



CAPITAL INVESTMENT STRATEGY 2023 - 2038



Argyll and Bute Council

Capital Investment Strategy 2023-38

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1. Foreword from Leader and Chief Executive

With the Argyll and Bute Outcome Improvement Plan (ABOIP) being refreshed in 2023 it is important to prioritise investment that meets the changing strategic ambitions of our organisation, region and wider community. Also, inflation across many sectors over recent years has been at a record high so labour, materials and goods are costing more than ever, requiring us to prioritise spend on our most important activities. This is at the same time as public sector budgets in real terms are being reduced to meet national fiscal challenges. We are committed to delivering high quality services to our communities and stimulating and 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 investment ambition in assets and infrastructure.

Our 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. This is demonstrated in our corporate strategies and plans including our £70m Rural Growth Deal (RGD) which is key to stimulating economic growth, connecting our communities, growing businesses that do well and increasing skills in our area. Beyond the RGD, the competitive nature and bid style for grant funding awards from both Scottish and UK Government has become normal practice and it is essential our Council sets a framework to prioritise capital investment that best supports our ambitions – in essence a **pipeline of projects** is required to align to the ABOIP or other corporate aims to ensure there is targeted deployment of resources to achieve most efficient use of resource and limited capital and revenue. Work is currently underway to build a framework and consistent approach to mandating, recording and monitoring projects as they move through the various stages of a project lifecycle (or the pipeline).

It is clear that we cannot achieve our investment ambition on our own, we need to work collaboratively with communities and other stakeholders to make sure that we understand local needs and that we can deliver what we promise. Planning for the longer term and having ambition will also support the alignment of public funding with other organisations for the benefit of our region. We have to be realistic about what we can achieve with our known available resources, which is why we are working with partners to deliver economic and infrastructure improvements. By working with partners, we are ensuring that our resources can sit alongside and where available leverage external funding opportunities to optimise the benefits for our area. We need to invest for longer term benefit and address ongoing challenges such as climate change and digital connectivity but always be mindful that any investment must be undertaken in a prudent, affordable and sustainable manner.

Our strategic and financial management processes are essential for achieving financial resilience in uncertain times. We must use our property, land and available resources wisely and ensure that we attract appropriate external funding to our area. Our Capital Investment Strategy will continue to evolve and be updated as strategic influences change over time, as new challenges and opportunities present themselves and as the delivery of our investment ambition is realised.

CLlr Robin Currie
Council Leader

Pippa Milne
Chief Executive

2. Importance of the Capital Investment Strategy

Aim & Ambition

Argyll and Bute is recognised as one of Scotland’s most promising regions and we are ambitious for our future. As a council we need to make best use of our assets in a way that best benefits our local communities. We also need to be clear what our longer term ambitions are in order to commit, fund, leverage, bid or have meaningful dialogue with partners to deliver shared strategic infrastructure investments for our region. Our 15 year Capital Investment Strategy will support us to achieve the ambitions of our Corporate Plan and our emerging ABOIP and resource the delivery of our priorities such as:-

Emerging ABOIP

1. Housing;
2. Transport; and
3. Community Wealth Building

The Argyll and Bute Community Planning Partnership (CPP) has completed its community engagement on identifying the priorities for the next 10 years (2023 - 2033). A plan on how the CPP will seek to address these priorities will emerge in due course. Argyll and Bute Council will continue to be a leading partner in the partnership and ensure that the priorities of the CPP and the Council are aligned

Corporate Plan

4. People and Places – Our Core Business as a Council;
5. Potential & Growth – turning opportunities into reality;
6. Partnership & Action – everyone has a part to play in Argyll & Bute’s Success

The Local Outcome Improvement Plan is important in describing our partnership approach to investment and for engaging in open and frank dialogue with local communities and other stakeholders. Delivery of these local outcomes will help us to achieve our overarching vision for the Capital Strategy that is:

Delivering infrastructure that supports our ambition for a thriving Argyll & Bute

Investing in our infrastructure

It is important to recognise that the Scottish Government defines infrastructure more widely than all other parts of the UK, including digital, social infrastructure and natural systems.

The physical and technical facilities, natural and other fundamental systems necessary for the economy to function and to enable, sustain or enhance societal living conditions. These include the networks, connections and storage relating to the enabling infrastructure of transport, energy, water, telecoms, digital and internet, to permit the ready movement of people, goods and services. They include the built environment of housing; public infrastructure such as education, health, justice and cultural facilities; safety enhancement such as waste management or flood prevention; natural assets and networks; and public services such as emergency services and resilience.

(Scottish Government – Infrastructure Commission)

To this extent, the Council’s long term investment of many millions of pounds of infrastructure must be viewed as a cornerstone for our region’s development across many forms including physical

buildings, digital, transport and regeneration of our towns and villages. This Capital Strategy also aims to align our longer term thinking and priorities for infrastructure investment with other public bodies such as NHS Highland, Police Scotland, Scottish Fire and Rescue, Further Education providers, Registered Social Landlords and other public sector organisations to ensure best value is achieved from public investment. This movement towards more consolidated and regional capital planning across the public sector also aligns to the Infrastructure Commission, the North Infrastructure Commission and hierarchy of development principles.

