APPENDIX 1

CORPORATE ASSET MANAGEMENT STRATEGY

2010 - 2020

Introduction

This Corporate Asset Management Strategy represents a strategic approach to management of the Councils assets. Its aim is to ensure that our assets are managed in a more corporate, coherent and prioritised fashion, as a mechanism to support the delivery of key services; ensuring their efficiency effectiveness in meeting the current and future needs of communities within West Dunbartonshire.

Effective management of assets has been high on the agenda for Government both nationally and locally over recent years but this focus is magnified at this time of financial pressures and uncertainty.

Strategic, well executed Asset Management is an essential component for West Dunbartonshire Council to be able to demonstrate that the Council is delivering in the context of the Best Value agenda. The Council therefore has a responsibility to ensure that assets are managed on a strategic basis so that they enhance and improve service delivery, that the asset base is aligned to the organisations corporate priorities and objectives and that they are managed in an active, effective and efficient manner.

Sound management of our assets has a significant part to play in continuing to improve and develop our services to the Community. Therefore, core services e.g. Education, Social Work, Housing etc., must be able to articulate their strategic direction in the short, medium and long term and support the translation of these priorities and their implications in terms of assets to enable the effective development of Services to take place.

Effective Asset Management can, as well as improving efficiency and effectiveness, generate resources through income by selling surplus assets, which will in turn generate long term revenue savings as those assets would no longer be a burden on resources.

This Strategy has been developed taking recognition of the Chartered Institute of Public Finance and Accounting (CIPFA) document. ‘A Guide to Asset Management and Capital Planning in Local Authorities’ and the Accounts Commission for Scotland’s Report "Asset Management in Local Government" (May 2009).

The importance of this strategy is acknowledged within the Councils Corporate Plan within *Theme 6: An Improving Council* and by the strategic priorities approved by the Council in June 2010.

Current guidance from CIPFA suggests that Local Authorities should classify assets under 6 generic categories as follows:

Figure 1

Property	Open Spaces	Roads Structures Lighting	Housing	Vehicle Fleet & Plant	I.C.T.

Our approach to the management of these “asset bases” will require a detailed Asset Management Plan being developed within the context of this strategic framework and approved by Council for each area outlined at Figure.1 above.

The Accounts Commission for Scotland’s Report “Asset Management in Local Government” (May 2009) contained details of a review of Asset Management in the Central Government sector led by The Cabinet Secretary for Finance and Sustainable Growth in 2008. This Report included five recommendations for improvement which are relevant for Local Government.

All Public Bodies are to:

- have an Asset Management Plan in place
- maintain a mandatory, single comprehensive database of Property Information
- agree a set of rules, responsibilities and expectations regarding the Management of Assets
- ensure that the mandatory procedures are in place for disposals of surplus or vacant property, and for acquisitions, are known and adhered to
- promote the use of Financial Asset Management incentives.

Background

Understanding where we are presently in our approach to Asset Management is crucial in determining what needs to be done to ensure that our future vision is realised.

In June 2006 the Council approved its first Corporate Asset Management Plan. This Plan was drawn up in response to views expressed by Audit Scotland on the Council's approach to managing its assets. The Plan focussed solely on Property.

At the Housing, Environment and Economic Development Committee on 2nd September 2009 the Asset Management Plan Update was approved. The update again focussed on Property Assets in terms of operational and non operational properties and the Housing Revenue Account Asset Management Plan. The Asset Management Plan Update also requested that the Council's overall approach to operational property asset management planning structures and procedures were externally reviewed.

In March 2010, CIPFA was commissioned to carry out the review of Operational Property Asset Management. This review highlighted a number of weaknesses and areas which needed to be addressed though a more effective corporate approach within the Council.

In summary, the CIPFA Review highlighted a need for:

- a Strategic Approach to property with a shared Council Vision
- improved Data sharing across the Council
- Performance Indicators
- a changing culture so that Property Assets are viewed corporately
- the Asset Management Team to drive the Management of Assets

Given the CIPFA Report , combined with the economic pressures facing the Council presently and over the coming years, it is appropriate to have a more focussed approach in developing an effective Corporate Asset Management Strategy, demonstrating collaborative working and effective corporate decision making.

In response, a reconfigured Strategic Asset Management Group was formed in July 2010. This group is chaired by the Executive Director of Housing, Environmental and Economic Development and comprises senior representation from all Council departments. The role of this group is to develop a Corporate Asset Management Strategy and to consider options for the future including efficiency of current assets, potential disposals, potential investment costs and use of resources to optimise benefit to the Council.

Stakeholder Groups

It is acknowledged that Elected Members, employees and partners have a key role to play in contributing to and informing strategy in relation to Asset Management particularly given the wider public sector reform agenda.

In recognition of this a series of meetings have taken place between elected members, senior staff and partners to discuss Asset Management.

The discussion with elected members considered the need to make better use of assets and new innovative ways to generate additional income from assets.

