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## Moray Council

Wednesday, 12 December 2018

**NOTICE IS HEREBY GIVEN** that a **Special Meeting** of the **Moray Council** is to be held at **Council Chambers, Council Office, High Street, Elgin, IV30 1BX** on **Wednesday, 12 December 2018 at 09:30.**

### BUSINESS

**1 Sederunt**

**Chair**

**2 Declaration of Group Decisions and Members Interests \***

**3 Resolution**

Consider, and if so decide, adopt the following resolution:  
"That under Section 50A (4) and (5) of the Local Government (Scotland) Act 1973, as amended, the public and media representatives be excluded from the meeting for Items 7 to 9 of business on the grounds that they involve the likely disclosure of exempt information of the class described in the relevant Paragraphs of Part 1 of Schedule 7A of the Act."

**4 Improvement and Modernisation Programme 5 - 44**

Report by the Corporate Director (Corporate Services)

**5 Property Asset Management Appraisal 45 - 108**

Report by the Corporate Director (Economic Development, Planning and Infrastructure)

**6 Capital Strategy 109 - 124**

Report by the Corporate Director (Corporate Services)

**Item(s) which the Committee may wish to consider with the Press and Public excluded**

**7 Financial Planning [Para 1]**

- Information relating to staffing matters;

**8 Restructuring Economic Development to Address Growth Deal Requirements and Job Evaluation Re-Grading in Planning and Economic Development [Para 1]**

- Information relating to staffing matters;

**9 Council New Build Phase 7 - Report on Tender [Paras 6 and 9]**

- Information relating to the financial or business affairs of any particular person(s);
- Information on terms proposed or to be proposed by or to the Authority;

**Any person attending the meeting who requires access assistance should contact customer services on 01343 563217 in advance of the meeting.**

## GUIDANCE NOTES

\* **Declaration of Group Decisions and Members Interests** - The Chair of the meeting shall seek declarations from any individual or political group at the beginning of a meeting whether any prior decision has been reached on how the individual or members of the group will vote on any item(s) of business on the Agenda, and if so on which item(s). A prior decision shall be one that the individual or the group deems to be mandatory on the individual or the group members such that the individual or the group members will be subject to sanctions should they not vote in accordance with the prior decision. Any such prior decisions will be recorded in the Minute of the meeting.

\*\* **Written Questions** - Any Member can put one written question about any relevant and competent business within the specified remits not already on the agenda, to the Chair provided it is received by the Proper Officer or Committee Services by 12 noon two working days prior to the day of the meeting. A copy of any written answer provided by the Chair will be tabled at the start of the relevant section of the meeting. The Member who has put the question may, after the answer has been given, ask one supplementary question directly related to the subject matter, but no discussion will be allowed.

No supplementary question can be put or answered more than 10 minutes after the Council has started on the relevant item of business, except with the consent of the Chair. If a Member does not have the opportunity to put a supplementary question because no time remains, then he or she can submit it in writing to the Proper Officer who will arrange for a written answer to be provided within 7 working days.

\*\*\* **Question Time** - At each ordinary meeting of the Committee ten minutes will be allowed for Members questions when any Member of the Committee can put a question to the Chair on any business within the remit of that Section of the Committee. The Member who has put the question may, after the answer has been given, ask one supplementary question directly related to the subject matter, but no discussion will be allowed.

No supplementary question can be put or answered more than ten minutes after the Committee has started on the relevant item of business, except with the consent of the Chair. If a Member does not have the opportunity to put a supplementary question because no time remains, then he/she can submit it in writing to the proper officer who will arrange for a written answer to be provided within seven working days.

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# THE MORAY COUNCIL

## Moray Council

### SEDERUNT

Councillor Shona Morrison (Chair)  
Councillor Graham Leadbitter (Depute Chair)  
Councillor George Alexander (Member)  
Councillor James Allan (Member)  
Councillor David Bremner (Member)  
Councillor Frank Brown (Member)  
Councillor Theresa Coull (Member)  
Councillor John Cowe (Member)  
Councillor Gordon Cowie (Member)  
Councillor Paula Coy (Member)  
Councillor Lorna Creswell (Member)  
Councillor John Divers (Member)  
Councillor Tim Eagle (Member)  
Councillor Ryan Edwards (Member)  
Councillor Claire Feaver (Member)  
Councillor Donald Gatt (Member)  
Councillor Louise Laing (Member)  
Councillor Marc Macrae (Member)  
Councillor Aaron McLean (Member)  
Councillor Maria McLean (Member)  
Councillor Ray McLean (Member)  
Councillor Amy Patience (Member)  
Councillor Derek Ross (Member)  
Councillor Ron Shepherd (Member)  
Councillor Sonya Warren (Member)  
Councillor Walter Wilson (Member)

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**REPORT TO: SPECIAL MORAY COUNCIL ON 12 DECEMBER 2018**

**SUBJECT: IMPROVEMENT AND MODERNISATION PROGRAMME**

**BY: CORPORATE DIRECTOR (CORPORATE SERVICES)**

**1. REASON FOR REPORT**

- 1.1 To update the council on progress in the development of the Improvement and Modernisation (I&M) programme and to seek homologation and agreement on how to progress the work, including allocation of resources to initiate and advance projects.
- 1.2 This report is submitted to Committee in terms of Section III (A) 2 of the Council's Scheme of Administration relating to considering Capital and Revenue Budgets and long term financial plans

**2. RECOMMENDATION**

- 2.1 It is recommended that the council agrees the content of projects and overall direction set out in the current I&M programme, including those areas identified as not being part of the current programme (Appendix A).
- 2.2 In order to progress the findings of the i-ESE diagnostic in relation to the 3 main areas of work, it is recommended that the Council agrees the following:
- i) **Customer Services: Change to an enabling model of customer services, supported by accelerated and widely applied digital solutions and that this is incorporated into the I&M programme with support secured from i-ESE as set out in this report;**
  - ii) **Children's Services: reviews to proceed as specified in the I&M programme, including the deployment of technology to support changes in service delivery and new ways of working with support from i-ESE in respect of business change and project planning to provide definition and plans for the progress of the substantive work required to deliver change;**

**iii) Leisure and Libraries: It is recommended that the Council provides direction in respect of the re-consideration of Leisure Review and consideration of options for Libraries**

**2.3 It is recommended that the Council agrees to allocation of £700k funding to be ear marked in reserves and used flexibly over a period of up to 2 years to initiate and advance projects as requirements develop, based on the estimates indicated in paragraph 4 c) below.**

**2.4 It is also recommended that the Council:**

- i) notes that further work will be undertaken to develop the projects in the programme including clarifying the investment required and the benefits that will accrue;**
- ii) agrees that this is reported to the relevant Transformation Boards for approval and monitoring; and**
- iii) that regular progress reports on the whole programme are submitted to the Policy and Resources Committee.**

### **3. BACKGROUND**

#### **Improvement and Modernisation Programme**

3.1 The Council on 26 September 2018 noted that an Improvement and Modernisation (I&M) programme is being developed to provide the basis for a medium to long term financial plan to enable the financial sustainability of the council and that this will continue to be refined until the council budget for 2019/20 is set in February 2019 (para 6 of the minute refers).

3.2 Since then, the Improvement Service has been consulted and feedback has been received on the first draft of the I&M programme, which was the version reported to the council on 26 September. This endorses the overall direction of the work and has not identified any gaps in terms of projects that may have been omitted.

3.3 Project mandates summarising each project, including information on investment, benefits and risks have now been updated and refined for most of the projects proposed in the first draft. These have been reviewed by CMT/SMT with a view to identifying which projects have clear benefits either in financial terms or in establishing a base from which other transformation could be led. In respect of benefits, consideration has been given to the need to draw these out as early as possible and projects that will produce earlier benefits have been prioritised in order to produce a manageable programme of work. There are many interdependencies within the projects and so some have been drawn together into a single project or identified as stages within a larger, longer term piece of work. Where there may be merit in exploring projects in future these have been identified as on hold and where appropriate and possible preliminary work will continue to ensure a state of readiness as resources become available and/or the council determines its position.

- 3.4 Many of the projects have resourcing implications and work will now be undertaken to assess these more fully and cost any requirements for internal or external resource so that these can be considered in the context of the return on the investment required. An initial indication of the resources that will be required to initiate and progress projects is included in the Summary of Implications (section 4) of this report. Authorisation is requested to proceed to secure resources for the projects recommended for commencement.
- 3.5 A revised programme has been drafted that adds definition to the purpose of each project and the anticipated outcomes (**Appendix A**). Work will continue to define and refine the programme of work as business cases and project plans are developed. A summary document has been produced for ease of reference and to enable high level progress to be charted for future reporting. This also includes an overview of resources that have been identified as necessary at this stage.

### **Feedback from i-ESE and Next Steps**

- 3.6 On 26 June 2018, the Council agreed to commission i-ESE to undertake and facilitate diagnostic work on efficiency improvements which would form part of the proposed Improvement and Modernisation Programme (I&M Programme) (para 24 of the minute refers). A presentation was delivered to all members by i-ESE on 26 November providing the outcome of the diagnostic work.
- 3.7 The i-ESE work was structured into three parts:
- i) Customer Services - a high level diagnostic using the i-ESE customer focus wheel to understand the level and nature of customer demand, mainly focusing in the Customer Contact Centre and Access points;
  - ii) Leisure and Libraries – desk top review and interviews with key staff to consider possible future options for services;
  - iv) Children’s Services – a workshop with staff to consider the opportunities for efficiency and improvement
- 3.8 I-ESE gave positive feedback about the Council’s customer service and provided a useful independent external assessment of services. A number of areas were identified where it would be possible to derive benefits in terms of the service provided to the public and/or efficiencies that might reduce costs. The main thrust of the findings in relation to customer service would be a move towards an enabling customer service approach for those customers who are able to self-serve. This could release resources to focus on assisted support for those who require it and allow for the release of savings. The work would rely largely on an increased deployment and take-up of digital services. The current direction of travel is positive but acceleration and greater focus on service change could increase the benefits. This has been fed into the relevant project mandates in the I&M programme (e.g. Customer services).

- 3.9 For the customer services project work , it is proposed to seek support from i-ESE to act as a “critical friend” to enable and accelerate work and bring experience and learning from elsewhere. A proposal for this work has been requested and any update on costs that become available by the meeting date will be provided to the council.
- 3.10 I-ESE have identified risks in respect of the approach being taken to the Leisure review and the limited options now under consideration. They consider that the level of council funding in this area warrants investigation of alternative options that may impact differently future funding for leisure services. They suggest that the current approach does not transfer risk from the council for the long term. I-ESE have proposed that a review is conducted to ensure that the evidence is in place to support consideration and determination of all of the options. This is reflected in the I&M programme and i-ESE have provided a proposal on how to take this forward in a short period of time.
- 3.11 It should be noted that any new review could consider the future scope of services that should be provided to meet the needs of the Moray population and models other than an ALEO would be considered e.g. a commercial tender. i-ESE report that alternative options could provide significant savings and potentially improved (though smaller) services.
- 3.12 For libraries services, i-ESE have identified that there are alternative service delivery models available that could offer more sustainable service options and have suggested that these are considered.
- 3.13 Finally, in Children’s Services, the i-ESE work was more limited and feedback reflects this. The main area identified with scope was in the deployment of technology to support new ways of working (largely picking up on the Designing Better Services (DBS) approaches). The I&M programme incorporates this into the flexible working and children’s services projects.
- 3.14 Recognising the feedback and in light of the transformation projects the council has already identified in children’s services, i-ESE were asked for a proposal as to how a diagnostic could be taken forward to inform the development of these projects. Given the scale and scope of work in this area, restricted availability of service resources and lack of broad experience in this type of project work within the service area, it is recognised that external business change and project support would be crucial. However, the proposal as originally framed did not reflect the direction that is beginning to be established. Therefore, following consultation with Group Leaders the Chief Executive instructed that i-ESE be asked to consider the direction set out in the I&M programme and asked to adapt their proposal to respond to this with a view to securing business change and project management support to enable the progress of projects without delay.
- 3.15 It is likely that additional expertise will also be required for a team to deliver on the range of children’s services projects and this will have to be considered

and reported back. The development of project plans and definition of the work with the support of i-ESE will be an important first step in establishing this work.

#### **4. SUMMARY OF IMPLICATIONS**

**(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))** The proposals in this paper support the priority of enabling a financially stable council.

**(b) Policy and Legal** – there are no policy or legal implications arising directly from this report to be determined at this time. However, there are a number of principles raised in the I&M programme that will have to be determined and direction provided as the relevant projects develop.

**(c) Financial implications**

As noted in the report, development of the projects is at an early stage and resources are indicated for the initiation and early development of projects. Approval is sought for the resourcing set out below in relation to the overall programme of work and the specific projects where resource requirements have been identified in the project mandates. Further requirements would be addressed in the business cases for the various projects and would be assessed based on the returns the projects are projected to generate.

In all cases funding requests are temporary. It is suggested that funding is agreed for up to 2 years and is earmarked in reserves with future use being adapted to the different stages of the projects as directed through the programme governance arrangements with monitoring reports to Policy and Resources committee. Budget management and authorisation will be allocated to the Corporate Director (Corporate Services).

There is no specific budget provision for these projects and the Council agreed in September that funding would be allocated from the “Change Fund” referred to in the report to the council on 26 September 2018 which is being drawn down from reserves.

Requirement	Solution	Cost	Est Financial Benefit
<u>Whole Project Resources for I&amp;M Programme</u>	Appointments to be phased to suit project stages. All up to 12 months initially.		
Project management resource	IS temporary appointment (early focus on establishing business cases and project plans for programme; developing customer project and defining and developing plans for Children's services)	£80k	
Project Officer resource	Deploy flexibly across whole programme/ projects	£50k	
HR Resource	Support for range of projects with workforce implications	£50k	
Children's Services business change and project planning to produce defined benefits and plans	<p>i-ESE support and expenses</p> <p>Service resource (secondment and backfill of manager level resource)</p> <p>Specialist advisor (social work) – tbc</p> <p>Project Officer resource</p> <p>Technology (devices) - £30k accommodated within service budget</p> <p>*these will not be drawn down in full until the projects are specified and benefits clear but some early service resource may be required to do preparatory work</p>	<p>£30k to £50k (estimate pending amended proposal)</p> <p>£70k*</p> <p>£50k* (estimate)</p> <p>£50k</p>	tbc
Property Asset Management	Temporary appointments for 9 Months (see separate report on agenda)	£90k	£200k

Customer Services	i-ESE support and expenses Project Officers (1.5 fte)  Service Resources for temp secondment to project Initially for up to 12 month with possible extension based on business case	£20k to £50k (estimate pending proposal) £70k  £25k	£250k
ICT & Digital	Service Resources for temp secondment to project	£25k	£250k
Leisure and Libraries	i-ESE support and expenses (subject to council direction on project)	£20k to £50k	tbc
Sponsorship (income generation)	Project Officer (post to exceed costs after 12 months in order to continue)	£50k	tbc
<b>i-ESE total</b>		<b>£90k</b>	
<b>I&amp;M Total (including i-ESE)</b>		<b>£700k</b>	<b>£700k</b>

- (d) **Risk Implications:** The Council is facing a very difficult financial situation and it would be extremely damaging and undesirable to attempt to address the extent of the predicted budget shortfall through service cuts alone. Therefore, this transformation programme is central to the development of a more sustainable financial position that addresses the underlying historical overspends in the council's budget. However, there is still much uncertainty as the individual projects continue to be developed. Education and Children's services form a significant proportion of the Council's budget and by their nature these services are particularly sensitive to risk and require time to implement change. Although every effort will be made, there is a real and high risk that these services will struggle to deliver savings of the scale and speed that are necessary to assist with the 2019/20 budget. Other services have undertaken significant transformation in the recent past and so while they will also seek to change and reduce cost, previous reform and the smaller proportion of the budget that they comprise means that savings in these areas are likely to be constrained.

Project work will be developed over the next weeks and months to define projects and increase the confidence in what they can deliver. This will include the development of risk registers so that these can be assessed and managed for each project.

The employment of a specialist project management resource will ensure appropriate project management discipline and governance arrangements across the programme of work. This will help to ensure that risks are effectively managed.

- (e) **Staffing Implications:** This programme represents a significant piece of work for the Council and while specific additional resources are identified against some projects above, there will also be considerable reliance on existing individuals and teams to progress the transformation required.

The overall programme of work will be managed on a day to day basis by the Corporate Director (Corporate Services) and the Chief Executive with the support of CMT will be responsible for the overall delivery of the programme.

A number of Heads of Service will take on roles of Senior Responsible Officer for various projects. All Heads of Service are committed and enthusiastic about the delivery of this change, however, it must be noted that this transformation work is in addition to normal service delivery, which will require careful management and prioritisation.

Initial assessment of staffing requirements for the development of the projects is set out in paragraph c) above.

There will also be workforce implications as various projects develop and these will be considered and reported on as necessary when they arise.

- (f) **Property:** there are no property implications arising directly from this report at this time. There are a small number of appointments and staff will be accommodated within existing office space. The I&M programme includes projects that will impact on the council's long term property portfolio and decisions will be required in relation to these in due course.
- (g) **Equalities/Socio Economic Impact:** there are no equalities/socio economic implications arising directly from this report.
- (h) **Consultations:** Heads of Service have developed the project mandates that have informed the I&M programme. CMT, Head of Children's Services, Head of Financial, Acting Joint Heads of HR&ICT, Head of Property Services and Head of Legal and Democratic Services have been consulted on this report as the lead officers for the corporate projects that are recommended for progression.

## 5. CONCLUSION

- 5.1 **The Corporate plan includes the development of a modernisation and improvement programme that incorporates transformation and change aimed at enabling a financially stable council. This report provides the next stage in the development of the programme of work.**

Background Papers: Council report 28-06-18: Modernisation and Improvement Programme

Council report 28-09-18 – Financial Planning  
i-ESE full presentation



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## IMPROVEMENT AND MODERNISATION PROGRAMME SUMMARY

	TITLE	DESCRIPTION	TIMING		BENEFITS	CASH £'000	STATU S	Resource			
								PM	PO	Co rp	sv c
<b>1.</b>	<b>STREAM 1: ASSET MANAGEMENT</b>										
1.1	<b>Property Asset Management Stage 1 (including area office review)</b>	Align property assets and their long term management to council priorities to ensure affordable and sustainable asset base	No v 18	Mar 2021	Fewer buildings reduced operating costs new income	200	Started	√	√	√	√
<b>2.</b>	<b>STREAM 2: TRANSFORMING CUSTOMER SERVICE</b>										
2.1	<b>ICT and Digital</b>	Add value and efficiency to service delivery by increasing adoption of online, no contact services	20 18	Ongoi ng		250	Ongoin g	-	-	HR 0.1	0.5
2.2	<b>Customer Services Re-design</b>	deliver a culture change in customer service delivery towards an enabling approach for most customers with supported service delivery for those who need it	No v 20 18	Nov 2019	Single service for first point of contact  Efficiencies and savings through economies of scale, simplified and consistent processes and harnessing available technology	250	To comme nce	0.5	1.5	HR 0.2	0.5
<b>3.</b>	<b>STREAM 3: ALTERNATIVE SERVICE DELIVERY MODELS</b>										
3.1	<b>Museums Trust</b>	Explore all avenues to	Se		Sustainable service	?	Ongoin	-	-	√	-

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	TITLE	DESCRIPTION	TIMING		BENEFITS	CASH £'000	STATU S	Resource			
								PM	PO	Co rp	sv c
		create a sustainable future for the Museums service	pt 20 18		Reduced ongoing cost to council		g				
3.2	<b>Leisure Services Review</b>	explore all avenues to create a sustainable future for the Leisure Estate and identify the strategic priorities for the services within Leisure		Feb 2021	More efficient and effective Leisure Estate which meets the strategic need for the area Reduction in the subsidy provided	Tbc	Stop & Refresh ( <i>subject to political views</i> )	√	√	√	-
<b>4.</b>	<b>STREAM 4: INTERNAL TRANSFORMATION</b>										
4.1	<b>Review and Expansion of Flexible Working</b>	reduce reliance on physical buildings and enable the property estate to be reduced in size and to reduce running costs by extending and expanding flexible working			Enabling project for other change  Reduction in buildings or reduced use that reduces running costs		To commence	-	0.1	HR 0.1	0.1
4.2	<b>Organisational Design and Management Structure</b>	Ensure that the organisation is designed and structured to meet the challenges of the future as efficiently and effectively as possible and that it is flexible enough to adjust to meet future requirements					In progress	√	√	HR 0.1	-
4.3	<b>Organisational Design and Governance Review</b>	Review Moray Council Committee Structures, Scheme of Delegation and			Reduce bureaucracy Streamline decision			√	0.1	-	0.1

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	TITLE	DESCRIPTION	TIMING		BENEFITS	CASH £'000	STATU S	Resource			
								PM	PO	Co rp	sv c
		reports to committee with a view to faster, more focused and efficient decision making and Investigation of any cost savings			making processes Effective governance structures						
<b>5.</b>	<b>STREAM 5: INCOME/COMMERCIAL</b>										
5.1	Income maximisation projects	1. Charge for staff car parking 2. Sale fuel @ harbours to boats 3. Sale ice @ harbours 4. Charges for waste collection			Increased income as set against each project	51		-	-	-	-
5.2	Sponsorship – public realm, website; docs issued	Generate income from advertising, sponsorship and other commercial opportunities			Additional income Improved maintenance of facilities			-	1.0	-	-
<b>6.</b>	<b>STREAM 6: SERVICE EFFICIENCY AND TRANSFORMATION</b>										
6.1	Service reviews – direct services	Cleaning Waste Collection Street Sweeping			Reduced cost per each project	438		-	-	-	-
6.2	Service efficiency – HR/Pay	Utilising Payroll-HR system for employee and manager self-service & workflow			Reduced administration costs Improved service	55		-	-	-	-
<b>7</b>	<b>STREAM 7: TRANSFORMING EDUCATION</b>										

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	TITLE	DESCRIPTION	TIMING		BENEFITS	CASH £'000	STATU S	Resource				
								PM	PO	Co rp	sv c	
7.1	"Schools for the Future"	Provide the essential infrastructure for the delivery of education in Moray										
7.2	School Business Support	Rationalise business support across council and schools  Digital implementation and service (payments, absence reporting, reporting generally)										
7.3	Transport Review in education and children's services											
<b>8</b>	<b>STREAM 8: TRANSFORMATION OF CHILDREN'S SERVICES</b>							0.5	1.0	HR 0.3	1.0	
	Overall Stream Benefits		More effective and efficient service delivery of a quality service that effects real change and measurable outcomes Better outcomes for young people and families Reduced costs across all areas Improved partnership working						0.5	1.0	HR 0.3	1.0
8.1	Service Review	Establish new approach, culture and ways of working in social work services			More efficient use of resources in delivering outcomes More children in kinship care Reduced							

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	TITLE	DESCRIPTION	TIMING		BENEFITS	CASH £'000	STATU S	Resource			
								PM	PO	Co rp	sv c
					~ complaints from families ~ number of formal proceedings ~ unallocated child care cases number on child protection register						
8.2	Commissioning	Review commissioning of services to align with the new ethos and provide different options for older young people and shift in resources to community based care as the core			Vibrant blended economy of service provision  More accessible services that can respond to need and provide sustainable services						
8.3	ASN	Build a more collaborative approach with education to determining needs and considering options for support for ASN services			Direct solutions away from more intensive use of resources  More flexible use of resources						
8.4	Out of Area (OOA)	Review out of area placements to provide different options that fit with the new approach, provide			More children cared for locally Reduced average cost of care package						

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	TITLE	DESCRIPTION	TIMING		BENEFITS	CASH £'000	STATU S	Resource			
								PM	PO	Co rp	sv c
		better results for the YP and reduce overall cost			(OOA)						

## Modernisation and Improvement Programme

### Transformation to Achieve

To deliver savings, a programme of work is being prepared to support our priority of having a financially stable council that provides valued services to our Communities. To this end, possible areas of work aimed at improving the financial sustainability of council services have been identified using the Reform Matrix in the table below. Some projects have started to progress and business mandates will continue to be developed and progressed through the Council's gateway process using our project management procedures in order to assess and prioritise them into a programme of modernisation and improvement work.

