

**Policy and Resources Committee****27 October 2014****Property Asset Strategy and Draft Implementation Plan – Update****CPS-12-14-F****Executive Manager – Capital Programme****Corporate/ Capital Programme
Service****1.0 Summary**

- 1.1 As a Local Authority we have substantial land and property assets, which are primarily held to support the main business of the authority in providing services. There is increasing emphasis from Government and Auditors to ensure that the asset resource is used to maximise benefits to service delivery, in the most efficient and effective manner possible. All Local Authorities are therefore tasked to have strategic asset management plans aligned to their corporate goals and objectives.
- 1.2 This report sets out the second update to the Council's Asset Strategy and Implementation Plan, at Appendix A.

2.0 Decision Required

- 2.2 The Policy and Resources Committee RESOLVE to:
- a) CONSIDER whether the update to the Council's Asset Strategy and Implementation Plan, at Appendix A, continues to present a robust framework in which to manage our assets; and,
 - b) RECOMMEND to Council that it is adopted as the Council's Asset Strategy.

3.0 Detail

- 3.1 Property asset management is defined as a structured, holistic and integrated approach for aligning and managing service delivery requirements and the performance of property assets to meet business

objectives and drivers within local government. Property assets are defined in this report as comprising land and built assets including buildings and infrastructure used by an organisation regardless of tenure. They exist to enable and support service delivery.

- 3.2 Property asset management involves the whole life management of property assets from 'cradle to grave' and encompasses two interacting components:

- 3.2.1 **A strategic component**, focusing on the medium to longer term and involving decisions on appropriate investment in property assets to meet customers/ end-user needs and service delivery requirements. This component addresses first, the principal question of why investment is required in property assets. Second, challenging the need for and use of property to deliver services, and third, seeking alternatives that may make service delivery less property asset dependant if this provides subsequently greater value-for-money. Strategic resource decisions on property assets typically cover an investment time frame of three to five years, however in some cases up to ten years. It will include making decisions on the location, acquisition, use, maintenance and disposal of property assets and any cross-functional co-ordination that is required to attain service delivery outcomes.

- 3.2.2 **An operational component**, focusing on the ongoing management of property assets over the short to medium term, and, within an allocated budgetary framework set at the strategic level once investment decisions in property assets have been made. Typically the time frame would be up to three years.

- 3.3 The Council approved the current updated Asset Strategy and Implementation Plan on 28 August 2013 (Min. Ref. 69/13) following on from the first version of 2011/12.

- 3.4 This update does not propose fundamental changes to the existing Strategy, but instead seeks to formalise the following:

- 3.4.1 Updated links to, and alignment with, the Council's Corporate Plan 2013-2017.

- 3.4.2 An increased focus on generating a sustainable revenue income stream from leases as opposed to property disposals.

- 3.4.3 An updated Implementation Plan, highlighting proposed activities for the short to medium term.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – This revised Asset Strategy is in line with the Council's Corporate Plan 2013-17(and as updated in 2014)in that it contributes to achieving the objectives of the Medium Term

Financial Plan, specifically in terms of income generation from the disposal of property and in close working with other public-sector partners.

- 4.2 Community/ Stakeholder Issues – The close working links with the Multi Agency Property and Building Maintenance Group – which includes the HIFS, Northern Constabulary, Shetland Health Board, Shetland Leasing and Property Ltd. SIC Planning, SIC Community Planning and Development and SIC Capital Programme Service is looking at all of Shetland’s public sector and community assets and is being kept up to date by local Community Development Companies and other community groups.
- 4.3 Policy and/ or Delegated Authority – The Policy and Resources Committee has delegated authority to determine functional matters relating to asset management, and has referred authority to advise and recommend to the Council in relation to the development of its strategic policies, as set out in Section 2.2.1 of the Council Scheme of Administration and Delegations. The determination of any document which forms part of the Strategy Framework is reserved to the Council.
- 4.4 Risk Management – We hold a number of properties that have been receiving only limited essential maintenance for some time and accumulated repairs would require significant expenditure to bring them back into use. There is also the prospect of more serious deterioration or injury if no action is taken. The opportunity exists to reduce and remove liability from the Council to the private sector allowing them to speculatively redevelop poor standard properties in good locations for private housing or business.
- 4.5 Equalities, Health And Human Rights – Equalities issues have been considered as an integral part of the process of drafting the Asset Strategy. The key equalities consideration is access to public services through providing accessible buildings. The plan supports the delivery of corporate priorities and these are cross checked within the document. Equality Impact Assessments will be undertaken on key Property projects as a part of the implementation plan for the projects.
- 4.6 Environmental – In line with Shetland’s Climate Change Declaration 2007 and the government target to reduce greenhouse gas emissions by 42% by 2020 and to reduce Scotland’s final energy consumption by 12% by 2020, the Council is implementing measures for continuous improvement to ensure a year on year reduction in its carbon footprint, to mitigate against climate change. Considerable whole life cost savings can be made in the future due to asset review and options appraisals. Linked to this is the impact of the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme (essentially a tax on non-transport carbon dioxide emissions) where buildings are the biggest contributor to emissions and therefore by reducing the number of properties this will also have a beneficial impact in reducing any financial penalty to the Council.

Resources

- 4.7 Financial –

- 4.7.1 A comprehensive property asset strategy is necessary to ensure that the Council is making the best use of its property assets to meet Best Value requirements.
- 4.7.2 For building occupation, this means ensuring that they are operating at optimum capacity in line with a corporate space standard. The Council would benefit by clearly defining current and future space requirements which would allow it to determine which assets are surplus to requirements, resulting in a reduction in ongoing property costs and increased capital receipts.
- 4.7.3 It is also essential that property condition survey data is used to calculate future maintenance costs and prioritise capital investment.
- 4.8 Legal – Legal Services would be required to complete any sale, transfer or acquisition of property.
- 4.9 Human Resources – Culture change needs to be supported with appropriate HR policy and ICT infrastructure investment together with political, management and staff support.
- 4.10 Assets And Property – The key issue facing the Council's estate is that it needs to be substantially reduced, rationalised and modernised to create a smaller, more efficient operational portfolio. The Asset Strategy (Appendix A) enables the Council to tackle this.

5.0 Conclusions

- 5.1 This Report presents an update to the Council's 2013 Asset Strategy and associated Draft Implementation Plan. The Policy and Resources Committee is asked to review these documents and make a recommendation to the Council as to whether this update should be adopted and implemented.

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List of Appendices

Appendix A Asset Strategy and Implementation Plan

Background documents:

Audit Scotland – Assurance and Improvement Plan 2014-17
<http://www.audit-scotland.gov.uk/work/scrutiny/aip.php>

RICS Public Sector Asset Management Guidelines
http://www.rics.org/site/download_feed.aspx?fileID=8798&fileExtension=PDF

END

Shetland Islands Council



Asset Strategy

and Implementation Plan

Asset and Property Unit – Capital Programme Service

2014

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A checklist for elected members.*

1. PROPERTY ASSET MANAGEMENT IN SHETLAND

As a Local Authority we have substantial land and property assets, which are primarily held to support the main business of the authority in providing services. There is increasing emphasis from Government and Auditors to ensure that the asset resource is used to maximise benefits to service delivery, in the most efficient and effective manner possible. This ensures that the Council's portfolio of land and property is aligned with the needs of staff and the community:

1. Continually monitoring, reviewing and managing the Council's portfolio of property and land so as to deliver the best return for the community.
2. The Implementation Plan at the end of this document details the main activities that will be undertaken during the next 24 months.

Monitoring of the targets in the Implementation Plan will assist in providing evidence for continuous improvement and add to the process of demonstrating Best Value for all areas of service delivery within Capital Programme Service.

Audit Scotland – Assurance and Improvement Plan 2014-17

<http://www.audit-scotland.gov.uk/work/scrutiny/aip.php>

Please Note: A checklist is attached at annex A. This sets out the issues that Audit Scotland suggests Members should address when considering an Asset Strategy. There are a number of these Audit Scotland questions set out in *italics* through the report.

Property assets are important strategic resources to Shetland that are more expensive to build, maintain, and manage through time. Not only are they a strategic resource in their own right, they support and enable a whole range of service delivery functions within local government, have significant costs associated with them and absorb significant levels of investment. In an environment of constrained resources those investments need to be clearly justified and prioritised in terms of other opportunities available.