Public Sector organisations more generally are being asked to consider approaches such as, shared services and shared premises where appropriate as mechanisms to reduce cost and enhance or protect key frontline services. Over the past twelve months a workstream consisting of Public Agencies within the Clyde Valley Community Planning Partnership (CVCPP) has been formed and are considering shared service opportunities as a result of the Arbuthnot Review commissioned on behalf of the CVCPP.

Our Community Planning Partners from Police, Fire, Health and Skills Development met to discuss our asset management plans and how they could contribute or complement our approach to Asset Management.

A visioning workshop was held with senior staff to consider what services would be provided in 2020 and allow them to share their views on what a ten year Asset Management Vision should consider in relation to the services they anticipated they would be delivering.

Outcomes from Visioning Workshop

Senior Managers from across the Council identified the following themes in relation to the perception of West Dunbartonshire in 2020 and how the area might be seen:

- A Commuter Zone
- An Employment Area in its own right
- More development of Heritage Tourism, building on the area's history
- Development of the Waterfront and Waterways
- Improved Educational Attainment
- Improved mix in Housing Tenure
- An area with a clear identity

In relation to property requirements for 2020 the following themes emerged:

- Rationalisation of the School Estate to develop a lean, fit for purpose estate which delivers an Environment for Quality Learning
- Shared Service "One Stop" shops in Alexandria, Dumbarton and Clydebank where a range of Public Services could be accessed including Partner Organisation Services

- Multi Functional community buildings which deliver a range of services
- Rationalisation of Assets
- A Single Super Depot
- A Single Headquarters

The workshop allowed representatives of different services to discuss together how they saw services changing and what impact that might have on property requirements.

There was an emphasis on a greater use of technology in service delivery with the use of online services and the ability for staff to work from home or for work to be more mobile.

Asset Management Planning in West Dunbartonshire

Corporate Overview

West Dunbartonshire lies between Loch Lomond and Glasgow on the North Bank of the River Clyde. It comprises 70 square miles of combined waterfront, urban and rural landscape, but it is only a 20 minute drive from Glasgow Airport and easily accessible from Glasgow.

The area is generally well linked to the rest of Scotland. The A82 which is the main tourist route to the North and West of Scotland runs through the area.

The population is 90,920 and is projected to fall 8% by 2033. West Dunbartonshire remains on of the most deprived Local Authority areas in Scotland.

Our population is ageing and life expectancy rates are among the lowest in Scotland.

The current unemployment rate is 5.7% compared to the Scottish average of 4.2%.

Educational attainment has been improving particularly from the most deprived pupils but still remains below the National average.

In total, there are 44,138 dwellings in West Dunbartonshire. Owner occupation now accounts for 58% of the housing stock and social rented housing from the Council continues to reduce and accounts for 26% of stock. Social rented housing from Housing Associations accounts for 13% and the remaining 3% is private rented sector.

Economic Activity

The number of people employed in West Dunbartonshire has risen from 39,000 in 1999 to 40,500 in Sept 2009 which gives an employment rate of 69%. The employment rate for Scotland is 74%. The gross average weekly earnings for full time employees in 2009 was £442 in West Dunbartonshire compared to a Scottish Figure of £474; this means that wages in West Dunbartonshire are 6.7% lower than in Scotland as a whole.

Overall, West Dunbartonshire's asset base extends to 282 operational and 590 non operational properties, 11,374 rented homes, 404 hectares of open space, 112.6 hectares of public parks, 80 children play areas, 340 kilometres of roads, 600 kilometres of footways, 340 vehicles and ICT infrastructure.

An extract from the Council's Accounts is detailed in the table below and shows the value of the Councils major assets as at 31st March 2008.

Figure 2

Assets	Value as at 31/3/08
Council House Dwellings	£307,282,000
Operational Property	£260,248,000
Infrastructure	£31,283,000
Vehicle and Plant	£14,530,000
Non Operational Property	£73,001,000
Other	340,000
TOTAL	**£686,344,000**

Corporate Vision

The challenges facing West Dunbartonshire are substantial; but so are the opportunities and the Council has clear aspirations for the future of the area which is reflected in its vision:

"We will improve prosperity and inclusion for all citizens, deliver better and more efficient services, and improve West Dunbartonshire as a Place to Live, Work and Visit".

Corporate Plan

The Council has a Corporate Plan 2010 - 2014, closely aligned with the Community Plan and Single Outcome Agreement for the area. The Values, Themes and Priorities set out in detail in the Corporate Plan and summarised below, provide the context for Departmental Planning over the next 4 years.