#### **Reform Matrix**

<b>Transformation (different service)</b>	Centralise/ amalgamate in-house; Share services; Outsource/ Commission; ALEOs/Trusts
<b>Redesign of services (i.e. efficiency – same service leaner/new approach)</b>	Digital Services; Redesign Jobs; Streamline processes (e.g. contact centre, SharePoint, energy management); Rationalise asset base (including Schools, CATs); Simplify Governance
<b>Redefine Services</b>	Stop; Reduce; Community contribution / provision of services
<b>Income generation and commercialisation</b>	Charges; Sponsorship; Council Tax; Investment Portfolio; New services to compete with private sector; Sale of assets

We will continue to apply the Reform Matrix to identify and develop further opportunities.

Detail will continue to be added to the programme of work as projects develop, including values for financial planning purposes. The projects will report through programme boards that form the project governance arrangements.

A lead officer has been assigned to each project (or set of projects) and will report through the 3 programme boards that form the project governance arrangements.

## DESIGN PRINCIPLES

The Design Principles and Guidelines establish direction and boundaries for the formation of this programme of transformation work.

### What we want to achieve (the council of the future):

1. Sustainability:           Realistic and sustainable revenue budget position  
Flexibility to meet future change and demand
2. Customer Focus:        Increased community capacity and engagement  
Improved outcomes in areas of priority need
3. Priority Resourcing:    Deliver evidence based outcomes  
Resources re/directed to priorities

### How we will work to achieve this:

- Transformation :
  - Be open to alternative delivery models that bring advantage
  - Accept measured risks to support, opportunity and innovation
  - Adopt a more entrepreneurial approach to generating income
- Partnership :
  - Work in partnership and collaborate to secure benefits that may not be possible on our own
  - Develop shared understanding with our communities, workforce and partners
- Efficiency:
  - Streamline our processes and governance
  - Embrace and exploit technology to our advantage
  - Rationalise out asset base aligned to priorities

### As a result we expect:

- Balanced budget
- Re-investment in priority areas - money shifting between services
- Less services and different delivery methods
- Reduced service standards in some areas and improved standards in others
- Greater community self-reliance

## PRINCIPLES (FOR DETERMINATION) ARISING FROM PROJECTS

Points that will influence how projects are developed, the scope of the projects and the benefits it will be possible to deliver. Some are linked to the DPs above and so positions have been proposed based on these. These issues will be brought forward for determination as the relevant projects proceed.

- The extent of council physical presence in each locality
- Requirement to have council specific presence in localities or whether a shared space and service is acceptable
- What service options should be available as a generic standard for all and the extent to which digital services can be promoted as the default for those who are able to use them
- Moving towards being an enabling organisation for the majority of customer contact (away from paternalistic doing for), with some deployment resources released towards those who are less able and need more support
- Default position of First point of customer contact for all services being the contact centre, unless there is a valid exception

## TRANSFORMATION PROGRAMME

### STREAM 1: ASSET MANAGEMENT

#### 1.1 Property Asset Management Stage 1 (including area office review)

<b>Purpose:</b>	Align property assets and their long term management to council priorities to ensure affordable and sustainable asset base.
<b>Aims:</b>	<p>Review the Council's property assets and where possible reduce the asset base, identify properties that could be shared between services and other partners and to implement an affordable maintenance programme for the remaining asset base.</p> <p>Identify long term requirements for local service presence in locations across Moray</p> <p>Consider the scope for collaborative working and delivery of services in shared accommodation</p>
<b>Objectives:</b>	<p>Reduce operating costs, particularly associated with building maintenance while continuing to provide acceptable customer access to services, including online and telephone</p> <p>Identify the financial benefits or areas where preventative spend can be achieved across the Council's Corporate Buildings</p> <p>Establish affordable ongoing maintenance</p> <p>Share property assets between services and partners</p>
<b>Expected Results:</b>	<p>Fewer buildings, reduced operating costs and new income generated from the sale of surplus properties and/or the lease of and industrial units freed up from this review.</p> <p>The Council will spend less on property maintenance and on utilities</p> <p>Reduced asset base (reduce number of public sector buildings across Moray)</p>

<b>Financial Benefits</b>	<b>2019/20</b>	<b>2020/21</b>	<b>future</b>
	<b>100k</b>	<b>100k</b>	<b>tbc</b>

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<b>Risks and Inter-dependencies:</b>	<p><b>Risks:</b> Cost of moving between buildings Resistance to change and/or staff not having access to the right technology that will allow the staffing base to operate more flexibly</p> <p><b>Links with:</b> Flexible Working; Digital; Technology within Transforming ICS</p>
<b>Timescale:</b>	<b>Nov 2018- Mar 2021</b>
<b>Resource Requirements:</b>	<b>Yes</b> (see mandate)

## 1.2 Property Asset Management Stage 2 - Shared community hubs for public/3<sup>rd</sup> sector

<b>Purpose:</b>	To provide shared community hubs and services with Community Planning Partners with a view to securing reduced costs through economies of scale
<b>Aims:</b>	<p>Establish geographical locations where services could be co-located and identify long term public sector property requirements</p> <p>Catalogue the nature and volume of service demand in locations and available alternatives</p> <p>Establish a clear vision for the Community Planning Partnership of how services are expected to change over the next 15 years, related to demographics and service needs</p>
<b>Objectives:</b>	<p>Identify a shared place based asset management plan - e.g. libraries, area offices, schools as community resources with co-location of services</p> <p>Provide options for improved efficiency in the delivery of public sector services in Moray, including a single public agency model as a potential long term possible approach for Moray</p> <p>Fewer but strategically located shared hubs/buildings where funding has been maximised through the strategic planning process and developer obligations (£41 million) and support through Scottish government and SFT.</p>

Spare capacity in buildings is utilised by partners or services to ensure we maximise the use of assets and minimise costs

<b>Expected Results:</b>	Greater efficiency in the use of resources to deliver public services in Moray
<b>Financial Benefits</b>	Not determined at this stage
<b>Risks and Inter-dependencies:</b>	<p><b>Risks:</b> Significant risks around commitment and resource across partners and state of readiness in long term planning and service need analysis</p> <p><b>Links with:</b> There are internal and external dependencies and strong links to the council asset management plan/project</p>
<b>Timescale:</b>	<p>Mar 2021 – tbc</p> <p>This is a longer term project that would follow on from the Stage 1 property project.</p> <p>Meantime a mapping exercise has been undertaken and forward plan work with SFT and other partners will continue as a holding approach that will ensure readiness at the appropriate time.</p>
<b>Resource Requirements:</b>	<b>Yes</b> (see mandate)

## STREAM 2: TRANSFORMING CUSTOMER SERVICE

### 2.1 ICT and Digital

<b>Purpose:</b>	<p>Add value and efficiency to service delivery:</p> <ul style="list-style-type: none"> <li>– by increasing adoption of online, no contact services and implementing an end to end online service delivery model;</li> <li>– through data sharing internally with other services and externally with other partners and agencies</li> </ul>
<b>Aims:</b>	<p>automate the services in scope to tackle the major transactional processes areas offered to the public:</p> <ul style="list-style-type: none"> <li>~ Maximise uptake of self service for existing and new online services</li> <li>~ Identify further services to provide online through the development of business cases for other service</li> </ul>

- areas
- ~ Reduce costs through the shift to online service provision
- ~ Review decision support solutions to provide an understanding of the benefits of digital solutions
- ~ Identify opportunities for sharing information internally and externally

Investigate options for our staff and customers to be more digitally aware

Enhance the use of data and enable services to be as joined up as possible

Implement full end to end processing removing the manual processes of data entry, scanning, mailing etc as far as possible

Improve intra working between council services and inter working across partners organisations

**Objectives:** A series of business cases that clearly establish the benefits and can be used to prioritise the development phase of digital services to enable the forward plan for digital delivery in services areas to be set out on a rolling basis.

Ongoing generation of savings arising from reduced paper processing, improved automation of processes, improved data handling and accuracy, more efficient systems for appointments

Improved council services as a result of staff having the knowledge and understanding of how digital technologies will improve council services so that they can promote to their customer base.

Contribute to a financially stable council through the adoption of cheaper more cost effective service delivery channels

**Expected Results:** Reduce cost of service delivery by maximising the uptake of online services and deliver maximum efficiencies for the council.

	2019/20	2020/21	Future years
<b>Financial Benefits:</b>	125k	125k	tbc

**Risks and Inter-dependencies:** **Risks:** Engagement of service staff in change; delivering change that maximises use of technology following its deployment; lack of public uptake of services; resistance to withdrawal of non-digital solutions from those who can

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choose to use them

**Links with:** This proposal has strong links with a number of the other proposals identified within the Modernisation and Improvement Programme including: Area Office Review, Review and Expansion of Flexible Working, Customer Services Re-design, Internal Organisation of Services

**Timescale:** Current project, ongoing rolling programme

**Resource Requirements:** Yes - service staff will be required for input to design solutions and to implement change using technology (see mandate)

## 2.2 Customer Services Re-design

**Purpose:** To deliver a culture change in customer service delivery towards an enabling approach for most customers with supported service delivery for those who need it.

Encourage customers to choose alternative lower cost, more efficient digital means of accessing services wherever possible.

**Aims:** Put in place measures to co-ordinate the capture of the level and type of activity across the service and how it is currently delivered to enable a plan of action to be developed moving forward.

Implement a single point of contact for telephone contact and ensure that administrative work is being performed by staff at appropriate grades in a consistent manner  
Review interactions with customers to influence responses

Maximise use of resources by aligning to customer utilisation patterns

Review workflows in customer services to ensure appropriate standards and end to end processes;

Revise opening hours and reception service, including alternatives for customers who can self-serve;

Identify scope for demand management to change interactions with customers e.g. via directed communications;

Expand contact centre with default being customer contact centre for all first contact service, unless exception

**Objectives:** Extend the strategic service delivery model previously agreed and implemented in many services through the DBS programme to all Council services.

Initial customer contact will be always be via Customer

Services

Whenever possible, technology will be used to capture data

Customers will be actively encouraged to shift from expensive channels (face to face and written) to cheaper ones (self-service and telephone)

In implementing new processes, Lagan will be used for customer contact, SharePoint for document management and OptiTime for workforce scheduling unless better functionality exists within departmental core systems

All incoming and outgoing paper mail will be routed via the central mailroom

Wherever possible, staff performance data will be captured automatically

**Expected Results:**

Single point for initial telephone contact  
 Central mail room function for these services  
 Hub for some IJB services face to face contact?  
 Measures in place with regard to contact – i.e. what it is about, volumes etc not available at present  
 Efficiencies and savings through economies of scale, simplified and consistent processes and harnessing available technology

<b>Financial Benefits</b>	<b>2019/20</b>	<b>2020/21</b>	<b>future</b>
Profile of financial benefits to be reviewed and ensure no overlap with digital	<b>125</b>	<b>125</b>	<b>tbc</b>

**Risks and Inter-dependencies:**

**Risks:** Making change happen; IJB services have greatest scope as were not part of DBS and large service area so would not give direct savings to the council

**Links with:** Digital, Property, Education Business Support

**Timescale:**

Est 12 months from commencement  
 Project plan and business case to scope and plan out work

**Resource Requirements:**

**Yes** (see mandate)

**STREAM 3: ALTERNATIVE SERVICE DELIVERY MODELS**

**Trusts as Alternative Service Delivery Model:** Explore trusts as alternative service delivery models and the benefits that would accrue

### 3.1 Leisure Services Review

<b>Purpose:</b>	To explore all avenues to create a sustainable future for the Leisure Estate and identify the strategic priorities for the services within Leisure
<b>Aims:</b>	<p>Undertake a service review to ensure that the Leisure Estate meets the council's strategic needs and operates as efficiently as possible within budget constraints</p> <p>Identify the future strategic priorities for the service and service delivery requirements</p> <p>Consider range of options, including in-house, shared service, ALEO and other contracted provision and assess these against service and council priorities</p> <p>Review and establish future delivery model and management arrangements for indoor and outdoor facilities and services operated by the Council for recreational, sporting, cultural and social activities</p>
<b>Objectives:</b>	<p>Ensure adequate provision of facilities for recreational, sporting, cultural and social activities</p> <p>Meet the Council's statutory obligations to support activities related to the development of recreation, sport, culture and heritage.</p> <p>Recommended service delivery requirements and future delivery model that meets statutory requirements in long term sustainable way in terms of finance, leisure estate and future adaptability in supporting positive outcomes</p> <ul style="list-style-type: none"> <li>- Determination of the scope of the Leisure Estate (core services required)</li> <li>- Identified the most effective means of governance for the Leisure Estate</li> <li>- More efficient leisure service operating at reduced costs to the Local Authority</li> </ul> <p>Management and control of the business risks in the long term operation of leisure services</p>
<b>Expected Results:</b>	<p>More efficient and effective Leisure Estate which meets the strategic need for the area. The governance of the Leisure Estate is likely to change and there is likely to be a reduction in the size of the service</p> <ul style="list-style-type: none"> <li>~ Improved efficiency and meeting strategic need</li> <li>~ Reduction in the subsidy provided</li> <li>~ Sustainable leisure estate</li> </ul>

<b>Financial Benefits</b>	<b>2019/20</b> tbc	<b>2020/21</b> tbc	<b>future</b> tbc
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**Risks and Inter-dependencies:** **Risks:** Political decision making; reluctance to consider all options leading to poor option appraisal; meeting deadlines; quality of specification as a result of inadequate resourcing.  
**Links with:**

**Timescale:** Aug 2019 for Full Council approval on scope and governance option

18 month timeline from Aug 2019- Feb 2021 to undertake internal and external work for governance option to be implemented

**Resource Requirement** **Yes** (see mandate)

### 3.2 Museums Trust

**Purpose:** Explore all avenues to create a sustainable future for the Museums service

**Aims:** Develop options for operation, which ensures a sustainable future for the service

Catalogue (using digitisation as far as possible) and review the collection and identify items which would be suitable for auction

Explore income generation for the heritage / cultural sector with any monies raised supporting future options for the service to ensure sustainability

**Objectives:** Digitising as much as possible the data base will allow further valuation of the collection, making it accessible & for Council to consider any potential sales.

Developing a full business plan, this would conclude any of the options above with a possible Community Asset Transfer of the service

**Expected Results:** Reduced cost to the council in ensuring delivery of sustainable service for the future

	2019/20	2020/21	future
<b>Financial Benefits</b>		82k	

**Risks and Inter-dependencies:** **Risks**  
**Links with:**

**Timescale:** April 2019 onwards

**Resource Requirement** No additional requirement (possible ICT resource to assist with digitisation)

## **STREAM 4: INTERNAL TRANSFORMATION**

### **4.1 Review and Expansion of Flexible Working**

<b>Purpose:</b>	reduce reliance on physical buildings and enable the property estate to be reduced in size and to reduce running costs by extending and expanding flexible working
<b>Aims:</b>	<p>Review flexible working options to increase service flexibility and efficiency through the adoption of all flexible workstyles</p> <p>Identify areas where technical solutions can be used “in the field” to drive efficiencies</p> <p>Review the tools provided to staff to enable them to work more flexibly</p> <p>Investigate the options for desktop video conferencing and how this links with a more corporate approach for unified communications.</p> <p>Review potential work styles</p> <p>Expand the use of scheduling solutions to other services.</p> <p>Review the flexible working policy to ensure it continues to be fit for purpose.</p>
<b>Objectives:</b>	<p>Increased occupancy of offices resulting in Lower operating costs</p> <p>Reduction in office moves</p> <p>Improved service delivery from scheduling staff to jobs</p> <p>Improved performance arising from scheduling solution</p>
<b>Expected Results:</b>	Reduction in buildings or reduced use that reduces running costs by making better use of existing property and the opening up the potential to reduce the property portfolio
<b>Financial Benefits:</b>	<b>Enabling project – no direct financial benefits</b>
<b>Risks and Inter-dependencies:</b>	<b>Risks:</b> Main potential for saving is in MIJB where DBS was not fully implemented and the council does not accrue direct savings from this budget
	<b>Links with:</b> Area Office Review; Digital Services; Employee self service; Community hubs; Customer Services Re-design
<b>Timescale:</b>	<b>ICS</b> Dec2018/Mar 2019 Other timescales to be determined

**Resource Requirements:** Yes – funding for technology and staff for project (see mandate)

#### 4.2 Organisational Design and Management Structure (also linked to governance project below)

Purpose: Ensure that the organisation is designed and structured to meet the challenges of the future as efficiently and effectively as possible and that it is flexible enough to adjust to meet future requirements.

Focus On: review of our operating model, including organisational governance requirements and consider organisational structure options that would deliver effectively and efficiently.

##### Issues for consideration

- Affordability in the current financial environment
- Alignment of the structure to the delivery of the council's priorities
- Capacity to drive improvement and transformation agendas
- Flexibility to be responsive and adaptable to future change and demands
- Well-designed attractive jobs that are challenging but manageable
- Links to appropriate governance arrangements (see project on Governance)

#### 4.3 Organisational Design and Governance Review

- Purpose: Review Moray Council Committee Structures ,Scheme of Delegation and reports to committee with a view to Faster, more focused and efficient decision making and Investigation of any cost savings :

##### Focus On:

- Reduce bureaucracy
- Streamline decision making processes
- Reduce material going to committee
- Look at alternative governance structures , eg executive committee

### **STREAM 5: INCOME/COMMERCIAL**

Purpose: identify options to increase council income at acceptable level of risk

Focus On: the potential for a dedicated post to generate income through cross-cutting / innovative initiatives.

<u>Issues for consideration</u>		<u>Current Progress</u>	<u>Value</u>		
			19/20	20/21	future
1. Charge for staff car parking	NM	Proposal developed for consideration as part of budget	51k		

		options. This project is progressing and progress will be monitored at departmental level.			
2. Sale fuel @ harbours to boats	SC	Project agreed and in development. Mandate prepared and this project is progressing. Progress will be monitored at departmental level.			
3. Sale ice @ harbours	SC	Project agreed and in development. Mandate prepared and this project is progressing. Progress will be monitored at departmental level.			
4. Charges for waste collection	SC	Proposal developed for consideration. Mandate prepared and this project is progressing as part of the financial planning proposals for 2019/20. Progress will be monitored at departmental level.			
5. Sponsorship – public realm, website; docs issued	LP	Contract in place Discussions taken place with Highland Project mandate prepared			

## STREAM 6: SERVICE EFFICIENCY AND TRANSFORMATION

### SERVICE PROJECTS

Purpose: Service improvement and efficiency, or areas where council delivery of services or parts of them could cease or reduce

<u>Service Review Area</u>		<u>Current Progress</u>	Value ( <sup>T</sup> = target)		
			19/20	20/21	future
1. reviews in cleaning and facilities – review of cleaning in schools	SC	This project is progressing as part of the financial planning proposals for 2019/20. Progress will be monitored at departmental level.	250k <sup>T</sup>		
2. Waste (Refuse Collection) – service review	SC	To be commenced	20k <sup>T</sup>	50K <sup>T</sup>	

3. Waste (Street Sweeping) – service review	SC	To be commenced	118k <sup>1</sup> (Over 2 years)		
4. Stop Employee Assistance Prg	FG	Proposal developed for consideration as part of budget proposal.			
5. Employee Self-Service: efficiencies from the Payroll-HR system utilising employee and manager self-service & workflow	FG	Project underway  Progress will be monitored at departmental level	55		

## **STREAM 7: TRANSFORMING EDUCATION**

**8.1 Schools for the Future:** Provide the essential infrastructure for the delivery of education in Moray

Purpose: Develop high performing schools that are fit for the future and financially sustainable

Focus on:

- Curriculum offer
- Staff recruitment, development (including leadership development) and support
- Short, medium and long term affordability
- Environment for learning (school estate)
- Development of 5, 10 and 15 year plus plans for the school estate to recognise the changing demographic and changing needs of Moray

Issues for consideration

- Timing, method and resources
- Scale required - need to close at scale
- Larger primaries for new builds (>450) – future capacity
- Invest in ICT infrastructure

<u>Project</u>	<u>Current Progress</u>	<u>Value</u>		
		19/20	20/21	future
Schools for the Future	Working group in place and work planned to develop	0	0	£1.35m

	<p>strategy with view to reporting plan around February 2019 Interim mothballing has been removed as an issue for consideration as it is unlikely.</p> <p>Financial Value – imperative is to reduce spend on school estate and move to sustainable maintenance programme. Savings will only be possible if the school estate can be reduced. Illustration based on large scale school closure provided to indicate potential scale only. This replaces the previous financial indication.</p> <p><u>Next Steps</u></p> <p>Sept – report to C&amp;YP re underlying principles for new strategy, including size and standard Dec – report on strategy for forward planning school estate Report on LDP</p>			
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<p>6. School Business Support i) Rationalise business support across council and schools</p>	<p>LS</p>	<p>To be commenced</p>			
<p>7. Transport Review in education and children’s services</p>	<p>tbc</p>	<p>To be commenced</p>			

## **STREAM 8: TRANSFORMATION OF CHILDREN'S SERVICES**

### Summary Brief

To undertake a diagnostic exercise that takes account of the direction of travel set out in the programme of work below.

