

The Highland Council

Agenda Item	13
Report No	HC/05/24

Committee: Highland Council

Date: 14 March 2024

Report Title: Place Based Approaches to Strategic Capital Planning and Asset Management

Report By: Executive Chief Officer - Housing and Property

1. Purpose/ Executive Summary

The purpose of this report is to:

- provide an update on the review of our assets;
- set out a proposed strategic corporate and Service specific asset management approach for all Council assets, consistent with the corporate restructuring exercise approved through the Council's annual budget setting process;
- provide an update on the next steps with regards to strategic capital prioritisation and investment priorities including governance arrangements;
- introduce area asset mapping and develop community facilities networks, setting out how these link to the Council's approach to property asset management and asset rationalisation and a future target operating model for the Council; and
- update on the Single Property Service (SPS).

1.1 This report is a follow up to the paper "***A Review of Property Assets Maintained by Highland Council and a Future Approach to Strategic Capital Planning***" ("the December Report") which was approved by Council at its meeting of 14 December 2023.

A copy of that report is available here:

https://www.highland.gov.uk/download/meetings/id/82663/item_10_a_review_of_property_assets_maintained_by_highland_council_and_a_future_approach_to_strategic_capital_planning

1.2 The December Report approved the Council taking steps to reduce asset liabilities and to refocus our approach to strategic capital planning, principally with a focus on buildings. That report set out how we would:

- make sustainable revenue savings by reducing the overall property estate;
- reduce the operational costs of the retained core estate;
- prioritise how we invest our capital resource; and
- deliver on the above by delegating control of all Highland Council property-based assets into a SPS model.

1.3 Since that time, four strands of work have been agreed as part of the Council's budget setting process:

- Reconfiguring school assets
- Developing our approach to place-based demonstrator projects
- Implementing a network of community hubs for service delivery
- Rationalising our offices and depots

Further work has also been identified with partners as part of the process of resetting the Highland Outcome Improvement Plan (HOIP). This includes the commitment of partners to maximise the use of our collective property portfolio to support service delivery and ultimately enhance the customer experience.

1.4 How we achieve this must be consistent with our agreed corporate restructuring processes as well as the future shape of the Council, our Target Operating Model and our aspiration in terms of delivering a network of Community Hubs. We must also ensure that our resource allocation to deliver on these ambitions is sufficient and sustainable. This report sets out how we will achieve these improvements.

2. Recommendations

2.1 Members are asked to:

- APPROVE** the updates and next steps for rationalisation and/or cost reduction approaches across the Council's property and non-property assets, in line with the budget agreed at Council on 29 February 2024;
- APPROVE** the proposed investment in Corran Ferry Infrastructure, Roads and other Non-Building Capital Projects as set out in Section 6 of the report;
- AGREE** the approach to funding a replacement Corran Ferry vessel based on the option set out in Section 6 of the report;
- APPROVE** the development of a Corporate Asset Management strategy covering all Council assets, and the development of Service-specific Asset Management strategies as may be appropriate;
- APPROVE** the proposals in respect of a strategic capital planning approach across all Council assets;
- APPROVE** the proposed approach to area mapping and consultation, and the development of a network of community hubs to support future service delivery;
- NOTE** the draft Strategic Capital Bid Application Process and Prioritisation Matrix attached as **Appendix 1** to this report; and
- NOTE** the updated position with regards to the creation of and implementation of a Single Property Service (SPS) and that the final detail on the shape of the SPS requires to be linked to the restructuring of the Council's senior management team.

4. Implications

- 4.1 **Resource:** An SPS model centralises operational and strategic control of all properties. This allows a more coherent, strategic, and cost-effective approach to how we manage, maintain and invest in them. A critical component of this is linking what is required for the purposes of service delivery with an appropriate level of property resources required to deliver this. It also facilitates the delivery of the approved estate rationalisation budget savings targets. The strategic approach to capital investment in buildings will require reprofiling or reallocation of resource, and potentially additional resource, to enable delivery.

Ultimately, irrespective of asset type, the Council needs to reduce its operational costs. With regard to properties, we will do this by reducing the number of buildings we deliver services from, co-locate with partners and share partner facilities as appropriate.