Corporate Values

The Council's values underpin the way we work and guide everything we do. They are:

- Putting Customers First
- Communication and Consultation
- Valuing our Employees
- Openness and Accountability
- Sustainability
- Continuous Improvement
- Partnership Working
- Equal Opportunities

Corporate Themes and Priorities

Following on from the Council's Vision and Values set, the Council has identified six themes and related priorities:

Theme	Priorities
Theme 1	**Regeneration and the local economy**
	Promote physical area regeneration
	Grow the local economy
	Improve transport
	Regenerate the school estate
	Improve housing
	Deliver co-ordinated, sustainable planning
	Better employment opportunities
	Reduce population decline
Theme 2	**Health and Well Being**
	Target support to vulnerable groups
	Improve health and reduce health inequality
	Reduce inequalities and increase prosperity
Theme 3	**Safe and Strong Communities**
	Improve estate management of Council housing
	Improve Community Safety
	Improve Community Spirit
Theme 4	**Sustainable Environments**
	Improve environmental quality and sustainability
	Improve sustainability of the transportation network

Theme	Priorities
Theme 5	**Education and Lifelong Learning**
	Raise attainment and achievement
	Provide learning for life
Theme 6	**An Improving Council**
	Improve leadership
	Improve community engagement
	Improve governance and resource management
	Value our employees
	Promote continuous improvement
	Promote sustainable development
	Promote equal opportunities
	Improve the perception of West Dunbartonshire

Linking to our Strategies and Plans

The management of the Council's resources including assets should be aligned to achieve the targets set out in the Single Outcome Agreement and West Dunbartonshire's Community Plan.

The Key Themes of our Community Plan are:

- Improving Health & Well-Being
- Creating Sustainable & Attractive Living Environments
- Developing Affordable & Sustainable Housing
- Promoting Education & Lifelong Learning
- Regenerating & Growing our Local Economy
- Building Strong Safe Communities

The Council's Corporate Themes and Priorities have been developed following consideration of National Policy and Local Priorities.

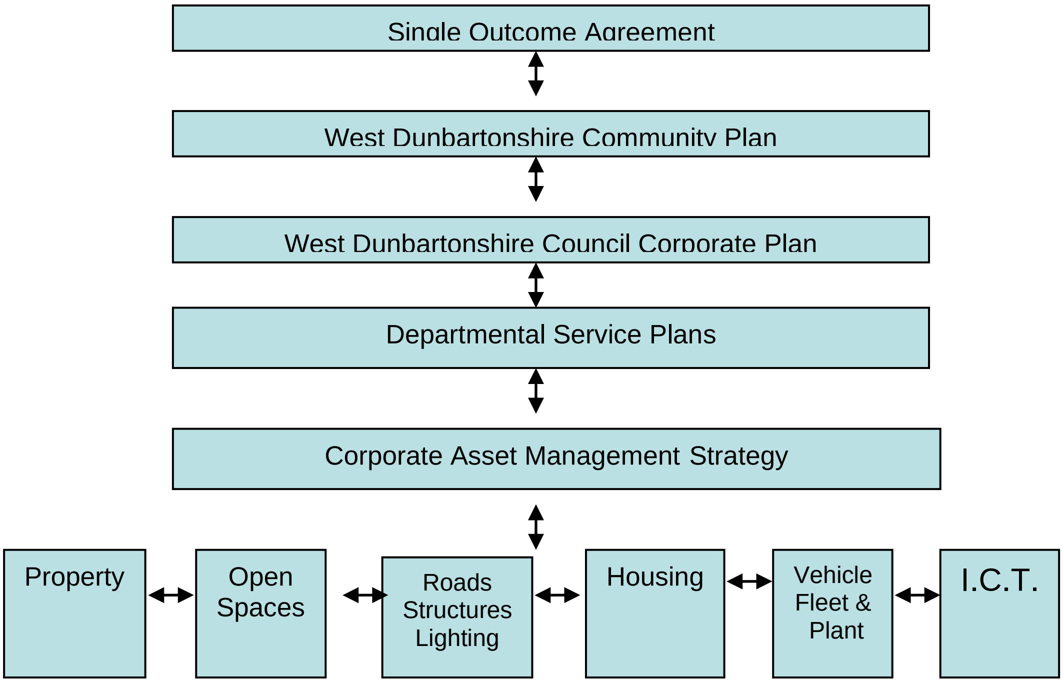
Corporate Asset Management Strategy

Our assets are critical to delivery of services and our Asset Management Vision to 2020 reflects this.

> **"Our Assets contribute effectively to the successful delivery of the Council's Corporate Vision and Priorities as well as operational objectives and continue to transform in order to support the delivery of services to our Community now and in the future".**

The Strategic Framework for West Dunbartonshire is outlined below:

Figure 3



Departmental Service Plans

The Asset Management Strategy must support and enable the Departmental Service Plans to be successfully delivered.

Departmental Service Plans set out what the departments aim to achieve for 2010 - 2014, focussing specifically on actions for 2010 - 2011. These Plans also give a view on how these actions will contribute directly to the commitments the Council has made in the Corporate Plan 2010 - 2014.

Links to Partners

The Council has established effective links with the full range of Partner Agencies and these links will require to develop further as resources within the Public Sector reduce.