Capital Investment in 2023

In preparing this long term strategy it is important to set the scene of current conditions and issues that are considered relevant to investing in future infrastructure. These are as follows: -

Geography

Argyll and Bute covers an area of 691,000 hectares, making it the second largest local authority area in Scotland. Our area has the third sparsest population density of the 32 Scottish local authority areas, with an average population density of just 13 persons per square kilometre. Argyll and Bute has 23 inhabited islands (Census 2011) more than any other local authority in Scotland with around 17% of the population living on Islands (Census 2011). The area is also home to several long sea lochs, which bisect the landscape and along with the islands give Argyll and Bute a very long coastline and a higher level of reliance on ferries for travel. Almost 80% of the population live within one kilometre of the coast (Scottish Coastal Forum, 2002). The main settlements tend to be at the extremity of the mainland area creating significant population dispersion in addition to low population density. The size of the area and population dispersion require multiple facilities for service delivery to ensure services are delivered close to users and communities. The distance between main settlements and use of ferry services create challenges in terms of reliability, time and cost of travel. The geography of Argyll and Bute cannot be changed so the challenge is how to best use our assets to minimise the impact of any real or perceived obstacles.

Our asset base is diverse and includes 2,310 km road, 901 bridges, 118 car parks, 39 piers and harbours, 3 airports, 131 burial grounds, 30 children's play areas, 92 school buildings, 3 children's houses, 6 care homes, 2 hostels, 6 community centres, 4 leisure centres, 5 halls, 6 libraries, 28 office buildings owned and 8,528 PCs, laptops and communications equipment.

Population decline

Our ambition is to reverse the economic decline of the area. To turn opportunity into success we must reverse the decline in our population. Population forecasts estimate that by 2027 Argyll and Bute will need another 10,000+ people to maintain services and more to drive business development and deliver services for Argyll and the West Coast of Scotland.

COVID Recovery

The global pandemic has had a major impact on both our communities and economy on a scale not previously witnessed. As we recover and implement measures as outlined in our Council Recovery Plan, continuing to invest in infrastructure is vitally important to allow our communities to bounce back. This can be especially challenging as the current experience is that the pandemic has materially increased the cost of many construction, labour and supply chains causing budget pressure. Whilst short term impacts are currently being absorbed through normal budget management there needs to be close monitoring of the long term impacts of covid in terms of locations that require investment and long term sustainability if costs do continue to be higher than identified budgets. The Councils Recovery Plan also identifies that recovery needs to be underpinned by 'green' principles to assist with fulfilling our regions aspirations for achieving net zero.

Climate Change

Our region benefits from natural assets, geography and societal circumstances including high tree cover, peat bog, low density population and low polluting industries to mean Argyll and Bute is the lowest CO2 producing region per capita in the UK. In addition, our landscapes and natural conditions also make it an ideal location for investment in renewable energy like hydro, wind turbines, solar, wavepower and sequestration like woodland planting and peat bog restoration. Whilst our region is well placed there is much more that can be done by the Council directly and in partnership with others to deliver net zero and in advance of the 2045 backstop date. Technology, science and national approaches to climate change are evolving rapidly so this is an area that careful measured will be required into infrastructure for the long term. It is also expected that energy transition and movement away from fossil fuel will evolve and we have already implemented the replacement of some of our existing petrol/ diesel fleet to electric or hybrid and oil heated buildings to air source heat pumps or biomass. This will be an area of significant growth and investment in the next 15 years and one which we should play to our regional strengths.

Assets that don't meet our communities needs

It is clear that we cannot achieve our investment ambition on our own, we need to work collaboratively with communities to make sure that we understand local needs and that we can deliver what we promise. A place based approach will be essential to this.

We have to be realistic about what we can achieve with our known available resources, which is why we will work with partners to deliver economic and infrastructure improvements.

Rural Growth Deal

Our Rural Growth Deal (RGD) is key to realising this ambition and identifies the key growth sectors that will keep our region competitive. The Rural Growth Deal is a £70m 10 year programme of mixed capital and revenue investment for our region. This Capital Strategy is supportive and complementary of the RGD. It is considered essential to keep Argyll and Bute competitive in a global economy, stimulate economic growth in our key business sectors and reverse the decline in our population. Informed by extensive research and public consultation, the Council, working in partnership with a number of key stakeholders has developed the Rural Growth Deal in dialogue with UK and Scottish Government representatives and the Scottish Futures Trust. Project themes in the deal are identified as investment priorities focusing on our key economic strengths and the critical infrastructure, skills and education required for growth. These are:

Connecting: our high value and growing business sectors with national and international business markets; our economic local successes with national strategic priorities.

- Transport (road/air routes to market)
- Digital
- Business innovation

Attracting: additional skills, training and learning opportunities; new residents, visitors and business.

- Skills, training and education
- Accommodation (housing and business)
- Places to live, work and visit (community-led regeneration)
- Centre of excellence

Growing: doing more of what works; making more of our natural and built resources.