The proposed capital investment (set out in section 6 below), relating to Corran Ferry infrastructure, roads resurfacing and other capital projects, can be met from the additional capital funding agreed by the Council in the 29 February budget report.

- 4.2 **Legal:** The Council has a duty to ensure best value for money for the allocation of its resources. The approaches set out in this report will deliver value for money for investment that impacts all Council services across Highland.
- 4.3 **Community (Equality, Poverty, Rural and Island):** Individual impact assessments will be undertaken on locations and/or facilities proposed for change, to ensure that any potential negative impacts are identified, considered, and mitigated accordingly. Engagement with local communities will be a key element in how we develop our future target operating model and will also inform the redesign of our asset base.
- 4.4 **Climate Change/Carbon Clever:** A reduction in assets, their replacement with modern facilities and/or investment in existing buildings will all help to reduce the Council's carbon output. Maximising the use of renewable energy sources such as solar PV and targeting energy savings measures across our portfolio will deliver direct financial benefits particularly in regard to cost avoidance and future income generation.
- 4.5 **Risk:** The Council can no longer sustain the number of assets it operates from. It is therefore essential that the Council adopts a robust approach to asset rationalisation that aligns to our future target operating model. It must also invest prudentially, appropriately and sustainably, both in improving existing assets and when investing in new assets, to reduce potential financial and service delivery risks.
- 4.6 **Health and Safety (risks arising from changes to plant, equipment, process, or people):** The rationalisation proposals as set out in this report will reduce the Council's overall asset footprint and reduce operational risks in our property portfolio.
- 4.7 **Gaelic:** There are no implications for this report.

5. Review of Assets and Next Steps – General (non-building)

- 5.1 It is important that there is a shared understanding that when we use the terms 'assets', 'asset management' and 'asset rationalisation', these do not solely apply to the buildings that we occupy or manage. The examples at 5.4 below clearly show that,

while there are a range of property specific assets, the totality of the asset base that the Council either owns or has some other form of interest in is far wider in scope than being merely concerned with buildings. This is expanded in section 6 below which addresses non-property related capital investment requirements for infrastructure assets, e.g., the Corran Ferry, our roads network, lifeline bridges and digital installations.

- 5.2 The Council approved a report in December 2023 principally regarding buildings and property related assets, however, a whole Council strategic capital planning approach cannot, if it is to be wholly effective, limit itself solely to focussing on property. It needs to be aligned with approaches to, and the reasonable requirements of, service delivery and partnership with other agencies, as well as the involvement of local communities and their representatives. It should also recognise the needs within different relevant geographies for service provision and the anchor role of specific settlements or places to meet those needs. A coordinated approach to all assets that the Council uses or operates from is therefore essential.
- 5.3 To address these factors, every asset that the Council owns, occupies, uses, or has an interest in creating, acquiring or using requires to be in scope when we consider what our short, medium and long term investment requirements and decisions need to be. All of these factors have to be considered through the lens of affordability and sustainability over these time periods in order that the Council remains a financially sustainable organisation. Inevitably, conversations around needs and wants and all those factors narrated above will be required, as will pragmatical compromise.
- 5.4 As indicated in 5.1 above, and by way of examples, the Council manages a wide range of assets, both owned, leased in and leased out, and in physical and other forms; by no means are all these building related. It is important to note that Asset Management relates to all assets that the Council is responsible for.

Building related assets include:

- Council General Fund properties, in particular key locations required for the development of future hub and spoke models of service delivery;
- education and leisure facilities, including HLH (High Life Highland) properties
- depots and other non-office type work locations;
- Council Housing Revenue Account properties;
- care homes, supported and specialist and temporary accommodation properties; and
- Council commercial properties, numerous buildings, and other facilities (and non-building assets) that we lease in or lease out, to include full consideration of lease cost, dilapidations, repair, and maintenance liabilities and exit clauses and ancillary costs.

Non-building related examples of assets that the Council has an interest in include the following:

- roads, bridges, street lighting and footpaths;
- harbours and associated infrastructure;
- parks, greenspace and amenity assets;
- fleet – vehicles – leased and owned;
- catering equipment;

- plant and machinery;
- IT and digital equipment; and
- renewable energy infrastructure, including wind, battery storage, solar, hydro and other renewable technologies.