The Council has recently agreed with the Community Health Partnership to merge these services with the Council's Social Work services and appointed a single Director to oversee the merged service.

The Council also links very closely with their Community Planning Partners such as:

- Strathclyde Police
- Strathclyde Fire & Rescue Service
- N.H.S.
- Scottish Enterprise
- Skills Development Scotland
- Clydebank College
- C.V.S.

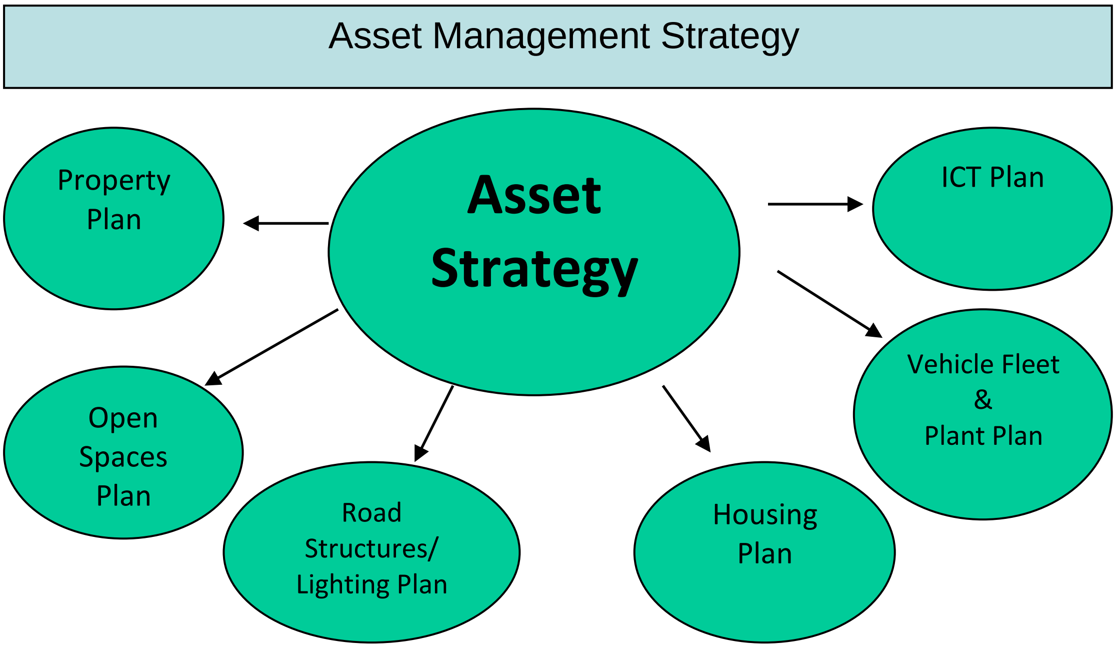
Strategic Approach

The Council's approach to Asset Management will ensure that our assets are fit for purpose over the next ten years and beyond.

The strategic approach to Asset Management will be driven by the Corporate Priorities of the Council and new models for delivering services emanating from future Departmental Service Plans.

This framework will set the parameters within which plans for each defined "asset base" will be developed and set out the governance structures to support integrated planning and decision making in relation to asset issues and how the Councils approach links to key outcomes contained within our strategic planning frameworks i.e. Single Outcome Agreement, Corporate Plan etc..

Figure 4



The Asset Management Strategic Model outlined at figure 4 above highlights that Asset Management Plans will be drawn up for each of the areas which make up the Asset Base. These Asset Management Plans will contain the context and action proposed for each of the asset bases.

Strategic Objectives

The Strategic Objectives below outline the key areas for focus and action which will enable the Asset Management Strategy to deliver tangible benefits contributing to the delivery of the Council's Priorities and Objectives:

- The Strategic Asset Management Group is responsible for the delivery of this Asset Management Strategy for the Council and will prepare progress reports to the Corporate Management Team on a quarterly basis.

- All Service Departments will articulate their future asset requirements to those responsible for the Asset Base in order that service led Asset Management Plans can be prepared within the next 12 months (Housing Asset Management Plan already approved in May 2008).

- All Asset Management Plans must identify actions which can be implemented within 0-12 months, 1yr-3yrs and 4yrs + and all plans will be monitored for progress every quarter by the Strategic Asset Management Group.

- A review of our present revenue costs will be carried out and savings will be identified within the next 12 months. A target of £250k in each of the next two years till March 2013 has been recommended.

- In the next 12 months the Council will generate additional income through an active disposal of redundant assets programme.

- We will research and carry out feasibility studies into new innovative financial proposals which lever additional investment into West Dunbartonshire linked to utilising our existing assets. This work will be completed within the first year of the strategy.

- A core group of data appropriate for each Asset Base will be identified and held on one database within the next 12 months.

- A suite of Asset Management Performance Indicators based around the six key drivers will be identified and measured within the first three months of the Strategy.

