementation of a robust process for Asset Management.

The Council's short term strategic objective is to improve the Council's Asset Management performance. The Asset Management – Performance Matrix at Appendix 1 shows progress made from June 2009 to date, and the planned level of performance which must be achieved by March 2012.

4.1 Asset Management Strategy – Governing Criteria

The following governing criteria underpin the Council's Asset Management Strategy:

- The Council's fixed assets must support Service Delivery
- The AMS informs and directs Service Asset Management Planning and the Council's Corporate Asset Management & Capital Plan
- The AMS informs and enables the Council's actions to successfully progress and improve Economic Development and Connectivity within Argyll & Bute
- The AMS informs and directs the Council's School Estate Strategy and Management Plan
- The criteria of ***Condition***, ***Suitability*** and ***Risk*** are applied to measure asset performance
- Balance quality and cost in relation to the procurement of assets
- Individual asset performance will be subject to measurement to determine efficiency.

Asset Management is the process of ensuring that the Council's Assets are: -

- Fit for purpose
- Used efficiently
- Maintained on a sustainable basis
- Matched in investment terms to Service needs

It involves the development and implementation of a systematic approach to asset investment & expenditure, utilisation and disposal.

As stated earlier, sound Asset Management is crucial if the Council is to make best use of the resources available to it to deliver its overall aims and objectives. The environment within which the Council operates is dynamic. It is therefore crucial that the Council's asset management approach informs decisions about strategic change across the Council, and is sufficiently flexible to adapt to the circumstances created by such change.

4.2 Specific Aims of the Asset Management Strategy are:

- Demonstrate how the capital investment programme will contribute to the achievement of the Council's key objectives designed to ensure that asset management issues are fully reflected in the planning of the Council.
- Provide a framework for the management and monitoring of the capital programme and maintenance affects on revenue.
- Inform the bidding for external "third party" additional capital funding and the management of any resources that are secured.
- Address corporate policies on procurement and disposal policies as required by best value guidance.
- Determine processes for the generation of capital project proposals; the monitoring of ongoing projects and the evaluation of completed projects.
- Review existing assets and service needs to explore opportunities for the more efficient and effective use of assets and the release of resources through disposal.

4.3 Good Asset Management Practice

The review by Internal Audit of Asset Management reported in March 2010 sets out recommendations of action required to continue the process to achieve the desired outcomes of good practice and these have been adopted and are being actively promoted and progressed by the Asset Management Board.

4.4 Asset Management – Asset Group Strategies

A range of specific Asset Group strategies are subject to development and the current School Estate Strategy is included within the appendices to this document.

4.5 Asset Management – Policies

A range of Policies in support of good asset management practice have been developed and are included in the appendices to this Document
Approved Asset Management Policies are at Section 9.0 Appendices.

5.0 Governance & Asset Management Responsibilities

Council governance of asset management by elected Council Members is on the basis of a Committee structure with the Council and Executive Committees directing the work of the Council through the Strategic Management Team.

The Organisational Development PPG contributes to the development of asset management policy and strategy and monitors asset management performance.

Area Committees ensure that their Area Plans reflect the CAMCP and that Area priorities are developed through the Business Case Gateway process.

Responsibility for Council assets is held by the three Departments: Community Services, Customer Services and Development & Infrastructure. These Departments are headed by an Executive Director reporting to the Chief Executive and supported by Heads of Services who are responsible for day to day service provision and the effective and efficient use of assets.

5.1 Chair of the Asset Management Board

The Head of Facilities is the Chair of the Asset Management Board and is responsible for the development of the Council's Corporate Asset Management Strategy, the production of the Corporate Asset Management & Capital Plans and the production of the Council's Carbon Management Plan.

5.2 Asset Management Board

The Asset Management Board is responsible for the development of Asset Management policy, planning and specification. In addition, the Board is responsible for the development and delivery of the asset management improvement programme and to support the production of the Corporate Asset Management and Capital Plan and the Council's Carbon Management Plan.

The Corporate requirements of asset management will be driven forward by the Asset Management Board; which is the link between senior officers and elected members and the Council's service operations in respect of matters of policy related to asset management. In this way a corporate view will be applied to major proposals relating to assets.

The Asset Management Board has responsibility for:-

- The implementation of the Capital Planning and Management Guide
- Presentation of the annual Asset Management Strategy to the Executive
- In conjunction with the Head of Strategic Finance preparation and presentation of the Corporate Asset Management & Capital Plan to the Council
- Surplus Assets Policy

- Asset Disposal Policy
- Non Operational Assets Policy
- Corporate Property Policy
- Implementation of the Procedure for Reconciliation of Services', Strategic Finance and the Council's (Microsoft Access) Database Asset Registers
- Involvement in the challenge process for Service Asset Management Plans
- Confirming acceptance of performance indicators to be applied to each asset classification and verification that Services can achieve timetable required to populate the Council Asset Register Database
- Reviewing Valuation Bases for assets and considering and recommending appropriate charging regimes for all asset types. This will require consideration of the management accounting issues involved in conjunction with Strategic Finance.
- Overseeing the development and completion of an Options Appraisal and Outline Business Case for the Council's future Corporate IT provision for Asset Management.

6.0 Corporate Asset Management & Capital Plan (CAMCP)

Each year the CAMCP will be prepared reflecting the contents of the Services Asset Management Plans (SAMP)s. The aim of the CAMCP is to ensure that capital and revenue expenditure is directed efficiently and effectively to further Corporate Objectives in terms of:

- Strategic Change
- Service Development
- Asset Sustainability

The CAMCP sets out how Services will ensure that the opportunity cost of financial resources tied up in Assets are minimised, and that there is an:

- Integrated corporate approach towards asset management, capital planning and budgeting process for both capital and revenue
- Asset decision making is consistent with Services requirements
- Identifying opportunities for innovation, asset investment or disposal
- Providing a context for capital project evaluation
- Helping to prioritise decisions on spending
- Changing the Council's Asset portfolio consistent with the Corporate Plan

6.1 Service Asset Management Plans (SAMP)

Each Executive Director is responsible for the completion of their Service Asset Management Plan. Service Asset Managers will prepare the SAMP, which when approved by the Departmental Executive Director, will be submitted to the Asset Management Board. The Asset Management Board will evaluate each SAMP, from which the Corporate Asset Management & Capital Plan will be prepared.

In preparing Service Asset Management Plans, Asset managers must consider the following guiding criteria:

- Maximise the **impact** of all capital and revenue expenditure on assets
- Apply asset performance indicators and benchmarking (***Condition***, ***Suitability*** and ***Risk***) to planning and decision making
- Maximise the utilisation of assets
- Reduce the unit costs of service delivery through smarter and more efficient asset management
- Dispose of underperforming, unsuitable assets and assets which are at risk and invest in "fit for purpose" assets
- Share assets with Community Partners & Third Sector to maximise public benefit

6.2 Capital Programme Planning and Management Guide

The Council requires that decision making regarding the procurement, development and disposal of assets is founded on a robust process of options appraisal and Business Case gateways. The Capital Programme Planning and Management Guide sets out the Council's approach towards, and requirement for, options appraisal and Business Case development.

7.0 Performance Management

During 2010-11 the Asset Management Board introduced a set of Asset Performance Indicators and an associated programme of asset surveys, which improved the standard of SAMP's. These allow the Council to benchmark asset performance and better inform corporate decision making. In the future the Asset Management Board will agree the survey frequency for specific asset groups and continually develop a programme of asset surveys in line with the agreed frequencies

The Council must underpin Asset Management, Business Case development and Capital & Revenue Decision Making with robust asset performance data. The Council's Planning and Performance Management Framework will support the required improvement in asset performance management, and the Asset Management Board has identified the continued development of asset performance measures as a key priority.

Performance Indicators (PI's) for each asset group are being identified and are being applied to prioritised groups to satisfy the needs of corporate management and members on a Council wide basis while also meeting the needs of Service managers on a day to day and month to month basis.

In implementing the use of PI's, Services have considered geographical Area implications. PIs should also be capable of being considered by individual asset, groups of assets, service, location, asset type and ultimately Council wide. The gathering, recording and reporting of this data is currently being addressed with the emphasis on property assets (buildings).

The PI's now form part of the annual SAMP's which will allow asset performance to be benchmarked with other Local Authorities and public sector bodies. The SAMPs for 2013/2014 will include targets for improvement (or replacement or disposal) and demonstrate how these will be achieved.

In order to fully support this strategy, the Council must develop and improve its IT asset management and performance management systems to establish a corporate standard for all Council assets. The Council will develop and appraise options to improve asset performance management information and put in place IT systems which will be "fit for purpose" for the next 5 years, through the completion of an Outline Business Case process.

8.0 Asset Management Strategy - Summary

In the short term the Council's asset management strategy is to ensure that all the foregoing policies; plans systems and processes are implemented and operational with ongoing development taking place during the next twelve months. This objective is set out within the Asset Management - Performance Matrix at Appendix 1, which shows progress made from June 2009 to date, and the planned level of performance which must be achieved by March 2012.

This will permit a more corporate view to be taken of our asset portfolio and the further development of rationalisation proposals to be prepared and assessed beyond strategic review of the Shared Office Rationalisation programme currently ongoing within our Process for Change initiatives, and the review of the School Estate Asset Strategy.

9.0 Appendices

Appendix 1 Asset Management – Performance Matrix

Appendix 2 Asset Management – School Estate Strategy

Appendix 3 Asset Management - Policies

Asset Management Performance Matrix

Appendix 1

	CORPORATE ASSET STRATEGY	CORPORATE ASSET MANAGEMENT PLAN	SERVICE ASSET MANAGEMENT PLANS	ASSET PERFORMANCE	SERVICE CAPITAL PLANS	ASSET REGISTER SYSTEMS
5	The Council prepares an annual Corporate Asset Management Strategy which is approved by the Council and which sets strategic corporate goals for assets in support of the Council's Corporate Plan. The Corporate Asset Strategy is supported by asset Policy Statements for 100% of asset groups.	The Council has a Corporate Asset Management Plan with complete data in respect of condition, suitability, risk and performance in respect of each asset within each asset group.	Service Asset Management Plans have been prepared but all have achieved a score in excess of 90% This will include written plan with condition and suitability surveys, risk reviews and performance data for each individual asset.	The Corporate and Services Asset Management Plans have performance data for 100% of individual asset within 100% of asset groups.	Services Capital Plans are supported by Business Cases duly scored and rated and approved for 100% of the projects on the Service Capital Plans.	The Council has one Asset Database holding financial and performance data, for all asset groups within all asset types, which is updated and reconciled to Finance and Services asset registers at 30 September and 31 March each year.
	The Council prepares an annual Corporate Asset Management Strategy which is approved by the Council and which sets strategic corporate goals for assets in support of the Council's Corporate Plan. The Corporate Asset Strategy is supported by asset Policy Statements for 100% of asset groups.	The Council has a Corporate Asset Management Plan with complete data in respect of condition, suitability, risk and performance in respect of each asset within each asset group.	Service Asset Management Plans have been prepared but all have achieved a score in excess of 90% This will include written plan with condition and suitability surveys, risk reviews and performance data for each individual asset.	The Corporate and Services Asset Management Plans have performance data for 80% of asset groups and have performance data for individual assets within 60% of asset groups..	Services Capital Plans are supported by Business Cases duly scored and rated and approved for 100% of the projects on the Service Capital Plans.	The Council has one Asset Database holding financial and performance data, for all asset groups within all asset types, which is updated and reconciled to Finance and Services asset registers at 30 September and 31 March each year.
4	The Council prepares an annual Corporate Asset Management Strategy which is approved by the Council and which sets strategic corporate goals for assets in support of the Council's Corporate Plan. The Corporate Asset Strategy is supported by asset Policy Statements for at least 75% of asset groups.	The Council has a Corporate Asset Management Plan with complete data in respect of condition, suitability, risk and performance in respect of each asset within at least 80% of all asset Types.	Service Asset Management Plans have been prepared but all have achieved a score in excess of 80%. This will include written plan with condition and suitability surveys, risk reviews and performance data for a substantial majority of individual assets.	The Corporate and Services Asset Management Plans have performance data for 60% of asset groups and have performance data for individual assets within 30% of asset groups..	Services Capital Plans are supported by Business Cases duly scored and rated and approved for at Least 85% of the projects on the Service Capital Plans.	The Council has one Asset Database holding financial and performance data, for 50% of asset groups within each asset type, which is updated and reconciled to Finance and Services asset registers at least annually at 31 March.
3	The Council prepares an annual Corporate Asset Management Strategy which is approved by the Council and which sets strategic corporate goals for assets in support of the Council's Corporate Plan. The Corporate Asset Strategy is supported by asset Policy Statements for at least 50% of asset groups.	The Council has a Corporate Asset Management Plan with complete data in respect of condition, suitability, risk and performance in respect of each asset within at least 60% of all asset Types.	Service Asset Management Plans have been prepared and all have achieved a score of at least 50%. This will include written plan with condition and suitability surveys, risk reviews and performance data for at least 60% of individual assets.	The Corporate and Services Asset Management Plans have performance data for 30% of asset groups and have performance data for individual assets within some asset groups..	Services Capital Plans are supported by Business Cases duly scored and rated and approved for at least 70% of the projects on the Service Capital Plans.	The Council relies on a financial asset register for accounting purposes and this is reconciled to the various asset inventories operated by individual Services. In addition the Council's Asset Register database has been populated for assets not on a specialised Service asset register and holds performance data for prioritised property assets.
2	The Council prepares an annual Corporate Asset Management Strategy which is approved by the Council and which sets strategic corporate goals for assets in support of the Council's Corporate Plan. The Corporate Asset Strategy is supported by asset Policy Statements for a minority of asset groups.	The Council has a Corporate Asset Management Plan with complete data in respect of condition, suitability, risk and performance in respect of each asset within at least 30% of all asset Groups.	Service Asset Management Plans have been prepared and all have achieved a score of at least 25%.This will include written plan with condition and suitability surveys, risk reviews and performance data for at least 30% of individual assets.	The Corporate and Services Asset Management Plans have performance data for some asset groups but have little or no data for individual assets.	Services Capital Plans are supported by Business Cases duly scored and rated and approved for at least 50% of the projects on the Service Capital Plans.	The Council relies on a financial asset register for accounting purposes and this is reconciled to the various asset inventories operated by individual Services.
	The Council has no Corporate Asset Management Strategy.	The Council has no Corporate Asset Management Plan.	Services have not prepared Service Asset Management Plans.	Neither the Corporate Asset Management Plan or the Services Asset Management Plans contain any data recording the performance of individual assets or asset groups.	Services Capital Plans are not supported by any form of Business Case.	The Council relies on a variety of asset register systems which are unrelated and unreconciled.

March 2012
March 2011
October 2010
April 2010
June 2009

APPENDIX 3 – ASSET MANAGEMENT POLICIES

1. INTRODUCTION

Argyll and Bute Council holds each of its assets as a resource to be used in the delivery of services and to support and contribute to its corporate objectives.

This is the fundamental premise that underpins all the Council's actions in managing its assets. From the acquisition of new assets, their operation throughout their lifetime, right the way through to their eventual disposal, the overall way in which the Council deploys and accounts for its assets can be tested against the contribution they make to the overall corporate vision. It is recognised that all assets can make particular contributions in terms of:-

- Optimising asset portfolios to meet changing service needs.
- Reaping financial benefits from savings in running costs and enhancing capital receipts.
- Implementing corporate plans and strategies in areas such as carbon reduction and sustainability.
- Acting as a catalyst for partnership working with other public service providers.
- Supporting the development and role of the Third Sector to provide key services within communities.

Improved service delivery through effective asset management will be achieved when key assets are in the right location, suitable and fit for purpose and in good condition. In particular all property assets will also need to be accessible and energy efficient.

The current financial climate has created particular problems for many public bodies. For example property assets cannot be so readily acquired, sold and, in some cases altered, as quickly. In addition, rising fuel costs will impact significantly on property budgets and the operation of vehicle fleets. The challenge for the Asset Management Board and the Council will be to consider the changes taking place in the external environment, such as new workplace practices, the increasing influence of information and communications technology and the growing importance of sustainability issues and to respond to these changes by implementing more innovative, aggressive and robust asset management policies.

The purpose of this document is to set out a high level Asset Policy framework for Argyll and Bute Council. These Policies will, in turn, support the Council's Asset Management Strategy and Corporate Asset Management Plan. The Policies set out in this document are in respect of:-

- Operational Property
- Non-Operational Property
- Disposals
- Acquisitions
- Fleet
- Infrastructure, and ICT

These Policies are a dynamic statement of how Argyll and Bute Council expects to better use and manage its assets during 2011-12. The Policies will be reviewed annually and updated, where appropriate, to reflect emerging best practice, altered priorities and any new statutory obligations.

2.0 OPERATIONAL PROPERTY POLICY STATEMENT

The Asset Management Board will oversee the management of all operational property assets to ensure that these resources are operated in an effective and efficient manner and contribute to an improved provision of services to the community.

To do this the Board will:-

- Ensure property is regarded and managed as a corporate resource.
- Ensure best value and best practice in the delivery of property and asset management services.
- Review and challenge the need for retaining properties with services.
- Ensure our property portfolio is suitable for its current use and supports effective service delivery.
- Ensure properties are compliant with relevant legislation.
- Ensure properties provide reasonable for people with disabilities.
- Ensure properties are in an appropriate condition and maintained effectively.
- Ensure office space is used efficiently.
- Regularly measuring and reporting the sufficiency of the school estate.
- Review options for rationalising or consolidating property assets.
- Regularly monitor and report on the performance of property and put in placed measures for securing continuous improvement.
- Ensure property running costs and the consumption of resources is minimised.
- Consider the needs of stakeholders.
- Ensure that comprehensive asset management information to support decision making is collected, maintained and stored efficiently.

3.0 NON-OPERATIONAL PROPERTY POLICY STATEMENT

The Asset Management Board will review and challenge the non-operational property assets held by Services. It will ensure that:-

- The commercial portfolio is managed effectively to maximise income.
- Rental voids are kept to a minimum.
- Key properties are held for economic development purposes.
- Regular reviews of commercial portfolio are carried out to assess rate of return, purpose of retention and alternative development options.
- Underperforming assets are declared surplus to requirements.
- The cost of managing the non-operational portfolio remains competitive through benchmarking and regular review.

4.0 PROPERTY DISPOSALS POLICY STATEMENT

The Council has a statutory responsibility under the Local Government (Scotland) Act 1973, not to dispose of land at less than the best consideration. In order to comply with this obligation it will, in the majority of instances, seek to obtain “market value” for all surplus assets by:-

- Enhancing value wherever practicable and appropriate.
- Advertising on the open market to encourage competition from likely purchasers.
- Setting a closing date for offers.
- Support the transfer of certain assets, where appropriate, to the Third Sector in return for wider community benefits.
- Generally recommending acceptance of the highest offer submitted in accordance with the above.
- Reporting all potential disposals to the appropriate Committee of the Council seeking approval to proceed.

The Asset Management Board will challenge service departments to review their future property requirements and this will ultimately lead to a net reduction of property assets. The Board will ensure arrangements are in place to:-

- Eliminate as far as possible the number of properties that are poorly used, unfit for purpose and in poor condition.
- Pursue disposal options that will maximise the return to the Council where possible.
- Become more innovative. For example to examine the possibility of setting up joint venture Special Purpose Vehicles (SPV’s), where appropriate, with the private sector to unlock the latent value of our assets.
- Fast-track disposal options where possible where unique or significant beneficial opportunities may exist, or can be created.
- Deliver revenue savings to the Council through the prompt and successful disposal of property.
- Ensure the cost of managing the disposal process portfolio remains competitive through benchmarking, market testing and regular review.

5.0 PROPERTY ACQUISITIONS POLICY STATEMENT

The Asset Management Board’s objective is to ensure that the necessary professional and technical services are in place to deliver the Council’s capital and revenue programmes of new build, refurbishment and maintenance works in respect of developing, consolidating and protecting property assets.

The Board will ensure that the Property, Design, Estates and Asset Management Teams will provide the Council with construction, procurement, valuation and consultancy services including project management, project monitoring and budget management. On this basis the Board will be in a position to review and determine whether due process has revealed that acquisition is the only, or most favourable option available.

In the event that the acquisition of an asset is the optimum solution the Asset Management Board will ensure efficient procurement of assets and construction projects by:-

- Reviewing the integrated and multi-disciplined approach within Facilities Services.
- Requiring services to follow the methodical and efficient processes contained within the Council's approved Capital Planning Guide.
- Overseeing and reviewing the production of Full Business Cases.
- Undertaking a rigorous options appraisal process, including consideration of procurement options available through the Council's membership of the Northern Territory hub Co.
- Requiring the demonstration of comprehensive value for money approach.
- Participating and leading, where appropriate, post project reviews.

6.0 FLEET POLICY STATEMENT

The Council operates a wide range of fleet and plant to support the delivery of services.

The Asset Management Board requires services to provide an efficient and effective fleet management and vehicle maintenance service.

Services will be required to demonstrate that:-

- They have the appropriate vehicles in place to carry out their responsibilities and duties.
- Vehicles are maintained to comply with VOSA (Vehicle Operator Services Agency)operator's licence standard.
- Maintenance records are kept in compliance with VOSA regulations.
- Fleet and plant information and data is collected, used to measure performance and to establish targets.
- Optimum utilisation is made of the fleet.
- A training programme is in place to support relevant staff and operators.
- Robust business cases are developed to underpin vehicle retention and best value procurement solutions.
- Vehicles are purchased to comply with current euro emission standards.

7.0 INFRASTRUCTURE POLICY STATEMENT

The infrastructure portfolio is a complicated collection of diverse asset groups such as roads, bridges, piers, street lighting and flood prevention schemes. The overarching aim of the Asset Management Board is to ensure that the service with responsibility for these asset groups strives for a good quality, well maintained and sustainable infrastructure network that is not only safe but also contributes to the needs of the community together with the everyday requirements of the businesses operating within Argyll and Bute.

The aim of the Asset Management Board is to make sure that:-

- The infrastructure assets perform well in terms of suitability and condition.
- Appropriate asset management information is gathered, maintained and used to underpin decision making.
- Full compliance with all relevant legislation and regulations is achieved.
- Data continues to be gathered and held on appropriate systems.
- Benchmarking activities continue to inform business improvement actions.

8.0 ICT POLICY STATEMENT

It is the aim of the Asset Management Board to ensure that the Council's ICT assets are utilised in the most effective, efficient and economical manner in support of the Council's plans, strategies and service delivery.

The following approach will be undertaken to achieve this:-

- Business, corporate and strategic requirements will be identified.
- Procurement options will be tailored and developed to suit continuing needs, taking into account ongoing maintenance and sustainability issues throughout the whole life of the asset.
- Regular reviews will be conducted to assess fitness for purpose and performance of the asset in question.
- Full compliance with legislative and operational requirements during the retiral and subsequent disposal of ICT assets.
- Comprehensive ICT and asset management information in support of all of the above will be collected, maintained, stored efficiently and be readily available.

ARGYLL & BUTE COUNCIL | **ASSET MANAGEMENT BOARD**
29 JANUARY 2010

OPERATIONAL SERVICES

VEHICLE & PLANT LIFECYCLE POLICY – POLICY LIFE

1. SUMMARY

1.1 One of the duties assigned to the Asset Management Board is for the consideration and agreement of asset specification and policy which will determine asset lifecycle.

1.2 This paper identifies the requirement to define and agree vehicle lifecycle policy (Policy Life) with Fleet User Departments.

2. RECOMMENDATIONS

2.1 A competent Outline Business Case (OBC) must be prepared by User Departments for the procurement of all vehicles and plant. No replacement vehicle or plant will be purchased without an OBC.

2.2 No Vehicle or plant items to be retained by the Council beyond a Policy Life of 5 Years unless exceptional circumstances dictate.

2.3 In exceptional circumstances, and subject to the development of a robust Business Case prior to procurement, particular specialist vehicles may be granted a Policy Life in excess of 5 years, as per Section 4.5.

2.4 No extensions to lease contracts will be given.

2.5 Vehicles purchased from capital will be replaced or disposed of either within Policy Life as per operational requirements, or at the end of their Policy Life.

2.6 When developing OBCs, User Departments must identify any new or existing applications of use which may be subject to the risk of organisational change or service reduction. Within the limitations of capital budget funding, replacement policy will be to procure vehicles which may not operate within the Council to full policy life from either contract hire or capital funds.

3. BACKGROUND

3.1 The Fleet Management Service Asset Management Plan (2010) indicates that the Council's Vehicle Fleet is ageing and its risk rating is increasing. Vehicle and plant replacement strategy is to improve the overall condition of vehicle and plant assets, reduce risk and improve utilisation.

3.2 If the improvement of vehicle and plant condition is not addressed through the adoption of the vehicle procurement policies set out at Section 2.0, the Council and User Departments face the following risks:

- Increasing risk to the Council's Operators Licence (vehicle condition & risk rating).

- Increasing number of lease extensions which are not Value For Money, incur unbudgeted cost pressure upon Services – and reflect poor long term operational planning.

- Requirement for Fleet Management to increase maintenance costs over and above charges made for vehicles based upon a fixed Policy Life and Lease – reflective of additional costs of retaining life expired vehicles and plant.

- Vehicles / Plant are not being fully utilised to their maximum.

4. PROPOSED IMPLEMENTATION OF POLICY – MILESTONE DATES

4.1 In considering how to implement policy for vehicle and plant replacement, as a practical guide to User Departments, consideration must be given to increasing the utilisation of existing and new vehicle and plant assets (and consequently reducing the total number of vehicles in council ownership) - to offset potentially increased charges for new vehicles and plant.

4.2 From April 2010 to March 2011 all vehicles and items of plant which are currently over seven years old are to be removed from the Council's vehicle and plant fleet – i.e. will be over 8 years old in 2010 - 2011.

4.3 From April 2011 to March 2012 all vehicles that are currently six and seven years old are to be removed from the Council's vehicle and plant fleet - i.e. will be over 7 years old in 2010 -2011.

4.4 From April 2012 to April 2013 any vehicles or items of plant which will be over 6 years old are to be removed from the Council's fleet.

4.5 From April 2013, all fleet and plant items are to operate within a 5 Year Policy Life (or lesser in the case of a highly utilised vehicle such as a Refuse Collection Vehicle), with the exception of specialist vehicles with a Policy Life in excess of 5 Years determined and agreed at OBC stage – e.g. the procurement of a Library Van which is a high value low mileage vehicle.

5. IMPLICATIONS

5.1	Policy	Yes.
5.2	Financial	None.
5.3	Personnel	None.
5.4	Equalities Impact	None.

Assessment

5.5	Legal	None.

For further information, please contact Walter MacArthur, Fleet & Waste Manager – 01546 604648.

Name	Sandy Mactaggart
Job Title	Head of Facility Services
Date	20 January 2010

ENERGY AND WATER MANAGEMENT

IN PUBLIC BUILDINGS

POLICY

January 2008

CONTENTS

1.0 INTRODUCTION

This Policy document offers the framework for addressing future energy and water use in Argyll and Bute Council's public buildings - the intention is not only to conserve as much energy and water as is practical and cost effective, but for Argyll and Bute Council to be regarded as a leading Local Authority in this respect.

This policy is intended to be a live document which will be developed by annual review. The policy will provide a history of action and achievement and will identify the Council's future plans for Energy and Water Management within its public buildings.

Political and Senior Management support for the Policy is imperative if the Council is to set the highest standards and achieve a status as a benchmark Local Authority. The success of the Policy will also be measured by the willingness of Council staff to take ownership of energy and water use in their working environments and to challenge convention. The Policy is therefore intended to appeal to all Argyll and Bute Council employees. The Policy should be viewed as a practical publication that all staff can relate to it in the context of their own working environment.

The Policy provides an 'Action Plan' and identifies short and medium term objectives. With each annual review of the Policy, there will be noticeable shifts in short term targets and performance as progress is made. Likewise, reporting accuracy of actual costs, consumption data and emissions will improve in subsequent revisions as data is challenged and cleansed.

The required outcome is a decrease in the Council's future energy and water consumption.

It is considered that July/August of each year would be the best time to publish future revisions of this Policy in advance of the budget setting process. The next policy revision will be undertaken in August 2008, in arrears of financial year 2007/2008, and in advance of the 2009/2010 budget setting process.

This document supersedes previous revisions

Photograph on cover – Biomass Boiler, Aqualibrium, Campbeltown

2.0 DECLARATION OF ENERGY POLICY

Argyll and Bute Council is committed to responsible energy and water management as part of an overall environmental strategy.

Argyll and Bute Council will demonstrate this commitment by adopting energy and water management best practice throughout all its premises.

Argyll and Bute Council will demonstrate achievements through regular management reporting and will work towards independent assessment and accreditation to recognise both success and opportunity for further improvement.

3.0 GENERAL STATEMENT OF ENERGY POLICY

Argyll and Bute Council recognises the environmental impact that the use of energy and water in its buildings causes.

By reducing energy and water consumption, Argyll and Bute Council aims to minimise:

- Energy and Water Costs
- Environmental Impact of Harmful Emissions
- Depletion of Fossil Fuels

Argyll and Bute Council aims to reduce energy and water consumption through:

- Efficient Administration
    - Data collation and handling for management reports; benchmarks etc
- Improved Site Management of Energy and Water Use
    - Maintenance regimes; operating procedures; defined responsibilities; involve and train staff; awareness raising etc
- Energy and Water Efficient Design
    - Reduce requirement for, and reliance on, energy and water through investment and good practice design; renewables strategy etc
- Strategic Decision Making
    - Building rationalisation; directives etc
    - Asset Management & Performance

Argyll and Bute Council will annually review and publish its Energy and Water Management Policy, comparing performance against targets/benchmarks and making clear statement of progress achieved.

4.0 CURRENT POSITION

4.1 Energy and Water Use and Cost

Argyll and Bute Council has a property portfolio of approximately **550** public buildings.

Argyll and Bute Council's Energy and Water expenditure was circa **£3.57M** in 2006/07.

Appendix I details the Council's energy and water use and cost for public buildings. This information is extracted from the Council's financial management system. Improving data quality is a current high priority as it is difficult to set realistic targets when an accurate base line position has not been established.

In the last 24 months, Argyll and Bute Council has focused on data cleansing to establish the base line position and prepare for utility supply tendering, water conservation initiatives, conducting energy surveys, taking forward a number of good practice energy conservation projects and tightening up on the management of energy within public buildings.

Energy Management progress reports are reported quarterly within the Facility Services Quarterly Report.

4.2. Energy Management Matrix

The Energy Management Matrix at Appendix II provides an overview of the current organisational status of energy and water management in Argyll and Bute Council.

Each column of the Matrix deals with one of six organisational issues. The aim is to move up the Matrix (through levels 0 to 4) for each of these issues. Feedback from other organisations suggests that each full level of progress up the matrix could expect to achieve a reduction of around 10% of overall energy consumption.

The short term and medium term objectives detailed within Section 6 of this document offer up an action plan which demonstrates the method by which the Council intends to improve its status on the Matrix. The relative importance that Argyll and Bute Council is affording to 'Information Systems' is reflected by the projected improvement in this category on the Matrix.

5.0 OPERATING PRINCIPLES

To achieve Argyll and Bute Council's commitment to reduce energy and water consumption, it is necessary to consider and adopt items of operational best practice – and implementation of a plan of action which is broken down into the short and medium term targets in Section 6.

5.1 <u>Responsibility/Accountability</u>

It is imperative that a clear organisational structure is in place. Energy and water management requires to be comprehensively organised through clear leadership and coordinated effort and it is essential that roles and responsibilities are defined and understood.

5.1.1 The overall energy and water management performance of all Argyll and Bute Council public buildings is the responsibility of the Energy Champion (Head of Facility Services).

5.1.2 The Energy Working Group has responsibility to develop and update the Energy Policy and strategy and to monitor implementation and progress towards achieving targets. The Energy Working Group, which meets quarterly, is chaired by the Energy Champion and each Council department is represented by key individuals.

In addition to the annually reviewed Energy & Water Management Policy, the Energy Working Group will report regularly to the Strategic Management Team (SMT) and provide quarterly performance reports.

5.1.3 Responsibility for co-ordinating energy management activities in public buildings resides with the Energy Manager.

The Energy Team (comprising Energy Manager and Energy Support Officer) are located within the Property Services section of Operational Services and provide Council wide support.

The Energy Team is responsible for establishing and maintaining a comprehensive information system on the Council's energy and water use and for producing management reports.

The Energy Manager, in consultation with the Energy Working Group, is responsible for setting annual energy and water budgets for Services and for individual facilities.

5.1.4 Site specific energy and water use is the responsibility of a specific member of staff (the "Officer in Charge" or "Responsible Person").

The Energy Working Group has nominated "Responsible Persons" for each of Argyll and Bute Council's key sites in Appendix IV. This appendix will be expanded in future revisions of the Energy & Water Management Policy to introduce additional sites and clarify responsibilities.

It is these individuals' responsibility to ensure that the sites, for which they are responsible, are managed in a manner that is consistent with best practice energy and water management and adheres to the spirit of the Energy Policy. The "Responsible Person" may delegate relevant tasks but will hold ultimate responsibility for site energy and water use.

5.1.5 Efficient use of energy and water is the responsibility of every member of staff.

5.1.6 The Council's Energy Management Structure is at Appendix III..

5.2 Lines of Communication

Formal communication on matters relating to the control of energy consumption by end users or budget holders will be directed through the Energy Manager who will, where appropriate, bring it to the attention of the relevant line manager, other senior managers or the Energy Working Group.

An email address for all internal and external enquires on energy-related issues has been established. The address is energy.management@argyll-bute.gov.uk. This e-mail address will also be a channel for staff suggestions.

Web site information will be established and promoted. This will be on the Council's Intranet/ Internet as appropriate, giving access to relevant facts and figures, energy efficiency advice, Energy Policy documents, etc.

Energy awareness information shall be produced and made available to all staff. The Responsible Person for each site will receive additional guidance in respect of their roles.

5.3 Heating Control

The heating of public buildings represents one of the largest contributions to Council energy use.

Argyll and Bute Council expect to use the minimum amount of energy to heat buildings whilst maintaining satisfactory temperature levels for effective service delivery.

In essence, it is essential to ensure that buildings are only heated:

- **When they are in use**
- **When seasonally required**
- **To an agreed maximum temperature**

5.3.1 Temperature Control

Argyll and Bute Council will comply with the legislative requirements in terms of thermal comfort in the workplace which are at Appendix V). A further set of temperature control parameters will be applied, which are within these legislative requirements. These control parameters are at Appendix IV.

Site Responsible Persons will liaise with Property Services, Dunoon to ensure the application of correct temperature setpoint levels.

5.3.2 Timed Control

Site Responsible Persons will liaise with Property Services, Dunoon to ensure that building heating systems operate in conjunction with core building operational hours only and that heating operates on a frost protection basis otherwise. Requirements to extend heating outwith core hours should be agreed by Property Services, Dunoon and the Responsible Person.

5.3.3 Summer Shutdown

A summer shutdown of heating to all properties other than Residential Homes for the Elderly, Special Day-Care Units for the disabled, community halls used by the elderly/infirm or other special instances shall apply. This will entail the disablement of fabric heating systems from early May to late September inclusive. Exceptions to the heating disablement due to severe and/or adverse weather conditions will be coordinated with the Energy Team.

Site Responsible Persons will liaise with Property Services, Dunoon to ensure application of the shutdown.

5.4 Energy Efficiency by Design

5.4.1 Argyll and Bute Council will make use of the governments free “Design Advice Scheme”, which offers various levels of assistance depending on the footprint of the building in question.

5.4.2 Argyll and Bute Council will use the nationally recognised BREEAM (Building Research Establishment Energy Assessment Method) to set a benchmark for the environmental design of new/refurbished buildings. On the basis of BREEAM standards, Argyll and Bute Council buildings will specify a minimum standard of “Very Good”.

5.4.3 Community Services, Operational Services and Development Services will work together to develop an “Energy Efficiency Design Brief /Checklist“ which will be applied to Argyll and Bute Council new build design, refurbishment and retrofit projects as part of the development of the Corporate and Service Asset Management Planning.

5.5 Specific Funding Provision

5.5.1 Central Energy Efficiency Fund (CEEF)

Argyll and Bute Council participates in the Scottish Executive CEEF programme. The CEEF programme provided Argyll and Bute Council with £286,466 of funding to invest in qualifying projects with a payback of under 5 years.

The Central Energy Efficiency Fund provides the initial capital outlay for these projects on a loan replacement basis i.e. the fund is topped up from energy savings.

5.5.2 Utility Fund

Argyll and Bute Council have created a fund which is substantially financed from Scottish Water rebates.

This fund provides the capital outlay for water efficiency projects and energy efficiency intiatives that do not qualify for CEEF funding e.g. smart metering investment, renewables.

6.0 ENERGY AND WATER ACTION PLAN

6.1 Short Term Objectives 2008-9

In the short to medium term Argyll and Bute Council will focus on the following aspects of Energy and Water Management.

6.1.1 Improve data collation to monitor energy and water use and cost by:

- Centralised handling of all utility invoices.
- Cleansing of invoiced data to improve accuracy/quality; includes site surveys
- Establishing a system of regular customer meter reads.
- Establishing a STARK Energy Management System energy database for all public buildings.
- Inputting data into STARK System – **establish baseline consumption**.

6.1.2 Utility Management

- Tarrif checking, including meter rightsizing, authorised capacity checks etc

6.1.3 Reporting of Energy and Water use and cost information

- Regular performance management reporting from STARK System including budget information.
- Priority site identification by benchmarking.
- Environmental impact of public building energy and water use.

6.1.4 Utility Procurement

- Purchase on most favourable terms including renewable energy provision.
- Collate tender information.

6.1.5 Water Conservation/Management and Account Cleansing; **Key Financial Opportunity**

- Water surveys.
- Coordinate account cleansing with Scottish Water; identify rebate opportunities.
- Ensure widespread use of urinal controllers.
- Ensure widespread use of other water saving devices.
- Eliminate water loss issues; prioritise plumbing repairs.
- Conclude UCA contract.
- Manage Utility Fund and re-invest on projects.
- Participate in Envirowise “Big Splash” Programme.

6.1.6 Energy Management

- Conduct Energy Audits/Surveys, prioritising key sites.
- Ensure timeclocks are set correctly.
- Ensure Energy use during holidays and building closures is controlled.
- Ensure setpoints, TRV settings, etc. are in accordance with Policy .

6.1.7 Energy Projects Implementation (CEEF Funded)

- Extend building management system (BMS) use, targetting oil sites as priority.
- Incorporate BMS improvements, e.g. installation of extension buttons.
- Progress project works identified from the programme of energy surveys.

6.1.8 Awareness Raising and Promotional Activity

- Website information provision including course availabily, contact information, etc.
- Staff suggestion scheme.
- Distribute temperature gauges.
- Commence Poster/sticker and promotional literature distribution.