- Aquaculture
- Tourism
- Low carbon economy

3. A national & regional approach

The majority proportion of Council capital funding to deliver our capital plan comes from Scottish Government (General Capital Grant and Specific Ring-Fenced Capital Grants). It is therefore a requirement to align this Capital Strategy and our capital planning assumptions to other national and regional priorities or policy context.

National Policy Context

In 2021/22 the Scottish Government set out its first ever 5 year Infrastructure Investment Plan 2021-22 to 2025-26 or IIP. The IIP has been published alongside the Capital Spending Review for the same fiscal period, allowing it to tie the IIP in with the government's financial planning. The plan outlines £26 billion of Scottish Government investment to be spent over the next parliamentary term, with spending falling under three strategic themes: sustainability and a net zero economy; driving inclusive economic growth; and building resilient and sustainable places.

There are also a number of key themes around:-

1. **COVID-19** - The Scottish Government plan to use capital investment to support around 45,000 construction and maintenance jobs, with a particular focus on green jobs. Covid has also accelerated plans for digital connectivity, particularly in rural and remote areas such as Argyll & Bute. As a result, through significant capital investment in digital services - for example, Digital Scotland Superfast Broadband - the Scottish Government hopes to better support home-working. There is also commitment for £550m investment in active travel (cycling and walking), to free up space on public transport for those who most need it. This will translate into adaptations to roads, creation of new cycleways or pavement reconfigurations.

2. **NetZero** - This is one of most substantial priorities for spend as it looks to address climate change. Investment here includes:

- £180 million for an Emerging Energy Technologies Fund to support carbon capture and storage, negative emissions technologies and hydrogen development;
- £150m extra funding for flood risk management;
- £120m in transition to net zero electric buses;
- £1.6 billion over 5 years to decarbonise heat in buildings;
- £1.2 billion to enhance Scotland's railways.

A key strategy here is the adoption of an "Investment Hierarchy". This initiative essentially favours the improvement and repurposing of existing assets over the creation of new ones. There will also be an increased spend on maintenance to ensure the longevity of existing assets.

3. **Inclusive economic growth** - The Scottish Government is looking to improve the connectivity of the various regions of Scotland investing in transport infrastructure, including by doubling its investment in bridge and roads maintenance to around £1.5 billion. It also hopes to benefit industry and tourism in rural and remote regions by investing £220 million in agricultural support and £30 million in delivering a National Islands Plan, which includes ring-fenced funding for green capital projects on the islands.

4. **Resilient and sustainable places** - The biggest spend in the plan is this category: over £3.3 billion allocated to deliver more affordable and social homes. There is also focus on healthcare, with health maintenance investment totalling £1 billion. Schools will also see investment, with £2 billion allocated

the Learning Estate Investment Programme (LEIP), with our Council expressing an interest in a new facility on Mull.

Regional Context – North Infrastructure Commission

During 2021 Argyll and Bute Council has been a supporting partner to the North Infrastructure Commission (NIC). The NIC was established to develop a 15-year vision for infrastructure in the 'North' (which Argyll & Bute are categorised). The NIC has been established under the leadership of Hub North Scotland Strategic Territory Partnering Board and Scottish Futures Trust. Partners include Highland, Moray, Orkney, Shetland, Western Isles, Aberdeenshire, Aberdeen City Councils', NHS Grampian and Highland Health Boards. Police Scotland, Scottish Fire & Rescue, HIE and Zero Waste Scotland are also partners. Bringing such a large number of public sector bodies together to deliver a long term infrastructure plan is evolving and at an early stage however the opportunities for collaboration, shared prosperity, leveraging funding, efficiencies of scale and knowledge transfer are significant – particularly on some of the future and shared strategic challenges such as delivery of energy transition, regional transport or connectivity in rural or isolated areas.

At the centre of the NIC also sit a number of key themes including 'place' and 'place based reviews', which aims to bring the public sector partners together in collaboration to create bespoke assets and infrastructure for the town or village they operate to meet the needs of the customer of community. This tailored approach is key to success of future capital planning particularly in the context of the Governments *investment hierarchy* where existing buildings are prioritised to be repurposed or shared with others before new build is considered. Place based reviews are already underway in Dunoon, Lochgilphead & Rothesay with our partners NHS Highland and Health and Social Care Partnership. Future place based reviews are also planned for Mull to site selection should our bid for the Learning Estate Investment Programme (LEIP) be successful.

Vision for NIC:

“Support the transition to a net zero society by 2045 and improve service outcomes and benefits from future investment in infrastructure for the North of Scotland” working to a set of Strategic Goals:

Strategic Goal #1 – Create a coordinated hierarchy-based investment plan for social infrastructure investment.

Strategic Goal #2 – Assess opportunities to improve outcomes and drive commercial efficiencies, stimulate inward investment, create inward migration to the region by making the best use of resources, leveraging supplementary public and private funding to support growth.

Strategic Goal #3 – Develop an infrastructure assessment framework and methodology creating a wellbeing economy with sustainable and inclusive growth for all, founded on place needs, integration, collaboration and improved public service outcomes.

