

Public Document Pack

Argyll and Bute Council Comhairle Earra-Ghàidheal Agus Bhòid

Customer Services
Executive Director: Douglas Hendry



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10 December 2015

NOTICE OF MEETING

A meeting of the **POLICY AND RESOURCES COMMITTEE** will be held in the **COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD** on **THURSDAY, 17 DECEMBER 2015** at **11:00 AM**, which you are requested to attend.

Please note that there will be a Development Session on Strategic Risk prior to the Policy and Resources Committee which you are requested to attend. This will commence at 10.00am.

Douglas Hendry
Executive Director of Customer Services

BUSINESS

1. **APOLOGIES FOR ABSENCE**
2. **DECLARATIONS OF INTEREST (IF ANY)**
3. **MINUTES** (Pages 1 - 6)
Policy and Resources Committee held on 29 October 2015
4. **FINANCIAL REPORT MONITORING PACK - OCTOBER 2015** (Pages 7 - 10)
Report by Head of Strategic Finance
5. **PERFORMANCE REPORT - FINANCIAL QUARTER 2 2015/16** (Pages 11 - 20)
Report by Executive Director – Customer Services
6. **SCOTTISH WELFARE FUND DELIVERY OPTIONS 2016/2017 ONWARDS**
(Pages 21 - 28)
Report by Executive Director – Customer Services
- * 7. **STREET LIGHTING INNOVATIVE ENERGY SAVING UPDATE REPORT**
(Pages 29 - 62)
Recommendation from Environment, Development and Infrastructure Committee held on 12 November 2015

8. POLICY AND RESOURCES COMMITTEE WORK PLAN (Pages 63 - 66)

9. MAJOR CAPITAL REGENERATION PROJECT PROGRESS REPORT

(a) Report by Executive Director - Development and Infrastructure Services
(Pages 67 - 72)

E1 (b) Appendices A and B (Pages 73 - 84)

E1 10. ROTHESAY PAVILION UPDATE REPORT (Pages 85 - 92)

Report by Executive Director – Development and Infrastructure Services

E1 11. NEW SCHOOLS REDEVELOPMENT PROJECT (Pages 93 - 108)

Report by Executive Director – Community Services

Items marked with an “asterisk” are items, on the basis of information available at the time this Agenda is published, on which the Committee may not have delegated powers to act, and which may therefore require to be referred to the Council or another Committee, and that referral may depend on the decision reached at the meeting.

The Committee will be asked to pass a resolution in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973 to exclude the public for items of business with an “E” on the grounds that it is likely to involve the disclosure of exempt information as defined in the appropriate paragraph of Part I of Schedule 7a to the Local Government (Scotland) Act 1973.

The appropriate paragraphs are:-

E1 Paragraph 8 The amount of any expenditure proposed to be incurred by the authority under any particular contract for the acquisition of property or the supply of goods or services.

Paragraph 9 Any terms proposed or to be proposed by or to the authority in the course of negotiations for a contract for the acquisition or disposal of property or the supply of goods or services.

Policy and Resources Committee

Councillor Dick Walsh (Chair)
Councillor Robin Currie
Councillor Donald Kelly
Councillor Iain MacLean
Councillor Aileen Morton
Councillor Gary Mulvaney
Councillor James Robb
Councillor Isobel Strong

Councillor Rory Colville
Councillor Mary-Jean Devon
Councillor Roderick McCuish
Councillor Alistair MacDougall
Councillor Ellen Morton (Vice-Chair)
Councillor Douglas Philand
Councillor Len Scoullar
Councillor Sandy Taylor

Contact: Hazel MacInnes Tel: 01546 604269

**MINUTES of MEETING of POLICY AND RESOURCES COMMITTEE held in the COUNCIL
CHAMBERS, KILMORY, LOCHGILPHEAD
on THURSDAY, 29 OCTOBER 2015**

Present:

Councillor Dick Walsh (Chair)

Councillor Rory Colville	Councillor Ellen Morton
Councillor Robin Currie	Councillor James Robb
Councillor Roderick McCuish	Councillor Len Scoullar
Councillor Iain Stewart MacLean	Councillor Isobel Strong
Councillor Aileen Morton	Councillor Sandy Taylor

Also Present:

Councillor Michael Breslin	Councillor D MacMillan
Councillor Neil Macintyre	Councillor Elaine Robertson

Attending:

Sally Loudon, Chief Executive
 Douglas Hendry, Executive Director of Customer Services
 Pippa Milne, Executive Director of Development and Infrastructure Services
 Patricia O'Neill, Central Governance Manager
 Kirsty Flanagan, Head of Strategic Finance
 Jane Fowler, Head of Improvement and HR
 Anne MacColl-Smith, Procurement and Commissioning Manager
 Fergus Walker, Revenue and Benefits Manager
 Fergus Murray, Head of Economic Development and Strategic Transportation
 Ishabel Bremner, Economic Development Manager

The Executive Director of Customer Services advised of a request from Councillor Michael Breslin, under Standing Order 22.1, to speak and vote in relation to item 15 of the agenda (Update of Sale of Castle Toward Estate) as the matter had a direct impact on his ward. The Chair granted his request.

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Mary Jean Devon, Donald Kelly, Alistair MacDougall, Gary Mulvaney and Douglas Philand.

2. DECLARATIONS OF INTEREST

There were none intimated.

3. MINUTES**(a) Policy and Resources Committee held on 20 August 2015**

The Minutes of the Policy and Resources Committee held on 20 August 2015 were approved as a correct record.

(b) Special Policy and Resources Committee held on 8 October 2015

The Minutes of the Special Policy and Resources Committee held on 8 October 2015 were approved as a correct record.

4. FINANCIAL REPORTING 2015/16 - MONITORING PACK - AUGUST 2015

The Committee considered a report providing a summary of the financial monitoring reports as at the end of August 2015.

Decision

The Committee –

1. Noted the Revenue Budget Monitoring Report as at 31 August 2015.
2. Noted the current assessment of the Council's financial risks.
3. Noted the overall level of reserves and balances and noted the monitoring of the earmarked reserves.
4. Noted the Capital Plan Monitoring Report as at 31 August 2015.
5. Noted the Treasury Monitoring Report as 31 August 2015.

(Ref: Report by Head of Strategic Finance dated 16 October 2015, submitted)

5. MODERN APPRENTICESHIP SCHEME

The Committee considered a report which provided an update on the Council's position with regards to the implementation of the Council's position with regards to the implementation of the Council's Modern Apprenticeship Scheme since its launch in July 2014.

Decision

The Committee –

1. Noted the progress of the report and the implementation of the Council's Modern Apprenticeship Scheme, including the promotional activities.
2. Noted the position with the number of apprentices appointed and their progress and achievements to date.
3. Noted the current situation with regards to the numbers of eligible applicants.
4. Agreed that a further 25 Modern Apprenticeship opportunities will be created by the Council in the next year.
5. Agreed to offer assistance with obtaining a drivers licence for eligible Modern Apprentices, by funding 5 driving lessons each.
6. Agreed to extend the age criteria for Modern Apprentices from 16-19 to 16-24.
7. Noted that the costs will be met from existing departmental budgets.

(Ref: Report by Executive Director – Customer Services dated 29 September 2015, submitted)

6. RECOGNITION OF NHS SERVICE

The Committee considered a report which recommended that the Council recognises NHS continuous service for service related entitlements such as annual leave and occupational sick pay, but not for statutory employment rights.

Decision

1. Approved the recommendation that the Council approves recognition of NHS Scotland employment as continuous service for service related entitlements.

The report has been discussed with the Trade Unions and the TU Liaison meeting on 4 September and this is proposed with their full support. A collective agreement will be drawn up by HR and Tus to formulise the change to the Council's conditions of service.

2. Recognition is effective from 1 January 2016 and will apply to existing employees of Argyll and Bute Council with continuous service with NHS Scotland and any new employees joining the Council from that date.

(Ref: Report by Executive Director – Customer Services dated 30 September 2015, submitted)

7. EMPLOYEE ENGAGEMENT STRATEGY

The Committee considered a report which sought approval of the Argyll and Bute Council Employee Engagement Strategy which is informed by consultation and engagement with the Joint Trade Unions, management teams and uses information gathered from employees through the employee surveys that have been carried out.

Decision

The Committee approved the Employee Engagement Strategy for implementation.

(Ref: Report by Executive Director – Customer Services dated September 2015, submitted)

8. COMMUNITY BENEFITS CLAUSES IN PROCUREMENT GUIDE

The Committee considered a report which sought approval for a revised version of the Community Benefits Clauses in Procurement Guide.

Decision

The Committee approved the revised guide to Community Benefits Clauses in Procurement as detailed in Appendix 1 and the upgraded guidance for tenderers as detailed in Appendix 2 of the submitted report.

(Ref: Report by Executive Director – Customer Services dated 7 October 2015, submitted)

9. UPDATE ON COUNCIL'S SUPPLIER DEVELOPMENT PROGRAMME

The Committee considered a report which provided an update on the Supplier Development Programme work to date and provided information on future proposals to support the local supply base of Argyll and Bute.

Decision

The Committee noted the detail provided in the report and agreed to the proposals to augment this by holding quarterly procurement surgeries across the Council area to supplement the work of the Supplier Development Programme.

(Ref: Report by Executive Director – Customer Services dated 7 October 2015, submitted)

10. SPSO CONSULTATION ON SCOTTISH WELFARE FUND

The Committee considered a report which advised that the Scottish Public Services Ombudsman (SPSO) launched a consultation on 4 September 2015 to help inform the way they will approach and manage reviews about Scottish Welfare fund decisions. The consultation sets out a draft statement of practices which closes on 27 November 2015.

Decision

The Committee approved the draft response as detailed in Appendix 1 to the submitted report for submission by the deadline of 27 November 2015.

(Ref: Report by Executive Director – Customer Services dated 12 October 2015, submitted)

11. MONITORING OF GRANTS TO THE THIRD SECTOR 2014/15

The Committee considered a recommendation by the Helensburgh and Lomond Area Committee with regard to the allocation of Third Sector Grants which is outwith the delegation of the Area Committee.

Motion

That the Policy and Resources Committee:-

1. Without prejudice recognise the exceptional weather circumstances that resulted in the cancellation of the entire Helensburgh Highland Games and partial abandonment of the Rosneath Highland Games and agrees:-
 - a) that grant recipients provide evidence to the council of the costs incurred due to losses, to enable the amount of “unspent grant” to be determined in each case;
 - b) a variation to the contract with both community organisations to allow them to carry forward these ‘unspent grant’ funds to 2016/17;
 - c) the organisation provide an assurance that the event is planned to take place in 2016/17. In the event that the organisation cannot provide an assurance, that ‘unspent grant’ is refunded.
2. Allow the Area Committee to carry forward any Third Sector Grant balances in excess of the 10% of the total available.
3. Delegate Officers to review the contract conditions in terms of unspent grant money.

Moved Councillor Dick Walsh, seconded Councillor Ellen Morton.

Amendment

1. That in terms of third sector grant contracts, the cost of cancellation, in part or whole, of an event is an allowable cost.

2. Allow the Area Committee to carry forward any Third Sector Grant balances in excess of the 10% of the total available.

Moved Councillor James Robb, seconded Councillor Sandy Taylor.

Decision

Following a show of hands vote the Motion was carried by 7 votes to 4 and the Committee resolved accordingly.

(Ref: Recommendation by the Helensburgh and Lomond Area Committee of 11 August 2015 and reports to that Committee, submitted)

12. POLICY AND RESOURCES COMMITTEE WORK PLAN AS AT OCTOBER 2015

The Committee considered the Policy and Resources Work Plan as at October 2015.

Decision

The Committee noted the updated Work Plan.

(Ref: Policy and Resources Work Plan dated October 2015, submitted)

The Committee noted that, in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, the Appendices of the following item of business contained exempt information as defined in Paragraphs 8 & 9 of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

13. LORN ARC - UPDATE REPORT AS AT 21 SEPTEMBER 2015

The Committee considered a report which provided an update on progress in delivering the Lorn Arc Tax Incremental Financing Programme led by Development and Infrastructure Services. The Highlight report outlined the current position of the three most immediate projects and on key issues that will impact on the successful delivery of the projects from development stage through to procurement and implementation.

Decision

The Committee:-

- (a) Noted the current progress with the Lorn Arc Programme.
- (b) Approved the rescheduling of the quarterly update to coincide with the capital regeneration projects quarterly update schedule.

(Ref: Report by Executive Director – Development and Infrastructure Services dated 13 October 2015, submitted.)

The Committee resolved in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973 to exclude the public for the following item of business on the grounds that it was likely to involve the disclosure of exempt information as defined in Paragraphs 1 & 8; and 8 & 9 respectively of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

* **14. ARGYLL AND BUTE EMPLOYABILITY TEAM - OPTIONS FOR FINANCIAL SUSTAINABILITY**

The Committee considered a report which provided an update on the financial sustainability of the Argyll and Bute Employability Team and the associated contractual obligations of the team into 2016/17 and 2017/18.

Motion

Councillor Dick Walsh moved a motion which was seconded by Councillor Ellen Morton.