The strategic management of a portfolio of buildings-related property assets will often require close integration between organisational change programmes; human resources management, information technology, finance, workplace strategies and procurement strategies. The strategy must be developed taking account of other strategic work relating to civil and fleet infrastructure assets (for example the SIC Roads Asset Strategy & ZETtrans Transport Strategy). The strategy must also recognise the importance of the continued development of society and the economy; as well as the political dimensions associated with them. Property assets generally raise issues of long term sustainability covered in:

- Shetland's Local Development Plan
- Sustainable Development Implementation Plan
- Shetland's Climate Change Declaration 2007

The purpose of a property asset strategy is to establish a portfolio that most appropriately, effectively and efficiently meets an organisation's service delivery requirements. This in turn relates directly to its business strategy set out in the Planning and Performance Management Framework. This drives an organisation to consider why it wants to invest in certain property assets and divest itself of others. Having established a property asset strategy and the associated scope of the property asset portfolio, it needs to be managed through time and involves managing holistically the total investment and cost of property assets on a whole life basis comprising:

- Capital procurement costs (including acquisition, renewal and adaptation).
- Maintenance costs over the life of the asset.
- Operating costs over the life of the asset (including staffing).
- Disposal costs.

A typical cost structure associated with assets is reflected in Figure 1 below.

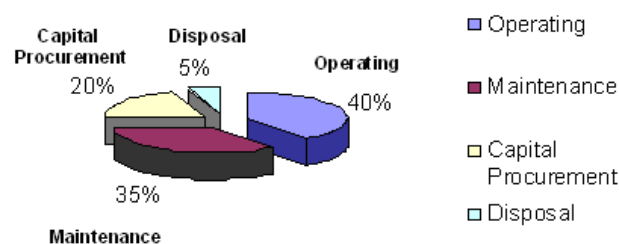


Figure 1: Typical Costs of an Infrastructure Asset over its Life.

Source: Total Asset Management Manual (2001)¹⁴.

The Asset Strategy will be used to describe the general principles that need to be applied in developing an Implementation Plan, the approach to be adopted in getting there and the policies that will be applied to decision making. In consequence, it will consider the SIC's business goals and objectives, its business drivers and its financial context. It will describe the organisation's asset objectives and its longer term vision for the asset base, the way in which each category of the asset base would be treated in the future and the overall financial framework in which this would happen.

2. STRATEGY DEVELOPMENT – AN ITERATIVE PROCESS

This is the third update of the Asset Strategy and it will require revision over time. The process will be iterative, as the Council seeks continuing efficiencies through ongoing improvement work. The Council's asset base is complex and extensive and it is important that sufficient time and resources are applied in developing this strategy, particularly with regard to property acquisition and in the disposal of surplus assets.

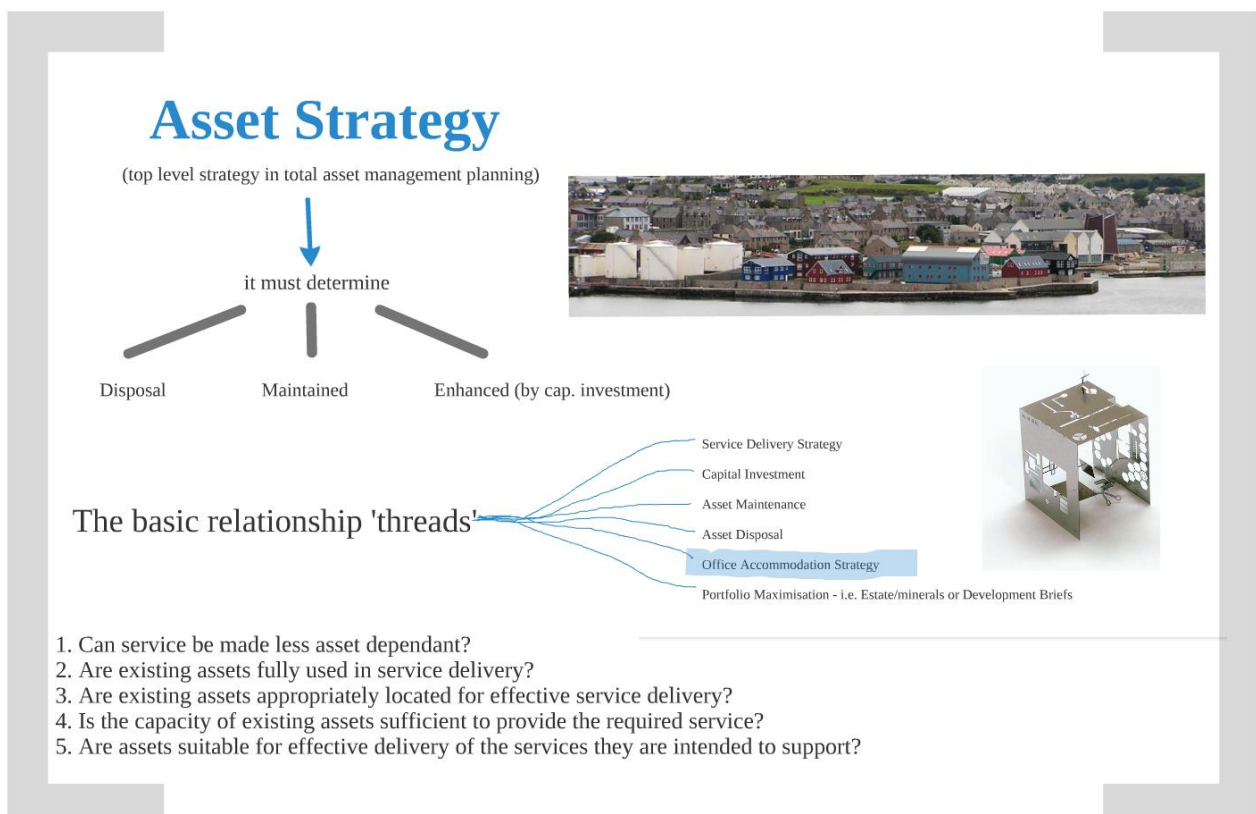
In simple terms the purpose of a strategy is to provide:

- a platform for structured and rigorous forward thinking;
- a basis for corporate and consultative strategy development;
- an explicit description of the direction that the organisation wishes to take with its assets;
- a clear statement for communicating the strategy to the organisation; and
- a basis for future decision making.

The Asset Strategy should be distinguished from the associated Implementation Plan. The Implementation Plan is the mechanism by which the Asset Strategy will be put into place, increasingly on a short, medium and long term rolling basis. It contains the practical actions to effect the implementation of the strategy and needs to be technically and financially robust.

Strategic Objective 1

Over the next three years we will continue to review our property holdings and explore all options for underused, costly and inefficient assets.



3. STRATEGY & IMPLEMENTATION PLAN

The first stage in preparing an Asset Strategy is to set out the desired direction to be taken, which will need to be tested and amended in the light of, for example, technical, practical, financial or other constraints.