The main purpose of the programme of work is to set a new direction and way of working for children's services. In future services should focus on planned, early work with families to support better outcomes for children in their local communities through efficient and flexible deployment of a range of accessible, responsive local services. This is a shift from the reactive heavily statutory led services that are currently in place.

To achieve this definition of options, methods, benefits and structured plans is required to enable effective programme management and delivery of results across a suite of projects (currently identified as the 4 below). It is recognised that the diagnostic work may require these to be reviewed or for new projects to be introduced to the scope of the work.

- Whole Service Review, including ways of working, organisational structure and operating methods (technology)
- Review of Commissioning, including partnership options
- Review of approach to Additional Support Needs service
- Review of Out of Area Placements, based on the community emphasis emerging from the new culture

<b>Purpose:</b>	To undertake a full review of Integrated children's services  ensuring services are fit for purpose and sustainable, providing quality services that have a demonstrable and positive impact on children and families in Moray	<b>Objectives: (Outputs)</b>	<b>Outcomes (for each project)</b>
<b>Aims 1. Service Review</b>	➤ Establish new approach, culture and ways of working in social work services with a view to changing the	➤ A proactive operating model that focuses on early intervention to work with and support families in the community through	More efficient use of resources in delivering outcomes

	<p>interactions with families to an earlier stage with greater emphasis on the benefits of community and family</p> <ul style="list-style-type: none"> <li>➤ Create a new organisational structure and revised staff roles to deliver the new approach, potentially geographical area based integrated service rather than activity based</li> <li>➤ Develop and implement the use of technology to enable and support different ways of working (flexible, reduced paper – link to Flexible working project)</li> </ul>	<p>an appropriate range of local service options</p> <p>(which changes the current reactive, resource intensive operating model that is heavily weighted to more formal statutory responses that can polarise families and communities and lead to unintended poorer outcomes)</p> <ul style="list-style-type: none"> <li>➤ Improved governance model to manage and monitor throughput of work, approaches and outcomes</li> <li>➤ Establish mobile and flexible working to provide for more efficient use of time</li> </ul>	<p>More children in kinship care</p> <p>Reduced</p> <ul style="list-style-type: none"> <li>~ complaints from families</li> <li>~ number of formal proceedings</li> <li>~ unallocated child care cases</li> <li>~ number on child protection register</li> </ul>
<b>2. Commissioning</b>	<ul style="list-style-type: none"> <li>➤ Review commissioning of services to align with the new ethos and provide different options for older young people and shift in resources to community based care as the core</li> <li>➤ Investigate options for shared commissioning with other councils</li> </ul>	<ul style="list-style-type: none"> <li>➤ Robust commissioning strategy with range of viable local provision</li> </ul>	<p>Vibrant blended economy of service provision</p> <p>More accessible services that can respond to need and provide sustainable services</p>
<b>3. ASN</b>	<ul style="list-style-type: none"> <li>➤ Build a more collaborative approach with education to determining needs and considering options for support for ASN services</li> <li>➤ Review approach to funding of ASN support</li> </ul>	<ul style="list-style-type: none"> <li>➤ New approach to zoning of school provision and admission policy for ASN</li> <li>Improved approach to complex ASN needs</li> <li>➤ New system for assessment of ASN support for individuals</li> </ul>	<p>Direct solutions away from more intensive use of resources</p> <p>More flexible use of resources</p>

<b>4. Out of Area</b>	➤ Review out of area placements to provide different options that fit with the new approach, provide better results for the YP and reduce overall cost			➤ range of more affordable local options to support community based, local care?	More children cared for locally Reduced average cost of care package?? (OOA)
<b>Expected Results: (Outcomes) Across all projects</b>	More effective and efficient service delivery of a quality service that effects real change and measurable outcomes Better outcomes for young people and families Reduced costs across all areas Improved partnership working				
<b>Financial Benefits:</b>	2019/20	2020/21	future	Financial benefits and a timeline will be prepared at the business case/project planning stage.	
	0	tbc	tbc		
<b>Risks and Inter-dependencies:</b>	<b>Risks:</b> perception of families that they have been refused a service Objections to changes in support provision Staff resistance to change Short term increase in complaints and negative press reports Managing increasing service demand Complexity and timescales for change  <b>Links with:</b> PACE; Re-aligning Children's Services; Flexible Working				
<b>Timescale:</b>	November 2018 to June 2019 (to identify what is achievable by this date as part of project planning – programme of work likely to extend beyond this)				
<b>Resource Requirements:</b>	Yes (requires further definition as project plans development but see mandate for current assessment)				

## Projects In Progress

Transform Board	Project	SRO
<b>Council</b>	SharePoint EDRMS	Eric Bell
	Digital Services	Phil McDonald
	HR / Payroll (on hold)	Frances Garrow
<b>Economy</b>	Moray Growth Deal	Rhona Gunn
	Energy from Waste	Rhona Gunn
	Moycroft	Stephen Cooper
	Elgin Transport Strategy	Stephen Cooper
	Buckie Harbour (on hold)	Stephen Cooper
<b>Learning</b>	Early Learning and Childcare,	Graham Jarvis
	Elgin High School, ,	Graham Jarvis
	Lossiemouth High School	Graham Jarvis
	Linkwood Primary School	Graham Jarvis
	Leisure Review	Graham Jarvis
	DSM Admin Review(On hold)	Graham Jarvis
	ICT for Schools	Phil McDonald

## PROJECTS NOT CURRENTLY IDENTIFIED FOR PROGRESS

### 1. Review Terms and Conditions of Employment

**Status:** *to be determined. Further information required to assess merits of project*

Purpose: Reduce costs of routine service delivery and ensure that the reward package reflects exceptions demands aligned to council priorities

Focus:

- Modernising pay and conditions
- Review working patterns and arrangements based on demands and priorities
- Ensure efficient working practices

Issues for consideration

- End weekend rates and convert to shifts – consider areas where would be significant financial gains and quantify.
- Review disturbance allowances for people who are moved.
- Equalities

### 2. Internal Organisation of Services (Back Office Services)

Purpose: To improve efficiency in service delivery (including by applying “DBS” type process and design efficiency across all service areas

Focus On:

- Application of “DBS” solutions and principles (simplify, standardise and share) to areas that were not covered
- Redesign to add efficiency to back office services

- i) Centralise back office functions – admin; system support; research & policy; HR admin – consider business case

Some of the services and work will be included as part of the end to end process review included in the digital and customer projects and so there is a risk of duplication.

**Status:** *On hold. To be re-visited as potential second stage of digital/customer services*

- i) Shared fleet and assets

**Status:** *Low Priority project – advance if/when resources permit*

Potential is to offer vehicle maintenance service to other public sector partners. There are a number of risks that impact on capacity to offer this service which would have to be managed before proceeding (e.g. mechanic recruitment and retention; workshop capacity). The interest from partners will depend on their appetite for a shared service and the scope to reduce their costs based on their current contract commitments.

Information will be requested from partners to on their current costs and commitments in order that the potential for this project can be better defined. The position will be reviewed should a high value benefit seem likely.

### 3. Service Reviews

#### i) Review out of hours Social Work service

**Status:** *Low Priority project – advance if/when resources permit*

While this project was suggested, the terms of reference were undefined. The total cost of this service is approximately £200k and therefore the scope for savings is fairly limited. Due to its potential value, this project has been deemed of lower priority than the other projects identified within this service area and so is on hold currently

#### ii) Review music instruction service and provision of instruments

**Status:** *On hold.*

The Scottish Government is undertaking a review of music instruction and this project has been put on hold in order that the outcome of the SG review can be taken into account in determining how to proceed.

#### iii) Reduce committee minutes to essential – webcast as record

**Status:** *Concluded – no benefit identified*

More extensive project identified to review governance and included within the internal transformation section

#### iv) Reduce Minute Taking at Non- Committee Meetings - Stop minute takers by moving role to meeting attendee taking action note.

Already actioned where possible, will continue to encourage change of approach where efficient to do so

**Status:** *Concluded – no further benefit identified*

#### v) Financial (Money Advice/Welfare Benefits/CAB) Advice Services

**Status:** *Concluded – no additional benefit identified*

Main benefits identified are from the avoidance of failure demand – potential of £65k. This will be pursued as part of normal service delivery. No added value has been identified from a potential bringing together of these services as the functions are different. There may be scope to review CAB funding following the changes that are proposed in relation to government funding of CABs

#### vi) Review in catering - Pilot of cook/freeze

**Status: On hold**

This project did not gain political support in the financial planning progress. It has been placed on hold and will be removed if there is no council agreement to proceed in the next stage of financial planning.

**vii) Single regulatory service at council****Status: Concluded – no further benefit identified**

Project identified potential management savings. A number of posts have been removed as part of the budget process from regulatory services and legal services which will provide management savings. In addition other savings have been made from within these areas where there are small numbers of staff, the budget being mainly staffing. Work will continue to review efficiencies in licensing processes but limited further benefits are identified.

**Alternative Service Delivery Models****i) Outsource and Shared services****Status: On hold - Advance if/when resources permit**

A previous paper summarised the work already underway and previously considered in relation to shared services. While a range of work was underway no significant opportunities were apparent. There would be considerable work in investigating options and seeking partners for shared service projects. This means such initiatives would be resource intensive and long term in relation to the accrual of any benefits. Given the pressing need for transformation and savings this project has been allocated lower priority and will be put on hold pending the release of resources from higher priority projects that will provide more definitive returns in a shorter timescale

**ii) 3.2 Re-organisation of Services with Partners****Status: On hold - Advance if/when resources permit**

This project aimed to identify opportunities for expanded collaboration and areas where more than one partner has expertise in common. Work will continue to explore the principle of shared public sector hubs for services and sharing across community planning partners. However, as noted in 3(i) (and in project 1.2 in the Programme) this project would require significant investment for undefined, very long term pay back and so has been given lower priority in the current climate

**4. Income Generation****Status: Removed – not possible to progress**

Corporate Investment Portfolio e.g. joint venture Hotel/industrial units with factoring service

Alternative financial arrangements for borrowing - the potential for raising a retail bond related to the Growth Deal

Recent guidance from Cipfa suggests that council borrowing for these purposes is no longer likely to be possible, therefore, this project is not proposed for progress.

Alternative borrowing arrangements (e.g. a bond) have also been raised for consideration and the H/Financial Services will prepare a briefing paper to enable political guidance to be given on the options available before this project is progressed.



**REPORT TO: SPECIAL MORAY COUNCIL ON 12 DECEMBER 2018**

**SUBJECT: PROPERTY ASSET MANAGEMENT APPRAISAL**

**BY: CORPORATE DIRECTOR (ECONOMIC DEVELOPMENT,  
PLANNING & INFRASTRUCTURE)**

**1. REASON FOR REPORT**

- 1.1 This report presents the findings arising from the Property Asset Management Appraisal (2018).
- 1.2 This report is submitted to Council in terms of Section II (13) of the Council's Administrative Scheme relating to the approval of council reports and strategies of a corporate nature.

**2. RECOMMENDATION**

**2.1 It is recommended that Council:-**

- (i) **considers and agrees the main findings and recommendations set out in the Property Asset Management Appraisal (PAMA);**
- (ii) **considers and notes the financial implications set out in Section 4.3 and 6 of this report and Section 15 of APPENDIX I;**
- (iii) **considers and decides whether it wants to retain all or part of the non-operational assets (industrial estate) and if retained, introduce an annual review of individual units to consider their retention or possible sale;**
- (iv) **agrees to implement the Improvement Plan set out in Section 16 of the PAMA;**
- (v) **agrees to progress the review of offices, depots and storage facilities in 2019/20 based on early estimates of recurring savings £200k (revenue) and £250k (capital) as detailed in 6.4 of the report;**
- (vi) **agrees to develop a new Asset Management Staffing Structure in 2019/20;**
- (vii) **agrees to fund a dedicated resource from Reserves at a cost of £86k for 9 months to complete the review of offices, depots and storage facilities and implement the new Asset Management Structure; and**

(viii) agrees that progress on the Improvement Plan will be reported to the Policy and Resources Committee as and when required in 2019/20 and thereafter on an annual basis.

### 3. **BACKGROUND**

3.1 The Property Asset Management Appraisal (PAMA) seeks to provide a comprehensive overview of the Council’s property assets, their function, current condition and the "hidden" financial risks that sit within the property portfolio. A copy of the appraisal is provided in **APPENDIX I**.

3.2 At the time of writing the appraisal, the Council was using 198 separate properties to deliver 10 core services and other back office functions. These buildings fall into three main categories of use:

<b>Operational</b>	<b>No</b>	<b>Community</b>	<b>No</b>	<b>Education</b>	<b>No</b>
Offices	15	Community Centres	8	Primary	46*
Depots	15	Town Halls	10	Secondary	8
Storage facilities	10	Public toilets	32		
Recycling Centres	3	Museums	2		
Homeless Hostels	2	Swimming/Leisure	5		
Harbours	4	Libraries	12		
Day Centres	7	Pavilions	18		
Respite Centres	1				

Note: \* Linkwood primary is a registered school operating from East End at present

3.3 The Council carries out a rolling programme of assessments to assess the suitability and condition of each property for its intended purpose. Buildings are placed into one of four categories:

<b>A (Good)</b>	Performing well and operating efficiently.
<b>B (Satisfactory)</b>	Performing as intended but showing minor deterioration.
<b>C (Poor)</b>	Showing major defects and/or not operating as intended.
<b>D (Bad)</b>	Life expired and/or serious risk of imminent failure.

3.4 The overall assessment of condition is based on an element-by-element survey. Each element group is allocated a score with the results being aggregated under the Element Weighting and Scoring System introduced by the Scottish Government and updated in 2017. For a building to be considered fit for purpose it must be classed as B or better. Under this system, a building can meet the overall standard while failing in respect of individual elements.

3.5 In terms of suitability, the property portfolio scores reasonably well with 94.8% of properties being considered suitable for its intended use. In contrast, only 52.8% of the portfolio (198 separate buildings) attained a B condition standard with 52.2% of schools failing to meet the standard.

3.6 The recurring need for the Council to find budget savings has had a significant impact on frontline and back-office services. To protect these, investment

across the asset base was reduced. On 25 May 2016, the Council adopted a Make Do and Mend Policy (paragraph 11 of the Minute refers). This was designed to limit investment as far as possible, while maintaining sufficient resilience to deliver services short term. The new policy was designed to manage with less by repairing what we have and only buying new where there is no other suitable or sustainable alternative. The policy is due for review in 2018/19.

- 3.7 The PAMA has identified that current levels of investment are insufficient to adequately address the condition of the property estate (particularly schools). Major change is therefore required.

#### **4. MAIN FINDINGS**

##### **4.1 Corporate Buildings**

- 4.1.1 The Council has 15 offices with 12 of these located in Elgin, 1 in Keith, 1 in Forres and 1 in Buckie. One of the office buildings (Ashgrove) is scheduled for possible demolition in 2019/20 so the repairs and maintenance costs for this building has been omitted for the purposes of this report. To bring the remaining office buildings up to a B condition standard would require investment in the region of £895k.
- 4.1.2 To support front-line services, the Council uses 15 separate depots (12 occupied by Direct Services and 3 by Building Services). To bring these properties up to a B condition standard would require investment in the region of £2.2m.
- 4.1.3 There are 10 industrial units currently being used by separate Council services - some primarily for storage. There is an opportunity to generate savings if storage space was rationalised and merged where possible.
- 4.1.4 The Council should review its use of office space, depots and storage options. This has the potential to generate savings and reduce some of the "hidden" costs associated with repairs and maintenance of these assets.
- 4.1.5 Other buildings that sit within corporate buildings (recycling centres, homeless hostels, harbours, day centres and respite centres) are unlikely to generate significant savings so it is intended to review these at a later date when resources allow.
- ##### **4.2 Community Assets**
- 4.2.1 Community Assets include swimming pools, town halls, community centres, libraries, public toilets, pavilions and museums. To bring all of these assets up to a B condition standard would cost in the region of £5.2m. In terms of repairs and maintenance, these buildings are only repaired where there is a significant breakdown and/or a health and safety risk (i.e. high level stonework repairs). In 2018/19, none of these buildings were identified for improvement works and a decision relating to the review of the Leisure Estate (which includes some of these buildings) has yet to be made.
- 4.2.2 To generate budget savings in 2018/19, the Council decided to close town halls in Buckie, Cullen, Elgin, Findochty, Forres and Keith and the community

centres in Cullen and Dufftown. A proposal to sell Cullen Town Hall to a developer is currently being progressed through the courts (common good asset) while the remaining halls and community centres are all now leased to community groups while they prepare their full Community Asset Transfer (CAT) submissions.

4.2.3 Public toilets in Buckie (Strathlene), Craigellachie (Fiddich Park), Cullen (The Square and West Beach), Findhorn (South Block), Forres (Leys Road), Keith (Mid Street, Reidhaven Square and St Ruffus Park), and Lossiemouth (Station Park) have been closed and declared surplus. They are now being prepared for disposal, where feasible.

4.2.4 As part of the 2019/20 budget proposals:

- Elgin Community Centre is the subject of a consultation for possible closure/CAT;
- The Bowling Pavilion, Cooper Park is currently leased but will also be considered for possible closure/CAT; and
- The museum service will be considered for closure or a transfer to a trust.

#### 4.3 School Estate

4.3.1 Delivering Curriculum for Excellence, Getting it Right for Every Child (GIRFEC) and closing the poverty related attainment gap continues to be the key priorities for Education. While the school estate supports these priorities, the condition (if not addressed) is likely to impact and disrupt pupil education. The learning environment is important to positive learning experiences by providing a nurturing and safe environment for children and young people to achieve. In addition, to prepare learners for jobs that do not yet exist, it is essential that school buildings meet new and emerging standards and are fit for purpose.

4.3.2 The school estate is valued at £202m. Significant investment is required to maintain these buildings to a B condition standard. Repairs and maintenance programmes are split into three key areas of investment:

- Reactive repairs/maintenance (funded from capital/revenue budgets);
- Planned capital projects (funded through the capital plan); and
- New Build/major refurbishment (Council and Scottish Government grant).

4.3.3 Based on the Moray (54) schools model and current industry standards, if all school buildings met the B condition standard, annual investment of £4m to £6m (dependent on the overall condition assessments) would be required simply to maintain them to the standard. Insufficient investment and a continuation of the Make do and Mend Policy due to wider budget pressures means that the condition of the school estate will only continue to deteriorate. The annual budget for reactive and cyclical repairs in 2018/19 is £1.2m – well below the minimum industry standard.

4.3.4 Planned capital works are focused on upgrading key building elements that could result in school closure (heating, electrics, distribution pipe works, roofs,

external stonework and potentially windows). The annual budget for capital works is £3m. Based on this level of investment and taking account of ongoing natural deterioration, the task of bringing the school estate up to a B condition standard is impossible to achieve.

4.3.5 To help modernise the school estate, the Council has worked in partnership with the Scottish Government and Scottish Futures Trust to fund new schools. These include:

- Elgin Academy
- Elgin High
- Keith Primary
- Lossiemouth (work has started on site)

As well as the above schools, a design brief for a new primary school at Linkwood is also being developed with the project being fully funded by the Council.

4.3.6 New build and major refurbishment programmes (such as the 4 schools project) should be viewed as the best options currently available to improve the school estate. This should not be viewed in isolation as there is a requirement to consider changing needs and local demographics. To support and forward plan the delivery of future educational priorities, a School Estate Strategy (2035) is being developed. Specific to the landlord functions (repairs and maintenance), the Strategy will allow the Council to move away from a reactive service to one where spend can be prioritised and planned more effectively. The Strategy will be linked to the Local Development and Capital Plans. This will provide more certainty around future property developments and potential increases and decreases in school rolls. It will also provide a robust and defensible evidence base for securing Developer Obligations. In future years, there will be a need to prioritise capital investment and linking the Strategy to the Capital Plan will allow the Council to consider what investment it can afford on existing schools and how new build and refurbishment projects can best be delivered.

4.3.7 Capital investment for new build and/or the refurbishment of schools will have a negative impact on revenue budgets and borrowing costs. The PAMA proposes that before any future new build/refurbishment projects are taken forward, option appraisals should be completed and signed off by Corporate Directors. This will improve oversight at senior level and also promote a culture of challenge and best value.

4.3.8 The PAMA considers the different landlord roles within Housing and Property and Education. Housing and Property have landlord responsibilities for council housing, corporate buildings, community assets and the industrial estate. The landlord role for the school estate rests exclusively with Education but Property Services provides support in relation to design, planning, project management and controlling costs. There is regular crossover between both Services and the PAMA identified an opportunity to merge the landlord roles into a single Asset Management Team. Work is currently progressing on a new staffing structure to support this objective and is expected to be completed early in 2019.

#### 4.4 Specialist Assets

4.4.1 These include day centres, respite accommodation and also temporary accommodation hostels for homeless people. To bring these assets up to a B condition standard is currently estimated at £493k. These services offer a place of safety for the most vulnerable people in Moray. The need for these services is kept under constant review by the Moray Integrated Joint Board (day centres/respite accommodation) and the Housing and Property Service (homeless hostels).

#### 4.5 Non-operational Property Assets

4.5.1 The industrial portfolio comprises 178 business units and 126 development leases, as well as a stock of serviced and un-serviced land for future development. These currently generate rents totalling £1.756m annually. Due to a lack of private sector investment the Council's business units and serviced sites are crucial to small businesses and economic development in Moray. The most recent valuation of the industrial portfolio was completed on 1 April 2015 at a value of £19.26m.

4.5.2 Rental income from non-operational property assets far exceeds the reduction in Council borrowing costs that could be realised from their sale. The portfolio is generally performing well, with consistently high occupancy rates and rising rental income. There is an option to sell all or part of the non-operational property assets but financially, it would be in the Council's best interests to retain the industrial portfolio. It is therefore recommended that the portfolio is retained and an annual review of individual units is introduced to consider their retention or possible sale.

#### 4.6 Housing

4.6.1 The Council has 6,052 properties that it rents out as social housing. These assets sit within the Housing Revenue Account (HRA) which is ring-fenced for housing management activities. The Housing Service is regulated by the Scottish Housing Regulator. There would be no financial gain to the General Services Account if the Council were to stock transfer so this is not recommended or considered within the PAMA.