Councillor James Robb who had moved an amendment which failed to find a seconder requested that his dissent be recorded from the foregoing Motion.

Amendment

Councillor Sandy Taylor moved an amendment which was seconded by Councillor Iain MacLean.

Decision

On a show of hands vote the Motion which included a recommendation to Council was carried by 7 votes to 4 and the Committee resolved accordingly.

(Ref: Report by Executive Director – Development and Infrastructure Services dated 29 October 2015, submitted)

15. UPDATE OF SALE OF CASTLE TOWARD ESTATE

The Committee considered a report updating them on the progress in relation to the sale of Castle Toward.

Decision

The Committee noted the content of the report.

(Reference: Report by Executive Director – Customer Services dated 19 October 2015, submitted)

ARGYLL AND BUTE COUNCIL**POLICY AND RESOURCES COMMITTEE****STRATEGIC FINANCE****17 DECEMBER 2015**

EXECUTIVE SUMMARY**FINANCIAL REPORT MONITORING PACK – OCTOBER 2015**

1. INTRODUCTION

1.1 This report provides a summary of the financial monitoring reports as at the end of October 2015. As agreed at Policy and Resources Committee on 14 May 2015, the individual reports are noted as web links should Members wish to read the detail. There are five detailed reports summarised in this Executive Summary:

- Revenue Budget Monitoring Report as at 31 October 2015
- Monitoring of Financial Risks
- Reserves and Balances
- Capital Plan Monitoring Report as at 31 October 2015
- Treasury Monitoring Report as at 31 October 2015

The web link to the detailed reports is as follows:

<http://www.argyll-bute.gov.uk/financial-monitoring>

2. DETAIL**2.1 Revenue Budget Monitoring Report**

2.1.1 This report provides a summary of the current revenue budget monitoring position to ensure net expenditure is contained within budget. It provides corporate and departmental information with comparisons on a forecast outturn and a year to date basis.

2.1.2 The projected year end outturn at 31 October 2015 is an overall underspend of £0.864m. This compares to an underspend reported as at 31 August 2015 of £0.930m, a reduction in the forecast underspend of £0.066m.

2.1.3 The changes from the position reported at August 2015, contributing to the revised underspend as at 31 October 2015, are noted as:

- Integration Services: A shift from a forecast underspend of £5k to a forecast overspend of £536k. This relates mainly to increased demand for homecare and supported living services within Adult Care.
- Customer Services: A reduction in the forecast underspend of £450k to a forecast underspend of £256k. This reduction reflects the additional resources approved for HR to support the Service Choices process (P&R 20 August 2015).
- Development and Infrastructure Services: A shift from a forecast overspend of £25k to a forecast underspend of £130k with the full

amount relating to waste management.

- Other Corporate Budgets: An increase in the forecast underspend of £500k to a forecast underspend of £1.014m. This increase reflects the excess pay award within the budget (0.5% excess) which has been collected from departments into a central code. This excess is required in 2016-17 as the budgetary outlook in respect of the pay award was adjusted to reflect the excess that could be carried forward from 2015-16.

2.2 Monitoring of Financial Risks

2.2.1 This report outlines the process and approach developed in carrying out a financial risks analysis and provides an update on the current assessment of financial risks.

2.2.2 There are a number of Council wide risks identified. All have been assessed as remote or unlikely with the exception of the auto enrolment into the pension scheme which impacts on employers superannuation. The majority of staff will not be auto enrolled until 2017 and the estimated worst case financial impact has been built into the medium term budget outlook.

2.2.3 There are currently 63 departmental risks totalling £9.292m. Only 9 of the risks are categorised as likely, with a potential impact of £2.373m, and no risks have been categorised as almost certain. These will continue to be monitored and action taken to mitigate or manage these risks.

2.2.6 The top 3 risks in terms of their likely financial impact are noted in the table below.

SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	LIKELIHOOD	FINANCIAL IMPACT £000
Adult Care	Increased complexity of care packages - Older People, Physical Disability, Learning Disability and Mental Health	Level of service demand remains at current commitment or increases due to needs becoming more complex.	3	950
Education	Non-compliance with Scottish Government Requirement to Maintain Teacher Numbers	Financial penalty if Teacher numbers for 2015-16 are not maintained at 2014-15 levels.	3	895
Roads and Amenity Services	Winter Maintenance	Adverse weather conditions which require greater than budgeted number of gritting runs.	4	700

2.3 Reserves and Balances

2.3.1 This report summarises the overall level of reserves and balances and monitors the spending of the earmarked reserves, providing detailed information on the unspent budget earmarked balances.

2.3.2 The Council has usable reserves of £50.478m. Most of these are earmarked for specific purposes. The General Fund contingency level remains at 1.5% of net expenditure. There is currently an estimated surplus over contingency and this is being directed towards the delivery of the Single Outcome

Agreement.

- 2.3.3 The total surplus over contingency is now £13.139m which represents a reduction of £0.066m compared to the surplus reported at the end of August of £13.205m. The reason for this reduction is the change to the forecast outturn for 2015-16.

2.4 Capital Plan Monitoring Report

- 2.4.1 Capital Plan Monitoring Report – this report provides a summary of the current capital plan monitoring position. Information is provided in terms of monitoring year to date budget, current full year budget, future years total budget and funding and non-financial in terms of project performance.
- 2.4.2 Actual net expenditure to date is £15.401m compared to a budget for the year to date of £14.826m giving rise to an overspend for the year to date of £0.575m. The forecast outturn for the year is forecast to be overspent by £0.554m. There is only 1 project classified as off track and this relates to the Kintyre Renewables Hub – there is no financial net increase in cost to the Council.
- 2.4.3 The £0.575m year to date overspend is made up of a number of small non-material variances within a number of projects plus year to date expenditure on projects funded by external grant income which has yet to be received.
- 2.4.4 The forecast overspend for the year of £0.554m is largely made up of £0.511 of overspends in previous years carried forward. These will be funded through virements from underspends to be identified elsewhere within the Service and contingency amounts. £0.217m relates to an overspend on fleet management work where expenditure is as per approved business cases. There has been slippage in the CHORD Dunoon expenditure with £0.190m now expected to be incurred within 2016-17 and there are £0.120m of projected underspends within Education which will be used to fund overspends elsewhere within the Service. The remaining balance of £0.214m overspend is made up of non-material variances less than £0.050m each.
- 2.4.5 The total Capital Plan forecast overspend of £1.111m is again largely made up of the £0.511m of overspends in previous years carried forward. £0.184m relates to the Rothesay CHORD funding gap, £0.217 relates to expenditure on fleet management and again, the £0.120m of projected underspends within Education are also taken into account. The remaining balance of £0.263m overspend is made up of non-material variances less than £0.050m each.

2.5 Treasury Monitoring Report

- 2.5.1 This report provides information on the current levels and recent transactions in relation to the capital financing limit, total borrowing, temporary borrowing and long term borrowing and investments.

2.5.2 There have been no significant new borrowings in the period to 1 September 2015 to 31 October 2015. External Loans have been repaid in the period to 1 September 2015 to 31 October 2015 amounting to £1.609m.

2.5.3 Borrowing is estimated to be around £20m below the capital financing requirement for the period to 31 March 2016. This reflects the approach taken to minimise surplus cash on deposit in order to avoid overdue exposure to investment/credit worthiness risks. However, if it becomes clear that longer term interest rates are likely to increase significantly the position will be reviewed to ensure the Council locks in funding at low interest rates.

2.5.4 Investments at 31 October 2015 were £58.4m with a return for the last quarter of 0.651% compared to the average 7 day rate of 0.361%.

3. RECOMMENDATIONS

3.1 Members to note the revenue budget monitoring report as at 31 October 2015

3.2 Members to note the current assessment of the Council's financial risks.

3.3 Members to note the overall level of reserves and balances and note the monitoring of the earmarked reserves.

3.4 Members to note the capital plan monitoring report as at 31 October 2015

3.5 Members to note the treasury monitoring report as at 31 October 2015.

4. IMPLICATIONS

4.1 Policy – None.

4.2 Financial - Outlines the revenue and capital monitoring for 2015-16 as at 31 October 2015.

4.3 Legal - None.

4.4 HR - None.

4.5 Equalities - None.

4.6 Risk - Details of financial risks are included within the report.

4.7 Customer Service - None.

Policy Lead for Finance: Councillor Dick Walsh

**Kirsty Flanagan
Head of Strategic Finance
17 November 2015**

ARGYLL AND BUTE COUNCIL

POLICY AND RESOURCES
COMMITTEE

CUSTOMER SERVICES

17 DECEMBER 2015

PERFORMANCE REPORT FQ2 2015-16

1.0 EXECUTIVE SUMMARY

- 1.1 The Council's Planning and Performance Management Framework sets out the process for presentation of the council's quarterly performance reports.
- 1.2 This paper presents the Policy and Resources Committee with the Customer Services Departmental performance report with the scorecards for Strategic Finance and Customer Services for FQ2 2015-16 (July - September 2015).
- 1.3 It is recommended that the Policy and Resources Committee reviews the scorecards as presented.

PERFORMANCE REPORT FQ2 2015-16

2.0 INTRODUCTION

- 2.1 The Planning and Performance Management Framework sets out the process for presentation of the council's quarterly performance reports.
- 2.2 This paper presents the Policy and Resources Committee with the Customer Services Departmental performance report with the scorecards for Strategic Finance and Customer Services for FQ2 2015-16 (July - September 2015).

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee reviews the scorecards as presented.

4.0 DETAIL

- 4.1 The performance scorecard for the Customer Services Department was extracted from the Council's Pyramid performance management system and is comprised of key performance indicators incorporating the four services that make up Customer Services. Likewise the scorecard for Strategic Finance comprises the key performance indicators for this service.

5.0 IMPLICATIONS

5.1	Policy	None
5.2	Financial	None
5.3	Legal	The Council has a duty to deliver best value under the Local Government Scotland Act 2003.
5.4	HR	None
5.5	Equalities	None
5.6	Risk	Ensuring performance is effectively scrutinised by members reduces reputational risk to the council.
5.7	Customer Service	None

Douglas Hendry, Executive Director – Customer Services

For further information contact:

Jane Fowler, Head of Improvement and HR
Kirsty Flanagan, Head of Strategic Finance

Performance Report for Customer Services	Period July – September 2015
<p>Key Successes</p> <ol style="list-style-type: none"> 1. Governance and Law were awarded the Customer Services Excellence standard 2. Kate O'May has been nominated for the SQA Star award for SVQ Champion – 25th anniversary special award 3. Successful completion of maintenance contracts awarded for the school summer holidays. 4. Installation of solar pv on NPDO schools successfully completed with one exception to be installed at Rothesay Joint Campus in the October holiday. 5. Introduction of smart ticketing for transport to all pupils in Oban High School. 6. Council tax collections for 2015/16 to end of quarter 2 are above target at 57.33% (target 57.20%), up 0.44% on last year at this time. 7. Non Domestic Rates collections for 2015/16 to end of quarter 2 are above target at 67.98% (target 62.5%), up 0.42% on last year at this time. 	
<p>Key Challenges</p> <ol style="list-style-type: none"> 1. Delay to completion of Helensburgh Office Rationalisation Project. 2. Delivery of Carbon Management Plan target of 20% saving on CO₂ emissions. 3. Triennial Review of Civic Government licences taking place this summer 4. Community Council By-election process commenced 5. To finalise order for Scottish Wide Area Network and move into detailed implementation planning phase 6. Plan for new Scottish Welfare Fund operation from 1 April 2016 7. Plan for introduction of Universal Credit from March 2016 and reduced benefit cap levels (date to be announced) 	
<p>Action Points to address the Challenges</p> <ol style="list-style-type: none"> 1. Practical completion has been granted by the consultant project manager, however there are still substantial matters requiring resolution before a certificate of occupation can be granted. Day to day scrutiny of on-site progress is being maintained by clerk of works and the Projects Architectural Team are visiting the site twice weekly to agree progress with the significant items required to obtain a Temporary Certificate of Occupation. 2. Gap analysis undertaken and projects including 5 NPDO School Solar PV installations (4 completed and Rothesay Joint Campus programmed for October holidays), up to 15 biomass installations (tenders returned with Full Business Case paper going to Council on 26th November) and alternative waste collection, have been identified to meet the target. Ultimately delivery will be dependent on Council approval of the Full Business Case. 3. Team have prepared a plan to deal with the volume of applications and maintain close liaison with key consultees, this is working effectively 	

4. Experienced team in place to deliver nomination administration and election process
5. Continued engagement with PathfinderNorth and Capita to ensure as many sites selected for early transition as possible, and engage with Vodafone to ensure contingency should migration take longer than expected.
6. Produce options appraisal for Scottish Welfare Fund delivery and take to Council.
7. Hold engagement meetings with DWP. Learn from early adopters such as Highland Council. Request scans for HB claimants potentially affected by benefit cap and engage with those households.



