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**ASSET MANAGEMENT AND CAPITAL PLANNING SUMMARY**

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**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 Council's 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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