5.5 As the Council moves towards its new Target Operating Model, a Corporate Asset Management Strategy will be required to underpin this. This strategy will set out how we will invest in, manage, maintain, and dispose of all Council owned assets. It will build on guiding principles as set out in the Scottish Future Trust's (SFT) Asset Strategy Guidance, the ambitions of the HOIP, and recognise the unique needs of Highland communities.

The guiding principles of the Corporate Asset Management Strategy will include a business need and place-based approach to retaining and rationalising assets. The Strategy will be supported by collaboration, data led decision making and greater use of technology and innovation. Further detail on this this approach can be found in the link to relevant SFT documentation reproduced below:

<https://www.scottishfuturetrust.org.uk/publications/documents/a-guide-to-property-asset-strategy-in-the-scottish-public->

- 5.6 At a subsidiary level to the Corporate Asset Management Strategy will be service specific asset management strategies, for example in relation to property for the General Fund (GF) and Housing Revenue Account (HRA). Similar service specific asset management strategies for the indicative asset examples set out in 5.2 above sitting with the appropriate services (e.g. roads, parks, and so on), will feed into the overarching Corporate Asset Management Strategy.
- 5.7 Further detail on the matters set out in this section and the delivery of the Corporate and functional/service specific asset management strategies approach will follow to a future Council. This will be consistent with the decisions on corporate restructuring that are set out in a separate paper to this meeting of the Council.

6 Investment Proposals for Infrastructure Assets

- 6.1 Members will recall that the decisions made at the Highland Council meeting of 14 September 2023 established the capital programme for the next five years. The paper asked Members to note that the further projects and capital budgets as set out on Appendix C of the report, which were not incorporated within the capital programme at that time, would require future assessment and consideration in relation to affordability and priority and that, should material circumstances alter, the Council would have the opportunity to consider these priorities again.
- 6.2. In the October 2023 report to Highland Council, Members were reminded of the agreement made in September 2023 that if there was a material change in circumstances, the opportunities would be further reviewed. Such material changes were set out as follows:
- a need to find funds for emergency action relating to the safety or security of buildings;
 - a need to find match funding for successful bids for external funding for key infrastructure projects; and/or

- a significant change in the cost of borrowing, which made the capital programme more or less affordable – creating the opportunity for more projects to be delivered, or, alternatively, fewer.

6.3 The October 2023 report also recognised that future increases in the capital programme spend would have to be costed and paid for, in terms of any increase in borrowing required to pay for new projects which might be added to the programme. Such options for the future included:

- capitalising a revenue stream to match fund against any new sources of external investment that might become available through external funding;
- borrowing money in some other way, such as through the UK Infrastructure Bank, or the Scottish National Investment Bank;
- using capital funds to enable actions which improve the Council's revenue position; and
- using non-earmarked reserves on a one-off basis for a specific project.

6.4 Since October 2023, officers have continued to work through the delivery of the capital programme, and as such a number of clear changes in material circumstances have emerged, which require a forward look at capital projects for the coming year. On 29 February 2024, the Council agreed its revenue budget and medium-term financial plan for the forthcoming three financial years, and within which provision was made for £3m of additional revenue budget loan charge provision, that would support additional capital investment, potentially in the region of £50m over three years. The projects that are proposed to be funded from the additional capital investment capacity are as follows:

6.5 **A. Corran Ferry Infrastructure**

As Members will recall, £1.6m was set aside to develop plans for new infrastructure on both sides of the Corran Narrows and to develop designs (working closely with Scottish Government) for a new vessel to replace the Maid of Glencoul (which is currently 47 years old). That work has progressed well and the need for a sustainable solution to the issue has become critical, given the outages that were experienced over the course of 2023 (and the subsequent impacts on the local community and financial impacts for the Council).