Making Argyll and Bute a place people choose to live, learn, work and do business

Customer Services Scorecard 2015-16

FQ2 15/16

[Click for Full Outcomes](#)

P Priorities for 2015-17: Customer Services

IMPROVEMENT					<i>Status Trend</i>	
Improvement Plan Outcomes CU	Outcomes	Total No	Off track	On track	Complete	A ↓
		63	4	49	10	
CARP Customer Services		Total No	Off track	On track	Complete	G →
		4	0	4	0	
Customer Service CU		Number of consultations				1
Customer Charter	A →	Stage 1 complaints		100 %	G ↑	
Customer satisfaction 88 %	G ↑	Stage 2 complaints		100 %	G →	
Customer Services Audit Recommendations	R	Overdue	Due in future	Future - off target		
		1 ↑	19 ↓	0 →		
CU Average Demand Risk	Score	6	Appetite	6	→	
CU Average Supply Risk	Score	6	Appetite	6	→	

RESOURCES				
<i>People</i>	<i>Benchmark</i>	<i>Target</i>	<i>Actual</i>	<i>Status Trend</i>
Sickness absence CU		1.88 Days	1.87 Days	G ↑
PRDs % complete		90 %	99 %	G
<i>Financial</i>		<i>Budget</i>	<i>Forecast</i>	
Finance Revenue totals CU		£K 39,562	£K 39,112	R ↓
Capital forecasts - current year CU		£K 21,113	£K 21,638	A ↑
Capital forecasts - total project CU		£K 118,677	£K 119,378	A ↑
Efficiency Savings CU	Actions on track Savings	Target	Actual	
		6	6	
		£K 241	£K 241	G →
Asset Management - Customer Services 2015-16				G

Customer Services Scorecard 2015-16

FQ2 15/16

Click for Full Scorecard

SOA Outcome - The economy is diverse and thriving A			
CS02 Businesses supported in claiming Non Domestic Rates relief	Success Measures	1	G
	On track	1	➡
CS03 Maximise opportunities for SME's to sell to the Council ...	Success Measures	4	R
	On track	1	⬇
CS05 Increased value is delivered from procurement ...	Success Measures	5	R
	On track	2	⬇
GL10 Timely provision of Liquor Licences & Civic Government Licences to the public	Success Measures	5	G
	On track	5	⬆

SOA Outcome - Children and young people have the best possible start G			
FS01 Children are healthier because nutritionally balanced school meals are available ...	Success Measures	6	G
	On track	6	➡
GL06 The best interests of children at risk are promoted	Success Measures	1	G
	On track	1	➡

SOA Outcome - People live active, healthier and independent lives A			
CS01 Benefits paid promptly whilst minimising fraud	Success Measures	5	A
	On track	4	➡

SOA Outcome - People live in safer and stronger communities A			
FS02 Communities are safer ... through improved facilities	Success Measures	9	A
	On track	7	➡
FS03 We contribute to the sustainability of the local area	Success Measures	6	G
	On track	6	➡
FS04 School & public transport meets the needs of communities	Success Measures	3	G
	On track	3	➡
GL01 Framework to support democratic decision making	Success Measures	12	A
	On track	9	➡
GL02 Council compliance with governance & info arrangements	Success Measures	5	A
	On track	3	➡
GL04 Improve quality of life & safety of residents & visitors	Success Measures	2	G
	On track	2	➡
GL07 Community Councils are supported	Success Measures	5	A
	On track	3	➡
GL08 Provision of high quality, timely legal advice	Success Measures	2	G
	On track	2	➡
GL11 Communities and employees are prepared to deal with major incidents	Success Measures	3	G
	On track	3	➡
IH01 We recognise and tackle discrimination and promote equality	Success Measures	3	G
	On track	3	➡
IH02 Managers are enabled to manage health and safety effectively	Success Measures	8	A
	On track	8	➡
IH05 The Gaelic language is supported and promoted	Success Measures	1	A
	On track	1	⬆

Supporting Outcome - Service Delivery Enablers A			
CS04 Income from local taxes and sundry debtors is maximised ...	Success Measures	5	G
	On track	5	⬆
CS06 IT applications & infrastructure available ... and meet business needs	Success Measures	8	G
	On track	8	➡
CS07 Customers can access council services more easily ... service quality	Success Measures	15	A
	On track	9	➡
GL03 Members enabled to deal with their caseload	Success Measures	1	R
	On track	0	➡
GL05 Electors enabled to participate in the democratic process	Success Measures	2	G
	On track	2	➡
GL09 Provision of high quality ... legal documentation	Success Measures	2	A
	On track	1	⬇
IH03 Staff are supported to scrutinise performance and deliver continuous improvement ...	Success Measures	11	A
	On track	7	➡
IH04 Our customers and employees are informed and engaged	Success Measures	7	A
	On track	4	⬆
IH06 Employees have skills/attitudes to deliver efficient/effective services	Success Measures	7	G
	On track	7	⬆

Performance Report for Strategic Finance	Period July – September 2015
Key Successes <ol style="list-style-type: none"> 1. Produced an unqualified set of annual accounts 2. Received a positive External Audit Report 3. Successfully completed Service Choices Stage 3 	
Key Challenges <ol style="list-style-type: none"> 1. Supporting development of alternative options to deliver a balanced budget. 	
Action Points to address the Challenges <ol style="list-style-type: none"> 1. Continuous monitoring of budget outlook. 	

Strategic Finance Scorecard 2015-16

FQ2 15/16

Click for full Outcomes

SF01 Effective planning, reporting and management of finance ...	Links to Enablers ABC 7	
SF02 Assurance...that financial and management controls are operating effectively	Links to Enablers ABC 7	

Corporate Support Team Scorecard

Departmental Support Team Scorecard

Internal Audit Team Scorecard

RESOURCES

People	Benchmark	Target	Actual	Status Trend
Sickness absence SF		1.6 Days	0.9 Days	
PRDs SF		90 %	98 %	
Financial	Budget	Forecast		
Finance Revenue totals SF	£K 1,907	£K 1,907		
Capital forecasts - current year SF	£K 0	£K 0		
Capital forecasts - total project SF	£K 0	£K 0		
Efficiency Savings SF	Actions on track	Target	Actual	
	Savings	1	1	
		£K 22	£K 22	

IMPROVEMENT

					Status Trend	
SF Service Improvement Plan 2015-16	Actions	Total No	Off track	On track	Complete	
		15	5	1	9	
Strategic Finance Audit Recommendations	Overdue	Due in future	Future - off target			
	0	2	0			
CARP Strategic Finance	Total No	Off track	On track	Complete		
	1	0	1	0		
Customer Service SF	Number of consultations				0	
Customer Charter	Stage 1 complaints	100 %				
Customer satisfaction 88 %	Stage 2 complaints	100 %				
SF Average Demand Risk	Score	9	Appetite	9		
SF Average Supply Risk	Score	8	Appetite	8		

SF01 Effective planning, reporting and management of finance ...		Links to Enablers ABC 7						
SF01 Council Finances Managed Effectively - Net	£	Budget	£ 1,653,238		% rating public audit forum - practice	Actual	70 %	
		Forecast	£ 1,653,238			Target	70 %	
Unaudited Accounts Summarised Report by 30 June		Status	Complete		% rating public audit forum - satisfaction	Benchmark	80 %	
		Target				Actual	77 %	
Annual accounts prepared on time and without qualification		Status	Yes		SF user satisfaction survey - quarterly	Target	80 %	
		Target	Yes			Benchmark	80 %	
Audited Accounts Summary Report by 15 October		Status	On track		% investment returns	Actual	74 %	
		Target				Target	76 %	
Budget Summary Report by 31 March		Status	On track		Average loans fund rate	Benchmark	76 %	
		Target				Actual	0.6446 %	
Summary Financial Report - Quarterly		Status	On track		Rate for new long term loans	Target	0.3613 %	
		Target	On track			Benchmark	0.3613 %	
Budget Preparation Timetable		Status	On track		Annual treasury assessment against good practice	Actual	5.5000 %	
		Target				Target	5.5000 %	
Medium Term Financial Strategy Review Regularly		Status	On track		Annual review of treasury management practice statements	Benchmark	4.4000 %	
		Target	On track			Actual	0.0000 %	
Budget Monitoring Process		Status	On track		ARCHIVE Annual review of risk management policy etc - by 31 March	Target	4.5000 %	
		Target	On track			Benchmark		
No of days to distribute monthly routine reports to budget holders		Actual	1.0 Days		ARCHIVE Risks are incorporated in service plans	Actual	0.0000 %	
		Target	4.0 Days			Target	4.5000 %	
		Benchmark	4.0 Days			Benchmark		
% of direct expenditure fully costed with perf measures		Actual	100.0 %			Actual	90 %	
		Target	100.0 %			Target	90 %	
		Benchmark				Benchmark	90 %	
CIPFA FM Assessment		Status	Delayed not rescheduled			Actual	100 %	
		Target	On track			Target	100 %	

Strategic Finance Scorecard 2015-16		Click for full Scorecard	
FQ2 15/16			
SF02 Assurance...that financial and management controls are operating effectively		Links to Enablers ABC 7	
SF02 Internal Audit - Net	£	Budget	£ 253,277
		Forecast	£ 253,277
Audit risk assessment prepared by 31 January		Status	On track
		Target	
Annual Audit Plan		Status	On track
		Target	On track
Annual audit plan approved by 31 March		Status	On track
		Target	
% of audit recommendations accepted.		Actual	100 %
		Target	100 %
		Benchmark	100 %
Annual report on risk management		Status	Complete
		Target	Complete
Percentage qualified staff		Actual	60 %
		Target	60 %
		Benchmark	

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ARGYLL AND BUTE COUNCIL
CUSTOMER SERVICES

POLICY & RESOURCES COMMITTEE
17 DECEMBER 2015

SCOTTISH WELFARE FUND DELIVERY OPTIONS 2016/2017 ONWARDS

1.0 EXECUTIVE SUMMARY

- 1.1 This paper provides an options appraisal on how the new permanent Scottish Welfare Fund (SWF) could be delivered by the Council in future within the resources made available for this purpose by the Scottish Government. Under the interim scheme, the Council has supplemented the resources provided utilising carried forward grant monies from DWP but these resources will largely be exhausted from the end of this financial year, and so it is necessary to re-examine how this service is to be delivered for the future.
- 1.2 There are four options identified in the options appraisal as follows:
- Do nothing
 - Make all payments by cash instead of goods
 - Shared Service
 - Outsource
- 1.3 The distribution of SWF programme and administration funding is currently being considered by the Distribution and Settlement Group. We will have to contain programme expenditure within whatever amount is allocated. At best, we might expect a small increase in the amount of administration funding provided. This report examines the options for providing the new SWF scheme and proposes that it should be retained in-house. From 1 April 2016, it is proposed that all awards should be in the form of cash instead of goods, and that the telephony service is no longer available over the lunchtime period. Two temporary staff contracts would be ended at 31 March 2016. Over time, more claimants would be encouraged to apply online and by 2018/19, it is hoped that costs can be sufficiently reduced so that it is within Scottish Government funding. In the meantime, the excess costs would be absorbed within the wider benefits services budget.

SCOTTISH WELFARE FUND DELIVERY OPTIONS 2016/2017 ONWARDS

2.0 INTRODUCTION

2.1 This paper provides an options appraisal on how the new permanent Scottish Welfare Fund (SWF) could be delivered by the Council in future within the resources made available for this purpose by the Scottish Government. Under the interim scheme, the Council has supplemented the resources provided utilising carried forward grant monies from DWP but these resources will be exhausted from the end of this financial year, and so it is necessary to re-examine how this service is to be delivered for the future.

2.2 There are four options to consider as follows;

- Do nothing
- Make all payments by cash instead of goods
- Shared Services
- Outsource

3.0 RECOMMENDATIONS

3.1 It is recommended that from 1 April 2016 all SWF awards will be made by cash as described as Option 2 in the detail of the report.

3.2 It is recommended that customers are encouraged to apply for SWF grants online wherever possible in order to reduce administration costs.

3.3 The Committee is asked to note the financial and staffing implications of the proposed option as described within the report, and that the telephony service will only be available from 1 April 2016 Monday to Friday from 9 a.m. to 12.30 p.m. and from 1.30 p.m. to 5.00 p.m. excluding public holidays.

4.0 DETAIL

BACKGROUND

4.1 The SWF is a scheme devolved by the Scottish Government to Scottish local authorities under the Welfare Funds (Scotland) Act 2015 to administer applications for Crisis Grants (CGs) which provide a safety net in a disaster or an emergency when there is an immediate threat to health and safety, and Community Care Grants (CCGs) which enable people to live independently or continue living independently preventing the need for institutional care and includes assistance to families facing exceptional pressure. This revised scheme is expected to come into effect from 1 April 2016. The council has previously responded to the consultation on the draft regulations and statutory guidance for the new scheme. These have not yet been finalised.