#### 4.7 Surplus Properties/Land

4.7.1 There are opportunities to generate additional capital receipts from the sale of property and land assets. **APPENDIX II** provides details of the Property Disposal Programme. The programme includes properties and sites that have been sold; are on the market for sale; are being prepared for sale; properties that may become surplus; and others that are retained meantime. The programme is frequently updated and the list should be viewed as a snapshot in time (as at 30 September 2018). These assets, if sold, will generate capital receipts. The Estates/Legal teams continue to work towards this objective. Staff resources and also market conditions will ultimately determine how quickly these assets are sold and for how much. A brief summary of potential values is provided below:

<b>Asset description</b>	<b>Receipt or Potential Value</b>
Properties/sites sold to 30 September 2018	£132,315 (receipt)
Sales in progress with Legal	In the region of £1.3m
Properties on Market/Negotiation	In the region of £1.96m
Properties being prepared for disposal	In the region of £1.3m
Properties that may become surplus	No current valuation
Properties retained meantime	No current valuation

## **5. KEY RECOMMENDATIONS**

5.1 The PAMA makes 20 separate recommendations. Section 16 of the PAMA provides an overview of the recommendations which are part of the Property Asset Management Improvement Plan 2018/2020. The Improvement Plan includes short, medium and long term objectives with a focus on quick wins, highest financial returns and longer term strategic objectives.

5.2 The key recommendations identified for completion in 2019/20 include:

- The development of a School Estate Strategy;
- To develop and implement a new Asset Management staffing structure;
- To review corporate buildings (offices, depots and storage facilities); and
- To conclude the Leisure Review.

## **6. FINANCIAL IMPLICATIONS**

6.1 Section 15 of the PAMA provides an in-depth financial assessment of the investment that would be required to bring the current Property Portfolio up to B condition standard. A brief summary by asset type is also provided below for reference:

<b>Corporate Buildings</b>	<b>Community Assets</b>	<b>Schools</b>	<b>Total</b>
£4,095,448	£5,226,385	£141,678,567	<b>£151,000,400</b>

Note: These costs were updated in May 2018

6.2 A significant number of buildings within the Property Portfolio (mainly schools) remain in a poor condition. The Council is no longer in a financial position to retain and maintain all of these properties and must reduce, replace and reconfigure the portfolio if it is to protect front-line services and also deliver sustainable schools for the future.

6.3 It is proposed to take forward a review of offices, depots and storage facilities in 2019/20. Other public services operating across the region are also facing significant budget pressures so these reviews will provide an opportunity to look holistically at what properties the public sector needs in Moray to deliver services. A “community hub type” model approach could see a range of public services operate out of a single building with opportunities to reduce operating costs. Reducing buildings also has the potential to generate new incomes from lease or sale.

- 6.4 Specific to the Council, any reduction in the property portfolio will provide both capital and revenue savings. Early estimates of recurring savings are £200k (revenue) and £250k (capital). An ambitious target of 9 months has been set to complete the reviews and as each review progresses, clarity around the actual savings will become clearer.
- 6.5 To achieve the 9 month deadline, dedicated staff resources will be required at an estimated cost of £86k. These staff will link to the Corporate Modernisation and Improvement Programme (CMIP) to ensure that cross service issues are considered and any proposed changes meet with the future direction agreed by the Council.
- 6.6 Further savings will be achieved from the merger of staff from Property Services and Education. These savings are likely to increase as processes are streamlined and roles and responsibilities clarified. Until the new structure has been finalised, it is not possible at this time to predict the amount of savings that will be achieved from the restructure. Progress on the restructure will be reported to the Policy and Resources Committee once completed.
- 6.7 An appraisal of costs for the dedicated team is provided below for consideration and approval:

<b>Resources Required</b>	<b>Level</b>	<b>Financial Impact</b>
Project Management	Senior Officer	Seconded from Housing and Property or external appointment. Cost for backfill or appointment £50,000
Asset Management Officer	Grade 9	Seconded from Housing and Property – no additional cost
Asset Management Officer	Grade 9	Additional cost = £36,085
Admin support as required	-	No additional cost - provided from Housing and Property
<b>Total Cost for the Review Team</b>		<b>£86k</b>

## **7. IMPROVEMENT PLAN**

- 7.1 Section 16 of the PAMA includes an Improvement Plan that captures the actions required to implement all 20 recommendations. If all recommendations are approved, it is proposed to provide updates on the Improvement Plan to the Policy and Resources Committee annually.

## **8. SUMMARY OF IMPLICATIONS**

### **(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))**

This report supports the aims of the Corporate Plan by setting out how the Council can make best use of its property assets. It also provides a strategic direction to assist making the Council financially stable.

### **(b) Policy and Legal**

The Developer Obligations Supplementary Guidance will be reviewed in 2019. The development of the School Estate Strategy (2035) will inform the new Supplementary Guidance so must be viewed as a corporate priority. If the evidence base for developer obligations is not robust and up to date, the Council could be open to challenge and fail to maximise developer obligations.

**(c) Financial implications**

The main financial implications relating to this report are set out in Sections 4.3 and 6 of this report and Section 15 of **APPENDIX I**.

- i) The Council is not able to make the levels of investment required to repair and maintain the school estate. The reactive repairs budget of £1.2m per annum is well below industry standards for the Moray (54) schools model. The £3m budget for planned capital works is also short of what is required meaning the school estate will only continue to deteriorate.
- ii) To bring all of the Property Portfolio up to a B condition standard requires investment in the region of £151m. The Council is no longer in a position to meet this financial obligation.
- iii) The PAMA prioritises a review of offices, depots and storage facilities during 2019/20. Early estimates of recurring savings are £200k (revenue) and £250k (capital). As each review progresses, clarity around the actual savings will become clearer.
- iv) The merger of staff from Property and Education into a single Asset Management team will generate a recurring annual saving but it is not possible at this to put a figure on this. Progress on the restructure will be reported to the Policy and Resources Committee once completed.
- v) Dedicated staff to complete the reviews and implement the new Asset Management structure is estimated at a cost of £86k. The Council is asked to approve additional budget from Reserves to meet this new financial obligation.

**(d) Risk Implications**

The Council is no longer in a financial position to retain and maintain all of its property assets. The PAMA has identified the hidden financial risks relating to the property portfolio and a range of actions designed to reduce and mitigate risk where possible.

**(e) Staffing Implications**

There are staffing implications both in terms of completing the reviews identified within this report and there could also be further implications depending on the outcome of each review.

- i) The additional staffing resources are detailed in Section 6 of the report;
  - ii) Staffing implications arising from the reviews are unknown at this time but will be identified as each review progresses and reported back to future meetings of the Council.
- (f) **Property**  
The property implications are set out in **APPENDIX I** and **APPENDIX II** of this report.
- (g) **Equalities/Socio Economic Impact**  
There may be some equalities/socio impacts arising from the property reviews. It is not possible to predict these currently but will be identified as each review progresses and reported back to future meetings of the Council.
- (h) **Consultations**  
Consultations have taken place with the Corporate Management Team, the Head of Schools and Curriculum Development, the Head of Development Services, the Head of Finance, Head of Legal Services, Service Managers in Housing and Property, Education and Development Services and the Democratic Services Manager and any comments have been incorporated into the report.

## 9. **CONCLUSION**

- 9.1 **The PAMA provides the Council with background information relating to the Council’s Property Portfolio; its condition; and the “hidden” costs required to bring all current properties up to a B condition standard. It seeks approval to implement the 20 recommendations contained within an Improvement Plan in Section 16 of the PAMA. It proposes a review of office accommodation, depots, storage facilities and the implementation of a revised Asset Management Structure – all to be completed in 2019/20. The report highlights the need for additional staff resource to complete the reviews and asks the Council to approve additional budget from Reserves for this purpose.**

Author of Report: Richard Anderson, Head of Housing and Property  
Background Papers: with author  
Ref:

# MORAY COUNCIL PROPERTY ASSET MANAGEMENT APPRAISAL (2018)



Last update: 30 November 2018

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## 1. **SETTING THE SCENE**

### 1.1 Moray

Moray is the 8<sup>th</sup> largest authority area in Scotland. It covers an area of 2,238 square kilometres. It extends from the Cairngorm Mountains in the south to the coast of the Moray Firth in the North. The most recent census (2011) shows the total population of Moray to be 93,295.

### 1.2 The Moray Council

The Council is the largest local employer in the local area with 3,534 FTE staff. It is currently dealing with both short and medium term financial challenges in which sustainable budget savings must be delivered and tight controls on spending are maintained.

The Council provides a range of services to the people of Moray. These include:

- Housing and Property;
- Building Standards;
- Community Safety;
- Education;
- Social Work Services;
- Services provided in partnership with Moray Integrated Joint Board;
- Roads & Infrastructure;
- Lands and Parks;
- Environmental Health and Protection; and
- Leisure and Libraries;

These services are supported by back-office functions that include:

- Chief Executives Department;
- Finance & Procurement;
- Human Resources;
- Legal Services; and
- ICT.

The Council relies on its property assets to deliver the above services. Since 2010, the Council has been reducing the number of offices and depots that it previously required for this purpose. This has produced efficiencies and financial savings.

The aim of the Property Asset Management Appraisal (2018) is to provide the Council with a framework to develop a strategy to manage its property assets; deliver best value; and put challenge into whether the Council should retain properties that have no strategic role in delivering its core priorities.

### 1.3 The Asset Portfolio

The Council's fixed assets include property (buildings and the land they occupy), vacant land, Infrastructure (mainly roads and bridges), vehicles, plant and machinery and Information Technology (IT) hardware. After employee costs, the largest cost to the Council is what it spends on its fixed assets.

At 31 March 2018, the Council's fixed asset portfolio was valued at £828,648,000 and includes:

<b>Fixed Assets</b>	<b>Net Book Value 31 March 2018 £000</b>
Council Housing	£249,050
Other Land and Buildings	£306,838
Vehicles, Plant & Equipment	£17,358
Infrastructure Assets	£237,441
Community Assets	£408
Non-Operational Assets	£17,553
<b>TOTAL</b>	<b>£828,648</b>

Analysis of Fixed Assets (consolidated balance sheet 2017/18). These values do not represent an open market valuation.

After housing is excluded, there are four main classifications of operational assets:

- Land and Buildings that deliver direct services to the public (e.g. schools, adult care centres, public parks, libraries, community centres, etc.);
- Assets that support service delivery (e.g. offices, depots, ICT hardware, fleet, plant and equipment, etc.);
- Non-operational property (surplus properties awaiting sale, property without a strategic role but not declared surplus, industrial property and historic monuments, etc.); and
- Transport assets (e.g. roads, bridges and car parks).

The principles of good asset management can be applied to all fixed assets.

## 2. CORPORATE PLANS AND PRIORITIES

### 2.1 Local Outcome Improvement Plan (LOIP)

The Asset Management Plan will support the delivery of LOIP in the following ways:

- It will assist in building a future for young people by working to improve the school estate; and

- It will also investigate how it can use its assets to help disadvantaged communities.

## 2.2 Corporate Plan 2018 - 2023

The Asset Management Plan will support delivery of the Corporate Plan in the following ways:

- It will assist sustainable economic development through its Industrial Property Portfolio;
- It will investigate and deliver new infrastructure projects to support the economy; and
- Enable the council to ensure that it has an affordable asset base of a suitable standard that supports the delivery of council priorities.

## 3. **PROPERTY ASSET MANAGEMENT IN MORAY**

### 3.1 Assessment Criteria for Property Assets

The performance of the operational portfolio is reported through the Local Government Benchmarking Framework (LGBF) indicators for asset management. These indicators, which monitor performance against the *de facto* national standard, identify the proportion of operational accommodation that is (a) suitable for its current use and (b) in a satisfactory condition.

Suitability and condition indicators assess aspects of fitness for purpose. Suitability seeks to provide a measure of the extent to which a building provides an environment that supports the delivery of services in terms of practicality, accessibility and convenience. Condition deals primarily with the state of repair of the fabric of the building. The distinction between suitability and condition was set out in the Scottish Government's 2007 guidance document, [\*The Condition Core Fact\*](#). This distinction was confirmed in the revised guidance issued by the Scottish Government in November 2017.

The government guidance, which was introduced to address inconsistencies in the way that local authorities were assessing condition, brought in a standard framework with greater uniformity in scope that helped eliminate significant variations in assessment methodology and criteria.

The Council carries out a rolling programme of assessments aimed at ensuring that each building receives a full condition survey once every five years. A desktop review of the portfolio is carried out at the end of each financial year to account for any material change in circumstances between surveys. Each building is placed into one of four categories:

<b>A (Good)</b>	Performing well and operating efficiently.
<b>B (Satisfactory)</b>	Performing as intended but showing minor deterioration.
<b>C (Poor)</b>	Showing major defects and/or not operating as intended.
<b>D (Bad)</b>	Life expired and/or serious risk of imminent failure.

The overall assessment of condition is based on an element-by-element survey. Each element group is allocated a score with the results being aggregated under the amended Element Weighting and Scoring System introduced by the Scottish Government and updated in 2017. For a building to be considered fit for purpose it must be classed as B or better. Under this system, a building can meet the overall standard while failing in respect of individual elements. At 1 April 2018, the condition performance of the portfolio, using the new guidance and broken down by the three property groups, identified in the Corporate Asset Management Plan – the school estate, corporate offices and other operational buildings – is shown below:

Property Group	% in Satisfactory Condition				Change from	
	2017/18	2016/17	2015/16	2010/11	2016/17	2010/11
School Estate	47.8%	30.5%	30.6%	32.0%	+17.3%	15.8%
Corporate Offices	85.5%	81.7%	80.5%	94.5%	+3.8%	-9.0%
Other Operational	57.7%	58.3%	56.0%	69.5%	-0.6%	-11.8%
Overall Portfolio	52.8%	41.4%	40.8%	46.7%	+11.4%	+6.1%

While the addition of Elgin High and the 4 schools refurbishment projects have improved the overall rating of the school estate by 17.3% since 2016/17, the condition of many other schools continue to present risk to the Council - both in terms of financial burden and reputational damage. The likelihood that some schools will close and/or education is seriously disrupted remains a daily concern. Since 2016/17, there have been 18 school closures due to building failures (mostly heating). A total of 19 teaching days were lost and school closures due to building failures are likely to increase until the condition of the school estate is addressed.

### 3.2 Property Portfolio

At 1 May 2018, the Council was using 199 separate buildings to deliver a range of public services. The management of these properties involve different services and their primary function is identified below:

Assets	No.	Client Responsibility	Strategic Importance	Primary Function
Museums	2	Dev. Services	Low	Historic value/tourist attraction
Harbour Premises	4	Direct Services	Medium	Supports the economy/tourism
Recycling Centres	3	Direct Services	High	To deliver frontline services
Depots	12	Direct Services	High	To deliver frontline services
Public toilets	32	Direct Services	Low	For community use

Town Halls	10	Education	Low	For community use
Community Centres	8	Education	Low	For community use
Swimming/Leisure	5	Education	Low	For community use
Libraries	12	Education	Low	For community use
Pavilions	18	Education	Low	For community use
Primary Schools	46*	Education	High	To educate children
Secondary Schools	8	Education	High	To educate children
Depots	3	H & Property	High	To deliver frontline services
Homeless Hostels	2	H & Property	High	To prevent homelessness
Day Centres	7	MIJB	High	Elderly/vulnerable clients U65
Respite Centres	1	MIJB	High	To support vulnerable people
Services/Storage	10	Mixed	High	To store records/equipment
Offices	15	H & Property	High	To deliver front line services

**Note:** Linkwood is a registered school operating from East End at present

A full list of corporate buildings is provided in **APPENDIX I** and details of the School Estate in **APPENDIX II**.

### 3.3 School Estate

Delivering Curriculum for Excellence, Getting it Right for Every Child (GIRFEC) and closing the poverty related attainment gap continues to be the key priorities for Education. While the school estate supports these priorities, the condition (if not addressed) is likely to impact and disrupt pupil education. The learning environment is essential to ensuring positive learning experiences by providing a nurturing and safe environment for children and young people to achieve. In addition, to prepare learners for jobs that do not yet exist, it is essential that our school buildings continue to meet new and emerging standards and are fit for purpose.

The school estate includes 46 primary and 8 secondary schools. The value of the entire school estate at 31 March 2018 is £201.817m. To bring all the exiting estate up to BB standard (B for suitability and B for condition) would require **£142m** of capital investment. These cost estimates were updated on 10 May 2018.

Education has the “client” responsibility for the school estate. Property Services provide support in relation to the programming of capital works to the value of £3m per annum in line with the Council’s Make Do and Mend policy. Based on the current spend profile, it would take **47 years** to bring all the existing school estate up to a B condition standard. This period takes no account of natural deterioration and lifecycle of building elements. Without rationalisation or a significant increase in capital investment, the task to maintain the existing school estate to B condition standard is impossible to achieve.

Education also receives support from Property Services in organising and arranging reactive/cyclical repairs and maintenance to the school estate. An annual budget of £1.2m is set aside for this purpose. Current industry standards suggest that even if the school estate were to be at a B condition

standard, ongoing investment of between £4m to £6m per annum would be required simply to maintain the schools at that level.

Capital and Revenue expenditure is insufficient to make any difference to the overall condition of the school estate. It is logical to assume therefore that deterioration will continue and eventually school closures (temporary and potentially longer term) are inevitable.

**Recommendation 1.**

It would be prudent to develop a strategy for the school estate. This needs to consider future investment priorities, new build and refurbishment opportunities, rationalisation and maximising where appropriate the use of all school buildings. This strategy should also be linked to future developments as part of the Local Development Plan so that Developer Contributions can be maximised.

Within Devolved School Management Budgets (DSM), there is an element allowed for repairs and maintenance. These budgets are controlled by individual schools and do not work in conjunction with the Council's repairs and maintenance programmes. The protocol does not currently offer the Council Best Value. The protocol expired on 31 May 2016 and is due for renewal.

**Recommendation 2**

Consultation should take place with Head Teachers on what should be included within a revised protocol and to make them aware of the priority repairs within their respective schools to encourage investment in these areas where appropriate.

The Council has addressed the poor condition of 2 schools (Elgin Academy and Keith Primary) using Public Private Partnerships (PPP). The basic concept of PPP is straightforward: instead of buying a road, building or other asset and then operating it itself the public sector enters into a long-term contract with the private sector to do so. A unitary payment is made for the services and assets provided on a regular basis over the life of the contract. Appropriate risks are transferred to the private sector where it can manage them best. This reduces public sector exposure, for example to cost overruns, provides certainty over future costs and rewards operators who manage services well. The applicable assets revert to the public sector at the end of the contract period.

During the life of the contract, the Council is required to pay monthly instalments towards building maintenance, furniture, fixtures and fittings, energy and facilities management. All payments are indexed linked which means that over the contract period, the monthly payments are likely to

increase but penalties can also be applied where there is a failure on the part of the provider.

Schools	Asset Value	Contract Period	Monthly payments to PPP	Estimated amounts payable over the life of the contract
Keith Primary	£8.396m	30 years	£108,504	£41.247m
Elgin Academy	£26.687m	30 years	£297,269	£113.004m

Elgin High was replaced through a partnership arrangement involving the Council, Scottish Futures Trust and HUBCo (contract administrator). It was a design/build/finance and maintain project. The agreement is mainly for the building upkeep with the Council being responsible for soft facilities management.

School	Capital Costs (Council)	Asset Value	Contract Period	Monthly payments to PPP	Estimated amounts payable over the life of the contract
Elgin High School	£0.295k	£27.413m	25	£205,586.66	£61.676 million

The replacement of Lossiemouth High School began in Autumn 2018/19. The cost of this project is currently estimated at £42.3m with £26,396m coming from Scottish Futures Trust and the Council contributing £15.904m. Once completed, the Council will be responsible for ongoing maintenance of the school.

An additional primary school at Linkwood, Elgin is also planned with HUBCo appointed as the main contractor (design and build only). The Council will also be responsible for ongoing maintenance once the school is completed.

### **Recommendation 3**

Option appraisals should be completed prior to any future new build schools or refurbishment projects. Corporate Directors should sign off options appraisals as an additional level of financial scrutiny as part of best value. The “optimum size” primary school also needs to be considered as this would control costs and the number of new schools that will be required to deliver core education services.

#### **3.4 Corporate Buildings**

Corporate buildings include offices and depots. Of the 15 offices, 12 are in Elgin, 1 in Keith, 1 in Forres and 1 in Buckie. To bring all of these buildings up to a B condition standard is currently estimated at £895k. An Out of Elgin Office review was previously considered but not progressed.

**Recommendation 4**

The Council should reconsider an in and out of Elgin office review and consider whether services could be provided using HUB type models (i.e. services based together in under-utilised schools and/or other public service buildings. This could reduce costs and generate new income through lease/disposal of property assets that are no longer required.

The Council has 15 separate depots. Of these, 12 are within the control of Direct Services and 3 are operated by Building Services (DLO). Plans are underway to develop a depot at Moycroft, Elgin which will see the number of depots reduce from 15 to 13. To bring all of these buildings up to the required B condition standard is currently estimated at £2.2m.

**Recommendation 5**

A further review of depots should be completed to investigate whether there is scope to share depot space/decommission some depots and whether there are options to share other plant, machinery, etc. between DLO's to reduce annual revenue spend.

There are 10 industrial units being used by services for differing purposes. Each unit attracts an internal recharge which combined amounts to £131,130 (rent) and £48,930 (rates) per annum. Some of these units could generate a new income for the Council if they were returned for external lease. The Council should also investigate the storage needs of other partners (i.e. NHS, Police, etc.) to establish if further rationalisation could be achieved.

**Recommendation 6**

A review of storage options should be completed.

### 3.5 Community Property Assets

Community Property Assets include swimming pools, town halls, community centres, libraries, public toilets, pavilions and museums. To bring these buildings up to a B condition standard is estimated at £5.2m. This includes swimming pools/leisure (£844k), town halls (£1.2m), Community Centres (£2.2m), Libraries (218k), toilets (£235k), Pavilions (£328k) and museums (£235k).

A review of Leisure facilities has not yet led to a final decision on the future of the estate. One option entails the transfer of facilities to a trust. If the transfer were to go ahead, it would be sensible to investigate whether it would be possible to transfer these assets in their current condition as private finance might be available if these were no longer in the ownership of the Council.

As part of setting the Council's budget for 2018/19, some of the 32 toilets owned by the Council have been closed. Work also continues to transfer

town halls and potentially other buildings to community groups where possible.

A review of the Falconer Museum and store is currently being taken forward by the Head of Development Services. Outstanding maintenance required to bring these building up to a B condition standard is £235k.

**Recommendation 7**

The Council needs to complete its Leisure and Museum reviews and decide the future of these services.