One of the main outputs from the NIC will be a map of all identified social infrastructure needs including unfunded and funded priorities over 15 years in the north. This North Infrastructure Investment Plan (NIIP) will allow for the regional needs to be considered and identify clustering, efficiencies of scale, integration, funding leverage or sharing of experience. One of the recognised barriers to true shared working with other public sector partners has also been non-alignment of capital programmes, different governance structure / timings, different sources of funding and differing internal priorities. Through progression of the NIC and NIIP these challenges should be eroded as common priorities and investment is sought.

4. Medium to Long Term Financial Planning

This Capital Strategy also sits alongside and is underpinned by the 'Medium to Long Term Financial Strategy' of the Council. This document acknowledges that our Council, like all councils, faces significant financial challenges and is required to operate within tight fiscal constraints for the foreseeable future due to the continuing difficult national economic outlook and increased demand for services. It also recognises the Council's duty to set a prudent, sustainable budget, and seeks to provide a practical foundation for the provision of the best possible value for money in the delivery of Council services in the longer term. The Council recognises that demand for capital asset management funding outstrips supply and balancing this issue, and associated priorities, has been and continues to be a fundamental aspect of our asset management planning and capital strategy.

Funding for the capital plan comes from Scottish Government (General Capital Grant and Specific Ring-Fenced Capital Grants), other capital grants, capital receipts from asset disposals, revenue contributions to capital, earmarked reserves, prudential borrowing and borrowing funded by the loan charges provision in the revenue budget.

The Scottish Government receive a grant for capital spending from the UK Government which is then allocated to individual Local Authorities. The capital block grant has reduced year on year since 2017/18 through to present and with flat cash settlements feeling like reduction given sharp rise in inflationary rates. The Scottish Government also undertook a Capital Spending Review which indicates that the capital settlement for the next five years is likely to remain constant.

The impact of the COVID-19 pandemic saw a reduction in capital receipts since 20-21 and slippage within the Council's capital programme.

Current Capital Forecasts

At present, as with other Local Authorities, our Council obtains the Scottish Government Capital Grant Funding (referred to above) on a single year basis. This therefore makes solid capital planning for the medium and long term less certain as budget assumptions have to be made for any period over 12 months. Notwithstanding this, the Scottish Government has indicated that 3 year settlements should be forthcoming in future years and our Council already adopt a 3 year rolling capital plan which is reviewed on an annual basis alongside the full Budget. The Current capital plan as agreed in February 2023 is:-

Capital Block Allocations					
		Already within existing capital plan - not additional funding			Based on 22-23 actual settlement
	%	2022-23	2023-24	2024-25	2025-26
		£'000	£'000	£'000	£'000
Education	26	2,920	2,243	2,226	2,219
Customer Services - IT	9	1,011	777	771	768
Customer Services - Facilities	5	561	431	428	427
Roads & Infrastructure Services	46	5,165	3,969	3,939	3,927
Vehicles (added to RIS)	4	449	345	343	341
HSCP (IJB)	5	561	431	428	427
Live Argyll	5	561	431	428	427
	100	11,229	8,628	8,563	8,536

Categories of investment

The projects within the capital plan are categorised as either asset sustainability, service development or strategic change with a definition of each category as noted below:

- **Asset sustainability:** this encompasses projects related to ensuring existing assets are fit for purpose/continue to be fit for purpose based on existing use.
- **Service Development:** with a focus on enhancing the current asset to improve its fitness for purpose or its efficiency and effectiveness. Service development would cover construction/acquisition of new assets to replace existing assets on a like for like basis or investment in assets to enhance service delivery based on existing use. Projects in this category would typically be under £1,000,000 in capital costs.
- **Strategic Change:** with a focus on a significant investment across the service asset portfolio to support fundamental service development. The requirement for this investment would be driven by corporate priorities. Projects in this category would typically be at least £1,000,000 in capital costs.

The breakdown based on categories is as follows:-

Category	2022-23 £000s	2023-24 £000s	2024-25 £000s	2025-26 £000s	Total £000s
Asset Sustainability	21,685	26,775	8,933	9,082	66,475
Service Development	7,690	2,013	20	0	9,723
Strategic Change	17,462	33,932	28,356	29,700	109,450
Overall Total	46,837	62,720	37,309	38,782	185,648

This table highlights the balancing of investment across asset sustainability, service development and service change, across the overall plan. Based on the current planning the importance of ‘asset sustainability’ is recognised and ongoing investment is needed to be allocated to our existing assets to ensure they remain relevant and fit for purpose. This is the significant proportion of our funding to keep the ‘like for like’ still functioning. To this extent, collective service re-design or opportunities to rationalise need to be considered where it is appropriate to do so.

Furthermore, due to increasing cost of utilities, rates and maintenance it is even more important to divest ourselves via rationalisation, repurposing or asset transfer of building assets that are surplus to operational need. We must be bold and innovative by working with partners and embrace modern working methods to maximise opportunities – much of which is already underway or being implemented by Our Modern Workplace (OMW) Programme. The underlying principle is to reduce the footprint of our built estate as this would limit the increasing spend on asset sustainability, utilities, rates and maintenance with resource being re-diverted into other priorities for the Council such as direct service provision, service development or strategic change.