- 4.2 The Welfare Funds are essentially discretionary enabling local authorities to provide support where they identify need in a wide range of circumstances. They aim to achieve local delivery while maintaining a national character for the Funds, with a framework for eligibility to support consistency, but discretion on how to take applications and how to fulfil awards. This allows councils to align the funds with other relevant services, make effective links with local organisations, and ensure that delivery meets local needs.
- 4.3 The cost to the Council of delivering the service in 2014/15 was £114,690. We receive a grant of £55,000 from Scottish Government to offset this cost. Total programme funding for CGs and CCGs is £372,760 per annum. The distribution of SWF programme and administration funding has recently been considered by the Distribution and Settlement Group. Currently these monies have been distributed based on historic information provided by Department of Work and Pensions relating to their case volumes and expenditure when they previously operated this scheme. In future, the plan is to base distribution on the Income Domain of the Scottish Index of Multiple Deprivation and to transition to this on a phased basis, and the outcome will be notified in the settlement circular expected in December 2015. At this point, we do not know what funding we will get but we expect, at best, a small increase in administration funding. We will have to contain programme expenditure within whatever amount is allocated.
- 4.4 The Council received 1,818 applications for Crisis Grants (CG) in 2014/2015 and awarded 1,362 grants and the average was £66 per award. It received 785 applications for Community Care Grants (CCG) of which 531 were successful and the average award was £670. In 2015/16 to end of October the average award for crisis grants has increased to £72 and for community care grants has decreased to £632 reflecting a decision to only support medium and high priority items this year.
- 4.5 The Council agreed on 21 March 2013 that two members of staff would be employed by the Benefits team to process SWF claims in the back office and two additional members of staff were recruited on a two year temporary contracts to cover the intended duration of the interim scheme. It was subsequently reported to Council on 14 February 2014 as follows:

“The Council receives enough administration funding to employ 2 FTE staff to work on SWF. To date, the Council has needed to employ 4 FTE to handle the volume of claims. This is based on a telephone only service with no face-to-face service and no out of hours service. There has also been significant supervisory and management time expended in dealing with reviews, supplier arrangements, monthly reporting requirements, and practitioner meetings. This has all had to be met from resources within the benefits service to the detriment of benefit processing times. In effect it is costing c £113k to pay out c £300k this year which is not administratively efficient.”

Currently there is a team of 3.8 FTE assessment staff delivering the service to customers supported by a team leader who spends 60% of her time on SWF. Cover is also provided from the Discretionary Housing Payments staff member when required.

- 4.6 CG awards are fulfilled by making a payment of cash vouchers redeemable at Paypoint outlets across the council area. CCG awards are fulfilled by procuring

goods and services on the customer's behalf using a national procurement contract through Scotland Excel. Customer feedback on the standard of service delivered is very positive. Partner agencies including the housing support providers and the council's own Housing Service are all very happy with the standard of service provided. They state that the provision of goods and services instead of cash (as delivered previously by DWP) is making a positive impact on outcomes for claimants and their ability to sustain tenancies and thereby prevent homelessness.

4.7 Four options have been identified for future delivery of the SWF as follows:

- Do nothing
- Make all payments by cash instead of goods
- Shared Service arrangement with another local authority
- Outsource

4.8 These options are intended to bring the cost of the service back within the currently budgeted funds available – they do not propose any additional savings beyond this.

OPTION 1 – DO NOTHING

4.9 Crisis Grants are fulfilled by issuing a payment by Paypoint voucher delivered to a mobile phone or issued in the post. This is efficient in its administration and the cost of delivery is relatively modest.

4.10 Community Care Grants, on the other hand, are fulfilled using a national procurement contract through Scotland Excel which has been a major issue for the Council in terms of administration. Items such as carpets and curtains need to be measured, cookers installed and the process can take a long time between the issuing of the award decision to the delivery of goods and the reconciliation of the invoice. Customer feedback is extremely positive as this type of service removes stress from vulnerable customers at a time of need. By using the national contract it ensures that the programme funding of £372,760 per annum is stretched as far as possible, capitalising on the economies of scale that this contract brings to us.

4.11 By delivering the service locally, the Council can be reassured that access and signposting to other local support services is carried out when it is appropriate to do so, thereby giving the claimant as much support as possible to deal with the issues that they face.

4.12 However, it costs nearly £1 to administer every £3 given out in grant which is not sustainable and hence alternative delivery mechanisms need to be looked at alongside the introduction of the new permanent scheme.

OPTION 2 – MAKE ALL PAYMENTS BY CASH INSTEAD OF GOODS

4.13 An alternative in house delivery service for SWF is proposed as option 2. This means that for CCG's Allpay's payment cards will be issued instead of the provision of goods and services to claimants. This will give claimants access to money or credit to allow them to make their own choices in spending their award. This affects CCGs only as CGs are already fulfilled by the payment of cash vouchers. West Dunbartonshire Council already provides fulfilment solely through cash and other local authorities are considering this change in order to reduce

costs. DWP previously made all their payments in this way when they administered the scheme.

- 4.14 This method of payment increases the risk of the money given for community care grants being spent on something other than what is intended. For crisis grants the draft regulations prescribe that payment has to be “in a form which does not require the applicant to make over the payment to a particular person or otherwise to use in a particular way”. This means it has to be in cash or cash equivalent.
- 4.15 The Allpay option is a new Prepaid programme on the Mastercard platform. Cards can be loaded with credit and posted out by the SWF administration team to the customer after a successful claim for CCG. Any funds that the customer doesn't spend can be redeemed by the Council and put back into the programme. The claimant can use the card online or in retail outlets to purchase the goods for which they received an award for. There is no charge to the retail outlet. This will give the claimant more choice as to what goods they would like to purchase for their tenancy but they will have all the administrative hassle involved in organising delivery of things like carpets and cookers. Many people receiving assistance through CCGs will have support from a social worker or a voluntary agency, and they may be able to assist them with these matters.
- 4.16 The cards will have certain standard blocked merchant credit codes to prevent spending on certain types of goods and services such as wine merchants and gambling sites. Optionally, the Council can allow cards to be used at ATM machines to withdraw cash. The Council will be able to access data on card usage which could potentially allow cards to be suspended or cancelled should it become apparent that the claimant is not using the funds to buy the goods that the award was based on. This allows the Council to maintain a level of control and potentially detect / prevent fraud and error.
- 4.17 Issuing payment cards will significantly reduce the administrative burden on the team and remove all contact with furniture suppliers and discussions on delivery times, chasing invoices and such like. It would be much more straightforward to balance the financial ledger with the SWF system. It is envisaged that this service would be delivered by 2 FTE which is a reduction of 1.8 FTE from the current staffing complement, ending the two temporary contracts. This reduction is already reflected in the Trade Union consultation log associated with Service Choices.
- 4.18 The service is currently predominantly a telephony based service. The reduced staffing complement will mean that it will not be possible to offer a service at lunch times from 12.30 to 1.30 p.m. each day. The service will be accessible online 24/7 and by telephony from 9 a.m. to 12.30 and 1.30 p.m. to 5 p.m. Monday to Friday excluding public holidays. In future years the intention would be to shift claimants to making the majority of claims online. The staffing complement would be further reduced to 1.5 FTE through natural wastage so far as possible, and the level of management support would also be reduced and absorbed into the management of the broader benefit operation by the start of 2018/2019.
- 4.19 Delivering the service in this way will ensure that the Council maintains full management control of the service. The local knowledge networks, close relationship with social work and access to Carefirst system, and use of the ABAN (Argyll and Bute Advice Network) referral network can all be maintained. The cost

to the Council of delivering Option 2 is £25,604 per annum in 2016/2017 and 2017/2018, and should be reduced to nil for future years.

- 4.20 This could have a detrimental effect on processing times for housing benefit and council tax reduction scheme due to the resource being diverted away to SWF. However this is considered a manageable risk. The council has the ability to call on overflow capacity from Capita, and has some bank staff which allows it to manage any peak processing periods, and ensure that processing times are kept to reasonable limits. The only other detrimental impact is that support workers may be required to assist more vulnerable applicants in sourcing the goods they require.
- 4.21 On balance, this is the recommended option.

OPTION 3 – SHARED SERVICES

- 4.22 All Scottish Local Authorities are tasked with delivering the same SWF scheme to their local area. However the method of delivery can be different but will always be within the bounds of the same guidance which is currently in development. Contact has been made with other Scottish local authorities to see if they might be interested in a shared service model. A number have responded and indicated that they could provide a service for the Scottish Government grant of £55,000 per annum. This is feasible as they will have economies of scale, they will not have the pressure of additional systems costs, and should be able to absorb the management overheads all of which increase the cost of delivery for us.
- 4.23 This option would be progressed by a tender process. The proposal would be that the service would be delivered in the same manner that the Council is currently delivering the service with fulfilment of CGs being made by Paypoint voucher and CCGs by utilising the national procurement contract for goods and services.
- 4.24 As it is a transfer of undertakings, TUPE would apply. Initial indications are that it is most unlikely that the contracting local authority would want to take our staff which would leave the Council with redundancy costs for 1.8FTE in addition to ending the two temporary posts already on the Service Choices consultation log. We estimate additional redundancy costs might be in the region of £35,000.
- 4.25 The main disadvantage is that this would remove much of the local nature of the SWF delivery. Referral of customers to local services is likely not to be as good as it is currently or with option 2. There would also be less flexibility for the future which could be important for the ongoing roll-out of Universal Credit and wider changes to welfare following the Smith Commission.

OPTION 4 – OUTSOURCING

- 4.26 At present no company offers this service in Scotland. Northgate provides this service in Wales on behalf of all Welsh local authorities but the Welfare Fund in Wales is different to the Scottish Welfare Fund. It is therefore not thought that this option is viable.

5.0 CONCLUSIONS

- 5.1 The recommended option for the future delivery of the permanent SWF is option 2, which is to retain delivery of the service in-house but to make all awards as cash

payments instead of goods. This has the advantage of the Council retaining flexibility for the future and would minimise compulsory redundancies at this time. There would still be a net cost of c £25.6k p.a. to the council for delivery of the service for the next two years which would have to be absorbed by the benefits service.

6.0 IMPLICATIONS

- 6.1 Policy: This proposes a change to way in which SWF is delivered
- 6.2 Financial: This proposed option will reduce costs of operating SWF to a net cost of c £25.6k for 2016/17. With further reductions in staffing the costs should be brought back within the Scottish Government allocation by 2018/19. In the meantime, the net cost will be absorbed within the overall budget for the Benefits Service.
- 6.3 Legal: The proposal is in accordance with the Welfare Funds (Scotland) Act 2015 and the draft regulations.
- 6.4 HR: Two FTE on temporary contracts to 31/3/16 will be ended at that date. Further reduction of 0.5FTE staff on this activity by end of 2017/18
- 6.5 Equalities: No impact.
- 6.6 Risk: There is a risk that the reduced staffing levels might not be sufficient to meet customer demand.
- 6.7 Customer Service: Customers will perceive this as a lesser quality of service.

Background Papers

- Consultation on regulations and guidance under the Welfare Funds (Scotland) Act 2015 Policy & Resources Committee 20 August 2015
- Consultation on Welfare Funds (Scotland) Bill Policy & Resources Committee 21 August 2014
- Consultation on Scottish Welfare Fund Council 13 February 2014
- Welfare Reform Council 21 March 2013

Douglas Hendry
Executive Director Customer Services
4 December 2015

Policy Lead: Councillor Dick Walsh

For further information please contact Judy Orr, Head of Customer and Support Services Tel 01586-555280 or Fergus Walker, Revenues and Benefits Manager Tel 01586-555237

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ARGYLL & BUTE COUNCIL**POLICY AND RESOURCES
COMMITTEE****CUSTOMER SERVICES****17 DECEMBER 2015**

**EXTRACT OF MINUTE OF ENVIRONMENT, DEVELOPMENT AND INFRASTRUCTURE
COMMITTEE HELD ON 12 NOVEMBER 2015**

*** 5. STREET LIGHTING INNOVATIVE ENERGY SAVING PROJECT - UPDATE
REPORT**

The Committee considered a report setting out the progress on developing the business case in regard to the street lighting project for upgrading the lighting assets within Argyll and Bute. The project was proposed to provide more energy efficient lamps and thus reduce the cost to the Council with regard to energy consumption.

Decision

The Committee agreed to recommend to the Policy and Resources Committee that the Council –

1. Progresses with an innovative lighting energy efficient scheme as detailed in this business case, the costs of which are summarised in 5.4 of this report, in order to reduce future cost pressure relating to street lighting electricity.
2. Agrees to a tender process being completed and that the energy efficient scheme is progressed utilising the most cost effective model as determined from the tender process.
3. Agrees that the remaining reduced electricity budget, as a result of the innovative lighting scheme, is inflated in line with energy costs on an annual basis.
4. Agrees that the balance of savings generated is used to fund a column replacement program with replacements being prioritised on condition.

(Reference: Report by Executive Director – Development and Infrastructure Services dated October 2015, submitted)

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STREET LIGHTING INNOVATIVE ENERGY SAVING PROJECT – UPDATE REPORT

1.0 EXECUTIVE SUMMARY

- 1.1 Street lighting energy costs the council approximately £700,000 per year at current rates. Over the next 10 years energy costs are predicted to double to approximately £1,500,000 if we do nothing to reduce the amount of energy consumed. This innovative lighting project is based on a financial model of the existing energy costs inflated year on year and the costs that would be incurred if no action was taken (avoidable costs). The project replaces existing street lighting luminaires with energy efficient LED units.