3.6 Specialist Assets

These include day centres, respite accommodation and temporary accommodation for homeless people. To bring these assets up to the required standard is currently estimated at £493k. These costs include day centres (£278k), respite accommodation (26k) and temporary accommodation (189k). These services continue to offer a place of safety for the most vulnerable people in Moray.

3.7 Infrastructure Assets

Property assets sitting in the Infrastructure portfolio include recycling centres and harbour offices. To bring these buildings up to a B condition standard is estimated at £253k. There are no plans to extend the number of recycling centres. They play a key role in terms of the Council's waste management strategy. Only Buckie Harbour has a strategic role with regards to potential offshore windfarms and commercial trade.

Other Infrastructure assets include roads, street light columns, litter bins, culverts, bridges, flood schemes, coastal defences, car parks, open spaces, parks, monuments, cemeteries, headstones, bus shelters, traffic lights, footpaths, signs, fountains, pitches, skate parks, trees, play equipment, town clocks, fencing, gates, walls and seating. There are also vehicles, plant, equipment as well as ICT hardware that need to be considered as part of Asset Management Plans.

The Property Asset Management Appraisal does not consider any Infrastructure assets as it is focused on specifically on property. Asset Management Plans for roads, street lighting and fleet have been completed and an Asset Plan for harbours is currently being developed.

**Recommendation 8**

A full register of all Infrastructure assets should be developed to establish if there are any further opportunities for rationalisation and potential savings.

### 3.8 Non-operational Property Assets

The Industrial Portfolio and other commercial leases fall under the control of Housing and Property. As at 31 March 2018, 92% of these units were occupied. The industrial portfolio comprises 178 business units and 126 development leases, as well as a stock of serviced and un-serviced land for future development. These currently generate rents totalling £1.756m. In addition, rents from non-industrial leased properties generate rents totalling £59,000 annually. Due to a lack of private sector investment the Council's business units and serviced sites are crucial to small businesses and economic development in Moray. In recent years the Council has invested heavily in new units and refurbishing existing stock. Condition surveys are currently being carried out although the portfolio is considered generally to be in reasonable condition.

Rental income from non-property assets far exceed the reduction in the Council's borrowing costs that could be realised from their sale. The portfolio is generally performing well, with consistently high occupancy rates and rising rental income. Financially, it would be in the Council's best interests to retain the non-operational property assets but given the wider financial situation facing the Authority, there remains the option to sell part/all of the estate.

#### **Recommendation 9**

The Council should decide if it wishes to retain the industrial portfolio or sell part/all of the estate to generate capital receipts.

### 3.9 Make Do and Mend

In recent years, the Council has been required to find budget savings in services funded by the General Services Account. In May 2016, the Council agreed to implement a Make Do and Mend Policy (MDAM) to reduce maintenance costs for its property assets (excluding council housing). Full Council agreed a paper on the implementation of the policy on 7 December 2016. MDAM is a concept where the Council will manage with less by repairing what it has and will only buy new or replace elements in cases where there is no other suitable or sustainable alternative and/or there is a health and safety risk. The Policy covers all fixed assets owned by the Council. A link to the policy document is provided below:

<http://www.moray.gov.uk/minutes/data/MC20161207/Item%208-Appendix%201-Financial%20Plan%20Review.pdf>

MDAM exposes the Council to significant risk and will only provide potential savings in the short term. The position is not sustainable and reinforces the view that the Council is not in a financial position to maintain all of the property assets that it owns. Longer term, the policy by its nature will cost more than it saves in the short term.

**Recommendation 11**

The Council should review MDAM in 2018/19 and decide how best to address the backlog of maintenance across the Property Estate (excluding housing).

**3.10 Housing**

The Council has 6,052 properties that it rents out as social housing. These assets sit within the Housing Revenue Account (HRA) which is ring-fenced for housing management activities. In 2018/19, the HRA is expected to generate an income of £19.134m exclusively from council tenant rents. The Council reports its landlord performance to the Scottish Housing Regulator (SHR) on an annual basis. The condition of the housing stock is periodically assessed to inform the annual housing investment programme. At 1 April 2018, 96% of the housing stock met the Scottish Housing Quality Standard with only a small number of exemptions and abeyances.

The Housing service is currently regulated by the Scottish Housing Regulator. There would be no financial gain to the General Services Account if the Council were to decide to stock transfer. There would also be very little benefit to the Housing Revenue Account (i.e. there is no longer the potential to write off historic HRA debt). The HRA is well managed and the Council in its landlord role performs well in comparison to other Scottish Local Authorities.

The HRA owns and maintains 24 playparks mainly located in traditional council housing schemes. It also has 12 development sites for new build housing and 5 other sites that are leased out for financial gain.

**Recommendation 10**

The Housing Service should review all of its leased sites to ensure that they continue to offer the HRA best value.

**4. THE EXTERNAL ENVIRONMENT****4.1 Statutory Responsibilities**

The Council has a duty to manage risk and assess the impact of statutory regulations relating to its assets around accessibility, asbestos, legionella and fire safety in conjunction with the Council's Health and Safety Team.

**Accessibility**

The responsibility to prevent disability discrimination against building users is covered under the Equality Act 2010. This was previously covered under Disability Discrimination audits, when it was confirmed that 89.7% of our corporate buildings are compliant, with the remaining buildings excluded from

commitment to physical works on the grounds of 'reasonable' cost. Reasonable adjustment to operational procedures has been made in our buildings to accommodate all users. This is now periodically reviewed under the accessibility heading within Suitability Assessments.

#### Control of Asbestos Regulations

We have a duty under the Control of Asbestos Regulations 2012 to identify and manage all asbestos containing material (ACM). Reports are readily available at all buildings to inform of asbestos risk. Specialist Consultant costs for this has averaged £117k over the past 3 years, but the work is now mostly dealt with by dedicated in-house staff.

#### Control of Legionella

Under the Health and Safety at Work Act 1974 and the Control of Hazardous Health Regulations 2002, the Council is responsible for taking all reasonable precautions to prevent, control and guard against the harmful effects of water borne pathogens to all building users. The annual capital budget for water hygiene upgrades in Schools is £35k.

#### Fire Risk Assessments

The assessment of the risk to life from fire in all buildings is carried by the Corporate Health and Safety Team. Where appropriate, it will make recommendations to ensure compliance with the Fire (Scotland) Act 2005 and the Fire Safety (Scotland) Regulations 2006. The Capital budget allocation for associated improvement works is currently £40k for all corporate buildings and £195k for schools.

#### Legislative Servicing Generally

The Council has responsibilities for safety checks and servicing of mechanical and electrical systems in all buildings. This involves periodic servicing of major items like gas/oil boiler plant, fixed electrical installations, fire/intruder alarms, passenger lifts and fire-fighting equipment. The annual servicing cost is £360k for all corporate buildings and schools.

#### Health and Safety

The Council has a duty to ensure that it protects its staff, workers and/or any external contractors that it appoints to carry out maintenance projects. The Construction Design Management Regulations (CDM) requires it to identify property risks, ensuring welfare facilities is available at construction sites and managing the Health and Safety files before, during and after a construction project.

There have been problems with individual services organising maintenance works to their own service buildings. This has led to serious accidents and/or buildings potentially becoming unsafe (i.e. ICT installations which have breached fire protection barriers above ceilings in some schools).

## Recommendation 12

A Corporate Landlord Charter should be developed and be implemented across the property portfolio as soon as is practical. Thereafter, CMT/SMT must ensure that all services adhere to the operating requirements set out within the Charter.

### 4.2 Best Practice

There are many professional bodies (Audit Scotland, CIPFA, APSE) that give opinions of what good Asset Management should look like. By comparing a range of different models, a framework for Moray has been developed to outline how the Council could improve its current approach to Asset Management.

What does it look like?	What is Moray doing?
<p><b>Step 1: Asset Management processes within the local authority</b></p> <ul style="list-style-type: none"><li>• Asset Management should be prioritised at a senior level.</li><li>• Asset Management principles need to be applied corporately.</li><li>• Elected Members should be involved in asset management.</li><li>• Ensure that formal mechanisms are in place to engage with citizens and to collect, analyse and store relevant property data.</li></ul>	<p>The Asset Management Working Group includes corporate directors. It oversees mainly the Capital Plan but does not routinely review the wider asset portfolios.</p> <p>Individual Services generally control their own assets. There is collaborative working in some areas (i.e. schools).</p> <p>Elected Members are involved in approving the Capital Plan which includes work on assets. They also approve material works reported through relevant service committees</p> <p>There are formal mechanisms for engaging with citizens but this would be an area for further development in relation to consultation around property assets.</p>
<p><b>Step 2: Asset with visions</b></p> <ul style="list-style-type: none"><li>• Ensure that the asset management plan is a medium to long term plan.</li><li>• Link the plan to the corporate plan and statutory requirements.</li><li>• Clearly outline the objectives for each asset and consider all options for all assets.</li><li>• Work across Departments to align asset management strategies.</li></ul>	<p>The Property Asset Management Appraisal should help inform the development of a Property Asset Management Strategy which realistically should cover the period 2019 – 2023.</p> <p>The Corporate Plan and council priorities are currently under review. It is proposed to link a new Property Asset Management Strategy to the updated corporate plan once there is clarity in terms of future direction.</p> <p>This will be done after a review of all the different assets has been completed.</p> <p>This would be developed once the Council has clarity around future service priorities and the assets required to deliver them.</p>
<p><b>Step 3: Implementation of the Asset Management Plan</b></p> <ul style="list-style-type: none"><li>• Establish clear strategic approaches to the utilisation of space and flexible working, co-location with partners and stakeholders.</li></ul>	<p>Some services were not reviewed as part of DBS. It would make sense to look at these areas as part of transforming services to establish if savings could be achieved in these areas from smarter working practices.</p>

<ul style="list-style-type: none"> <li>Consider options for under-used assets, options for financing new assets and how the Council can maintain and adapt existing assets as needed.</li> </ul>	<p>A Property Asset Management Strategy will provide information to CMT/Elected Members to help them restructure services and review the asset base required to deliver those services.</p>
<p><b>Step 4: Review and Monitor Progress</b></p> <ul style="list-style-type: none"> <li>Periodically review the Property Asset Management Plan and the corporate management arrangements for asset planning to ensure they remain fit for purpose.</li> <li>Conduct post project reviews of all capital projects and identify areas of learning.</li> </ul>	<p>An Improvement Plan is shown at Section 16. It would be proposed to review the Improvement Plan on an annual basis.</p> <p>The Asset Management Working Group currently identifies the “high value” capital projects for post project reviews. The Property Asset Management Working Group should be used to oversee lower value project reviews. This will improve governance and help shape good practice and inform future asset management strategies.</p>

## 5. ASSET INFORMATION

### 5.1 Asset Information Systems

Information is held across different systems and formats and by different departments. There should be a “common data environment” developed which is driven by Building Information Modelling (BIM). BIM is a collaborative way of working, underpinned by the digital technologies which unlock more efficient methods of designing, creating and maintaining assets. BIM embeds key product and asset data and uses a 3 dimensional computer model that can be used for effective management of information throughout a project lifecycle – from earliest concept through to operation. A business case for BIM has been developed and will be considered by the Corporate Management Team early in 2019. The main purpose of the business case is to identify the associated costs of implementing BIM in Moray and how this will generate future efficiencies and other benefits.

The Council has Uniform which is a data base used by Estates and by other departments for their own purposes. It would make sense to develop one integrated system linking all fixed assets into the same system. This would bring a visibility of all the Council’s property assets which to date has not been possible.

Basic information on property assets is held by Housing and Property. It relates mainly to condition surveys and estimated values for essential repairs. Less is known about the strategic importance of some buildings from a service perspective and whether there is any scope for sharing some buildings and/or further opportunities to rationalise the estate.

## 5.2 Asset Surveys

Asset surveys help the Council to comply with statutory regulations and provide a clear indication of the performance of the asset portfolio. It also contributes directly to the process of service improvement. Property assets have a 5 year rolling programme of inspections. Due to the condition of the estate, it will be necessary to consider how we develop a more effective and robust approach to mitigate the known risks within the portfolio. This will be considered as part of a review of how best the Council should manage its property assets.

## 5.3 Asset Information (Digital solution)

Good practice would support a position where the Council holds basic information in relation to each of its property assets. At present each operational building retains a manual setting out maintenance information, presence of asbestos, etc. Access to these manuals can sometimes be problematic out of hours and therefore it is proposed that a digital solution to replace the manuals should be investigated. These can be held both onsite, with respective services and with Property Services who normally organise repairs to the portfolio. If BIM was adopted, more specific information on buildings could also be made available to staff, building users and contractors.

### **Recommendation 13**

The Council should decide how it holds property information and how it provides this information to building users, building visitors and internal/external contractors.

## **6. PROPERTY PERFORMANCE MANAGEMENT**

### 6.1 Performance of Buildings

As economic pressures continue to affect the Council, the property portfolio must be seen as a strategic enabler. Property needs to be integral to the business planning process and its efficiency and effectiveness needs to be measured in the same way as other business resources.

Property performance measurement and benchmarking is an essential tool to support continuous improvement in active asset management, it allows the measurement of the performance of accommodation in relation to a number of key performance indicators of both efficiency and effectiveness, and to compare that performance against others in the public sector. A set of simple indicators can be used to assess performance. It is proposed that the following indicators are used to develop a baseline for future service improvements.

- Asset Condition and Maintenance Indicators;
- Energy and Water Consumptions & CO2 Emissions;
- Suitability;

- Accessibility;
- Capacity and Utilisation (in relation to office space);
- Property costs (running costs); and
- Project Time and Cost Predictability to help monitor the capital plan.

**Recommendation 14**

The Council should decide whether it wants to develop baseline indicators to allow it to monitor the performance of its property assets.

## 7. CHALLENGING THE OPERATIONAL PROPERTY PORTFOLIO

### 7.1 Asset Investment & Rationalisation

There is a need for the Council to identify what are its statutory/corporate priorities and thereafter what property assets it requires to support these. It should only hold on to assets that it needs and therefore rationalisation, reconfiguration and shared opportunities should form part of a wider strategy with key partners that consider:

- Reduction of revenue and capital costs;
- Increased capital receipts;
- Reduced space and sell surplus assets;
- Reviewing the disposal process; and
- A focus upon the retained assets with the highest maintenance backlog.

### 7.2 Capital Receipts

The Asset Management Working Group should continue to actively review the Council's property assets for potential capital receipts. Strategic Leadership is viewed as essential when challenging the operational property portfolio.

### 7.3 Management of the Corporate Repairs and Maintenance Budgets

The Council should consider combining the repairs and maintenance budgets for corporate buildings and schools (including the DSM repairs element) into one single asset management work stream. This would ensure appropriate oversight for new projects, improve the management of existing projects and help control budgets more effectively. It would also encourage better forward planning, streamline work programmes, help generate procurement efficiencies and avoid abortive costs.

**Recommendation 15**

The Council should combine the repairs and maintenance budgets for the school estate and corporate buildings. It would also make sense to have one service (Property) manage the repairs and maintenance obligations for the corporate and school estates. Work has commenced on a new staffing structure to enable the Council to deliver this transformational change.

## 8. CHALLENGING AND MAINTAINING THE NON-OPERATIONAL PROPERTY PORTFOLIO

### 8.1 Review the Portfolio

The non-operational property portfolio is an important source of annual revenue and potential capital receipts. It consists mainly of the industrial estate. The portfolio has been developed to support economic growth and development in the absence of other external developers as well as generate revenue income for the Council.

### 8.2 Challenge and Rationalise

The ongoing retention of these assets should be considered annually in relation to the following criteria:

- Holding costs are minimised;
- Revenue producing potential is maximised;
- There is a clear identification of reasons for retention; and
- A management plan is in place until disposal.

#### **Recommendation 16**

If the Council retains all/part of the non-operational portfolio, it should decide whether it wishes to introduce criteria to allow it to challenge and rationalise the non-operational portfolio on an annual basis.

## 9. SURPLUS PROPERTIES

### 9.1 Surplus Properties

Properties which are identified as no longer required for their current service use are scrutinised via the Surplus Property Procedure. This identifies if there is any operational need to retain the property. At the time of writing, there were 39 surplus properties that the Council is seeking to dispose of.

### 9.2 Asset Disposal

A small number of properties (such as Grant Lodge) are not able to be sold. The majority of surplus properties (39) can be disposed of and the Estates Team based in Property Services market these for sale. Disposal strategies take account of each property's characteristics, market conditions and the ongoing costs of holding the property. As part of the Property Services review, options to speed up the property disposal programme will be considered.

## 10. MANAGING THE ENVIRONMENTAL IMPACT OF OUR ASSETS

### 10.1 Energy Efficient Buildings

The Council's energy is supplied via various national Procurement Scotland contracts. Energy consumption from the Council's non-domestic buildings is currently around 44,900,000 kWh with an annual energy bill of £2.6M. The main objective of the Council's Energy Policy is to reduce consumption in the Council's non-domestic operational properties by 2% per annum. Energy efficiency initiatives currently centre on awareness raising/management and physical energy projects for which budgetary provision of £15k is made annually in the capital plan. Energy efficiency considerations are taken into account when buildings are refurbished but potential options (e.g. biomass boilers) are being value engineered out to keep within respective capital budgets. Taking full life costs into consideration would result in potentially better energy efficiency options being installed as part of building refurbishments.

#### **Recommendation 17**

The Council should consider whether they wish to use full life costs as part of its option appraisal process for property refurbishments.

### 10.2 Water Management

The Council's water is supplied by Anglian Water via national Procurement Scotland arrangements. Water consumption from the Council's non-domestic buildings is currently around 134,000m<sup>3</sup> annually, at a cost of £506,000, which includes a 2% discount for paying annually in advance.

### 10.3 Carbon Management

The Council is now required to report to the Scottish Government on its overall carbon emissions and policies/strategies on an annual basis. Carbon emissions from the Council's non-domestic properties are currently 12,832 tonnes CO<sub>2</sub> annually. Carbon Management is carried out departmentally according to activity and is reported corporately.

### 10.4 Climate Change

The Council's performance in relation to Climate Change is carried out by individual departments (according to activity) and is reported individually to relevant Committees. There is limited resource and specialist expertise across the Council to enable it to deliver the new and increasing obligations set out in the Climate Change (Scotland) Act 2009 and the Energy Efficient Scotland 20-year Programme. Officers are in the process of finalising a Climate Change Strategy for Moray which will look at a phased approach linking the need for resources with meeting the new requirements contained within the Act. It is intended to present a Strategy to Council in February 2019.

## **11. MAJOR ASSET AND REGENERATION INITIATIVES**

### **11.1 Improving the Council's housing stock**

The Housing Investment Programme is approved on an annual basis. In 2018/19, the Council intends to spend £12.384m improving the condition of its housing stock. From 2018/19 to 2020/21, additional borrowing will be required to help the Council meet the Scottish Energy Efficiency Standard for Social Housing (EESH). This is likely to be in the region of £4.7m over this period.

### **11.2 New Build Housing**

The Council has attracted Scottish Government funding of £25m to fund the Moray Affordable Housing Programme over the next three years. Both the Council and housing associations will use this funding to deliver new affordable housing in Moray. The Moray Strategic Housing Investment Plan (2018-23) makes provision for almost £10m of the funding to be used to fund the Council's new build housing programme.

### **11.3 Building Schools for the Future**

The expansion of nursery provision is a national priority and will be funded by the Scottish Government. Additional provision will need to be in place by August 2020.

Linkwood Primary is scheduled to go ahead in 2018/19.

Prior to the next announcement of funding by the Scottish Government as part of the Schools for the Future (Phase 5), the Council will need to decide whether it wishes to bid for this funding and if so, what schools should be prioritised for replacement/refurbishment. This should be an early decision in terms of the School Estate Strategy in Recommendation 1.

### **11.4 Infrastructure Projects**

The main infrastructure projects that will need to be prioritised over the next 10 years include the Moycroft depot, Craigellachie Bridge, the implementation of the Elgin Transport Strategy as well as other bridge maintenance projects and potential flood alleviation schemes.

## **12. CAPITAL STRATEGY FOR PROPERTY ASSETS**

### **12.1 Property/Construction Project Management**

This section considers how the Council could improve its management and oversight of property/construction projects. It seeks to harmonise current processes and bring some consistency in terms of a collective approach in order to deliver affordable and sustainable projects.

### 12.2 Property Asset Management Working Group

The Property Asset Management Working Group should in future agree and track all significant property projects. This will ensure that property projects have appropriate resources and budget availability and that these are ordered in terms of budget and strategic importance. The Group will oversee property projects delivered as part of the Capital Plan and this should include HUBCo projects. It will also ensure that each project receives the correct level of scrutiny, control expenditure and report progress on individual projects regularly to the Asset Management Working Group for corporate oversight.

### 12.3 Project Briefs & Gateway Process

Any project relating to property assets should be accompanied by a project brief. The brief should be the subject of a property gateway process to be considered by the Property Asset Management Working Group in the first instance.

### 12.4 Asset Management Working Group

The Asset Management Working Group will be responsible for corporate oversight to ensure a Property Asset Management Strategy is developed and any improvement plans are delivered.

#### **Recommendation 18**

The Council should decide whether it wants to adopt the changes proposed in terms of project governance.

### 12.5 Capital Plan

Capital expenditure is funded from three sources: capital grants from Scottish Government and other sources; capital receipts from the sale of assets or from developer contributions; and borrowing. When the Council borrows for capital expenditure, the capital financing charges incurred are met from the revenue budget. The Capital Plan therefore has a direct impact on the revenue budget and the two are considered jointly at the same budget-setting meeting of the Council. Capital financing charges are a long-term cost to the Council. The Council needs to be clear how much of its revenue budget it is prepared to spend on financing debt. The council capital planning process must also be more closely aligned with its local planning and development plans. The five principal drivers for capital expenditure are:

- Legislative requirements;
- Efficiencies or spend to save projects;
- Maintenance of assets and operations at current approved levels;
- Service developments; and
- Council priorities.

The Capital Plan has significantly reduced in recent years following the completion of major flood alleviation schemes which were 80% funded by the Scottish Government. In 2018/19 however, the Capital Plan will increase to £55m with the main increase related to new schools and nursery provision.

#### 12.6 Capital Borrowing

Limits on capital borrowing are set through the Prudential Code and the targets associated with this are reported annually to Full Council. However, these financial indicators do not lend themselves to a transparent set of controls that would aid the prioritisation of capital spend.