- Asset Management Plans will be prepared and presented for approval to Council for all Asset Base within the first 12 months of the Strategy (Housing already has an Approved Asset Management Plan).

- Develop and implement effective organisational and governance structures which can deliver the Strategy.

- Ensure that adequate resources through the Capital Plan is made available.

Key Considerations

Our priorities in how we deliver the strategy and in what areas we will focus our efforts will include the need:

- To be more Corporate
- To match Asset requirements to service delivery needs
- To move at a much quicker pace
- To generate savings in terms of existing revenue property costs
- To generate additional income through the disposal of redundant assets and by using certain assets to lever further investment into Council services
- To hold appropriate data on all of our assets
- To identify performance indicators for all our asset bases
- To develop asset management plans for each of the asset bases
- To ensure that asset management skills and resources are adequate to deliver the Strategy.

Improved Corporate working is an essential element of delivering our vision.

Each Directorate will be expected to articulate and detail their requirements from an assets perspective and any implications regarding Capital Investment will be discussed and agreed with the Corporate Management Team before being taken forward.

The recently formed Strategic Asset Management Group chaired by the Executive Director of Housing, Environmental and Economic Development and with membership of Heads of Service from all of our Operational Departments will be responsible for ensuring a more corporate approach is adopted.

Increased involvement of Elected Members will be sought and encouraged in relation to policy development and scrutiny. Elected Members have a key role in setting their long-term vision for the Council.

The function of effective Asset Management is to act as an enabler to the Service Departments within the Council for them to deliver the Council's Vision, Priorities and Objectives.

Pace in delivering this strategy is critical as the Council needs to be able to optimise its Assets Base in terms of efficiency and effectiveness.

The need to generate savings in terms of existing property costs is a key early action. The Council spends £21M per year on Operational Properties and it is widely acknowledged that some of these are underutilised and/or no longer fit for purpose. Savings in terms of energy costs, under occupancy issues and closure and sale of redundant properties will all contribute to savings and will be detailed in the Asset Management Plan for Property.

The Council can generate additional income through the disposal of redundant assets. In addition, the Council can explore new models of debt finance using our Property Asset Portfolio as collateral in order to raise significant investment for the area.

Asset Management Plans

In order to deliver the Council's Asset Management Strategy, detailed Asset Management Plans for each of the Asset Bases will be developed.

Each of the Asset Management Plans will take account of six key drivers which are promoted by CIPFA as being critical to effective Asset Management. An assessment of the Council's Assets will be made in relation to the key drivers.

The six Drivers and a description of each are shown below.

Figure 5

Driver	Description
Condition	It is essential to understand the condition of the portfolio and it is essential that regular surveys of condition are undertaken.
Suitability	This is also known as the "fit for purpose" test. It seeks to establish how well an asset is suited to its current purpose.

Driver	Description
Sufficiency	This relates to the demand and sustainability of the asset. Sufficiency is concerned about how an asset is used now and in the future. It helps to identify underused assets and is concerned with asset capacity
Revenue Costs	The costs of operating assets are important and need to be a feature in any asset management plan in order both to monitor against predicted costs but also to establish the economic asset use
Accessibility	This has two aspects, the first linked to the Disability discrimination Act and how accessible the property is to disabled people, this is reported under SPI CM4. The second how accessible is it generally, is it in the right location
Value	Knowing the value of assets is essential for decision making. While valuations are required for accounting purposes it is also essential to know the market value of the asset when considering asset management plans

The information held on these key drivers and ongoing discussions with Service Departments will enable objectives to be developed for each of the Asset bases.

These Objectives will contain targets and timescales and key outputs from the activity will be clearly articulated within the Asset Management Plans.

An important aspect of our approach is the ability to use this information and the assessments on the Key Drivers for each of the Asset bases to undertake Option Appraisals and prepare Business Cases for new projects and approaches.

Asset Management Planning Progress

Housing -	Asset Management Plan approved in May 2008 and being implemented through the Housing Standard Delivery Plan
Property -	An Asset Management Plan will be submitted to Council for approval in October 2010
ICT -	Development of an ICT Strategy is currently underway and is being developed in conjunction with all service departments to ensure that ICT underpins the Council's overall objectives including all aspects of Asset Management. An Asset Management Plan for ICT will be developed within the next 12 months
Open Spaces -	Asset Management Plans will be developed for approval by the Council within the next 12-18 months
Vehicle Fleet/Plant	Asset Management Plans will be developed for approval by the Council within the next 12-18 months
Roads, Structures Lighting etc.	Asset Management Plans will be developed for approval by the Council within the next 12-18 months

<u>**Capital Financing and Asset Management**</u>

Introduction

West Dunbartonshire Council holds assets, including both the General Fund and the Housing Revenue Account (HRA), with a balance sheet value at 31 March 2010, in excess of £686 million with a total spend on capital funded projects in 2009/10 of £36.7 million. Table A shows the movement in the value of asset held by the Council between 31 March 2009 and 31 March 2010.