In addition to these rising costs the council has an obligation to reduce its carbon consumption by reducing energy. There are a number of initiatives that can be progressed to reduce energy. However, reducing street lighting energy is considered to be one of the most effective methods of reducing carbon consumption and reducing energy costs.

This report sets out the progress on developing the business case in regard to the street lighting project for upgrading the lighting assets within Argyll and Bute. This is proposed to provide more energy efficient lamps and thus reduce the cost to the Council in regard to energy consumption. The project team has worked with Zero Waste Scotland / Scottish Futures Trust and their consultants to assist in developing an Energy Model and business case to determine the type of lighting solution and delivery model that the Council adopts for future Energy Savings.

The business case concludes that the council should progress with replacing the existing luminaries (the lanterns on top of the lighting columns) with LED units and also replace lighting columns with the balance of the savings generated from reduced energy consumption. These improvements to be funded from the energy savings which will free up revenue to service capital loan charges required to finance the project. It is also proposed that an element of the savings is surrendered to contribute towards service choices.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that this committee recommends to Policy and Resources

Committee that the Council:

- Progresses with an innovative lighting energy efficient scheme as detailed in this business case, the costs of which are summarised in 5.4 of this report, in order to reduce future cost pressure relating to street lighting electricity.
- Agrees to a tender process being completed and that the energy efficient scheme is progressed utilising the most cost effective model as determined from the tender process.
- Agrees that the remaining reduced electricity budget, as a result of the innovative lighting scheme, is inflated in line with energy costs on an annual basis.
- Agrees that the balance of savings generated is used to fund a column replacement program with replacements being prioritised on condition.

ARGYLL AND BUTE COUNCIL

Environment, Development and Infrastructure

DEVELOPMENT AND
INFRASTRUCTURE SERVICES

12 November 2015

STREET LIGHTING INNOVATIVE ENERGY SAVING PROJECT – UPDATE REPORT

3.0 INTRODUCTION

3.1 This report sets out the progress on developing the business case in regard to the street lighting project for upgrading the lighting assets within Argyll and Bute. This is intended to provide more energy efficient lamps and thus reduce the cost to the Council in regard to energy consumption. The project team has engaged with Zero Waste Scotland / Scottish Futures Trust and their consultants to assist in developing an Energy Model and business case to determine the type of lighting solution and delivery model that the Council adopts for future Energy Savings.

4.0 RECOMMENDATIONS

4.1 It is recommended that this committee recommends to Policy and Resources Committee that the Council:

- Progresses with an innovative lighting energy efficient scheme as detailed in this business case, the costs of which are summarised in 5.4 of this report, in order to reduce future cost pressure relating to street lighting electricity.
- Agrees to a tender process being completed and that the energy efficient scheme is progressed utilising the most cost effective model as determined from the tender process.
- Agrees that the remaining reduced electricity budget, as a result of the innovative lighting scheme, is inflated in line with energy costs on an annual basis.
- Agrees that the balance of savings generated is used to fund a column replacement program with replacements being prioritised on condition.

5.0 DETAILS

5.1 The Current Position

The Council currently owns some 14,212 signs and street lights.

Energy costs in regard to street lighting are expected to increase over time. Current analysis of Energy Market predicts that Electricity prices have been forecast to increase in line with CPI. Due to advances in lighting technology, there is now an opportunity to review street lighting provision with a view to making revenue savings on energy costs.

The Business case (BC) reviews the current and forecast budget pressures placed on the Council, with regard to the energy costs of operating street lighting, and investigates methods and technologies available to reduce the increasing financial costs.

5.2 The Business Case

The main objectives of this project are;

- to reduce the Council's public lighting energy bill
- lower the associated carbon footprint
- identify savings that the Council would make which could then be utilised to improve infrastructure, in particular lighting columns, to a more sustainable basis and therefore improve the reliability of the network
- to assist in containing the maintenance costs within existing budgets

The BC has been developed to look at options to meet these objectives. The BC demonstrates that replacement of luminaires is the preferred option for this project because it gives the opportunity to upgrade the existing street lighting asset by replacing luminaires with LED equivalent whilst providing a revenue saving.

A financial summary has been provided in Appendix D of the business case which is appended to this report. This summary includes the cost pressures that can be avoided with the project.

Appendix 1 to this report provides a list of Frequently Asked Questions relevant to this project, some of which were raised at the Members seminar held on 5th October 2015.

5.3 Delivery options

The BC outlines the delivery options to complete luminaire replacement throughout the Council area.

The BC demonstrates that the top 4 options are:

- I. Design from framework/agency and internal management and Installation (over 2 year period).
- II. Design from framework/agency, internal management and external installation (over 2 year period).

- III. External design and installation (over 2 year period) with contract management internal.
- IV. Hybrid of the I and II above i.e. Design from framework/agency, contract management in house, eg Helensburgh, Dunoon and Oban delivered external and remainder internal (over 2 year period).

5.4 Financial Overview

The table below is included at Appendix D of the Business Case. The table details the significant cost pressures that would be incurred if we do nothing. The table also details the funding that would be available to fund loan charges for column replacement. Section 8 of the Business Case demonstrates how this could be utilised to replace columns as part of the project rather on a long term programme.

The financial model assumes that the remaining reduced electricity budget is inflated in line with energy costs on an annual basis.

It is also proposed that an element of the savings is surrendered to contribute towards service choices.

Project assuming lanterns only installed	31 Mar 18	31 Mar 19	31 Mar 20	31 Mar 21	31 Mar 22	31 Mar 23	31 Mar 24	31 Mar 25	31 Mar 26
Forecast electricity cost under 'do nothing' scenario	891,042	913,370	945,465	1,085,543	1,123,429	1,206,971	1,265,904	1,348,005	1,424,739
Assumed current budget	771,000	800,796	806,457	816,142	870,334	882,407	909,754	926,116	952,027
forecast electricity cost on completion of LED programme	299,254	329,050	334,711	344,396	398,588	410,661	438,008	454,370	480,281
Net saving against existing budget	471,746	471,746	471,746	471,746	471,746	471,746	471,746	471,746	471,746
less finance costs	(269,263)	(269,263)	(269,263)	(269,263)	(269,263)	(269,263)	(269,263)	(269,263)	(269,263)
Unallocated Savings	202,484	202,484	202,484	202,484	202,484	202,484	202,484	202,484	202,484
Contribution to Service Choices	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Funds available to fund prudential borrowing for column replacement	52,484	52,484	52,484	52,484	52,484	52,484	52,484	52,484	52,484
Cost pressure that will be avoided	120,042	112,574	139,009	269,400	253,095	324,564	356,150	421,889	472,711

5.4 The Next Steps

The final delivery model will be determined after a tender process which will identify the most cost effective model for the council to progress.

In order to be able to demonstrate a value for money process, a tendering exercise is required which is envisaged to take between 4 – 6 months post business case approval. The tender process will determine the delivery model. Whichever model is progressed an external resource for the design and project management will be required to provide the necessary expertise and capacity to deliver this element of the project.

Assuming project approval the following provides an outline timetable for the project tasks:

Dates	Key Tasks
Nov 15 – March 16	Procurement strategy, tender documentation
March 16 – May 16	Tender period, evaluation and award
December 15 – Jan 16	Establish Project Team
November 15 – March 16	Specifications and Service Procedures
July 2016 – April 18	Luminaire Replacement
December 2016 – December 18	Column replacement

6.0 CONCLUSION

6.1 This report sets out the progress on developing the business case in regard to the street lighting project for upgrading the lighting assets within Argyll and Bute. This is proposed to provide more energy efficient lamps and thus reduce the cost to the Council in regard to energy consumption. The project team has worked with Zero Waste Scotland / Scottish Futures Trust and their consultants to assist in developing an Energy Model and business case to determine the type of lighting solution and delivery model that the Council adopts for future Energy Savings. The project also offers £150,000 towards service choices.

7.0 IMPLICATIONS

7.1 Policy No formal policy is currently in place for street lighting. However the initiative detailed in the report aligns carbon reduction agenda with the Council’s carbon agenda.

7.2	Financial	The project implementation would be on a “spend to save” basis with reduced energy cost being used to fund the upgrade. The project provides an opportunity for a £150,000 contribution towards service choices.
7.3	Legal	None.
7.4	HR	This project will require a different team structure for street lighting, this will be determined dependent on the delivery model progressed.
7.5	Equalities	None.
7.6	Risk	Non-delivery will result in increased energy costs and equipment that will not be compatible with new standards.
7.7	Customer Services	If we do not proceed there is risk of increasing energy costs that would outstrip budget, and public complaints could escalate, giving rise to an increased number of complaints.

Executive Director of Development and Infrastructure Pippa Milne

Policy Lead: Cllr Ellen Morton

October 2015

For further information contact: Jim Smith, Head of Roads and Amenity, 01546 604324
Walter MacArthur, Fleet & Waste Manager

Appendices

Appendix 1 – FAQs

Appendix 2 – Business Case (which includes Appendices A – D)

Appendix 1 – Frequently Asked Questions

Q – Has the financial model been used by others and has the model been verified?

A – The model has been produced by Scottish Futures Trust on behalf of Scottish Government, has been used by over 20 Scottish Local Authorities and has been independently audited by BDO.

Q – Has there been a sensitivity analysis built into the financial model and how do we know the model is accurate.

A- Sensitivities have been built into the model. Like any model there will be variables in practice, not least in the price of energy over the life of the project. The model makes a number of assumptions which have been tested against known parameters. Whilst the model has been independently audited and verified, the final financial outturn will not be known until the end of the project. The financial analysis has been supported by use of the street lighting toolkit created by Scottish Futures Trust (SFT). This model has been externally audit by BDO, a firm of accountants, to confirm its robustness and accuracy and appropriately uses underlying technical data to generate financial forecasts. The toolkit has been successfully used with 11 councils in Scotland to develop street lighting business cases, and has been formally adopted by the Department of Energy and Climate Change ('DECC') for use by Councils in England and Wales.

Q – Why is the energy savings for street lighting LED conversions not as high as they are for domestic property conversions?

A – There are a number of reasons including: old street lighting systems being to a lower energy output than domestic incandescent lighting (which is higher output to achieve as near to natural light output as possible 'v' old street lighting systems which generally produce an orange light with very poor colour definition but consume much less energy). This means that there is less energy saving with street lighting than there is with domestic lighting. Also, the charges for energy through the small hours of the night are less. There is limited domestic consumption during these hours resulting in a further cost differential between the two systems.

Q – Is the lighting inventory up to date?

A – Yes, a project has been completed to collect inventory data. This has been loaded into WDM.

Q – How will the energy savings be realised given that the lighting energy is unmetered?

A- The council provides an energy return to the energy companies. Basically we state the number of units and their power rating. This information is used to produce the energy invoice. It is imperative that the inventory is kept up to date and that accurate energy returns are provided to the energy companies to ensure that the correct levels of savings are realised.

Q – Is LED lighting different to conventional lighting?

A – Yes, light from LEDs is whiter, gives better colour definition and there is less light spilt to the side of what is being lit and less upward light pollution.

Q – Can the lights be dimmed and switched off during certain times?

A – In theory, yes they can. However, the additional costs for the additional equipment and the limited energy savings are not considered to be cost effective and have not been

included within the scope of the project. The units will be pre-dimmed which will reduce further the energy consumption and costs. This is being done as research has demonstrated that the human eye cannot detect a 30% dimming.

Q – Is there an option to do nothing?

A – No, doing nothing would result in significant increases to energy costs and monetary fines for not meeting carbon reduction targets.

Q – Are all columns being replaced as part of the project?

A – The project is predicated on reducing energy consumption, the focus of the project is to replace luminaires and only those columns in need of early replacement. The maximum number of columns being replaced under this project will be 15% of the overall stock, this being based on the worst condition columns being replaced.

Q – Will the 5th core cable systems be replaced as part of the project?

A – No. These systems will remain the responsibility of the power companies. There is insufficient funding in the project to deal with the 5th core and replace these with private supplies. *Note Private Supply is where the power company supplies a cable to a fuse pillar, between the pillar and individual lighting columns would be a 'private cable' owned and maintained by the council.*

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STREET LIGHTING PROJECT
Full Business Case

Version: 1.5

Date: 22 October 2015

Author: Lighting Project Team

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Street Lighting Project – Full Business Case

1.0 Executive Summary

This report advises the Council of the work carried out to develop the Full Business Case (FBC) for a reduction in energy costs of the street lighting infrastructure through a proposed spend to save programme.

The FBC reviews the current and forecast budget pressures placed on the Council, with regard to the energy costs of operating street lighting, and investigates methods and technologies available to reduce the increasing financial costs.

The financial analysis has been supported by use of the street lighting toolkit created by Scottish Futures Trust (SFT). This model has been externally audit by BDO, a firm of accountants, to confirm its robustness and accuracy and appropriately uses underlying technical data to generate financial forecasts. The toolkit has been successfully used with 11 councils in Scotland to develop street lighting business cases, and has been formally adopted by the Department of Energy and Climate Change ('DECC') for use by Councils in England and Wales.

The table below is a summary of results from the SFT financial model and this assumes a contribution of £150k is made towards Service Choices.