It is these latter areas of Service Development and Strategic Change that require the longest lead in or mobilisation period due to their often large scale or level of investment required. There may also be requirement to leverage in support or funding from other sources which can be complex or increase timescales for Business Case Development. It is these categories that will benefit most from a longer term approach and strategy on Capital. Big and complex change such as delivering regional net zero, big transport investment or digital connectivity will also benefit from a coordinated and collective leadership towards infrastructure planning over a 15 year period.

It is also noteworthy that Capital receipt estimates from the sale of assets are reviewed annually and reported to Council as part of the budget report. This is particularly relevant as in the wake of the global pandemic forecasting for receipts is predicted to slow or downturn.

At present, Business cases for capital projects are prepared and assessed by the Asset Management Board before being put forward for inclusion within the capital plan – the scoring of business cases is assessed by impact, affordability, deliverability and risk. Slippages/accelerations are reported as part of the budget monitoring process and are given consideration as to whether other projects can be accelerated/slipped. Under and over spends on projects are managed within the overall programme unless they are significant in nature or require additional resource.

Work is currently underway to build a new framework and consistent approach to mandating, recording and monitoring projects as they move through the various stages of a project lifecycle called Pipeline of Projects and being led by Chief Executive Unit.

Long Term Capital Grant Estimates

The estimate of capital grant funding for the long term is outlined in the table below.

Scenario	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	2030/31 £000	2031/32 £000
Best Case	10,481	10,690	10,904	11,122	11,344	11,571	11,803	12,039
Mid-Range	9,876	9,876	9,876	9,876	9,876	9,876	9,876	9,876
Worst Case	9,295	9,109	8,927	8,749	8,574	8,402	8,234	8,069

Currently, the estimated funding for the long term is not committed to any projects, however, there needs to be awareness that a large proportion of the capital funding will be required to sustain the current asset base under asset sustainability in order to meet health and safety requirements, for example, re-roofing, replacement windows, roads reconstruction. Therefore the importance of successful bidding to structural funds, partnership working and winning funding from other sources to deliver Service Development or Strategic Change projects will be become even more important. There has been an increased number of new funds announced recently like UK Government Levelling Up, Future Transport Fund, Learning Estate Investment Programme and National Islands Plan that may be targets depending on the requirements.

5. Our approach to Capital and Infrastructure Investment

In order to manage and plan investments appropriately our assets have been grouped into 8 categories. Prioritisation and themed investment is also suggested depending on the asset.

Asset Groups

The asset groups we have identified for planning are:

1. Property assets – all buildings including operational, commercial LIVE Argyll & HSCP
2. Roads and related assets
3. Amenity assets
4. Education assets
5. Housing
6. Transport infrastructure
7. Machinery, fleet and vehicles
8. ICT assets

In addition the Capital Investment Strategy introduces two asset themes:

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.

For each grouping the following projects and commitments have been 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.

1. Property assets

Property assets are essential to supporting the services delivered by the council. Managing these assets is a structured process which seeks to ensure best value for money and improved performance in meeting strategic needs. Property assets include shared offices, LIVE Argyll properties, Health and social care properties, children's homes, day centres, care homes, customer service points, leisure centres, halls, community centres and libraries.

It will also include buildings like public conveniences, depot buildings, stadiums & pavilions which historically have been held on separate accounts or budgets. These will move to being managed corporately by the Property team on behalf of the whole organisation and this will require the realignment of budgets in recognition of this change.

Notably this category also includes commercial property assets and our investment portfolio where revenue is created through the lease or licence of property. This income is then reinvested into other priorities of the Council. The growth of investment opportunities and generation of long term revenue on Council owned property will be prioritised through the development of a Commercial Investment Team and Programme.

Priority projects being taken forward for this category will include:

- Improvements to the physical environment, maintenance and suitability
- Commercial Priority Projects and One Council income generation
- Asset rationalisation

- Regeneration projects
- Colocation and shared office space
- Energy efficient buildings
- Climate change related investment and projects
- Community use of our buildings
- Support for delivery of council priorities and improved community outcomes

2. Road related assets

Roads related assets are the council's largest and most visible asset. The network includes roads, footways and cycleways including lighting, signage, vehicle barriers and drainage. Roads related assets include structures such as bridges, retaining walls, coastal protection and slope stability infrastructure. As this is a highly visible part of the council's portfolio adequate maintenance is essential to ensuring the existing infrastructure supports the communities of Argyll and Bute.

Priority projects being taken forward for this category will include:

- Improvements to the physical environment and suitability
- Reconstruction
- Maintenance
- Road related construction
- Flooding infrastructure
- Major infrastructure projects
- Addressing or adaptation for climate change
- Active Travel

3. Amenity

The aim of this asset group within the capital programme is to provide fit for purpose amenity assets that support high quality service delivery and meet the needs of our communities, whilst minimising costs and future liabilities.