Table A

£000	31 March 2009	Net Additions	Depreciation and Impairment	Revaluations	31 March 2010
Council Dwellings	283,166	14,778	(13,488)	22,826	307,282
Land and Buildings	174,490	87,180	(7,473)	6,051	260,248
Vehicles, Plant & Equip	12,840	4,866	(3,176)		14,530
Infrastructure	30,070	3,357	(2,144)		31,283
Non Operational	61,667	11,403	(41)	(28)	73,001
Other	393		(53)		340
Total	**562,626**	**121,584***	**(26,375)**	**28,849**	**686,684**

* Includes £86.467m related to PPP additions (discussed later)

The Council adopts innovative procurement methods, flexible approaches to financing capital projects and a robust and rigorous approach to the management of its capital and assets in order to deliver its strategic priorities while ensuring that funds are treated as a corporate resource.

Methods of Financing Capital Expenditure

There are many ways to finance capital expenditure as noted below.

- ✧ Capital receipts
- ✧ Capital Fund
- ✧ Third party contributions
- ✧ Developer contributions
- ✧ Leasing and hire purchase agreements
- ✧ Public private partnerships (PPP)
- ✧ Scottish Futures Trust
- ✧ Unconventional finance
- ✧ Grant funding
- ✧ Capital funded from current revenue (CFCR)
- ✧ Borrowing

**See Appendix A for 'Methods of Financing Capital Expenditure'.*

Asset Management Planning and Governance

The capital plan (i.e. the list of approved capital projects) for the forthcoming financial year is initially agreed in February/March of each year. The approved plan is then updated and reported to Members in August (after the financial year end) along with a draft plan for each of the 2 subsequent years.

The capital plan for 2010/11 was initially approved by Council in March 2010 and updated in August 2010. Draft capital plans for 2011/12 and 2012/12 would normally have been reported to Council at the same time; however due to the ongoing challenging financial/economic climate that is faced by all local authorities these plans will be reported to Members in November 2011. This additional time allows officers to ensure that the link between capital plans and strategic priorities are maintained; and allows carefully evaluated recommendations to be made to Council regarding essential/non essential capital plans.

Determining the Capital Plan

The capital expenditure plans of the Council takes into account the strategic priorities of the Council, the 30 year HRA standard delivery plan (SDP) and the general fund revenue budget (determines availability of resources to finance potential prudential borrowing). The SDP covers housing projects and aims to ensure compliance with the Housing Quality Standards by 2015. The Council is also in the process of implementing a partial housing stock transfer which is scheduled for completion in early 2012 and impacts of HRA capital plans.

These plans are regularly reviewed and updated taking into account the economic and funding outlook of the authority. The development, control, management and delivery of capital investment programmes are of key concern to the Council to ensure that public money is used wisely, best value is secured and the responsibility for decisions is clearly understood and taken at the right level. In managing the aspirations for capital expenditure from each department it is inevitable that demands for capital resources to meet capital investment needs and ambition will exceed the resources available to the Council.

Table B details the extent to which General Fund resources are insufficient to meet capital aspirations between 2008/09 and 2012/13 and highlights that the Council's capital plan has been unable to accommodate in excess of £20m of departmental capital bids in each of the three years from 2008/11. This inability to invest in our asset base has had a significant impact on the pace of delivering many of our asset priorities and also impacts on the Councils' revenue programme through an increased repairs & maintenance burden. It is hoped that the development of this strategy will be key factor to reversing this trend.

Table B

£000	2008/09	2009/10	2010/11	2011/12**	2012/13**
Available Resources	26,767	25,732	19,459	13,899	15,125
Total Capital Bids	47,456	51,920	44,191	37,667	21,907
Resource Shortfall	20,689	26,188	24,732	23,768	6,782
Represented By:					
Committed Bids	22,828	20,115	15,127	9,262	5,915
Uncommitted Bids	3,939	5,617	4,332	28,405	15,992
Total Approved Bids	26,767	25,732	19,459		
Remaining Uncommitted Bids	20,689	26,188	24,732		

** Based the current version of draft plans due to be submitted to Council November 2010.

The Council has established robust mechanisms for the approval and management of capital schemes. Capital bids are submitted by each department (using standard pro formas) and consolidated at a corporate level. They are initially reported to the Corporate Management Team who will review and challenge the each bid according to the strategic contribution they will make to the Council.

As noted in Table B above draft capital plans are split into two categories:

- Committed
- Uncommitted

Committed

Expenditure can be identified as committed for a number of reasons:

- Expenditure in relation to external ring fenced funding - e.g. specific grants.

- Expenditure due allocated to capital on an annual basis - e.g. administrative and architectural support, central buildings work.

- Expenditure which has been politically agreed - i.e. Member agreement through Committee/Council decision.

- Expenditure which has been legally committed - i.e. through the Council's ordering/tendering procedures.