Summary of estimated first year savings (see appendix D)	£'000
Estimated saving on electricity costs	472
Debt Servicing cost on £3.9m luminaire replacement	269
Anticipated saving	203
Contribution to Service Choices	150
Remaining unallocated saving	53

The total cost for supply and fitting of 14,090 luminaires is estimated at £3.9m.

Using the mid-range figure of £1,400 per column within the prudential borrowing option enables 25% of the estimated 2,000 defective columns identified in the independent column condition survey to be replaced giving a cost of £750k.

The total investment amounts to £4.6m.

It should be noted that this business case does not take in to account the existing cabling infrastructure. The project will highlight and record in the asset management system the remaining street lighting stock that requires to be programmed into ongoing asset management maintenance. In addition to this the asset inventory will be updated as part of the 6 yearly column inspection programme providing an up to date asset condition for the street lighting stock.

The LED luminaires have the ability to be pre-dimmed. The proposed policy is that the installed luminaires be dimmed by 30% of the design specification. Research has shown that a 30% dimming is not detectable by the human eye. LED installation in locations in

Street Lighting Project – Full Business Case

Dunoon were pre-dimmed by 30% with no adverse impact. Dimming will realise additional energy savings which have been built into the financial model which supports this business case.

There is scope to install additional switch gear which could further dim or switch off certain sections of lighting. This can be controlled either manually or by electronic system remotely. Whilst technology continues to advance the additional cost of this equipment is not considered to be cost effective. This in part is due to the electricity companies being paid pass through charges which in practical effect means that there is not a full percentage saving for any additional reduction in consumption. This Business Case recommends that a LED system is progressed with 30% pre dimming of luminaires. It is not recommended that any further dimming or partial switch off is progressed.

2.0 Recommendation

This business case recommends that Council:

- Progresses with an innovative lighting energy efficient scheme as detailed in this business case in order to reduce future cost pressure relating to street lighting electricity.
- Agrees to a tender process being completed and that the energy efficient scheme is progressed utilising the most cost effective model as determined from the tender process.
- Agrees that the remaining reduced electricity budget is inflated in line with energy costs on an annual basis.
- Agrees that the balance of savings generated is used to fund a column replacement program with replacements being prioritised on condition.

3.0 Background

The Council currently owns some 14,212 illuminated signs and street lights.

Energy costs in regard to street lighting are expected to increase over time. Current analysis of Energy Market shows that electricity prices have been forecast to increase in line with the Consumer Price Index (CPI) and DECC forecasts. Due to advances in lighting technology, there is now an opportunity to review street lighting provision with a view to making revenue savings on energy costs.

A further consideration for the Council is that modern lower energy street lighting and new legislation will prohibit the use of inefficient technologies, including the control gear (spare parts), used in the majority of our street lights. Investment in this apparatus will be necessary as spares for existing equipment will no longer be available after 2017.

Street Lighting Project – Full Business Case

4.0 Strategic Case

Since the introduction of the Climate Change (Scotland) Act in 2009 and the Carbon Reduction Commitment Energy Efficiency Scheme there have been obligations placed on all large energy users, such as Argyll and Bute Council (>6,000 MWh/annum) to reduce their energy needs.

Reducing carbon usage is directly related to energy costs, which for the street lighting element (excluding signs and signals) is currently estimated at £735k per annum. Energy costs are forecast to double within the next 10 years, and to maintain the Councils energy costs at current levels a reduction in energy use of 8% per annum would be required.

It is important to note that meeting this target is possible utilising the latest luminaires and control equipment with little or no reduction to the current service levels. In addition the extended service intervals will offer savings in maintenance costs.

The Scottish Futures Trust has developed a financial model for the evaluation of Street Lighting within the public sector. The model uses current forecasts from the Department of Energy and Climate Change (DECC) to predict future energy costs and potential savings. This model also uses costs and performance figures for LED luminaires from the Scotland Excel framework, and indicates potential financial savings available when converting to energy efficient lighting.

The latest British Standard BS5489:2013, provides a code of practice for the design of street lighting. This document sets out the lighting levels required for the different street types based on traffic volumes and type of use. Using this document a lighting plan shown in Appendix A has been developed for Argyll & Bute and used to determine suitable lantern replacements. In the implementation of any project for installation of replacement luminaires, this document would be the basis of a more detailed lighting design.

Consideration has been given through the project to remove sections of lighting in very remote locations. Experience to date suggests that once lighting has been installed local communities would be very reluctant to see its removal. As such through this project there is no proposal to remove any lighting. Any new development proposals would be designed with energy efficient lighting where it is considered necessary and consideration given to lighting not being installed where that would be appropriate.

The requirements of EU Directive 2005/32/EU for discharge lamps analyses how the performance of a range of energy-using products will need to improve over the period to 2020. This has major implications on the use of some existing technologies used within existing street lighting which will be deemed inefficient and effectively withdrawn from service. This directly affects over 27% of the current lighting inventory, and will impact on an additional 52%.

Street Lighting Project – Full Business Case

5.0 Objectives and Project Outcomes

The main objectives of this project are;

- to reduce the Council's public lighting energy bill and mitigate against future cost pressures
- lower the associated carbon footprint
- identify savings that the Council would make which could then be utilised to improve infrastructure, in particular lighting columns, to a more sustainable basis and therefore improve the reliability of the network
- to assist in containing the maintenance costs within existing budgets

6.0 Key Milestones and Timescales

It is recommended that the target date for the project to commence is 1 April 2016 being cognisant that the lead in time for design and material procurement is approximately 6 months.

In order to be able to demonstrate a value for money process, a tendering exercise is required which is envisaged to take around 4 – 5 months post business case approval. The tender process will determine the delivery model. Whichever model is progressed, an external resource for the design and project management will be required to provide the necessary expertise and capacity to deliver this element of the project.

Assuming project approval the following tasks will be progressed between the end of 2015 and the anticipated start of the project delivery in April 2016:

- Tender specification and documentation, PQQ and ITT.
- Implementation Plan
- Service Procedures/specification covering:
 - Procedure for designing replacement luminaires – to be used in conjunction with Appendix A to the FBC.
 - Detailed specification for luminaire change.
 - Project monitoring tools including detailed Gantt Chart, Risk Register, monthly Highlight report, cost profile and percentage completion reports.
 - Specification and procedure for determining where columns are changed.
 - Management plan to ensure that works are delivered to specification, time and budget.
 - Procedure for updating inventory data and notifying power companies of inventory change.
 - Procedure to check that correct energy tariff is being is being invoiced and paid.

Street Lighting Project – Full Business Case

7.0 Options Appraisal

There are three options which the Council has considered

- Continue as present maintaining existing lighting stock.
- Switch off lighting (part night) – existing stock.
- Replacement of luminaires – various types of luminaires have been considered with LEDs giving the most cost effective solution. This has been verified with many other local authorities and Transport Scotland changing out their existing stock with LED luminaires.

Continue as present

In the most basic sense, doing nothing will not mitigate the council against the future risk of increasing energy costs and will fail to meet Carbon reduction targets and lose the Council the opportunity to make significant savings. In simple terms over a ten year period the Council's energy costs, at current infrastructure population alone, would increase from £735k to over £1.3m per annum.

A more pressing matter is the phasing out of existing technologies by European legislation, which will remove the ability to source cost effective replacement maintenance parts for some 79% of the lighting infrastructure. This figure represents the remaining SOX luminaires and approximately 50% of the SON luminaires. Already MBF-U lamps will be banned this year and SOX lamps will also be affected by the energy efficiency legislation with component spares difficult to source from 2017.

Switch off lighting (Part Night)

Savings can be made in street lighting energy costs by switching off lighting for periods and leaving streets in darkness. However there are many factors to consider when looking at such a radical proposal, including.

- Future energy billing trends which will increase as a result of not taking up “cheaper” through the night tariffs. While switching off part night can reduce the hours by half, the savings are closer to 20% due to the varying energy costs throughout the night.
- Connection to network charges being raised as units remain connected but not drawing energy rates.
- Failure to fulfil statutory duties to maintain our existing street lights and meet carbon reduction targets.
- A potential detrimental effect in terms of the Council's Single Outcome Agreement in relation to crime & disorder, social inclusion/Human Rights legislation, promoting economic development and after dark educational facilities & amenities, emergency service assistance, CCTV coverage, road safety etc.
- Potential claims to the Council as a result of failure to adequately prevent issues arising from the above.

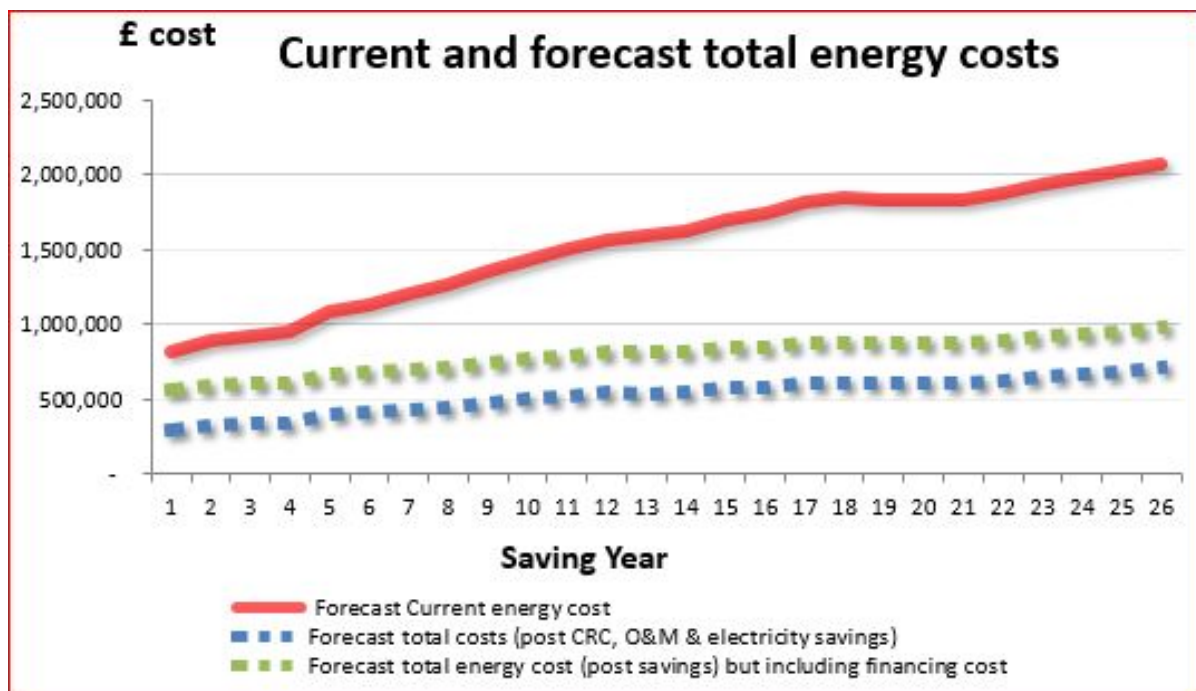
Street Lighting Project – Full Business Case

The industry is moving away from considering switching off for energy savings, in favour of newer technological advances in energy reducing lamp source and control systems such as part night dimming.

Replacement of Luminaires

Using manufacturer’s data and costs from the Scotland Excel materials tender the whole life cost of the different technologies used to provide street lighting were considered. Street lights have an effective life span of over 25 years, and the cost of energy and maintenance over this period was calculated to determine the whole life cost using the existing lamp technologies and LED luminaires. The conversion of existing SON lamps to more energy efficient lamps was also considered.

The financial model has identified savings from luminaire replacement of some £423k per annum in Electricity and £30k in Carbon Reduction (CRC). A graphical extract from the SFT Financial Model, for the forecast energy and finance costs for the replacement of lanterns only is shown below. An analysis of these costs clearly indicates that the correct use of LED luminaires provides the lowest whole life cost.



The SFT Financial Model provides an estimate of savings based on certain assumptions. The actual saving that will fall to the Council can only be fully determined after the preferred option for delivery has been identified and implemented.

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Conclusion and Recommendation

Option	Advantages	Disadvantages
Continue as present	No resource requirement	Does not deliver any savings Increasing costs over time Don't meet carbon reduction targets Obsolete stock Replacement parts will become unavailable
Switch off part night	Reduction of energy costs	Reduction less than LED replacement Reduced service to customers Delivered through current lighting stock (all disadvantages from continue as present apply)
LED replacement	Delivers savings Meets project objectives No reduction in services Switch off part night can still be considered but delivers minimum additional savings due to pass through charges and reduced rate energy during switch off times Provides a more reliable lighting system by replacing luminaires and <15% of columns. This will reduce future maintenance.	Requires energy savings to be reinvested investment in a major capital programme

Preferred Option

Therefore, Replacement of Luminaires is the preferred option for this project because it gives us the opportunity to upgrade the existing street lighting asset by replacing luminaires with LED equivalent and the replacement of some defective street lighting columns.

8.0 Financial Case

The SFT Financial Model as summarised in appendix D indicates that the Council will make a saving in energy costs of £472k after the installation of LED luminaires which it can utilise to fund the capital cost of this project. The appendix also clearly indicates that if nothing is done there is a recurring cost pressure that could amount to £654k in 10 years’ time.