Priority projects being taken forward for this category will include:

- Cemetery expansion including internal bridges, walls and roads
- Playing fields and public park commitments including internal bridges, walls and roads
- Public Convenience improvements and rationalisation
- Improvements of amenity spaces
- Playparks

4. Education

This asset group includes, in addition to planned maintenance, large scale or specific projects to build, extend or substantially improve the Education estate. Our Learning Estates Strategy provides the framework and prioritisation for improvements to our schools and will ensure our buildings are no longer used in isolation for the delivery of education but rather should be a hub for the local community. We will look at the sustainable use of our learning estate, moving forward buildings will support the community in addition to being centres for learning and teaching.

Priority projects being taken forward for this category will include:

- Improvements to the condition and suitability
- Potential new school projects and whole school refurbishments – notably a LEIP bid for Mull
- Delivering community and commercial opportunities from Learning Estate
- Improving environmental performance of the Learning Estate

5. Housing

Housing development is principally funded through the Strategic Housing Fund. However, in 2023 the Council have declared a housing emergency and new and innovative options are currently being considered to intervene and improve current circumstances. A Housing Delivery Group has been established to identify current challenges and seek solutions. The SHF is primarily funded by revenue raised through a decision to reduce the discount awarded to Council Tax on empty and second homes in Argyll and Bute. Housing is a growing area of focus and re-fresh of ABOIP plus Council direction in 2023 is likely to grow intervention and focus on the subject matter. The Council has already agreed to extend the funding criteria to include community groups as well as Registered Social Landlords, providing they secure a Rural Housing Fund and/or Island Housing Fund grant from the Scottish Government. In order to enable larger housing developments there can be a requirement for investment in enabling infrastructure which would support the growth of communities ensuring we meet the ambition in the local development plan.

Projects taken forward in this area could include:

- Contributions to social housing developments
- Enabling infrastructure such as access roads
- Investment in other tenures of housing
- Land acquisition
- More innovative measures as defined by Housing Delivery Group

6. Transport infrastructure

The Council has given a commitment to ensure that our infrastructure is safe and fit for the future; that our communities are protected and supported; that we are efficient and cost effective and that we provide support, prevention and opportunities to help people make better lifestyle choices. A key part of the Council's vision is to ensure that our diverse geographic location with remote, rural and island communities is fully taken into account when distributing funding. To that end, the Council has a 10 year asset management plan in place for all of its 39 piers and harbours. The Council's transport infrastructure is a valuable asset – as such, both capital and revenue funding is carefully allocated to ensure the future of related infrastructure is safeguarded for all.

Projects being taken forward include the construction, reconstruction, improvement of and maintenance of:

- piers
- harbours
- airports

7. Machinery, fleet and vehicles

This asset group comprises plant such as road rollers, hot boxes, ride on lawnmowers etc; fleet items such as bin lorries, gritters and school mini buses; as well as vehicles like pool cars, including an increasing amount of electric/hybrid vehicles. There is a government requirement to make all small vehicles and cars

electric by 2025 but is currently unfunded. These assets are crucial in allowing the Council to deliver its public services across such a large and geographically diverse area, with effective fleet allowing us to support frontline services to meet our statutory requirements in terms of legislation such as the Roads Scotland Act and the Environmental Protection Act. In considering capital investment it is important to consider whole life costings and any potential future revenue implications, positive and negative e.g. the revenue implications for maintenance should reduce following capital investments.

Projects being taken forward include:

- Equipment replacement
- Vehicle replacement
- Waste disposal provision
- Phasing in the use of electric and hybrid vehicles including electrical charging facilities

8. ICT assets

This asset group includes planned maintenance of key council wide infrastructure and supports major change projects designed to help the Council become a “forward looking and ambitious” organisation through the delivery of reliable and efficient ICT Services, by maximising access to information to support better quality decision making, via continuous improvement, and supporting a change in work styles. The Council’s ICT and Digital Strategy illustrates the Council’s expectations for ICT services to seek further opportunities to contribute to an on-going transformation programme and to help deliver the greatest service delivery efficiencies possible.

Projects being taken forward include:

- Digital first strategies
- Artificial Intelligence
- Replacement and rationalisation of new business applications
- Mobile technologies
- Infrastructure and Digital Foundations/ Core Technologies servers and storage
- Security and Compliance
- PCs, and Laptops
- Internet of Things (IOT)
- Enabling An Agile And Flexible Workforce
- Customer Engagement
- Education ICT and Virtual Learning

Project Themes

As well as the defined asset categories listed above there are 2 specified project themes which are concerned with capital spend and infrastructure investment that are cross cutting across the organisation. Both of these categories already have dedicated governance through their own Boards so the role of the Capital Investment Board will be amended accordingly for these projects.

9. Economic Development

This group has historically been amongst the largest portfolio of capital spend for the Council and in recent years has included the strategic change projects of Helensburgh Waterfront, CHORD Improvements, Rothesay Pavilion and Queens Hall Dunoon. Currently the Oban & Lorn Arc Tax Incremental Financing (TIF)

Project and Rural Growth Deal (RGD) are underway at varying stages. These large projects transcend a number of years and it is proposed update reporting is provided to the Capital Investment Board whilst governance is delegated to the respective project or programme board. Due to the significance of these projects capital monitoring will be key to overall budget performance of the Council.