The identification of the SIC's business drivers is critical; the translation of these drivers into a vision for assets; the buy-in of the entire organisation to that vision; the testing of the vision for practicality, affordability and effectiveness; and the refinement of the strategy in the light of the testing process. Strategy development is a corporate, not an operational process. The objectives of this strategy are set out in section 8 of this report and these seek to:

- Align asset objectives with organisational objectives set out in the:
 - Planning and Performance Management Framework
 - Shetland's Single Outcome Agreement
 - Corporate Plan 2013-17 & 2014 update
 - Service Plans
 - Strategic Budget Plan
 - Organisation & Management Review – May 2011
 - Asset Investment Plan -5 Year 2014-19 (Capital Programme)
 - The Council Budget Book 2014-15 - *Securing the Best for Shetland*
 - Medium Term Financial Plan 2014-2019 - *Securing the Best for Shetland*
 - Shetland's Climate Change Declaration 2007
 - Environmental Policy 2011 inc. BS EN ISO 14001
 - Climate Change (Scotland) Act 2009 Section 63
 - Energy Performance of Buildings Directive - Recast Directive 2002/91/EC
 - Conserve & Save - Energy Efficiency Action Plan for Scotland 2010
 - Draft Carbon Strategy – Carbon Management Plan
 - Sustainable Development Implementation Plan
 - Community Planning Partnership - Sustainable Communities Strategy
 - Community Empowerment Action Plan, Scottish Gov. 2009
 - Disposal of Land by Local Authorities (Scotland) Regs. 2010
 - Community Empowerment and Renewal Bill (proposed 2015)
 - Shetland's Local Development Plan & Action Programme
 - Zetland County Council Act 1974 * as amended
 - Our Island's our Future - discussions
 - Local Housing Strategy and emerging HNDA
 - Roads Asset Management Plan (draft)
 - On the Cusp.. Shetland's Cultural Strategy
 - Getting the best from our land - a land use strategy, Scottish Gov. 2011
 - Strategy for Secondary Education in Shetland (Committee 1 July 2014)
 - Blueprint for Education in Shetland 2012-2017 (Committee 14 Sep. 2012)
- Ensure overall efficient and effective use of assets in the medium/long term

- Provide:
 - a platform for structured and rigorous forward thinking;
 - a basis for corporate and consultative strategy development;
 - an explicit description of the direction of the organisation (or a particular aspect of that organisation, in this case, assets)
 - a clear statement for communicating the strategy to the organisation;
- Communications Strategy
- Asset Strategy Implementation Plan
 - Asset Investment Plan
 - Acquisition
 - Property Regeneration
 - Partnership working
 - Disposals
 - Capital Receipt or Recurring Revenue Income
- Asset strategy is placed in the context of wider organisational issues and long term tactical benefits
- Brings clarity to the way assets are managed in the organisation:
 - the organisational arrangements for asset management;
 - corporate processes assets;
 - performance measures and measurement;
 - data management;
 - capacity management

So to sum up, the strategy must be fully integrated and linked with Corporate Plan and Service needs, space & property audit, Community/ user consultation and, in the future, a GIS/database to map and log all built assets and land.

Corporate Plan 2013-17 - priorities

Being a properly led and well-managed council, dealing with the challenges of the present and the future, and doing that within our means.

Helping build a healthy economy and strong communities.

Working with our partners to achieve the best results possible.

Strategic Objective 2

Over the next two years we will continue to ensure that we can better monitor and report information about our portfolio and strengthen our decision making in relation to Strategic Asset Management, assisted by maximising our use of Asset Management Software and continued synergy with the Medium Term Financial Plan.

There were 5 key implications for capital expenditure included within the Medium Term Financial Plan. These were –

1. All capital expenditure to be focussed on the maintenance of existing assets rather than the creation/purchase of new assets, (with the exception of a new Anderson High School and high-speed broadband).
2. To only use income from the Scottish Government, other capital grants and capital receipts to fund the Asset Investment Plan.
3. To borrow for specific capital projects that are consistent with the priorities of the Council, i.e. a new Anderson High School.
4. Before making a draw on reserves for capital projects, a full investment appraisal process should be completed considering whether use of reserves or borrowing provides the Council with the best value for money option.
5. Focus on selling existing assets that are surplus to requirements to free up resources to fund new capital projects.

The current Asset Investment Plan 2014-19 adheres to all of these requirements set out in the Medium Term Financial Plan.

The 5 year Asset Investment Plan 2014-15 requires minimal funding from reserves for Spend to Save Projects, there is a requirement to borrow for the AHS, the revenue consequences of which have been built into the Medium Term Financial Plan.

4. EXISTING ESTATE

Look at the existing estate, from a strategic viewpoint, taking into account the following factors, on the basis of existing property information:-

- **Asset Base** – the size of the estate and its composition;
- **Condition** – the state of maintenance, reporting the percentage of the estate classed as good, fair, poor or bad and how that was changing over time;
- **Suitability** - how well the properties fulfilled the purpose for which they are held, again as percentages classed as good, fair, poor or bad;
- **Sufficiency** – the amount of space provided in each property in relation to its use and indeed how well that space is used;
- **Revenue Costs** – total running costs (eg energy, maintenance, council tax, etc)
- **Net Book Values** – the table below shows the book values of the Council's assets at March 2014. Please note that this list does not includingcrofting estates and minerals. Assets Under Construction (highlighted) are all assets i.e. roads and moveable assets etc

2013/14 Closing Net Book Value

Asset Classification	NBV £
Council Dwellings - HRA	71,851,553
Council Dwellings - Non-HRA	3,661,211
Community Assets	6,911,374
Infrastructure - Transport	20,565,786
Infrastructure - Roads	71,776,981
Infrastructure - Ports	25,753,451
Non-Operational - Surplus	758,891
Non-Operational - Assets Under Construction	12,797,709
Non-Operational - Assets Under Construction - HRA	1,848,835
Other Land & Buildings - Social Service Homes	12,869,436
Other Land & Buildings - Offices	12,824,738
Other Land & Buildings - Public Conveniences	683,163
Other Land & Buildings - Schools	64,956,896
Other Land & Buildings - Land Only	4,504,653
Other Land & Buildings - Other	44,345,573
Other Land & Buildings - HRA	970,199
Vehicles Plant & Equipment - Aircraft	119,629
Vehicles Plant & Equipment - Equipment	3,798,811
Vehicles Plant & Equipment - Plant	2,200,753
Vehicles Plant & Equipment - Vehicles	1,797,393
Vehicles Plant & Equipment - Vessels	36,014,830
Intangible Assets	574,523
Assets Held for Sale - HRA	110,757
Assets Held for Sale - Non-HRA	764,002
Heritage Assets	4,742,875
Overall Total	<u>407,204,023</u>

It must be stressed that these figures do not necessarily represent the value of the assets if sold on the open market but the value for accounting purposes. A significant proportion of the assets, including schools, are valued on a depreciated replacement cost basis which takes account of the cost the Council would have to pay to recreate the asset rather than the sale price, as assets such as schools don't have a true market value.

5. IMPROVING SUSTAINABILITY AND CARBON MANAGEMENT (Strategic Environmental)

Shetland's Single Outcome Agreement 2013 part g – National and Local key purposes and strategic outcome 'Greener'; Delivering sustainable services and decisions is a core part of the Council and Community Partnership's role in implementing its duties under Part 4 of the Climate Change (Scotland) act 2009. The Act sets out clear and ambitious targets for emissions reduction, and other climate change provision, including actions required towards mitigation and adaption. The public sector has a crucial leadership role in delivering these targets and in acting sustainably. These duties came into force on 1 January 2011.

- Develop and deliver a Carbon Management Plan for Shetland Islands Council and for each of the Shetland Partnership organisations. A publicly available Plan is to be implemented for 2015/16.

The Council recognises that the construction, operation and maintenance of its property portfolio has a significant impact on the area of the non-Domestic (commercial and industrial) element. In line with Shetland's Climate Change Declaration 2007 and the government target to reduce greenhouse gas emissions by 42% by 2020 and to reduce Scotland's final energy consumption by 12% by 2020, the Council is implementing measures for continuous improvement to ensure a year on year reduction in its carbon footprint. This will be accelerated through the implementation of the Carbon Management Plan and the following strategies:

Corporate Plan 2013 -17 & update 2014

- Environmental Policy 2011 inc. BS EN ISO 14001
Climate Change (Scotland) Act 2009

Key points:

- Individual project plans will be brought forward as a result of the CMP addressing issues with the estate
- Improving efficiency in the use of space within the existing building portfolio in order to reduce the square metre of floor space occupied.
- Facilitating "SMART" working through flexible workspaces, community hubs and home working to reduce the demands for office space and, coupled with improved space use, reducing the council's accommodation portfolio
- Ensuring good practice and compliance with relevant legislation in the implementation of new construction projects and refurbishments, to ensure that the carbon footprint is minimised as far as is reasonably practical.
- Reduction in the consumption of energy by reducing wastage by improved systems of controls and boiler replacement through a programme of capital investment.
- Introducing improved technology and whole life cost/ value solutions.
- Reductions in the consumption of water by improved systems of monitoring and management of water usage, with the installation of appropriate water minimising technologies.
- Encouraging systems of sustainable travel for staff travelling to work and in the course of their duties i.e. electric/ hydrogen fuelled vehicles.
- Requiring our suppliers to demonstrate that they also operate sustainable systems. Where practical and lawful procure goods locally and encourage the processes of recycling and whole life cost/ value solutions.