This assumes that the remaining reduced electricity budget is fully funded to meet any energy inflation on an annual basis i.e. energy specific inflation is added to the electricity budget on an annual basis.

Scotland Excel, a procurement company set up and used by local authorities to reduce purchasing costs, issued a Framework contract for the purchase of LED luminaires this year. The costs and performance of lanterns within this framework have been used within the Scottish Futures Trust Financial Model, it is anticipated that the luminaires will be purchased by the Council using this framework. The framework will reduce risk to the Council by purchasing luminaires from manufacturers and suppliers already assessed for performance, service and warranty as suitable for the supply of LED luminaires. Purchasing luminaires through the Excel contract will remove risk of contractors supplying equipment which meets the specification but will not necessarily provide the most attractive solution over the whole life of the luminaire. The tender specification will provide for contractors collecting luminaires from identified stores. This will ensure luminaries are procured in line with the Excel contract which has been developed with input from Scottish Futures Trust. Furthermore, luminaries will be consistent with those used by other local authorities making the availability of spares more reliable due the scale of the number of units installed.

The total cost for supply and fitting of luminaires is estimated at £3.9m.

Summary of estimated first year savings (see appendix D)	£'000
Estimated saving on electricity costs	472
Debt Servicing cost on £3.9m luminaire replacement	269
Anticipated saving	203
Contribution to Service Choices	150
Remaining unallocated saving	53

The unallocated savings identified in the above table should be utilised to fund a column replacement program as detailed below.

An independent column condition survey has been carried out on a sample of the existing infrastructure to determine any requirement for replacement. The sample of 455 columns or 3% found 69 columns categorised as red, indicating a likely failure, a further 170 were categorised as amber, where failure is possible. When extrapolated over the entire infrastructure this indicates that some 15% or in the region of 2,000 of the authorities lighting

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columns may require replacing. During the luminaire replacement process any columns that are found to be defective will be identified for replacement, lanterns will be fitted to maximise the benefit of energy savings with the lantern being refitted to the new column once this has been installed.

The cost of column replacements is estimated at £2.9m based on an individual column replacement cost of £1,400. The table below gives indicative costs of replacing the columns over a potential range of costs.

Indicative capital cost of column replacement 15% equating to 2114 columns					
Estimated replacement cost per column	£1,600	£1,500	£1,400	£1,300	£1,200
Total cost	£3,382,000	£3,170,000	£2,959,000	£2,747,000	£2,536,000

The following table presents how the £53k should be utilised on a year to year basis.

Funding available (£)	53,000	53,000	53,000	53,000	53,000	53,000
Column cost (£)	1,600	1,500	1,400	1,300	1,200	1,100
Annual column replacement	33	35	38	41	44	48
Years to replace 2000 columns	60	57	53	49	45	42

This indicates that we would only be able to replace a minimum of 38 columns per year at a cost of £1,400 through the revenue budget. The exact costs will only be known once tender costs are returned. The above table details the sensitivities of the range of likely tender returns and provides an indication of the number of columns which can be replaced on an annual basis.

Column replacement strategy detailed above provides the council with an opportunity to improve columns from energy savings made from replacing luminaires. This provides an alternative funding source to reducing capital budgets which have been used historically to fund column replacement and will assist in relieving demands on future capital allocations.

An alternative to using the unallocated savings year on year to fund column replacement would be to use this to fund prudential borrowing. The £53k would be able to fund debt of £746,979 over a 25 year period at 5%. The table below demonstrates how this could be utilised.

Capital available	746,979	746,979	746,979	746,979	746,979	746,979
Column cost (£)	1,600	1,500	1,400	1,300	1,200	1,100
Columns that can be replaced	467	498	534	575	622	679

The difference in approach is that under the prudential borrowing option the columns can be replaced immediately rather than on a long term program.

Using the mid-range figure of £1,400 per column within the prudential borrowing option enables 25% of the estimated 2,000 defective columns identified in the independent column condition survey to be replaced.

9.0 Delivery Model

The actual delivery model will be based on proposals which provide best value to the Council. The project team have carried out scoring of 9 options that were initially considered as viable delivery options. Through scoring, these options have been short listed down to 4 possible options.

The final model will be determined following a tender exercise which will confirm the actual delivery model on a value for money basis. The final assessment criteria will be based on value and risk. Appendix C to this Business Case provides a summary of the options being considered.

10.0 Business Case Conclusion

Based on the detail in this Business Case, which is supported by the financial model provided by Scottish Futures Trust, it has been concluded that it is in the best interest of the Council to progress a luminaire replacement project. This project is self-financing in that the savings in energy consumption costs meet the cost of replacing luminaires, a column replacement programme of 25% of the estimated 2,000 defective columns identified in the independent column condition, contributions to service choices and provides operational savings through a more reliable lighting stock that can be maintained at a lower cost than the existing stock.

Street Lighting Project – Full Business Case

11.0 Project Roles

The reporting structure, roles and responsibilities for the street lighting energy efficiency programme are outlined below.

Street Lighting Energy Efficiency Project	
Responsibility for investment decision	Project Board responsible for initial decision and for making a recommendation to ED&I Project Board, SMT and D&I Committee.
	ED&I Committee are responsible for making a recommendation to Council
	Council – final investment decision.
Responsibility for monitoring progress	Development & Infrastructure Services DMT Strategic Board, monthly reports provided by SRO
Senior Responsible Officer (SRO)	Jim Smith, Head of Roads and Amenity Services – Programme SRO
Project Manager	Walter McArthur, Fleet & Waste Manager
Members of Project Board	Jim Smith, Head of Roads & Amenity Services Walter McArthur, Fleet & Waste Manager Murray MacFarlane, Principal Accountant Peter Cupples – Finance Manager (Treasury) David Logan, QIO Stewart Clark, Network Manager
Key members of the project team	Morag Cupples – Accountant Marshall Gillespie – Advisor (contracted via Scottish Futures Trust) Ryan McGlynn – Street Lighting TO Chris Crawford – Technician Implementation Designer – To be appointed Implementation team – to be appointed

12.0 Risks

Risks associated with the project will be monitored through the project team and reported initially via the project board. Any risks that cannot be mitigated against shall be reported through the established corporate channels.

Appendix A - Lighting Plan – Argyll & Bute Council

Location	Area	Zone	Main User	Traffic Flow	Crime Risk	Class
Town Centre	High Amenity	E4	Traffic / Cyclist / Pedestrian	Moderate	Moderate	P2
Town Centre	Distributor Road	E3	Traffic / Cyclist	Low	N/A	M4
Town Centre	Residential	E3	Traffic / Cyclist	≤ 30mph	Moderate	P3
Town Centre	Residential	E3	Traffic / Cyclist / Pedestrian	Slow	Moderate	P4
Village Centre	High Amenity	E3	Traffic / Cyclist / Pedestrian	Moderate	Low	P3
Village Centre	High Amenity	E3	Traffic / Cyclist / Pedestrian	Low	Low	P4
Village	Distributor Road	E3	Traffic / Cyclist	Low	Low	M4
Village	Residential	E3	Traffic / Cyclist	Low	Low	P4
Village	Residential	E2	Traffic / Cyclist / Pedestrian	Low	Low	P5
Main Arteries	>40mph	E3	Traffic	Moderate	N/A	M3
Main Arteries	>40mph	E3	Traffic	High	N/A	M2
Main Arteries	< 40mph	E3	Traffic	Moderate	N/A	M4
Main Arteries	< 40mph	E3	Traffic	High	N/A	M3
Towns	Industrial Areas	E3	Traffic	Moderate	Moderate	P4
Villages	Industrial Areas	E3	Traffic	Moderate	Low	P4
Town	Car Park	E3	Traffic / Pedestrian		Moderate	10 Lux Uniformity 0.25
Village	Car Park	E3	Traffic / Pedestrian		Low	5 Lux Uniformity 0.25

Lighting plan details the type of luminaire to be used in various locations. This lighting plan to be used as one of the tools in completing the lighting designs.

Appendix B – Delivery Options

There are four delivery options, shortlisted from 9 overall delivery options:

1. Design from framework/agency and internal management and Installation (over 2 year period).
2. Design from framework/agency, internal management and external installation (over 2 year period).
3. External design and installation (over 2 year period) with contract management internal.
4. Hybrid of the above i.e. Design from framework/agency, contract management in house, eg Helensburgh, Dunoon and Oban delivered external and remainder internal (over 2 year period).

In-house costs have been used to verify the figures used within the SFT Financial model. Advice from our external advisor indicates that there is generally not a material difference between the cost of in-house versus external delivery. This will be market tested as part of the project development. The difference between delivery options in financial terms is likely to be the timing of the saving, the earlier the saving is delivered the greater the benefit to the Council.

For the purpose of the financial comparisons all 4 models assume similar costs (in-house costs have been verified by strategic finance from recent installation projects), external costs have been estimated based on contracted works and costs provided by SFT and other authorities. However, as with any tender process, the exact costs remain unknown until the market is tested. The costs assumed in each of the options is £3.9M for Luminaire replacement and £750k available for column replacement.

Each of the four options will require a 3-6 month lead in period for detailed lighting design and procurement of the luminaires. This means that to deliver the physical works in 18 months would take a minimum of 24 months including the lead in period.

Delivery over 12 months and 36 months was also considered but both of these options have been discounted as detailed below.

Option 1 - Design from framework/agency and internal management and Installation (over 2 year period).

Design and project management

In this proposal the Council would procure through the existing framework a suitably qualified lighting designer to act as Project Manager / Designer. They would be supported by existing technical staff and administrative support.

Luminaire replacement

This would be delivered by dedicated teams to install the luminaire replacement within a 2 year period. These teams are to be created by utilising the existing Street Lighting Civils

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operatives who have the appropriate training. This resource would be supplemented by additional employees from within Roads and Amenity Services.

Column Replacement

In this proposal, work would be carried out by the existing Roads Operations team members who are available following reductions in revenue and capital budgets in their area. Work would be spread throughout available teams depending where the columns need replacing. This work could then be programmed into the workload of the teams along with their other works.

The revenue maintenance programme would continue to be carried out by the existing technical staff and team. This ensures that day to day lighting matters can be dealt with by providing a clear distinction between the day to day work and project work. This also ensures that a full focus be given to the project. It is assumed that any civils work required as a result of normal lighting maintenance will be carried out by the roads operations teams for the duration of the project. Other duties normally carried out by the street squad e.g. Christmas Lights erection, will be delivered by external providers should there be insufficient internal resource to self-deliver.

Non-Cash Benefits

- In-house delivery maintains existing jobs within Argyll & Bute Council for the duration of the project thereby supporting the local economy
- Column replacement work carried out by roads operations, thereby allowing roads to maintain their workforce during the project which provides resilience for other Council services e.g. severe weather response

Risks

- Delivery in accordance with the timescales indicated stays with the council
- Recruitment of suitable staff, particularly the Project Manager/Engineer.
- Procurement and delivery of sufficient luminaires and columns as demand for these products grows due to other local authorities upgrading their street lighting network at the same time.

Option 2 - Design from framework/agency, internal management and external installation (over 2 year period).

Design and project management

In this proposal it is proposed that the Council would procure, through the existing framework, a suitably qualified Engineer to act as Project Manager / Designer. They would be supported by existing technical staff and administrative support. It should be noted that some of this resource could come from staff already employed by the Council.

Luminaire & Column Replacement

Street Lighting Project – Full Business Case

In this proposal a tender would be let for the installation of luminaires and replacement of columns. These works would be managed by internal resource experienced in contract and site management to ensure that any risks associated with third party delivery are mitigated.

Non-Cash Benefits

- Design and Project Management remains under the control of the Council
- Partial transfer of delivery risk to a third party

Risks

- Delivery in accordance with the timescales
- Procurement and delivery of sufficient luminaires and columns as demand for these products grows due to other local authorities upgrading their street lighting network at the same time
- Increased need for contract supervision

Option 3 - External design and installation (over 2 year period) with contract management internal.

Design and project management

In this proposal the design and build is delivered by external provision. This would require a contract for the provision of design and installation, including uploading of revised asset data into the asset system (WDM) with internal resource being utilised to manage the contract and provide contract administration and management.

Luminaire & Column Replacement

In this proposal the luminaire and column replacement would be carried out by the designing contractor under a design and build arrangement.

Non-Cash Benefits

- Transfer of risk of non-delivery to a third party

Risks

- Procurement and delivery of sufficient luminaires and columns as demand for these products grows due to other local authorities upgrading their street lighting network at the same time

Street Lighting Project – Full Business Case

Option 4 Hybrid proposal – design and project management from framework/agency, contract management in house. Helensburgh, Dunoon and Oban delivered external and remainder internal (over 2 year period).

In this proposal, that the areas with the bulk of the concentration of lighting (Helensburgh, Dunoon and Oban) would be delivered as per option 2 (luminaires and columns) above, with the remaining locations delivered as per option 1 above.

To get exact costings for the external delivery a tendering process would need to be carried out by the Council.