6.6 As previously reported to Members, the Council did receive a commitment to the reallocation of £20m from the Inverness and Highland City Region Deal (City Region Deal) to fund essential landside infrastructure improvements for the Corran Ferry, as part of the UK Government's Autumn statement. The design of the infrastructure is well underway and will be 'shovel ready' in the first half of 2024. This will allow completion of the project by 2026 (in line with the lifetime of the current IHCRD deal timescale (January 2027)). The total funding commitment from UK Government was £20m, subject to match funding being made available by the Council. Given the time constraints set out above, Member approval is therefore sought to release capital funding to meet this commitment. A sum of £10m is required to ensure that the project can be delivered. The final business case for the infrastructure project will be reported to a future Economy and Infrastructure Committee.

6.7 It should be noted that a replacement vessel would not have met the strict funding criteria funding, as per UK Government's funding constraints. However, by having

appropriate infrastructure in place, this does allow officers to focus on developing further options for vessel procurement, either through external funding or a revenue-based capital borrowing business case. The estimated profile of capital infrastructure spend and drawdown of UK Government funding is as follows.

	24/25 £m	25/26 £m	26/27 £m	3 Year Total	27/28 £m	Overall Total
Corran Ferry Infrastructure	2.50	16.00	11.00	29.50	0.50	30.00
Less UK Government Funding	-1.67	-10.67	-7.33	-19.67	-0.33	-20.00
Net Council Capital Contribution	0.83	5.33	3.67	9.83	0.17	10.00

- 6.8 The delivery of the Corran Ferry Infrastructure, as set out above, will go some way to addressing the long-term sustainability of the Corran Ferry service. Work has also been undertaken on developing a solution for a replacement ferry, with a current cost of £23m, based on the design work undertaken to date.

The City Region Deal contains a commitment from Transport Scotland to fund the Longman Interchange and the East Link in Inverness – with a total of £109m set against these commitments. Both Transport Scotland projects were seen as essential from a regional perspective at the time the deal was signed.

The East Link remains essential to the future growth of the city eastward, and the housing, community facilities and education proposals identified within the East Inverness Development Brief and the Inner Moray Firth Local Development Plan are dependent on its delivery.

The grade separation of the Longman Interchange, whilst important to the growth of the city, is the other key project. The project, as we understand it, is still progressing and design and land requirements are being finalised, including amendments to increase priorities for public transport and active travel. That is very welcome and engagement has been positive on the project, although understandably there is no firm deadline for delivery of the project.

It is fair to say that if the City Region Deal was being developed at this point, one of the key Highland Council priorities in terms of transport would be the delivery of the Corran Ferry replacement (rather than for example the Longman Interchange). Informal engagement with Scottish Government has taken place to determine whether there is any scope to include the Corran Ferry as a replacement City Region Deal funded project for the Longman Interchange, or for a scaled down version of the grade separation to be progressed at Longman (for example through roundabout and slip land enhancement), with the balance of the funding being directed towards the delivery of a new ferry. This may fit more closely with the sustainable transport objectives that Scottish Government is promoting, compared to when the original City Region Deal was being promoted. There are also regional benefits including the spread of capital investment beyond Inverness, to a high-profile link to and from the Ardnamurchan peninsula.

As set out above, informal discussions have been held with Scottish Government on the potential repurposing of City Region Deal funding towards the Corran Ferry

replacement project. Whilst no firm commitment has been made, Members may wish officers to continue to engage on this funding route in the interim, with a formal request being made to Scottish Ministers to consider this through the City Region Deal Change Management Process.

6.9 B. Roads Investment

It is clear from public engagement that the state of Highland's roads remains a high priority for further investment. The previous three years have seen increased levels of funding towards the roads capital programme and there have been many examples of improvement arising from this investment. With a road network stretching some 6,600km, it is however essential the continued funding at previous levels is maintained. The capital programme review did provide for a capital budget of £7.8m over the next five years, and the proposals for spend of the 2024/25 allocation has been brought through the most recent round of Area Committees for Member approval. As Members will know from these discussions, there are a significant number of capital schemes that remain unfunded unless further funding is made available.