10. Climate Change

This grouping is varied and all departments have a role to invest in projects to help the Council and region achieve its net zero target by 2045. This may include energy efficiency, creation of renewable energy, sequestration or removing fossil fuel reliance. All such projects are reported to the Climate Change Board and thereafter will be heard by the Capital Investment Board for review of Business Case.

Area Plans & Pipeline of Projects

The Council is committed to the creation of Area Plans following Budget decisions in 2023. Work is ongoing across the Council to develop Area Plans for defined geographic locations during 2023/ 24 and beyond. Whilst the exact form of these plans or groupings is currently unclear it is likely they will have an influence on investment priorities and scoping infrastructure for our region. We can expect these ambitious plans to shape the future capital investment and prioritisation of spend in terms of Council's asset base like property assets, roads & related assets, amenity assets, housing assets, education assets, transport infrastructure, ICT Assets and Equipment fleet and vehicles.

Area Plans are also likely to identify investment from both private and public sector that sets ambition plus confirmed and unconfirmed projects some of which will currently be unfunded or aspirational. This work is in effect a framework to coordinate and ensure corporate awareness of potential future development and inform future years Capital Planning.

In a similar vein, work is ongoing to develop a Pipeline of Projects which includes both funded and unfunded workstreams that support the strategic aims of the Council, our communities or region. Given the current landscape of government funding which is bid led it is increasingly important to develop projects / propositions to an Outline Business Case in order they can be drawn down ready to submit to these competitive (and usually with tight timescales) processes. Work and alignment with this Pipeline of Projects and Capital Planning will continue.

6. Governance and assurance

The Capital Investment Strategy, corporate Asset Management Strategy and capital programme provides a strategic framework for securing best value in the use of the council's capital resources and asset infrastructure. Our Capital Strategy aims to take a whole organisation approach to prudent, sustainable and resilient investment.

This new strategy sets out a refresh of the process and greater inclusion of elected Members when setting category priorities over the medium term.

To ensure that the Strategy is translated into ongoing delivery at operational level, the following revised governance arrangements are proposed.

The aim is to have a review and refresh of current arrangements so notably some terminology is changing including:-

- **Strategic Asset Management Board (SAMB)** is being replaced by **Capital Investment Board (CIB)**;
- **Service Asset Management Plans (SAMPS)** are being replaced by **Priority Investment Plans (PIPS)**;

Role of elected members

The Council's Constitution and Financial Regulations provide a robust framework for monitoring and reporting the Capital Investment Strategy and plan. In setting the Budget elected members approve the Council's capital expenditure and decisions relating to the control of the Council's borrowing requirement. The Council's Constitution details the specific delegations. The principal delegation in relation to capital investment and asset management planning including monitoring lies with the Policy and Resources Committee as per the Council Constitution.

The annual review of capital programme is linked to the budget and service planning process. The management of the capital programme is undertaken by the Capital Investment Board and recorded on Service Asset Management Plans and Group Asset Management Plans (SAMPS + GAMPS) which are reported to ELT and form part of budget pack. The SAMPS/ GAMPS templates have undergone a redesign in 2022/23 and are now considered to be more accessible and focussed documents that better support Member decision making and scrutiny. As part of this refresh of arrangements and to better reflect that we are prioritising spend per service it is proposed to rename the new version SAMPS/ GAMPS template as Priority Investment Plans (PIPs). The PIPs are developed in year, services will engage with Departmental Management Teams and Policy Lead to identify priority projects. Engagement will take place early on in the process with the elected members to check that the emerging priorities within the PIPs support their priorities.

For the avoidance of doubt, there will require to be a certain level of operational asset sustainability to maintain service delivery e.g. maintaining buildings as wind and watertight or ensuring health and safety requirements are met. This will be set out by officers and any change to this will require wider changes to service delivery.

Prioritisation of asset sustainability and service development investment in line with priorities with an understanding of the anticipated impact of investment e.g. roads resurfacing or school suitability where investment may not be essential but reduced investment may lead to deterioration.

Once the Council has confirmed Priority Projects within the PIPs, the residual block allocation can be allocated to other requirements. Service Development and Strategic Change projects will require satisfactory business cases. Once the PIPs are prepared engagement begins with all elected members in conjunction with budget preparation.

The Capital Investment Board (new name – formally the Asset Management Board)

The Asset Management Board – as currently known – will be wound up and replaced with a new Capital Investment Board. The membership of the board will be reviewed but the intention will be to have Financial Services and asset leads / Heads of Service or 3rd Tier present thereby increasing strategic influence and prioritisation.

The capital programme will be prepared and monitored by the Capital Investment Board chaired by the Head of Commercial Services.