The priority actions that will be addressed are as follows:

- Continue to compile year on year the carbon footprint of the transport and building portfolio;
- Implementing improved systems of monitoring and reporting;
- Reporting duties under the CRC Energy Efficiency Scheme;
- Working with buildings through site contacts and other staff to reduce energy and water consumption through good practice and behavioural change programs;
- Building energy, water and waste surveys;
- Implementing lower cost energy saving works through Central Energy Efficiency Fund (CEEF) and SALIX;
- Implementing energy saving works through other sources of income as they become available;
- Working with other Council Services to ensure closer working in the implementation of energy saving solutions;
- Working with Procurement Scotland with regards supply contracts for utilities;
- Budget setting for energy (buildings) and water.

Corporate Plan 2013-17 Section 7 Dealing with challenges effectively

In the next four years we will:

- Develop and put in place sustainable-development (development that doesn't harm the area for future generations), carbon-management and waste-management arrangements to make sure we protect and, where possible, improve our stunning environment. Through a rewrite of the Environmental Strategy "Towards a Greener Shetland"

Strategic Objective 3

Over the coming years we will continue to reduce our energy use and carbon emissions in line with our carbon reduction commitments.

6. ASSET TRANSFORMATION PROGRAMMES

The focus of the Asset Strategy is to address all the issues referred to in the Audit Scotland reports (May & August 2010). Implementation of the Asset Strategy will result in both a stronger corporate approach to asset management and a number of key strategic developments.

Each of the key portfolios has to be subjected to options appraisal, challenge and review for strategic fit with the Council's priorities and improvement plan.

This portfolio review approach will be further developed to deliver continuous improvements over time.

To achieve our objectives of transforming the council assets through effective asset management, the following key objectives and strategies are being pursued:

1. Capital Investment – investment in core properties vital to service delivery through the Capital Budget which comprises funding obtained from a variety of sources taking advantage of external funding wherever possible.
2. Acquisitions Programme - Land/ property to be acquired for future strategic or long term cost savings reasons
3. Supporting Regeneration – to transform assets in priority areas in need of social, economic or environmental needs to provide investment, vitality and prosperity and opportunities for the Private Sector.
4. Partnerships – to lead and participate in a range of geographic (area, island wide and sub regional) and sector (public, private and voluntary) collaboration opportunities for sharing accommodation and property resources primarily with the aim of improving public services and also the use of public estate. This has been established within Shetland the Multi Agency Property Group has been meeting, sharing information and assisting each other since 2010, members include the Police, Fire and Ambulance Services, NHS Shetland, HHA Shetland Leasing and Property, SIC Planning, SIC Community Planning and Development and SIC Capital Programme Service.
5. Property Disposals – the removal of underperforming, uneconomic, "difficult to let" properties and driving up the utilisation of existing properties through rationalisation strategies.
6. Capital Receipt or Recurring Revenue Income - we will explore the relative benefits of regular income through the leasing of buildings versus one-off capital receipts. Where disposal is the preferred option, every effort will be made to maximise the income by adding value to the asset if possible.

A planned, Council-wide approach is being pursued with a large number of major initiatives and actions underway, as described below.

Capital Investment Programme

Capital investment for the operational properties to protect the values of our assets and their fitness for purpose. The strategy is aimed at assisting with transparent prioritisation of funding across the whole portfolio, taking into account service and Council objectives.

- Working with Estate Operations we will develop a programme of planned maintenance that most appropriately reflects the asset strategy.

Refurbishment and renewal of schools to meet educational and community needs adapting to the changing need of the School's Service.

- Investment in the open spaces and non SRT leisure buildings maintenance programme will adapt to the requirements of Sports & Leisure.
- Development of flexible working practices in combination with modern office models to enable further rationalisation of office accommodation and leading to greater efficiency, improved sustainability and regeneration opportunities.

We will improve environmental performance of the operational and investment portfolios by:

1. mainstreaming sustainability issues into all improvement project and maintenance activities.
2. having due regard for the Council's strategy to reduce CO2 emissions by 42% by 2020, through leading on a carbon management programme; including properties directly managed by the Council and influencing those outside its control.
3. embedding category management for purchasing projects and services in accordance with the Council's sustainable Procurement Strategy 2012 - 2015.
4. incorporating whole life costing into maintenance investment decisions in partnership with Design Teams, Estate Operations and other stakeholders.

In the long run, the reinvestment in our asset base through reinvestment of disposal capital will enhance our portfolio and reduce long term life cycle costs. This will gradually improve the asset base in terms of its condition, suitability, sufficiency and by reducing running costs.

Acquisitions Programme the consideration of holding issues and improvements to the Council's portfolio will take account of land/property to be acquired for future strategic or long term cost savings reason.

Property Regeneration Programme

- Regeneration programmes for major sites in Lerwick including land and buildings which have become surplus to Council requirements, for example the Lerwick Action Plan and the new Local Development Plan & Action Program
- Investment to address the condition of our commercial portfolio and implement development projects in partnership with other organisations to support local enterprise, especially proposals that mitigate the effects of the social or economic conditions.
- Resource extensive project work to secure regeneration benefits through land and property developments aimed at realising maximum value and meeting the social and economic regeneration needs of Shetland.

Partnership Programme

- Increasing the scope for utilising assets and delivering services in conjunction with partner agencies. Working with Registered Social Landlord (RSL's) Hjaltand Housing Association and the Council's Housing Service. Opportunities to develop assets in conjunction with the private and voluntary (3rd) sectors.
- Work with services and other departments to carry out area based service and property reviews thereby providing a catalyst for cross department and multi-agency service integration, resulting in improved property utilisation and bringing together similar uses into the same property.

These processes and initiatives need to be integrated within the Council's corporate planning and budgetary framework so that the Asset Strategy is effective in ensuring the use of resources and that it remains focused at meeting corporate priorities and aspirations.

Strategic Objective 4

Over the next three years we will continue to refine our office accommodation needs. This will include exploring options for sharing with others, making better use of what we already have and looking at whether better opportunities exist for us elsewhere. As we move ahead we will continue to embrace emerging technology to allow more flexible working practices and portfolio maximisation.

Disposals Programme

This programme is driven by implementing the medium term and annual disposals targets agreed as part of the Council's budgeting process.

The Implementation Plan will drive opportunities from rationalisation, sharing assets, maximising capital receipts, maximising rental income and portfolio regeneration & investment. Specific key actions are:

- A continuous property review process is underway to identify potentially surplus and uneconomic assets to support the generation of the capital receipts budgets incorporated within the Capital Budget.
- Continued rationalisation of operational office accommodation.
- Continue to work with others to develop Community Asset Transfer policy to community groups, community development companies or those organisations in the third sector.
- Moving assets to a non-operational use as soon as they are no longer needed to meet service requirements.

Throughout 2014/15, the Council aims to dispose of around £300,000 worth of assets. We also expect increased revenue from the portfolio in terms of revenue through lease income. The Council will need to carefully balance the cost of retaining the assets during periods when the local property market suffers downturn, against the proceeds available, to ensure that we achieve Best Value.

Corporate Plan 2014 update section 10 Living with our means

Options for future use of existing AHS site at Knab to be developed.

By the end of the plan:

Raised more income where there are opportunities to do that; and made further significant savings by reducing the number of buildings we have.

Strategic Objective 5

Over the next two years we will review all SIC owned community asset holdings and assess the long term options for their use. This will include consideration of community asset transfer together with looking at alternative uses that may better meet our corporate objectives. Every effort

will be made to look to the economies of raising regular income through the non-operational property.

Equality Impact Assessments (EIA)

Equalities issues have been considered as an integral part of the process of reviewing the Asset Strategy. The key equalities consideration is access to public services through providing accessible buildings. The plan supports the delivery of corporate priorities and these are cross checked within the document. EIA's will be undertaken on key Property projects as a part of the implementation plan for the projects.

7. PROPERTY VISION AIM AND OBJECTIVES

This section sets out property objectives linking property management on the one hand with the Council's business strategic drivers set out within the Planning and Performance Management Framework and the property aspirations arising from its priorities on the other.