#### 12.7 Methodologies for Capital Spend

A review of methodologies to help prioritise capital spend would be advisable so that it remains affordable, sustainable and provides a consistent approach to capital planning. Examples that could form part of such a review would include:

##### Economic life of asset / asset base review

For each class and sub-set of council assets, determine a whole-life costing expenditure profile (revenue and capital) which includes major element replacement at the optimum time for the economic life of the asset, to minimise the overall cost to the council of maintaining its asset base. If this approach is to be adopted it should be coupled with a rigorous review of the council's asset base to reduce that base to a sustainable level. Targets for reduction could be based on council priorities, with consideration given to potential external funding, the possibility of Community Asset Transfer and the potential for capital receipt to be generated.

##### Capital Plan bias

If the Council were so minded, it could set a bias within the Capital Plan towards a particular group of assets (i.e. the school estate). This would allow a higher allocation of capital for the replacement/renovation of these assets during the lifecycle of the Plan. This would have a positive impact on the current condition of the school estate which requires significant investment to bring these properties up to BB standard.

##### Sustainable Schools Policy

This would allow the Council to focus spend on schools that have a long term sustainable future and prevent budgets being expended on schools that have been identified for replacement or refurbishment programmes.

#### **Recommendation 19**

The Council should decide whether it wants to review its approach to Capital Planning.

## 13. PROCUREMENT

### 13.1 Routes to Procurement

Although the Council carries out an annual Departmental Procurement Action Plan (DPAP) process to determine the priorities and activities planned for the coming year, each project is seen as a distinct and separate entity, with little regard to any overall strategic and corporate plan.

Despite this process, 25% of all procurement projects undertaken in 2016 were unplanned and did not feature in service procurement plans (DPAP). This suggests a lack of forward planning with decisions being driven by budgets without a collective strategic understanding and overview.

By linking the process to a Property Asset Management Plan, procurement activity can start much earlier, it can support corporate priorities (rather than individual departments), and avoid wasting resources on projects that are never taken to final stage.

Any procurement project (including repairs and maintenance) should only start once the requirement has been signed off by the Asset Management Working Group in accordance with the Property Asset Management Plan.

Currently the services involved in asset build, repairs and maintenance are located in different services, with different processes, driven mostly by the differing nature of the assets they support. Stronger links would allow for detailed data sharing and a consistency of approach.

### 13.2 Major Construction Procurement

It is rare for the Corporate Procurement team to be included in any of the large construction projects, including HUBCo. If they are, it is usually after the procurement route has been determined. Earlier engagement with the team i.e. membership of project boards would allow for wider consideration of procurement issues.

### 13.3 Contract Management

Historically any contract linked to construction has a defined and well documented management process. This takes account of performance throughout the life cycle of the project. However it tends to stop there. Post project reviews that take account, not just of the contractor performance, but of the type of procurement, type of build, the risks encountered, the skills gaps, contract design, etc. could strategically inform the future programme of work and take account of changing legislation and market forces. Adequate resourcing contract management, particularly in the construction industry is essential, as it informs future projects and avoids repeating unforeseen and costly mistakes.

**Recommendation 20**

The Council should ensure that the Procurement Team play an active role in all property related projects and are involved much earlier in this process to allow financial oversight and to ensure that contract management and post project reviews are carried out.

**14. CONCLUSIONS**

- 14.1 The Property Asset Management Appraisal (2018) has been written in a period where the Council is facing unprecedented budget pressures and cuts to its public services. The appraisal echoes the advice tendered to Council at its meeting on 30 March 2016. This stated that the Council is not in a financial position to maintain all of its property assets. Doing nothing will only exacerbate the situation and a number of properties (mainly schools) remain at serious risk of short-term/long-term closure due to their current condition.
- 14.2 The Property Portfolio continues to present a number of Health and Safety concerns due to ongoing building deterioration. The Council must develop a robust system for monitoring the condition of the estate to mitigate risks where possible.
- 14.2 The aim of the appraisal is to provide a framework to support discussions on options that the Council will need to consider in order to address the “hidden” financial burden relating to its Property Portfolio. There are 20 separate recommendations to help shape future thinking and strong leadership at political/officer levels, structural change, flexibility and resilience within the collective workforce will all be required.
- 14.3 Options to address deterioration must include the replacement, refurbishment and rationalisation of the Property Portfolio. Where possible the use of all property assets needs to be maximised to best effect. The Council should also investigate options to generate new income and to reduce maintenance and energy costs across the portfolio.
- 14.4 There are a number of recommendations specific to the school estate and an executive summary in **APPENDIX II** sets out the challenges in more detail.
- 14.5 An Improvement Plan relating to the 20 recommendations is provided in Section 16. If these recommendations are approved by Council, the actions contained within the improvement plan will be progressed during the remainder of 2018/19 and beyond. Progress in terms of implementation will be reported to the Corporate Management Team and Council annually.

## 15. SUMMARY OF MAINTENANCE COSTS TO BRING THE PROPERTY PORTFOLIO UP TO BB STANDARD

Assets	Maintenance Costs to BB £000 (as at 1 May 2018)	Capital Plan Projects 2018/19 - £000	Revised Maintenance Costs - £000
Offices	£894,821	No investment proposed	£894,821
Depots	£2,233,949*	No investment proposed	£2,233,949*
Services/Storage	£220,423	No investment proposed	£220,423
Swimming/Leisure	£844,456	No investment proposed	£844,456
Town Halls	£1,163,203	No investment proposed	£1,163,203
Community Centres	£2,244,548	No investment proposed	£2,244,548
Libraries	£217,722	No investment proposed	£217,722
Public toilets	£192,494	No investment proposed	£192,494
Pavilions	£327,657	No investment proposed	£327,657
Museums	£235,305	No investment proposed	£235,305
Day Centres	£277,695	No investment proposed	£277,695
Respite Centre	£26,224	No investment proposed	£26,224
Homeless Hostels	£188,509	No investment proposed	£188,509
Recycling Centres	£46,981	£310,000	Removes maintenance cost
Harbour Premises	£207,846	£60,000	£147,846
<b>Corporate Buildings</b>	<b>£9,321,833</b>	<b>£370,000</b>	<b>£9,214,852</b>
Primary Schools	£67,089,576	£2,275,000	£64,814,576
Secondary Schools	£74,588,991	£1,385,000	£73,203,991
<b>School Estate</b>	<b>£141,678,567</b>	<b>£3,660,000</b>	<b>£138,018,567</b>
<b>Total Cost</b>	<b>£151,000,400</b>	<b>£4,030,000</b>	<b>£147,233,419</b>

Note: These maintenance costs are estimated and could be higher than currently projected. Projects programmed within the Capital Plan for 2018/19 will reduce maintenance costs but only if they are delivered. The revised estimated maintenance costs reflect the amended position that the Capital Works identified for 2018/19 are completed.

## 16. IMPROVEMENT PLAN 2018-2020 – Linked to the 20 Recommendations provided within the Appraisal

The improvement plan is based on the strategic recommendations identified within the report. Some recommendations are ranked short (up to 6 months), medium (up to 1 year) and long term (more than 1 year). Short term actions will include priorities that need to be progressed due to their urgency or they are quick to implement. Progress on implementing the Plan will be determined by the resources made available within each of the different service areas. Some recommendations are included within the Corporate Modernisation and Improvement Programme (CMIP) and are cross referenced in this Improvement Plan.

Recommendations from the Property Asset Management Appraisal	CMIP reference	Key Milestone	By	Lead Officer(s)	Ranking
<u>Recommendation 1</u> Develop a school estate strategy to address a range of property related issues and educational outcomes. This should include options for replacement/refurbishment and rationalisation where necessary. The strategy should contain key criteria to underpin key strategic decisions.	Section 1.5	School Estate Strategy in place	March 2019	Acting Director of Education	Short term
<u>Recommendation 2</u> Develop a new protocol for the DSM tenants' budget – linked to Recommendation 1.	Section 1.5	New Protocol in place	September 2019	Acting Director of Education	Medium Term
<u>Recommendation 3</u> Develop an options appraisal template to support the decision making process for the replacement/refurbishment/rationalisation of the school estate – linked to Recommendation 1.	Section 1.5	Options Appraisal tool kit in place	March 2019	Acting Director of Education	Short term

<b>Recommendations from the Property Asset Management Appraisal</b>	<b>CMIP reference</b>	<b>Key Milestone</b>	<b>By</b>	<b>Lead Officer(s)</b>	<b>Ranking</b>
<u>Recommendation 4</u> A review of the Council's office estate should be completed.	Section 1.3	Office review completed	November 2019	Head of Housing and Property	Medium Term
<u>Recommendation 5</u> A further review of depots should be undertaken.	Section 1.1	Depot review completed	November 2019	Heads of Housing and Property and Direct Services	Medium Term
<u>Recommendation 6</u> A review of storage options should be undertaken.	Section 1.1	Storage review completed	November 2019	Head of Housing and Property	Medium term
<u>Recommendation 7</u> The Council needs to reach decisions with regards to the Leisure Review and Museum buildings.	Section 3.3	Decisions made	November 2019	Acting Director of Education and Head of Development Services	Medium term
<u>Recommendation 8</u> The Council should develop a register of all its infrastructure assets to help identify any potential areas where there may be further "hidden" liabilities and/or potential savings.	N/A	Full Register in place	March 2020	Director of Corporate Services and Head of Financial Services	Long term

<b>Recommendations from the Property Asset Management Appraisal</b>	<b>CMIP reference</b>	<b>Key Milestone</b>	<b>By</b>	<b>Lead Officer(s)</b>	<b>Ranking</b>
<u>Recommendation 9</u> The Council should consider whether it wishes to retain its industrial portfolio (in full or in part) or sell the estate (in full or in part) to generate capital receipts.	Section 1.1	Future of the Industrial Portfolio determined	March 2019	Head of Housing and Property	Short term
<u>Recommendation 10</u> The Council should review the sites that are held within the Housing Revenue Account.	N/A	Review of sites completed	September 2019	Head of Housing and Property	Medium term
<u>Recommendation 11</u> The Council is due to review its policy of Make Do and Mend Policy in 2018/19.	Section 1.1	Review Completed	March 2019	Corporate Management Team and Head of Housing and Property	Short term
<u>Recommendation 12</u> Develop a Landlord Charter to support the management of the Property Portfolio.	Section 1.1	Corporate Landlord Charter developed	September 2019	Head of Housing and Property	Medium term

<b>Recommendations from the Property Asset Management Appraisal</b>	<b>CMIP reference</b>	<b>Key Milestone</b>	<b>By</b>	<b>Lead Officer(s)</b>	<b>Ranking</b>
<u>Recommendations 13 &amp; 14</u> i) Review options that will allow the Council to store its property information in fewer ICT systems.  ii) The Council should develop baseline performance indicators to allow it to manage and monitor its property assets.	Section 4.1	Review of systems completed	December 2019	Acting Heads of Education and ICT & Heads of Housing and Property, Direct Services	Long term
		Baseline information in place	December 2019		Long term
<u>Recommendation 15</u> i) Council should combine the repairs and maintenance budgets for the school estate and corporate buildings.  ii) A review of staff structures involving Property/Education should be completed transferring the duty for managing the property elements of the school estate to Property Services.	Section 1.1	Budget amalgamated and transferred to property	April 2019	Director of Education/Head of Housing and Property	Medium term
	Section 1.1	Review completed	December 2019		Long term

<b>Recommendations from the Property Asset Management Appraisal</b>	<b>CMIP reference</b>	<b>Key Milestone</b>	<b>By</b>	<b>Lead Officer(s)</b>	<b>Ranking</b>
<u>Recommendation 16</u> The Council should develop a framework that allows it to challenge and rationalise where appropriate the non-operational portfolio.	Section 1.1	Framework developed	May 2019	Head of Housing and Property	Medium Term
<u>Recommendation 17</u> The Council should consider whether it wishes to introduce criteria that capture “full life” costs when it is considering refurbishment projects.	Section 1.1	Issues and Options identified	July 2019	Heads of Housing Direct Services and Finance	Medium term
		Council decision taken on “full life” costs	October 2019		
<u>Recommendation 18</u> The Council should decide whether it wants to enhance the role of the Property Asset Management Working Group to improve its oversight and governance of “lower value” property projects.	Section 1.1	Future remit and role of the Property Asset Management Working Group determined	March 2019	Director of Corporate Services and Head of Housing and Property	Short term

Recommendations from the Property Asset Management Appraisal	CMIP reference	Key Milestone	By	Lead Officer(s)	Ranking
<u>Recommendation 19</u> The Council should decide whether it wants to change its current approach to Capital Planning.	N/A	Future approach to Capital Planning agreed.	March 2020	Corporate Management Team and Head of Financial Services	Long term
<u>Recommendation 20</u> The Council should ensure that the Procurement Team play an active and earlier role in property related projects.	N/A	Procedures developed to support this objective.	Sept 2019	Heads of Financial Services, Housing and Property & Direct Services	Medium term

## APPENDIX I

### Key:

Green = Buildings with a strategic importance that will need to be retained and maintained – no alternative options available

Blue = Investigate Social Work Offices to establish if DBS principals could be applied to reduce office space (fixed, flexible, home and mobile)

Yellow = Alternative options should be investigated/including relocating services, building closure and/or property disposal/CAT.

Red = Property is scheduled for demolition or disposal.

### Corporate Buildings

OFFICES	Core Function	Current Status		Maintenance costs towards achieving/maintaining B/B standard £000
		Condition	Suitability	
Council HQ, Elgin	Back Office functions	B	B	£168,743
HQ Annexe, Elgin	Customer Services (mixed services)	B	A	£0
Child Protection Unit	Child Protection (multi-agency)	A	A	£0
Ashgrove Campus, Elgin	Roads/Waste/Fleet/Stores/Servicing	See depots		
Keith Community Hub	Customer Services (mixed services)	B	B	£85,578
9 North Guildry Street, Elgin	Social Work	B	-	£0
11 North Guildry Street, Elgin	Social Work	B	-	£0
Rose Cottage, Elgin	Social Work	C	B	£100,564
Beechbrae Office, Elgin	Education/Special needs/SW	B	B	£210,159
10 Duffus Road, Elgin	Social Work – client contact	B	-	Survey required
240 High Street, Elgin	Registrars & Marriage Room	B	B	£44,165
17 High Street, Elgin	Business Gateway	B	A	£30,107
Auchernack, Forres	Customer Services (mixed services)	B	B	£119,555
Buckie Area Office	Customer Services (mixed services)	B	C	£135,950
<b>Total Cost for bringing existing offices up to the required standard</b>				<b>£894,821</b>
Ashgrove Building 1, Elgin	Roads/Waste	C	B	£261,822

Note: Ashgrove Building 1 is due to be demolished in 2019/20

DEPOTS	Core Function	Current Status		Maintenance costs towards achieving/maintaining B/B standard £000
		Condition	Suitability	
<b>West Moray</b>				
Ashgrove Depot, Elgin	Garaging, MOT, Salt store, Fleet office and stores	B	B	£571,751
Building Services, Mosstodloch	Main depot – West Moray	B	B	£238,067
Lossiemouth Depot	Grounds Maintenance garaging & welfare	C	B	£138,773
Dava Garage, Forres	Garaging	C	B	£23,063
Waterford Road, Forres	Grounds Maintenance/DLO & shared Fuel, Storage, welfare	C	C	£110,161
Brumley Brae Depot, Elgin	Garaging for Waste Collection & Disposal	C	B	£483,281
<b>East Moray</b>				
Building Services (DLO), Keith	Main depot – East Moray	C	B	£117,705
Bridge Street Depot, Keith	Roads & Grounds Maintenance & Waste	C	B	£395,473
Freuchny Depot, Buckie	Garaging/welfare for Roads & Waste	C	B	£150,439
March Road, Buckie	Garaging/welfare/storage for Grounds & Building Services	A	B	£38,850
Richmond Depot, Dufftown	Roads Maintenance, Salt & Fuel storage	C	B	£322,857
Auchinhove Depot, Keith	Salt Store	D	B	£76,111
Garage Workshop, Aberlour	Speyside Ranger	B	B	£3,479
Skateneuk Depot, Archiestown	Grounds Maintenance store	C	C	£38,368
Roads Depot, Tomintoul	Road Maintenance garaging & welfare	B	B	£8,852
<b>Total to bring Depots up to the required standard</b>				<b>£2,717,230</b>

Brumley Brae will be decommissioned as part of the Moycroft Project. This will reduce the repairs liability for depots down to **£2,233,949**.

INDUSTRIAL UNITS USED BY COUNCIL SERVICES	Core Function	Current Status		Maintenance costs towards achieving/maintaining B/B standard £000
		Condition	Suitability	
6 Chanonry Road, Elgin	Transportation Unit + Bus Depot	A	A	Survey required
6 Chanonry Spur, Elgin	Criminal Justice Service	B	B	£9,475
9 Chanonry Spur, Elgin	Learning Disability Service	B	B	£10,092
10 Chanonry Spur (Yard), Elgin	Learning Disability Service	No maintenance required		
9 West Road, Greshop, Forres	Local Heritage Store	B	B	£14,381
Unit P, Isla Bank	Closed Files/Records Store	B	A	£11,382
Unit 10, Tyock, Elgin	Building Services (DLO)	C		£46,857
4 Linkwood Lane, Elgin	Environmental Protection Store	B	B	£7,659
Pinefield Store	Moray Integrated Joint Board (adaptations store)	B	B	£18,838
Unit 8, Mosstodloch	Furniture store for Homeless (temporary accommodation)	B	B	£25,869
Unit 7, Coularbank, Lossiemouth	Waste Management	C	B	£75,870
<b>Total to bring Industrial Estates up to the required standard</b>				<b>£220,423</b>

Note: Unit 7, Coularbank will be decommissioned as part of the Moycroft Project. Maintenance work however will still be required prior to new lease

### **Community Assets**

Community Property Assets include swimming pools/leisure, town halls, community centres, libraries, public toilets, pavilions and museums.

SWIMMING POOLS/LEISURE FACILITIES	Core Function	Current Status		Maintenance costs towards achieving/maintaining B/B standard £000
		Condition	Suitability	
Keith Sports Centre (in school)	Community Use	B	A	Refer to Keith community centre.
Forres Swimming Pool	Community Use	B	A	£0
Buckie Leisure Centre	Community Use	B	A	£201,789
Speyside Swimming Pool (in school)	Community Use	C	B	See Speyside High School
Moray Leisure Centre *	Community Use	B	B	£642,667
<b>Total cost to bring swimming/leisure facilities up to the required standard</b>				<b>£844,456</b>

Note: A new swimming pool will be included within the new Lossiemouth High School so is not taken into account in terms of existing maintenance costs

TOWN HALLS	Core Function	Current Status		Maintenance costs towards achieving/maintaining B/B standard £000
		Condition	Suitability	
Fleming Hall, Aberlour	Community Use	B	B	£43,678
Town Hall, Lossiemouth	Community Use	B	B	£48,688
Newmill Institute, Keith	Community Use	B	B	£45,698
Town Hall, Cullen	Community Use	B	B	£361,548
Town Hall, Elgin	Community Use	B	B	£19,638
Town Hall, Findochty	Community Use	B	B	£97,758
Fisherman's Hall, Buckie	Community Use	B	B	£105,488
Longmore Hall, Keith	Community Use	B	B	£154,071
Town Hall, Forres	Community Use	C	B	£162,313
Town House (registrars), Buckie includes Library	Community Use	C	B	£124,323
<b>Total cost to bring Town Halls up to the required standard</b>				<b>£1,163,203</b>

Note:

1. Aberlour Community Association has a lease for Fleming Hall to 31 March 2026. They have a rental concession of £12k per year. The Council is responsible for all repairs excluding internal decoration. Both parties can terminate the lease of 5<sup>th</sup>, 10<sup>th</sup>, 15<sup>th</sup> and 20<sup>th</sup> anniversaries so the next opportunity to end the lease would not arise until 2021.
2. Lossiemouth TH Management Committee has a management agreement to 31 March 2026 for their town hall. No rent is payable. The Council is responsible for all repairs excluding internal decoration. To terminate the lease the Council would need to give notice (12 months) and only where the estimated cost of the repairs and maintenance is deemed prohibitively expensive. It might be sensible however to discuss whether the Committee is able to take on the repairs obligations as a starting point.
3. Newmill VH Management Committee has a lease to 31 October 2021 at £1 per annum. The Council is responsible for all repairs and maintenance excluding internal decoration. The lease does not contain any clause allowing for early termination by any parties.
4. The Council has already agreed a policy relating to the future of Town Halls as part of the budget setting process for 2018/19.