6.1.9 Energy Efficiency Accreditation Scheme (Leisure Properties – Phase 1)

- Carry out full range of best practice initiatives within Leisure buildings.
- Accreditation of Leisure Properties (Facility Services Service Plan 2008/9) - June 08
- Development of accreditation plan for the whole Council (Facility Services Service Plan 2008/9) – December 08

6.2 <u>Medium Term Objectives 2008-10</u>

In the medium term Argyll and Bute Council will address the following:

6.2.1 Local Authority Carbon Management (LACM) Participation

By participating in Local Authority Carbon Management Programme, the aim is to reduce carbon emissions under the direct control of Councils – whether caused by energy use in buildings, street lighting, landfill waste or vehicle fleets.

The process offers:

- A systematic analysis of the Council's carbon footprint.
- A calculation of the value at stake and the case for taking action.
- An assessment of opportunities to help manage carbon emissions.
- Development of structured action plans for realising carbon savings and embedding carbon management in Argyll and Bute Council's day to day business.
- Link Carbon Management Plan to future capital and asset management plans (Facility Services Service Plan 2008/9) – December 08

Argyll and Bute Council will participate in the LACM Programme participation from April 2008.

6.2.2 Setting Targets to Reduce Energy and Water Consumption

- Set targets based on baseline information.
- Consider incentive and reward scheme.
- Use of quarterly performance reports and league tables.

6.2.3 Explore Energy Management Procurement Opportunities.

- Establish strategy for purchase of energy efficient plant and equipment.
- Develop specification of approved energy efficient plant and equipment (Facility Services Service Plan 2008/9) – October 08:
    - Boilers Oct 08
    - Windows Oct 08
    - Lighting Oct 08

6.2.4 Energy Management

- Description of operation of heating and other key systems, to improve staff understanding.
- Continuation of Energy Audits/Surveys.
- Continuation of roll out of energy efficient projects (CEEF Funded).

6.2.5 Water Management

- Identification of septic tanks, private water supplies and non-returns to sewer.

6.2.6 Awareness Raising and Promotional Activity

- Competitions/awards.
- Poster/sticker and promotional literature distribution continued.
- Staff "Energy Awareness Guidance Note".
- Work4ce articles.
- Whole School Approach including Eco Schools input.

6.2.7 Training

- Janitorial adhoc 1:1 training.
- Formal training for all key staff - **Responsible Persons**, (including head teachers, janitors, caretakers, cleaners, catering staff, leisure staff, property officers, trades people, specifiers/designers)
- New staff induction.

Given the magnitude of the training programme, it will be necessary to carry out training on a phased basis. Staff employed within the largest energy consuming sites will be treated as priority.

6.2.8 Energy Related Maintenance

- Ensure regular heating controls maintenance in place.
- Ensure best practice maintenance of key plant and equipment epecially boilers and air conditioning.
- Identify spend to save opportunities.
- Use energy rated products.
- Consider standardisation (permits interchangeability and reduced learning curves).

6.2.9 Energy/Carbon & Water Conservation Projects

- Generate and implement project initiatives to deliver energy and water consumption savings and reduce carbon emissions (Facility Services Service Plan 2008/9)
- Development Business Case for Bio Mass/Renewable energy (Facility Services Service Plan 2008/9) for
  - Kilmory Castle (& Nursery)
  - Islay High School
  - Whitegates Resource Centre
  - Ardencraig Nursery

6.2.10 Integration of Renewables and Emerging Technologies

- Roll out trial schemes of all technologies; identify best test sites.
- Use trials as a learning/curricular opportunity.
- Expand renewables use for best technologies on most suitable sites.

6.2.11 Energy Projects Implementation (Non CEEF Funded)

- Renewables trials/initiatives.
- Smart metering trials.

6.2.12 Design Input

- Offer comment/approval on design projects
- Develop Council Design Brief/Checklist

7.0 STATEMENT OF PROGRESS

This section is intended for use in future revisions of the Energy Policy.

ENERGY AND WATER COST, CONSUMPTION AND CARBON EMISSIONS BY FUEL

Argyll & Bute Council – 2006/2007

ENERGY SOURCE	COST	ENERGY UNITS	CARBON EMISSIONS
Electricity (inc. street lighting)	£1,676,425	21,083,000 kWh	9,065,690kg CO_2
Gas	£252,152	10,000,000 kWh	1,900,000kg CO_2
Oil	£858,522	29,104,000 kWh	7,276,000kg CO_2
Other Fuel	£15,276	605,000 kWh	115,140kg CO_2
Water	£771,361	Future	Future
Total	**£3,573,736**	**60,793,000 kWh**	**18,356,830kg CO_2**

Note (1): Argyll and Bute Council currently procures 100% of the electricity it uses from renewable sources. This is not reflected in the carbon emissions information above.

Note (2): Carbon Trust publication CTL004 “Energy and Carbon Conversion” has been used for carbon conversion information above.

Note (3): Cost data is extracted from Oracle financial reports; consumption data is based on best available information, the quality of which will improve as data cleansing work is concluded.

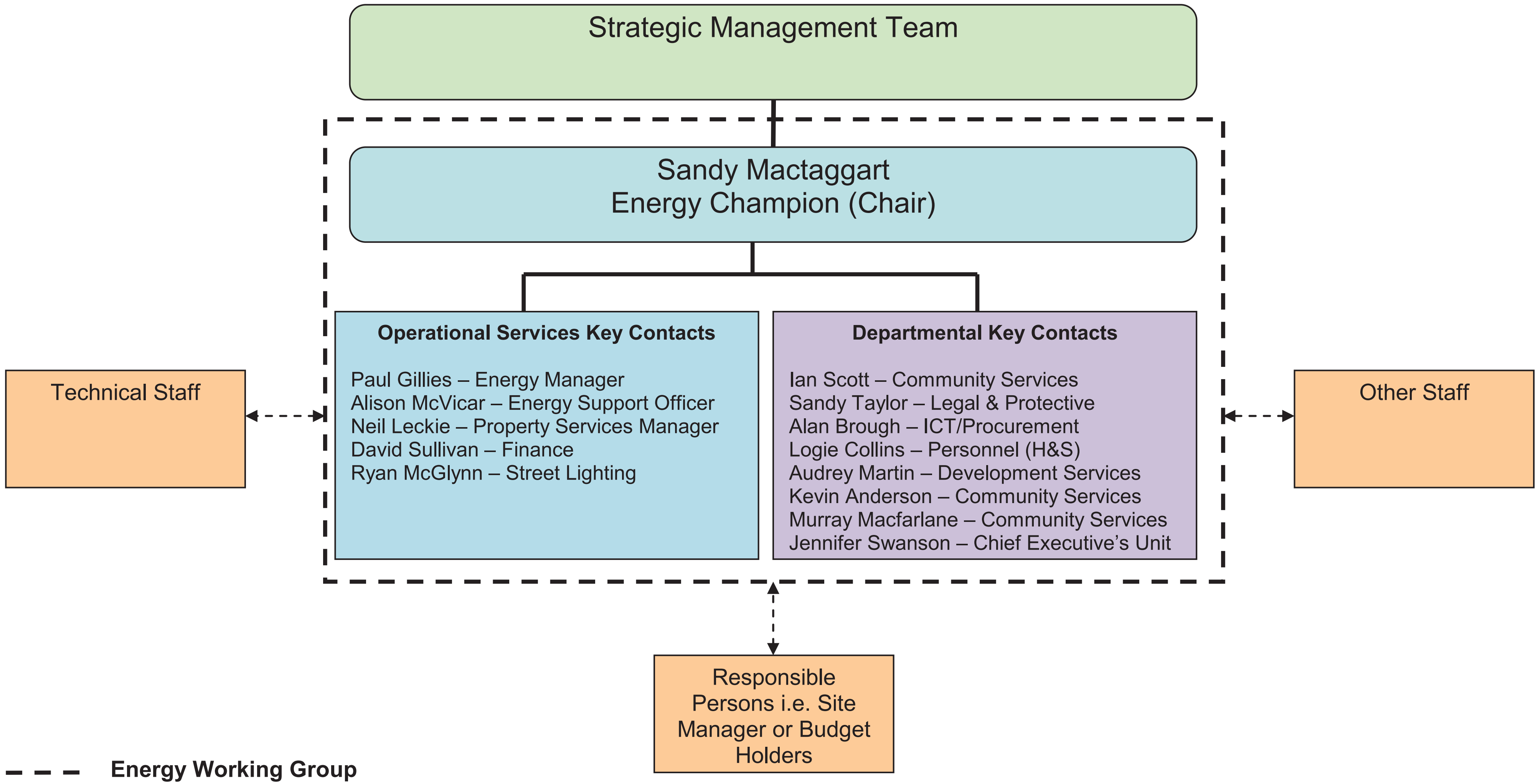
ENERGY MANAGEMENT MATRIX

Level	Energy Policy	Organising	Motivation	Information Systems	Marketing	Investment
4	Energy Policy, action plan and regular review have commitment of SMT as part of an environmental strategy	Energy management fully integrated into management structure. Clear delegation of responsibility for energy consumption	Formal and informal channels of communication regularly exploited by energy manager and energy staff at all levels.	Comprehensive system sets targets, monitors consumption, identifies faults, quantities savings and provide budget tracking	Marketing the value of energy efficiency and the performance of energy management both within the organisation and outside it.	Positive discrimination in favour of "green" schemes with detailed investment appraisal of all new-build and refurbishment opportunities
3	Formal energy policy but no active commitment from SMT	Energy manager accountable to energy working group representing all users, chaired by the Energy Champion	Energy working group used as main channel together with direct contact with major users.	M&T reports for individual premises based on sub-metering, but savings not reported effectively to users.	Programme of staff awareness and regular publicity campaigns.	Same pay back criteria employed as for all other investment.
2.	Unadopted energy policy set by energy manager or senior departmental manager.	Energy manager in post, reporting to ad-hoc committee, but line management and authority are unclear	Contact with major users through ad-hoc committee chaired by senior departmental manager.	Monitoring and targeting reports based on supply meter data. Energy unit has ad-hoc involvement in budget setting.	Some ad-hoc staff awareness training.	Investment using short term pay back criteria only
1.	An unwritten set of guidelines.	Energy management the part time responsibility of someone with only limited authority or influence.	Informal contacts between engineer and a few users.	Cost reporting based on invoice data. Engineer compiles reports for internal use within technical department.	Informal contacts used to promote energy efficiency.	Only low cost measures taken.
0	No explicit policy	No energy management or any formal delegation of responsibility for energy consumption	No contact with users.	No information system. No accounting for energy consumption.	No promotion of energy efficiency.	No investment in increasing energy efficiency in premises.

Argyll and Bute Council's Current Position January 2008

Argyll and Bute Council's Short Term Target December 2008

ENERGY MANAGEMENT ORGANISATIONALSTRUCTURE



LIST OF RESPONSIBLE PERSONS BY SITE

Schools	Head Teacher
NPDO Schools	MITIE PFI
Hostels	Officer in Charge
Community Education Centres	Officer in Charge
Homes for the Elderly	Officer in Charge
Children Homes	Officer in Charge
Council Offices	Officer in Charge
Leisure	Officer in Charge
Libraries	Officer in Charge
Crematoriums	Officer in Charge
Depots/Parks/Piers/Cemeteries/Public Toilets	Officer in Charge

TEMPERATURE CONTROL PARAMETERS

It is the Policy of Argyll and Bute Council to heat staff 'workrooms' and 'public areas', where possible to 19degC (66.2degF) during general occupation.

This is consistent with The Fuel and Electricity (Heating) (Control) (Amendment) Order 1980 which prohibits the use of fuel or electricity to heat premises above a temperature of 19degC. This prohibition does not apply to premises used as living accommodation, to areas where the maintenance of health of certain persons is a concern and certain other exempted areas.

Additionally, the following temperatures shall apply to Argyll and Bute Council owned or managed buildings:-

(1)	(2)
The temperatures below are those at which plant and equipment will be energised, to protect against **Frost**, when the building is unoccupied:	
Internal Space Temperature – Fabric Frost Protection	8ºC
External Temperature – Frost Protection	3ºC
Pipework Water Temperature – Frost Protection	12ºC
Property Services, Dunoon will determine the specific mode of operation such as enabling of pump circulation, valve positioning and finally the need to energise heating plant and equipment.	
Heating Economy Function; the external temperature above which all energy input for heating purposes should be automatically disabled.	17ºC
Desired Control Temperature Levels:	
Most 'workrooms' which include classrooms, nursery rooms and general office areas	19ºC
Common/Staff Rooms, Dining Rooms	19ºC
Changing rooms, bathrooms and shower rooms	19ºC
Public gathering areas including libraries	19ºC
Gymnasium, Games Hall	16ºC
Assembly Hall, Lecture Hall or Theatre	17ºC
Toilets	16ºC
Cloakrooms, corridors and storage areas	16ºC
Other Specialist including residential homes for the elderly; special day care and educational establishments for the infirm and severely disabled; swimming pools, etc.	Variable

When a building is generally un-occupied but is being used by a small number of staff (e.g. cleaners, caretakers, trades people, etc.), provision of temporary localised heating shall be explored.

It is accepted that not all areas will permit the level of control desired, given heating and control system capabilities/inadequacies. Deficiencies will be addressed as and when they are identified.

Energy should not be used to heat buildings for any other purpose without approval e.g. drying floors.

Design criteria for heating systems would be considered in the Energy Efficiency Design Brief referred to in Section 5.4 ‘Energy Efficiency by Design’.

TEMPERATURES IN THE WORKPLACE – INTERPRETATION OF THE LEGISLATION

Temperature Requirements in the Workplace

Temperature, humidity, ventilation and lighting are major determinants of comfort in the workplace. Departures from satisfactory conditions can have harmful health effects. These hazards are covered by the Workplace Health, Safety and Welfare (WHSW) Regulations 1992, which came fully into force on 1 January 1996. This replaces sections of the Factories Act and Offices, Shops and Railway Premises Act.

The Regulations typically cover all types of Council buildings.

Given the relevance in an energy management context, this note covers the legal requirements and good conditions for the protection of comfort and health in respect of temperature in the workplace.

Temperature Regulation

(WHSH Regulation 7); The law requires only that a "reasonable" temperature shall be maintained in indoor workplaces during working hours. There is neither a maximum nor a minimum temperature specified in the new legislation; the minimum temperature specified in the old legislation has now been abolished.

HSE Guidance Publication "Thermal Comfort in the Workplace", seeks to define thermal comfort and states:

"An acceptable zone of thermal comfort for most people in the UK lies roughly between 13ºC and 30ºC with acceptable temperatures for more strenuous work activities concentrated towards the bottom end of the range, and more sedentary activities towards the higher end."

The Regulations require a sufficient number of thermometers to be available to enable the temperature to be measured throughout the workplace. The Approved Code of Practice (ACoP) says thermometers need not be in every room.

There is advice in the ACoP stating the minimum temperature in workrooms should be at least 16ºC, or if severe physical effort is required, at least 13ºC. These temperatures may not, however, ensure reasonable comfort, depending on other factors such as air movement and relative humidity. This advice does not apply were it would be impractical to maintain such temperatures, e.g. where food is being kept cold.

Where the temperature in a workroom would otherwise be uncomfortably high all reasonable steps should be taken to achieve a reasonably comfortable temperature. Where a reasonably comfortable temperature can not be achieved throughout a workroom, the employer should consider how to alleviate the problem.

"Workroom" means a room where people normally work for more than short periods.

ARGYLL AND BUTE COUNCIL

DECLARATION OF ENERGY POLICY

Argyll and Bute Council is committed to responsible energy and water management as part of an overall environmental strategy.

Argyll and Bute Council will demonstrate this commitment by adopting energy and water management best practice throughout all its premises.

Argyll and Bute Council will demonstrate achievements through quarterly management reporting and will work towards independent assessment and accreditation to recognise both success and opportunity for further improvement.

GENERAL STATEMENT OF ENERGY POLICY

Argyll and Bute Council recognises the environmental impact that the use of energy and water in its buildings causes.

<u>By reducing energy and water consumption</u>, Argyll and Bute Council aims to minimise:

- Energy and Water Costs
- Environmental Impact of Harmful Emissions
- Depletion of Fossil Fuels

Argyll and Bute Council aims to reduce energy and water consumption through:

- Efficient Administration
    - Data collation and handling for management reports; benchmarks etc
- Improved Site Management of Energy and Water Use
    - Maintenance regimes; operating procedures; defined responsibilities; involve and train staff; awareness raising etc
- Energy and Water Efficient Design
    - Reduce requirement for, and reliance on, energy and water through investment and good practice design; renewables strategy etc
- Strategic Decision Making
    - Building rationalisation; directives etc

Argyll and Bute Council will annually review and publish its Energy Policy, comparing performance against targets/benchmarks and making clear statement of progress achieved.

……………………………………………………………….. ………………………………………………………..

Council Deputy Leader Date of Signing

CORPORATE ASSET MANAGEMENT & CAPITAL PLAN 2011/12

Author	Chair Asset Management Board
Owner	Asset Management Board
Date	February 2011
Version	1.0

Corporate Asset Management & Capital Plan

Contents

Date	Version	Author
02/11.10	1.0	Malcolm MacFadyen

1.0 Executive Summary

The **Corporate Asset Management & Capital Plan (CAMCP)** reflects the Council's Strategic Capital investment priorities and Service Plans to support Strategic Change, Service Development and Asset Sustainability projects in 2011-12 and beyond.

The Strategic Change programme identifies the Council's strategic planning priorities which include the CHORD programme, school replacement and road and infrastructure projects.

The Service Development and Asset Sustainability programmes focus on addressing the **Condition, Suitability** and **Risk** associated with the Council's assets. The CAMCP addresses individual assets or asset groups which have been identified as highest risk (***significant*** risk of impairment to both the asset and/or service delivery), either through capital plans founded on Business Cases, or through the proposed development of Outline Business Cases in 2011/12.

The CAMCP is funded from existing Block Allocations. No new bids for capital funding from supported borrowing have been included within the programme. A number of additional projects have also been included within the CAMCP which will be fully/partially funded from Prudential Borrowing on a "spend to save" basis.

The **Corporate Asset Management Strategy** which is being considered by the Council concurrently, will provide the strategic framework for the development of future Service Asset Management Plans and the development of the Corporate Asset Management & Capital Plan for 2012-13 and beyond.

2.0 Asset Management – Current Position

2.1 Introduction

The **Corporate Asset Management & Capital Plan (CAMCP)** reflects existing Departmental and Service structures and planning. The CAMCP brings together the Council's Strategic Change programmes such as CHORD and Process for Change, with Service Asset Management Plans and capital plans.

Service Asset Management Plans (SAMP)s, which have been produced for the second time in 2011, set out how each Service is planning to manage the assets they utilise to deliver services. The standard of the SAMPs reflect the current maturity of the Council's asset management planning and demonstrate an improvement in terms of information, quality and meaningful asset performance measures - varying between areas of "best practice" to areas where there has been limited asset performance management to date.

The SAMPs show that as of October 2010, gaps exist within Services' knowledge of the **Condition, Suitability** and **Risk** associated with asset groups under their management control.

All new capital projects included within Service Capital Plans are founded on either an Initial Business Case (IBC) or an Outline Business Case (OBC) (as required by the Council's Capital Planning Guidance). The quality and standard of Business Case produced in 2010/11 is reflective of the development of asset management planning across the Council. Strategic Change Project OBCs show best practice; incorporating options appraisal, whole life costing and risk analysis. The standard of IBCs for the Asset Sustainability programme show an improvement over the previous year but will be a focus for further development over the next year.

These higher quality SAMPs will provide the Council with a more robust suite of data from which to inform strategic decision making; to consider adjusting block allocations between Service Areas and/or between Strategic Priorities; Strategic Change, Service Development and Asset Sustainability but will be even more useful in future when improvements can be targeted and reported upon. They will also inform future decision making in relation to asset disposal.

2.2 Links to Corporate Plan, Area Plans and Service Asset Management Plans

The Corporate Asset Management & Capital Plan supports and directly links to the Council's Corporate Plan, Community Plan and the Single Outcome Agreement (SOA). The Council's Corporate Plan identifies an Improvement Plan with seven themes; one of which is asset management.

The main sources of data for the CAMCP are the Service Asset Management Plans and associated Service Capital Plans. This is the second time a Corporate Asset Management & Capital Plan has been prepared and while subjective assessment of **Condition, Suitability** and **Risk** has had to be applied to certain asset groups, objective evidence is available for at least 30% of asset groups at this time. The process will be continued and improved and a target of 80% of asset groups has been set for individual asset objective evidence by March 2012.

The CAMCP is updated annually and will reflect national policy requirements such as the Council's Third Sector Demonstration Project and the Scottish Government funded - "Promoting Asset Transfer Programme". In addition, strategic asset management planning arrangements between other public bodies and major Community Planning Partners within Argyll & Bute must become more effective. This is currently being reviewed by the Head of Facilities in accordance with the requirements of the Argyll and Bute Community Planning Partnership Executive Sub Group.

2.3 Governance & Asset Management Responsibilities

Council governance of asset management by elected Council Members is on the basis of a Committee structure with the Council and Executive Committees directing the work of the Council through the Strategic Management Team.

The Organisational Development PPG contributes to the development of asset management policy and strategy and monitors asset management performance.

Area Committees ensure that their Area Plans reflect the CAMCP and that Area priorities are developed through the Business Case Gateway process.

Responsibility for Council assets is held by the three Departments: Community Services, Customer Services and Development & Infrastructure. These Departments are headed by an Executive Director reporting to the Chief Executive and supported by Heads of Services who are responsible for day to day service provision and the effective and efficient use of assets.

The Head of Facilities is the Chair of the Asset Management Board and is responsible for the development of the Council's Corporate Asset Management Strategy, the production of the Corporate Asset Management & Capital Plan and the production of the Council's Carbon Management Plan.

The Asset Management Board is responsible for the development of Asset Management policy, planning and specification. The Asset Management Board is responsible for the development and delivery of the asset management improvement programme and to support the production of the Corporate Asset Management and Capital Plan and the Council's Carbon Management Plan.

2.4 Asset Performance Management

The Asset Management Board approved a programme of works on 1 March 2010 to capture missing asset data in 2010-11. During 2010-11 the Asset Management Board introduced a set of Asset Performance Indicators and an associated programme of asset surveys, which improved the standard of SAMPs. These allow the Council to benchmark asset performance and better inform corporate decision making in the future.

The Council must underpin future Asset Management, Business Case development and Capital & Revenue Decision Making with robust asset performance data. The Council's Planning and Performance Management Framework will support the required improvement in asset performance management, and the Asset Management Board has identified the continued development of asset performance measures as a key priority.

2.5 Service Functions

The Council has operated from 01 April 2010 with 12 Heads of Service:-

Chief Executive
Strategic Finance
Improvement and HR

Customer Services
Governance & Law
Support & Customer Service
Facilities

Development & Infrastructure
Roads and Amenities
Planning and Regulation
Economic Development

Community Services
Adult Care
Children and Families
Education
Community and Culture

2.6 Service Legislative Requirements

The day to day operations of Local Authorities is very much dictated by legislation. Each Service has to be mindful of the legislation affecting each of its operations and the key legislation is set out in the individual Service Asset Management Plans. Relevant Legislation includes:-

- Legislation involving Care Commission issues
- Legislation relating HM Inspectorate of Education
- Roads (Scotland) Act 1984
- Health and Safety legislation
- Environmental and other protective legislation

2.7 National Programmes - Asset Management & Procurement

The **Scottish Futures Trust** is responsible for delivering the Scottish Government's Hub Initiative which is designed to facilitate the procurement of community based facilities by local authorities, Health Boards and other public bodies within certain territorial areas, either individually or collaboratively through an appointed Private Sector Development Partner. Since 2009, SFT has launched two of the five planned Hub territories. The **Northern Hub Territory** contains 18 public bodies, including Argyll and Bute Council. At this stage a commitment has been given to become a partner in the Northern Territory although as yet no projects have been identified as being suitable for possible delivery through the hub model. It is anticipated that the commissioning process for the Northern Territory will conclude around March 2011.

Argyll & Bute Council is currently engaging with the Scottish Futures Trust to take forward the development of the proposed primary campus for Dunoon which is being partially funded through the Government's schools building programme.

In December 2010 Scottish Ministers also announced the commitment to provide fund ing for the replacement of Campbeltown Grammar. Arising from this staff are now liasing with the Scottish Futures Trust to determine the necessary development steps.

3.0 Asset Management Planning

3.1 Council Capital Plan - Approved Priorities

With the introduction of Asset Management Plans, the Council has implemented a gateway system for appraising and approving future capital expenditure. The process has been utilised for 2011/12 with consideration being given to addressing **Highest Risks** and improvements to the **Condition** and **Suitability** of assets.

The programme for 2011-12 includes the following significant projects which have been previously approved by the Council:

3.1.1 Strategic Change Projects

- Progress and deliver the CHORD programme
- Progress Helensburgh Office Rationalisation to Gateway Stage H (Tender Action) of the RIBA Plan of Works
- Production of an OBC for the Dunoon Office Rationalisation Project
- Production of an FBC for primary campus for Dunoon.

3.1.2 Service Development

- IT enablement for Process For Change - Progress Workforce Deployment & Customer Management (supporting IT & office rationalisation programmes)
- Tayinloan Slip - extending the breakwater and land bridge to improve berthing and ensuring design compatability with proposed next generation ferry Tayinloan Gighia service.
- Milton Burn - flood alleviation works in vicinity of John St, Dunoon
- Upgrade of the A83 South of Muasdale as a joint funded project with Green Power
- Replacement of the consolidated server environment in the Council's main server room, Kilmory
- Applications Projects
- Mull & Iona Progressive Care Facility

3.1.3 Asset Sustainability

3.1.3.1 Development and Infrastructure

- The **Roads Reconstruction** programme is targeted on sections identified as **High Risk** by the Roads Maintenance and the Scottish Road Maintenance Condition Survey Road (SRMCS) and roads inspectors. The block allocation for Road Reconstruction has historically averaged £3M per annum against an estimated capital expenditure required to keep the road network at a standstill condition of £7.2 M per annum. The Roads Reconstruction shows an acceleration of capital funding and additional prudential borrowing of £**£3.0M** giving an allocation of **£7.0M** for 2011/12.

- The remaining block allocation for **Roads & Amenity Services** includes bridge strengthening £449k, street lighting £600k, and environmental projects at £192k in the first year and £142k thereafter.

3.1.3.2 Community Services

- The Community Services Programme a**ims to safeguard the con**dition of the properties within the School and Social Work Estates. The main focus is to ensure that buildings are safe and wind and water tight, with particular emphasis being given to upgrading life expired electrical, alarm systems and heating installations. Expenditure has been prioritised on properties based on the risk profile associated with property attributes.The programme addresses the short term risks associated with Campbeltown Grammar School which is a **High Risk** Asset. Following the announcement from the Government that funding will be made available towards a new school a programme of essential health and safety works at a cost of £114k will be implemented to ensure that the building is kept in a serviceable condition until the new building comes on stream. Th**e** Leisure Service capital programme in 2011/12 is focused upon developing the upgrade programme for both Rothesay Pool and the Riverside facility in Dunoon.

3.1.3.3 Customer Services

The Customer Services programme is made up of the following:-

- The **IT Programme** focuses upon securing information, IT hardware and data and voice networks, more use of collaborative tools such as Sharepoint, Unified Communications and Voice Over IP and the deployment of numerous services in support of a flexible workforce.

- Council wide Personal Computer and laptop replacement programme

- Extension of the Education network domain across all schools
- Facility Services main thrust is the continuation of the Oban rationalisation project and health and safety upgrades in strategically important Shared Offices.

3.1.4 Business Case Assessment

Each new project within the CAMCP has been subject to an Initial Business Case and/or an Outline Business Case, which have been reviewed and assessed by the Asset Management Board. Strategic Change projects have been subject to the requirement for Option Appraisals and detailed assessment of Life Cycle costs (Affordability and Value For Money). The Capital Programme Planning and Management Guide was approved in May 2010 and is now fully implemented and contains templates for each form of Business Case incorporating Life Cycle Costing at each level.

3.2 Council Capital Plan - New Projects Seeking Council Approval to Proceed in 2011/12

The following projects require Council approval to proceed in 2011/12.

Each of these projects has been subject to Initial Business Case and/or Outline Business Cases which have been reviewed and assessed by the Asset Management Board. Where required, funding for the completion of these OBCs is allowed for within the capital plan for 2011/12.

3.2.1 Strategic Change Projects

Progress planning and the development of an Outline Business Case (OBC)s for the replacement of Campbeltown Grammar School.

- New Biomass systems at Kilmory Offices, Islay High School/Bowmore Primary School and Oban High School in partnership with the Carbon Trust, where applicable, and in line with the Council's Carbon Management Programme.

3.2.2 Service Development Projects

- Purchase the Graham Williamson IT Centre - funded from Prudential Borrowing - OBC completed December 2009 – negotiations are ongoing to achieve an acceptable price.
- Acquire a suitable Property Management system
- Extend the Education ICT domain across all schools
- Implement a new Unified Communications platform to more readily support flexible work styles and to enable new collaborative IT tools
- Provide an additional class base at Taynuilt Primary School
- A new family mediation centre in Dunoon

3.3 Capital Planning – Block Allocations

The most significant asset groups (by value) and the largest backlog investment requirements are in relation to schools and roads. There are also significant assets by value and/or backlog investments for offices and leisure facilities and other community facilities which is reflected within the existing block allocations.

The proposed block allocation for 2014-15 is therefore based on the block allocation of capital for 2013-14. The block allocations reflect the commitment to allocate funding towards the CHORD projects, retaining the ***"piers and harbours"*** element of the general capital grant for piers and harbours, and broadly allocating funds to services based on the major asset groups and backlog investment requirements,with road reconstruction taking priority.

The opportunity to adjust future block allocations to **better reflect and support Corporate Priorities** and the **Condition, Suitability, Risk** and **Performance** of assets, can be considered during the development of the CAMCP in 2011/12, at which time Service Asset Management Plans and Asset Performance measures will be further improved.

Table 3.3 below summarises the Council's current Capital Planning priorities:

Table 3.3

Summary of Proposed Net Capital Expenditure 2011/12		**Summary of Proposed Block Allocation Capital Expenditure 2011/12**	
	£000's		*£000's*
Strategic Change	*8,542*	*Community Services*	*6,694*
Service Development	*3,885*	*Development & Infrastructure Services*	*11,465*
Asset Sustainability	*16,124*	*Customer Services*	*4,992*
		Chord	*5,400*
Total	*28,551*	*Total*	*28,551*

3.4 Capital Planning – Funding Opportunities & Potential Financial Cost Pressure

The focus of new projects within the Capital Programme has been on Asset Sustainability although a number of new Strategic Change and Service Development Projects have also been included. The total value of projects has been based on the previous levels of annual block allocation across all Services. There is a risk that these levels cannot be sustained and therefore all projects may require to be reviewed, prioritised and in other cases delayed.

3.5 High Risk Assets not Addressed within Capital Programme for 2011/12

The Capital Programme for 2011/12 has been structured to address the majority of the Council's High Risk assets. In 2011/12, Service Asset Managers will develop Business Cases and Planning to tackle the following High Risk assets which are **not** addressed by projects within the Capital Programme for 2011/12.

Roads & Amenity Services Red Risks :-

- **Roads** In the most recent official figures provided by the Scottish Road Management Condition Survey the roads of Argyll and Bute were the lowest ranked in Scotland. Deterioration in road conditions increases the likelihood and therefore the risk of increased third party claims through accidents and damage. Road deterioration is likely to increase the risk of weight restrictions, may act as a detriment to trade and other inward investment and increases the future scale and cost of road reconstruction.

  The upgrade of the Council's high speed strategic A class roads is at the core of the roads reconstruction programme for 2011-13 with priority also given to reducing the risk of deterioration of routes in better condition through a targeted programme of surface dressing to extend the life of these assets.

  As a priority in 2011/12, Roads & Amenity Services will develop through the process of Business Case Planning a revised Roads Asset Management Plan which will appraise options to address the long term condition of the Council's road network.

- **Crematorium** The OBC for the replacement cremator will be completed during 2011.

- **Ferry Vessels** The Belnahua (Luing) is 38 years old and is life expired. The Luing ferry route is subject to STAG appraisal. An Options Appraisal and OBC to identify preferred future option for Luing is to be completed during 2011. The Lismore ferry's hull is life expired with thinning hull plates. An Options Appraisal and OBC for Lismore will be completed during 2011.

- **Bridges** The bridge inspection and assessment programme identified 45 Red Risks in 2010/11. Works to address these Red Risk bridge/wall defects are being addressed in a global IBC.will be planned and prioritised to avoid either restrictions or escalating costs. .

- **Piers** Dunoon pier is a Red Risk Asset which demands a substantial ongoing revenue expenditure to remain serviceable for ferry traffic (circa £50K per annum). The long term future for this pier will be addressed through the CHORD project following the Scottish Government decision on the future configuration of Cowal ferry sevices.

  The Council has one other Red Risk pier at St Catherines (managed by the Council). This pier represents a potential future financial liability but does not present a significant operational or safety risk. There are no plans at this stage to commit spend to upgrade this pier.

- **Fleet Workshops** Campbeltown and Lochgilphead workshops are Red Risks due to their very poor material condition. There is also a "break point" in the Council's lease for its Helensburgh Workshop in 2011. All 3 fleet workshops will be subject to Options Appraisal and the development of OBC in 2011.

- **Fleet Vehicles** The Asset Management Board approved a Fleet Procurement Policy on 29 January 2010 which will manage disposal of Red Risk fleet vehicles; which are beyond policy life and uneconomic to retain. Fleet Management introduced a Business Case model in 2009 which requires a business case to be produced for every new vehicle prior to procurement. The introduction of these policies and procedures is designed to allow the Council to dispose of Red Risk fleet vehicles by the end of 2011/12 in conjunction with the Fleet Management Service Review.

3.6 Anticipated Developments within next Five Years

The main issues identified within the Service Asset Management Plans which must be considered within future asset management planning include:

- Service Reviews - maximising the utilisation and efficient use of assets and the quality and suitability of assets to support future service delivery
- Demographic effects on school population and school estate planning
- Zero Waste Regulation
- Environmental issues e.g. carbon management, Crematorium mercury abatement
- Workforce Deployment and Office Property rationalisation.
- Community Partnership opportunities for smarter utilisation of assets through Shared Services - to support service delivery and the development of a strategy/mechanism to allow potential asset transfer to the Third Sector.
- Depot Rationalisation programme

As a priority, Services must develop asset management planning, Options Appraisal and Business Case development to address all High Risk assets.

For assets rated C or D and an Amber Risk profile, future planning must appraise options to upgrade, replace or dispose of these assets. For assets rated A or B for condition or suitability, and/or with a Green or Yellow Risk profile, asset sustainability planning must ensure that these assets do not deteriorate. This will be achieved through the Council's Business Case gateway process.

3.7 Estates Property & Land - Asset Disposal & Acquisitions

Disposals There are 16 properties on the surplus property account (October 2010). In addition there are 8 properties held for redevelopment and 6 properties for disposal which are ring fenced to Community Services. A more streamlined and aggressive approach to the disposal of property is being developed by the Asset Management Board that will also take cognisance of challenging market conditions and the potential opportunities of asset transfer to the Third Sector.

Acquisitions There are 15 acquisitions currently being progressed, principally for Road & Amenity Services. Compulsory Purchase Orders relating to 5 schemes (16 individual acquisitions) have been reported to the Executive Committee for progression of a Compulsory Purchase Order. Progress towards the acquisition of the requisite parcels of land by way of voluntary sale or compulsory purchase will be continued during 2010/11.

Estate Management The Council has 322 parcels of land and properties which are leased to external parties or are available for lease giving a rental income of £702,938 per annum. The Council leases 86 property and land assets from external landlords with an outgoing rental of £247,033 per annum.

3.8 Asset Register/Systems Software

The Asset Management Strategic Board (AMSB) has instigated a review of all assets but currently focussing on property to reconcile the Finance asset register with all other property records and in particular the Property Asset Register Database to create a definitive name, address and unique property reference number. An ongoing process has also been established to maintain these records appropriately. The AMSB is targeting 31 March 2011 for the completion of this exercise.

Also being investigated is a property management system to combine a number of process which currently operate independently and as a result obtaining reliable property asset performance data has proved difficult as has recording and maintaining that data.

Following the completion of the process for property it is necessary that Infrastructure and other assets are similarly controlled and work will commence to maintain the Finance asset register in accordance with the WDM stystem used to monitor our infrastructure assets.