Uncommitted

Uncommitted capital bids requires a great deal of analysis to be carried out to ensure that not only are the bids valid in terms of appropriate and technically acceptable items of capital expenditure but that each bid supports the Council's strategic priorities and will therefore contribute to the overall Corporate Plan of the Council.

For 2011/12 uncommitted bids will be assessed according to the contribution that they make to the following legislative and strategic priorities.

- Legal/Health and Safety
- Financial Pressures
- Schools regeneration
- SHQS
- Asset Management
- CVCPP Shared Services
- Marketing of WDC
- Regeneration
- Redesign of the Service Delivery Model
- Spend to Save Initiatives

The Council utilises option appraisal techniques (where appropriate) for capital plan assessment. An option appraisal guidance note was prepared and issued in April 2007 and training sessions carried out for both officers and Members.

The full option appraisal process comprises five stages as follows.

- Determine the strategic objectives of the organisation. This involves the examination of each option to identify the strategic contribution of each while considering any other objectives that may have to be considered and any wider social or economic benefits. This examination results in options being ranked according to how they meet the specified objective.

- Assessment of the whole life costs of the preferred option under different procurement options which may include lease versus buy, new build versus refurbishment or self finance versus PFI or PPP.

- Adjusting the whole life costs taking account of risk and optimism bias and confirmation that the preferred option demonstrates value for money and that it is affordable.

- Implementation and monitoring of the preferred option at each stage in the project upon commencement.

- Post project evaluation and feedback of lessons learned - i.e. what did we do right and what did we do wrong?

Under certain circumstances (and depending on the value and nature of the proposed capital spend) a restricted option appraisal process may be carried out in place of the full appraisal process. The restricted process will normally only involve stages one and four.

Monitoring the Capital Plan

The Council maintains comprehensive and robust procedures for the monitoring of the Capital Plan. Once approved departments are responsible for ensuring that they monitor budget against actual spend on a monthly basis. Capital budgetary control reports are reported to Council on a monthly basis to ensure that departments are held to be accountable and therefore responsible for the capital projects within their control. The reporting cycle aims to ensure that projects are carried out in an economical and timely manner, while providing an early action alert regarding any potential issues or concerns that may arise in relation to ongoing capital projects which would be dealt with according to financial regulations.

- Assessment of the whole life costs of the preferred option under different procurement options which may include lease versus buy, new build versus refurbishment or self finance versus PFI or PPP.

- Adjusting the whole life costs taking account of risk and optimism bias and confirmation that the preferred option demonstrates value for money and that it is affordable.

- Implementation and monitoring of the preferred option at each stage in the project upon commencement.

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Reviewing the Corporate Asset Management Strategy

The Corporate Asset Management Strategy outlines West Dunbartonshire Council's approach to Asset Management to ensure that effective and efficient management, use and renewal of these resources is achieved.

Ongoing Performance Reporting in line with the Council's Performance Framework will take place to ensure performance indicators are being met. The Corporate Asset Management Strategy will be reviewed and updated on an annual basis to provide evidence that progress and Best Value is being achieved.

Asset Management Plans for property, vehicle fleet, open spaces, roads structures, lighting and water infrastructure and ICT will be brought to Members for approval. These plans will also be reviewed and updated on an annual basis.

Finally, the Capital Plan developed from Service Department priorities is to be regularly updated and presented to the Council throughout the year.

Methods of Financing Capital Expenditure

Capital Receipts

The Council generates its own capital resources through the sale of surplus land and buildings. These resources can be used by the Council to invest in new capital projects.

Capital Fund

Under the Local Government (Scotland) Act 1975, Section 22 allows a local authority to establish a Capital Fund. This can only be used for the purposes of defraying expenditure to which capital is properly applicable or in providing money for the repayment of the principal of loans (but not the repayment of interest on loans).

Project Specific Contributions from Third Parties

Where opportunities exist, funding from third parties can be sought to assist in the funding of projects.

Developer Contributions

Developer contributions in discharging planning obligations provide a means of ensuring that developers contribute towards the infrastructure and services needed to make proposed developments acceptable in land use planning terms. Contributions may be financial payments, land or indirect works.

Leasing and Hire Purchase Agreements

A lease is a form of contract whereby the Council (lessee) pays an annual charge which is comprised of capital and interest to the finance company (lessor) for the use of an asset. This is normally used for vehicles, plant, furniture and equipment. Leases are normally classified as either finance or operating leases

- A finance lease is one where the lessee enjoys the risks and rewards associated with ownership however legal title remains with the finance company (e.g. need to insure asset, cost of maintenance, etc). A hire purchase agreement is similar in nature to a finance lease, however a purchase option fee is payable at the end of the contract period to enable transfer of legal title. A finance lease or hire purchase agreement should be included as capital expenditure in year of ‘acquisition’ along with the creation of a liability to pay future rentals (interest is charged to revenue on an annual basis, when incurred).