The Asset Groups have been allocated to the members of the board:

Asset Group	Responsibility
Property assets	Commercial Services

Roads and related assets	Road and Infrastructure Services
Amenity assets	Road and Infrastructure Services
Education assets	Education Service
Housing enablement	Commercial Services
Transport infrastructure	Road and Infrastructure Services
Equipment, fleet and vehicles	Road and Infrastructure Services
ICT assets	Customer Support Services
Economic Development	Development and Economic Growth
Climate Change	Commercial Services

The Capital Investment Board will meet quarterly and the frequency of the meetings may increase at times of high activity (budget setting). Financial Services will be present for every meeting and update on position and monitoring of capital expenditure at an executive level. Other Project Managers or support may be called in depending on nature of agenda. Reporting to the Capital Investment Board will be in accordance with the principles of good project management i.e. reporting by exception, to ensure effective use of the Board's time and to ensure the Board's input is maintained at a strategic level.

Services will notify the board of emerging projects and priorities. The board will use block allocations as the starting point when preparing the capital programme. The existing formula for block allocations is based on GAE and this will be reviewed in 2022/23 and be in place for the setting of the capital programme in 2023/24. Block allocations relate to the general capital grant allocated from Scottish Government and excludes other specific grants e.g. rural deal, coastal communities fund and any other source of external funding.

Capital will be allocated to individual projects through the development of the PIPs or funding obtained through other sources – for example externally funded or grant awarded projects. The PIPs focus on the 3 types of projects, asset sustainability, service development and strategic change. A PIP will be prepared for each of the 8 asset groups and replace the Service Asset Management Plans. The PIPs will be prepared by Officers and signed off by the Capital Investment Board.

PIPs will also be prepared for Economic Development and Climate Change projects and all projects within these plans will require business cases.

In addition, all new service development and strategic change projects within the capital programme will be required to develop through to Outline Business Case i.e. they will be supported by a Strategic Outline Programme (SOP) [Gateway Review Stage 0 – Strategic Fit] to determine the strategic context; and a Strategic Outline Case (SOC) [Gateway Review Stage 1 – Business Justification] which will scope the proposal. All strategic change projects will be required in turn to develop a full business case. Asset sustainability projects do not require a business case of any type as information on the condition and suitability of the asset is available. All business cases will be scored and prioritised by the Capital Investment Board even if they are to be approved by another board / governance structure.

Business cases for specific grants e.g. rural deal, Crown Estate funding and any other source of external funding should be presented to Capital Investment Board for scoring and recommendations.

The role of the Capital Investment Board is:

- To ensure that decisions in respect of capital funding are aligned to the council's strategic priorities, are affordable and deliverable;
- To scrutinise the business cases for strategic change and service development, including the stated benefits from the capital investment, as well as the council's asset sustainability priorities;
- To ensure that Capital Prioritisation Plans are prepared for a 5 year period, reviewed and updated annually – services will be responsible for informing the appropriate Asset Category Head of Service of their particular service's current and future operational requirements for each asset or category of assets;
- To ensure effective consultation with Services to determine and document their future needs;
- To develop appropriate criteria to determine the prioritisation for capital investment in assets;
- To monitor the on-going delivery of the programme of individual projects to ensure delivery against budget, programme and quality criteria and manage slippage and accelerations;
- To provide direction to any projects which are in exception;
- Monitor the progress in delivering capital projects on a programme basis with overview material slippage or acceleration to meet the priorities of the Council;
- To evaluate the success of delivered projects in the context of the benefits (forecast and delivered) and, by extension, the overall return on the capital investment.

The Executive Leadership Team (ELT) will set the direction within which the Capital Investment Board operates. Capital Prioritisation Plans are scrutinised and challenged by the Capital Investment Board and interdependencies identified. Implementation programming begins and resources allocated. Capital Prioritisation Plans are in turn issued to Departmental Management Teams (DMTs) for information and approval before submission to ELT.

Monitoring and Reporting:

The progress of capital projects is reported to Executive Leadership Team (ELT) and the Policy and Resources (P&R) Committee via the PIPS Process, capital monitoring report included in the financial monitoring pack. This ensures that management and Elected Members have an understanding of projects that are progressing as intended and also ensures early identification of projects that may not be progressing as expected and allows action to be taken to rectify this where possible. This information is collated from project managers monthly where they provide updates on year to date spend, slippage/accelerations, variances between projects, total project spend project timescales, project benefits and project risks.

The estimates, as reported within the capital plan monitoring, are then factored into the treasury management reports to ensure that regard is given to the treasury position. When we have a better view of our capital investment requirement and ambition in our capital investment plan, we will aim to summarise the treasury position, where relevant to the Capital Investment Strategy, in future iterations of the Capital Investment Strategy.

When the Council is better able to extend the capital plan to a period of up to 15 years, it will enable an improvement in the management of the forward balance sheet position. It will enable an extension of the Capital Financing Requirement (CFR) profile, which in turn will enable a much more realistic delivery profile and stronger view of the potential borrowing requirement.

A diagrammatic of the governance arrangements is shown at **Appendix A**.

7. Reviewing the Capital Investment Strategy

The Capital Investment Strategy has been informed by research into strategic influences as well as discussions with officers across the Council. The Strategy will be put to elected Members for review and discussion during 2023.

The programme and list of investment priorities will be updated on an annual basis and this overarching Strategy will be reviewed on a 5 yearly basis or as and when necessary to respond to new challenges and opportunities as these arise.