Asset Group	Number of Assets in Group	Replacement Value £	Average Condition	Average Suitability	Risk Status Number				Notes
					Red	Amber	Yellow	Green	
Community Assets									
Community Centres	8		B	*			5		information incomplete
Primary Schools	81		B	B		8	70	3	Includes non operational buildings
Secondary Schools	6		B-C	B-C		3	3		
Other Education Buildings	18		*	*			7	1	information incomplete
Youth Centres	1		*	*					
Outdoor Centres	3		*	*					
Leisure Buildings	4		B	B			3	1	information incomplete
Libraries	13		B	B		1	6	1	information incomplete
Parks/Ground - Education	3		*	*					
Parks & Park Bldgs	20		B	B		1	1	18	Dungallan Park Wall Oban, Kidston Park Helensburgh
Parkland Open Space	257		B	C			1	256	Kilmory Woodland Park
Playing Fields	24		B	B				24	
Play Areas	32		B	B		1	1	30	Coll, Kidston Park
General & Informal Open Spaces	133		B	D				133	
Crematorium	1		B	D	1				OBC in preparation
Cemeteries & Bldgs	124		B	B			2	122	65 in active use for burial
Works of Art									Last valuation in 2004 indicates a value in excess of £1million
Hostels	2		B	*			2		information incomplete
Public Halls	6		*	*			2		information incomplete
Total	736				1	14	103	589	29 with no detail
Infrastructure Assets									
Roads	2352.67Km.	1,707,000,000	C	C	16.30%	18.54%	20.99%	44.17%	
Bridges	931	246,905,334	B	B	45	102	352	432	Red indicates that remedial work required in current year to avoid either restrictions or escalation of costs.
Retaining Walls	2000		B	B	96	363	837	704	Numbers estimated. Red as for bridges
Piers & Harbours	40	0	B-	B	1	6	7	26	Tayinloan Slip is red risk see IBC 2010/11
Street Lighting (Columns)	13789	1,650,000	B	B					
Car Parks	100		C	B					
War Memorials	59		C	A				59	
Total									

Asset Group	Number of Assets in Group	Replacement Value £	Average Condition	Average Suitability	Risk Status Number Red	Amber	Yellow	Green	Notes
Operating Assets									
Plant and equipment									SW Equipment Current NBV £105,707
Light Cars and Vans	208	3,152,500	D	A	5	74	73	56	3.5t Box Vans are red risk
Vehicles & Heavy Plant	242	11,000,000	D+	A	39	94	94	15	Tippers, Tractors & small excavators are red risk
Corporate IT Equipment	2500	2,301,135	C	A	666	333	333	667	Risk Status numbers assume previous Capital allocations are retained - numbers would change if investment is reduced
Corporate Communications Equipment	1843	465,283	A	A	333	1510			Risk Status numbers assume previous Capital allocations are retained - numbers would change if investment is reduced
Supported IT Applications	26		A	A	1	1	2	23	Risk Status numbers assume previous Capital allocations are retained - numbers would change if investment is reduced
Education & Libraries - IT PC's and Laptops	5840	1,988,250			5840				Revised figures due at the end of the baseline audit expected end Nov 2010. Worse case scenario reflected here
Education servers		150,000							Insurance Valuation August 2010 - asset detail to be determined through baseline audit
Education Communications Equipment		600,000							Insurance Valuation August 2010 - asset detail to be determined through baseline audit
Refuse Disposal Sites etc.									
Island Landfill Sites	2								information incomplete
Vessels	6	73,500,000	B-	B	1	1		4	Belnahua is a red risk
Total	10667	93,157,168							
Property Assets									
Depots and Workshops	32		B-	B-					3 Leased
School Houses	30		*	*		2	20	2	information incomplete
Community Education offices	3		*	*			2		information incomplete
Social Work Chambers	2		*	*					
Social Work Offices	17		*	*		2	7	1	information incomplete
Day & Resource Centres	8		B	*			3	1	information incomplete
Admin Buildings	41	134,759,103	B	C	2	43			Kilbowie House (closure scheduled for March 2011) & Blairvaddach identified as Red Risk
Children's Homes	3		B-C	C		1	1	1	
Homes for the Elderly	7		B	B			5	1	information incomplete
Social Work Other	9		*	*		1		2	information incomplete
Libraries Other	5		*	*			2		information incomplete
Airfields	4	0	A	A				4	
Public Conveniences	74		C	B	6	6	44	18	red figure includes those to be declared surplus
Investment Properties	322	16,440,136							
Surplus Properties	30	13,771,499							
Total	587				8	55	84	30	
Total									

Notes
*** = insufficient data**

ARGYLL AND BUTE COUNCIL	COUNCIL
STRATEGIC FINANCE	10 MARCH 2011

OVERALL CAPITAL BUDGET SUMMARY

1 INTRODUCTION

1.1 This report identifies the level of capital funding available for the next 5 years. A detailed capital plan for 2011-12, 2012-13 and 2013-14 has been drafted.

2 RECOMMENDATIONS

2.1 The Council note the contents of the report.

3 DETAIL

Funding

3.1 The capital plan is funded by borrowing, general capital grant and capital receipts. In addition there may also be some projects that have direct income related to the project. Borrowing spreads the cost of capital projects over their life and is reflected in the revenue budget through loan charges.

3.2 The proposed revenue budget for loan charges for 2011-12 of £30.449m and the forecast revenue budgets for 2012-13 and 2013-14 are £30.550m and £30.550 respectively. Based on these it is estimated that the Council can fund the following amounts by borrowing.

	2011-12 £000s	2012-13 £000s	2013-14 £000s
Borrowing	14,333	21,017	11,970

3.3 The general capital grant has been confirmed at £12.522m for 2011-12. There is a separate allocation of £129,000 for Walking and Safer Streets in terms of ring fenced capital grant. The amounts of general capital grant estimated for each year taking account of the above are as follows:

	2011-12 £000s	2012-13 £000s	2013-14 £000s
General Capital Grant	12,522	12,522	12,522
Ring Fenced Grant	129	129	129
Total	12,651	12,651	12,651

3.4 It is estimated that there will be no capital receipts to support the capital plan.

3.5 In summary the total funding to support the capital budget is as follows:

	2011-12 £000's	2012-13 £000's	2013-14 £000's
Borrowing	14,333	21,017	11,970
General Capital Grant	12,522	12,522	12,522
Ring Fenced Grant	129	129	129
Capital Receipts			
Prudential Borrowing	1,696	192	44
Capital Fund			
Capital Funding	**28,680**	**33,860**	**24,665**

3.6 Due to the uncertainty about the level of capital grant from the Scottish Executive the figures for 2012-13 and 2013-14 should be treated with caution as they will have to be revised if the level of support reduces. For this reason no block allocations have been calculated for future years.

Draft Capital Budget

3.7 The capital plan has been constructed based on residual projects that carry forward into 2011-12 onwards and are already approved and named in the capital plan. Slippage has been accounted for based on the September capital plan monitoring report. Services have split their block allocations for 2011-12 into asset sustainability, service development and strategic change. Plans showing the proposed asset sustainability projects for 2011-12 have been prepared. The individual service development and strategic change projects are identified for projects commencing in 2011-12, 2012-13 and 2013-14 and these are accompanied with an initial business case where the project has not already been approved.

3.8 The business cases have been scored by the Asset Management Board and the scores are included in the capital plan supporting documents.

3.9 The table below summarises the draft capital plan and compares this to the funding available.

	2011-12 £000's	2012-13 £000's	2013-14 £000's
Customer Services	3,701	4,084	2,082
Community Services	6,694	8,317	8,089
Development and Infrastructure Services	11,465	12,825	7,587
CHORD	5,400	8,505	6,778
Carbon Management	1,291		
Walking and Safer Streets	129	129	129
Capital Expenditure	**28,680**	**33,860**	**24,665**
Capital Funding	**28,680**	**33,860**	**24,665**
Difference	**0**	**0**	**0**

Treasury Management Strategy Statement

3.10 The Council requires to approve a Treasury Management Strategy Statement and Annual Investment Strategy in advance of the start of the each financial year. The statement sets out the Council's strategy for borrowing and investment for the forthcoming year along with the Council's Prudential Indicators.

The Treasury Management Strategy Statement and Annual Investment Strategy is included in the budget pack.

4 CONCLUSION

4.1 The papers in the budget pack outlines how it is proposed to allocate the capital plan in detail for 2011-12, 2012-13 and 2013-14. Residual projects already approved that continue into 2011-12 have also been included. The draft capital plan is affordable within the funding available from borrowing/loan charges, general capital grant and capital receipts.

Policy – Sets budgets that allow capital investment to be allocated to policy priorities.
Financial – Sets detailed budgets for capital expenditure.
Legal – None.
Personnel – None.
Equal Opportunities – None.

For further information please contact Bruce West, Head of Strategic Finance 01546-604220

Bruce West,
Head of Strategic Finance

Treasury Management Strategy Statement & Annual Investment Strategy 2011/12

1. Introduction

1.1 Background

Treasury management is defined as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. "

1.2 Statutory requirements

The Local Government in Scotland Act 2003 (the Act) and supporting regulations requires the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act and included as paragraph 9 of this report); this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

1.3 CIPFA requirements

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2009) was adopted by this Council on 24 June 2010.

The primary requirements of the Code are as follows:

1. The Council will create and maintain, as the cornerstones for effective treasury management:
   - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
   - suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
2. The Executive will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
3. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Executive, and for the execution and administration of treasury management decisions to the Head of Strategic Finance, who will act in accordance with the organisation's policy statement and TMPs and, CIPFA's Standard of Professional Practice on Treasury Management.
4. The Council nominates the Executive to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

5. The Council nominates the Resources Spokesperson as the member responsible for ensuring effective scrutiny of the treasury management strategy and policies.

1.4 Treasury Management Strategy for 2011/12

The suggested strategy for 2011/12 in respect of the following aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury adviser, Sector.

The strategy covers:

- treasury limits in force which will limit the treasury risk and activities of the Council
- Prudential and Treasury Indicators
- the current treasury position
- the borrowing requirement
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy
- policy on use of external service providers

1.5 Balanced Budget Requirement

It is a statutory requirement under Section 93 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, a local authority must calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from: -

1. increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
2. any increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the Council for the foreseeable future

2. Treasury Limits for 2011/12 to 2013/14

It is a statutory duty under part 7 of the Local Government in Scotland Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to allocate to capital expenditure. The amount so determined is termed the "Affordable Capital Expenditure Limit". In Scotland the estimate of capital expenditure for 2010/11 represents the legislative limit specified in section 35(1) of the Local Government in Scotland Act 2003.

The Council must have regard to the Prudential Code when setting the Affordable Capital Expenditure Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax and council rent levels is 'acceptable'.

Whilst termed an "Affordable Capital Expenditure Limit", the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The affordable capital expenditure limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years.

3. Current Portfolio Position

The Council's treasury portfolio position at 31/1/11 comprised:

		Principal	Average rate
		£m	%
Fixed rate funding	PWLB*	108.066	6.82
	Market	12.500	5.81
	Local Bonds	0.027	1.75
		120.593	6.71
Variable rate funding	PWLB*	0.000	0.00
	Market	39.255	4.43
	Temporary	0.525	2.87
		39.780	4.41
Other long term liabilities		0.027	6.93
Gross Debt		**160.400**	**6.14**
Total Investments		**41.549**	**0.75**
Net Debt		**118.851**	

*PWLB - Public Works Loan Board

4. Borrowing Requirement

The Council's borrowing requirement is as follows:

	2009/10	2010/11	2011/12	2012/13	2013/14
	£'000 actual	£'000 probable	£'000 estimate	£'000 estimate	£'000 estimate
New borrowing/(repayment)	(1,414)	(509)	2,691	(11,036)	(13,962)
Alternative financing arrangements	0	0	0	0	0
Replacement borrowing	0	0	0	0	0
TOTAL	(1,414)	(509)	2,691	(11,036)	(13,962)

5. Prudential and Treasury Indicators for 2011/12 – 2013/14

Prudential and Treasury Indicators (as set out in tables 3, 4 and 5 in appendix 2 to this report) are relevant for the purposes of setting an integrated treasury management strategy.

The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The original 2001 Code was adopted on 27 March 2002 and the revised 2009 Code was adopted on by the full council on 24 June 2010.

6. Prospects for Interest Rates

The Council has appointed Sector as treasury advisor to the Council and part of their service is to assist the Council to formulate a view on interest rates. Appendix 1 draws together a number of current City forecasts for short term (Bank Rate) and longer fixed interest rates. The following table gives the Sector central view.

Sector Bank Rate forecast for financial year ends (March)

- 2010/ 2011 0.50%
- 2011/ 2012 1.00%
- 2012/ 2013 2.25%
- 2013/ 2014 3.25%

There is downside risk to these forecasts if recovery from the recession proves to be weaker and slower than currently expected. A detailed view of the current economic background is contained within appendix 3 to this report.

7. Borrowing Strategy

7.1 Borrowing rates

The Sector forecast for the PWLB new borrowing rate is as follows: -

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Mar-13	Mar-14
Bank rate	0.50%	0.50%	0.50%	0.75%	1.00%	2.25%	3.25%
5yr PWLB rate	3.30%	3.30%	3.40%	3.50%	3.60%	4.30%	5.00%
10yr PWLB rate	4.40%	4.40%	4.40%	4.50%	4.70%	5.10%	5.40%
25yr PWLB rate	5.20%	5.20%	5.20%	5.30%	5.30%	5.50%	5.70%
50yr PWLB rate	5.20%	5.20%	5.20%	5.30%	5.30%	5.50%	5.70%

A more detailed Sector forecast is included in appendix 1.

The Council's borrowing strategy will give consideration to new borrowing in the following order of priority: -

1. Temporary borrowing from the money markets or other local authorities
2. PWLB variable rate loans for up to 10 years
3. Short dated borrowing from non PWLB below sources
4. Long term fixed rate market loans at rates significantly below PWLB rates for the equivalent maturity period (where available) and to maintaining an appropriate balance between PWLB and market debt in the debt portfolio.
5. PWLB borrowing for periods under 10 years where rates are expected to be significantly lower than rates for longer periods. This offers a range of options for new borrowing which will spread debt maturities away from a concentration in longer dated debt
6. The cheapest borrowing will be internal borrowing by running down cash balances and foregoing interest earned at historically low rates. However, in view of the overall forecast for long term borrowing rates to increase over the next few years, consideration will also be given to weighing the short term advantage of shorter term borrowing against potential long term costs if the opportunity is missed for taking loans at long term rates which will be higher in future years

Sensitivity of the forecast – In normal circumstances the main sensitivities of the forecast are likely to be the two scenarios noted below. The Council officers, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change of sentiment:

- *if it were felt that there was a significant risk of a sharp FALL in long and short term rates,* e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- *if it were felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast,* perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

7.2 External v. internal borrowing

TABLE 6: Comparison of gross and Net Debt positions at year end	2009/10 Actual	2010/11 Probable outturn	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate
	£'000	£'000	£'000	£'000	£'000
Actual external debt (Gross)	139,389	160,400	160,400	160,400	160,400
Cash balances	(7,089)	(30,000)	(10,000)	(10,000)	(10,000)
Net Debt	132,300	130,400	150,400	150,400	150,400

- This Council currently has a difference between gross debt and net debt (after deducting cash balances), of £30m.
- The general aim of this treasury management strategy is to reduce the difference between the two debt levels over the next three years in order to reduce the credit risk incurred by holding investments. However, measures taken in the last year have already reduced substantially the level of credit risk (see paragraph 9) so another factor which will be carefully considered is the difference between borrowing rates and investment rates to ensure the Council obtains value for money once an appropriate level of risk management has been attained to ensure the security of its investments.
- The next financial year is expected to be one of abnormally low Bank Rate. This provides a continuation of the current window of opportunity for local authorities to fundamentally review their strategy of undertaking new external borrowing.
- Over the next three years, investment rates are therefore expected to be below long term borrowing rates and so value for money considerations would indicate that value could best be obtained by avoiding new external borrowing and by using internal cash balances to finance new capital expenditure or to replace maturing external debt (this is referred to as internal borrowing). This would maximise short term savings.
- However, short term savings by avoiding new long term external borrowing in 2011/12 will also be weighed against the potential for incurring additional long term extra costs by delaying unavoidable new external borrowing until later years when PWLB long term rates are forecast to be significantly higher.
- The Council has examined the potential for undertaking early repayment of some external debt to the PWLB in order to reduce the difference between its gross and net debt positions. However, the introduction by the PWLB of significantly lower repayment rates than new borrowing rates in November 2007, which has now been compounded since 20 October 2010 by a considerable further widening of the difference between new borrowing and repayment rates, has potentially meant that large premiums would be incurred by such action; such levels of premiums cannot be justified on value for money grounds. This situation will be monitored in case these differentials are narrowed by the PWLB at some future date.
- The Council will keep the difference between gross and net debt under review but as gross debt is £30m below the capital financing requirement and as reserves reduce then there may be a need to undertake new borrowing to finance capital expenditure. The timing of new borrowing will be dependent on the interest rate environment, both in terms of the cost of borrowing and returns on investments

along with the Council's exposure to counterparty risk if cash balances were to increase

Against this background caution will be adopted with the 2011/12 treasury operations. The Head of Strategic Finance will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to the appropriate decision making body at the next available opportunity.

7.3 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds.

In determining whether borrowing will be undertaken in advance of need the Council will: -

- ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need
- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- consider the merits and demerits of alternative forms of funding
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use
- consider the impact of borrowing in advance on temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks given the controls in place to minimise them

During 2011/12 the Council will not borrow in advance of need, however if it is advantageous to undertake such borrowing to secure the funding for future capital projects a report will be submitted to Council seeking approval in advance of undertaking the borrowing.

8. Debt Rescheduling

The introduction by the PWLB in 2007 of a spread between the rates applied to new borrowing and repayment of debt, which has now been compounded since 20 October 2010 by a considerable further widening of the difference between new borrowing and repayment rates, has meant that PWLB to PWLB debt restructuring is now much less attractive than it was before both of these events. In particular, consideration would have to be given to the large premiums which would be incurred by prematurely repaying existing PWLB loans and it is very unlikely that these could be justified on value for money grounds if using replacement PWLB refinancing. However, some interest savings might still be achievable through using LOBO (Lenders Option Borrowers Option) loans, and other market loans, in rescheduling exercises rather than using PWLB borrowing as the source of replacement financing.

As short term borrowing rates will be considerably cheaper than longer term rates, there are likely to be significant opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of their short term nature and the likely cost of refinancing those short term loans, once they mature, compared to the current rates of longer term debt in the existing debt portfolio. Any such rescheduling and repayment of debt is likely to cause a flattening of the Council's maturity profile as in recent years there has been a skew towards longer dated PWLB.

The reasons for any rescheduling to take place will include: -

- the generation of cash savings and / or discounted cash flow savings
- helping to fulfil the strategy outlined in paragraph 7 above
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to the potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to the Executive, at the earliest meeting following its action.

9. Annual Investment Strategy

9.1 Investment Policy

The Council will have regard to the Local Government Investment (Scotland) Regulations 2010 and accompanying finance circular and the 2009 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are: -

(a) the security of capital and
(b) the liquidity of its investments.

The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity

The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

Investment instruments identified for use in the financial year are listed in appendix 4. Counterparty limits will be as set through the Council's Treasury Management Practices – Schedules.

9.2 Creditworthiness policy

This Council uses the creditworthiness service provided by Sector. This service has been progressively enhanced over the last year and now uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays: -

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings

- sovereign ratings to select counterparties from only the most creditworthy countries

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the duration for investments and are therefore referred to as durational bands. The Council is satisfied that this service now gives a much improved level of security for its investments. It is also a service which the Council would not be able to replicate using in house resources.

The selection of counterparties with a high level of creditworthiness will be achieved by selection of institutions down to a minimum durational band within Sector's weekly credit list of worldwide potential counterparties. The Council will therefore use counterparties within the following durational bands*: -*

- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 3 months
- No Colour not to be used

This Council will not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties as Moodys tend to be more aggressive in giving low ratings than the other two agencies. This would therefore be unworkable and leave the Council with few banks on its approved lending list. The Sector creditworthiness service does though, use ratings from all three agencies, but by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of the Sector creditworthiness service.

- if a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of Credit Ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Councils lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.

9.3 Country limits

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of *AA+* from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). The list of countries that qualify using this credit criteria as at the date of this report are shown in appendix 5. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

9.4 Investment Strategy

In-house funds: The Council's in-house managed funds are mainly cash-flow derived. Investments will accordingly be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Interest rate outlook: Bank Rate has been unchanged at 0.50% since March 2009. Bank Rate is forecast to commence rising in quarter 4 of 2011 and then to rise steadily from thereon. Bank Rate forecasts for financial year ends (March) are as follows: -

- 2010/ 2011 0.50%
- 2011/ 2012 1.00%
- 2012/ 2013 2.25%
- 2013/ 2014 3.25%

There is downside risk to these forecasts if economic growth is weaker than expected. There is also a risk that the MPC could decide to start raising Bank Rate in quarter 3 of 2011 if it feels it needs to defend its credibility in containing inflation and the inflation expectations of the public.

The Council will avoid locking into longer term deals while investment rates are down at historically low levels unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile and within the risk parameters set by this council.

The suggested budget for investment returns on investments placed for up to three months during each financial year is as follows: -

2010/11	0.50%
2011/12	0.70%
2012/13	1.70%
2013/14	3.10%
2014/15	3.50%
2015/16	4.00%

For its cash flow generated balances, the Council will seek to utilise its business reserve accounts, 15 and 30 day accounts, money market funds and short-dated deposits (overnight to three months) in order to benefit from the compounding of interest.

9.5 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

9.6 Policy on the use of external service providers

The Council uses Sector as its external treasury management advisers.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

9.7 Scheme of delegation

Please see appendix 9.

9.8 Role of the section 95 officer

Please see appendix 10.

Appendices

1. Interest rate forecasts
2. Prudential and Treasury indicators
3. Economic background
4. Permitted investments – treasury investments
5. Permitted Investments – non treasury investments
6. Investment balance forecasts
7. Approved countries for investments
8. List of investment properties
9. Treasury management scheme of delegation
10. The treasury management role of the section 95 officer

APPENDIX 1 Interest Rate Forecasts

The data below shows a variety of forecasts published by a number of institutions. The first three are individual forecasts including those of UBS and Capital Economics (an independent forecasting consultancy). The final one represents summarised figures drawn from the population of all major City banks and academic institutions.

The forecast within this strategy statement has been drawn from these diverse sources and officers' own views.

1. Individual Forecasts

Sector: interest rate forecast – 6.1.11

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
Bank rate	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.25%	2.75%	3.00%	3.25%	3.25%
3 month LIBID	0.60%	0.70%	0.80%	1.00%	1.25%	1.50%	1.75%	2.00%	2.50%	3.00%	3.25%	3.50%	3.50%
6 month LIBID	0.90%	1.00%	1.10%	1.20%	1.50%	1.80%	2.10%	2.40%	2.80%	3.20%	3.50%	3.80%	4.00%
12 month LIBID	1.40%	1.50%	1.60%	1.80%	2.10%	2.40%	2.70%	3.00%	3.20%	3.40%	3.65%	4.00%	4.20%
5yr PWLB rate	3.30%	3.30%	3.40%	3.50%	3.60%	3.80%	3.90%	4.10%	4.30%	4.60%	4.80%	4.90%	5.00%
10yr PWLB rate	4.40%	4.40%	4.40%	4.50%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.30%	5.40%	5.40%
25yr PWLB rate	5.20%	5.20%	5.20%	5.30%	5.30%	5.40%	5.40%	5.40%	5.50%	5.50%	5.60%	5.70%	5.70%
50yr PWLB rate	5.20%	5.20%	5.20%	5.30%	5.30%	5.40%	5.40%	5.40%	5.50%	5.50%	5.60%	5.70%	5.70%

Capital Economics: interest rate forecast – 11.1.11

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.50%	2.00%
5yr PWLB rate	3.20%	3.20%	3.00%	2.75%	2.75%	2.90%	3.00%	3.20%	3.40%	3.60%	3.90%	4.20%
10yr PWLB rate	4.75%	4.75%	4.25%	3.75%	3.75%	3.75%	3.75%	3.75%	3.90%	4.00%	4.30%	4.60%
25yr PWLB rate	5.25%	5.25%	4.85%	4.65%	4.65%	4.65%	4.65%	4.65%	4.75%	4.85%	5.10%	5.30%
50yr PWLB rate	5.30%	5.30%	5.20%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.10%	5.20%	5.30%

UBS: interest rate forecast (for quarter ends) – 6.1.11

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
Bank rate	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%
10yr PWLB rate	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%
25yr PWLB rate	5.25%	5.30%	5.35%	5.40%	5.45%	5.50%	5.55%	5.60%
50yr PWLB rate	5.35%	5.40%	5.45%	5.50%	5.55%	5.60%	5.65%	5.70%

2. Survey of Economic Forecasts

HM Treasury January 2011

The current Q4 2011 forecasts are based on the January 2011 report. Forecasts for 2011 - 2014 are based on 32 forecasts in the last quarterly forecast – in November 2010.

BANK RATE FORECASTS		quarter ended	annual average Bank Rate			
	actual	Q4 2011	ave. 2011	ave. 2012	ave. 2013	ave. 2014
Median	0.50%	1.00%	0.90%	1.60%	2.40%	3.00%
Highest	0.50%	1.60%	2.10%	3.10%	3.60%	4.50%
Lowest	0.50%	0.50%	0.50%	0.50%	0.60%	1.20%

APPENDIX 2 Prudential and Treasury Indicators

TABLE 3: Prudential indicators	2009/10	2010/11	2011/12	2012/13	2013/14
Extract from budget and rent setting reports	actual	probable out-turn	estimate	estimate	estimate
	£'000	£'000	£'000	£'000	£'000
Capital Expenditure					
Non - HRA	£28,975	£20,064	£23,264	£10,274	£7,363
TOTAL	£28,975	£20,064	£23,264	£10,274	£7,363
Ratio of financing costs to net revenue stream					
Non - HRA	10.16%	11.55%	11.68%	11.90%	12.14%
Net borrowing requirment					
brought forward 1 April	£281,354	£279,940	£279,431	£282,122	£271,086
carried forward 31 March	£279,940	£279,431	£282,122	£271,086	£257,124
in year borrowing requirement	-£1,414	-£509	£2,691	-£11,036	-£13,962
In year Capital Financing Requirement					
Non - HRA	-£1,414	-£509	£2,691	-£11,036	-£13,962
TOTAL	-£1,414	-£509	£2,691	-£11,036	-£13,962
Capital Financing Requirement as at 31 March					
Non - HRA	£279,940	£279,431	£282,122	£271,086	£257,124
TOTAL	£279,940	£279,431	£282,122	£271,086	£257,124
Incremental impact of capital investment decisions	£ p	£ p	£ p	£ p	£ p
Increase in Council Tax (band D) per annum *	£33.90	£13.09	£32.40	£7.99	-£12.02

TABLE 4: Treasury management indicators	2009/10	2010/11	2011/12	2012/13	2013/14
	actual	probable out-turn	estimate	estimate	estimate
	£'000	£'000	£'000	£'000	£'000
Authorised Limit for external debt -					
borrowing	£240,000	£240,000	£239,000	£231,000	£217,000
other long term liabilities	£91,500	£91,500	£91,500	£91,500	£91,500
TOTAL	£331,500	£331,500	£330,500	£322,500	£308,500
Operational Boundary for external debt -					
borrowing	£235,000	£235,000	£234,000	£226,000	£212,000
other long term liabilities	£88,500	£88,500	£88,500	£88,500	£88,500
TOTAL	£323,500	£323,500	£322,500	£314,500	£300,500
Actual external debt	£139,389	£160,400	£160,400	£160,400	£160,400
Upper limit for fixed interest rate exposure					
Net principal re fixed rate borrowing / investments	100%	100%	100%	100%	100%
Upper limit for variable rate exposure					
Net principal re variable rate borrowing / investments	30%	30%	30%	30%	30%
Upper limit for total principal sums invested for over 364 days (per maturity date)	£0	£10m	£10m	£10m	£10m

TABLE 5: Maturity structure of new fixed rate borrowing during 2010/11	upper limit	lower limit
under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

APPENDIX 3 Economic Background

Economic Background

3.1. Global economy

The sovereign debt crisis peaked in May 2010 prompted, in the first place, by major concerns over the size of the Greek government's total debt and annual deficit. However, any default or write down of Greek debt would have substantial impact on other countries, in particular, Portugal, Spain and Ireland. This crisis culminated in the EU and IMF putting together a €750bn support package in mid May. A second crisis, this time over Ireland in November, culminated in Ireland also having to take a bail out. At the time of writing (early January 2011) there is major concern that Portugal will also shortly need to take a bail out. That, in turn, would then stoke major concerns as to whether the current size of the bail out facility put together by the EU and IMF would be big enough to cope with any crisis that then blew up over Spanish government debt.

The unexpectedly high rate of growth in quarters 2 and 3 of 2010 in the UK and the Euro zone in Q2 were driven by strong growth in the construction sector catching up from inclement weather earlier in the year and by other short term factors not expected to be enduring; general expectations are for anaemic (but not negative) growth in 2011 in the western world.

4.2 UK economy

Following the general election in May 2010, the coalition government has put in place an austerity plan to carry out correction of the public sector deficit over the next five years. The result of fiscal contraction will be major job losses during this period, in particular in public sector services. This is likely to have a knock on effect on consumer and business confidence and appears to have also hit the housing market as house prices started on a generally negative trend starting in mid 2010. Mortgage approvals are also at very weak levels, all of which indicates that the housing market is likely to be weak in 2011.

Economic Growth – GDP growth is likely to have peaked in the current period of recovery at 1.2% in quarter 2 of 2010. Growth in quarter 3 @ +0.7% was also unexpectedly high. However, the outlook is for anaemic growth in 2011/12 although the Bank of England and the Office for Budget Responsibility are forecasting near trend growth (2.5%) i.e. above what most forecasters are currently expecting.

Unemployment – the trend of falling unemployment (on the benefit claimant count) has now been replaced since July 2010 with small increases which may be the start of a new trend for some years ahead of rising unemployment.

Inflation and Bank Rate – CPI has remained high during 2010. It peaked at 3.7% in April and then gradually declined to 3.1% in September (RPI 4.6%). However, the outlook from there is a rising trend which could even reach as much as 4% in early 2011 before starting to subside again. Although inflation has remained stubbornly above the MPC's 2% target, the MPC is confident that inflation will fall back under the target over the next two years.

The Bank of England finished its programme of quantitative easing (QE) with a total of £200bn in November 2009. However, major expectation that there could be a second round of quantitative easing in late 2010 or early 2011, to help support economic growth, has evaporated after the surprises of the Q3 GDP figure of +0.7% and the November Inflation Report revising the forecast for short term inflation sharply upwards.

Sector's central view is that there is unlikely to be any increase in Bank Rate until the end of 2011.

AAA rating – prior to the general election, credit rating agencies had been issuing repeated warnings that unless there was a major fiscal contraction, then the AAA sovereign rating was at significant risk of being downgraded. Sterling was also under major pressure during the first half of the year. However, after the Chancellor's budget on 22 June, Sterling strengthened against the US dollar and confidence has returned that the UK will retain its AAA rating. In addition, international investors viewed UK government gilts as being a safe haven from EU government debt during mid 2010. The consequent increase in demand for gilts helped to add downward pressure on gilt yields and PWLB rates.

4.3 Sector's forward view

It is currently difficult to have confidence as to exactly how strong UK economic growth is likely to be during 2011/12, and there are a range of views in the market. Sector has adopted a moderate view. There are huge uncertainties in all forecasts due to the major difficulties of forecasting the following areas:

- the strength / weakness of economic growth in our major trading partners - the US and EU
- the danger of currency war and resort to protectionism and tariff barriers if China does not adequately address the issue of its huge trade surplus due to its undervalued currency
- the degree to which government austerity programmes will dampen economic growth and undermine consumer confidence
- changes in the consumer savings ratio
- the speed of rebalancing of the UK economy towards exporting and substituting imports
- the potential, in the US, for more quantitative easing, and the timing of this , and its subsequent reversal in both the US and UK
- the speed of recovery of banks' profitability and balance sheet imbalances and the consequent implications for the availability of credit to borrowers
- the potential for a major EU sovereign debt crisis which could have a significant impact on financial markets and the global and UK economy
- political risks in the Middle East and Korea

The overall balance of risks is weighted to the downside and there is some residual risk of a double dip recession and deleveraging, creating a downward spiral of falling demand, falling jobs and falling prices, although this is currently viewed as being a small risk.

Sector believes that the longer run trend is for gilt yields and PWLB rates to rise due to the high volume of gilt issuance in the UK, and the high volume of debt issuance in other major western countries.

APPENDIX 4 Permitted Investments – Treasury Investments

PERMITTED INVESTMENTS

This Council approves the following forms of investment instrument for use as permitted investments as set out in table 1.

Treasury risks
All the investment instruments in tables 1are subject to the following risks: -

1. **Credit and counter-party risk:** this is the risk of failure by a counterparty (bank or building society) to meet its contractual obligations to the organisation particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources. There are no counterparties where this risk is zero although AAA rated organisations have a very high level of creditworthiness.

2. **Liquidity risk:** this is the risk that cash will not be available when it is needed. While it could be said that all counterparties are subject to at least a very small level of liquidity risk as credit risk can never be zero, in this document, liquidity risk has been treated as whether or not instant access to cash can be obtained from each form of investment instrument. However, it has to be pointed out that while some forms of investment e.g. gilts, CDs, corporate bonds can usually be sold immediately if the need arises, there are two caveats: - a. cash may not be available until a settlement date up to three days after the sale b. there is an implied assumption that markets will not freeze up and so the instrument in question will find a ready buyer. The column in tables 1 / 2 headed as 'market risk' will show each investment instrument as being instant access, sale T+3 = transaction date plus 3 business days before you get cash, or term i.e. money is locked in until an agreed maturity date.

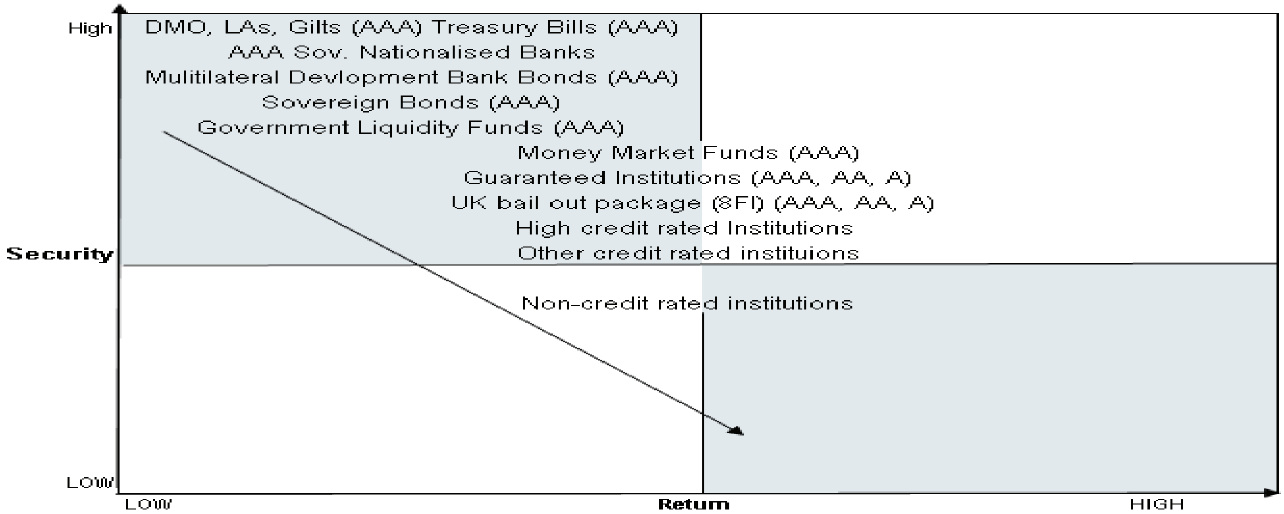
3. **Market risk:** this is the risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately. However, some cash rich local authorities may positively want exposure to market risk e.g. those investing in investment instruments with a view to obtaining a long term increase in value.

4. **Interest rate risk**: this is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately. This authority has set limits for its fixed and variable rate exposure in its Treasury Indicators in this report. All types of investment instrument have interest rate risk.

5. **Legal and regulatory risk:** this is the risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.

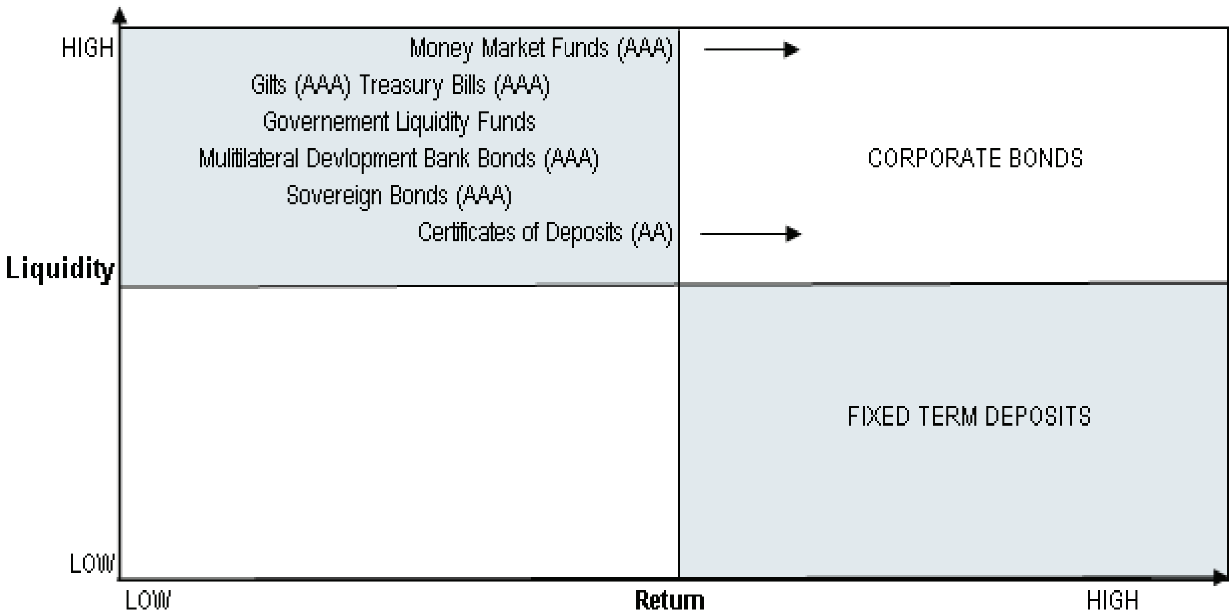
The graph below summarises the risk exposure of various types of investment instrument. It shows that as you move from top to bottom, so the level of credit risk increases. However, moving from top to bottom also results in moving towards the right i.e. returns increase. The overall message is: -

- low risk = low rate of return
- higher risk = higher rate of return



The next graph shows the other message: -

- high liquidity = low return
- low liquidity = higher returns



Controls on treasury risks

1. **Credit and counter-party risk:** this authority has set minimum credit criteria to determine which counterparties and countries are of high creditworthiness to enable investments to be made safely. See paragraphs 9.2 and 9.3.

2. **Liquidity risk:** this authority has a cash flow forecasting model to enable it to determine how long investments can be made for and how much can be invested.

3. **Market risk:** this authority does not purchase investment instruments which are subject to market risk in terms of fluctuation in their value.

4. **Interest rate risk**: this authority manages this risk by having a view of the future course of interest rates and then formulating a treasury management strategy accordingly which aims to maximise investment earnings consistent with control of risk or alternatively, seeks to minimise expenditure on interest costs on borrowing. See paragraph 9.4.

5. **Legal and regulatory risk:** this authority will not undertake any form of investing until it has ensured that it has all necessary powers and also complied with all regulations. All types of investment instruments

Unlimited investments

Regulation 24 states that an investment can be shown in tables 1 / 2 as being 'unlimited' in terms of the maximum amount or percentage of the total portfolio that can be put into that type of investment. However, it also requires that an explanation must be given for using that category.

The authority has given the following types of investment an unlimited category: -

1. **Debt Management Agency Deposit Facility.** This is considered to be the lowest risk form of investment available to local authorities as it is operated by the Debt Management Office which is part of H.M. Treasury i.e. the UK Government's AAA rating stands behind the DMADF. It is also a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts.

2. **High credit worthiness banks and building societies.** See paragraph 9.2 for an explanation of this authority's definition of high credit worthiness. While an unlimited amount of the investment portfolio may be put into banks and building societies with high credit worthiness, the authority will ensure diversification of its portfolio ensuring that no more than £50m can be placed with any one institution or group.

Objectives of each type of investment instrument

Regulation 25 requires an explanation of the objectives of every type of investment instrument which an authority approves as being 'permitted'.