The objectives are formulated against the Council's priorities and comprise:

1. Delivery of high quality, customer focused services.
2. Implementation of property reviews arising from the business transformation process to meet the Council's changing business needs including subsequent investment into the estate and partnership working together with the transfer of properties to the third sector where appropriate.
3. Investment into the school estate.
4. Improving access to Council buildings; and
5. The generation of capital receipts for reinvestment in accordance with the Council's priorities and the achievement of revenue budget efficiencies.

In other words: creating a modern fit-for-purpose retained estate through property reviews, disposals of surplus property, partnership working and by making best use of resources, working alongside other public sector and the community.

Is property seen as a corporate resource?

Property assets, although Council owned, are often viewed by holding or using Services as being **"theirs"** and this results in property not being viewed as a corporate asset which should continuously be reviewed to check fitness for purpose and ultimate need. There has also been a lack of understanding of the corporate cost of occupying property, from both a revenue and capital perspective. Property is seen mainly as a **"free resource"** and is not viewed as underpinning the short, medium and long term plans of the business needs of the authority.

Our Vision

A Shetland where we fully recognise, understand and value the importance of our building and land resources, and where our plans and decisions about asset use deliver improved and enduring benefits, enhancing the wellbeing of our community.

8. ASSETS STRATEGIC OBJECTIVES

The draft strategy presented sets out a framework in which to manage our land and property assets going forward. With a robust policy framework in place, we can consider our assets individually and make decisions about them within the framework we adopt. The Strategy sets six strategic objectives in line with our Corporate Plan 2013-17 & 2014 update and Medium Term Financial Plan 2012-2017. To continually monitor, review and manage our portfolio of property and land to ensure that it is aligned with the needs of staff and the community, and that it delivers the best possible return.

Strategic Objective 1

Over the next three years we will continue to review our property holdings and explore all options for underused, costly and inefficient assets.

Strategic Objective 2

Over the next two years we will continue to ensure that we can better monitor and report information about our portfolio and strengthen our decision making in relation to Strategic Asset Management, assisted by maximising our use of Asset Management Software and continued synergy with the Medium Term Financial Plan.

Strategic Objective 3

Over the coming years we will continue to reduce our energy use and carbon emissions in line with our carbon reduction commitments.

Strategic Objective 4

Over the next three years we will continue to refine our office accommodation needs. This will include exploring options for sharing with others, making better use of what we already have and looking at whether better opportunities exist for us elsewhere. As we move ahead we will continue to embrace emerging technology to allow more flexible working practices and portfolio maximisation.

Strategic Objective 5

Over the next two years we will review all SIC owned community asset holdings and assess the long term options for their use. This will include consideration of community asset transfer together with looking at alternative uses that may better meet our corporate objectives. Every effort will be made to look to the economies of raising regular income through the non-operational property.

Strategic Objective 6 - Crofting Estates only

The objective is to retain ownership of the Crofting Estates to maintain and manage through the normal landlord-tenant relationship. In our management of these estates officials will continue to seek to maintain good communications and relationships with tenants, seek to increase local community involvement in the management of the land concerned and look to complete a strategic review and a development plan for the Estates.

Accordingly, in pursuance of the administration and management of the Crofting Estates we shall adhere to the following commitments and principles:

1. Recognise the right of local communities to be involved in decision making affecting the land on which they live and work and co-operate with the local representatives of the Crofters Commission, groups and grazing committees.
2. Recognise the value of the natural heritage, sustainable development and biodiversity of the Crofting Estates and consult and co-operate with tenants and communities who wish to pursue enhancement of these factors.
3. Recognise the need for provision of land for housing and economic development in fragile areas and release land for these purposes where this is the wish of the local community.
4. Consult with local management/consultative groups where these have been formed, on relevant landlord matters, which may have an impact upon tenanted land e.g. planning notifications, conservation designations, development matters, etc.
5. Recognise the rights of all crofters to purchase their croft and croft lands and respond positively and timeously to such requests seeking always to produce legally accurate title. We dispose of crofts under the existing legislation which gives tenants of crofts the statutory right to purchase their individually occupied land.
6. Have regard to the potential for creation of local employment opportunities when considering requests for sales or lease of land for quarrying, minerals, diversification, etc.
7. Explore options for working with others including the energy, water and telecommunications industries, making better use of what we already have and looking at whether better opportunities exist for us elsewhere.
8. Undertake rent reviews as equitably as possible having regard to movements in agricultural indices.
9. Recognise the aims of the Crofters Commission particularly their initiative on absenteeism and co-operate fully with the Commission on this.

9. IMPLEMENTATION PLAN

During the Implementation of this plan the key issue facing the Council's estate is that it is too large for the resources available to manage it and it needs to be substantially reduced, rationalised and modernised to create a smaller fit for purpose estate that meets the Council's future needs. The asset management process through the property review programmes detailed in the Asset Strategy enables the Council to develop strategies to tackle this, but in doing so there are some substantial constraints and challenges to address:-

Capital Funds – in order to achieve shrinkage of the estate, substantial amounts of investment are required into the estate to be retained long-term, often up-front, before property can be vacated and released for sale. This can create a substantial demand on the Council's Asset Investment Plan and currently, it is fully committed and limited resources are available. This issue is currently being addressed with the review of the Asset Investment Plan as part of the review of the capital expenditure and planning process. However, without further investment the ability of the Council to meet the outcomes of its property reviews would be substantially reduced.

Maintenance Funds – The Council's spend that addresses condition issues totals around £2.2 million per annum and there is a large maintenance backlog.

- In 2010/11 the funds available for maintenance amounted to £28.00 per square metre.
- In 2012/13 the funds available for maintenance amounts to £17.00 per square metre.
- In 2013/14 the funds available for maintenance amounts to £17.00 per square metre.
- In 2014/15 the funds available for maintenance amounts to £17.00 per square metre.

This reduction in maintenance funding is unsustainable in the long term where the operational council estate remains at 2010/11 levels, however this value will increase if no funds are allocated to deal with the maintenance backlog. The backlog in operational buildings in 2013 / 14 was £2.2 million rising to £3.6 million in 2014 / 15, 'stitch in time' repairs cannot be programmed and this will lead to the dilapidation and devaluation of public assets

Low Value Property Market – One source of funding for re-investment into the estate is the raising of capital receipts through surplus property sales. Whilst the Council plan to raise capital receipts over the next 5 years, the Shetland property market is of relatively low value and low demand. This in turn restricts the potential to raise substantial capital receipts when premises are vacated. Consequently, such receipts often don't cover the cost of the investment required to consolidate into a smaller footprint, which in turn puts more pressure for funds onto the Asset Investment Plan.

Culture Change – culture change is critical to achieving changed working practices and reduced working space expectations that in turn allow the Council to consolidate into a reduced size estate, which can be difficult to achieve. Furthermore, in order to maximise the consolidation into reduced space capital

investment is often required into the property to be retained. Currently with the pressure on the capital programme, the lowest cost solution rather than the most advantageous on a Whole Life Cost Basis is often the only affordable option and this means that the potential level of space reduction achievable is substantially reduced.

Island Proofing – We operate in an area with a sparse population relatively evenly scattered across a large area and number of islands. A very real consideration in the rationalisation of the estate and the services delivered from it is to ensure that the services remain accessible to those living in rural areas. This creates additional challenges as the need to be accessible to the rural population works against the economies and efficiencies to be had by the centralisation of services.

There are no easy solutions to the above, which combine to form a significant barrier to work around in the implementation of property strategies arising from property asset management planning.

To date Strategic Objectives 1 & 4 are underway:-

The Office Accommodation Review has already enabled the disposal of a number of older, unsuitable and less efficient buildings, which in turn has provided regeneration opportunities or released resources that can be directed to other Council priorities.

2-4 Bank Lane – sold subject to contract

91-93 St Olaf St. sold subject to contract

Short-Term Actions - next 12 months

Quendale House – To be marketed for lease

Old Quarff School and Schoolhouse – Subject of a separate report

Olnafirth Primary School - Sale or lease.

Bressay Primary School - Potential lease

Old Aith School make buildings safe pending redevelopment

Old Sandwick School Outbuildings – Sale or lease

Old Urafirth School - disposal

Old Mid Yell JHS - Disposal

Old Library Building – Conclude investigation into funding options and finalise proposals for future use
Archive Rationalisation

King Harald St. Old Archive's Site – Housing Development as indicated in the Local Housing Strategy being developed with community partners.