Non-Cash Benefits

- Partial transfer of risk of non-delivery to a third party
- Retain some jobs in-house e.g. installation on the islands
- Column replacement work passed to Roads Operations, thereby allowing them to maintain their workforce for other Council services e.g. Winter Maintenance

Risks

- Procurement and delivery of sufficient luminaires and columns as demand for these products grows due to other local authorities upgrading their street lighting network at the same time
- Difficulty in finding a private contractor willing to undertake this work

Option 5 – 1 Year Delivery Option

This option has been considered and discounted on the grounds that it carries too much risk in terms of the installation within the timescale due to the supply chain, availability of internal staff or external contractors and adverse weather conditions.

Option 6 – 3 Year Delivery Option

This option has been considered and in the opinion of the project group it is in the interests of the council to deliver this project as quickly as possible in order to take advantage of energy savings at the earliest date. Carrying out the project over 3 years would simply increase the costs of project management but the luminaire and column replacement costs remain the same.

A summary of options going forward are summarised in Appendix C.

Appendix C – Options Summary

Options	1 – Internal Management, Design and Build (with support...)	2 – Internal Management and Design, with External Build (with support...)	3 – External Management, Design and Build	4 – Hybrid of 1 and 2
Project Management	Project Management procured through Framework, supported by Technical Support Officer and full time Administrative Support.	As per Option 1 with the addition of an Electrical Inspector.	Contract for provision of Project Management and Design plus Installation supplemented by an internal Electrical Inspector and Administrative Support to carry out rigorous contract monitoring and update of asset management systems (WDM).	As per Option 2.
Luminaire Replacement	<p>Delivery via the creation of 2 Squads from existing employees who have appropriate training.</p> <p>Delivery within a 2 year period.</p> <p>Cost: £3.9m</p>	<p>Delivery via external contractor. Purchase of luminaires via Scotland Excel Framework and Tender for Contractor</p> <p>Delivery within a 2 year period.</p> <p>Cost: £3.9m</p>	<p>As per Option 2.</p> <p>Delivery within a 2 year period.</p> <p>Cost: £3.9m</p>	<p>As per Option 2 but contract for delivery would be only for areas of Helensburgh, Dunoon and Oban. The remainder delivered internally in line with Option 1.</p> <p>Delivery within a 2 year period.</p> <p>Cost: £3.9m</p>
Column Replacement	Delivery via the existing Roads Operations Squad augmented by the luminaire replacement squads (see	Delivery via external contractor. Purchase of columns via Scotland Excel Framework and Tender for	As per Option 2.	As per Option 2 but contract for delivery would be only for areas of Helensburgh, Dunoon and Oban. The

Street Lighting Project – Full Business Case

	<p>above) once the luminaires are fitted (after year 2).</p> <p>Delivery within a 2 year period.</p> <p>Cost: £750k</p>	<p>Contractor.</p> <p>Delivery within a 2 year period.</p> <p>Cost: £750k</p>	<p>Delivery within a 2 year period.</p> <p>Cost: £750k</p>	<p>remainder delivered internally in line with Option 1.</p> <p>Delivery within a 2 year period.</p> <p>Cost: £750k</p>
Non Cash Benefits	<p>Full control of the project remains with the Council</p> <p>In-house delivery maintains jobs in Argyll and Bute thereby supporting the local economy</p> <p>Column replacement work passed to Roads Operations, thereby allowing them to maintain their workforce for other Council services e.g. Winter Maintenance during the project</p>	<p>Design and Project Management remains under the control of the Council</p> <p>Partial transfer of risk of non-delivery to a third party</p>	<p>Transfer of risk of non-delivery to a third party</p>	<p>Partial transfer of risk of non-delivery to a third party</p> <p>Retain some jobs in-house e.g. installation on the islands</p> <p>Some column replacement work passed to Roads Operations, thereby allowing them to maintain their workforce for other Council services e.g. Winter Maintenance during the project</p>
Risks	<p>Delivery in accordance with the timescale</p> <p>Availability of suitable staff</p> <p>Procurement and delivery of sufficient luminaires and columns</p>	<p>Availability of suitable staff</p> <p>Procurement and delivery of sufficient luminaires and columns</p>	<p>Additional contract management to mitigate against claims</p> <p>Procurement and delivery of sufficient luminaires and columns</p>	<p>Procurement and delivery of sufficient luminaires and columns</p>

Appendix D - Financial Summary of SFT Toolkit

Project assuming lanterns only installed	31 Mar 18	31 Mar 19	31 Mar 20	31 Mar 21	31 Mar 22	31 Mar 23	31 Mar 24	31 Mar 25	31 Mar 26
Forecast electricity cost under 'do nothing' scenario	891,042	913,370	945,465	1,085,543	1,123,429	1,206,971	1,265,904	1,348,005	1,424,739
Assumed current budget	771,000	800,796	806,457	816,142	870,334	882,407	909,754	926,116	952,027
forecast electricity cost on completion of LED programme	299,254	329,050	334,711	344,396	398,588	410,661	438,008	454,370	480,281
Net saving against existing budget	471,746	471,746	471,746	471,746	471,746	471,746	471,746	471,746	471,746
less finance costs	(269,263)	(269,263)	(269,263)	(269,263)	(269,263)	(269,263)	(269,263)	(269,263)	(269,263)
Unallocated Savings	202,484	202,484	202,484	202,484	202,484	202,484	202,484	202,484	202,484
Contribution to Service Choices	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Funds available to fund prudential borrowing for column replacement	52,484	52,484	52,484	52,484	52,484	52,484	52,484	52,484	52,484
Cost pressure that will be avoided	120,042	112,574	139,009	269,400	253,095	324,564	356,150	421,889	472,711

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Policy and Resources Committee Workplan 2015-16

December 2015 - This is an outline plan to facilitate forward planning of reports to the P&R Committee.					
17 December 2015					
	Development Session on Strategic Risk Register	Internal Audit			Agreed 05/02/15 to hold a seminar/workshop for Members on the strategic risk register before a future P&R meeting
	Financial Reporting 2015-16 - Summary	Strategic Finance	Every meeting	17 November 2015	
	Performance Report FQ2 2015/16	Customer Services	Quarterly	17 November 2015	
	Scottish Welfare Fund Delivery Options 2016/2017 Onwards	Customer Services		17 November 2015	
	Street Lighting Innovative Energy Saving Project – Update Report	Development and Infrastructure Services		17 November 2015	Recommendation from EDI Committee held on 12 November 2015
	Policy And Resources Committee Work Plan	Customer Services	Every meeting	17 November 2015	
	Major Capital Regeneration Project Progress Report	Development and Infrastructure Services	Quarterly	17 November 2015	
	Rothesay Pavilion Update Report	Development and Infrastructure Services		17 November 2015	Exempt Item
	New Schools Redevelopment Project	Community Services		17 November 2015	Exempt Item
4 February 2016					
	Financial Reporting 2015-16 – Summary	Strategic Finance	Every meeting	5 January 2015	

Policy and Resources Committee Workplan 2015-16

	Treasury and Investment Strategy	Strategic Finance	Annual	5 January 2015	
	Planning and Budgeting 2016/17	Strategic Finance	Annual	5 January 2015	
	Council Involvement in Regional Marine Planning for the Firth of Clyde.	Development and Infrastructure		5 January 2015	Advised by M Steward by Email dated 25 November 2015
	Enhanced Employability Pipeline Strategic Intervention – European Social Fund	Ishabel Bremner		5 January 2015	Email from Ishabel Bremner
	Policy And Resources Committee Work Plan	Customer Services	Every meeting	5 January 2015	
17 March 2016					
	Financial Reporting 2015-16 – Summary	Strategic Finance	Every meeting	16 February 2016	
	Performance Report FQ3 2015/16	Customer Services	Quarterly	16 February 2016	
	Lorn Arc – Update report	Development and Infrastructure Services	Quarterly	16 February 2016	
	Major Capital Regeneration Project Progress Report	Development and Infrastructure Services	Quarterly	16 February 2016	
	Scottish Government Funding for Welfare Reform and Discretionary Housing Payment	Customer Services			March 2015 - Requested further report in to a future meeting on progress with proposals.
	Policy And Resources Committee Work Plan	Customer Services	Every meeting	16 February 2016	

Policy and Resources Committee Workplan 2015-16

Future Items – date to be determined					
	SOA Delivery Plan Review	Customer Services			To come to future meeting – most likely June 2016.
	IHR Policies: <ul style="list-style-type: none"> • Recruitment and Selection Policy • Maximising Attendance Policy • Improving Employee Performance Policy 	Improvement and HR	Occasional		
	Lorn ARC Tax Incremental Funding (TIF) Asset Project 5 – Oban North Pier Extension – Start Up Report	Development and Infrastructure			Agreed 14 May 2015 that FBC would be presented to a future Committee
	Lorn Arc TIF Asset Project 9 – Existing Access Improvements and Business Park Enablement, Oban Airport Start up Project	Development and Infrastructure	Quarterly		Agreed 14 May 2015 that quarterly updates would be provided to OLI and then P&R
	Records Management and Electronic Document and Records Management Summary	Customer Services			
	Improving Wages in the Care at Home/Housing Support Sector	Community Services			

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ARGYLL AND BUTE COUNCIL**POLICY & RESOURCES
COMMITTEE****DEVELOPMENT & INFRASTRUCTURE
SERVICES****17 DECEMBER 2015**

**MAJOR CAPITAL REGENERATION PROJECTS – UPDATE REPORT AS AT 3rd
DECEMBER 2015**

1. EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to update the Policy & Resources Committee on progress in delivering the 12 major capital regeneration projects led by Development and Infrastructure Services, this excludes the 9 Lorn Arc projects. The attached Highlight Report (Appendix A) along with a Programme Plan (Appendix B) outlines the current position of the projects as at the 3 December 2015.
- 1.2 The paper also reports on key issues that will impact on the successful delivery of the projects from design development stage through to procurement and implementation.
- 1.3 The Helensburgh Town Centre and Esplanade public realm works, Campbeltown Transit Berthing Facility Oban Stafford Street public realm works and Dunoon Wooden Pier Refurbishment Phases 1a and 1b have all been completed The Rothesay and Campbeltown Townscape Heritage Initiative (THI) projects, are all on site; Oban Phase 2 George St to Station Square is scheduled to start on site on the 4 January 2016, the remaining projects are at development stage.
- 1.4 Since the last report the majority of the projects remain on track, apart from the Oban North Pier Visitor Facility (NPVF) and the Oban Transit Berthing Facility which in terms of the former is due to ongoing legal challenge and for the latter reaching agreement with OBM Ltd on the location of berthing facility. Following a technical meeting with OBM Ltd it was agreed that the best location for the berthing facility is the north side of the north pier. Progress in resolving the NPVF legal issue is outlined in the Highlight Report – Appendix A
- 1.5 In terms of human resources, Kirsteen Macdonald was appointed in August as the Oban Project Manager to take forward the Oban Maritime projects including Lorn Arc. Andrew Collins is overseeing the Oban public realm projects. Dominique Brown who was providing temporary administration support to cover maternity leave, left the Council on the 27 November to take up a permanent post with SEPA. Leanne Stewart, will return from maternity leave on the 7 January 2016. Mairi Campbell, administration support for Lorn Arc, started on the 16th November. To assist with the delivery of the Lorn Arc programme, David McKechnie, Aecom consultant, took up post on the 18th November. David will provide project management support over the next three to six months to provide both cover whilst Adrian Jackson-Stark is on sick leave and to assist in driving the Lorn Arc projects forward, with priority given to the next phase of the Oban Airport Business Park and the Dunbeg Corridor projects.
- 1.6 Budget: Projects are currently low to medium risk of being delivered within budget, the exceptions are the Rothesay Pavilion which although securing external funding of circa £6m still has yet to fully realise its funding target (see additional paper), Dunoon Queens Hall and the Helensburgh Waterfront development. Details are contained within

Appendix A.

1.7 It is recommended that the Policy and Resources Committee:-

1.7.1 Note the current progress and agreed allocation of budget resources to date against each of the projects.

**MAJOR CAPITAL REGENERATION PROJECTS – UPDATE REPORT AS AT 3rd
DECEMBER 2015**

2. INTRODUCTION

- 2.1 The progress report sets out the current position of each of the twelve capital regeneration projects, excluding the nine Lorn Arc projects.
- 2.2 The attached Highlight Report (Appendix A) along with a Programme Plan (Appendix B) outlines the current position of each project.
- 2.3 The paper also reports on key issues that will impact on the successful delivery of the projects from development stage through to procurement and implementation.

3 RECOMMENDATION

- 3.1 Note the current progress and agreed allocation of budget resources to date against each of the projects.

4. DETAILS

- 4.1. **Progress** – Since the last report the majority of the projects remain on track, apart from the Oban North Pier Visitor Facility and the Oban Transit Berthing Facility which in terms of the former is due to ongoing legal challenge and for the latter reaching agreement with OBM Ltd on the location of berthing facility. Following a technical meeting with OBM Ltd it was agreed that the best location for the berthing facility is the north side of the north pier Progress in resolving both of these issued is outlined in the Highlight Report – Appendix A. