

CAPITAL STRATEGY – UPDATE

1. EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to update the Policy and Resources Committee on development of the Council's Capital Strategy that will be ready for consideration and adoption early in the life of the new Council in 2022.
- 1.2 The new Capital Strategy will sit alongside the Medium to Long Term Financial Strategy (which has been subject to separate reports submitted by the Interim Head of Strategic Finance) and provide a 15 year vision for the investment in infrastructure in our Region. The Council's assets are wide-ranging from roads, schools, airports, parks, offices, piers, fleet, ICT to public toilets. The Capital Strategy will aim to be ambitious and also maximise the opportunity for leveraging other funding or collaboration with partners to deliver maximum value and efficiency linked to our expenditure. The Strategy must also face the challenges that we have of a forecast reduction in available capital whilst increasing costs and increasingly fragile / ageing asset bases.
- 1.3 A draft of the Capital Strategy is in circulation with internal stakeholders and is developing. This report aims to outline some of the key themes and principles that the Strategy contains and raise Members early awareness to them.

RECOMMENDATIONS

It is recommended that:-

- 1.4 The Policy and Resources Committee note and consider this update report;
- 1.5 Agree the high level principles and timeline of the emerging Capital Strategy as outlined as Para 4.2 for further development and subsequent submission to the Committee, and to the Council for approval.

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2. INTRODUCTION

- 2.1 Argyll and Bute Council's Local Outcome Improvement Plan sets out our overarching ambition that Argyll and Bute's economic success is built on a growing population. We are committed to delivering high quality services to our communities and investing in growing the population and economy of Argyll and Bute. We aim to set out a clear and strong direction for the Council which sets the scene for our capital ambition and investment in assets.
- 2.2 Our emerging Capital Investment Strategy considers how we can deal with short to medium term financial uncertainty by taking a longer term view of our capital investment and how this can be put to best effect to meet the needs of the area.

3. RECOMMENDATIONS

It is recommended that:

- 3.3 The Policy and Resources Committee note and consider this update report;
- 3.4 Agree the high level principles and timeline of the emerging Capital Strategy as outlined as Para 4.2 for further development and subsequent submission to the Committee, and to the Council for approval.

4. DETAIL

- 4.1 The Council is committed to developing a new Capital Investment Strategy for the new Council from early 2022. Work is already underway to produce this document for consideration in FQ1 2022/23.
- 4.2 The following high level principles and topics will be covered:-

A. Setting aim and ambition for our region for next 15 years;

Outline that this is a long term plan where not all projects will currently be funded but allows for Council to set strategic direction and articulate priorities including large scale investment.

B. Investing in our region – not just focussing on Council assets but also collaboration and leveraging of funding;

Investment requires to be smart and partnership particularly with other public sector organisations like NHS Highland, Police, Fire and others to ensure our communities are best served with sustainable public infrastructure.

C. Ensuring our investment is aligned to both national and regional investment and priorities;

Ensuring our strategy is consistent with investment from both UK and Scottish Government which particularly seek to support development of COVID19 Recovery, Net Zero, Inclusive Economic Growth and Resilient / Sustainable places.

D. Specific linkages to the Northern Infrastructure Commission

This new collaboration by all the main public bodies in ‘the North’ (Local Authorities, NHS Boards, Emergency Services, HIE, Zero Waste Scotland) has potential to deliver efficiencies and improve quality from business case development to construction. There will also be benefit in tackling some of the macro future challenges like energy transition, net zero or increased digitisation on a regional scale.

E. Medium to long term financial planning

Linking the capital strategy to the revenue position of the Council and forecasting the availability capital in future years. Current projections highlighting there will be a notable downturn in available capital resources and with ageing assets the focus will be on ensuring ‘asset sustainability’ is maintained for health and safety or operational requirements. Less funding will be available for service development or strategic change – unless additional grant or finance streams can be leveraged or we can divest ourselves of assets that no longer meet our requirements.

F. Asset & Project Groups

Proposing to have 8 Asset Groups and 2 Project groups as follows:-

The asset groups we have identified for planning are:

1. Property assets – all buildings including One Council (commercial income) LIVE Argyll & HSCP
2. Roads and related assets
3. Amenity assets
4. Education assets
5. Housing enablement
6. Transport infrastructure
7. Equipment, fleet and vehicles
8. ICT assets

In addition the Capital Investment Strategy introduces two project groups:

9. Economic Development
10. Climate Change

This will enable us to ensure that the capital funding we have available best meets the aspirations and ambitions of the Council in growing our economy and protecting our environment.

Reviewed and updated block allocations will be aligned to each of the asset groups and an Asset Manager (a Head of Service) be made responsible for each grouping. For each grouping projects and commitments will be identified which will require capital funding during the lifetime of the Capital Investment Strategy. In addition there will be an ongoing capital commitment to maintain the current assets to a usable standard.

A new Capital Investment Board (CIB) will be established and meet quarterly and the frequency of the meetings may increase at times of high activity (budget setting). The CIB will be responsible for the release of capital to individual projects through the development of Capital Prioritisation Plans and the scoring of business cases to a revised criteria. The Capital Prioritisation Plans will focus on the 3 types of projects, asset sustainability, service development and strategic change. A Capital Plan will be prepared for each of the 8 asset groups and replace the Service's Asset Management Plans.

G. Engagement with Elected Members

Engagement will take place early in life of the new Administration with elected members to check that the emerging priorities support their political priorities. Once the Administration has confirmed this, capital prioritisation plans are worked on and business cases are prepared. Service Development and Strategic Change projects will require satisfactory business case. Once the capital prioritisation plans are prepared engagement begins with all elected members in conjunction with the budget preparation.

H. Mapping & Geographic Clusters

Both funded and unfunded projects will be mapped and clustered on plans to highlight investment in our region. This is consistent with work going on with North Infrastructure Commission.

5. CONCLUSION

- 5.1 This report advises the Policy and Resources Committee on development of the emerging Capital Investment Strategy.

6. IMPLICATIONS

- 6.1 Policy – None at present – looking to shape updated policy in relation to Capital
- 6.2 Financial – None at present – looking to shape updated policy in relation to Capital.
- 6.3 Legal – None

- 6.4 HR – None.
- 6.5 Fairer Scotland Duty
 - 6.5.1 Equalities – Protected characteristics – None.
 - 6.5.2 Socio economic Duty – None.
 - 6.5.3 Islands – None
- 6.6 Risk – Failure to meet statutory requirements could have reputational implications for the council.
- 6.7 Customer Service – None.

Douglas Hendry - Executive Director with responsibility for Commercial Services
Date: 23rd September 2021

Councillor Sir Jamie McGrigor, Depute Policy Lead for Business, Regeneration and Commercial Development.

For further information contact:

Ross McLaughlin, Head of Commercial Services
Morag Brown, Business Improvement Manager