COMMUNITY CENTRES	Core Function	Current Status		Maintenance costs towards achieving/maintaining B/B standard £000
		Condition	Suitability	
Buckie Community Centre ( High School)	Community Use	B	A	See Buckie High costs
Lady Cathcart Centre, Buckie	Community Use	B	B	£105,742
Cullen Community Centre, Public Library, Nursery and Garage	Community Use	C	B	£427,656
Portgordon Community Centre	Community Use	C	B	£376,774
Dufftown Community Centre	Community Use	C	A	£152,730
Forres House & Public Library	Community Use	C	B	£846,706
Keith Community Centre	Community Use	B	B	£192,529
Elgin Community Centre	Community Use	B	B	£142,411
<b>Total cost to bring Community Centres up to the required standard</b>				<b>£2,244,548</b>

LIBRARIES	Core Function	Current Status		Maintenance costs towards achieving/maintaining B/B standard £000
		Condition	Suitability	
Aberlour Library	Community Use	C	A	£13,589
Lossiemouth Library	Community Use	B	B	£14,157
Elgin Library	Community Use	B	A	£135,683
Heritage Centre at Elgin Library+	Community Use	B	A	See Elgin Library
Dufftown Library	Community Use	B	A	£4,028
Keith Library	Community Use	B	B	£24,344
Library (Milnes High) Fochabers *	Community Use	A	A	£25,921
Library at Buckie Town House	Community Use	C	B	See Buckie Town House
Library at Cullen C/Centre	Community Use	C	B	See Cullen Community Centre
Library at Forres C/Centre	Community Use	C	A	See Forres House CC
Library at Tomintoul Primary	Community Use	C	A	See Tomintoul Primary
Library at Burghead Primary*	Community Use	C	B	See Burghead Primary
<b>Total costs to bring Libraries that are not co-located in other buildings up to the required standard</b>				<b>£217,722</b>

TOILETS	Core Function	Current Status		Maintenance costs towards achieving/maintaining B/B standard £000
		Condition	Suitability	
Alice Littler Park Public Toilet	Community Use	B	B	£7,665
Burghead Public Toilet	Community Use	B	B	£132
Cluny Harbour Public Toilet	Community Use	B	B	£3,302
Cooper Park Public Toilet	Community Use	B	A	£10,970
Cullen Harbour Office	Community Use	B	B	£2,491
Cullen Square Public Toilet	Community Use	B	B	£3,445
Cummingston Portaloos	Community Use	B	B	£563
Dufftown Public Toilet	Community Use	B	A	£5,934
Esplanade Public Toilet	Community Use	B	B	£0
Fiddochside Public Toilet	Community Use	B	B	£9,555
Findhorn Beach (Mid) Toilet	Community Use	B	B	£6,008
Findhorn Beach (West) Toilet	Community Use	B	A	£10,189
Findochty Public Toilet	Community Use	B	B	£1,827
Mid Street Public Toilet	Community Use	B	C	£3,611
Forres Public Toilet	Community Use	B	B	£10,495
Garmouth Portaloo	Community Use	B	B	£1,167
Grant Park Public Toilet	Community Use	B	B	£7,283
Hopeman Harbour Public Toilet	Community Use	B	B	£25,607
Hopeman Portaloos	Community Use	B	B	£9,392
Links Public Toilet	Community Use	B	B	£4,614
Regent Square Public Toilet	Community Use	B	B	£5,807
Reidhaven Square Public Toilet	Community Use	B	C	£8,747
Newlands Lane Public Toilet	Community Use	B	B	£6,149
PC & PH, Ballindalloch	Community Use	B	B	£480
Roths Public Convenience	Community Use	A	A	£0
St Rufus Park Public Toilet in Pavilion	Community Use	-	C	See St Rufus Pavilion
Fochabers Public Toilet in Pavilion	Community Use	-	C	See Forres Pavilion
Station Park Public Toilet	Community Use	B	B	£15,681
Strathlene Public Toilet	Community Use	B	B	£5,208
Tomintoul Public Toilet	Community Use	B	A	£1,297
Town House Public Toilet	Community Use	B	B	£1,559
Victoria Road Public Toilet	Community Use	B	B	£23,316
<b>Total cost to bring the public toilets up to the required standard</b>				<b>£192,494</b>

PAVILIONS	Core Function	Current Status		Maintenance costs towards achieving/maintaining B/B standard £000
		Condition	Suitability	
Grant Park Pavilion, Forres	Community Use	B	B	See Grant Park toilets
Bowling Pavilion, Forres	Community Use	A	A	£0
Changing Pavilion, Forres	Community Use	B	B	£24,326
Sports Pavilion, Fochabers	Community Use	B	B	£11,582
Cooper Park, Bowling Pavilion, Elgin	Community Use	-	B	£26,916
Coulardbank Pavilion, Lossiemouth	Community Use	B	B	£2,929
Station Park, Lossiemouth	Community Use	B	A	£15,763
Linzee Gordon Pavilion, Buckie	Community Use	B	B	£5,561
Logie Pavilion, Cullen	Community Use	B	B	£12,560
Roths Pavilion, Roths	Community Use	C	B	£4,857
Roysvale Pavilion, Forres	Community Use	B	B	£14,741
St Rufus Park Pavilion, Keith	Community Use	B	B	£14,634
Fife Park Pavilion, Keith	Community Use	C	B	£27,162
Seafeld Pavilion, Keith	Community Use	B	B	£5,537
Thornhill Pavilion, Elgin	Community Use	-	A	Survey Required
Pinefield Pavilions A&B, Elgin	Community Use	C	B	£112,539
Doocot Pavilion, Elgin	Community Use	B	B	£26,000
Cooper Park Cricket Pavilion, Elgin	Community Use	B	B	£22,550
<b>Total cost to bring the pavilions up to the required standard</b>				<b>£327,657</b>

Notes:

Aberlour Alice Littler Park and the toilets in Craigellachie are operated by the Community

If the Council wished to maintain some toilet provision in some areas, a toilet scheme involving local businesses could be considered

MUSEUMS	Core Function	Current Status		Maintenance costs towards achieving/maintaining B/B standard £000
		Condition	Suitability	
Museum Lab & Store	Community Use	B	-	£40,242
Falconer Museum	Community Use	B	A	£195,063
<b>Total to bring the Museums up to the required standard</b>				<b>£235,305</b>

A review of Museum Services is currently being completed by the Head of Development Services

SPECIALIST PROVISION - DAY CENTRES	Core Function	Current Status		Maintenance costs towards achieving/maintaining B/B standard £000
		Condition	Suitability	
Phoenix Centre	Community Services/Adult mental health day services	C	A	£72,075
Moray Resource Centre, Elgin	Adults with physical/sensory disabilities	B	B	£55,737
Linnburn Day Centre, Rothes	Older People Day Services	B	A	£30,484
Artiquins Day Centre, Elgin	Services for adults with Learning Disabilities	B	B	£21,637
Burnie Day Centre, Buckie	Adults with Learning Disabilities	B	A	£34,969
Cedarwood Training Centre	Day Service for Adult with learning disabilities	B	B	£42,474
Towerview, Forres	Adult Learning Disability Day Service	C	A	£20,319
<b>Total to bring the Day Centres up to the required standard</b>				<b>£277,695</b>

SPECIALIST PROVISION - RESPITE ACCOMMODATION	Core Function	Current Status		Maintenance costs towards achieving/maintaining B/B standard £000
		Condition	Suitability	
Birchview, Elgin	Adult Respite Accommodation	C	B	£26,224
<b>Total cost to bring respite accommodation up to the required standard</b>				<b>£26,224</b>

SPECIALIST PROVISION FOR HOMELESS HOUSEHOLDS	Core Function	Current Status		Maintenance costs towards achieving/maintaining B/B standard £000
		Condition	Suitability	
Cameron Parkbrae, Elgin	Temporary Accommodation & Out of Hours Telephone Service	C	B	£127,763
30 Quarryhill Keith	Temporary Accommodation	B	C	£60,746
<b>Total required to bring these properties up to the required standard</b>				<b>£188,509</b>

RECYCLING CENTRES	Core Function	Current Status		Maintenance costs towards achieving/maintaining B/B standard £000
		Condition	Suitability	
Gollachy Centre, Buckie	Waste Management	B	A	£8,583
Moycroft Centre, Elgin	Waste Management	B	A	£34,629
Waterford Centre, Forres	Waste Management	B	B	£3,769
<b>Total to bring recycling centres up to the required standard</b>				<b>£46,981</b>

HARBOURS	Core Function	Current Status		Maintenance costs towards achieving/maintaining B/B standard £000
		Condition	Suitability	
Buckie Harbour Office	To support offshore windfarms	D	B	£65,717
Buckie Fish Market	In part to support offshore windfarms	B	-	£91,620
Burghead Harbour Office	None	B	B	£0
Portknockie Harbour Store	None	C	B	£50,509
Findochty Harbour	None	-	-	Not a Property Asset
Cullen Harbour	None	-	-	Not a Property Asset
<b>Total cost to bring the harbour offices up to the required standard</b>				<b>£207,846</b>

Note: The Grampian Regional Council (Harbours) Order Confirmation Act 1987 states that owners of harbours would need to put an order before Parliament before they can dispose of such assets. The owner would need to show that the harbour can break even and a buyer would also need to be found.

**SCHOOL ESTATE****APPENDIX II****Energy Rating**

Rating	Outcome	School Numbers
A	Excellent	17
B	Reasonable	4
C	Poor	16
D	Very Poor	14

The purpose of providing energy ratings is to highlight the current variations in terms of energy efficiency within the School Estate. Improving Energy Efficiency (C & D categories) across the Estate would in itself generate savings.

“Other issues” relate to additional works not included within the projected maintenance costs required to bring these schools up to B/B standard. Fire safety measures are required to improve fire safety in the building while Drainage relates to schools where remedial works will be required to improve drainage and prevent potential flooding.

BUCKIE ASG	SCHOOL STATUS	Current Status					Maintenance costs towards achieving/maintaining B/B standard £000
		Condition	Suitability	Energy Rating	ASN Provision	Other issues	
Buckie High School	Secondary School	B	C	A	Purpose built	Drainage	£16,212,965
Millbank Primary	Primary School	B	B	A	Purpose built	Drainage	Modernised
Cluny Primary	Primary School	C	B	A	-	-	£3,884,552
St Peters Primary	Primary School	C	B	B	-	Fire Safety	£2,011,704
Cullen Primary	Primary School	C	B	C	-	Fire Safety	£2,218,317
Portgordon Primary	Primary School	C	B	A	-	-	£1,699,141
Portessie Primary	Primary School	C	B	C	-	-	£1,282,904
Findochty Primary	Primary School	C	B	A	-	-	£1,608,749
Portknockie Primary	Primary School	C	B	A	-	-	£1,912,909

**Buckie High** - The full replacement of a number of schools in Moray would be the obvious preferred option but for the Council's current financial situation. This is one of a number of considerations that should be reflected in the School Estate Strategy which it is recommended be prepared. Any new build will commit the Council to a payback arrangement for a period of years depending on the type of building contract agreed (refer to page 9); In reaching such a decision, regard needs to be taken as to the amount of investment that Buckie High has received in recent years and its current condition. The school is currently assessed as "B condition" meaning that there are other schools in Moray with a worse condition rating. Again, the impact of a Moray wide assessment of prioritisation would be an integral consideration in the strategy recommended. Money spend on the High School in recent years include:

- Boiler replaced approximately 9 years ago at a cost of approximately £300k;
- An extension was added approximately 4/5 years ago at a cost of £1.9m;
- A full lighting replacement – last phase completed in 2015 at a cost of £519k;
- Locality Team Base £135k;
- A soft play area £7.5k;
- Toilet upgrades £95k;
- Safe roof access £30k;and
- Upgrade LEV (dust extractor) - £30k

**Cluny Primary** is scheduled for £1.5m worth of improvements which commenced this year. This school will be part of any decision to replace Buckie High School.

MILNES HIGH ASG	SCHOOL STATUS	Current Status					Maintenance costs towards achieving/maintaining B/B standard £000
		Condition	Suitability	Energy Rating	ASN Provision	Other issues	
Milnes High School	Secondary School	C	B	C	Purpose built	Fire Safety	£13,354,942
Lhanbryde Primary	Primary School	B	B	C	Purpose built	-	£1,397,749
Mosstodloch Primary	Primary School	C	B	C	-	Fire Safety	£2,612,309
Milnes Primary	Primary School	C	B	D	-	Fire Safety	£3,823,481

**Note:**

There is new build nursery provision currently being built on the Milne's primary school site at a cost of £2.4m (capacity 40 places). There is overprovision in all schools within the Milnes ASG.

KEITH HIGH ASG	SCHOOL STATUS	Current Status					Maintenance costs towards achieving/maintaining B/B standard £000
		Condition	Suitability	Energy Rating	ASN Provision	Other issues	
Keith Grammar School	Secondary School	C	C	D	Purpose built	-	£12,602,117
Keith Primary	Primary School	A	A	C	Purpose built	-	PPP will cover costs
St Thomas Primary	Primary School	C	B	C	-	Fire safety	£1,569,327
Newmill Primary	Primary School	B	B	B	-	Fire safety	£646,416
Rothiemay Primary	Primary School	B	B	A	-	Fire safety	£691,813
Botriphinnie Primary	Primary School	B	B	D	-	-	£209,486
Crossroads Primary	Primary School	C	B	C	-	-	£354,696

SPEYSIDE HIGH ASG	SCHOOL STATUS	Current Status					Maintenance costs towards achieving/maintaining B/B standard £000
		Condition	Suitability	Energy Rating	ASN Provision	Other issues	
Speyside High School	Secondary School	C	B	D	Purpose built	-	£12,903,432
Craigellachie Primary	Primary School	B	B	D	-	Fire Safety	£239,222
Rothies Primary	Primary School	B	B	C	-	-	£929,886
Aberlour Primary	Primary School	B	B	C	Purpose built	-	£925,520
Glenlivet Primary	Primary School	C	B	D	-	-	£796,717
Knockando Primary	Primary School	C	B	C	-	-	£1,266,428
Mortlach Primary	Primary School	C	B	D	-	-	£2,756,566
Tomintoul Primary	Primary School	C	B	C	-	-	£947,546
Inveravon Primary	Primary School	Currently mothballed					

LOSSIEMOUTH HIGH ASG	SCHOOL STATUS	Current Status					Maintenance costs towards achieving/maintaining B/B standard £000
		Condition	Suitability	Energy Rating	ASN Provision	Other issues	
Lossiemouth High School	Secondary School	-	-	-	Purpose built	-	New School to be built
St Gerardines	Primary School	B	A	A	-	Drainage	Modernised
Hythehill	Primary School	C	B	A	Purpose built	-	£4,536,080
Hopeman	Primary School	B	B	D	-	Fire Safety	£918,051
Burghead	Primary School	C	C	A	-	-	£2,278,812

ELGIN ACADEMY ASG	SCHOOL STATUS	Current Status					Maintenance costs towards achieving/maintaining B/B standard £000
		Condition	Suitability	Energy Rating	ASN Provision	Other issues	
Elgin Academy	Secondary School	A	A	B	Purpose built	New school	PPP will cover costs
Bishopmill	Primary School	C	B	D	-	Fire Safety	£2,206,769
East End	Primary School	C	B	B	-	Drainage	£4,788,917
Seafield	Primary School	B	B	A	Purpose built	Drainage	Modernised
St Sylvesters	Primary School	B	C	C	-	Fire Safety	£1,174,738
West End	Primary School	C	B	C	-	Drainage	£2,449,438

ELGIN HIGH ASG	SCHOOL STATUS	Current Status					Maintenance costs towards achieving/maintaining B/B standard £000
		Condition	Suitability	Energy Rating	ASN Provision	Other issues	
Elgin High	Secondary School	A	A	A	Purpose built	New school	PPP will cover costs
Greenwards	Primary School	B	B	C	Purpose built	-	£1,228,281
Mosstowie	Primary School	B	B	A	-	Fire Safety	£551,175
New Elgin	Primary School	C	B	D	-	Fire Safety	£3,072,311
Linkwood Primary *	Primary School	-	-	-	-	-	New School to be built

Forres Academy ASG	SCHOOL STATUS	Current Status					Maintenance costs towards achieving/maintaining B/B standard
		Condition	Suitability	Energy Rating	ASN Provision	Other issues	
Forres Academy	Secondary School	C	B	A	Purpose Built	Drainage	£19,515,535
Andersons	Primary School	C	B	A	-	Drainage	£3,492,156
Alves	Primary School	C	B	C	-	Fire Safety	£716,631
Applegrove	Primary School	B	B	A	Purpose Built	Drainage	Modernised
Pilmuir	Primary School	C	B	D	-	-	£1,611,128
Dallas	Primary School	B	B	D	-	-	£130,067
Dyke	Primary School	C	B	D	-	Fire Safety	£1,435,331
Kinloss	Primary School	B	B	A	-	-	£1,682,711
Logie	Primary School	C	B	D	-	Drainage & Fire Safety	£1,031,542

### **SCHOOL ESTATE - EXECUTIVE SUMMARY**

- 1. The Council is not in a financial position to maintain and retain all of its property assets. The school estate is the worst in terms of its condition when compared to all 32 local authorities in Scotland;**
- 2. The condition of the School Estate is the most challenging and “hidden” financial issue facing the Council at this time;**
- 3. The Council will struggle to deliver core services and balance future budgets in a meaningful and strategic manner if it fails to tackle the issues relating to the School Estate;**
- 4. Make Do and Mend has produced savings short term but this is not sustainable. This approach will only increase the cost of maintenance in future years;**
- 5. At 1 May 2018, £142million is required to bring the school estate up to BB standard (Secondary £75m and Primary £67m);**

6. **The absence of a school estate strategy means that the prioritisation of schools for replacement/refurbishment remains subjective and does not consider future housing developments, population change, population shift and the need for new schools in certain local areas;**
7. **Prioritisation of the school maintenance programme would assist in delivering targeted spend and reduce “wasted” expenditure on schools that could be targeted for replacement, refurbishment or rationalisation; and**

**Example:**

**Based on current repair cost estimates, Forres Academy requires £20m to bring it up to BB standard. If funding from Scottish Futures Trust were to become available, this school could be the next targeted for replacement. At this time, the school is part of a 10 year maintenance programme which could see £8m + invested. Other schools across Moray are not receiving the same level of investment and in some cases there are schools where no investment is being made. If during the maintenance programme, Forres Academy is prioritised for replacement, all expenditure spent on that school to date will have been wasted and the condition of other schools will continue to deteriorate. If there was certainty around the future of school estate, the Council could target it’s spend more strategically and reduce wasted expenditure on schools earmarked for replacement, refurbishment and/or rationalisation.**

8. **Any new investment for any of the school estate from Scottish Futures Trust will only attract funding if the Council has an agreed Property Asset Management Strategy in place which considers the needs of all public bodies (NHS, Police, Fire, etc.). The SFT vision is for public services to work together and to share resources where possible to generate greater savings across the public sector. Shared buildings/HUBs are being viewed as the route for future funding and the school estate strategy must take account of this and build a framework around this concept in terms of any new build schools and/or any other public buildings.**



**APPENDIX II****Properties Disposal Programme – General Services**

Last Updated 30 September 2018

<b>Property List</b>	<b>Status</b>	<b>Actual Receipt</b>	<b>Scheduled Disposal</b>
15/19 St Peters Road, Buckie (323m <sup>2</sup> )	<b>Sold</b>	£10,640	<b>2018/19</b>
3 Spey Road. Craigellachie	<b>Sold</b>	£7,180	<b>2018/19</b>
Land at Curves, Hill St, Elgin	<b>Sold</b>	£1,500	<b>2018/19</b>
41 Seatown, Buckie	<b>Sold</b>	£2,500	<b>2018/19</b>
Premises adjacent to 18 Blantyre Tce. Buckie	<b>Sold</b>	£80,000	<b>2018/19</b>
Premises adjacent to 18 Blantyre Tce. Buckie	<b>Sold</b>	£500	<b>2018/19</b>
Land to rear of 34/36 Hill St, Elgin (493m <sup>2</sup> )	<b>Sold</b>	£29,995	<b>2018/19</b>

<b>Sales in Progress with Legal</b>	<b>Status</b>	<b>Potential combined values</b>	<b>Scheduled Disposal</b>
Land at 25/35 Archibald Grove, Buckie	<b>Pending</b>	In the region of £1.3m	<b>2018/19</b>
Site at Findhorn Rd. Kinloss	<b>Pending</b>		<b>2018/19</b>
Former Abbeylands School	<b>leased</b>		<b>2018/19</b>
Golf View, Buckie - servitude	<b>Pending</b>		<b>2018/19</b>
Land at Elsley Place, Buckie	<b>Pending</b>		<b>2018/19</b>
Hamilton Dr. School Etc. Elgin	<b>Pending</b>		<b>2018/19</b>
R1 Lossiemouth	<b>Pending</b>		<b>2018/19</b>
R1 Lossiemouth	<b>Pending</b>		<b>2019/20</b>
R1 Lossiemouth	<b>Pending</b>		<b>Future years</b>

Property on Market/In Negotiation	Status	Potential combined values	Scheduled Disposal
Land at West Shore Burghead	To be sold	In the region of £1.96m	Future Years
Former Boatyard Buckie	To be sold		Future Years
Land at St Leonards Road, Forres	To be sold		2018/19
Land at Seatown, Buckie	To be sold		2018/19
Maybank, Forres	To be sold		2019/20
House plot adjacent to 33 Grampian Road, Elgin	To be sold		2019/20
Keith Institute	To be sold		2018/19
9 Linkwood Place, Elgin	To be sold		2019/20
Land at Andersons Primary School	To be sold		2019/20
Site 10 Rathburn St Buckie	To be sold		Future Years
R4 Burghead (Clarklyhill)	To be sold		2018/19
Servitude at Ashfield Drive, Elgin	To be sold		2018/19
Rathven Industrial Estate	To be sold		2018/19
Land at Lhanbryde Ind. Est.	To be sold		2019/20
Keith Squash Club	To be sold		2019/20
Shed at 1 Burnbank, Fochabers	To be sold		2019/20
The Greens Forres	To be sold	2018/19	

Being prepared for Disposal	Status	Potential combined values	Scheduled Disposal
Ground at Jessiman's Brae Keith	Prep for sale	In the region of £1.3m	Future years
Land at Sutherland Street, Buckie	Prep for sale		2019/20
Land at Seatown, Lossiemouth	Prep for sale		2018/19
Land at Pluscarden Place, Elgin	Prep for sale		2018/19
Servitude - distribution cable	Prep for sale		2019/20
Housing site adjacent to 31 Grampian Road, Elgin	Prep for sale		2018/19
76 & 78 Wittet Drive, Elgin	Prep for sale		2018/19
11, 13, 15 Wittet Drive, Elgin	Prep for sale		2018/19
Land at Linn Brae, Aberlour	Investigation		
Amenity Land	Investigation		

<b>May become surplus</b>	<b>Status</b>	<b>Potential combined values</b>	<b>Scheduled Disposal</b>
Access strip Morven Cresc. Findochty	<b>Still to be determined</b>	<b>No valuation due to status</b>	<b>Still to be determined</b>
Site adjacent to Waste Transfer Station	<b>Still to be determined</b>		<b>Still to be determined</b>
Site to rear of West End Drive, Lossiemouth	<b>Still to be determined</b>		<b>Still to be determined</b>
Care Home Castlehill Road, Fochabers	<b>Still to be determined</b>		<b>Still to be determined</b>
Taigh Ferrais, Forres	<b>Still to be determined</b>		<b>Still to be determined</b>
Doocot, Buckie	<b>Still to be determined</b>		<b>Still to be determined</b>
Toilets	<b>Still to be determined</b>		<b>Still to be determined</b>
Academy Street Offices	<b>Still to be determined</b>		<b>Still to be determined</b>
Halls + Cullen & Dufftown Community Centres	<b>Still to be determined</b>		<b>Still to be determined</b>

<b>Properties Retained Meantime</b>	<b>Status</b>	<b>Potential combined values</b>	<b>Scheduled Disposal</b>
Former Tourist Information Centre, Regent St Keith	<b>Retained</b>	<b>No current valuation</b>	<b>Still to be determined</b>
30/32 High Street, Elgin	<b>Retained</b>		<b>Still to be determined</b>
6 Moss Street Offices, Elgin	<b>Retained</b>		<b>Still to be determined</b>
19/23a High Street, Elgin	<b>Retained</b>		<b>Still to be determined</b>
Cabrach Hall	<b>Retained</b>		<b>Still to be determined</b>
Former Cabrach School	<b>Retained</b>		<b>Still to be determined</b>
Former Cabrach Schoolhouse	<b>Retained</b>		<b>Still to be determined</b>
Land at Portessie Station	<b>Retained</b>		<b>Still to be determined</b>
Land at Ardach Health Centre	<b>Retained</b>		<b>Still to be determined</b>
Land at 14 Main Street, Buckie	<b>Retained</b>		<b>Still to be determined</b>
Buckie Drifter Buckie	<b>Retained</b>		<b>Still to be determined</b>
Land at rear of Health Centre, Thornhill, Forres	<b>Retained</b>		<b>Still to be determined</b>
Land (168 sq.m.) at 21 Batchen Street/Milne's Wynd Forres	<b>Retained</b>		<b>Still to be determined</b>
Deanshaugh House Servitude	<b>Retained</b>		<b>Still to be determined</b>
Land at Elgin Mart	<b>Retained</b>		<b>Still to be determined</b>
Mosstowie Schoolhouse	<b>Retained</b>		<b>Still to be determined</b>
Kinloss Schoolhouse	<b>Retained</b>	<b>Still to be determined</b>	





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**REPORT TO: SPECIAL MORAY COUNCIL ON 12 DECEMBER 2018**

**SUBJECT: CAPITAL STRATEGY**

**BY: CORPORATE DIRECTOR (CORPORATE SERVICES)**

**1. REASON FOR REPORT**

- 1.1 To ask Council to approve the Capital Strategy presented in draft as **APPENDIX 1** to this report.
- 1.2 This report is submitted to Committee in terms of Section III (B) (1) of the Council's Scheme of Administration relating to consideration of the financial and budgetary policy of the Council.