6.10 Following on from the decisions made at the Council meeting on 29 February 2024, it is clear that there is a change in material circumstances as regards additional funding the Council has made available to support additional capital investment for the next three-year period. As set out above, there are a significant number of schemes that can be brought forward into an agreed programme for roads investment, which will be informed by the allocation formulas being considered through the Council's Redesign Board. Members are therefore asked to agree that a further £40m is allocated towards roads capital investment over three financial years, with the distribution of this funding being reported through the relevant Committees at the first available opportunity. Having a three-year programme of investment will ensure a sustainable approach to investment, a strategic approach to contractor procurement, and opportunities to attract match funding from developer contributions or other external funding sources. The following table shows the profile of the £40m additional capital, and the resulting overall roads capital investment budget.

	24/25 £m	25/26 £m	26/27 £m	3 Year Total
Roads General Infrastructure Improvements - Approved September 2023	7.80	7.80	7.80	23.40
Additional proposed capital investment - March 2024	12.90	13.35	13.75	40.00
Total Resulting Roads Capital Investment	20.70	21.15	21.55	63.40

6.11 C. Other Non – Building Capital Projects

Taken together, the two proposals as set out above would account for the majority of available additional capital investment capacity over the three-year period. There remain a number of other outstanding capital matters which need addressed within the capital programme, and it is proposed that the residual borrowing capacity supported by the £3m loan charge budget addition is also addressed. This would include adjusting the current capital programme for:

- reduction of £1.5m in the Scottish Government General Capital Grant for 2024/25 which will require a compensating increase in borrowing to maintain the approved September 2023 capital programme; and
- adjustments to the capital programme for self-funded projects and other programme adjustments since September 2023, including reprofiling of the programme to meet affordability and deliverability timescales.

In addition to the above, as is normal practice, officers will update capital programmes for slippage and adjustment in the current year and resulting re-profiling that may be required across the capital programme. The officer Capital Programme Board continues to monitor programme delivery and effect appropriate management decisions to support capital project delivery. With capital project and programme delivery in turn reported through relevant Strategic Committees.

- 6.12 The proposals set out in the section above, comprising Corran Ferry infrastructure, roads improvement investment, and the other refinements to capital project budgets, would equate to a net addition to the capital programme of £56.2m over the three years, the borrowing costs of which can be met from within the £1m p.a. (£3m total) provided for in the budget approved by Council on 29 February.

7. Review of Assets and the Place Based Approach – Property Specific

- 7.1 Section 4 of the December report set out the strategic approach being undertaken in respect of our General Fund (GF) buildings. Work continues with the programme of condition surveys across our buildings and as it completes, we will be able to update our schedule of actual and estimated repair costs relative to our existing property portfolio.
- 7.2 This will help inform decisions on the future size and scope of the estate as part of the wider approach to savings and efficiencies. Within this work, where opportunities to rationalise have been identified, they will be considered as part of a place-based approach to needs and collaboration as set out below, subject to any affordability and any medium to longer term financial viability constraints on the Council. This will inform decisions on assets to be retained, remodelled, rationalised, transferred or disposed with target delivery dates for these to be achieved and estimated cashable savings to be delivered. It will also provide an enhanced dataset for decisions to inform economic viability.
- 7.3 Following approval of the December report (section 7 within refers), all buildings are in scope for rationalisation, without exception. The presumption is against retention unless there is a substantial service specific business case that warrants retention for strategic purposes (for example, as a part of the proposed community hub network). This is likely to require compromise between needs and wants and medium to long

term sustainability issues. Whilst a service may be a statutory function or otherwise considered to be a Council priority, that does not mean that it may necessarily be only sustainably deliverable from any current location that it is delivered from, so consequently relocation may have to be considered.

7.4 The Council approved additional funding for a range of property related investments at its meeting of 29 February 2024. Additional funding was brought forward for investment from earmarked reserves in the following areas:

- £6.0m in General property maintenance
- £3.0m in Demonstrator Projects funding
- £1.0m to help enable the network of community facilities
- £0.5m in supporting office rationalisation
- £0.150m for cleaning services

Further additional investment in core building investment programmes – for new build and existing assets – is proposed to be brought forward to Council as a part of its Highland Investment Report in May 2024.

7.5 Underpinning all of the factors set out in this section is the fundamental importance of engagement and communication. Services and partners will be consulted on shaping the principles of a place-based approach to a community hub network. At the level of specific places, discussions with occupying services and other building users (including HLH) about alternative options, and about timelines for closure and relocation of staff, equipment, and plant etc. will be progressed as part of the place-based reviews.