Actions for the next 24 months

Ongoing investigation into existing AHS site, including listed buildings, and minimising the cost of redevelopment of the Knab site in the future – a project team has been formed.

Visual/Photographic Condition Surveys – 350 buildings

Market Street store – maximise utilisation

Viewforth – Proposals being developed by the Shetland Multi Agency Property Group

Industrial Land at Staney Hill Industrial Estate – subject to business plan

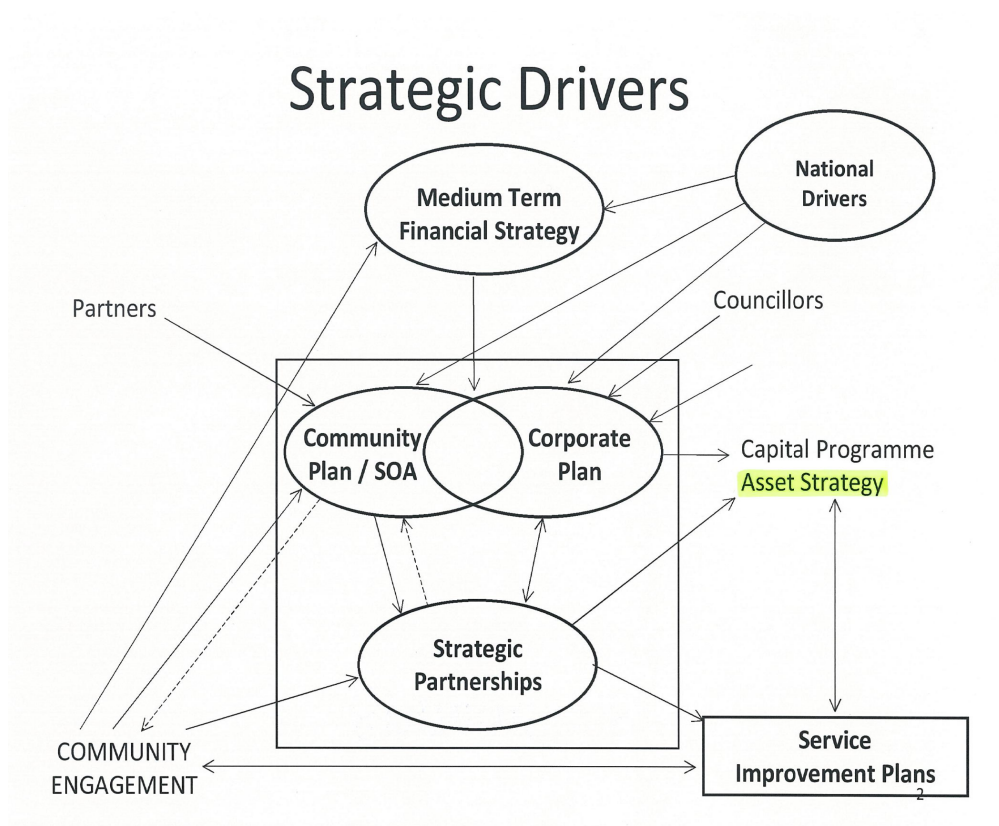
Medium Term Actions

Consideration of:

- Old Eric Gray site
- Laburnum
- 20 Commercial Road

Long Term Actions

All other buildings including those indicated as surplus from education and care reviews and other service redesign proposals. The cyclical nature of the strategy and implementation programme will lead to delivery, review, change and a new strategy taking into account the changed Planning and Performance Management Framework's strategic drivers (below).



A - Audit Scotland - Asset management in local government

A checklist for elected members:

1) Setting clear policies and objectives for asset management

- Is asset management a clear component of the council's overall strategy determined by the council?
- Does executive leadership of corporate asset management clearly reside with the chief executive, supported by the corporate management team?
- Does the council have an asset management strategy and published plans which support the council's corporate objectives?
- Is property seen as a corporate resource?

2) Corporate commitment and management capacity

- Are elected members engaged with property asset management and is asset performance regularly reviewed by members?
- Are property management responsibilities clearly set out at a corporate and service level?
- Are there adequate resources at a corporate level, to review property assets and running costs?

3) Property information

- Does the property management service have adequate information systems to support property maintenance?
- Are the information systems used to support asset management linked to other relevant systems, for example geographical information systems?

4) Property maintenance

- Has the council conducted an options appraisal for ensuring that the property maintenance backlog is being managed effectively?
- Does the asset management plan ensure that all planned work reflects the results of a systematic option appraisal?
- Is the work of the property management service planned to minimise long-term costs?

5) Property review

- Are senior managers aware of the property costs of the buildings services occupy?
- Is there a programme of property reviews?
- Is information on running costs and environmental impact available to the review team?

6) Resourcing and financial management

- Is there a corporate approach to options appraisal and the prioritisation of capital projects, in line with corporate objectives?
- Are decisions on capital projects based on a clear business case, including options appraisal and whole-life costing?
- Does property maintenance have the resources to meet its policy objectives and is adequate priority given to routine maintenance within the budget setting process?
- Is funding for maintenance linked to the condition of assets?

7) Procurement and service delivery

- Does the council work with its community planning partners to achieve economies of scale in asset management?
- Are unit costs benchmarked against other councils and the private sector?

8) Accounting for performance

- Does the asset management service maintain an effective performance management framework, to continuously review and improve its performance?
- Are there annual performance plans, agreed by council members, setting out targets for improvement?
- Does the council include this information in public performance reporting?

**Policy and Resources Committee****27 October 2014****Shetland Islands Council****5 November 2014****Asset Investment Plan, Gateway Process – Service Need Case Reports****Report No: CPS-13-14-F****Report Presented by Executive Manager –
Capital Programme****Capital Programme Service****1.0 Summary**

- 1.1 This report presents twenty five projects from within the Infrastructure directorate that have been considered by the Capital Investment Group based on the submission of Service Need Case (SNC) reports. Two of these projects already sit provisionally within the Council's Asset Investment Plan (AIP) 2014-19, subject to the gateway process, with the remaining twenty three being new schemes. Copies of the SNC Reports have been provided for information in the Members Room at Lystina House.

2.0 Decision Required

- 2.1 The Policy and Resources Committee:

- a) RECOMMEND that the Council resolve to approve for implementation the projects as described in Section 3.5 of this report.

3.0 Detail

- 3.1 On 24 March 2010 (min ref 47/10), the Council adopted a 'Gateway' process, drawing on national and best practice guidance, to ensure the robustness of all capital projects.
- 3.2 Subsequently, on 19 May 2010 (min ref 75/10), the Council agreed a procedure for prioritising those projects that have been approved through the Gateway process. A key principle in that procedure is that the Council's AIP is re-prioritised on an annual basis, however SNCs can be processed at any time. By approving a SNC, Members are

agreeing that the project should go ahead, but are not making a decision as to the timing.

- 3.3 Two of the projects described in this report are provisionally programmed for 2016/17 in the AIP for 2014-19 however, it should be noted that these provisional timings may well change during the budget setting work later in the financial year.
- 3.4 The prioritisation of these projects will be based on a risk-based appraisal to ensure that resources are targeted on the most vulnerable infrastructure.
- 3.5 The SNCs under consideration are set out below, along with the recommendations and comments from the Appraisal Panel.
 - 3.5.1 MV 'Linga' – Propulsion and Control Systems Upgrade
 - 3.5.1.1 £50K in 2014/15 for design
 - 3.5.1.2 £100K in 2015/16 for design
 - 3.5.1.3 £2m in 2016/17 for conversion work
 - 3.5.1.4 It is recommended that the committee only commits to design costs of £150K at this stage as the cost of conversion work will be more accurately established during the design process.
 - 3.5.2 Ferry Terminal Security
 - 3.5.2.1 £60K in 2015/16.
 - 3.5.3 Disabled Access to Ferry Waiting Rooms
 - 3.5.3.1 £20k in 2015/16.
 - 3.5.3.2 External match funding available so total project cost will be £40K. Commitment required at this time as funding bid must be lodged in November 2014.
 - 3.5.4 Braewick Loch Bridge, Eshaness
 - 3.5.4.1 New culvert and headwalls to replace failing bridge.
 - 3.5.4.2 £40K in 2018/19.
 - 3.5.5 Baliasta Bridge, Baltasound
 - 3.5.5.1 Repairs to existing structure.
 - 3.5.5.2 £15K in 2015/16.
 - 3.5.6 Baliasta Bridge 2, Baltasound
 - 3.5.6.1 Repairs to existing structure.
 - 3.5.6.2 £10K in 2015/16.
 - 3.5.7 Muckle Roe Bridge – Full re-paint
 - 3.5.7.1 £225K between 2016 and 2019.
 - 3.5.8 Kirkabister Bridge, Bressay
 - 3.5.8.1 New culvert and headwalls.
 - 3.5.8.2 £35K in 2018/19.
 - 3.5.9 Burn of Fildale Bridge, Yell
 - 3.5.9.1 New culvert and headwalls.
 - 3.5.9.2 £40K in 2015/16.