- An operating lease is one where an annual charge is paid for the use of the asset and the asset is returned to the lessor at the end of the lease period. Assets that are leased under an operating lease should not be included within capital and instead annual payments are charged to the revenue account as and when they are incurred.

Public Private Partnerships (PPP)

PPP's (also known as PFI's) are normally used as a method of financing new buildings and some of the types of buildings as reported by HM Treasury range from new schools and leisure centres to hospitals.

They are contracts to receive services whereby the responsibility for making available the fixed assets required to provide the services passes to the PPP contractor. The contractor will undertake to design, build, finance and operate (e.g. cleaning or janitorial operations) the asset through a Special Purpose Vehicle (SPV). The Council pays an annual charge (known as a unitary charge) for the use of the asset for a specified period of time, normally 30 years after which the legal title of the asset will transfer to the Council.

From 2009/10 PPP schemes are required to be shown "on balance sheet" which means that they are effectively treated the same as a finance lease with the annual unitary charge split into the following components.

- Principal
- Interest
- Operating costs
- Lifecycle maintenance costs

The Council entered into one PPP contract in January 2008 for the delivery, including facilities management, of 3 Secondary Schools and 1 Primary Schools.

Scottish Futures Trust

The Scottish Futures Trust (SFT) is the Scottish Government's approach to identifying alternative funding vehicles to PFI and PPP. The main purpose of the SFT, as set out by the Scottish Government, is to act as a catalyst for investment into Scottish infrastructure programmes and projects and to deliver better, more efficient infrastructure in Scotland.

Unconventional Finance

If the Council has any fixed assets bought or constructed with financing that does not take the form of simple borrowing, the future liability should be capitalised.

Grant Funding

Since 2007/08 the Council has received a general government grant from the Scottish Government each year which is used to assist general fund capital expenditure. In addition, specific grants may be received to assist in the funding of specific capital expenditure; however in either case certain conditions will be imposed by the establishment awarding the grant which will have to be adhered to.

Some examples of grant income received by the council during 2009/10 are:

- General Capital Grant
- Town Centre Regeneration Funding
- Cycling, walking, safer streets
- Sustrans
- Scottish Passenger Transport Funding (SPT)

Capital Funded from Current Revenue (CFCR)

The situation may arise where a department is required to either create or enhance an asset; however the project is not part of the approved capital plan. In this case where no capital resources have been previously allocated to the project a funding option that can be utilised is known as capital funded from current revenue (CFCR).

As the name suggests under CFCR departments agree to use some of their revenue budget to finance the capital project. This allocation must be taken account of when estimating future revenue spend as the cost for the capital project is not transferred to the capital accounts until the year end.

The risk with this form of financing is that unless departments are aware of the year end recharge element they may look as if they are under spending on the revenue budget line throughout the year.

Borrowing

Approximately one third of the resources used to finance the Council's capital expenditure comes from borrowing, predominantly from the Public Works Loan Board (PWLB) with other borrowing coming from market loans. The Council receives an element of support for the costs of borrowing from the Scottish Government through the Revenue Support Grant mechanism.

Effective management of the Council's debt portfolio requires that borrowing activities are arranged in order to fulfil the following objectives.

- Minimising the Council's exposure to the unpredictability of financial markets and implementing restrictions to minimise these risks through monitoring the maturity profile of financial liabilities and amending the profile as appropriate through either new borrowing or the rescheduling of the existing debt.

- Minimising the average rate of interest payable on the Council's loan debt.

When the Council borrows to finance capital expenditure departments are charged with an annual cost known as ‘Loan Charges’. Loan charges are similar to the payments that individuals make on the repayment mortgages in that the total charge is made up of two main elements:

- Principal repayment
- Interest

Local authorities can engage in two types or borrowing known as:

- Supported Borrowing
- Prudential Borrowing

Supported Borrowing

Supported borrowing is where the government provides funding through the Councils annual revenue support grant to cover the loan charges of a specified amount of capital expenditure. Councils are notified about the level of support when the 3 year revenue settlements are announced.

Prudential Borrowing

With the introduction of the prudential code in April 2004 local authorities were given the freedom to borrow in order to finance capital expenditure over and above the government level of supported borrowing as long as any borrowing is affordable and sustainable. However the ability to borrow additional money in this way comes with increased responsibility and a need for greater transparency in decision making such as what capital projects to borrow for, how much to borrow and when, where to borrow from, how long to borrow over, and so on.

The cost of prudential borrowing itself must be financed in some way, some of the ways to do this are:

- Increasing council tax (and/or house rents in relation to the HRA) to fund the loan charges on the additional borrowing.

- Funding the loan charges through reduction in council expenditure resulting from general corporate terms or through efficiencies within the specific service attached to the project (or caused by the project).

- Funding the additional loan charges through an increase in council income resulting from increased sales, fees and charges.

- Spend to save initiatives, e.g. substitution of leased vehicles for outright purchase.