Engagement with the wider community will also feature as part of this approach. This phase will also involve engagement with Trades Unions and with local Elected Members on an Area Committee basis. Engagement feedback will be considered both in terms of assets potentially in or out of scope for rationalisation and in terms of updating on progress on rationalising those assets, as part of the governance process. However, the caveat applied is that all is subject to a positive affordability and sustainability assessment.

8. Strategic Capital Planning – Update

8.1 The background of the approach we proposed in respect of Strategic Capital Planning was set out within section 9 of the December report. This set out a hierarchical approach to where we would invest capital resources, specifically:

“For every Council, capital spend must be first prioritised towards that which it has a statutory duty in respect of and in particular where the health and safety of staff- and other service user/stakeholder/visitors are at actual or potential risk. Highland is no exception” (section 9.5).

8.2 At section 9.6 of the December report, we then set out our other priority areas of spend, specifically.

- ***“Prioritising the improvement and increased utilisation of our existing assets through retrofitting of buildings identified as core assets to modern efficiency standards, including maximising opportunities for solar, wind and replacement heating systems for oil gas and wood as appropriate.***

- ***spend to accelerate asset rationalisation and colocation opportunities wherever appropriate.***
- ***urgent and/or emergency capital spend to improve our educational and depot estate in advance of our planned replacement programme; and***
- ***anything else not covered above that can be shown to make a positive contribution to the Council's key themes around addressing poverty, inequality, and the challenges of our geography and rurality."***

- 8.3 Sections 8.1 and 8.2 above are consistent with our overarching objectives and principles in terms of our buildings estate - reduce, improve, maintain, sustainable and fit for purpose. These will feed into the development of the Corporate Asset Management Strategy and the subsidiary service specific asset management strategies as appropriate.
- 8.4 As identified elsewhere in this paper, this approach needs to support the wider aims of the Council, specifically in terms of its ambitions with respect to its future Target Operating Model, its ambitions in respect of the development of community hubs and spokes and in terms of the needs of services to have a sufficient asset base to enable them (and other public, private and third sector organisations as may be appropriate) to deliver services for, on behalf of and in conjunction with, our communities across all of our region.
- 8.5 The significant challenge remains the condition of the Council's current building asset base. Section 4.7 of the December report included a summary of the known and projected costs across all schools and non-schools' estate buildings. Section 7.4.3 of that report further set out the challenges as regards our depots. Whilst these matters are of significance and challenging, they are not insurmountable. This work will give us the whole picture of what we are dealing with – the good, bad, and indifferent. Financing that which we retain then becomes a matter of timing and programming to comply with affordability and resource availability and other Council investment priorities. It is however likely to be a multi-year programme, spanning up to 30 years.
- 8.6 Rationalisation will assist in addressing the matters referred to in 8.5 above. However, this is not solely for the asset rationalisation team, but requires a genuinely co-productive approach and input at a pace from all services, Council Management team, and Members, as set out in section 5 of this report.
- 8.7 Nonetheless, an investment reserve will be required to 'pump prime' delivery of a rationalised estate, one which can deliver the aspirations of the community hub network and one which allows a reasonable compromise between service wants and aspirations/preferences. Overall, delivering on these ambitions will require compromise, in terms of 'wants' as against 'needs', and will have to reflect what is affordable and sustainably deliverable by the Council from within its available and projected future resources, both in capital and revenue/whole life cycle costing terms.
- 8.8 Key to delivering on all the factors set out in this section is ensuring we have the appropriate governance arrangements in place regarding managing capital spend across all of our assets. Implementation of those proposals and the proposals contained within this report will be consistent with the decisions on corporate restructuring that are set out in a separate paper to this meeting of the Council.