- 3.5.10 Dale Bridge, Clumlie, Dunrossness
 - 3.5.10.1 Repairs to culvert and new headwalls.
 - 3.5.10.2 £20K in 2015/16.
- 3.5.11 Will Houll Bridge, Bressay
 - 3.5.11.1 Additional culvert and improved headwalls to resolve flooding issue.
 - 3.5.11.2 £20K in 2017/18.
- 3.5.12 Vatsetter Loch Bridge, Yell
 - 3.5.12.1 New culvert and headwalls.
 - 3.5.12.2 £35K in 2016/17.
- 3.5.13 Trondra Bridge – Full re-paint
 - 3.5.13.1 Includes replacement of parapet bolts.
 - 3.5.13.2 £225K between 2015 and 2018.
- 3.5.14 Tresta Retaining Wall
 - 3.5.14.1 Rock armouring of existing retaining wall.
 - 3.5.14.2 £180K in 2017/18..
- 3.5.15 Stonganess Bridge
 - 3.5.15.1 New culverts and headwalls.
 - 3.5.15.2 Includes improvements to road alignment.
 - 3.5.15.3 £326K between 2016 and 2020.
- 3.5.16 Red Burn Bridge, Bigton
 - 3.5.16.1 New culvert and headwalls.
 - 3.5.16.2 £35K in 2016/17.
- 3.5.17 A0968-020-00 Voe to Collafirth Junction
 - 3.5.17.1 Reconstruction overlay
 - 3.5.17.2 £115K in 2015/16
- 3.5.18 South Road Reconstruction
 - 3.5.18.1 Resurfacing, re-kerbing and replacement of a retaining wall.
 - 3.5.18.2 £132K in 2015/16.
- 3.5.19 C0606-090-05 Muness Road (B9084 Jn at Shop/ EastRd Jn)
 - 3.5.19.1 Partial reconstruction and overlay resurfacing.
 - 3.5.19.2 £52K in 2015/16.
- 3.5.20 C0502 Sunnyside derestriction sign to B9081 via Aywick Jn repairs – Section 3
 - 3.5.20.1 Bitmac overlay with steel reinforcement.
 - 3.5.20.2 £65K in 2015/16.
- 3.5.21 C0504-040 Herra Road Section 1
 - 3.5.21.1 Bitmac overlay with steel reinforcement.
 - 3.5.21.2 £92K in 2015/16
- 3.5.22 A0968-250/00 – C0600-070/00 Brook Point Brig to Clibberswick Jn Haroldswick Beach Road Protection

- 3.5.22.1 Rock armour protection and repairs to existing stone wall to prevent further erosion
- 3.5.22.2 £34K in 2015/16
- 3.5.23 X0607-090/00 Freefield Road (Hunter's Road), Baltasound, Unst Repairs Section 2
 - 3.5.23.1 Partial reconstruction and overlay resurfacing.
 - 3.5.23.2 Improvements to vertical alignment.
 - 3.5.23.3 £37K in 2015/16.
- 3.5.24 Various Street Lighting Schemes
 - 3.5.24.1 Nine replacement projects.
 - 3.5.24.2 Five removal projects.
 - 3.5.24.3 Total of £168K in 2015/16.
- 3.5.25 Repairs to Sound and Bells Brae Primary Schools
 - 3.5.25.1 Variety of repairs and upgrades including replacement roofing, glazing and mechanical and electrical services.
 - 3.5.25.2 £450K between 2014 and 2017.
 - 3.5.25.3 External revenue funding available so total project cost will be £1.45m. Commitment required at this time as works must be complete by 31 March 2017.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – The Gateway Process contributes to maintaining a 5-year Asset Investment Plan that is financially sustainable. The projects and budgets proposed in this report will maintain existing services and assets and are therefore in line with the Council's Medium Term Financial Plan.
- 4.2 Community/ Stakeholder Issues – None.
- 4.3 Policy And/ Or Delegated Authority – Approval of the financial strategy and budget framework is a matter reserved for the Council.
- 4.4 Risk Management – As stated above, prioritisation of these schemes will be done based on risk to the Council and to the public. Failure to secure a sustainable use of reserves will result in the Council's financial policy not being achieved.
- 4.5 Equalities, Health And Human Rights – None.
- 4.6 Environmental – None.

Resources

- 4.7 Financial –
 - 4.7.1 The projects in this report have been assessed against the objectives of the Medium Term Financial Plan.

- 4.7.2 The total capital cost to the Council of the projects included in this report is £2.581m, on the basis that only the design element of the project described at 3.5.1 is approved.
- 4.7.3 There are no ongoing revenue costs associated with the projects in this report.
- 4.7.4 Approval of these projects does not represent a financial approval except for the projects described at 3.5.1.1, 3.5.1.2, 3.5.3.1 and 3.5.25.2 above.
- 4.7.5 The prioritisation of the Asset Investment Plan for 2015-20 will be presented to Members as part of the budget setting work for 2015/16.
- 4.8 Legal – Governance and Law provide advice and assistance on the full range of Council services, duties and functions including those included in this report.
- 4.9 Human Resources – None.
- 4.10 Assets And Property – None.

5.0 Conclusions

- 5.1 This report presents twenty five projects that the Appraisal Panel have approved for consideration by Members. The Policy and Resources Committee is asked to make a recommendation to the Council as to whether they should be adopted and implemented.

For further information please contact:

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Background documents:

The Service Need Case reports are available in the Members Room at Lystina House.

Medium Term Financial Plan 2014-2019

<http://intranet2/Policy/Shared%20Documents/Medium%20Term%20Financial%20Plan%202014%20-%202019.pdf>

END



**Policy and Resources Committee
Shetland Islands Council**

**27 October 2014
5 November 2014**

Long Term Asset Investment Plan - Project Update

CPS-14-14-F

**Executive Manager – Capital Programme
Executive Manager - Finance**

**Capital Programme Service
Finance Service**

1.0 Summary

- 1.1 This report provides an update on the work that has taken place to develop a Long Term Asset Investment Plan for the next 35 years. It highlights a number of key actions, describes the approach to be taken moving forward and provides an indicative timescale for delivery.

2.0 Decision Required

- 2.1 That the Policy and Resources Committee RECOMMEND that the Council;
- 2.1.1 Note the progress made by the Executive Manager – Finance and the Executive Manager – Capital Programme in developing a Long Term Asset Investment Plan (LTAIP); and,
- 2.1.2 Approve the approach to be taken (described in section 3.4 of this report) in terms of its presentation.

3.0 Detail

- 3.1 The Council has had a 5-year Asset Investment Plan (Capital Programme) since October 2010. This has been reviewed and updated since then as part of the annual budget setting process. This Asset Investment Plan (AIP) has been reduced in scale as the Council has progressed towards reducing its draw on reserves to a sustainable level and for the last 2 years has been funded without drawing on reserves other than for Spend to Save Projects and the new Anderson High School.

- 3.2 Now that the AIP is funded on a sustainable basis, it does not change dramatically at each annual review. This has benefits in planning and programming both works and cash flow.
- 3.3 This has highlighted the benefits that could come from an AIP that extends further into the future. A timeline of 35 years has been used initially.
- 3.4 Any Asset Investment Plan relies heavily on service planning across the Council and in particular any predictions relating to future levels of service. The Council faces a number of challenges in achieving, and maintaining, financial sustainability into the future. It is impossible to predict the outcomes of the various service reviews that are ongoing at present so it is proposed that in presenting the LTAIP to the Council the following key documents will be used.