**2. RECOMMENDATION**

- 2.1 **It is recommended that Council approve the Capital Strategy as set out in APPENDIX 1.**

**3. BACKGROUND**

- 3.1 The Council's current Capital Strategy was approved by Council on 30 March 2016 (paragraph 10 of the Minute refers).
- 3.2 The Council's capital expenditure is governed by the Prudential Code. A revised Prudential Code was promulgated in December 2017. This included the requirement for Councils to adopt a Capital Strategy and set broad parameters for what the strategy should contain. The Code is clear that the Strategy should be tailored to local circumstances. As a document it will complement other documents such as the Council's Treasury Management Strategy. It is not intended to be a technical document, but rather an accessible document which sets out the context in which decision about capital expenditure are made.
- 3.3 The Strategy should cover capital expenditure; debt, borrowing and treasury management; the authority's approach to commercial activity; risk and risk management; governance, knowledge and skills.

3.4 The draft Capital Strategy as set out in **APPENDIX 1** sets out:

- what constitutes capital expenditure (new);
- why the Council undertakes capital expenditure;
- how the capital programmes of the Council relate to Council priorities and other Council policies;
- the link between asset management and capital planning;
- how the Council finances capital expenditure;
- the main aims of Treasury Management (new);
- the Council's governance arrangement for approving and monitoring capital expenditure;
- the risks the Council is exposed to from its capital programmes;
- how the Council accesses appropriate knowledge and skills (new);
- shows diagrammatically the links between different bodies, plans and processes and the Council's capital plans (new).

3.5 The Strategy also indicates that a local performance indicator for assessing affordability of capital expenditure is being developed – the proportion of the Council's net General Services budget which is committed to loans financing charges.

3.6 The Capital Strategy approved in March 2016 complied with the guidance on capital strategies issued by CIPFA in 2015. Where the revised Prudential Code requires additional content, this is indicated above as (new). The 2016 Capital Strategy was heavily focused on asset management planning whereas the revised draft Capital Strategy strengthens the links between other areas of Council activity, particularly development planning, and the Capital Strategy.

3.7 The Capital Strategy looks at long-term financial planning. Under the Prudential Code, the Council's capital plan must be affordable and sustainable. The draft strategy notes that the Council recognised that it could not afford to maintain its current asset base at the standards adopted by the Council and adopted the Make Do and Mend policy as a short-term means of avoiding potentially abortive capital spend on assets which might be disposed of. This policy has had a significant impact on the capital plan over the past two years. The Property Asset Management Appraisal, which is the subject of a separate report to Council, recommends that this is reviewed.

#### **4. SUMMARY OF IMPLICATIONS**

**(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))**

The Capital Strategy indicates the links between the LOIP and the Council's Corporate Plan and the Council's planned capital expenditure

**(b) Policy and Legal**

Part 7 of the Local Government in Scotland Act 2003 requires local authorities to have regard to the Prudential Code.

**(c) Financial implications**

There are no financial implications arising directly from this report. The Capital Strategy is one of a number of documents which assist in the Council's financial planning process.

**(d) Risk Implications**

There are no risk implications arising directly from this report. The Capital Strategy indicates risks associated with capital expenditure plans.

**(e) Staffing Implications**

There are no staffing implications arising directly from this report.

**(f) Property**

There are no property implications arising directly from this report.

**(g) Equalities/Socio Economic Impact**

There are no implications for equalities or the socio-economic duty arising directly from this report.

**(h) Consultations**

Members of the Council's Asset Management Working Group, CMT and the Democratic Services Manager have been consulted in the preparation of this report.

**5. CONCLUSION**

**5.1 The Council's Capital Strategy has been revised in order to comply with the 2017 revision of the Prudential Code.**

Author of Report: Lorraine Paisey, Head of Financial Services  
Background Papers:  
Ref:



## APPENDIX 1

## THE MORAY COUNCIL CAPITAL STRATEGY

**1. INTRODUCTION**

- 1.1 The Council owns a range of assets which are used to deliver – directly or indirectly – services to the people of Moray. The investment needed to ensure that these assets meet the Council approved standard for the asset type is ascertained through the asset management planning process. The Capital Strategy links that process to the Council's Capital Plan.
- 1.2 The Council also requires to invest to provide the infrastructure needed for economic growth, in accordance with the Local Development Plan, and to ensure that the Council operates efficiently and can meet the needs of transformation to a sustainable operating model.
- 1.3 All investment in capital is made under the Prudential Code. A revised version of the Code was published in 2017 and this contains new requirements for a Capital Strategy. This Strategy complies with these requirements. The Code states that:

“The capital strategy is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

**2. CAPITAL EXPENDITURE**

- 2.1 Capital expenditure is expenditure to acquire, improve, upgrade or extend the life of an asset, such as land and buildings, roads infrastructure, vehicles and equipment. The council sets *de minimis* levels below which expenditure will not be accounted for as capital. The current levels are:
- Land and buildings, council houses, surplus assets (valued at current value) - £20,000
  - Infrastructure, vehicles, equipment, community assets (valued at historic cost) - £6,000
- 2.2 Much capital expenditure requires a lead-in time to ensure that relevant legal conditions are met, eg planning permission is in place; for project design, and for procurement. Capital expenditure therefore requires a longer planning time-frame than revenue expenditure. The Council therefore prepares and annually updates a ten year capital programme.

- 2.3 Due to the short-term nature of council funding settlements from Scottish Government, only the early years of the plan are submitted to the Council for approval. However, the full ten year plan is approved as indicative of the Council's intentions.
- 2.4 Currently all of the Council's planned capital expenditure is operational; none is for commercial or purely income generating purposes.

### **3. CAPITAL INVESTMENT OBJECTIVES**

- 3.1 The Council's objectives in investing in capital are to ensure an adequate suite of assets to deliver the Council's services, in accordance with the Council's policies, strategies and plans, and priorities; legislative duties and other requirements.
- 3.2 A key consideration in developing the capital plan is the requirement to provide new infrastructure and facilities to accommodate planned local developments.
- 3.3 The Capital Plan reflects the requirements identified in the Local Development Plan for Moray for infrastructure projects required to support growth including transport, schools, health services and where necessary sports and community facilities. These requirements are established through the strategic planning of relevant departments such as Transport and Education but also include Community Planning Partners and the evidence base on housing and employment land demand and forecasted delivery. This evidence base allows for the long term planning of Capital expenditure to support economic growth and also for the Developer Obligations requirements to ensure that the development pays for the infrastructure burden it creates.
- 3.4 The process relies upon robust strategic planning of major infrastructure provision relating to School Estate, Transport, Health and Sports and Community facilities. Where this evidence base does not exist or is not robust it will be difficult to obtain developer obligations. The Council also needs to demonstrate its commitment to deliver the Infrastructure required to support the economic growth within the Local Development Plan through its Capital Planning process.
- 3.5 The Community Planning Partnership has 5 priorities, which are encompassed in the Moray 2027 Local Improvement Plan (LOIP) and from this the Council has developed the priorities for its Corporate Plan 2018 – 2023:

- Ensure caring and healthy communities
- Promote economic development and growth and maintain and promote Moray's landscape and biodiversity
- Provide a sustainable education services aiming for excellence
- Work towards a financially sustainable council that provides valued services towards our communities

3.6 The General Services Capital Plan includes direct and indirect investment to promote economic development and investment in the school estate. There are two strands to working towards a financially sustainable Council which are encompassed in the capital plan: investment in transformation (for example in digital services) and provision for spend to save projects.

3.7 A key outcome of the Local Housing Strategy is to ensure there is an adequate supply of affordable housing and the Council agreed to a new build programme of 70 units per annum from 2017/18 to 2019/20. This is reflected in the Housing Revenue Account (HRA) Capital Plan.

3.8 The balance of the Council's Capital Plan arises from the need to invest in the Council's current asset base, either to bring it to the approved standard or to maintain it at the Council's approved standard for the asset type.

#### 4. ASSET MANAGEMENT

4.1 The Council's Asset Objectives were approved by the Policy and Resources Committee on 11 October 2011:

- To ensure that our assets are fit for purpose in terms of condition, sufficiency, suitability, and accessibility.
- To ensure that our asset use demonstrates Best Value in terms of running costs and environmental impacts.
- To ensure that our Asset Management processes reflect good practice.
- To ensure that our assets reflect the policies and priorities of the Council.

4.2 The Council adopted the following standards for the asset classes within the Capital Plan on 11 February 2014:

Asset Type	Recommended Standard
Schools	B condition B suitability
Offices, Depots etc	Of a standard that supports the efficient delivery of services
Leisure Centres and Community Centres	B condition B suitability

<b>Asset Type</b>	<b>Recommended Standard</b>
Children's Play Areas	To meet safety standards
Town Halls	B condition B suitability
Day Centres and Resource Centres	B condition B suitability
ICT	Schools 5 Year Replacement Offices etc 7 Year Replacement
Plant and Vehicles	Replacement based on cost effectiveness – assessment of replace or repair
Industrial Estates	B condition B suitability
Waste Management	Of a standard that supports the efficient delivery of services
Roads	At end of 10 year period aim to be at the midpoint of the table for road conditions in Scotland.
Bridges	
Street Lighting	
Harbours	B condition B suitability

4.3 At the same meeting the Council adopted the following policy in relation to the preparation of the Capital Plan:

“The Council recognises the importance of the principles underpinning the CIPFA Prudential Code in relation to capital expenditure, in particular, affordability and sustainability of its investment plans. The Council's policy in relation to Capital Planning is:

- a) To maintain all buildings at a satisfactory level of condition and suitability for the provision of council services;
- b) To maintain the road infrastructure with regard to the safety of all road users and by the end of the 5 year period aim to be at the mid-point of the table for carriageway conditions in Scotland;
- c) To maintain all short-life assets (less than 10 years) required for the provision of council services at the optimum level to minimise the annual cost to the council;
- d) To provide investment funding to support economic development plans; and
- e) To identify assets for disposal.

In relation to the council's housing stock the same principles are applied in the Housing Business Plan. The council is also required to meet the Scottish Housing Quality Standard.”

- 4.4 A 30 year Business Plan for the HRA is regularly updated to ensure that housing stock can be brought up to and maintained at the Scottish Housing Quality Standard (SHQS) and can achieve Energy Efficiency Standard for Social Housing (EESH) by 2020.
- 4.5 To ensure that the General Services Capital Plan is affordable and sustainable, the draft Capital Plan is reviewed in the context of the Council's financial planning processes for the General Fund. It is recognised that the Council's current asset base is not sustainable in the current financial climate, and this was affirmed by Council on 30 March 2016 (paragraph 7 of the Minute refers). As a consequence of this, Council on 25 May 2016 (paragraph 11 of the minute refers) approved an interim approach to capital expenditure, focussed on avoiding potentially abortive spend, which is known as Make Do and Mend. Under this policy expenditure on buildings is to be limited to that necessary to keep them open and functioning whilst minimising health and safety risks to service users and staff.
- 4.6 A Property Asset Management Appraisal has been carried out with a view to identifying the Council's optimal property asset base and an action plan arising from this is reported to Council (12 December 2018).

## **5. CAPITAL FINANCING**

- 5.1 A number of sources of funding are available to the Council to finance its capital expenditure:
- General and specific capital grants from Scottish Government and other bodies
  - Contributions from the Council's revenue budgets
  - Capital receipts from the disposal of surplus Council assets
  - Developer contributions
  - Borrowing
- 5.2 The Council is awarded General Capital Grant from the Scottish Government and this is used to fund capital expenditure before the use of any other capital receipts. The HRA makes extensive use of contributions from its revenue budget, but the General Services Capital Plan does not budget for contributions from revenue. The amount of capital expenditure which cannot be met from grant or other receipts will be funded by borrowing.
- 5.3 When setting the amount which it is willing to borrow, the Council must comply with the Prudential Code. The two main criteria for compliance with the code are affordability and sustainability, and the Council approves Prudential Indicators, prescribed by the Code, when the budget is set.
- 5.4 The capital plan impacts on the revenue budget in two ways: the impact of increased loan charges required by additional borrowing required to finance capital expenditure and the revenue (running) costs of new facilities, or revenue savings achieved through spend-to-save projects.

- 5.5 Loan charges represent the cost of interest on loans and also of principal repayments of loans used to fund capital expenditure. The Council will develop a local prudential indicator based on General Services loan charges as a percentage of the total General Services revenue budget. This indicator is to be used, not as a definitive cap, but to act as a guideline to assist with the Council budget setting process and to highlight the overall impact of capital expenditure to the Council's annual budgeted revenue costs. Currently the budget for loan charges stands at 7.2% of the new General Services revenue budget.
- 5.6 The period of time over which loans repayments are made into the loans pool is matched to the expected life of the asset. These can vary from three to sixty years.
- 5.7 Proposals for expenditure from the General Fund on asset maintenance are scrutinised to ensure that all costs which could potentially be capitalised are funded through the capital programme as in the short term this is the most economically advantageous way for the Council to fund replacement of failed elements or life-expired assets.
- 5.8 If appropriate specific grant funding is available it may be applied for to reduce the amount of borrowing required or to increase the level of expenditure possible within the Council's agreed borrowing limit.
- 5.9 The Council has entered into several Public Private Partnership (PPP)/ Private Finance Initiatives (PFI) contracts over the past few years. Under such an arrangement, the Council enters into a long term contract with a private sector organisation to construct new assets. Annual payments are then made over the life of the contract for the assets provided. The Council has used such arrangements to facilitate the building of new schools in Keith and Elgin, with another new school under construction in Lossiemouth. Such arrangements can mean capital investment where, due to financial constraints, it might not have been possible otherwise. All the Council's PPP/PFI arrangements have been supported by funding from Scottish Government.

## **6. TREASURY MANAGEMENT**

- 6.1 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

- 6.2 The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans and long-term fixed rate loans where the future cost is known but higher. Statutory guidance from the Prudential Code is that debt should remain below the capital financing requirement, except in the short-term.
- 6.3 Under the Prudential Code, the Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year, and a lower "operational boundary" is also set as a warning level should debt approach the limit.
- 6.4 Treasury investments arise from receiving cash before it is paid out again. Any investment made for service reasons or for pure financial gain would not generally be considered to be part of treasury management. The Council's policy on treasury investments is to prioritise security and liquidity over yield, focussing on minimising risk rather than maximising returns.

## **7. GOVERNANCE**

- 7.1 The Asset Management Working Group is tasked with corporate responsibility for asset management. It has the responsibility of ensuring systems are in place to develop and update asset management plans (AMPs) to identify the maintenance and replacement requirements to deliver the Council's policy for assets and agreed position in relation to standards of condition and suitability.
- 7.2 The Asset Management Working Group aims to ensure that AMPs are robust and that tools such as options appraisal are used as appropriate. The assumptions behind AMPs are challenged periodically by the Group.
- 7.3 The group is also responsible for developing the council's draft capital plan each year. A ten year plan is prepared in draft and updated annually. The group uses a process of peer review to ensure that appropriate rigour can be demonstrated in preparing the draft ten year Capital Plan and that revenue consequences of capital expenditure are recognised in the financial planning process, including whole life costing in relation to maintenance requirements. All new proposals for capital expenditure are taken through the Council's corporate Gateway process, from mandate to post-project review.
- 7.4 Spend-to-save is a feature of the Council's financial strategy. There is a presumption that a spend-to-save proposal with a suitable business case will be approved. However, such proposals will always be reviewed to ensure that they fit within the Council's priorities and do not divert staff from other core duties. As an indicative guide the payback period of a spend-to-save project should be three years or less. The factors to be taken into account when assessing a spend-to-save proposal are:

- Size of investment required;
- Payback period;
- Risk assessment of achieving payback;
- Impact on service.

- 7.5 The Council's Planning and Development service provide the Group with information on the infrastructure required to support new housing development – schools, roads, leisure and health facilities – and expenditure and developer contributions are factored into the Capital Plan.
- 7.6 To ensure that no capital project is considered on its own merits alone, but that all proposals for capital expenditure are considered in the context of the Council's overall plans for capital expenditure, no individual requests for capital projects is considered outwith the agreed cycle of approval when the revenue budget is set (February) and review when capital carry forwards from the previous year are considered (generally June) and when estimated actuals for the year are first reported (November), with the exception of spend-to-save projects, and only then if a good case can be made for why these should be considered outwith the normal planning cycle.
- 7.7 The full 10 year General Service Capital Plan reflecting all projected expenditure requirements for the council's current asset base and approved standards for condition, along with growth requirements, was deemed to be unaffordable in the current financial climate and expenditure contained by adopting a short term Make Do and Mend policy. This policy was adopted in May 2016 as a short-term measure.
- 7.8 Various work streams to reduce the Council's asset base – including a review of the school estate and development of the Property Asset Strategy - are taking place. In parallel to this, the Asset Management Working Group is looking to develop a robust basis on which to prioritise proposals for capital expenditure, and to develop a local affordability PI for capital spend.
- 7.9 Governance arrangements for the council's HRA capital plan are separate and recognise the ring-fenced nature of any HRA spend. The HRA Business Plan, last reviewed in October 2016, models scenarios for additional investment in further new build development which has been set against a range of risk factors, rent affordability and debt affordability levels to ensure borrowing levels are prudent, affordable and sustainable.

## **8. RISK AND RISK MANAGEMENT**

- 8.1 The Council is exposed to risk in various ways through its programmes of capital expenditure. There are risks associated with various funding streams; different types of procurement, and predictability and controllability of spend. These are managed by individual project managers and corporately by the monitoring regimes for both General Services and HRA capital. The asset management led components of the programmes themselves are risk-mitigators against the risk of failure of the Council's assets.

- 8.2 There are different types of risk associated with different methods of financing capital projects. Public-private partnerships seek to transfer risk to the private sector. Investors will typically expect higher returns for higher risk projects, so there is usually a financial trade-off when risk is transferred. General Capital Grant funding comes at no risk to the Council. The terms and conditions of the grant are well understood and the risk of having to repay grant because it had been misapplied are minimal. However, specific grants vary greatly in their terms and conditions. There is a much higher risk that some specific grants – particularly some European grant funding – may have to be repaid. The terms and conditions are typically much more stringent and the very tight requirements for the records to be retained and the retention period of ten years following closure of the funding programme make European grants quite high risk.
- 8.3 The Council generates capital receipts from the sale of surplus assets. Capital receipts can only be applied to capital expenditure. Whilst no risk attaches to the use of capital receipts, there would be a risk in budgeting for significant funding from capital receipts that they would not meet the target either in terms of amount or timing.
- 8.4 The Council also receives developer contributions towards the cost of development of infrastructure or other requirements arising from developments. They are time-limited and the main risk from these is that they are used timeously. The amounts received might also be insufficient to fund the expenditure required. Developer contributions from major developments will typically be received over a long time scale, whereas the Council may have to invest up front to provide infrastructure. The Council bears the cost associated with the time-lag in funding; the risk that future contributions may not materialise, and the risk that relevant Council policy might change over time.
- 8.5 The Council manages the risks of borrowing through its Treasury Management strategy. The residual risk to the Council is that borrowing can carry very long term commitments and so capital expenditure in any one year can have revenue implications thirty or forty years into the future.
- 8.6 The Council can develop its asset base in conjunction with other public sector partners. The risks involved in that relate largely to the governance of the project, and to the possibilities of one partner rescinding on their agreement. These risks must be addressed at the inception of the project.
- 8.7 There are risks involved in developing assets through innovative funding models. This is exemplified by the stalling of the replacement for Elgin High School whilst technicalities of whether the finance for this project could be treated as the Scottish Government had planned, were resolved. Such risks are likely to be largely outwith the Council's control.

- 8.8 Inflation poses a risk to the Council. Construction Industry inflation can be highly volatile and current construction cost increase predictions are varying widely with the impact of Brexit being unknown. Projects are included in the Capital Plan at current prices. Depending on how far in advance these have been scheduled, costs may be significantly above the original estimate simply because of inflation in the intervening period. This is a risk to the affordability of the Capital Plan.
- 8.9 A significant risk arises from the Council's revenue budget for repairs and maintenance. If the budget for revenue maintenance is insufficient and results in deterioration of assets there may be a resulting requirement for capital expenditure to replace or renew the asset. If revenue budgets are reduced without a corresponding reduction in the asset base then the Capital plan will come under pressure. A related risk is the risk that a health and safety issue might arise, contravening the Council's legislative responsibility to the public and to Council employees.
- 8.10 The other main risks concerning the Capital Plan relate to project management and the many factors which impinge upon the delivery of the Capital Plan. These factors may be internal – such as staff shortages or competing priorities – but are frequently external, ranging across supplier delivery time, landowner disputes / compensation requests, unforeseen site conditions, contractor delays, weather conditions and many others. Project specific risks are identified in the capital monitoring reports to committee and, where appropriate, project Transformation Boards.

## **9. KNOWLEDGE AND SKILLS**

- 9.1 The Council employs professionally qualified and experienced staff in senior position with responsibility for making recommendations on capital expenditure and borrowing and investment decisions. The Council also makes use of external advisors and consultants which are specialists in their field. Specialist advisors are generally specific to major capital projects, eg Lossiemouth High School replacement, NESS energy from waste project, Elgin Traffic Strategy, and employed as required. This approach is more cost effective than employing specialist staff directly. In addition, the Council also employs treasury management advisors, currently Arlingclose Ltd.

## 10. LINKS WITH OTHER PLANS AND PROCESSES