9. Place Based Approaches, Area Mapping and Community Facilities Networks

- 9.1 As referenced above, work is currently ongoing on identifying all of the buildings the Council owns. Although this is principally driven by the need to identify all assets, in order to identify current and future investment and revenue budget requirements, it also helps to drive the process of asset rationalisation.
- 9.2 This process also allows us to pull together 'asset maps' on a locality and pan Highland basis, of all buildings (and non-building but environmental assets, e.g. parks, harbours etc.). A significant factor assisting in this process is the Council's agreed investment in Terra Tracker. That then enables us to consider potential alternative uses for these assets, to include their potential use as a community hub or spoke location. It also provides a basis for engagement with local Members, communities and other key public private and third sector stakeholders.
- 9.3 Area mapping and local consultation exercises have previously been carried out with Members and stakeholders in Inverness, Skye and Dingwall, albeit centred largely on the previous focus of asset rationalisation, so principally around rationalising office and depot space. There is now the need, and opportunity, for a refocussing of this activity and for it to be rolled out pan Highland, not only to continue to support these previous activities, but to help us deliver the wider asset rationalisation and investment needs as highlighted in this report. In particular, this will help to deliver on our aspirations for community facility network delivery models and to deliver the Council's future Target Operating Model.
- 9.4 As part of the process of developing the revised approach to assets, officers from across the Council have been engaging with the SFT on how we develop a definition of community facilities for service delivery, sometimes referred to as a community hub. Definitions of this vary across partners and communities but, in order to take a shared approach to alignment of resources, a shared approach is required.
- 9.5 Consequently, building on the recommendations of the Property paper approved by Council in December 2023, officers have been working with SFT on progressing the agreed approach developing a community hub network for Highland. A 5-stage place-based process is proposed, which will enable business cases for local asset strategies to be prepared. To be effective, this approach needs to be co-produced with partners and stakeholders. This will ensure that partnership objectives are realised, and opportunities realised. The stages are set out below:
- **Stage 1:** A data and insights approach to prioritising places around SIMD, ASGs, locality priorities, investment pipelines and real opportunities for collaborative change, with early wins. The aim of this work is to develop a matrix and a shared approach for prioritising places.
 - **Stage 2:** A balanced scorecard approach to co-ordinating strategic policy requirements, service needs and metrics, and community priorities shaping shared objectives.
 - **Stage 3:** A framework to collaboratively translate place-based objectives into critical success factors with weighting to guide option appraisal and investment. A draft proposed framework is attached as **Appendix 1** to this report.
 - **Stage 4:** Development of relevant collaborative options for place focused community hubs, and collaborative appraisal of options to drive decisions on estate, services, and investment.

- **Stage 5:** Development of projects and governance to deliver the community hub ambition, aligning the delivery with other place-based initiatives such as the Local Development Plan, Local Place Plans and Locality Plans.

9.6 Work on the prioritising places matrix has already commenced. This will result in a programme of operational activity that will be agreed with partners. It is anticipated that initial phases of implementation will focus on areas where work has already been undertaken, where rationalisation work can be progressed quickly.

10. Single Property Service (SPS)

10.1 Recommendation 2.1 (iii) within the December report said:

“iii. **NOTE** the proposed concept of a Single Property Service (SPS) model to manage all built environment assets going forward, with the detailed proposals as to implementation to come forward in a separate paper to next Council for approval.”

10.2 Section 5 within the December report set out the principle of what a Single Property Service (SPS) was and what it was looking to achieve. We are currently evaluating the detailed scope of the SPS approach. That is contingent on the restructuring of the Council’s Senior Management Team which is the subject of a separate report to this Council. It is proposed that there will be a further update to confirm the scope of the functions to be included in the SPS brought forward to Council in May 2024.

10.3 Implementing the SPS model will centralise control of all HRA and non HRA property assets. This will provide a more coherent, strategic, and cost-effective approach to how we manage, maintain, and invest in and rationalise all our properties in both capital and revenue resource terms. In that respect, as well as giving practical effect to and implementation of the Corporate Landlord model proposals from 2020, essentially the same people and budgets that exist under current arrangements will move into the new SPS model.