1. DEPOSITS

The following forms of 'investments' are actually more accurately called deposits as cash is deposited in an account until an agreed maturity date or is held at call.

a) **Debt Management Agency Deposit Facility.** This offers the lowest risk form of investment available to local authorities as it is effectively an investment placed with the Government. It is also easy to use as it is a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts. As it is low risk it also earns low rates of interest. However, it is very useful for authorities whose overriding priority is the avoidance of risk at a time when many authorities are disappointed at the failure in 2008 of credit ratings to protect investors from the Icelandic bank failures and are both cautious about other forms of investing and are prepared to bear the loss of income to the treasury management budget compared to earnings levels in previous years. The longest term deposit that can be made with the DMADF is 6 months.

b) **Term deposits with high credit worthiness banks and building societies.** See paragraph 9.2 for an explanation of this authority's definition of high credit worthiness. This is the most widely used form of investing used by local authorities. It offers a much higher rate of return than the DMADF (dependent on term) and now that measures have been put in place to avoid over reliance on credit ratings, the authority feels much more confident that the residual risks around using such banks and building societies are at a low, reasonable and acceptable level. The authority will ensure diversification of its portfolio of deposits ensuring that no more than ….% of the total portfolio (or £..m) can be placed with any one institution or group. In addition, longer term deposits offer an opportunity to increase investment returns by locking in high rates ahead of an expected fall in the level of interest rates. At other times, longer term rates can offer good value when the markets incorrectly assess the speed and timing of interest rate increases. This form of investing therefore, offers a lot of flexibility and higher earnings than the DMADF. Where it is restricted is that once a longer term investment is made, that cash is locked in until the maturity date.

c) **Call accounts with high credit worthiness banks and building societies.** The objectives are as for 1b. but there is instant access to recalling cash deposited. This generally means accepting a lower rate of interest than that which could be earned from the same institution by making a term deposit. However, there are a number of call accounts which at the time of writing, offer rates 2 – 3 times more than term deposits with the DMADF. Some use of call accounts is highly desirable to ensure that the authority has ready access to cash when needed to pay bills.

2. DEPOSITS WITH COUNTERPARTIES CURRENTLY IN RECEIPT OF GOVERNMENT SUPPORT / OWNERSHIP

These banks offer another dimension of creditworthiness in terms of Government backing through either direct (partial or full) ownership or the banking support package. The view of this authority is that such backing makes these banks attractive institutions with whom to place deposits, and that will remain our view if the UK sovereign rating were to be downgraded in the coming year.

a. **Term deposits with high credit worthiness banks which are fully or semi nationalised.** As for 1b. but Government ownership partial or full implies that the Government stands behind this bank and will be deeply committed to providing whatever support that may be required to ensure the continuity of that bank. This authority considers this indicates a low and acceptable level of residual risk.

b. **Term deposits with high credit worthiness banks and building societies which are specified as being eligible for support by the UK Government.** As for 2a. but Government stated support implies that the Government stands behind eligible banks and building societies and will be deeply committed to providing whatever support that may be required to ensure the continuity of such institutions. This authority feels this indicates a low and acceptable level of residual risk.

3. COLLECTIVE INVESTMENT SCHEMES STRUCTURED AS OPEN ENDED INVESTMENT COMPANIES (OEICS)

a. **Government liquidity funds.** These are very similar to money market funds (see below) but only invest in government debt issuance with highly rated governments. They offer a lower rate of return than MMFs but slightly higher than the returns from the DMADF.

b. **Money Market Funds (MMFs).** By definition, MMFs are AAA rated and are widely diversified, using many forms of money market securities including types which this authority does not currently have the expertise or risk appetite to hold directly. However, due to the high level of expertise of the fund managers and the huge amounts of money invested in MMFs, and the fact that the weighted average maturity (WAM) cannot exceed 60 days, MMFs offer a combination of high security, instant access to funds, high diversification and good rates of return compared to equivalent instant access facilities. They are particularly advantageous in falling interest rate environments as their 60 day WAM means they have locked in investments earning higher rates of interest than are currently available in the market. MMFs also help an authority to diversify its own portfolio as e.g. a £2m investment placed directly with HSBC is a 100% risk exposure to HSBC whereas £2m invested in a MMF may end up with say £10,000 being invested with HSBC through the MMF. For authorities particularly concerned with risk exposure to banks, MMFs offer an effective way of minimising risk exposure while still getting much better rates of return than available through the DMADF. They also offer a constant Net Asset Vale (NAV) i.e. the principal sum invested has high security.

4. OTHER INVESTMENT PRODUCTS

The following is a list of other investment products which are available but which at this time have not been included in the list of permitted investments, however if these become attractive a report will be submitted to Council seeking approval to make use of the appropriate investment.

1.	Enhanced cash funds
2.	Gilt Funds
3.	Bond Funds
4.	Treasury Bills
5.	UK Government Gilts
6.	Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government (refers solely to GEFCO - Guaranteed Export Finance Corporation)
7.	Sovereign bond issues (other than the UK govt)
8.	Bonds issued by multilateral development banks
9.	Certificates of deposit issued by banks and building societies covered by UK Government (explicit) guarantee
10.	Certificates of deposit issued by banks and building societies covered by the UK government banking support package (implicit guarantee)
11.	Certificates of deposit issued by banks and building societies NOT covered by UK Government support package (implicit guarantee)
12.	Commercial paper issuance covered by a specific UK Government (explicit) guarantee and issued by banks covered by the UK bank support package
13.	Commercial paper issuance by UK banks covered by UK Government (implicit) guarantee
14.	Commercial paper other
15.	Corporate Bonds issuance covered by UK Government (implicit) guarantee and issued by banks covered by the UK bank support package
16.	Corporate Bonds other
17.	Other debt issuance by UK banks covered by UK Government (explicit) guarantee
18.	Property Funds

5. OTHER INVESTMENT PRODUCTS COMMON GOOD

The following is a list of other investment products which are used by the Common Goods as part of their investment diversification policy.

5.1 COLLECTIVE INVESTMENT SCHEMES STRUCTURED AS OPEN ENDED INVESTMENT COMPANIES (OEICS)

a) **Government liquidity funds.** These are very similar to money market funds (see below) but only invest in government debt issuance with highly rated governments. They offer a lower rate of return than MMFs but slightly higher than the returns from the DMADF.

b) **Money Market Funds (MMFs).** By definition, MMFs are AAA rated and are widely diversified, using many forms of money market securities including types which this authority does not currently have the expertise or risk appetite to hold directly. However, due to the high level of expertise of the fund managers and the huge amounts of money invested in MMFs, and the fact that the weighted average maturity (WAM) cannot exceed 60 days, MMFs offer a combination of high security, instant access to funds, high diversification and good rates of return compared to equivalent instant access facilities. They are particularly advantageous in falling interest rate environments as their 60 day WAM means they have locked in investments earning higher rates of interest than are currently available in the market. MMFs also help an authority to diversify its own portfolio as e.g. a £2m investment placed directly with HSBC is a 100% risk exposure to HSBC whereas £2m invested in a MMF may end up with say £10,000 being invested with HSBC through the MMF. For authorities particularly concerned with risk exposure to banks, MMFs offer an effective way of minimising risk exposure while still getting much better rates of return than available through the DMADF. They also offer a constant Net Asset Vale (NAV) i.e. the principal sum invested has high security.

c) **Enhanced cash funds.** These funds are similar to MMFs, can still be AAA rated but have variable Net Asset Values (NAV) as opposed to a traditional MMF which has a stable NAV. They aim to achieve a higher yield and to do this either take more credit risk or invest out for longer periods of time, which means they are more volatile. These funds can have WAM's and Weighted Average Life (WAL's) of 90 – 365 days or even longer. Their primary objective is yield and capital preservation is second. They therefore are a higher risk than MMFs and correspondingly have the potential to earn higher returns than MMFs.

d) **Gilt funds.** These are funds which invest only in U.K. Government gilts. They offer a lower rate of return than bond funds but are highly rated both as a fund and through investing only in AAA rated gilts. They offer a higher rate of return than investing in the DMADF but they do have an exposure to movements in market prices of assets held.

e) **Bond funds.** These invest in both government and corporate bonds. This therefore entails a higher level of risk exposure than gilt funds and the aim is to achieve a higher rate of return than normally available from gilt funds by trading in bonds. They do have an exposure to movements in market prices of assets held so do not offer constant Net Asset Value.

5.2 SECURITIES ISSUED OR GUARANTEED BY GOVERNMENTS

The following types of investments are where an authority directly purchases a particular investment instrument, a security, i.e. it has a market price when purchased and that value can change during the period the instrument is held until it matures or is sold. The annual earnings on a security is called a yield i.e. it is normally the interest paid by the issuer divided by the price you paid to purchase the security unless a security is initially issued at a discount e.g. treasury bills..

b. **Treasury bills.** These are short term bills (up to 12 months) issued by the Government and so are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales could incur a net cost during the period of ownership.

c. **Gilts.** These are longer term debt issuance by the UK Government and are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales may incur a net cost. The advantage over Treasury bills is that they generally offer higher yields the longer it is to maturity (for most periods) if the yield curve is positive.

d. **Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government** (refers solely to GEFCO - Guaranteed Export Finance Corporation). This is similar to a gilt due to the explicit Government guarantee.

e. **Sovereign bond issues (other than the UK govt) denominated in Sterling.** As for gilts but issued by other nations. AAA rated issues are just as secure as UK Government gilts but the advantage of these securities is they offer a slightly higher yield.

f. **Bonds issued by Multi Lateral Development Banks (MLDBs).** These are similar to c. and e. above but are issued by MLDBs which are guaranteed by sovereign states with a high sovereign rating e.g. European Investment Bank. The advantages of these securities is they are more secure than UK Government gilts, as they are guaranteed by more than one AAA rated government, and offer a slightly higher yield.

5.3 SECURITIES ISSUED BY CORPORATE ORGANISATIONS

The following types of investments are where an authority directly purchases a particular investment instrument, a security, i.e. it has a market price when purchased and that value can change during the period the instrument is held until it is sold. The annual earnings on a security is called a yield i.e. is the interest paid by the issuer divided by the price you paid to purchase the security. These are similar to the previous category but corporate organisations can have a wide variety of credit worthiness so it is essential for local authorities to only select the organisations with the highest levels of credit worthiness. Corporate securities are generally a higher risk than government debt issuance and so earn higher yields.

a. **Certificates of deposit (CDs).** These are shorter term securities issued by deposit taking institutions (mainly banks) so they can be sold if there is a need for access to cash at any point in time. However, that liquidity comes at a price so the yield is less than placing a deposit with the same bank as the issuing bank.

b. **Commercial paper.** This is similar to CDs but is issued by commercial organisations or other entities. Maturity periods are up to 365 days but commonly 90 days.

c. **Corporate bonds.** These are (long term) bonds (usually bearing a fixed rate of interest) issued by a company or other non-government issuer in order to raise capital for the institution as an alternative to issuing shares or borrowing from banks. They are generally seen to be of a lower creditworthiness than government issued debt and so usually offer higher rates of yield.

d. **Floating rate notes.** These are bonds on which the rate of interest is established periodically with reference to short-term interest rates.

5.4 OTHER

a. **Property fund.** This is a collective investment fund specialising in property. Rather than owning a single property with all the risk exposure that means to one property in one location rising or falling in value, maintenance costs, tenants actually paying their rent / lease etc, a collective fund offers the advantage of diversified investment over a wide portfolio of different properties. This can be attractive for authorities who want exposure to the potential for the property sector to rise in value. However, timing is critical to entering or leaving this sector at the optimum times of the property cycle of rising and falling values unless a long term commitment is made to retain exposure to the property market.

Table 1: permitted investments in house

This table is for use by the in house treasury management team.

1.1 Deposits

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Debt Management Agency Deposit Facility	--	term	no	**100**	**2 years**
Term deposits – local authorities	--	term	no	**100**	**2 years**
Call accounts – banks and building societies	Green	instant	no	**100**	**Call**
Term deposits – banks and building societies	Green	term	no	**100**	**2 years**

1.2 Deposits with counterparties currently in receipt of government support / ownership

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
UK nationalised banks	Blue	term	no	**100**	**1 year**
Banks nationalised by high credit rated (sovereign rating) countries – non UK	AA+	term	no	**100**	**1 year**
Government guarantee (explicit) on ALL deposits by high credit rated (sovereign rating) countries	AA+	term	no	**100**	**1 year**
UK Government support to the banking sector (implicit guarantee)	UK sovereign rating	term	no	**100**	**2 years**
Call accounts – banks and building societies	Blue	instant	no	**100**	**Call**

If forward deposits are to be made, the forward period plus the deal period should not exceed one year in aggregate.

1.3 Collective investment schemes structured as Open Ended Investment Companies (OEICs)

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
1. Government Liquidity Funds	AAA	instant	No see note A	**20**	**1 year**
2. Money Market Funds	AAA	instant	No see note A	**20**	**1 year**

Note A: the objective of this fund to maintain the net asset value but they hold assets which can vary in value. However, the credit rating agencies require the fluctuation in unit values held by investors to vary by almost zero.

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

Table 2: Additional Permitted Investments – Common Good

2.1 Collective investment schemes structured as Open Ended Investment Companies (OEICs)

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
1. Enhanced cash funds	AAA	T+>1	yes	**50**	**1 year**
2. Gilt Funds	AAA	T+>1	yes	**50**	**1 year**
3. Bond Funds	AAA	T+>1	yes	**50**	**1 year**

Note A: the objective of this fund to maintain the net asset value but they hold assets which can vary in value. However, the credit rating agencies require the fluctuation in unit values held by investors to vary by almost zero.

2.2 Securities issued or guaranteed by governments

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Treasury Bills	UK sovereign rating	Sale T+1	yes	**20**	**1 year**
UK Government Gilts	UK sovereign rating	Sale T+1	yes	**80**	**50 year**
Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government (refers solely to GEFCO - Guaranteed Export Finance Corporation)	UK sovereign rating	Sale T+3	yes	**50**	**5 year**
Sovereign bond issues (other than the UK govt)	AAA	Sale T+1	yes	**50**	**10 year**
Bonds issued by multilateral development banks	AAA	Sale T+1	yes	**50**	**30 year**

2.3 Securities issued by corporate organisations

	*** Minimum Credit Criteria**	**Liquidity risk**	**Market risk**	**Max % of total investments**	**Max. maturity period**
Certificates of deposit issued by banks and building societies covered by UK Government (explicit) guarantee	UK sovereign rating	Sale T+1	yes	**50**	**2 year**
Certificates of deposit issued by banks and building societies covered by the UK government banking support package (implicit guarantee)	UK sovereign rating	Sale T+1	yes	**50**	**2 year**
Certificates of deposit issued by banks and building societies NOT covered by UK Government support package (implicit guarantee)	AA	Sale T+1	yes	**20**	**1 year**
Commercial paper issuance covered by a specific UK Government (explicit) guarantee and issued by banks covered by the UK bank support package	UK sovereign rating	Sale T+1	yes	**50**	**1 year**
Commercial paper issuance by UK banks covered by UK Government (implicit) guarantee	UK sovereign rating	Sale T+1	yes	**50**	**2 year**
Commercial paper other	AA	Sale T+1	yes	**20**	**2 year**
Corporate Bonds issuance covered by UK Government (implicit) guarantee and issued by banks covered by the UK bank support package	AAA	Sale T+3	yes	**50**	**2 year**
Corporate Bonds other	AA	Sale T+3	yes	**20**	**2 year**
Other debt issuance by UK banks covered by UK Government (explicit) guarantee	AAA	Sale T+3	yes	**50**	**2 year**

2.4 Other

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Property funds	--	T+4	yes	**50**	**5 year**

APPENDIX 5 Permitted Investments – non treasury investments

Definition of non treasury investments

Regulation 9 adds to the normal definition of investments the following categories: -

a) All share holding, unit holding and bond holding, including those in a local authority owned company, is an investment
b) Loans to a local authority company or other entity formed by a local authority to deliver services, is an investment.
c) Loans made to third parties are investments.
d) Investment property is an investment.

However, the following loans are excluded from the definition of investments: -

- Loans made by a local authority to another authority or harbour authority using powers contained in Schedule 3, paragraph 10 or 11 of the Local Government (Scotland) Act 1975.

Unlimited investments

Regulation 24. A local authority shall state the limits for the amounts which, at any time during the financial year, may be invested in each type of permitted investment, such limit being applied when the investment is made. The limits may be defined by reference to a sum of money or a percentage of the local authority's overall investments, or both. A local authority may state that a permitted investment is unlimited. Where a limit is not placed on any type of permitted investment the risk assessment must support that categorisation and an explanation provided as to why an unlimited categorisation is recommended.

The Council will have no unlimited category in non treasury investments.

Objective of each type of investment

Regulation 25. The local authority should identify for each type of permitted investment the objectives of that type of investment. Further, the local authority should identify the treasury risks associated with each type of investment, together with the controls put into place to limit those risks. Treasury risks include credit or security risk of default, liquidity risk – the risks associated with committing funds to longer term investments and market risk – the effect of market prices on investment value.

Shares – the Council will not at this point in time hold shares as an investment, however the Common Goods will make use of shares as part of their diversification policy and to provide capital appreciation as well as investment income.

Loans to Local Authority Companies – these will not be permitted under this investment strategy.

Loans to third parties – at present the Council has no policy on lending to third parties if such lending was to be carried out then a report will be submitted to Council outlining the objectives of making such loans and the risks associated with them.

Investment Properties – the Council owns a number of properties which have been classified as investment properties, these are being held for capital appreciation purposes due to the current depressed condition of the property market. The properties concerned have been inherited by the Council and are no longer used for service delivery.

Limits on Holding Non Treasury Investments

Regulation 32. The Strategy shall include details of the maximum value and maximum periods for which funds may prudently be invested. The Strategy shall set out the local authority objectives for holding longer term investments. The Strategy shall also refer to the procedures for reviewing the holding of longer term investments particularly those investments held in properties, shareholdings in companies or joint ventures.

Shares – the Common Goods can hold up to 95% of their investments in shares. The share portfolio is reviewed by Barclays who make recommendations regarding the appropriate share holding for each fund.

Investment Properties – the Council can hold up to £20m in investment properties. The property market is being monitored and when it is felt that the Council can achieve a fair value for the properties then this will be marketed for disposal.

Part 1. section 12. The Consent includes as an investment any loan issued to a third party. Such loans are neither capital nor revenue transactions, but are often made for service reasons and for which specific statutory provision exists. For service reasons these loans may be offered at an interest rate below the market rate. All loans to third parties are classified as investments for the purposes of the Consent. Where the loan is advanced at less than a market interest rate there is an associated loss of investment return which would otherwise have been earned on these monies. Annual Strategies and Reports will need to recognise all loans to third parties as investments. **Local authorities may wish to categorise such advances, identifying the service reason together with details of those loans carrying a below market interest rate and the impact these advances have on investment returns.**

APPENDIX 6 Investment balances forecasts

Regulation 31 requires this authority to provide forecasts for the level of investments for the next three years, in line with the time frame of our capital investment programme.

The table on the next page shows that treasury investment balances have fallen since the Icelandic bank defaults in 2008 and are forecast to fall further. This is part of the strategy already explained in paragraph 7.2 to replace some external borrowing with internal borrowing.

The expectation is that over the coming year some new borrowing will be taken which will increase the Council's investments to £10m from £4m to provide a cash balance to help smooth future borrowing requirements.

Investment Forecasts	2009/10 Actual	2010/11 Probable Outturn	2011/12 Estimate	2012/13 Estimate	£144 Estimate
	£'000s	£'000s	£'000s	£'000s	£'000s
Cash balances managed in house					
1 April	£3,059	£7,089	£30,000	£10,000	£10,000
31 March	£7,089	£30,000	£10,000	£10,000	£10,000
change in year	**4,030**	**22,911**	**(20,000)**	**0**	**0**
Cash balances managed by cash fund managers					
1 April					
31 March					
change in year	**0**	**0**	**0**	**0**	**0**
Total Cash Balances					
1 April	£3,059	£7,089	£30,000	£10,000	£10,000
31 March	£7,089	£30,000	£10,000	£10,000	£10,000
change in year	**4,030**	**22,911**	**(20,000)**	**0**	**0**
Holdings of shares, bonds, units (includes authority owned company)					
1 April					
Purchases					
Sales					
31 March	**£0**	**£0**	**£0**	**£0**	**£0**
Loans to Local Authority owned company or other entity to deliver services					
1 April	£0	£0	£0	£0	£0
Advances	£0	£0	£0	£0	£0
Repayments	£0	£0	£0	£0	£0
31 March	**£0**	**£0**	**£0**	**£0**	**£0**
Loans made to third parties					
1 April	£0	£0	£0	£0	£0
Advances	£0	£0	£0	£0	£0
Repayments	£0	£0	£0	£0	£0
31 March	**£0**	**£0**	**£0**	**£0**	**£0**
Investment Properties					
1 April	£0	£0	£0	£0	£0
Purchases	£0	£0	£0	£0	£0
Sales	£0	£0	£0	£0	£0
31 March	**£0**	**£0**	**£0**	**£0**	**£0**
Total of all Investments					
1 April	£3,059	£7,089	£30,000	£10,000	£10,000
31 March	£7,089	£30,000	£10,000	£10,000	£10,000
change in year	**4,030**	**22,911**	**(20,000)**	**0**	**0**

APPENDIX 7 Approved countries for investments

AAA

- Canada
- Denmark
- Finland
- France
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland
- U.K.
- U.S.A.

AA+

- Australia
- Belgium
- Spain *

* Sector has suggested that clients exercise care and caution when considering placing deposits with Spanish banks as Spain's economy is currently under severe pressure.

APPENDIX 8 List of Investment Properties

Property Name
52A Sinclair St, Helensburgh G84 8TQ
Kilcreggan Mini-bus Garage, By Helensburgh
Land - Achlonan, Taynuilt
101 West Princes Street, Helensburgh
15 Jane Road, Dunbeg
43 Chalmers St, Ardrishaig
51 Chalmers St, Ardrishaig
53 Chalmers St, Ardrishaig
Land - Frederick Crescent, Port Ellen
33 Victoria St, Rothesay
Albert Pier, East Princes St, Rothesay
Old Toll House Car Park
Supermarket Ground, Sinclair Street, Helensburgh
Land Rear Frederick Street
Toward Sailing Club
43 Stevenson Street Oban (Florist)
Cove Bowling Club

APPENDIX9 Treasury management scheme of delegation

(i) The Council

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy.

(ii) The Executive

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment.
- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

(iii) Audit Committee

- Review the overall internal and management control framework related to the treasury function
- Review internal and external audit reports related to treasury management
- Review provision in the internal and external audit plans to ensure there is adequate audit coverage of treasury management.
- Monitor progress with implementing recommendations in internal and external audit reports.

APPENDIX 10 The treasury management role of the section 95 officer

The Head of Strategic Finance:-

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers.
- reviewing and considering risk management in terms of treasury activities

The nominated Elected Member (Resources Spokesperson):-

- acting as spokesperson for treasury management.
- taking a lead for elected members in overseeing the operation of the treasury function.
- review the treasury management policy, strategy and reports
- Support and challenge the development of treasury management

CAPITAL PLAN 2011 - 2014

Summary by Category

	2011-12 £000s	2012-13 £000s	2013-14 £000s	Total £000s
Strategic Change				
Customer Services				
Facility Services	530	1,461	280	2,271
Carbon Management	1,291	192	44	1,527
Community Services				
Education	250	175		425
Community & Culture				
Development & Infrastructure Services				
Roads & Amenity Services	1,071	3,950	302	5,323
CHORD *	5,400	8,505	6,778	20,683
Total Strategic Change	**8,542**	**14,283**	**7,404**	**30,229**
Service Development				
Customer Services				
Customer & Support Services	2,137	1,550	1,156	4,843
Community Services				
Education	220	25		245
Adult Care	250	115		365
Children & Families	72			72
Development & Infrastructure Services				
Roads & Amenity Services	1,206	1,431	230	2,867
Total Service Development	**3,885**	**3,121**	**1,386**	**8,392**
Asset Sustainability				
Customer Services				
Customer & Support Services	631	589	589	1,809
Facility Services	403	292	13	708
Community Services				
Education	3,580	5,903	5,735	15,218
Community & Culture	2,114	1,914	1,774	5,802
Adult Care	181	185	580	946
Children & Families	27			27
Development & Infrastructure Services				
Roads & Amenity Services	9,188	7,444	7,055	23,687
Total Asset Sustainability	**16,124**	**16,327**	**15,746**	**48,197**
Total	**28,551**	**33,731**	**24,536**	**86,818**

* **CHORD**

The total funding for the CHORD programme is £30.8m over the six years 2010 to 2016 rather than the £20.7m shown here for the period 2011 to 2014.

Summary by Service

Service				
Customer Services				
Customer & Support Services	2,768	2,139	1,745	6,652
Facility Services	933	1,753	293	2,979
Carbon Management	1,291	192	44	1,527
Total Customer Services	**4,992**	**4,084**	**2,082**	**11,158**
Community Services				
Education	4,050	6,103	5,735	15,888
Community & Culture	2,114	1,914	1,774	5,802
Adult Care	431	300	580	1,311
Children & Families	99			99
Total Community Services	**6,694**	**8,317**	**8,089**	**23,100**
Development & Infrastructure Services				
Roads & Amenity Services	11,465	12,825	7,587	31,877
Total Development & Infrastructure Services	11,465	12,825	7,587	31,877
CHORD *	5,400	8,505	6,778	20,683
Total	**28,551**	**33,731**	**24,536**	**86,818**
Walking and Safer Streets	129	129	129	387
Grand Total	**28,680**	**33,860**	**24,665**	**87,205**

* **CHORD**

The total funding for the CHORD programme is £30.8m over the six years 2010 to 2016 rather than the £20.7m shown here for the period 2011 to 2014.

CAPITAL PLAN 2011 - 2014

Head of ICT

Project	**Year 1 2011-12 £000s**	**Year 2 2012-13 £000s**	**Year 3 2013-14 £000s**	**Total £000s**
Asset Sustainability Residual Projects				
Telecoms Network	55	55	55	165
Computer Network Security	50	50	50	150
MS Exchange & Document Sharing	25	25	25	75
Internet / Online Access	92	50	50	192
Voice Over IP	70	70	70	210
Corporate GIS Rollout	31	31	31	93
Video Conferencing	24	24	24	72
IT Education	284	284	284	852
	631	589	589	1,809
Service Development Residual Projects				
Flexi System HRS Integration	21			21
Flexi System Ph 2 Extra Sites	2			2
Consolidated Server Replacement	350	350		700
IT Enablement for Process for Change	144	117	73	334
Applications Projects	237	195	195	627
PC Laptop Replacement Workforce Deployment	741	592		1,333
	1,495	1,254	268	3,017
Total Residual Projects	**2,126**	**1,843**	**857**	**4,826**
Asset Sustainability New Projects				
PC Replacement (was Service Development)	731	731	731	2,193
Planning Scanners Replacement	12	12	12	36
	743	743	743	2,229
Service Development New Projects				
Property Management System	90	0	0	90
Education Domain Extension	145	145	145	435
PC Laptop Replacement Workforce Deployment	-741	-592	0	-1,333
	-506	-447	145	-808
Total New Projects from Block Allocations	**237**	**296**	**888**	**1,421**
Prudential Borrowing				
Buy Graham Williamson IT Centre	405	0	0	405
Total Funded from Prudential Borrowing	**405**	**0**	**0**	**405**
Total	**2,768**	**2,139**	**1,745**	**6,652**

CAPITAL PLAN 2011 - 2014

Head of Facility Services

Project	**Year 1 2011-12 £000s**	**Year 2 2012-13 £000s**	**Year 3 2013-14 £000s**	**Total £000s**
Asset Sustainability Residual Projects				
Kilmory Reception Upgrade	7			7
Oban Service Point & Mun Bldgs Upgrade	7			7
Oban Office Rat Implementation	190	10		200
Dunoon Office Rat Implementation	0	190	10	200
	204	**200**	**10**	**414**
Strategic Change Residual Projects				
Helensburgh Office Project	500	1,441		1,941
Mid Argyll Offices Reorganisation		20		20
Dunoon Office Rationalisation	30			30
	530	**1,461**	**0**	**1,991**
Total Residual Projects	**734**	**1,661**	**10**	**2,405**
Asset Sustainability New Projects				
Shared Offices				
Argyll House Heating & Lighting Upgrade	58	2		60
Campbeltown Registrar's Office	28	1		29
Kilmory, CWS Tank & Lightning Protection	53	2		55
Capital Property Works	60	40		100
Hill Street Dunoon Rewire		33	2	35
Milton House Heating Upgrade		14	1	15
	199	92	3	294
Strategic Change New Projects				
Mid Argyll Office Rationalisation			250	250
Campbeltown & Rothesay Office Rationalisation			30	30
	0	0	280	280
Total New Projects	**199**	**92**	**283**	**574**
Total	**933**	**1,753**	**293**	**2,979**

CAPITAL PLAN 2011- 2014

Carbon Management

Project **Carbon Management**	**Year 1** **2011-12** **£000s**	**Year 2** **2012-13** **£000s**	**Year 3** **2013-14** **£000s**	**Total** **£000s**
Strategic Change Residual Projects				
Kilmory	275			275
Islay HS/Bowmore PS	250			250
Campbeltown Grammar	250			250
Oban HS	250			250
Islay Wind Projects	200			200
Dalintober PS	150			150
Total Residual Projects	**1,375**	**0**	**0**	**1,375**
Strategic Change New Projects				
Kilmory	-275			-275
Kilmory Biomass Project OBC	410	58	15	483
Islay HS/Bowmore PS	-250			-250
Islay HS/Bowmore PS without Grant	440	55	15	510
Campbeltown Grammar	-250			-250
Oban HS	-250			-250
Oban HS Biomass Project OBC	390	77	14	481
Islay Wind Projects	-200			-200
Dalintober PS	-150			-150
Dalintober PS without Grant	51	2		53
Total New Projects	-84	192	44	152
Total Carbon Management	**1,291**	**192**	**44**	**1,527**

CAPITAL PLAN 2011- 2014

Head of Education

Project	Year 1 2011-12 £000s	Year 2 2012-13 £000s	Year 3 2013-14 £000s	Total £000s
Asset Sustainability Residual Projects				
Castlehill Primary	16			16
Iona Primary	5			5
Arinagour Primary School 2010-11	3			3
Barcaldine Primary School 2010-11	10			10
Cardross Primary School 2010-11	20			20
Dalintober Primary School 2010-11	50			50
Dunbeg Primary School 2010-11	5			5
Easdale Primary School 2010-11	2			2
Garelochhead Primary School 2010-11	10			10
Kilcreggan Primary School 2010-11	25			25
Kilninver Primary School 2010-11	5			5
Lochnell Primary School 2010-11	3			3
Port Charlotte Primary School 2010-11	5			5
Port Ellen Primary School 2010-11	2			2
Rosneath Primary School 2010-11	30			30
Salen Primary School 2010-11	5			5
St Andrew's Primary School 2010-11	15			15
Strachur Primary School 2010-11	20			20
Taynuilt Primary School 2010-11	2			2
Tiree Primary School 2010-11	2			2
Toward Primary School 2010-11	2			2
Oban High School	30			30
Parklands	15			15
Tiree High School	16			16
Campbeltown Grammar	100			100
Islay High School	50			50
Dunoon Hostel	5			5
Glencruitten Hostel	5			5
Glencruitten Hostel	20			20
	478	0	0	478
Service Development Residual Projects				
Class Size Reduction	10			10
Tobermory Early Years - Tobermory High	20			20
Bowmore PS Gaelic Unit	15			15
	45	0	0	45
Total Residual Projects	**523**	**0**	**0**	**523**

Head of Education

Project	Year 1 2011-12 £000s	Year 2 2012-13 £000s	Year 3 2013-14 £000s	Total £000s
Asset Sustainability New Projects				
Arinagour Primary School	47	3		50
Barcaldine Primary School	14	1		15
Carradale Primary School	24	1		25
Dalintober Primary School	123	7		130
Dunoon Primary School	19	1		20
Drumlemble Primary School	14	1		15
Easdale Primary School	19	1		20
Innellan Primary School	43	2		45
Inveraray Primary School	38	2		40
John Logie Baird Primary School	180	10		190
Kirn Primary School	19	1		20
Lismore Primary School	24	1		25
Luing Primary School	24	1		25
St Muns Primary School	9	1		10
Tarbert Academy	9	1		10
Bowmore Primary School	71	4		75
Bunessan Primary School	62	3		65
Cardross Primary School	62	3		65
Castlehill Primary School	71	4		75
Dunbeg Primary School	119	6		125
Garelochhead Primary School	142	8		150
Hermitage Primary School	57	3		60
Kilchattan Primary School	62	3		65
Park Primary School	95	5		100
Port Ellen Primary School	95	5		100
Sandbank Primary School	28	2		30
Small Isles Primary School	57	3		60
Strachur Primary School	95	5		100
Taynuilt Primary School	104	6		110
Tayvallich Primary School	71	4		75
Oban High School	190	10		200
Tobermory High School	71	4		75
Tiree Primary School	190	10		200
Capital Property Works	237	13		250
Islay High School	509	27		536
Campbeltown Grammar School	108	6		114
Block Allocation		5,735	5,735	11,470
	3,102	5,903	5,735	14,740
Service Development New Projects				
Taynuilt Primary School Addtnl Classroom	175	25		200
Strategic Change New Projects				
Dunoon Primary - Joint Campus	175	175		350
Campbeltown Grammar Redevelopmnet	75			75
Total New Projects	**3,527**	**6,103**	**5,735**	**15,290**
Total	**4,050**	**6,103**	**5,735**	**15,813**

CAPITAL PLAN 2012 - 2014

Head of Community & Culture

Project	**Year 1 2011-12 £000s**	**Year 2 2012-13 £000s**	**Year 3 2013-14 £000s**	**Total £000s**
Asset Sustainability Residual Projects				
Dunoon Community Education Centre		75		75
Campbeltown Museum Burnett Bldg	10			10
Rothesay Library	10			10
Park House Women's Refuge	20			20
Thomson Home Rothesay	10			10
Riverside Swimming Pool	100			100
Aqualibrium	30			30
Rothesay Swimming Pool	240			240
Helensburgh Swimming Pool	30			30
Queen's Hall	30	340		370
Victoria Halls Campbeltown		30		30
Private Sector Housing Grant	1,394	1,394	1,394	4,182
Total Residual Projects	**1,874**	**1,839**	**1,394**	**5,107**
Asset Sustainability New Projects				
Rothesay Leisure Pool	30			30
Corran Halls Oban			175	175
Victoria Halls Campbeltown			205	205
Rothesay Library	50			50
Dunoon Community Education Centre		75		75
Kintyre Community Education Centre	100			100
Bute Community Education Centre	50			50
Lochgilphead Community Education Centre	10			10
	240	75	380	695
Strategic Change New Projects				
Total New Projects	**240**	**75**	**380**	**695**
Total	**2,114**	**1,914**	**1,774**	**5,802**

CAPITAL PLAN 2011- 2014

Head of Adult Care

Project	Year 1 2011-12 £000s	Year 2 2012-13 £000s	Year 3 2013-14 £000s	Total £000s
Asset Sustainability Residual Projects				
Struan Lodge - Registration Work	16			16
Struan Lodge Boiler Replacement	150			150
Ellis Lodge	25			25
Greenwood			75	75
Whitegates offices	5	75		80
Aids & Adaptations	25	25		50
Health & Safety	100	100		200
	321	**200**	**75**	**596**
Service Development Residual Projects				
Mull & Iona Progressive Care Centre	250	115		365
Total Residual Projects	**571**	**315**	**75**	**961**
Asset Sustainability New Projects				
Woodlands/Greenwood	25			25
Church St Social Work Offices	60			60
Edar Glinn			90	90
Lochgilphead Resource Centre			25	25
Lorn Resource Centre			25	25
Struan Lodge Boiler Replacement	-150		150	0
Mull & Iona Progressive Care	-250	-115		-365
Mull & Iona Progressive Care	175	100	15	290
Thomson Home			200	200
Total New Projects	**-140**	**-15**	**505**	**350**
Total	**431**	**300**	**580**	**1,311**

CAPITAL PLAN 2010 - 2013

Head of Children & Families

Project	Year 1 2011-12 £000s	Year 2 2012-13 £000s	Year 3 2013-14 £000s	Total £000s
Asset Sustainability Residual Projects				
Tir Nan Og - Oban High School	10			10
Kilmory	7			7
	17	0	0	17
Service Development Residual Projects				
Residential Respite Care Facility	12			12
Dunclutha Bungalow	5			5
	17	0	0	17
Total Residual Projects	**34**	**0**	**0**	**34**
Asset Sustainability New Projects				
East King St Children's Home	10			10
Service Development New Projects				
Dunoon Family Mediation Centre	55			55
Total New Projects	**65**	**0**	**0**	**65**
Total	**99**	**0**	**0**	**99**

CAPITAL PLAN 2010 - 2013

Head of Roads & Amenity Services

Project	Year 1 2011-12 £000s	Year 2 2012-13 £000s	Year 3 2013-14 £000s	Total £000s
Asset Sustainability Residual Projects				
Fleet Management	481	481	481	1443
Glengorm Cell 2	10			10
Campbeltown Old Quay	291	1,680		1971
Bridge Strengthening/Replacement	225	227	0	452
Bridge Strengthening/Replacement 2010/11	449	449	0	898
Environmental Projects	192	142	0	334
Rothesay Harbour Sub-structure	7	0	0	7
B833 Peaton Rd to Clynder Ph3	254	5	0	259
Public Convenience upgrades	50	50		100
Flood Prevention	100	100		200
Street Lighting	600	600		1200
Road Reconstruction	2,318	2,317		4635
Traffic Management	100	100		200
HITRANS	400	400		800
Kidston Park PC	95	0	0	95
	5,572	6,551	481	12,604
Service Development Residual Projects				
A849 Pennyghael Bridge Mull	1	14	0	15
A816 Oude Bridge Realignment	1	1		2
A816 Tibertich No 1 Bridge	6	8	0	14
Tayinloan Slip	643	34	0	677
Preliminary Design for Regional Transport	25	24	0	49
Cycleways - Helensburgh & Lomond	125			125
Milton Burn	500	800	87	1,387
A83 South of Muasdale	550	40		590
HITRANS	133	133		266
	1,984	**1,054**	**87**	**3,125**
Strategic Change Residual Projects				
Campbeltown Infrastructure Improvements	1,000	3,850	262	5,112
A848 Salen - Tobermory	100	0	0	100
Dunoon Pier Ph 1			40	40
Gartbreck Landfill Site	71	100		171
	1,171	3,950	302	5,423
Total Residual Projects	**8,727**	**11,555**	**870**	**21,152**

Head of Roads & Amenity Services

Project	Year 1 2011-12 £000s	Year 2 2012-13 £000s	Year 3 2013-14 £000s	Total £000s
Asset Sustainability New Projects				
Flood Prevention - Residual Projects	-100	-100		-200
Flood Prevention	50	150	100	300
Bridge Strengthening / Replacement 2009/10	-225	-227		-452
Bridge Strengthening / Replacement 2010/11	-449	-449		-898
Bridge Strengthening / Replacement	300	523	524	1347
Roads Reconstruction - Residual Projects	-2318	-2317		-4635
Roads Reconstruction	6900	4800	3800	15500
Lighting - Residual Projects	-600	-600		-1200
Lighting	600	600	600	1800
Environmental - Residual Projects	-192	-142		-334
Environmental	140	145	200	485
PC Upgrades - Residual Projects	-50	-50		-100
PC Upgrades	50	50	50	150
HITRANS - Residual Projects	-400	-400		-800
HITRANS	250	250	300	800
Campbeltown Old Quay - Residual Projects	-291	-1680		-1971
Campbeltown Old Quay	60	60	680	800
Traffic Management - Residual Projects	-100	-100		-200
Traffic Management	100	100	100	300
Waste Management Sites			100	100
Zero Waste Fund			120	120
Port Askaig Berth Protection	20	280		300
Kidston Park PC	-95			-95
B833 Peaton Road to Clynder Ph 3	-34			-34
	3,616	893	6,574	11083
Service Development New Projects				
Cycleways H&L - Residual Projects	-125			-125
HITRANS - Residual Projects	-133	-133		-266
HITRANS			133	133
A83 South of Muasdale	-550	-40		-590
A83 South of Muasdale	30	550	10	590
	-778	377	143	-258
Strategic Change New Projects				
A848 Salen to Tobermory	-100			-100
	-100	0	0	-100
Total New Projects	**2,738**	**1,270**	**6,717**	**10,725**
Total	**11,465**	**12,825**	**7,587**	**31,877**

ARGYLL & BUTE COUNCIL

CAPITAL PLAN 2011/12

AND SUPPORTING DOCUMENTS

DEPARTMENT **<u>COMMUNITY SERVICES</u>**

SUBMITTED BY: **<u>Cleland Sneddon</u>**

Asset Sustainability Projects - Block Allocation

Proj. No.	Project Description	IBC/OBC	Value For Money	Measured Benefit - Public Facing/Service Improvement	Impact on Asset Condition		Impact on Asset Suitability		Current Risk to Asset / Service Delivery	Risk Change	Annual Carbon Impact	Year 1 2011/12 £000's	Year 2 2012/13 £000's	Year 2013/14 £000's	Track Record: Project Team / Performance / Budget / Timescale
	Block Allocation														
	Head of Education														
	Total Residual Projects Head of Education											478	0	0	
	Head of Community and Culture														
	Total Residual Projects Head of Community & Culture											2250	2215	0	
	Residual Projects Head of Adult Care														
	Total Residual Projects Head of Adult Care											171	425	0	
	Residual Projects Head of Children & Families														
	Total Residual Projects Head of Children & Families											17	0	0	
	Total Residual Projects - Community Services											**2,916**	**2,640**	0	
	New Projects														
	Head of Education														
	HEAD OF PRIMARY EDUCATION														
1	**ARINAGOUR PRIMARY SCHOOL**	IBC	3	3	B	B	C	C	Low	Low	yes	47	3		Satisfactory
	Window Replacement														
2	**BARCALDINE PRIMARY SCHOOL**	IBC	4	4	B	B	A	A	Medium	Low	n/a	14	1		Satisfactory
	Fire alarm/emergency lighting														
3	**BOWMORE PRIMARY SCHOOL**	IBC	3	3	B	B	A	A	Medium	Low	yes	71	4		Satisfactory
	Kitchen Refurbishment														
	Upgrading of Electric Boilers														
4	**BUNESSAN PRIMARY SCHOOL**	IBC	2	4	B	B	B	B	Low	Low	n/a	62	3		Satisfactory
	External refurbishment														
	Internal Refurbishment														
5	**CARDROSS PRIMARY SCHOOL**	IBC	4	4	B	B	B	B	Medium	Low	yes	62	3		Satisfactory
	External refurbishment														
6	**CARRADALE PRIMARY SCHOOL**	IBC	3	3	B	B	A	A	Medium	Low	n/a	24	1		Satisfactory
	Renewal of fire alarm														
7	**CASTLEHILL PRIMARY SCHOOL-CTWN**	IBC	3	3	B	B	B	B	Medium	Low	yes	71	4		Satisfactory
	Upgrade Cold water tank														
	Upgrade lighting														
	Internal Refurbishment														
8	**DALINTOBER PRIMARY SCHOOL**	IBC	2	4	B	B	B	B	Low	Low	n/a	123	7		Satisfactory
	Internal refurbishment														
	Toilet refurbishment														
	Re roofing														
9	**DUNBEG PRIMARY SCHOOL**	IBC	4	4	B	B	B	B	Medium	Low	yes	119	6		Satisfactory

	Toilet refurbishment														
	Re roofing														
10	**DUNOON PRIMARY SCHOOL**	IBC	1	1	C	C	C	C	Medium	Medium	n/a	19	1		Satisfactory
	Health and Safety Works														
11	**DRUMLEMBLE**	IBC	4	2	B	B	A	A	Medium	Low	n/a	14	1		Satisfactory
	Upgrade Cold water tank														
12	**EASDALE PRIMARY SCHOOL**	IBC	1	1	B	B	B	B	Low	Low	n/a	19	1		Satisfactory
	Partial Re roofing														
13	**GARELOCHHEAD PRIMARY SCHOOL**	IBC	4	3	B	B	C	C	Medium	Low	yes	142	8		Satisfactory
	Re roofing														
	Toilet refurbishment														
14	**HERMITAGE PRIMARY SCHOOL**	IBC/OBC	4	3	B	B	B	B	High	Low	n/a	57	3		Satisfactory
	Annexe Replacement OBC (£40,000)														
	External door renewal														
15	**INNELLAN PRIMARY SCHOOL**	IBC	4	3	B	B	A	A	High	Low	yes	43	2		Satisfactory
	Upgrade Cold water tank														
	External door renewal														
16	**INVERARAY PRIMARY SCHOOL**	IBC	4	2	B	B	A	A	Medium	Low	yes	38	2		Satisfactory
	Hot water system upgrading														
	External door renewal														
17	**JOHN LOGIE BAIRD PRIMARY SCHOOL**	IBC	2	2	B	B	B	B	Medium	Low	n/a	180	10		Satisfactory
	Upgrade Cold water tank														
	Final Phase re roofing														
	Kitchen Ventilation upgrade														
18	**KILCHATTAN PRIMARY SCHOOL**	IBC	1	3	B	B	B	B	Medium	Low	yes	62	3		Satisfactory
	Renewal of fire alarm														
	Window Replacement														
19	**KIRN PRIMARY SCHOOL**	IBC	1	1	C	C	B	B	Medium	Medium	n/a	19	1		Satisfactory
	Health and Safety Works														
20	**LISMORE PRIMARY SCHOOL**	IBC	4	2	B	B	B	B	Medium	Low	yes	24	1		Satisfactory
	Rewiring														
21	**LUING**	IBC	3	3	B	B	A	A	Medium	Low	yes	24	1		Satisfactory
	Roof Overhaul														
22	**PARK PRIMARY SCHOOL**	IBC	4	3	B	B			Medium	Low	yes	95	5		Satisfactory
	Improvements to traffic Managements														
23	**PORT ELLEN PRIMARY SCHOOL**	IBC	3	3	B	B	B	B	Medium	Low	n/a	95	5		Satisfactory
	Rewire														
24	**SANDBANK PRIMARY SCHOOL**	IBC	4	3	B	B	B	B	Medium	Low	yes				Satisfactory
	Upgrade Cold water tank														
	External door renewal														
25	**SMALL ISLES PRIMARY SCHOOL**	IBC	4	3	B	B	B	B	Medium	Low	n/a	57	3		Satisfactory
	Rewire														
26	**ST MUNS PRIMARY SCHOOL**	IBC	1	1	B	B	C	C	Medium	Medium	n/a	9	1		Satisfactory
	Health and Safety Works														
27	**STRACHUR PRIMARY SCHOOL**	IBC	4	3	**C**	B	B	B	Medium	Low	yes	95	5		Satisfactory
	Rewiring														
28	**TARBERT PRIMARY SCHOOL**														
	Included in Academy														
29	**TAYNUILT PRIMARY SCHOOL**	IBC	4	3	B	B	B	B	Medium	Low	yes	104	6		Satisfactory
	External door renewal														
	Reroofing														

30	**TAYVALLICH PRIMARY SCHOOL**	IBC	4	1	A	A	B	B	High	Low	n/a	71	4		Satisfactory
	Upgrading of Drainage System														
31	**TIREE PRIMARY SCHOOL**														
	Included in High School														
32	**TOBERMORY PRIMARY SCHOOL**														
	Included in High School														
	HEAD OF SECONDARY EDUCATION														
33	**OBAN HIGH SCHOOL**	IBC	4	3	B	B	C	C	Medium	Low	n/a	190	£10		Satisfactory
	Showe upgrade														
	External door renewal														
	Environmental upgrading														
	Phase 1 fire safety upgrading														
	Heating Pipework upgrading														
34	**TOBERMORY HIGH SCHOOL**	IBC	4	3	B	B	B	B	Medium	Medium	n/a	71	£4		Satisfactory
	Toilet Refurbishment														
35	**TIREE HIGH SCHOOL**	IBC	3	3	C	C	B	B	Medium	Low	yes	190	£10		Satisfactory
	Rewiring ph2														
	Internal Refurbishment														
36	**CAMPBELTOWN GRAMMAR SCHOOL**	OBC	3	4	C	C	D	D	High	High	yes	108	£6		Satisfactory
	Health and Safety works														
37	**TARBERT ACADEMY**	IBC			B	B	B	B	Medium	Low	n/a	9	£1		Satisfactory
	Emergency lighting upgrading														
38	**ISLAY HIGH SCHOOL**	OBC	4	3	C	C	C	C	High	Medium	yes	509	27		Satisfactory
	Window Renewal final phase														
	Roof Renewals final phase														
	Rewiring PH1														
	Contribution towards Biomass Project														
6	**EDUCATION OTHER**														
39	**CAPITAL PROPERTY WORKS**	IBC	3	3					Medium	Low	n/a	250	237	13	Satisfactory
	Allowance for work to School Houses and for work to schools as a result of inspections by Statutory authorities etc														
	Total New Projects Head of Education											**3,087**	**390**	**13**	
	New Projects Head of Comminity and Culture														
40	ROTHESAY LEISURE POOL	IBC	2	3	B	B	B	B	High	Medium	n/a	30			Satisfactory
	fire alarm upgrade														
41	CORRAN HALLS OBAN	IBC	3	3	B	B	C	C	High	Medium	yes			175	Satisfactory
	Rewiring														
42	VICTORIA HALLS CAMPBELTOWN	IBC	3	3	C	B	C	C	High	Medium	yes			205	Satisfactory
	Rewiring														
	Limited Internal Upgrading														
43	ROTHESAY LIBRARY	IBC	3	4	B	A	B	B	Medium	Low	yes	50			Satisfactory
	Final phase refurbishment														
44	DUNOON COMMUNITY EDUCATION CTR	IBC	3	3	B	B			Medium	Low	yes		75		Satisfactory

	Rewiring														
46	KINTYRE COMMUNITY EDUCATION CTR	IBC	3	3	B	B			Low	Low	yes	100			Satisfactory
	Boiler replacement														
47	BUTE COMM EDU CENTRE (Moat ctr)	IBC	3	3					Medium	Low	yes	50			Satisfactory
	Re roofing														
48	LOCHGILPHEAD COMM EDU CTR	IBC	3	3					High	Low	n/a	10			Satisfactory
	Fire safety upgrading														
	Total New Projects Head of Community & Culture											**240**	**75**	**380**	
	New Projects Head of Adult Care														
49	WOODLANDS/GREENWOOD	IBC	3	4	B	B			Medium	Low	n/a	25			Satisfactory
	Fire alarm upgrading														
50	CHURCH STREET SOCIAL WORK OFFICES	IBC	3	4	C	B	D	D	Low	Low	yes	60			Satisfactory
	Internal upgrading														
	Window/External door replacement														
52	EDAR GLINN	IBC	3	4	B	B	C	C	Medium	Low	yes			90	Satisfactory
	Heating upgrade														
	Oil to gas conversion														
53	LOCHGILPHEAD RESOURCE CENTRE	IBC	3	4	A	A			Medium	Low	n/a			25	Satisfactory
	Fire alarm upgrading														
54	LORNE RESOURCE CENTRE	IBC	3	4					Medium	Low	n/a			25	
	Fire alarm upgrading														
55	THOMSON HOME	IBC	3	4	B	B	B	B	Medium	Low	yes			200	Satisfactory
	Rewiring														
	Total New Projects Head of Adult Care											**85**	**0**	**340**	
	New Projects Head of Children & Families														
	CHILDRENS HOME EAST KING ST HELENSBURGH	IBC	3	4	B	B	B	B	Medium	Low	yes	10			Satisfactory
	Fire safety upgrading														
	Total New Projects Head of Children & Families											**10**			
	Total New Projects - Community Services											**3,422**	**75**	**720**	
	Community Services Capital Plan Projects 2011/14											**6,338**	**2,715**	**733**	

Service Development Projects

Proj. No.	Project Description	IBC/OBC	Value For Money	Measured Benefit - Public Facing/Service Improvement	Impact on Asset Condition		Impact on Asset Suitability		Current Risk to Asset / Service Delivery	Risk Change	Annual Carbon Impact	Deliverability Rating	Current Year to July 2010 Actual £000's	Balance Forecast Spend in Current Year 2010/11 £000's	Forecast Spend 2010/11 £000's	Budget Spend 2010/11 £000's	Year 1 2011/12 £000's	Year 2 2012/13 £000's	Year 3 2013/14 £000's	Capital Cost	Track Record: Project Team / Performance / Budget / Timescale
	Residual Capital Plan Projects																				
	Head of Education																				
	TOTAL												260	245	505	526	45				
	Head of Community & Culture																				
	TOTAL												5	33	38	38	0	0	0	0	
	Head of Adult Care																				
	TOTAL												0	319	319	382	175	100	15	0	
	Head of Children & Families																				
	TOTAL												227	199	426	411	17	0	0	0	
	Community Services Total Residual Projects												492	796	1288	1357	237	100	15	0	
	New Projects																				
	Head of Education																				
1	Taynuilt Primary School Additional Classroom	ibc	4	4	n/a	n/a	n/a	n/a	High	Low		3					175	25			satisfactory
	TOTAL												0	0	0	0	175	25	0	0	0
	Head of Children & Families																				
1	Dunoon Family mediation centre		3	4													55				
													0	0	0	0	55	0	0	0	0
	Community Services - Total New Projects	obc											0	0	0	0	230	25	0	0	0
	Community Services Capital Plan Projects 2011/14												492	796	1288	1357	467	125	15	0	0

Strategic Change Projects

Proj. No.	Project Description	IBC/OBC Ref.	Deliverability Rating	Current Year to July 2010 Actual £000's	Balance Forecast Spend in Current Year 2010/11 £000's	Forecast Spend 2010/11 £000's	Budget Spend 2010/11 £000's	Year 2011/12 £000's	Year 2 2012/13 £000's	Year 3 2013/14 £000's	Capital Cost	Track Record: Project Team / Performance / Budget / Timescale
	Residual Capital Plan Projects											
	Head of Education											
	TOTAL			24	131	155	150	0	0	0	0	
	Head of Community & Culture											
	TOTAL			46	53	99	99	0	0	0	0	
	Community Services - Total Residual Projects			70	184	254	249	0	0	0	0	
	New Projects											
	Head of Education											
3	Dunoon Joint Campus FBC	OBC						175	175		350	
	Campbeltown Grammar Redevelopment OBC							75				
	TOTAL							250	175		350	
	Head of Community & Culture											
4	CAMPBELTOWN ALL WEATHER PITCH	OBC						340			340	Unknown
	Formation of new all weather sports facility											
	(council nett capital contribution)											
	TOTAL			0	0	0	0	340	0	0	340	
	Head of Adult Care											
	TOTAL			0	0	0	0	0	0	0	0	
	Head of Children & Families											
	TOTAL											
	Community Services - Total New Projects			0	0	0	0	590		0	690	
	Community Services Capital Plan Projects					254	249	590	0	0	690	

ARGYLL & BUTE COUNCIL

CAPITAL PLAN 2011/12

AND SUPPORTING DOCUMENTS

DEPARTMENT **<u>DEVELOPMENT AND INFRASTRUCTURE</u>**

SUBMITTED BY: **<u>Sandy Mactaggart</u>**

Asset Sustainability Projects - Block Allocation

Proj. No.	Project Description	Year 1 2011/12 £000's	Year 2 2012/13 £000's	Year 2013/14 £000's	Track Record: Project Team / Performance / Budget / Timescale
	Asset Sustainability Projects				
	Development & Infrastructure Residual Projects Total	5538	6551	0	
	New Projects				
	Head of Roads & Amenity Services				
1	Flood Prevention - Residual Projects	-100	-100		
1a	Flood Prevention	50	150	100	
2	Bridge Strengthening / Replacement 2009/10	-225	-227		
2a	Bridge Strengthening / Replacement 2010/11	-449	-449		
2b	Bridge Strengthening / Replacement	300	523	524	
3	Roads Reconstruction - Residual Projects	-2318	-2317		
3a	Roads Reconstruction	6900	4800	3800	
4	Lighting - Residual Projects	-600	-600		
4a	Lighting	600	600	600	
	Kidston Park PC	-95			
5	Environmental - Residual Projects	-192	-142		
5a	Environmental	140	145	200	
6	PC Upgrades - Residual Projects	-50	-50		
6a	PC Upgrades	50	50	50	
7	HITRANS - Residual Projects	-400	-400		
7a	HITRANS	250	250	300	
8	Campbeltown Old Quay - Residual Projects	-291	-1680		
8a	Campbeltown Old Quay	0	224		
	Campbeltown Old Quay		-224		
	Campbeltown Old Quay	60	60	680	
9	Traffic Management - Residual Projects	-100	-100		
9a	Traffic Management	100	100	100	
13	Waste Management Sites			100	
14	Zero Waste Fund			120	
15	Port Askaig berth protection	300			
		3930	613	6574	
	Development & Infrastructure New Projects Total	3930	613	6574	
	Development & Infrastructure Capital Plan Projects 2011/14	9468	7164	6574	

Service Development Projects

Proj. No.	Project Description	Current Year to July 2010 Actual £000's	Balance Forecast Spend in Current Year 2010/11 £000's	Forecast Spend 2010/11 £000's	Budget Spend 2010/11 £000's	Year 1 2011/12 £000's	Year 2 2012/13 £000's	Year 3 2013/14 £000's	Capital Cost	Track Record: Project Team / Performance / Budget / Timescale
	Head of Roads & Amenity Services Residual Projects									
	Total Residual Projects Roads & Amenity Services	317	2272	2589	3038	2301	814	10	0	
	Head of Economic Development - Residual Projects									
	Total Residual Projects Economic Development	8	68	76	76	0	0	0	0	
	Development & Infrastructure Services Total Residual Projects	325	2340	2665	3114	2301	814	10	0	
	New Projects									
	Head of Roads & Amenity Services New Projects									
	Roads Etc.									
1	Cycleways H&L - Residual Projects			0		-125				
2	HITRANS - Residual Projects			0		-133	-133			
2a	HITRANS			0		0	0	133		
		0	0	0	0	-258	-133	133	0	
	Total New Projects - Head of Roads & Amenity Services	0	0	0	0	-258	-133	133	0	
	Development & Infrastructure Services Total New Projects	0	0	0	0	-258	-133	133	0	
	Development & Infrastructure Services Capital Plan Projects 2011/14	325	2340	2665	3114	2043	681	143	0	

Strategic Change Projects

Proj. No.	Project Description	IBC/OBC Ref.	Deliverability Rating	Current Year to July 2010 Actual £000's	Balance Forecast Spend in Current Year 2010/11 £000's	Forecast Spend 2010/11 £000's	Budget Spend 2010/11 £000's	Year 1	Year 2	Year 3	Capital Cost	Track Record: Project Team / Performance / Budget / Timescale
	Head of Roads & Amenity Services Residual Projects											
	Total Residual Projects Roads & Amenity Services			315	1739	2054	2870	6121	262	40	0	
	Development & Infrastructure Services Total Residual Projects			315	1739	2054	2870	6121	262	40	0	
	New Projects											
	Head of Roads & Amenity Services New											
2	A848 Salen - Tobermory					0		-100				
				0	0	0	0	-100	0	0	0	
	Total New Projects Roads & Amenity Services			0	0	0	0	-100	0	0	0	
	Development & Infrastructure Services Total New Projects			0	0	0	0	-100	0	0	0	
	Development & Infrastructure Services Capital Plan Projects 2011/14			315	1739	2054	2870	6021	262	40	0	

ARGYLL & BUTE COUNCIL

CAPITAL PLAN 2011/12

AND SUPPORTING DOCUMENTS

DEPARTMENT: **<u>CUSTOMER SERVICES</u>**

SUBMITTED BY: **<u>Douglas Hendry</u>**

Asset Sustainability Projects - Block Allocation

Proj. No.	Project Description	IBC/OBC	Current Year to July 2010 Actual £000's	Balance Forecast Spend in Current Year 2010/11 £000's	Forecast Spend 2010/11 £000's	Budget Spend 2010/11 £000's	Year 1 2011/12 £000's	Year 2 2012/13 £000's	Year 2013/14 £000's	Capital Cost	Track Record: Project Team / Performance / Budget / Timescale
	Block Allocation										
	Residual Projects										
	Head of Governance & Law										
			0	50	50	50	0	0	0	0	
	Head of Customer & Support Services										
			88	613	701	726	631	589	0	0	
	Head of Facility Services - Property										
			5	393	398	404	214	200	0	0	
	Total Residual Projects - Customer Services		93	1,056	1,149	1,180	1,250	789	0	0	
	New Projects										
	Head of Customer & Support Services										
1	PC Replacement (was Service Development)		0	0	498	647	731	731	731		
2	Planning Scanners Replacement		0	0	0	0	12	12	12		
			0	0	498	647	743	743	743	0	
	Head of Facility Services - Property										
1	Property Upgrade Virement			41	41						
2	Office Rationalisation Virement			3	3						
3	Eaglesham House Reroofing Virement			8	8						
4	Burnett Building			8	8						
5	Argyll House - Heating & Lighting Upgrade	IBC			0		58	2			
6	Campbeltown Registrar's Office - Heating & Fuel Upgrade	IBC			0		28	1			
7	Kilmory Castle - Replace CWS tank and Lightning Protection Upgrade	IBC			0		53	2			
8	Hill St Offices Dunoon, Re-wire	IBC			0			33	2		
9	Milton House Dunoon - Heating Upgrade	IBC			0			14	£1		
10	Capital Property Works				0		100				
			0	60	60	0	239	52	3	0	
	Total New Projects - Customer Services		0	60	558	647	982	795	746	0	
	Customer Services Capital Plan Projects 2011/14		**93**	**1,116**	**1,707**	**1,827**	**2,232**	**1,584**	**746**	**0**	

Service Development Projects

Proj. No.	Project Description	IBC/OBC	Deliverability Rating	Current Year to July 2010 Actual £000's	Balance Forecast Spend in Current Year 2010/11 £000's	Forecast Spend 2010/11 £000's	Budget Spend 2010/11 £000's	Year 1 2011/12 £000's	Year 2 2012/13 £000's	Year 3 2013/14 £000's	Capital Cost	Track Record: Project Team / Performance / Budget / Timescale
	Residual Capital Plan Projects											
	Head of Governance & Law											
				0	127	127	127	0	0	0	0	
	Head of Customer & Support Services											
				40	1220	1260	1491	1495	1254	73	0	
	Total Residual Projects - Customer Services			40	1347	1387	1618	1495	1254	73	0	
	Head of Customer & Support Services											
1	Property Management System					0	0	90	0	0		
2	Education Domain Extension					0	0	145	145	145		
3						0	0		0	0		
4	IT PC Replacement					0		(741)	(592)			
				0	0	0	0	-506	-447	145	0	
	Total New Projects - Customer Services			0	0	0	0	-506	-447	145	0	
	Customer Services Capital Plan Projects 2011/14			40	1347	1387	1618	989	807	218	0	

Strategic Change Projects

Proj. No.	Project Description	IBC/OBC Ref.	Rating of IBC OBC	Deliverability Rating	Current Year to July 2010 Actual £000's	Balance Forecast Spend in Current Year 2010/11 £000's	Forecast Spend 2010/11 £000's	Budget Spend 2010/11 £000's	Year 2011/12	Year 2 2012/13	Year 3 2013/14	Capital Cost	Track Record: Project Team / Performance / Budget / Timescale
	Residual Capital Plan Projects												
	Head of Facility Services - Property												
					67	496	563	563	1971	20	0	0	
	Head of Facility Services - Carbon Management												
					0	40	40	40	1375	0	0	0	
							0						
	Total Residual Projects - Customer Services				67	536	603	603	3346	20	0	0	
	New Projects												
	Head of Facility Services												
1	Mid Argyll Office Rationalisation	OBC									250		
2	Campbeltown & Rothesay Office Rationalisation	IBC									30		
3	Helensburgh Swimming Pool Virement						(61)						
4	Kilmory Biomass Project	2010/11 IBC;SC;CM;C;G;005							(275)				
5	Kilmory Biomass Project	OBC;SC;CUS;C;P;120							410	£58	£15		
6	Islay HS/Bowmore PS	2010/11 IBC;SC;CM;C;G;005							(250)				
7	Islay HS/Bowmore PS without Grant	OBC;SC;CUS;C;P;121(wip)							440	£55	£15		
8	Oban High School	2010/11 IBC;SC;CM;C;G;005							(250)				
9	Oban High School Biomass Project	OBC;SC;CUS;C;P;122							390	£77	£14		
10	Campbeltown Grammar	2010/11 IBC;SC;CM;C;G;005							(250)				
12	Islay Wind Projects	2010/11 IBC;SC;FS;N;P;006							(200)				
13	Islay Wind Projects without Grant	OBC											
14	Dalintober PS	2010/11 IBC;SC;CM;C;G;005							(150)				
15	Dalintober PS without Grant	OBC							51	£2			
16													
					0	0	-61	0	-84	192	324	0	
	Total New Projects - Customer Services				0	0	-61	0	-84	192	324	0	
	Customer Services Capital Plan Projects 2011/14				67	536	542	603	3262	212	324	0	

ARGYLL & BUTE COUNCIL

ASSET MANAGEMENT STRATEGIC BOARD

REVIEW OF BUSINESS CASES CAPITAL PLAN 2011-12

Capital Project	Capital Plan Spend £000's			IBC/OBC/FBC	Impact on Council Plans, National Priotities and Legislation			Affordability			Delivery			Risk			Project Score
	Yr 1	Yr 2	Yr 3		Score	Weight	Weighted Score	Score	Weight	Weighted Score	Score	Weight	Weighted Score	Score	Weight	Weighted Score	
Community Services																	
Total Community Services Residual Projects	2684	2162	1469														
New Projects																	
Asset Sustainability																	
Head of Education																	
School's Projects up to £50k.				IBC;AS;CS;C;G;100	10	5.00	50.00	6	2.50	15.00	9	1.25	11.25	9	1.25	11.25	87.50
Arinagour	47	3		IBC;AS;CS;C;G;100													
Barcaldine	14	1		IBC;AS;CS;C;G;100													
Carradale	24	1		IBC;AS;CS;C;G;100													
Dunoon Primary School	19	1		IBC;AS;CS;C;G;100													
Drumlemble Primary School	14	1		IBC;AS;CS;C;G;100													
Easdale Primary School	19	1		IBC;AS;CS;C;G;100													
Innellan	43	2		IBC;AS;CS;C;G;100													
Inveraray	38	2		IBC;AS;CS;C;G;100													
Kirn	19	1		IBC;AS;CS;C;G;100													
Lismore	24	1		IBC;AS;CS;C;G;100													
Luing	24	1		IBC;AS;CS;C;G;100													
Sandbank				IBC;AS;CS;C;G;100													
St Muns	9	1		IBC;AS;CS;C;G;100													
Tarbert Academy	9	1		IBC;AS;CS;C;G;100													
	303	17															
School's Projects £50k to £250k.				IBC;AS;CS;C;G;101	10	5.00	50.00	6	2.50	15.00	9	1.25	11.25	9	1.25	11.25	87.50
Bowmore	71	4		IBC;AS;CS;C;G;101													
Bunessan	62	3		IBC;AS;CS;C;G;101													
Cardross	62	3		IBC;AS;CS;C;G;101													
Castlehill	71	4		IBC;AS;CS;C;G;101													
Dalintober	123	7		IBC;AS;CS;C;G;101													
Dunbeg	119	6		IBC;AS;CS;C;G;101													
Garelochhead	142	8		IBC;AS;CS;C;G;101													
Hermitage Primary	57	3		IBC;AS;CS;C;G;101													
John Logie Baird	180	10		IBC;AS;CS;C;G;101													
Kilchattan	62	3		IBC;AS;CS;C;G;101													
Park	95	5		IBC;AS;CS;C;G;101													
Port Ellen	95	5		IBC;AS;CS;C;G;101													
Small Isles	57	3		IBC;AS;CS;C;G;101													
Strachur	95	5		IBC;AS;CS;C;G;101													
Taynuilt	104	6		IBC;AS;CS;C;G;101													
Tayvallich	71	4		IBC;AS;CS;C;G;101													
Oban High School	190	10		IBC;AS;CS;C;G;101													
Tobermory High School	71	4		IBC;AS;CS;C;G;101													
Tiree High School	190	10		IBC;AS;CS;C;G;101													
Capital Property Works	237	13		IBC;AS;CS;C;G;101													
	2154	116															
Islay High School Upgrading	509	27		OBC;AS;CS;C;P;105	8.67	5.00	43.35	4.8	2.50	12.00	9	1.25	11.25	9	1.25	11.25	77.85
Unallocated Block Allocation		5735	5735														
Campbeltown Grammar School	114			IBC;AS;CS;C;P;106	9	5.00	45.00	5	2.50	12.50	10	1.25	12.50	10	1.25	12.50	82.50
Head of Education New Projects Asset Sustainability	3080	5895	5735														
Head of Community & Culture																	

Capital Project	Capital Plan Spend £000's			IBC/OBC/FBC	Impact on Council Plans, National Priotities and Legislation			Affordability			Delivery			Risk			Project Score
	Yr 1	Yr 2	Yr 3		Score	Weight	Weighted Score	Score	Weight	Weighted Score	Score	Weight	Weighted Score	Score	Weight	Weighted Score	
ROTHESAY LEISURE POOL	30			IBC;AS;CS;C;G;102	10	5.00	50.00	4	2.50	10.00	9	1.25	11.25	9	1.25	11.25	82.50
CORRAN HALLS OBAN			175														
VICTORIA HALLS CAMPBELTOWN			205														
ROTHESAY LIBRARY	50			IBC;AS;CS;C;G;102													
DUNOON COMMUNITY EDUCATION CTR		75															
KINTYRE COMMUNITY EDUCATION CTR	100			IBC;AS;CS;C;G;103	10	5.00	50.00	4	2.50	10.00	9	1.25	11.25	9	1.25	11.25	82.50
BUTE COMM EDU CENTRE (Moat ctr)	50			IBC;AS;CS;C;G;102													
LOCHGILPHEAD COMM EDU CTR	10			IBC;AS;CS;C;G;102													
	240	75	380														
Head of Adult Care																	
WOODLANDS/GREENWOOD	25			IBC;AS;CS;C;G;102													
CHURCH STREET SOCIAL WORK OFFICES	60			IBC;AS;CS;C;G;103													
EDAR GLINN			90														
LOCHGILPHEAD RESOURCE CENTRE			25														
LORNE RESOURCE CENTRE			25														
Struan Lodge Boiler Replacement	-150		150	IBC;AS;CS;C;G;003													
Mull & Iona Progressive Care	-250	-115															
Mull & Iona Progressive Care	175	100	15														
THOMSON HOME			200	IBC;AS;CS;C;G;103													
	-140	-15	505														
Head of Children & Families																	
CHILDRENS HOME EAST KING ST HELENSBURGH	10			IBC;AS;CS;C;G;102													
Community Services New Projects Asset Sustainability	3190	5955	6620														
Service Development																	
Head of Education																	
Taynuilt Primary Additional Classroom	175	25		IBC;SD;CS;C;P;104	8.83	5.00	44.15	5.6	2.50	14.00	9	1.25	11.25	9	1.25	11.25	80.65
	175	25	0														
Head of Children and Families																	
Dunoon Family Mediation Centre	55			IBC;SD;CS;C;P;109	9	5.00	45.00	6	2.50	15.00	10	1.25	12.50	10	1.25	12.50	85.00
	55	0	0														
Total Service Development	230	25	0														
Strategic Change																	
Head of Education																	
Dunoon Primary Joint Campus	175	175		OBC;SC;CS;C;P;108	10	5.00	50.00	7	2.50	17.50	7	1.25	8.75	8	1.25	10.00	86.25
Campbeltown Grammar	75			IBC;SC;CS;C;P;110	10	5.00	50.00	7	2.50	17.50	7	1.25	8.75	8	1.25	10.00	86.25
Head of Community & Culture																	
Campbeltown All Weather Pitch	340			OBC;SC;CS;C;P;107	9	5.00	45.00	3	2.50	7.50	6	1.25	7.50	6	1.25	7.50	67.50
Community Services New Projects Strategic Change	590	175	0														
Community Services Total New Projects	4010	6155	6620														
Community Services Total Capital Plan	6694	8317	8089														
Development & Infrastructure Services																	
Development & Infrastructure Total Residual Projects	8727	11555	870														
New Projects																	
Asset Sustainability																	
Head of Roads & Amenity Services																	
Flood Prevention - Residual Projects	-100	-100															
Flood Prevention	50	150	100	IBC;AS;DIS;C;G;112	8	5.00	40.00	6	2.50	15.00	6	1.25	7.50	5	1.25	6.25	68.75
Bridge Strengthening / Replacement 2009/10	-225	-227															
Bridge Strengthening / Replacement 2010/11	-449	-449															
Bridge Strengthening / Replacement	300	523	524	IBC;AS;DIS;C;G;101	9	5.00	45.00	6	2.50	15.00	6	1.25	7.50	8	1.25	10.00	77.50
Roads Reconstruction - Residual Projects	-2318	-2317															

Capital Project	Capital Plan Spend £000's			IBC/OBC/FBC	Impact on Council Plans, National Priotities and Legislation			Affordability			Delivery			Risk			Project Score
	Yr 1	Yr 2	Yr 3		Score	Weight	Weighted Score	Score	Weight	Weighted Score	Score	Weight	Weighted Score	Score	Weight	Weighted Score	
Roads Reconstruction	6900	4800	3800	IBC;AS;DIS;C;G;103	9.5	5.00	47.50	2.8	2.50	7.00	7.7	1.25	9.63	9	1.25	11.25	75.38
Lighting - Residual Projects	-600	-600															
Lighting	600	600	600	IBC;AS;DIS;C;G;102	8	5.00	40.00	5	2.50	12.50	7.5	1.25	9.38	9	1.25	11.25	73.13
Environmental - Residual Projects	-192	-142															
Environmental	45	145	200			5.00	0.00		2.50	0.00		1.25	0.00		1.25	0.00	0.00
Helensburgh Cemetery Roadways	60			IBC;AS;DIS;C;P;109	8	5.00	40.00	6	2.50	15.00	8	1.25	10.00	9	1.25	11.25	76.25
Kilvaree Cemetery	35			IBC;AS;DIS;C;P;110	8	5.00	40.00	6	2.50	15.00	8	1.25	10.00	9	1.25	11.25	76.25
PC Upgrades - Residual Projects	-50	-50															
PC Upgrades	0	5	-5			5.00	0.00		2.50	0.00		1.25	0.00		1.25	0.00	0.00
Fionnphort PC Upgrade	20			IBC;AS;DIS;C;P;111	8	5.00	40.00	6	2.50	15.00	5	1.25	6.25	9	1.25	11.25	72.50
Ulva PC Upgrade	20			IBC;AS;DIS;C;P;113	8	5.00	40.00	6	2.50	15.00	5	1.25	6.25	9	1.25	11.25	72.50
Garelochhead & Rhu PC Upgrades	10	45	55	IBC;AS;DIS;C;P;104	8	5.00	40.00	5.5	2.50	13.75	5	1.25	6.25	5	1.25	6.25	66.25
HITRANS - Residual Projects	-400	-400															
HITRANS	250	250	300	IBC;AS;DIS;C;G;107	8	5.00	40.00	6	2.50	15.00	8	1.25	10.00	9	1.25	11.25	76.25
Campbeltown Old Quay - Residual Projects	-291	-1680															
Campbeltown Old Quay	60	60	680			5.00	0.00		2.50	0.00		1.25	0.00		1.25	0.00	0.00
Traffic Management - Residual Projects	-100	-100															
Traffic Management	100	100	100	IBC;AS;DIS;C;G;105	6	5.00	30.00	6	2.50	15.00	9	1.25	11.25	9	1.25	11.25	67.50
Waste Management Sites			100														
Zero Waste Fund			120														
Port Askaig Linkspan	20	280		IBC;AS;DIS;C;P;108	8	5.00	40.00	5	2.50	12.50	8	1.25	10.00	9	1.25	11.25	73.75
Kidston Park PC	-95																
B833 Peaton Road to Clynder Ph 3	-34																
	3616	893	6574														
Total Asset Sustainability Development & Infrastructure	3616	893	6574														
Service Development																	
Head of Roads & Amenity Services																	
Cycleways H&L - Residual Projects	-125																
HITRANS - Residual Projects	-133	-133															
HITRANS			133														
A83South of Muasdale	-520	510	10	IBC;SD;DIS;C;P;106	9	5.00	45.00	4.8	2.50	12.00	4.3	1.25	5.38	2	1.25	2.50	64.88
Total Service Development, Development & Infrastructure	-778	377	143														
Strategic Change																	
Head of Roads & Amenity Services																	
A848 Salen - Tobermory	-100																
	-100	0	0														
Development & Infrastructure Total New Projects	2738	1270	6717														
Development & Infrastructure Capital Plan 2011/12	11465	12825	7587														
Customer Services																	
Oban Office Rationalisation OBC & Implementation	200			OBC;AS;FS;C;P;105	9.5	5.00	47.50	6.8	2.50	17.00	7.67	1.25	9.59	7.4	1.25	9.25	83.34
Customer ServicesTotal Residual Projects	4640	3696	911														
New Projects																	
Asset Sustainability																	
Head of Facility Services																	
Argyll House - Heating & Lighting Upgrade	58	2		IBC;AS;CUS;C;G;104	9	5.00	45.00	7	2.50	17.50	7	1.25	8.75	8	1.25	10.00	81.25
Campbeltown Registrar's Office - Heating & Fuel Upgrade	28	1		IBC;AS;CUS;C;G;104													
Kilmory Castle - Replace CWS tank and Lightning Protection Upgrade	53	2		IBC;AS;CUS;C;G;104													
Capital Property Works	60	40		IBC;AS;CUS;C;G;104													

Capital Project	Capital Plan Spend £000's			IBC/OBC/FBC	Impact on Council Plans, National Priotities and Legislation			Affordability			Delivery			Risk			Project Score
	Yr 1	Yr 2	Yr 3		Score	Weight	Weighted Score	Score	Weight	Weighted Score	Score	Weight	Weighted Score	Score	Weight	Weighted Score	
Hill St Offices Dunoon, Re-wire		33	2														
Milton House Dunoon - Heating Upgrade		14	1														
	199	92	3														
Head of Customer & Support Services																	
PC Replacement (was Service Development)	731	731	731														
Planning Scanners Replacement	12	12	12	IBC;AS;CUS;C;P;103	9	5.00	45.00	9	2.50	22.50	9	1.25	11.25	9	1.25	11.25	90.00
	743	743	743														
Customer Services Asset Sustainability New Projects	942	835	746														
Service Development																	
Head of Customer & Support Services																	
Property Management System	90			OBC;SD;CUS;C;P;101	9	5.00	45.00	9	2.50	22.50	9	1.25	11.25	6	1.25	7.50	86.25
Education Domain Extension	145	145	145	OBC;SD;CUS;C;P;100	9	5.00	45.00	9	2.50	22.50	8	1.25	10.00	7	1.25	8.75	86.25
				OBC;SD;CUS;C;P;102	9	5.00	45.00	6	2.50	15.00	5	1.25	6.25	5	1.25	6.25	72.50
IT PC Replacement	-741	-592															
	-506	-447	145														
Customer Services Service Development New Projects	-506	-447	145														
Strategic Change																	
Head of Facility Services																	
Mid Argyll Office Rationalisation			250														
Campbeltown & Rothesay Office Rationalisation			30														
Kilmory	-275			IBC;SC;FS;C;P;005													
Kilmory Biomass Project	410	58	15	OBC;SC;CUS;C;P;120	9.5	5.00	47.50	7.3	2.50	18.25	7.67	1.25	9.59	7.4	1.25	9.25	84.59
Oban HS	-250			IBC;SC;FS;C;P;005													
Oban HS Biomass Project	390	77	14	OBC;SC;CUS;C;P;122	9.5	5.00	47.50	7.3	2.50	18.25	7.67	1.25	9.59	7.4	1.25	9.25	84.59
Islay HS/Bowmore PS	-250			IBC;SC;FS;C;P;005													
Islay HS/Bowmore PS without Grant	440	55	15	OBC;SC;CUS;C;P;121	9.5	5.00	47.50	6.5	2.50	16.25	7.67	1.25	9.59	8.2	1.25	10.25	83.59
Campbeltown Grammar	-250			IBC;SC;FS;C;P;005													
Dalintober HS	-150			IBC;SC;FS;C;P;005													
Dalintober HS without Grant	51	2		OBC;SC;CUS;C;P;124	9.5	5.00	47.50	6.1	2.50	15.25	7.67	1.25	9.59	8.6	1.25	10.75	83.09
Islay Wind Projects	-200			IBC;SC;FS;C;P;006													
	-84	0	280														
Customer Services Strategic Change New Projects	-84	0	280														
Customer ServicesTotal New Projects	352	388	1171														
Customer Services Capital Plan 2011/12	4992	4084	2082														
Council Residual Projects Total	16051	17413	3250														
Council New Projects Total	7100	7813	14508														
Council Capital Plan 2011/12 Total	23151	25226	17758														
						5.00	0.00		2.50	0.00		1.25	0.00		1.25	0.00	0.00

ARGYLL & BUTE COUNCIL

COMMUNITY SERVICES ASSET MANAGEMENT PLAN

2011/12

SUBMITTED BY: Cleland Sneddon

Service Asset Management Plan

General Introduction and Relevant Information

1. Links to Section Asset Management Plans, Corporate Asset Management Plan and Area Plans: brief statement on how the Service Plan links its own Sections' plans to this plan and other corporate plans.

This Service Asset Management Plan links directly to the Council's Corporate Plan, and in particular particular the Outcomes of "Education - making what is good better", "Improvement" and "Modernising Social Work".

In addition the key themes of the Councils Improvement Plan(section 7.1), Risk Management and Asset Management are addressed.

The Commmunity Services Departmental Service Plan, requires the delivery of improvements to the Department's building assets (schools, social work buildings, community centres, libraries and leisure facilities) and the completion of the preparation of the School Estate Review.

Key outcomes of Area Plans are addressed, examples being:-

Helensburgh and Lomond - Council Estate Fit For Purpose

Bute and Cowal - Improved Civic Pride in our towns and communities/Developing towns which are centres of economic activity and have strong community identity

Mid Argyll Kintyre and Islay - Improved health and wellbeing of residents of MAKI/Make MAKI a more attractive place to live and work

Oban Lorn and The Isles - no specific reference to Community Services Assets

The requirements of the councils Corporate Asset Management Strategy are adhered to.

2. Service role within Department, Council and Council Areas: explanation of the Service and how it deals with Area and Corporate requirement.

Facility Services manages the council's property assets.

The Community Services building assets provide the base from which Statutory Education and Social Work functions are provided. In addition leisure and library facilities are provided to serve their local communities.

The scope of services provided is:-

Adult Care
Adult services social work/Adult protection

Children and Families
Children and Families social work/school hostels/child protection

Education
3 - 18 Education/Curriculum for excelence/education and support services(QIO andpsycholgy services)

Community and Culture
Arts and culture/community learning and development/libraries/leisure and sport/housing and homelessness

To support the provision of these services, the objective is to provide safe, secure, premises, in good order, with adequate heating and ventilation and which are fit for purpose. In addition the requirements of the various Regulatory Authorities need to be met.

Ultimately our overall aim is to make most efficient and effective use of our assets.

3. Service Functions: Service functions provided (bullet points).

Service functions provided:

EDUCATION

ADULT CARE

CHILDREN AND FAMILIES

COMMUNITY AND CULTURE

To facilitate the delivery of these front line services, properties are managed to provide safe, efficient, fit for purpose public buildings which will enhance service delivery through statutory legislation, informed testing and maintenance programmes and upgrading and adaptations through the capital programme.

4. Service Legislative Requirements: Statutory implications affecting Services assets include:-

Care Comission Requirements
SWIA Requirements
Fire Scotland Act
Health and Safety At Work etc Act
Electricity at Work Regulations
Legionela - Approved Code of Practice
Controll of Substances Hazardous to Health Regulations

HMIE Requirements

In addition, the councils Carbon Management targets require reductions in energy and utility consumption and carbon emissions of 9.7% over 3 years through capital and revenue funded Carbon Management Programmes.

Future Planning

1. Asset Register/Systems Software: brief description of the systems and processes in use to record asset,acquisition and disposal and performance.

A database ("ARAMIS") is being used to record asset information on all property assets. Initial data has been captured and recorded with reports now being available. Work is ongoing to fully populate the database and to validate existing information.
The Asset Management Board are currently investigating corporate Asset Management software solutions which will provide a potentially more powerfull, long term, solution to the management of all Council Assets.

Works of art are currently recorded on valuations/invenrories which are updated on an irregular basis.

Items of plant and equipment purchase by Social work for clients such as stair lifts and hoists etc are recorded initially on a spreadsheet. This is then used to update the asset register.

2. Anticipated developments within next five years: Key feartures likely to affect assets and their use in the period e.g.environmental or obsolescence issues etc.

The Council's Asset Management Plan with its challenging targets for reducing carbon emisions shall impact on the specification of many aspects of work to the Department's Properties.

The application of improved asset management will require greater rigour in the allocation of limited budgets to the various properties, and will force closer examination of the usage of groups of assets.

As better information becomes more easily accessible through the use of databases and more robust asset information, improved investment descisions will be possible.

Workforce Deployment and Office Rationalisation programmes will allow for more efective use of limited office spaces, and should result in capital receipts from the disposal of surplus assets.

The ongoing School Estate Review aims to optimise the utilisation of the many buildings within the School Property portfollio, with regard to among other factors, reducing school rolls, and over/under capacity. In addition changing population trends will require ammendments to school capacities, an example of this being the urgent requirement for an additional classroom at Taynuilt Primary School.

The confirmation of Government funding for the new Dunoon Joint Campus Primary School will (subject to the granting of Council Funding through the approval of Outline and Full Business cases) result in the replacement of 3 unsatisfactory schools with a purpose built highly energy efficent facility.

The ongoing development of Business Cases for the long term replacement of the Helensburgh Swimming Pool aims to provide a facility which is not only energy efficient but will have a long service life with low maintenance requirements.

In addition to building assets, Community Services has works of art which were last valued in 1996/2004. The aggregate value of these items could approach £1million. It is recommended that an updated valuation and inventory is comissioned of these valuable items in order that informed policy descisions can be made with regard to their future.

3. Action Plan: brief summary planned replacement and improvement programmes based on existing block allocation together with a note of other areas requiring consideration.

The service priorities are as follows:-

EDUCATION

Improvements to school buildings targeting properties in the poorest condition, and building elements which are currently rated as Bad or Poor.

Priority is being given to ensuring fire alarms and electrical installations are fit for purpose. The allocation of expenditure will have regard to the ongoing School Estate Review.

In addition significant Business Cases are being presented for - Hermitage Primary School Replacement of Annexe (IBC)/Dunoon Primary School Proposed Joint Campus (OBC)/Options for Campbeltown Grammar School (OBC) and proposed classroom extension to Taynuilt Primary school.

ADULT CARE / CHILDREN AND FAMILIES

Improvements to Social Work Buildings targeting properties in the worst condition, and building elements which are currently rated as Bad or Poor. Noting that the level of information held on these assets is developing; currently up to date elemental condition information is not availble on all properties. The allocation of expenditure will have regard to the ongoing Elderly Persons Service review and Learning Disability Services review.

The Learning and Disability review is focusing on developing community based services and moving away from the resource centre model. We will undoubtedly be left with some clients who require a building based service but there will be capacity in the buildings.

COMMUNITY AND CULTURE

Community & Culture covers all Leisure, Culture, Libraries, Community Learning & Development and Housing services. The highest priority capital project is the all weather pitch and changing facility at Kinloch Green in Campbeltown which is the only major township in Argyll & Bute without such a facility. A stage 2 application for grant funding will be submitted to Sportscotland in Jan 2011 and they are very supportive of the project. It is understood over £400k of capital funding has already been identified in the business case prepared by the Executive Director of Development & Infrastructure with a view to the project being on site Autumn 2011. Improvement funds have also been identified in the Leisure capital programme for the Queens Hall in Dunoon, but the Council have recently agreed this should be drawn down as part of the CHORD initiative for Dunoon which currently focuses on that facility. The Pavillion in Rothesay has also been identified as a priority for improvement/refurbishment through the CHORD programme, but there is no Leisure capital funding in the project.

Some minor improvement works to the main Libraries is also required. Rothesay swimming pool has been identified for modernisation work next year in the capital programme and stage C design work has recently been completed by Gareth Hoskins to assist with a new swimming pool in Helensburgh.

Given the major pressures on the capital programme no other projects are proposed at present, but the Private Sector Housing Grant capital element of £1.7m was approved in the new policy agreed by members in March 2010.

GENERALLY

All necessary steps should be taken to minimise expenditure on rented properties, and to maximise the return from the sale of surplus assets.

4. Financial planning for Capital and Revenue needs: brief summary indicating financial position based on existing plans

The current capital plans are based on the ***assumed*** available block allocations of £4.25 million(Education) , £1million(Social Work/lLibraries) , £1m approx.(Leisure) .

Currently a single year budget is approved for Education, with a 3 year programme for non education and leisure. The majority of new projects being put forward are in the assest sustainability category and reflect the work necessary to prevent further deterioration to the fabric of the buildings. Particular emphasis is being placed on keeping facilities safe and wind and water tight. Hence priority is being given to ensuring that Fire Alarms are of an appropriate standard and that electrical wiring is being replaced when it is no longer considered fit for purpose. However in the absence of adequate funding many building and building elements are deteriorating at a rate which cannot be addressed by the current level of capital expenditure. An example of this is the Campbeltown Town Hall which is currently closed as result of the poor condition of the roof. This deterioration will continue unless the number of properties is reduced or the capital budget is increased.

Wherever possible consideration is being given to ensuring that any work undertaken has a positive impact on future revenue streams. Examples of this being upgrading roof insulation whenever roofing works are being undertaken and the move to more energy efficient light fittings as part of rewiring contracts.

It should be noted that significant re-profiling of high priority work has been needed to limit annual expenditure plans within the available budgets.

In the current financial climate concerns exist over the continued availability of capital budgets at a level which has been available in previous years. Any reduction will result in increased risk of building and building component failure and hence the likelihood of interuption to service delivery will increase.

All available options need to be pursued to identify alternate funding options including prudential borrowing and the **speedy disposal** of surplus assets.

Additionally all necessary steps require to be taken to cut revenue costs and to ensure that the cost of leasing in properties is reduced.

5. Service Provision Risks; describe the risks to service provision as a result of this plan and the 2010/11 capital plan proposals now in preparation.

The 2011/12 capital plan has been developed to minimise the risk of disruption to service delivery, and concentrates on the need to keep the fabric of Community Services properties in a wind and weather-tight condition, with mechanical and electrical services being upgraded as required in order that they are fit for purpose when assessed by modern day standards. In addition, the requirements of the Regulatory Authorities shall be met.

The approval of single year budgets for education projects results in a high risk of underspend.

The biggest risk to service delivery and to the effective management of building assets is the uncertainty over the amount of available capital budgets and the direct impact this will have on the affected properties. In addition the uncertainty surrounding the outcome of the various service reviews and the impact this may have on building assets makes the prioritisation of investment difficult.

The current level of capital investment allied to inadequate revenue funding when applied to the existing property portfolio is insufficient to allow for the necessary improvements to asset condition. Any reduction in budgets without a reduction in the number of assets will lead to a more rapid decline in condition and hence increase the risk of disruption to service delivery.

Asset Inventory by Asset Type

Asset Group	Number of Assets in Group	Risk Status – Number			Notes
		Red	Amber	Green	
Community Assets					
Community Centres	8		5		
Primary Schools	81	5	73	3	Includes non operational buildings
Secondary Schools	6	3	3		
Other Education Buildings	18		7	1	
Youth Centres	1				
Outdoor Centres	3				
Leisure Buildings	4		3	1	
Libraries	13	1	6	1	
Parks/Ground	3				
Works of Art					Last valuation in 2004 indicates a value in excess of £1million
Hostels	2		2		
Public Halls	6		2		
Total	145				
Operating Assets					
Plant and equipment					SW Equipment Current NBV £105,707
IT Equipment					Details not currently availble
Communications Equipment					Details not currently availble
Total					
Property Assets					
School Houses	30	2	20	2	

Asset Inventory by Asset Type

Asset Group	Number of Assets in Group	Risk Status			Notes
		Number			
		Red	Amber	Green	
Community Education offices	3		2		
Social Work Chambers	2				
Social Work Offices	17	2	7	1	
Day & Resource Centres	8		3	1	
Children's Homes	3	1	1	1	
Homes for the Elderly	7		5	1	
Social Work Other	9	1		2	
Libraries Other	5		2		
Investment Properties					
Surplus Properties					
Total	84				
		15	141	14	
Total	229				

Notes
*** = insufficient data**

ARGYLL & BUTE COUNCIL

DEVELOPMENT AND INFRASTRUCTURE SERVICES ASSET MANAGEMENT PLAN

2011/12

SUBMITTED BY: Sandy MacTaggart

Development and Infrastructure Services Asset Management Plan

General Introduction and Relevant Information

1. Links to Section Asset Management Plans, Corporate Asset Management Plan and Area Plans: brief statement on how the Service Plan links its own Sections' plans to this plan and other corporate plans.

The Council's Corporate Plan identifies an Improvement Plan with seven themes one of which is asset management. This plan will directly address this theme. Key areas within the Corporate Plan affecting Development and Infrastructure Services are development of the public transport network including infrastructure; waterfront and town centre regeneration; removing barriers to travel and modernising waste management to help provide an outstanding environment. These themes are considered in this plan and developed to meet the Council and Area priorities. The Corporate Plan also expresses the desire to be "Realising our Potential Together."

2. Service role within Department, Council and Council Areas: explanation of the Service and how it deals with Area and Corporate requirement.

Roads and Amenity Services forms a significant Service within Development and Infrastructure Services which also includes Economic Development. Planning and Regulatory Service. The Department is headed by a Executive Director who is an integral part of the Strategic Management Team and Senior Members and Officers Group. The Service has responsibilities across all Council geographic Areas for the following functions:-

Roads	**Piers & Harbours**
Bridges	**Airports**
Retaining Walls	**Playing Fields**
Parks	**Cemeteries**
War Memorials	**Play Areas**
Street Lighting	**Streetscene**
Other structures e.g. Public Conveniences, Cemeteries, War Memorials etc.	
Car Parks	**Environment**
Flood alleviation	**Coastal Protection**
Waste Management	**Fleet Management (heavy equipment)**
Planning	**Economic Development**

3. Service Functions: Service functions provided (bullet points).

Within each of the function headings set out in 2. above the following are the day to day responsibilties which have to be addressed:-

Planned maintenance;
Emergency maintenance;
Winter maintenance;
Preparation and submission of capital project business cases;
Capital project management;
Outsourcing of professional services and some commercial operations (air services).
Traffic management
Car parking
Project design services
Management of road space
Road safety and accident reduction.
Preparing and presenting Committee reports
Refuse collection and disposal
Landfill and recycling sites
Transportation
Planning Proposals
Inward Investment

4. Service Legislative Requirements: Statutory implications affecting Services assets (bullet points)

There are a number of statutory requirements of which the service has to be aware. These include: -

Flood Risk Management scotland Act 2009
Transport and Works Scotland Act 2007
Environmental Assessment Scotland Act 2005
Building Scotland Act 2003
Scottish Local Authorities Tendering Act 2001
Road Traffic Act 1991
Docks Act
Road Traffic Regulation Act 1984
Environmental Protection Act 1990
Refuse Disposal (Amenity) Act 1978
Roads Scotland Act 1984
Coast Protection Act 1949
New Roads and Streetworks Act 1991

In addition there are many statutory instruments which affect the Service a few of which are listed below: -

Traffic Signs Regulations and General Directions 2002
Oil Spill Contingency Plan
Harbour Revision Orders

The Fleet Management Service holds the Council's Vehicle Operators Licence and is responsible for the operation of the Counci l's fleet in accordance with statutory and legal requirements.

The Waste Management Service must operate landfill sites in accordance with statutory legal and licencing requirements as mon itored by SEPA.

Future Planning

1. Asset Register/Systems Software: brief description of the systems and processes in use to record asset,acquisition and disposal and performance.

Map based software supported by WDM manages infrastructure maintenance including works instructions, inspections, inventory capture and condition surveys. There are four main systems namely Routine Management; Lighting Management; Structures Management and Environmental Land Management. These cover respectively roads, and ancillary footways, gullies, bollards, signs etc.; street lighting columns, lamps and wiring etc.; bridges, retaining walls , harbour walls and piers etc.; parks, cemeteries, play areas, playing fields and other open areas. The parks, cemeteries and play areas etc. are currently held on an Access Database and work is underway to migrate this information to the WDM System. To date there has been a manual record of the asset inventory and condition for both marine and airport assets . During 2010 Tranman was introduced as the new Fleet Management and Rental system.

The remaining assets are registered within either manual hard copy or Excel spreadsheets but some like car parks or war memorials are partly included in the four WDM systems. These will be reviewed to determine if the records could be developed and in doing so provide improved management information by formulating a programme to fully populate WDM as well as a process for ensuring that capital and revenue amendments are updated within the system. This process will include a reconciliation of assets with the AIRS asset register operated by Strategic Finance.

2. Anticipated developments within next five years: Key feartures likely to affect assets and their use in the period e.g.environmental or obsolescence issues etc.

Depot Rationalisation
Crematorium Mercury Abatement
Cemetery Extension
Road Reconstruction
Infrastructure Improvements
Review and Develop Roads Asset Management Plan in line with SCOTS and CIPFA
Heavy Vehicle & Plant replacement
Private sector partnering agreement for surfacing works on Mull, Islay and Kintyre
Scottish Roadworks Commissioner monitoring works progress and completion by Statutory Undertakers and Roads Authorities.
Work is being done to facilitate implementation of the Flood Risk Management Act
Significant investment is in place to address the needs of island landfill sites and waste management infrastructure
More covered salt storage is being provided to reduce revenue costs and improve resilience

3. Action Plan: brief summary planned replacement and improvement programmes based on existing block allocation together with a note of other areas requiring consideration.

Based on the existing capital Block Allocation available there are no plans to add to the Service Development and Strategic Change projects already identified in the capital plan . It is proposed that our limited capital resources be used to progress the necessary street lighting, bridge strengthening and road reconstruction programmes designed to extend the useful life of our existing infrastructure assets. Also included in the plan is the replacement of deteriorated steel sheet piles on the fish quay and adjacent berths including the quay face outside the harbour master's office at Campbeltown Old quay.

It will be necessary to include in our medium term plan leasing costs for a replacement Cremator to satisfy the mercury abatement commitment accepted by the Council. The Council supports small flood improvement schemes however large flood improvement schemes e.g. Antrim View, Islay, Campbeltown etc. need to be reviewed through business case development..

4. Financial planning for Capital and Revenue needs: brief summary indicating financial position based on existing plans and what financial gaps exist in relation to backlog maintenance if any and the effect on assets and replacement improvement programmes.

The proposed spend on Road reconstruction averages £3m. per annum, the expenditure needed for standstill condition is £7.2 million pa. In the current environment it is unrealistic to expect £7.2 million to be available. We will plan on the basis of £4 million pa as the absolute minimum level to prevent continuing deterioration. At present there is a backlog sum considered to be in the region of £135million for road maintenance. Present budgets for revenue are in the region of 60% of what is required using criteria set out in the Roads Asset Management Plan (RAMP); capital spend to maintain a stand still situation (ignoring backlog) is in the region of 40% short each year.

Current Grounds resources are considered sufficient to meet the basic maintenance plan but will be reviewed to release efficiency savings.

With constant pressure on capital funds it is necessary to review all assets to identify those which although relatively insignificant could become higher profile in the medium term (e.g. war memorials as the 100th anniversary of the Great War approaches) to identify possible external funding sources.

5. Service Provision Risks; describe the risks to service provision as a result of this plan and the 2010/11 capital plan proposals now in preparation.

Deterioration in road conditions could result in increased third party claims e.g. a fatal accident found to be caused by poor road condition could be catastrophic.
This deterioration is a risk also to the road life span and serviceability and would result in the longer term in increased replacement cost.
Road deterioration is likely to result in increased weight restrictions on our roads with the resultant effects on trade and other inward investment.
Any failure or delay in dealing with the Cardross cremator would result in our failing to meet our mercury abatement commitment and would reduce any potential income in an scheme to abate.
Gartbreck Landfill Site requires to be improved to meet SEPA requirements.
In the most recent official figures provided by the Scottish Road Management Condition Survey the roads of Argyll and Bute were the lowest ranked putting at risk the Corporate Planned desire to develop our economy through improved access

Asset Inventory by Asset Type

Asset Group	Number of Assets in Group	Replacement Value £	Average Condition	Average Suitability	Risk Status Number: Red	Amber	Yellow	Green
Community Assets								
Community Centres								
Primary Schools								
Secondary Schools								
Nursery Schools								
Other Education Buildings								
Leisure Buildings								
Libraries								
Parks & Park Bldgs	20		B	B		**1**	**1**	**18**
Parkland Open Space	257		B	C			**1**	**256**
Playing Fields	24		B	B				**24**
Play Areas	32		B	B		**1**	**1**	**30**
General & Informal Open Spaces	133		B	D				**133**
Crematorium	1		B	D	**1**			
Cemeteries & Bldgs	124		B	B			**2**	**122**
Works of Art								
Careers Offices								
Hostels								
Public Halls								
Total								
Infrastructure Assets								
Roads	2352.67Km.	1,707,000,000	C	C	16.30%	18.54%	20.99%	44.17%
Bridges	1848	493810668	B	B	24	66	199	1559
Retaining Walls	2000		B	B	96	363	837	704
Piers & Harbours	40	#REF!	B-	B	1	6	7	26

Asset Inventory by Asset Type

Asset Group	Number of Assets in Group	Replacement Value £	Average Condition	Average Suitability	Risk Status			
					Number			
					Red	Amber	Yellow	Green
Street Lighting (Columns)	13789	1,650,000	B	B				
Car Parks	100		C	B				
War Memorials	59		C	A				59
Total								
Operating Assets								
Plant & Equipment								
Vehicles & Heavy Plant	242	11,000,000	D+	A	39	94	94	15
IT Equipment								
Communications Equipment								
Refuse Disposal Sites etc.								
Island Landfill Sites								
Vessels	6	73,500,000	B-	B	1	1		4
Total								

Asset Inventory by Asset Type

Asset Group	Number of Assets in Group	Replacement Value £	Average Condition	Average Suitability	Risk Status			
					Number			
					Red	Amber	Yellow	Green
Property Assets								
Depots and Workshops	32		B-	B-				
Day & Resource Centres								
Admin Buildings								
Children's Homes								
Homes for the Elderly								
Recycling Depots								
Airfields	4	11,100,000	A	A				4
Public Conveniences	74		C	B	6	6	44	18
Investment Properties	85							
Surplus Properties								
Total								
Total								

ARGYLL & BUTE COUNCIL

CUSTOMER SERVICES ASSET MANAGEMENT PLAN

2011/12

SUBMITTED BY: Douglas Hendry

Service Asset Management Plan

General Introduction and Relevant Information

1. Links to Section Asset Management Plans, Corporate Asset Management Plan and Area Plans: brief statement on how the Service Plan links its own Sections' plans to this plan and other corporate plans.

This Service Asset Management Plan has direct links to the Council's Corporate Plan to provide an "Outstanding Environment" in particular section ABC12 - improving the way we work. The improvement Plan within the Corporate Plan has direct relevance to this Plan in that it relates to asset management to ensure the Council is making best logistical and economic use of its assets by improving asset performance throught the office rationalisation programme. It also addresses Process for Change via improved Workforce Deployment as well as requiring action to remove or minimise risk to the Council's assets.

The Council's Communication Strategy and Corporate Plan aims to ensure both internal and external communications are robust, reliable and capable of supporting an extended service delivery culture amongst our customers and community planning partners. In turn, the SAMP looks closely at the core server and network components required to support such a cullture and presents an affordable and manageable maintenance and replacement cycle while recognising, responding to and addressing emerging risks associated with this environment.

The SAMP has been compiled using current corporate data but, following the centralisation of IT support services, an audit is underway to identify the number and condition of IT assets in Education . This audit will continuing through the autumn of 2010 will ensure a more accurate account of IT Assets in Education establishments is available.

This Plan deals with the disposal of surplus property assets to fund investment in existing assets per the Corporate Asset Management Plan (CAMP).

We will develop a property disposal strategy to improve existing surplus property management arrangements and to reflect emerging recommendations for the Council's third sector demonstration project per the CAMP.

2. Service roles within Department, Council and Council Areas: explanation of the Service and how it deals with Area and Corporate requirements.

The Council consists of four distinct Services each headed by an Executive Director and Customer Services provides the in-house support services to other Council Departments. This is done through three Heads of Service for Facility Services, Customer and Support Services and Governance and Law.

Facility Services manages the Council's property assets including energy and carbon management; provides an estates service in relation to acquisition, disposal and leasing of property; offers a catering cleaning and jantorial service for all Council premises as well as a fleet management service for light vehicles and school and public transport.

Customer and Support Services provides the following services:

ICT Infrastructure – provision and maintenance of application servers, voice and data network connections, telephone switches, administration of BT One Bill and Vodafone bills, desktop support to Chief Execs and Corporate Services. Provision of IT Services to Education and ACHA under SLAs

ICT Applications Support – first line support of applications, installation and testing of software upgrades and new releases, interfaces between applications. across the Council Services to ACHA under SLA

ICT Application Projects – procurement (specification and tendering) of new systems, and project management of their implementation and testing, input to ICT Strategy across the Council as a whole.

Exchequer Services - payment of suppliers, employees and members. Procurement of best value contracts in line with legislation. Collection of sundry debts. Staff in areas feed input through to creditors, payroll and sundry debtors.

Revenues and Benefits - collection of local taxes, and administration of housing and council tax benefit on behalf of DWP. Council-wide cash collection processing and control. Local access offered via council network of Customer Service Points and telephone service point. Benefits staff are located at area offices in the main towns.

Governance and Law deal with legal services as well as offering support to elected members around the democratic processes.

3. Service Functions: Service functions provided (bullet points).

Included with the service functions listed below are certain Service targets seen as significant in the context of Asset Management:-

(a) Provide and manage safe, efficient, fit for purpose public buildings which enhance service delivery through statutory legislation, informed testing and maintenance programmes.

(b) Provide catering cleaning and janitorial services across Council facilities in a responsive and proficient manner appropriate to the Council's business.

(c) Achieve reductions in energy and utility consumption; and carbon emissions reduction of 9.7% over 2 years through capital and revenue based energy management programmes.

(d) To assist in the preparation of Business Cases for property related programmes in the pursuit of office rationalisation, energy management, and the achievement of Council development plans such as the Improvement Plan, Process for Change and Capital Plan.

(e) The Estates Section is involved as follows:

- Lease management
- Lease renewal
- New lettings
- Rent reviews
- Enforcing lease conditions
- Debt re-scheduling
- Disposals
- Acquisitions
- Dilapidations
- General property advice

These functions help to drive forward the maximisation of income through good property management and through the diposal of surplus assets and the reinvestment of sale proceeds into the remaining property portfolio. These function shall also assist with the development and subsequent implementation of a revised property disposal strategy which will take account of the potential for property assets being transferred to the third sector.

(f) Administration of contracts for school and public transport and where appropriate direct provision of school transport together with a fleet management service for light cars, vans and buses across Council services.

ICT Infrastructure – provision and maintenance of application servers, voice and data network connections, telephone switches, administration of BT One Bill and Vodafone bills, desktop support to Chief Execs and Corporate Services. Provision of IT Services to Education and ACHA under SLAs

ICT Applications Support – first line support of applications, installation and testing of software upgrades and new releases, interfaces between applications. Services to ACHA under SLA

ICT Application Projects – procurement (specification and tendering) of new systems, and project management of their implementation and testing, input to ICT Strategy

Exchequer Services - payment of suppliers, employees and members. Procurement of best value contracts in line with legislation.

Collection of sundry debts. Staff in Area Offices feed input through to creditors, payroll and sundry debtors.
Revenues and Benefits - collection of local taxes, and administration of housing and council tax benefit on behalf of DWP. Council-wide cash collection processing and control. Local access offered via council network of Customer Service Points and telephone service point. Benefits staff are located at area offices in the main towns.
Service Desk, Print Services, Network Managment, Server Management, IT Security, Application Support, Project Management, Revenues, Payroll, Benefits, Procurement.
Governance and Law deal with legal services as well as offering support to elected members around the democratic processes.

4. Service Legislative Requirements: Statutory implications affecting Services assets (bullet points)

Facility Services is responsible for he provision of all statutory health and safety property inspection, testing and maintenance requirements which are governed by more than 50 pieces of legislation, codes of practice and British and European standards. The following while not exhaustive are the main pieces of legislation which drive the statutory maintenance and inspection programme:
(a)Health & Safety at Work Act
(b) Electricity at Work Regulations
(c) Control of substances hazardous to health (COSHH)
(d)Control of Asbestos Regulations
(e) Fire Precautions Act
(f) Fire (Scotland) Act
(g) Gas Safety Regulations
(h) Lift Operations and lifting Equipment Regulations
(i) Legionella - Approved Code of Practice and Guidance Document.
(j) Local Government (S) Act - requirements to obtain the best consideration resonably obtainable for the disposal of surplus property assets.
(k) Provision of school transport in accordance with policy and legislative requirements.
Customer and Support Services is affected in a variety of ways a selection of which are detailed below:-
(i) Council tax collection is a statutory function under the Local Government Finance Act 1992
(ii) Collection of water and sewerage is also a statutory function under the Water Billing and Collection Orders - new order anticipated to come into effect on 1 April 2011
(iii) Collection of non-domestic rates is governed by various acts from Local Government (Scotland) Act 1947 onwards
(iv) Payment of suppliers needs to be made timeously to avoid interest under the Late Payment of Commercial Debts (Interest) Act 1998
(v) Payment of employees is regulated under various Wages Acts
(vi) Procurement is regulated by EU Procurement Directives
(vii) Administration of housing and council tax benefit under benefits legislation on behalf of DWP
All the above statutory functions are delivered using ICT information systems with a requirement for high availability of these.

Future Planning

1. Asset Register/Systems Software: brief description of the systems and processes in use to record asset,acquisition and disposal and performance.

An amalgamation of the Council's Property Teams took place on 01/04/10 and as a result their respective Asset Registers (bespoke Access database ARAMIS [Asset Recording and Management Information System]) have been combined and enhanced to provide asset performance data. In addition Energy/Carbon monitoring and targeting is available along with a bespoke Access database system for Statutory Maintenance monitoring and targeting [Property annual maintenance System/Property Repairs Information MAnagement (PAMS/PRIMA). Looking to the future an IT Systems review was completed with recommendations approved by Asset Management Strategic Board on 6th August. Following on from this there is a follow-up IT Project now being scoped to consider commercially available systems.

Estates Property assets and associated information is held on Excel spreadsheets and all relevant documemts are retained within a hard copy file or electronically within a file scanning and retrieving system operated by the Estates Service, however it is intended to migrate this data to the ARAMIS database urgently.

The ICT service has no formal Asset Register system software but records of IT equipment are maintained on Excel Spreadsheets. In addition the service maintains a software licence database covering all 1815 Corporate PCs. In addition a new fleet management system (TRANMAN) is in the process of being implemented.

2. Anticipated developments within next five years: Key feartures likely to affect assets and their use in the period e.g.environmental or obsolescence issues etc.

Process for Change and the resulting workforce deployment and office rationalisation programmes are anticipated to absorb the development time available in Property Services over the next five years and this will be carried out in conjunction with the carbon and energy management programmes. In addition the Council's overall land and property asset base will be kept constantly under review to enable robust investigation of opportunities for rationalisation/cost reduction.

This will help to ensure appropriate targeting of future investment on the assets that require to be sustained on an ongoing basis. As far as possible these opportunities will be investigated jointly with our Community Planning Partners.

The school and public transport service will be kept under review to ensure that it is fit for purpose given the changing policy and legislative context.

In consultation with departments, ICT have planned for the introduction of 5 new systems per year over the next 5 years and the server room in Kilmory is in the process of being extended and upgraded with more processing power and data storage. The network is expected to support significant new systems such as Unified Communications, Process for Change, Property Rationalisation and the roll-out of GLOW to all schools.

Disaster Recovery and business continuity facilities will be reviewed and strengthened to support flexible working challenges and to ensure rapid recovery in the event of a major service failure.

3. Action Plan: brief summary planned replacement and improvement programmes based on existing block allocation together with a note of other areas requiring consideration.

Property Services will develop the business cases in support of the office rationalisation programmes at Helensburgh, Oban, Mid Argyll, Campbeltown and Rothesay and manage any resultant contracts placed. They will also promote the sale of surplus property as well as review the portfolio with a view to maximising the benefit that can be achieved from the sale, redeployment or other rationalisation of existing land and buildings and will support the development of new property assets in tandem with the sponsoring service e.g. the proposed Dunoon joint campus in collaboration with Community Services.

The Council's Vehicle assets will continue to be monitored in terms of condition, suitability and ongoing use and will be subject to replacement/disposal as required by our rolling programme.

All of the information technology operational assets included in this plan require a programme of maintenance and replacement. Maximum lifespan for servers and communications equipment is 5 years and the ICT SAMP reflects a cycle of replacement over the 5 year period. ICT will continue to monitor the use and condition of software assets but the responsibility for determining suitability, in particular with those systems delivering a service governed by legislative requirements, rests firmly with the service departments.

Responsibility for the supply and maintenenance of equipment has changed with the introduction of a 3 year corporate and 4 year Education replacement programme for all PCs and laptops.

A reconciliation programme with the financial management system (AIRS) will be carried out in accordance with the asset priorities set by the AMSB.

4. Financial planning for Capital and Revenue needs: brief summary indicating financial position based on existing plans and what financial gaps exist in relation to backlog maintenance if any and the effect on assets and replacement improvement programmes.

The Plan assumes that capital resources will be sustained at a similar level to the two previous years. Also there is no scope for a programme of planned maintenance of buildings and we will continue to operate on the basis of dealing with Health & Safety and Statutory maintenance and reactive maintenance. Within this context capital projects will be considered through the business case process taking full account of the risk associated with the condition and suitability of assets as highlighted in this Plan

5. Service Provision Risks; describe the risks to service provision as a result of this plan and the 2010/11 capital plan proposals now in preparation.

The overall financial context prevents the Council from adopting a planned maintenance programme for its property assets. This in turn leads to properties deteriorating on an ongoing basis. We are therefore highlighting high risk property assets for attention through the Capital Plan Gateway Process. Similarly our vehicle assets are being prioritised for replacement having regard to the risk presented by their condition and suitabilty.

ICT assets are being replaced on the basis of a rolling programme which has been informed by an appraisal of risk. This in turn helps to ensure greater awareness of the overall risk factor. The ICT capital program is structured to ensure the core components of the ICT Infrastructure, and the Applications they support, are maintained in an affordable manner in accordance with industry best practice and to minimise the risk of service failure.

Asset Inventory by Asset Type

Asset Group	Number of Assets in Group	Replacement Value £	Average Condition	Average Suitability	Risk Status Number Red	Amber	Yellow	Green	Notes
Operating Assets									
Plant & Equipment									
Light Cars and Vans	208	3,152,500	D	A	5	74	73	56	3.5t Box Vans are red risk
Corporate IT Equipment	1999	£2,301,135.00	C	A	666	333	333	667	Risk Status numbers assume previous Capital allocations are retained - numbers would change if investment is reduced
Corporate Communications Equipment	1843	£465,283.00	A	A	333	1510			Risk Status numbers assume previous Capital allocations are retained - numbers would change if investment is reduced
Supported IT Applications	26		A	A	1	1	2	23	Risk Status numbers assume previous Capital allocations are retained - numbers would change if investment is reduced
Education & Libraries - IT PC's and Laptops	5840	£1,988,250.00			5840				Revised figures due at the end of the baseline audit expected end Nov 2010. Worse case scenario reflected here
Education servers		£150,000.00							Insurance Valuation August 2010 - asset detail to be determined through baseline audit
Education Communications Equipment		£600,000.00							Insurance Valuation August 2010 - asset detail to be determined through baseline audit
Refuse Disposal Sites etc.									
Car Parks									
Vessels									
Total									
Property Assets									
Depots									
Day & Resource Centres									
Admin Buildings	41	£134,759,103	B	C	2	43			Kilbowie House (closure scheduled for March 2011) & Blairvaddach identified as Red Risk
Children's Homes									
Homes for the Elderly									
Recycling Depots									
Airfields									
Investment Properties	322	£16,440,136							
Surplus Properties	30	£13,771,499							
Total									
Total									

Argyll and Bute Council

Dunoon Primary School

Redevelopment of Joint Campus : Outline Business Case

Department: Community Services

Service: Education

Asset Group: Secondary Schools/Primary Schools

Project Name: Dunoon Primary School Joint Campus Redevelopment

Date: December 2010

OUTLINE BUSINESS CASE FOR STRATEGIC CHANGE PROJECTS

DEPARTMENT –COMMUNITY SERVICES

SERVICE – EDUCATION

Asset Group – Primary Schools

Project Name – Dunoon Joint Primary Campus

Contents

Appendices

1. *Executive Summary*: ***Introduction and context including description of problem/challenge/business requirement; description of do nothing option and why it is not acceptable; description of do minimum option; description of preferred option if this is not do minimum.***

As part of the 2010 - 2013 Capital Planning Arrangements, the need for substantial and ongoing expenditure at the 3 Dunoon primary schools was confirmed as a result of new condition and suitability information.

In late 2009 the Scottish government issued invitations to Local Authorities to submit bids for new Primary schools under the Schools Building Programme. We were advised shortly after this that our bid for a new Joint Campus Primary School in Dunoon was successful.

In December of 2009 an Initial Business case was prepared and subsequently was approved by the council, giving permission to (and approving funding for) the development of this Outline Business Case "**for the construction of a new build joint primary campus where sketch plans, outline cost plans and life cycle costs would be developed. In addition the preferred site would be identified"**

The IBC established the need for the new school with reference to the current condition and suitability of the existing buildings and highlighted the very significant under capacity at each location. In addition the option to refurbish the existing schools was explored and was ruled out in terms of the value that would be offered, and the constraints which may be imposed by some of the existing sites.

This OBC therefore develops the options available for the new school and explores the available sites. Based on this a recommendation is made to proceed on the basis that the site of the existing Kirn School is the most suitable of all the options considered.

It is recommended that approval is given to progress to Full Business Case Stage for the construction of the new build joint campus primary school incorporating nursery provision. A budget of £350,000 is required to develop designs, finalise specifications, obtain full planning consent, and to engage consultants to allow the project to be taken to tender stage.

In addition approval is requested to move forward based on the preferred site at Kirn Primary School (incorporating the adjacent council owned playing fields).

2. *Impact on Council Plans:* ***This section will include a clear articulation of how the project contributes to the Council's Corporate Plan themes; Service plans; Area Priorities; Corporate resource strategies; compliance with legal and national requirements and priorities. More detailed explanation of the benefits (e.g. asset condition/suitability improvements)*** **to be delivered from the project with targets and measures as appropriate together with a recommendation to proceed to tender and Full Business Case (FBC).** ***.***

The Corporate Plan requires the creation of more effective environments for learning and teaching.

The Customer Services Departmental Service Plan requires the delivery of improvements to the Department's building assets The current condition and suitability of the various schools is as follows:-

School	Condition	Suitability	Comments
Dunoon Primary	C	C	The 2005 HMIE report classed the accommodation as unsatisfactory.
Kirn Primary	C	B	
St Muns Primary	B	C	The 2008HMIE Report criticised aspects of the Building and Grounds.

The proposal to develop plans for a new Joint Campus Primary School in Dunoon is fully supportive of these plans.

It should be noted that the condition of Dunoon and Kirn Primaries places them in the bottom 20% of Schools in Scotland for Condition, based on the Governments 2010 core facts results.

Similarly the same source indicates that Dunoon and St Muns are in the bottom 24% for suitability.

The current Bute and Cowal Area Plan has the following outcomes:-

- Improved civic pride in our towns and communities
- Promoting effective use of all our transport and infrastructure services

Legislation and Regulatory authorities which affect the Services assets include:

- HMIE Requirements
- Fire Scotland Act
- Health and Safety At Work etc Act

National Priorities to be met include:-

The School Estate Strategy as prepared by the School Estate Strategy Working Group (chaired jointly by COSLA and the Scottish Government) and as outlined in “Building better Schools: Investing in Scotlands Future” as published by the Scottish Government in 2009.

3. Educational Benefit:

Initial Draft Educational Benefit Statement for the Joint Primary Campus in Dunoon

Key Principles

We all agree that our new campus should . . .

HAVE STRONG, CLEAR MANAGEMENT	*To ensure that our pupils are at the heart of teaching and learning* *Equality in timetabling for all spaces*
BE INCLUSIVE AND WELCOMING	*To foster respect for self and others, regardless of sex, age, race religion culture or disability* *To provide appropriately for the health and well-being of every member of the school community.* *To promote genuinely equal opportunities for educational progress, regardless of age, ability, gender, race, social status, religious background, economic or geographical disadvantage.* *To liaise with partner agencies in order to meet the needs of pupils with learning difficulties and/or disabilities*

BE A SHARED FACILITY WITH A JOINT WORKING ETHOS	*We will all work together to provide a 3 – 12 curriculum and celebrate our separate identities as two school sharing a campus.* *To welcome community links within the school and ensure that the community in which we live is aware of our school and the values, traditions and aspirations which it holds.*
VALUE OUR STAFF, PUPILS AND PARENTS	*All staff, pupils and parents have ownership of the campus.* *To encourage the involvement of parents as partners with equal roles in the education of their children.* *To recognise the skills and professionalism of every member of staff and to provide opportunities for these to be effectively employed and further developed by having access to high quality in-service training.* *To seek to ensure that every pupil can look back positively on his/her school experience.*
EQUALLY VALUE INDOOR AND OUTDOOR SPACE	*Outdoor classrooms are valued as part of the child's learning experience*

HAVE HIGH QUALITY LEARNING SPACES	*To create an orderly and disciplined environment for sound learning in which every pupil feels valued, while being responsive to the maturity of individuals and the development of personal responsibility.*
SUPPORT CURRICULUM FOR EXCELLENCE	*To develop fully the capacity of all pupils to be successful learners, confident individuals, responsible citizens and effective contributors* *To provide a broad and balanced education which gives emphasis to the aesthetic, creative, practical, social and moral aspects of life as well as literacy, numeracy and academic studies, using a variety of stimulating approaches where learning is fun.* *Places designed for personalised educational journeys*
REFLECT OUR LOCAL CONTEXT	*Our brief is unique to Dunoon and the needs of our pupils and staff* *The campus will provide an inspiration to all users and be a welcoming and friendly environment, whilst providing safe background for learning.*

General educational benefits

This approach can offer economies of scale in both construction costs and in running cost. In addition it is clear from both local and national experience that learning and teaching are significantly boosted if they take place in modern, state of the art facilities. All formal teaching spaces should provide an excellent working environment for staff and pupils.

The spaces between formal teaching environments should also provide opportunities for learning experiences encouraging positive social interaction in a safe environment.

The joint primary campus should be able to support a wider range of social and extra-curricular activities. Combining the schools will enable pooling of expensive resources and equipment such as gymnastic equipment and interactive whiteboards.

Pupils in the joint primary campus will have more shared experiences and opportunity for friendships. This will enhance their confidence and make the transition to secondary easier. At a time when the curriculum is being extended this is a significant advantage. Larger year groups make the provision of specialist services more viable and provide enhanced opportunities for school trips. In addition the schools would be able to call on the combined expertise of a relatively extensive staff team.

Facilities and access for children with additional support needs will be well designed and purpose built to both promote appropriate inclusion and provide an environment suitable for children whose specific needs cannot be met fully within a mainstream setting.

The joint primary campus would have school grounds, which would facilitate the development of outdoor learning.

Reducing the number of schools in Dunoon will reduce property costs and free resources for other uses. By continuing to allow a growing proportion of the education budget to be absorbed by property costs will, without question, reduce the funding available for more productive areas of expenditure. This, in turn, will have a damaging effect on the quality of service.

Pre-school users

Currently children attending preschool education establishments associated with the three schools do not always attend the associated primary school. This proposal would mean that bringing these children together in one standalone unit would support them in developing relationships and learning experiences that would be continued and developed at the point of transition into Primary 1.

This proposal anticipates a stand-alone nursery unit building upon Clyde Cottage local authority nursery centre and incorporating Clyde Cottage Voluntary nursery and local authority preschool education establishments at Kirn Primary and Dunoon Primary.

3. Affordability*: Provide a summary analysis referring to appendices detailing financial analysis covering capital costs, revenue costs and external funding over the project life cycle. The basis of assumptions and an assessment of their reliability should be included. The result of your sensitivity analysis of changes to financial assumptions should also be stated. For more information on the detail expected in the appendices see the section on OBC's within the Capital Programme Planning and Management Guide.*

The initial response from the Head of Strategic Finance on the available funding options is as follows:-

The only funding for the OBC is:

- grant from SG (secured already)
- the current block allocation within the capital plan
- any savings in revenue budget that Education can free up from these proposals that would allow prudential borrowing (for a new school work on a rate of every £55k of savings funds £1m capital and for a refurb every £80km of savings funds £1m capital)
- any capital receipts – likely to be minimal
- any additional resources Education wanted to vire to this in terms of prudential borrowing again on basis of £55k per £1m cap exp or £80k per £1m cap exp
- a reallocation of resources by the Council from other areas/services to the proposal – either a straight increase in capital or freeing up revenue to fund loan charges on same £55k/£80k basis

It should be noted that currently (November 2010) the education capital plan block allocation is some £4.25m per annum.

The funding of the new facility would be spread over 4 years with an estimated cashflow as follows (based on a council contribution of £6.5million):-

Year 1 (2011/12)	£.125 million
Year 2 (2012/13)	£.475 million
Year 3 (2013/14)	£.55 million
Year 4 (2014/15)	£3.00million
Year 5 (2015/16)	£2.25 million
Year 6 (2116/17)	£.10 million

It is anticipated that for the initial years (1/2/3) and for the final year, funding can be sourced from within the existing block allocations, subject to any changes that may occur within this period.

For years 4 and 5 the funding options identified by the head of Strategic Finance would require to be implemented.

4.* Deliverability*: Show that project can be delivered successfully in respect of timescale; management arrangements; and what are the residual or knock on consequences.

The council through its successful NPDO scheme has demonstrated its ability to deliver large scale School Replacement Programmes.

It is anticipated that the delivery of this single new joint campus primary school would be through a “design and build” procurement route, with the council acting as Lead Designer and Project Coordinator, with project management and all other services being provided through external consultants commissioned through a fee tendering exercise.

Assistance is being provided by Architecture and Design Scotland who are appointed by the Scottish Government to be champions for excellence in the design of new schools.

It is noted however that the implementation of the new school programme is being managed and monitored by the Scottish Futures Trust.

It is anticipated that from approval of the Outline Business case to handover of the completed facility would take some 4 years.

5. *Risk Log:* ***This section should set out foreseen risks as they affect Impact on Council Plans as well as on asset condition and suitability; affordability; deliverability. Indicate action aimed at mitigating these risks and highlight whether any contingency plans are likely to be***

The risks associated with progressing the project include:-

- Unforeseen difficulties with the proposed sites in terms of Ground Conditions, or Planning Considerations. This has been mitigated by the commissioning of a detailed and comprehensive investigation into the preferred site. (for a summary of the findings of this see Appendix 1) In addition, in order to minimize the risk of abortive expenditure, to, following approval of this Outline Business Case, submit an Outline Planning Application (Planning Consent In Principle).

- Further deterioration to the fabric of the existing buildings whilst the new facility is under construction. Particularly roof coverings and windows at Dunoon Primary. This has been mitigated by the bids for the provision of a modest capital budget for each of the 3 affected schools to ensure that funding is in place to minimize the risk of disruption to service provision until the new facility comes on stream.

- Delays in decision making could result in further and ultimately unnecessary expenditure being committed on the existing buildings. This has been mitigated by the setting up of a project board headed by the Director of Community Services.

- Inability to secure funding for the construction of the new facility.

  The requirements of the Councils Capital Programme Planning and Management Guide are being followed to maximize the likelihood of the project successfully navigating the gateway process.

- Lack of support from consultees over the provision of a joint campus. This is being mitigated by having extensive and early consultation with all groups affected by the project and in particular school staff, pupils and parents.

The risks associated with not progressing the project include:-

- Pupils and staff being subject to many years of disruption and disturbance as necessary upgrading works are implemented to the various schools over a long period of time, to suit the available funding stream.
- Pupils and staff continuing to work in buildings which are not well suited to current day educational requirements.
- Risk of failure of key building elements which could ultimately affect service delivery.

  Currently the following building elements are rated as Medium Risk or Higher

  Dunoon Primary

  Roofs

  Windows

  Heating Infrastructure

  St Muns Primary

  Heating Plant/Heating Infrastructure

  In addition the roof and wiring are noted as being in poor condition

  Minor structural issues are currently being monitored

  Kirn Primary

  Heating Plant/Heating Infrastructure

  Playgrounds

  Hot and Cold water services

  In addition windows and floors are noted as being in poor condition

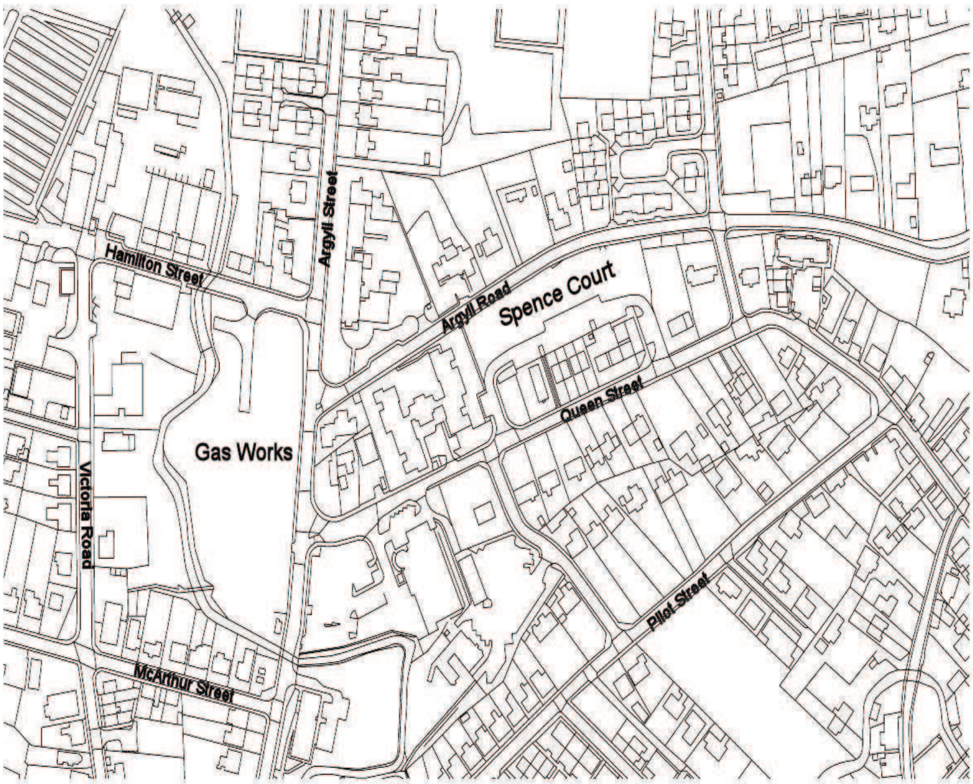
6. *Site Analysis/Development opportunities:*

Site Analysis

Possible sites

The following sites were identified as possible locations for the new school:-

1. Former Gasworks site – Argyll Street Dunoon
2. Site of Spence Court Flats (now demolished) – Argyll Road Dunoon
3. Site of Dunoon Primary School
4. Site of Kirn PrimarySchool
5. Site of St Muns Primary School



Before any investigations could commence regarding the Former gasworks site it was discovered that a Supermarket had expressed interest in the site and that discussions were already underway with the Planning Department. In addition significant expenditure would be needed to acquire this site.

The Spence Court site is considered too small to accommodate the new school and the associated external spaces.

Short listed sites

The remaining 3 sites were investigated, as detailed in the Site Analysis (see Appendix 2) and as can be seen **the existing Kirn Primary School and associated council owned playing fields is considered to be the preferred location**, and is the site with the least negative elements.

The issues at this location which require to be addressed as the design develops are:-

- New transport links would need to be developed to facilitate sustainable transport policy

  To address this, a Traffic Impact assessment is being undertaken to quantify traffic movements and to identify solutions to any bottlenecks. In addition a number of points of entry to the site shall be developed to avoid the concentration of traffic movements to one area.

- Difficult access routes for transportation due to proximity to residential areas

  Again the Traffic Impact assessment will assist in identifying solutions to this. In addition because of the generous site area it is possible to consider road widening to improve the existing Park Road access to the site.

- School House in private ownership

  The existing school house is currently physically attached to the Kirn School. Two options exist for this, either separation from the existing building which would then be demolished, or purchase of the building to allow a clear site to be redeveloped.

- Provision of alternative facilities for users of the existing sports pitch

  The main users of the Council Owned sports pitch, which will be required to accommodate the new school and its external areas are the local rugby club. Alternate arrangements shall be considered for this organization as part of the Councils developing *Sports Facilities and Pitches Strategy*.

Investigations carried out to date into the preferred site

Following the identification of the Kirn School Site and associated playing fields as the potentially preferred site, a comprehensive ground investigation survey was commissioned from Raeburn Drilling. A summary of this is included in Appendix 1. (The full report extends to 114 pages).

The survey has identified that the area to the east of the site (currently partly occupied by the existing school building) is the optimum location for the new building. The quality of ground to the West (occupied by the playing fields) is poor and was formerly the civic rubbish tip. Construction in this area would be costly and would involve piled foundations or other difficult construction techniques.

Issues have been identified with part of this site regarding levels of contamination related to its former use. However the impact of this on the proposed development is not considered to be of major significance.

Information has been obtained on existing services within the site, and nothing has been found which is of any concern.

Pending the presentation of this business case to the council, background preparations are being made in readiness for an outline planning application (Planning Consent in Principle) nein made in April/May of 2011. This timescale is necessary to allow the project to be sufficiently advanced to permit the governments grant funding to be drawn down within the laid down timescales. In addition it *may* be possible to update this Business Case by incorporating feedback from this exercise, possibly by way of an addendum.

Development Opportunities

Information has been received from the Councils estate surveyors team which suggests the following values may be obtained from the sale of the properties which would be surplus as a result of the construction of the proposed joint campus.

Dunoon Primary	£1
St. Mun's Primary	£315,000

Please note the following comments from the councils Estates Surveyor:

- The valuations are of the cleared site of each school.
- I have valued Dunoon Primary at £1. It is a listed buildings and only suitable for conversion to residential use or possible office/ business use. However conversion of the building is unlikely to be economically viable and as such grant assistance may be required for any conversion proposal to proceed. The property therefore has a potential liability factor which could cost the Council money.
- The current economic climate is not conducive to development of any kind. St. Mun's which is suitable for demolition and residential development may take a significant period of time to sell.
- At this moment in time the reduction in the HAG grant assistance to housing associations has effectively ended their ability to develop sites and until such times as the grant assistance picture improves these bodies are effectively excluded as potential bidders for residential development sites. Although the valuations have taken account of the current climate this situation could result in reduced sale prices.
- It is assumed in all cases that the Council has clear title to the various schools and that there are no adverse ground conditions which would impact on the ability to build on the sites.

7. *Cost Plan/effect on Revenue Costs:*

As a consequence of the extensive participation and consultation exercises recommended by Architecture and Design Scotland, we have been advised not to commit any sketch designs to paper until all feedback from the various consultation exercises has been collated and the educational brief has been received/finalised.

In addition the terms of the governments grant award are still awaiting it is likely that these will have a direct bearing on the cost of the project.

On this basis there is no substantive method at this stage of producing more detailed costings.

The original cost estimate of some £13 million is currently still valid.

With the additional information now available, it is however possible to list cost pressures and cost benefits that are emerging:-

Possible Cost Pressures

- Need to provide alternate facilities for the rugby club
- Possible remediation works to existing playing field area
- Conditions which may be imposed by the Government on the grant award
- Possible road widening

Possible Cost Benefits

- Increasingly competitive tendering conditions
- Indications from other recent school building projects are that the cost assumptions that have been used are realistic and are in line with or less than the cost of other comparable schools.

Revenue Costs

To date no information is available on the implications of the differing management and staffing arrangements associated with the formation of a joint campus.

Appendix 2 details the projected savings in building running costs which are a consequence of, the smaller floor area of the new joint campus when compared to the 3 individual schools, and of the low maintenance forms of construction to be used.

It should be noted that the figures are based on information published by the Building Cost Information Service (of the Royal Institution of Chartered Surveyors). These figures are presented to indicate the level of savings that could be achieved if expenditure on our buildings was in line with national norms. In practice as our maintenance budgets are underfunded these savings of these magnitudes are unlikely to be realised.

As can be seen over a 30 year period and based on an annual inflation rate of 3% the cost to maintain the existing buildings (including cleaning cost) is predicted at some £28 million. The corresponding figure for the new facility is some £19million.

As noted however, because the amount of maintenance work etc carried out is dictated by the availability of limited budgets, the actual difference may be substantially less. To offset this however the figure for the new campus does not reflect the lower costs which are likely to result from the lower maintenance and l running costs as a result of more energy efficient and lower maintenance forms of construction.

It is clear that over the life of the building a new purpose built facility incorporating high levels of insulation and energy efficient systems, will be significantly cheaper to operate and maintain than a number of smaller, older buildings.

8. *Business Case Life Cycle Cost Calculation:*

ARGYLL AND BUTE COUNCIL

BUSINESS CASE LIFE CYCLE COST CALCULATION

	Note	£	
Initial Cost or Purchase Price	1	13000000.00	
Commissioning or Installation Cost		0.00	INCL
Maintenance Cost per Annum	2	365000.00	
Energy Cost per Annum	2	108000.00	
Other Running Costs per Annum	2	150000.00	
Useful Life (Years)		50.00	
Discount Rate		3.00%	
Residual Value			
Total Life Cycle Cost		44150000.00	
Life Cycle Cost Per Annum		883000	

Notes:

1. Where Initial Cost is calculated over a construction period see Data Sheet
2. For analysis of costs see Data Sheet

BUSINESS CASE LIFE CYCLE COST CALCULATION - PRESENT VALUE

	£
Initial Cost or Purchase Price	1300000.00
Commissioning or Installation Cost	0.00
Maintenance Cost per Annum	9511727.73
Energy Cost per Annum	2814429.03
Other Running Costs per Annum	3908929.20
Residual Value	0.00
Present Value Life Cycle Cost	17535085.95

LIFE CYCLE COST CALCULATION WORKSHEET

1. Construction Cost of Asset	13000000.00
2. Construction Period (months)	18
3. Discount Rate	3.00%
4. Present Value	12,696,329.03
5. Construction Period in Years	1.50
6. Maintenance Cost per annum Analysis	
Planned Repairs Emergency Repairs Abnormal Repairs Cleaning	
Total Maintenance Cost per Annum	365000
7. Energy Costs per annum Analysis Oil Gas Electric Other	
Total Energy Cost per annum	108000
8. Other Running Costs per annum Analysis	
Total Other Running Costs per annum	150000

9. Risk log:

Argyll & Bute Council								
Project Description								
1			**RISK ASSESSMENT**					
Ref	**Category**	**Risk Description**	**Chance**	**Impact**	**Score**	**Risk Level**	**Risk Lead**	**Mitigating Action**
1	**strategic & financial**	Failure to secure funding	2	5	10	Red	Head of Strategic Finance	Provision of robust business case which demonstrates links to Council Plans and which illustrates the project benefits.
2	**Operational**	Staff resources not available to progress the project within the laid down timescale	1	4	4	Green	Property Manager/Director of Community Service	External consultants to be brought in as necessary to support in house staff.
3	**Project**	Unforeseen technical difficulties	2	3	6	Amber	Property Manager/Director of Customer Services	Extensive investigatory works to be undertaken prior to tender issue to ensure all risks associated with the site are managed. In addition where in house expertise is not available consultant services are to be bought in.
5	**Project**	Higher than predicted construction costs and time delays	2	2	4	Green	Property Manager/Director of Customer Services	Current cost trends indicate that the economic climate is driving construction costs down resulting in very competitive tenders. In addition the use of a design and build contract will minise the risk of construction delays.

Argyll & Bute Council								
Project Description								
2			RISK ASSESSMENT					
Ref	Category	Risk Description	Chance	Impact	Score	Risk Level	Risk Lead	Mitigating Action
6	**Project**	Poor contractor performance	2	3	6	Amber	Property Manager/Director of Customer Services	Use of robust Pre Qualification Questionnaires will help identify suitable and experienced contractors who will be allowed to go forward and price the project. In addition a project team led by an experienced project manager will take the project forward to completion and handover.
7	**Political / community**	Objections from local community	3	3	9	AmberRed	Director of Customer Services/Director of Community Services	Effective communication to be used to educate objectors on the benefits to be derived from the construction of the new school. Clear concise messages to be put across.

10. *Benchmarking sheet:*

Project Benefits

List of measures and targets to be used to determine if the delivery of the project has been successful

	Target	Actual
Completion of OBC	Oct 10	Nov 10
Completion of FBC	Feb 11	

Project Financials

Current estimate of overall capital cost	£13million (Of which 6.7million is from the Scottish Government)

Project Delivery

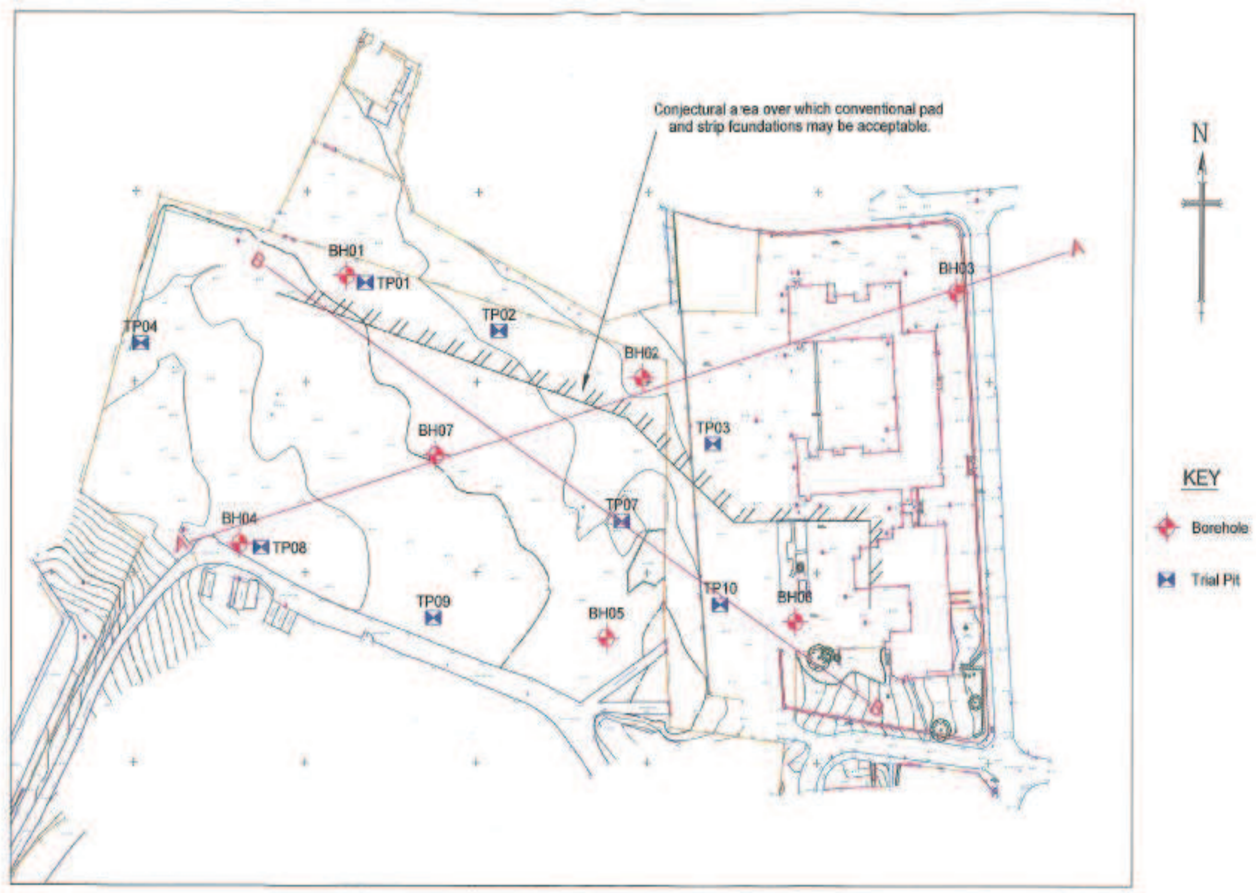
Project team Formed	Mar – 10	Mar - 10
Project Plan Agreed	Mar – 10	Mar - 10
Brief Finalised	May – 10	awaited
Soil Investigation Complete	April – 10	June 10
Consultation with Stakeholders	Mar – Aug – 10	Sept – Nov 10
Completion of Block plans	Aug 10	Ongoing
Costings/Options Appraisal	Aug/Sept 10	Oct/Nov 10
Preparation of OBC	Sep 10	Nov 10
Submission of OBC	Oct 10	Nov 10
Pre Planning Application Consultation	Feb – April 11	
Design Development	ongoing	ongoing
Outline planning application	June11	
Full planning application	Dec 11	
Planning Consent	Mar 12	
Tender issue	July 11	
Tender return	Jan 12	
FBC Approval	Mar 12	

Appendices

1. Summary of Site Investigation for Kirn Site.
2. Projected life cycle cost of running and maintaining the buildings
3. Site Analysis

Summary of Site Investigation for Kirn Site.

Area of site suitable for conventional, low cost, pad and strip foundations..



Summary and Conclusions from the report

The conceptual site model predicted that made ground was the only significant source likely to occur on the site and the investigation has verified this. The made ground is comparatively thin over much of the existing school part of the site, and also along the northern part of the sports pitches. However, it reaches a depth of about 8.00m at the south. As was expected, the major component of the made ground was ash and this has resulted in metal (i.e. lead) and petroleum and polyaromatic hydrocarbon contamination.

As discussed in previous sections, lead, TPH and PAH have been identified as a potential hazard. The risks could be reduced by either removing the source or breaking the pathway. Removal of the source is not an environmentally sustainable solution or practicable at this site, so consideration should be given to breaking the pathway. This can be done by installing a capping layer of either hardstanding or clean soil. The thickness of a suitable capping layer has been calculated using the document Cover Systems for Land Regeneration, published by BRE (Ref. 26). A thickness of 0.55m has been determined. This calculation has been carried out on the basis that the added soil will contain no PAH or TPH and a lead concentration of 50mg/kg and assumes complete intermixing. Once the concentrations of the imported soil are known this assessment should be re-calculated to ensure the appropriate thickness is applied. The placement of a capping layer will also reduce the phytotoxic risk to low.

Projected life cycle cost of running and maintaining the buildings

Running Costs Kirn Primary School

Price basis: Future Cash Inflation Rate: 3%

Price level: 4th Quarter 2009 and UK Mean Location

	Elements (£)						
Year	**Decorations**	**Fabric**	**Services**	**Cleaning**	**Utilities**	**Administrative Costs**	**Total (£)**
1	0	11568	22750	45445	35805	49425	164993
2	0	11915	30978	46808	36879	50907	177487
3	0	12272	24135	48212	37985	52435	175039
4	0	12641	35393	49659	39125	54008	190826
5	8679	18909	32115	51148	40299	64230	215380
6	62580	13410	34866	52683	41508	57297	262344
7	0	13813	27164	54263	42753	59015	197008
8	0	14227	27979	55891	44035	60786	202918
9	0	14654	28819	57568	45357	62610	209008
10	10062	216337	58361	59295	46717	74460	465232
11	0	15546	30574	61074	48119	66422	221735
12	74724	16013	44834	62906	49562	68415	316454
13	0	16493	32436	64793	51049	70468	235239
14	0	16988	44168	66737	52581	72582	253056
15	11665	25412	112565	68739	54158	86319	358858
16	0	18022	50462	70801	55783	77002	272070
17	0	18563	36506	72925	57456	79312	264762
18	89225	19120	49711	75113	59180	81691	374040
19	0	19694	38730	77366	60955	84142	280887
20	13522	290739	335364	79687	62784	100068	882164
21	0	20893	41088	82078	64668	89266	297993
22	0	21520	55950	84540	66608	91944	320562
23	0	22165	43591	87077	68606	94703	316142
24	106539	22830	63923	89689	70664	97544	451189
25	15676	34152	58004	92380	72784	116006	389002
26	0	24221	62972	95151	74967	103484	360795
27	0	24947	49062	98005	77216	106589	355819
28	0	25696	71946	100946	79533	109786	387907
29	0	26467	52049	103974	81919	113080	377489
30	145388	390729	105406	107093	84376	134482	967474
Total	538060	1409956	1701901	2162046	1703431	2428478	**9943872**

Running Costs Dunoon Primary School

Price basis: Future Cash

Price level: 4th Quarter 2009 and UK Mean Location

Inflation Rate: 3%

	Elements (£)						
Year	**Decorations**	**Fabric**	**Services**	**Cleaning**	**Utilities**	**Administrative Costs**	**Total (£)**
1	0	14293	28110	56151	44241	61069	203864
2	0	14722	38277	57836	45568	62901	219304
3	0	15164	29822	59571	46935	64788	216280
4	0	15619	43732	61358	48343	66731	235783
5	10724	23364	39681	63199	49793	79363	266124
6	77324	16570	43081	65095	51287	70795	324152
7	0	17067	33564	67048	52826	72919	243424
8	0	17579	34571	69059	54410	75107	250726
9	0	18106	35609	71131	56043	77360	258249
10	12433	267306	72111	73265	57724	92003	574842
11	0	19209	37777	75463	59456	82071	273976
12	92329	19785	55398	77727	61239	84533	391011
13	0	20379	40078	80059	63076	87069	290661
14	0	20990	54574	82460	64969	89681	312674
15	14413	31399	139086	84934	66918	106657	443407
16	0	22269	62351	87482	68925	95143	336170
17	0	22937	45108	90107	70993	97997	327142
18	110246	23625	61424	92810	73123	100937	462165
19	0	24333	47855	95594	75317	103965	347064
20	16708	359237	414376	98462	77576	123645	1090004
21	0	25815	50769	101416	79903	110297	368200
22	0	26590	69133	104458	82300	113606	396087
23	0	27387	53861	107592	84769	117014	390623
24	131640	28209	78984	110820	87313	120524	557490
25	19370	42198	71668	114144	89932	143338	480650
26	0	29927	77810	117569	92630	127864	445800
27	0	30825	60621	121096	95409	131700	439651
28	0	31750	88897	124729	98271	135651	479298
29	0	32702	64313	128471	101219	139721	466426
30	179642	482785	130240	132325	104256	166168	1195416
Total	664829	1742141	2102881	2671431	2104764	3000617	**12286663**

Running Costs St Muns Primary School

Price basis: Future Cash

Inflation Rate: 3%

Price level: 4th Quarter 2009 and UK Mean Location

Elements (£)

Year	Decorations	Fabric	Services	Cleaning	Utilities	Administrative Costs	Total (£)
1	0	7250	14259	28484	22442	30978	103413
2	0	7468	19417	29338	23115	31908	111246
3	0	7692	15128	30218	23808	32865	109711
4	0	7922	22184	31125	24523	33851	119605
5	5440	11852	20128	32059	25258	40258	134995
6	39225	8405	21854	33020	26016	35912	164432
7	0	8657	17026	34011	26796	36990	123480
8	0	8917	17537	35031	27600	38099	127184
9	0	9184	18063	36082	28428	39242	130999
10	6307	135594	36579	37165	29281	46670	291596
11	0	9744	19163	38280	30160	41632	138979
12	46836	10036	28102	39428	31064	42881	198347
13	0	10337	20330	40611	31996	44168	147442
14	0	10647	27683	41829	32956	45493	158608
15	7312	15929	70554	43084	33945	54104	224928
16	0	11296	31629	44377	34963	48263	170528
17	0	11634	22882	45708	36012	49711	165947
18	55925	11983	31158	47079	37093	51202	234440
19	0	12343	24276	48491	38205	52738	176053
20	8476	182228	210197	49946	39352	62721	552920
21	0	13095	25754	51445	40532	55950	186776
22	0	13487	35069	52988	41748	57629	200921
23	0	13892	27322	54578	43001	59358	198151
24	66777	14309	40066	56215	44291	61138	282796
25	9826	21407	36354	57901	45619	72711	243818
26	0	15180	39470	59638	46988	64862	226138
27	0	15636	30752	61428	48397	66807	223020
28	0	16105	45095	63270	49849	68812	243131
29	0	16588	32624	65168	51345	70876	236601
30	91124	244899	66065	67124	52885	84292	606389
Total	337248	883716	1066720	1355121	1067668	1522121	**6232594**

Running Costs of New Joint Primary Campus

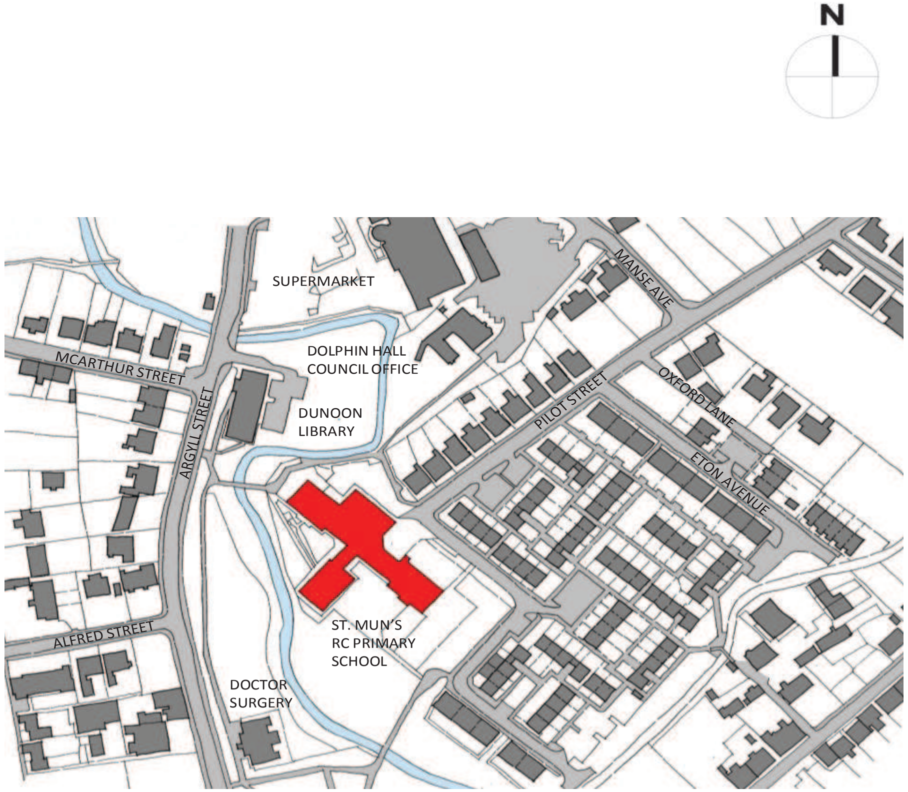
Price basis:
Future Cash

Price level: 4th Quarter 2009 and UK Mean Location

Inflation Rate: 3%

	Elements (£)						
Year	Decorations	Fabric	Services	Cleaning	Utilities	Administrative Costs	Total (£)
1	0	22063	43390	86675	68289	94266	314683
2	0	22724	59084	89275	70338	97094	338515
3	0	23406	46032	91953	72448	100006	333845
4	0	24108	67504	94712	74621	103007	363952
5	16554	36065	61251	97553	76860	122503	410786
6	119357	25577	66499	100480	79166	109280	500359
7	0	26344	51810	103494	81541	112558	375747
8	0	27134	53364	106599	83987	115935	387019
9	0	27948	54965	109797	86506	119413	398629
10	19191	412609	111309	113091	89102	142014	887316
11	0	29650	58312	116483	91775	126685	422905
12	142519	30540	85511	119978	94528	130486	603562
13	0	31456	61863	123577	97364	134400	448660
14	0	32400	84239	127284	100285	138432	482640
15	22248	48468	214691	131103	103293	164634	684437
16	0	34373	96244	135036	106392	146863	518908
17	0	35404	69628	139087	109584	151269	504972
18	170175	36466	94812	143260	112871	155807	713391
19	0	37560	73868	147558	116257	160481	535724
20	25791	554512	639623	151984	119745	190855	1682510
21	0	39848	78367	156544	123338	170254	568351
22	0	41043	106712	161240	127038	175362	611395
23	0	42274	83139	166077	130849	180623	602962
24	203198	43542	121919	171060	134774	186041	860534
25	29899	65137	110627	176191	138817	221254	741925
26	0	46194	120105	181477	142982	197371	688129
27	0	47580	93574	186921	147271	203292	678638
28	0	49007	137221	192529	151690	209391	739838
29	0	50478	99273	198305	156240	215673	719969
30	277290	745218	201036	204254	160928	256494	1845220
Total	£1,026,222	£2,689,128	£3,245,972	£4,123,577	£3,248,879	£4,631,743	**£18,965,521.00**

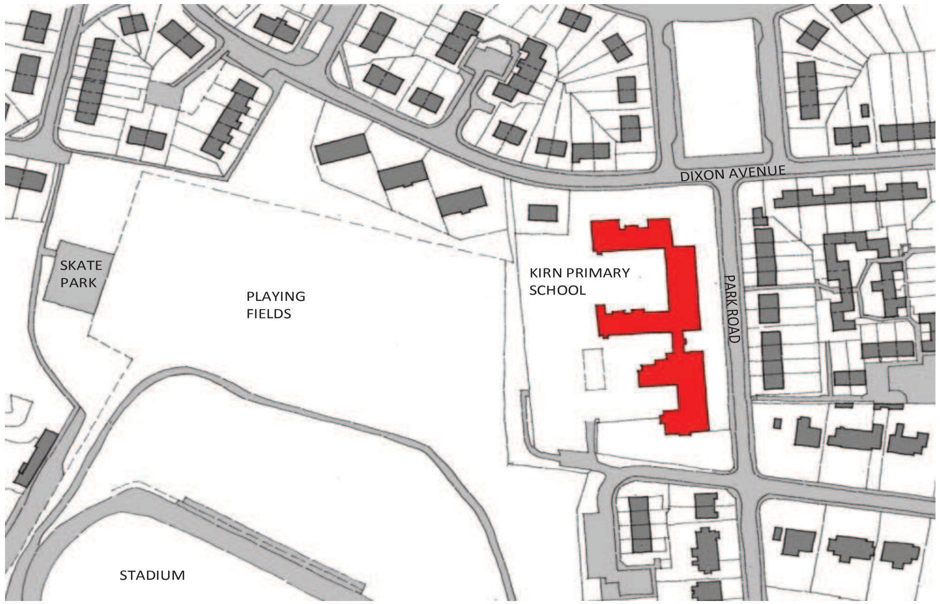
- Although there is sufficient area on and around the site, it is difficult to accommodate the requirements of the new campus efficiently.
+ Easily accessible by public transport.
- Difficult access routes for school transportation due to proximity to residential areas.
+ Central location, equidistant from other primary schools.
- Potential for flooding from burn running through site.
- Adjacent council facilities would have to be demolished to accommodate new campus.
- Existing school building not fit for purpose to accommodate fully the needs of the new campus.
- Site does not easily facilitate future expansion.
- Insufficient space to provide required level of parking.
- Difficult to service site (i.e. deliveries etc).