3.4.1 Financial Model Reflecting Current/ Predicted Service Levels

This will take the form of a spreadsheet that sets out assumptions about future growth in Government grant, Council Tax receipts, inflation and demographics, culminating in an assessment of total funding available.

Set against that funding prediction will be the best available predictions of spend (including borrowing costs) based on the information available from services across the Council.

3.4.2 Measures Required to Address Deficit

From the work already undertaken, it is clear that there will be a funding deficit when current aspirations are set against predicted future funding. To put this issue into context and to illustrate the scale of the challenge moving forward, it is proposed that a schedule of possible interventions be presented that would seek to resolve that deficit. This will include indicative service level changes, different models of service delivery and possible engagement with other organisations.

3.4.3 Appendices

These will include the detail underpinning the financial model described at 3.4.1 above.

3.5 The work streams progressed so far can be summarised as follows:

3.5.1 Collation of Capital Spend Predictions

Predicted spend information from across a number of service areas is being gathered. Whilst it affects all areas of the Council, the data itself has been predominantly developed by Infrastructure Directorate and covers investment in building maintenance, roads, ports and the ferry service. Some of the information is based on specifically identified projects, which have orders of cost put against them. In other cases, computer-based modelling of costs have been used, based on the scale, nature and condition of the existing assets.

3.5.2 Assessment of Deliverability

The information described above is being checked against a number of comparators and historical indicators, particularly where it has been predominantly based on modelling. The predicted spend is being assessed against previous capital spend and the ability to resource the volume of work locally. There are other constraints, for example across the school estate, where holiday periods often dictate the quantity and nature of works that can realistically be delivered in any year.

3.5.3 Clarifying Capital/ Revenue Split

In common with the existing 5-year Asset Investment Plan, it is intended to present a LTAIP that represents capital spend only. There are some areas where it can be difficult to establish whether the works represent a capital investment or whether they should be accounted for as revenue. CIPFA publishes guidance on these issues and this will be used to resolve ambiguity wherever possible.

3.5.4 Financial Modelling

An early draft of the financial model has been prepared, using assumptions around Government grant, Council Tax Receipts, inflation and demographic changes. The data referred to at 3.5.1 above is being set against those income figures, but the predicted expenditure information is not yet complete and the scale of the funding deficit is not yet known.

3.6 Programme

Assuming early clarification on predicted expenditure, it is intended that the LTAIP will be presented to Policy and Resources Committee on 26 November 2014 and to the Council on 3 December 2014.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – This project is not specifically identified in the Corporate Plan 2013-17, however it supports the aspiration to adhere to the Medium Term Financial Plan and be financially strong.
- 4.2 Community/ Stakeholder Issues – None arising from this report.
- 4.3 Policy and/ or Delegated Authority – Approval of the financial strategy and budget framework is a matter reserved for the Council having taken advice from the Policy and Resources Committee.
- 4.4 Risk Management – The Council has made good progress in implementing the Medium Term Financial Plan, however there is every indication that the financial environment facing the Council into the future will be increasingly challenging. There is a risk that the draw on reserves will revert to an unsustainable level.

4.5 Equalities, Health And Human Rights – None arising from this report.

4.6 Environmental – None

Resources

4.7 Financial – The LTAIP will identify the likely scale of the financial challenge that the council will face over the next 35 years and highlight the scale of the measures that will be required to mitigate against those pressures.

4.8 Legal – None

4.9 Human Resources – None

4.10 Assets and Property – None

5.0 Conclusions

5.1 This report provides an update on the work that has taken place to develop a Long Term Asset Investment Plan for the next 35 years.

For further information please contact:

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List of Appendices:

None

Background documents:

None

END



Policy and Resources Committee

27 October 2014

Foula Schoolhouse**CPS-10-14-F****Executive Manager Capital Programme****Corporate Services/ Capital Programme****1.0 Summary**

- 1.1 This report sets out the nature of works that have recently been required to maintain Foula Schoolhouse. It explains that these works were urgently required and asks Members to note that this resulted in the need for an exception to be made to the Council's Contract Standing Orders.

2.0 Decision Required

- 2.1 That the Policy and Resources Committee;
- 2.1.1 RESOLVE to note that the maintenance work described in this report was progressed without competitive tendering for the reasons summarised in paragraph 3.5 of this report.

3.0 Detail

- 3.1 The Foula Schoolhouse was previously the Manse and remains the property of the Church of Scotland (CoS).
- 3.2 The Council leases the property from the CoS on a full repair and maintenance basis. That means that the Council is liable for all works that are required to keep the building in a satisfactory operational condition, for example painting, keeping drains and gutters clear, replacing roof tiles, replacing elements of the building subject to inevitable deterioration such as fascias, floor coverings and decoration. It does not include liability for the major elements of the building, such as the roof structure or rectification of latent issues that most old buildings will tend to suffer from at some point such as damp or woodworm, etc.
- 3.3 The house had lain empty for some time prior to the current Head Teacher taking up residence. Upon re-occupation of the house it

immediately became clear that remedial works were urgently required. Under the terms of the lease, the nature and scope of the works should be agreed with the landlord in advance.

- 3.4 The Council has proposed a schedule of works to the CoS and this has been approved.
- 3.5 The works are already underway. This is due to:
- The need to progress the works as soon as possible
 - The fact that a contractor was already present in Foula and was willing to carry out the works.

The total estimated value of the works instructed is £46,000.

The Council's Contract Standing Orders state that no competitive tendering is required where the Director of Corporate Services is satisfied that "the requirement is not readily available from more than one supplier, service provider, or contractor and it can be demonstrated that no equivalent is available, or otherwise for technical reasons or due to time restraints". All instances of such exceptions arising must be reported to the relevant Service Committee within six months of the exception occurring.

4.0 Implications

Strategic

4.1 Delivery On Corporate Priorities –

This report helps to achieve the aims of the:

Shetland Islands Council Corporate Plan 2013-17

- The Corporate Plan 2013-17 states that by the end of the plan we will have "taken action early when necessary to give all our children and young people the best start in life through the early years system and by making sure that we 'get it right for every child'".

Shetland Single Outcome Agreement 2012/15

- Area 11.1 – Work with community groups to rationalise community resources and improve the standards of remaining facilities to ensure maximum benefit to communities from grant funding available.

4.2 Community /Stakeholder Issues

Accommodation in Foula is in limited supply. Should this property cease to be available to the Council, options for re-housing the Head Teacher would be very restricted, which would immediately cause operational problems for the Schools Service.

4.3 Policy And/Or Delegated Authority –

The Council's Contract Standing Orders state that where the estimated value of goods, works and services is between £10,000 and £50,000, competitive tendering is required, unless the Sponsor has satisfied the Director of Corporate Services that "the requirement is not readily

available from more than one supplier, service provider, or contractor, and it can be demonstrated that no equivalent is available, or otherwise for technical reasons or due to time restraints". All instances of such exceptions arising must be reported to the relevant Service Committee within six months of the exception occurring.

On 2 July 2014, the Council approved a Review of Corporate Services Management Arrangements by the Director of Corporate Services. Since that date, responsibility for all Council owned property and land and any properties or land leased by the Council is managed by the Capital Programme Service. Policy and Resources Committee is therefore the relevant committee for reporting on property matters.

- 4.4 Risk Management – Had these works not been timeously undertaken, there would have been a significant risk that the Head Teacher could not have occupied the property, and that the provision of education in Foula could not have continued.
- 4.5 Equalities, Health And Human Rights – None.
- 4.6 Environmental – None arising from this report.

Resources

- 4.7 Financial – The estimated costs of the works that are underway is £46K which is being funded from within existing budget provision.
- 4.8 Legal – None arising from this report.
- 4.9 Human Resources – None.
- 4.10 Assets and Property – None arising from this report.

5.0 Conclusions

- 5.1 This report sets out the need for works that have recently been required to maintain Foula Schoolhouse and asks Members to note that this resulted in the need for an exception to be made to the Council's Contract Standing Orders.

For further information please contact:
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27 October 2014

List of Appendices

None.

Background documents:

None