Designation: Executive Chief Officer – Housing and Property

Date: 4 March 2024

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Appendices: Appendix 1 – Strategic Capital Bid Application Process and Prioritisation Matrix

Strategic Capital Bid Application Process and Prioritisation Matrix

To prioritise bids for capital funding there is a need for a simple, easy to apply scoring matrix which can produce a ranked list of bids within the affordability limits of the programme. One way to do this is to measure each bid against the strategic aims of the Council, each of which can be weighted to promote the most important. From Highland Council information, potential Key Themes for the Capital Programme can be based on the 5 strategic outcomes outlined in the Our Future Highland Programme

- A fair and caring Highland
- Resilient and sustainable communities
- Accessible and sustainable Highland homes
- A sustainable Highland environment and global centre for renewable energy
- A resilient and sustainable Council

To apply these to the capital programme and provide a basis for transparent evaluation, these strategic outcomes and their associated priority actions can be further developed and grouped as follows:

- Committing to infrastructure developments needed and generating inward investment to enable them – IMPROVING INFRASTRUCTURE
- Ensuring people benefit from digital connectivity and access the digital environment – IMPROVING DIGITAL CONNECTIVITY
- Taking appropriate action to support sustainable development and mitigate climate impacts – IMPROVING SUSTAINABILITY AND CARBON IMPACT
- Supporting local economic diversification: enabling community economies and supporting business growth – IMPROVING THE ECONOMY
- Creating the Highland workforce for the future by improving education, training and demand led pathways to work – IMPROVING EDUCATION AND EMPLOYABILITY
- Creating the integrated local service that Highlands needs for the future – IMPROVING SERVICE INTEGRATION AND ACCESSIBILITY

Using these as the basis for prioritisation a matrix can be developed to enable scoring of bids for capital funding as outlined in the example below at Figure A. In the example each bid can be evaluated against each of the key themes, each of which has been allocated a weighting according to the relative strategic prominence accorded to each theme.

The matrix provides a weighted overall score for the bids, and a baseline unweighted score which can be used to illustrate the impact of the overall weighting on individual bids. The weighted score would always be used for capital allocation purposes, but the baseline score can be useful to indicate to bidding services how the combined weighting can influence success or otherwise of bids which were similar on a base evaluation level to assist in future bid identification and submission.

In order for the evaluation matrix to be effective there must be a standard bid process and format, mirroring the evaluation matrix themes, where bidding services can provide detail of the bid, costing, initial phasing of design, procurement and delivery and detail of how it will meet the key theme requirements. An example is provided at in Figure B It would be good practice for the Strategic Delivery board to individually evaluate each bid, and then to convene a facilitated moderation meeting to agree a moderated score for each bid which will then provide the ranked list of bids.

Figure A Example Prioritisation Matrix

Capital Programme Bid Evaluation and Prioritisation Matrix			
Bid Number	Department Code	Service Code	Number
Summary Outline of Bid			
Submitting Service		Sponsor Head of Service	
Evaluator Title		Evaluator Name	
Theme	Weighting (1-3)	Evaluation Score (1-5)	Total Score
IMPROVING INFRASTRUCTURE	1		
IMPROVING DIGITAL CONNECTIVITY	2		
IMPROVING SUSTAINABILITY AND CARBON IMPACT	3		
IMPROVING THE ECONOMY	2		
IMPROVING EDUCATION AND EMPLOYABILITY	3		
SERVICE INTEGRATION AND ACCESSIBILITY	1		
	Total Base Score	Max 30	
		Total Weighted Score	Max 90

Figure B Example Capital Bid Form

Capital Programme Bid Submission			
Bid Number	Department Code	Service Code	Number
Summary Outline of Bid			
Date of submission		Date	
Submitting Service		Sponsor Head of Service	
Total Capital Bid	Total Bid £		
Projected phasing of spend	Year 1 ££, Year 2 ££, Year 3 ££ etc		
Revenue			
Bid Justification			
Theme	Detail how the delivery of the capital project will meet the following Council objectives		
IMPROVING INFRASTRUCTURE	Limit to 300 words		
IMPROVING DIGITAL CONNECTIVITY	Limit to 300 words		
IMPROVING SUSTAINABILITY AND CARBON IMPACT	Limit to 300 words		
IMPROVING THE ECONOMY	Limit to 300 words		
IMPROVING EDUCATION AND EMPLOYABILITY	Limit to 300 words		
SERVICE INTEGRATION AND ACCESSIBILITY	Limit to 300 words		