Dunoon Primary Joint Campus

Site 1 : St. Muns RC Primary School: Existing Plan & Site Analysis

+ Location close to new Grammar School providing stronger links and an educational "hub" for Dunoon.
– New transport links would be required to facilitate sustainable transport policy.
– Difficult access routes for transportation due to proximity to residential areas.
+ Possibility for shared resources with adjacent facilities.
+ Sufficient site area for proposed new campus facility.
– Existing school building not fit for purpose to accommodate the needs of the new campus fully.
– School house in private ownership.
+ Site could facilitate future expansion.
+ Possible to service site (i.e. deliveries etc).
+ Sufficient space to provide required parking.



Dunoon Primary Joint Campus

Site 2 : Kirn Primary School – Site Analysis & Existing Site Plan

Argyll & Bute COUNCIL

- Location of site - in the centre of Dunoon - would pose congestion issues with regards to transportation.
+ Central location easily accessible by public transportation.
- Insufficient area on site for a new campus facility.
- Site does not easily facilitate future expansion.
- Listed building, which would be difficult to adapt to the needs of the new campus.
- Existing school buildings not fit for purpose to accommodate fully the needs of the new campus.
- Insufficient space to provide required level of parking.
- Difficult to service site (i.e. Deliveries etc).

Dunoon Primary Joint Campus

Site 3 : Dunoon Primary School – Site Analysis & Existing Site Plan

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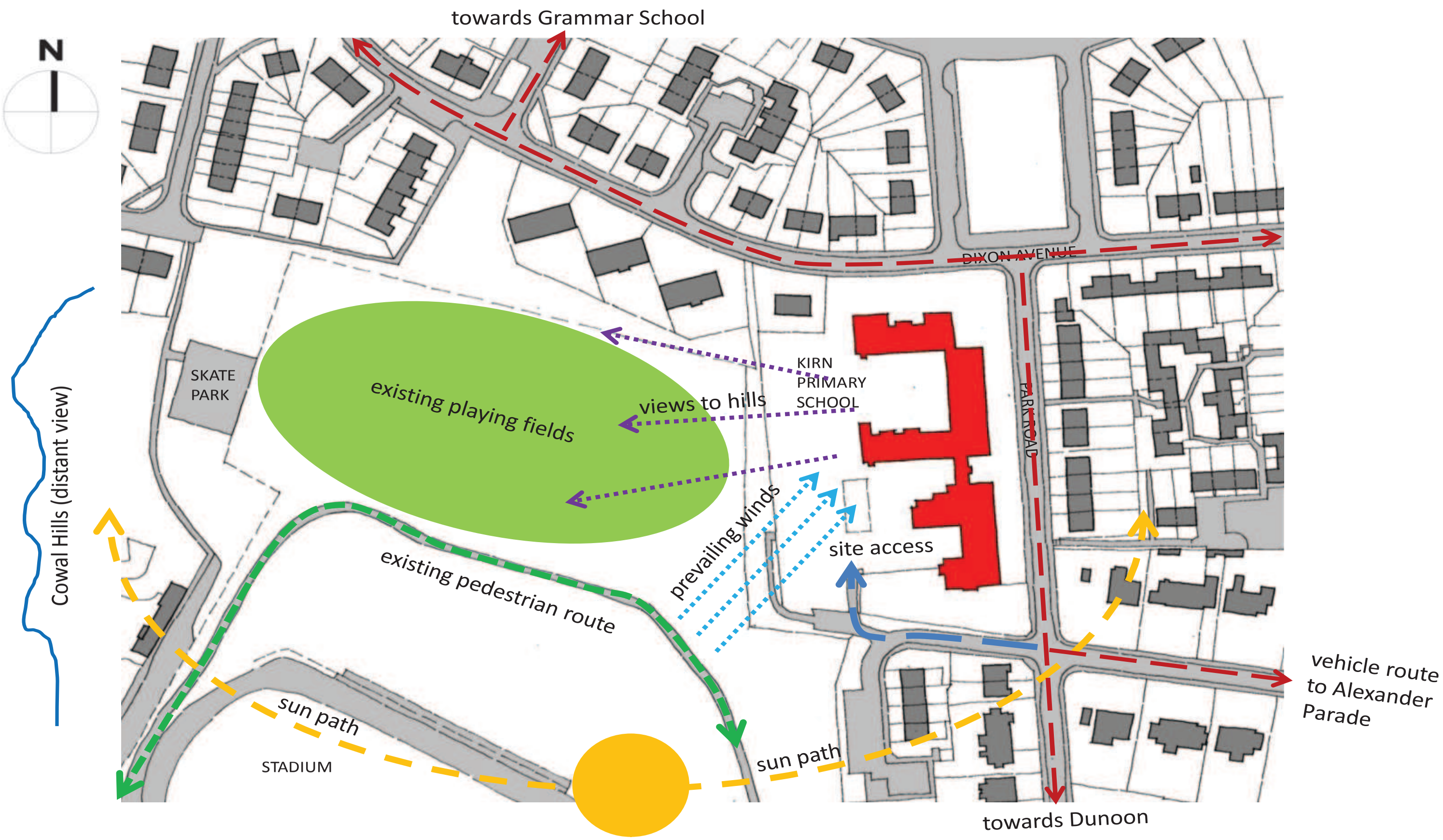

Dunoon Primary Joint Campus

Kirn Site Analysis

ARGYLL & BUTE COUNCIL

OUTLINE BUSINESS CASE FOR MAJOR ASSET SUSTAINABILITY CHANGE PROJECTS

DEPARTMENT Community Services **SERVICE** Community Services

Asset Group: Secondary Schools

Project Name: Campbeltown Grammar School Health and Safety works following government anouncement of funding for new school works

1. Executive Summary:

Introduction and context including description of problem/challenge/business requirement; description of do nothing option and why it is not acceptable; description of do minimum option; and description of preferred option if this is not do minimum.

Campbeltown Grammar is the largest (council owned) school within the education estate. the School was built in the 1960s and many of the property elements have now reached the end of their useful life. The risks associated with this have been exacerbated in recent years due to reducing maintenance budgets. As a result, there has been a requirement for significant and ongoing capital expenditure to keep the school at an acceptable standard. Recent expenditure has been targeted to minimise the risk of failure of major services installations. To date the heating infrastructure has been renewed and the majority of the electrical installation has been replaced. In addition a new fire alarm system has been installed.

Following the announcement from the Scottish Governmentin December of 2010 that funding would be made available towards the cost of a new secondary school, the major investment plans have now been halted and a programme of essential works needs now to be implimented to ensure that the building can remain in safe operation untill the new school comes on stream. (Possibly in 2016 at the earliest).

The work invisaged includes :-

Refurbishment of windows to ensure that each classroom has windows that can be safely opened for ventilation

Low cost remedial treatments to life expired roof coverings (water ingress is currently evident in a number of areas)

Fire safety improvements

Low cost upgrading of road surfacing (a necessary road safety measure)

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OUTLINE BUSINESS CASE FOR MAJOR ASSET SUSTAINABILITY CHANGE PROJECTS

DEPARTMENT Community Services **SERVICE** Community Services

Asset Group: Secondary Schools

Project Name:

Campbeltown Grammar School Health and Safety works following government anouncement of funding for new school works

The option to do nothing would result in unaceptable Health and Safety risks, and significant risk of failure of certain building elements

The estimated cost of the essential works is £114,000

2. Impact on Council Plans:

This section should demonstrate links to Council's Corporate Plan; the Service Plan; Area Plans; Corporate Strategies; and compliance with legal and national priorities.

The Capital Plan and this project links directly to the Councils Corporate Plan, and in particular particular the Outcomes of "Education - making things better".
In addition the key themes of Improvement Plan (sections 7.1), Risk Management and Asset Management are addressed.
The Community Services Departmental Service Plan, requires the delivery of improvements to the Department's building assets.

A Key outcome of the *Mid Argyll Kintyre and Islay* Area Plans is addressed :-

Mid Argyll Kintyre and Islay - Improved health and wellbeing of residents of MAKI/Make MAKI a more attractive place to live and work

The following requirements and priorities are addressed, amongst others:-

ARGYLL & BUTE COUNCIL

OUTLINE BUSINESS CASE FOR MAJOR ASSET SUSTAINABILITY CHANGE PROJECTS

DEPARTMENT Community Services **SERVICE** Community Services

Asset Group: Secondary Schools

Project Name:

Campbeltown Grammar School Health and Safety works following government anouncement of funding for new school works

HMIE Requirements
Fire Scotland Act
Health and Safety At Work etc Act
Electricity at Work Regulations

3. Affordability:

Show that the project is an acceptable and prudent investment for the Council and that ongoing costs can be sustained; Capital Costs are affordable; ongoing revenue costs are affordable; provide information on external funding for the project.

The capital plan has been drafted to be affordable within the current block allocation provision. Whilst detailed revenue projections are not yet available, it is clear that the investment that is being proposed will help reduce future maintenance requirements and will significantly reduce energy consumption.

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OUTLINE BUSINESS CASE FOR MAJOR ASSET SUSTAINABILITY CHANGE PROJECTS

DEPARTMENT Community Services **SERVICE** Community Services

Asset Group: Secondary Schools

Project Name: Campbeltown Grammar School Health and Safety works following government anouncement of funding for new school works

4. Deliverability/Work Schedule:

Show that project can be delivered successfully in respect of timescale; management arrangements; and what are the residual or knock on consequences.

The nature of this project is such that deliverability is high. The projects will be deliver by experienced in house teams/personnel who are well experienced in work of this nature and have a track record of success with previous projects at this location. In addition an excellent working relationship has been developed with senior staff at the school which has resulted in earlier projects being delivered on time and within budget. If required resources shall be supplemented by suitably experienced external consultants.

The approval of a single year programme however significantly increases the risk of slippage as the timescales for design work and the obtaining of statutory consents is very restricted given the necessity of delivering the project over the Summer Holiday period.

ARGYLL & BUTE COUNCIL

OUTLINE BUSINESS CASE FOR MAJOR ASSET SUSTAINABILITY CHANGE PROJECTS

DEPARTMENT Community Services **SERVICE** Community Services

Asset Group: Secondary Schools

Project Name: Campbeltown Grammar School Health and Safety works following government anouncement of funding for new school works

5. Risk Log:

This section should set out foreseen risks as they affect Impact on Council Plans as well as on asset condition and suitability; affordability; deliverability. Indicate action aimed at mitigating these risks and highlight whether any contingency plans are likely to be needed. Provide a summary of three cost and timetabling scenarios - optimistic, realistic, and pessimistic - relating to the project (see 6a below).

The current condition rating of the School is C

The current suitability rating of the School is D

Failure to approve funding to allow this essential work to be undertaken (pending the design and construction of a new facility) will increase the risk of component failure and hence the consequent risk of interruption to service delivery.

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OUTLINE BUSINESS CASE FOR CAPITAL PROJECTS - COST PLAN

DEPARTMENT Community Services **SERVICE** Community Services

Asset Group: Secondary Schools

Project Name: Campbeltown Grammar School Health and Safety Works

Nature of Expenditure (delete as appropriate)

Health and Safety Works **£114,000**

Details of asset being replaced if any:-

n/a

New Asset

Purchase Price	£ 114000.00	
Installation and Commissioning Cost	£	n/a
External Construction Professional Costs	£	n/a
Internal Construction Professional Costs	£	n/a
Other Capital Costs	£	
Total Cost of Asset	£	

Effect of Acquisition on Revenue Costs

	Cost Per Annum £	
Maintenance Cost		n/a
Energy Cost		n/a
Other Running Cost		n/a
Total Increase to Revenue Cost		n/a
Revenue Cost of Asset Being Replaced		
Net Increase/(Decrease) to Revenue Cost		

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BUSINESS CASE LIFE CYCLE COST CALCULATION

ASSET DESCRIPTION

	Note	£	
Initial Cost or Purchase Price	1	114000.00	
Commissioning or Installation Cost			incl
Maintenance Cost per Annum	2	0.00	
Energy Cost per Annum	2	0.00	
Other Running Costs per Annum	2	0.00	
Useful Life (Years)		5.00	
Discount Rate		3.00%	
Residual Value			
Total Life Cycle Cost		114000.00	
Life Cycle Cost Per Annum		22800	

Notes:

1. Where Initial Cost is calculated over a construction period see Data Sheet

2. For analysis of costs see Data Sheet

ARGYLL AND BUTE COUNCIL

BUSINESS CASE LIFE CYCLE COST CALCULATION - PRESENT VALUE

ASSET DESCRIPTION

	£
Initial Cost or Purchase Price	37669.70
Commissioning or Installation Cost	0.00
Maintenance Cost per Annum	0.00
Energy Cost per Annum	0.00
Other Running Costs per Annum	0.00
Residual Value	0.00
Present Value Life Cycle Cost	37669.70

LIFE CYCLE COST CALCULATION WORKSHEET

1. Construction Cost of Asset	114000.00
2. Construction Period (months)	6
3. Discount Rate	3.00%
4. Present Value	37,669.70
5. Construction Period in Years	0.50
6. Maintenance Cost per annum Analysis	
Planned Repairs	n/a
Emergency Repairs	
Abnormal Repairs	
Cleaning	
Total Maintenance Cost per Annum	0
7. Energy Costs per annum Analysis	
Oil	n/a
Gas	
Electric	
Other	
Total Energy Cost per annum	0
8. Other Running Costs per annum Analysis	n/a
Total Other Running Costs per annum	0

ARGYLL & BUTE COUNCIL

OUTLINE BUSINESS CASE FOR CAPITAL PROJECTS - OPTION APPRAISAL

DEPARTMENT Community Services **SERVICE** Community Services

Asset Group: Secondary Schools

Project Name: Campbeltown Grammar School Health and Safety

OPTION APPRAISAL

Requirement			
Options Available to satisfy requirement	1 Do nothing		
	2 Continue to progress ongoing upgrading works		
	3 Cancel all scheduled upgrading and build new school		
Costs, Benefits and Risks of each option	**Costs**	**Benefits**	**Risks**
Option 1	£0	Saving in capital expenditure	High risk of disruption to service delivery. Possible risk of injury to staff or pupils.
Option 2	2011/12 £114,000	Reduction in risk.	Failure to approve budget. Unforseen technical difficulties. Disruption to the running of the school and interruption to
Recommended Solution and Rationale	Option 2 : Following the commitment to additional government funding, minimal expenditure is still required to ensure the building is kept in a safe and wind and weathertight condition untill the new facility comes on stream.		

Argyll & Bute Council - UPGRADING OF CAMPBELTOWN GRAMMAR SCHOOL

			RISK ASSESSMENT					
Ref	Category	Risk Description	Chance	Impact	Score	Risk Level	Risk Lead	Mitigating Action
1	strategic & financial	Capital funding for programme is not approved	4	5	20	Red	HOS, Property Manager	Programme is in support of Corporate Plan, Improvement Plan.
2	operational	Available staff resource not in place to complete the programme to proposed dates	2	2	4	green	Property Manager	Risk mitigated by advance design work already undertaken, and knowledge of the school gained in previous years.
3	statutory	Planning/Building Controll Conditions	1	4	4	green	Property Manager	Risk mitigated by advance design work already undertaken, and knowledge of the school gained in previous years.
4	project	Unforseen technical difficulties	1	4	4	green	Property Manager	Risk mitigated by advance design work already undertaken, and knowledge of the school gained in previous years.
5	project	Higher than predicted construction costs and time delays	1	4	4	green	Property Manager	Risk mitigated by advance design work already undertaken, and knowledge of the school gained in previous years. In addition the currently very competetive tendering environment significantly reduces the risk .
6	project	Poor contractor performance	2	4	8	Amber	Property Manager	The relatiely minor nature of the work reduces the risk of poor contractor performance.
7	project	Level of contingencies / design risk	1	4	4	Green	Property Manager	Risk mitigated by advance design work already undertaken, and knowledge of the school gained in previous years.

ARGYLL & BUTE COUNCIL

BENCHMARKING SHEET FOR SERVICE DEVELOPMENT AND STRATEGIC CHANGE PROJECTS AT OBC STAGE

DEPARTMENT Community Services **SERVICE** Community Services

Asset Group: Secondary Schools

Project Name: Campbeltown Grammar School ongoing upgrading works

	Target		Actual
Project Benefits			
List of measures and targets to be used to determine if the project has been a success in terms of service delivery. a) The budgeted expenditure has been achieved b) The level of risk has been reduced c) The level of customer satisfaction is at least good			
Project Financials			
List of capital costs, revenue costs and external funding.			
Capital Cost of project	£114,000		
Revenue Costs	n/a		
External Funding	n/a		

Project Delivery	Target		Actual
Project Team Formed	Feb-11		
Project Plan Agreed	Mar-11		
Specification Finalised	Apr-11		
Land Acquired	N/A		
Planning, Building Warrant or Other Permission Secured	April - May 11		
Project Notification Advertised if required	Apr-11		
Tenders Invited	May-11		
Tenders Returned	May-11		
Tenders Evaluated	May-11		
Contractor Appointed	Jun-11		
Contractor Starts on Site	Jul-11		
Duration of Construction Contract and milestones if appropriate	Various		
Practical Completion	Oct-11		
Council Takes Possession	Oct-11		
Service Delivery Commences	no interuption		
Contractor's Final Account Agreed	Nov-11		
Making Good Defects Completed	Oct-12		

Project Risk

List of risks identified at OBC/FBC stage. Show new risks and whether any risks materialised how they were managed and their impact. Summarise if risks managed effectively.

Capital funding for programme is not approved
Available staff resource not in place to complete the
Planning/Building Controll Conditions
Unforseen technical difficulties
Higher than predicted construction costs and time
Poor contractor performance
Level of contingencies / design risk

To be reviewed and monitored

Overall Project Summary.

The project is to ensure that the building can continue to operate safely with minimal risk of building element failure, whilst proposals for a replacement school are being implimented.
The budget proposed is affordable within the current block allocation.
Given the limited life of the buiding, expenditure will be minimised and all work carried out will have strict regards to value for money criteria.
The project team are experienced in working on the building and have an excellent working relationship with staff.

ARGYLL & BUTE COUNCIL

OUTLINE BUSINESS CASE APPRAISAL WEIGHTING AND SCORING MATRIX

DEPARTMENT **SERVICE**

PROJECT

Assessment	Features of Strong Projects	Features of Weak Projects	Issues to Consider	Score	Weight	Weighted Score
Impact: The project will make explicit contributions to the Council's plans and strategies and will ensure compliance with external requirements				**Max. 10 Min. 0**		
Impact on Corporate Plan	Clear links to corporate plan that demonstrate how the project will contribute to strategic objectives.	Links are not clear and the relationship to strategic objectives is vague.	To encourage active and caring communities. To encourage a growing sustainable economy in Argyll & bute. Etc.	9	1.668	15.01
Impact on Service Plans	Clear links to service plans that demonstrate how the project will contribute to service priorities.	Links are not clear and the relationship to service priorities is vague.	What service priorities does this impact on? e.g. Streetscene; performance culture; recycling.etc.	9	0.833	7.50
Impact on Area Plans	Clear links to area plans that demonstrate how the project will contribute to area priorities.	Links are not clear and the relationship to area priorities is vague.	What Area priorities does this affect? e.g. Rothesay waterfront/centre; Helensburgh town centre; Jura transport initiative; Dunoon marine gateway; Oban action plan; etc.	9	0.833	7.50
Impact on Corporate Strategies	Clear links to identified corporate strategies that demonstrate how the project contributes to these.	Links are not clear and the contribution of the project is vague.	Consider relationship with:- Asset Management Strategy; ICT Strategy; Customer First Strategy; Transport Strategy; Any other overarching Council strategy.	9	0.833	7.50
Impact on Compliance with Legal and National Priorities.	Compliance and national priorities clearly identified and the relationship of the project clearly demonstrated.	Vague reference to compliance issues and national priorities without specific identification of relationships.	Sustainability; Equality; Health & Safety; Environmental etc.	9	0.833	7.50
Affordability: The project is an acceptable and prudent financial investment for the Council and the Council can systain the ongoing running costs.						

Assessment	Features of Strong Projects	Features of Weak Projects	Issues to Consider	Score	Weight	Weighted Score
Capital costs are affordable	Net capital costs are low.	Net capital costs are high.	Points awarded on scale basis: Net cost less than £100k = 10 pts £100k to £250k = 9 points; £251k to £500k = 8 points ; £501k to £750k = 7 points ; £751k to £1m =6 points; £1 to £1.5m = 5pts; £1.5m to £2m = 4pts: £2m to £2.5m = 3pts; £2.5m to £5m = 2pts; £5m to £10m = 1pt; Over £10m. = 0 pts.	9	1.00	9.00
Ongoing revenue costs are affordable	Net revenue costs are low	Net revenue costs are high.	No impact on revenue costs equals 5 points. Increase by 1 point for every £100k decrease in revenue costs. Decrease by 1 point for every £100k increase in revenue cost.	5	1.00	5.00
External funding leveraged by the project	Significant external funding levered in	No external funding levered in.	No external funding equals 0 points. Increase of 1 point for each £100k of external funding i.e. £1m or more of external funding equals 10 points. Consider using an external funding percentage of total cost?	0	0.50	0.00
Deliverability: The project can be delivered successfully.						
Timescales for delivery	The timescale for delivery is clearly stated and is acceptable.	The timescale for delivery is not clearly stated or is unacceptable.	Land acqisition; planning permission; environmental issues; level of staff input; tendering requirements.	10	0.42	4.20
Management arrangements to deliver project	The management arrangements for the project are clearly stated and are acceptable.	The management arrangements for the project are not clearly stated or are unacceptable.	Project Manager and Project Team identified and named. Extent of discussions with all parties involved	10	0.42	4.20
Residual/knock on consequences	The residual or knock on consequences of the project are clearly stated and are acceptable.	The residual or knock on consequences of the project are not clearly stated or are unacceptable.	Is the project self contained to one service? Have impacts on other services been identified and discussed?	10	0.41	4.10

Assessment	Features of Strong Projects	Features of Weak Projects	Issues to Consider	Score	Weight	Weighted Score
Risk: Progressing the project does not expose the Council to unacceptable risk.						
What are impact risks	The risks of not making the intended impact as outlined above have been identified and are assessed as limited.	The risks of not making the intended impact as outlined above have not been identified or are assessed as significant.	What risks have been identified? How has this been carried out - is it a robust process? Are the risks significant or unpredictable?	10	0.25	2.50
What are delivery risks	The timescale, management arrangements and residual or knock on consequences have been robustly constructed and the related risks are clearly identified and are limited.	The timescale, management arrangements and residual or knock on consequences have only been compiled on a vague basis or not clearly identified or there are significant or unpredictable risks.	What risks have been identified? How has this been carried out - is it a robust process? Are the risks significant or unpredictable?	10	0.25	2.50
What are affordability risks	Robust estimates of capital and revenue cost have been made and external funding is secured. Risks have been clearly identified and assessed.	Only preliminary estimates of capital and revenue cost have been made and external funding is anticipated rather than secured. No clear assessment has been made of the financial impact of risks.	What risks have been identified? How has this been carried out - is it a robust process? Are the risks significant or unpredictable?	10	0.25	2.50
Risk Management arrangements	Robust strategies and arrangements to identify, manage and control risk developed.	No clear arrangements to manage risk	Has the approach to risk management been documented? Does it appear robust?	10	0.25	2.50
What are the risks of not proceeding with the project.	An assessment of these has been made and evidenced and there is significant risk of not proceeding with the project.	No assessment made or only vague references or limited risk of not proceeding with the project.	Have the risks been specified? What process has been used to identify them? Has this risk been assessed robustly?	10	0.25	2.50
Total Score (Maximum=100)						84

ARGYLL & BUTE COUNCIL

ASSET MANAGEMENT STRATEGIC BOARD

BUSINESS CASE RATING

			Matrix Score
1	Executive Summary		
		Brief statement of what is proposed.	N/A
2	Impact on Council Plans		
		Corporate Plan	
		Service plans	
		Area Plans	
		Corporate Strategies	
		Compliance with National and Legal Priorities.	45.00
3	Affordability		
		Capital Costs	
		Ongoing Revenue Costs	
		External Funding	14.00
4	Deliverability		
		Timescales for deliverability	
		Management arrangements to deliver project	
		Residual/knock on consequences	12.50
5	Risk		
		Impact risks	
		Delivery risks	
		Affordability risks	
		Risk Management arrangements	
		Risk of not proceeding with project	12.50
	Total Matrix Score		84
Rating			

Calculation of Rating:

4 = matrix score of 90-100%
3 = matrix score of 80-89%
2 = matrix score of 60-79%
1 = matrix score of less than 60%

Comments

Add any comments on the rating of the project.

Prepared by:

Reviewed by:

ARGYLL AND BUTE COUNCIL
CUSTOMER SERVICES

COUNCIL
10th MARCH 2011

PROPOSED HELENSBURGH OFFICE RATIONALISATION –
OUTLINE BUSINESS CASE UPDATE

1. SUMMARY

1.1 The report reassess the value for money and affordability results stemming from a recent evaluation of the potential capital receipts to be derived from vacant Council offices within Helensburgh following the commissioning of the proposed new office.

1.2 It also draws attention to the interest expressed by Strathclyde Police and the Argyll Community Housing Association (ACHA) regarding office accommodation within the proposed new Helensburgh office.

1.3 All reassessed financial criteria will be compared to the financial assessment of the preferred design option (Option 2b – CEC refurbishment and new build extension) as recommended within the Outline Business Case – Proposed Helensburgh Office Rationalisation dated February 2009.

2. RECOMMENDATION

2.1 That the Council notes the changes to the value for money and affordability results stemming from the changes to the projected capital receipts.

2.2 The Council agrees to the production of a full business case which will include design and cost options for including ACHA and Strathclyde Police within the new office and that any occupation of the new offices by either party is on the basis of a leasing agreement over an agreed period of time and for an appropriate rent which enables the Council to recoup the construction cost of the additional office space.

2.3 That the FBC includes reassessed financial projections based on the anticipated disposal values in 2014 as advised by Graham & Sibbald Chartered Surveyors.

3. BACKGROUND

3.1 The Council having considered the content of the Outline Business Case – Proposed Helensburgh Office Rationalisation the Council approved the progression of the project to a full business case. The design and costing works necessary for the preparation of a full business case are underway with the FBC due to be prepared by December 2011.

3.2 The OBC recommended that Option 2b (CEC refurbishment and new build extension) was pursued on the basis of an 80% occupancy design. This option provides for a new build extension of 2,635 square metres (gross internal area) providing 123 permanent workstations for 154 staff.

3.3 Although asked if they had an interest in accommodation within the proposed new office at the inception of the project ACHA were unable to give any indication other than a request to keep them advised of progress. ACHA has now reverted to the Council indicating an interest in accommodation within the new office. Strathclyde Police have also expressed an interest in procuring office space.

3.4 The financial assessment of the various options contained within the OBC for the Helensburgh office rationalisation project were calculated with regard to projected capital receipts released from the sale of the current office accommodation following the completion of the new office. The financial assessments were undertaken using the marked down capital values assessed in 2008 following the collapse of the financial markets and also using predicted capital receipts in 2014 which anticipated a return to 2007 peak values. (see OBC Section 7 – The comparative financial analysis & Section 8 – The results of the option appraisal process)

4. CURRENT POSITION

4.1 Giving consideration to the anticipated accommodation requirements of ACHA and Strathclyde Police an additional 552 square metres of space is required at a projected build cost of £1,505,000. This takes the total construction cost to £10,195,212.

4.2 The Council has two possible option with regard to any occupation of the proposed new office by ACHA and Strathclyde Police, namely;

(a) Leasing the requisite accommodation to each party for an appropriate duration and for an appropriate rent.

(b) Accepting the appropriate capital contribution and allow ACHA and Strathclyde Police to be part owners.

Option 4.2 (a) would be the preferred option as allowing ACHA and Strathclyde Police to be part owners could bring future operational complications if either party decided to sell their interest and seek alternative accommodation. Option 4.2 (a) keeps control of the office within the Council and provided an acceptable deal can be structured with each party the Council will recoup its constructions costs over the duration of the agreed lease.

4.3 Structuring the rent and duration of any lease agreement with ACHA and Strathclyde Police to ensure the Council recoups its construction costs means the expense of providing the additional office space is ultimately cost neutral to the Council. An appropriate service charge to each party to recover operating costs will ensure the additional office space will have no impact on the affordability of the project.

Property Market

4.4 With regard to the continuing uncertainty in the property market the Council commissioned Graham & Sibbald Chartered Surveyors to reassess the projected disposal values of the various Helensburgh offices. The under noted table lists the original (2007) predicted disposal values and also lists the 2008 reassessed disposal values which were undertaken in response to the economic collapse and which were included as part of the final OBC put forward in February 2009.

The results of the recent reassessment of the disposal values are listed under the 2010 Value (£) heading and the final column in the table indicates the projected disposal values in 2014 when these various properties would come to be sold.

Property	**2007 Value (£)**	**2008 Value (£)**	**2010 Value (£)**	**2014 Predicated Value (£) Assessed 2010**
Blairvadach House	£5,000,000	£2,500,000	£2,750,000	£4,000,000
Marriage Room 25 West King Street	£100,000	£90,000	£90,000	£90,000
Scotcourt House	£395,000	£320,000	£265,000	£265,000
48/50 Sinclair Street	£370,000	£165,000	£150,000	£150,000
52 Sinclair Street	£52,000	£50,000	£50,000	£50,000
29 Lomond Street	£465,000	£320,000	£240,000	£240,000
Municipal Offices, 1 East Princes Street	£279,000	Not assessed	£250,000	£250,000
Total	£6,661,000	£3,445,000	£3,795,000	£5,045,000

4.5 As the table indicates disposal values have drastically reduced and even by 2014 are generally not predicted to have recovered to 2007 levels. The total capital receipt predicted in 2007 was £6,661,000 and this is now reduced to a current £3,795,000 with a predicted increase to £5,045,000 by 2014.

4.6 In addition to the reduction in capital values the anticipated marketing periods for the various offices has also increased. The under noted table indicates the anticipated marketing periods as assessed by Graham & Sibbald Chartered Surveyors.

Property	**Previous anticipated Marketing period**	**Revised marketing period**
Blairvadach House	12 Months	24 Months
Marriage Room, 25 West King Street	9 Months	12 Months
Scotcourt House	15 Months	18 Months
48/50 Sinclair Street	15 Months	24 Months
52 Sinclair Street	6 Months	9 months
29 Lomond Street	15 Months	18 Months

Municipal Offices, 1 East Princes Street	Not assessed	24/36 Months

5. FINANCIAL ASSESSMENT

5.1 The cost analysis undertaken within the OBC to identify the Net Present Value (NPV) of each option has been recalculated with regard to the preferred Option 2b to take account of the revised capital receipt estimates. The under noted table compares the NPV of the preferred Option 2b as calculated utilising the predicted 2008, 2010 and 2014 capital receipts;

Capital Receipts Estimate	**NPV (£M)**	**NPV (£) Optimism Bias Adjusted**
Option 2b – 2008 Capital Receipts	£6.5M	£7.1M
Option 2b – 2010 Capital Receipts	£6.2M	£6.9M
Option 2b – 2014 Capital Receipts	£5.1M	£5.9M

5.2 As the recalculated NPV figures demonstrate the greater the level of capital receipts obtained the cheaper the project becomes. For the purposes of this comparison the additional costs associated with the construction of offices for ACHA and/ or Strathclyde Police have not been included as any lease agreement with ACHA and/ or Strathclyde Police will be structured to ensure the Council recoups its additional costs and as such the additional expense is ultimately cost neutral.

5.3 The affordability analysis undertaken within the OBC in respect of the various options has been recalculated with regard to the preferred Option 2b to take account of the revised capital receipts estimate. The under noted table compares the annual affordability gap of the preferred Option 2b utilising the predicted 2008, 2010 and 2014 capital receipts;

Preferred Option – Capital Receipts Estimate Year	**Annual Affordability Gap (£)**
Option 2b- 2008 Capital Receipts	£249,000
Option 2b – 2010 Capital Receipts	£231,000
Option 2b – 2014 Capital Receipts	£148,000

The figures above take no account of the £2.5M of supported borrowing allocated to the Helensburgh office rationalisation project.

The figures above have been adjusted for optimism bias.

5.4 As the recalculated figures demonstrate the greater the level of capital receipts obtained the lower the affordability gap becomes. If the project progresses greater certainty over the various elements will apply and consequently the resultant mitigation of the optimism bias will hopefully see a further reduction in the affordability gap.

5.5 The evaluation of the options demonstrates that the do-minimum option is not financially viable.

6. RISK

6.1 At this stage in the development of the project there are no factors to mitigate the five red risks identified within the OBC.

7. CONCLUSION

7.1 As demonstrated by the cost and affordability figures listed at 5.1 and 5.3 respectively the reduction in the level of anticipated capital receipts increase the cost (NPV) of the project and widens the affordability gap.

7.2 Sale prices are predicted to have risen by 2014 but not to the peak levels enjoyed in 2007. Given the current state of the national economy there is a high degree of speculation regarding the likely level of sale proceeds in 2014. The possibility of not obtaining the anticipated capital receipts has been a 'red risk' from the outset of the project.

7.3 The provision of any additional office accommodation within the project for ACHA and/ or Strathclyde Police must be on the basis of either an upfront capital payment or an annualised equivalent rent over an agreed lease duration to ensure cost neutrality for the Council. An appropriate service charge agreement in respect of operational costs is also essential to ensure the annual affordability also remains financially neutral for the Council.

8. IMPLICATIONS

POLICY:	None
FINANCIAL:	
PERSONNEL:	None
EQUAL OPPORTUNITY:	None
LEGAL:	None

Douglas Hendry
Executive Director of Customer Services
2nd March 2011

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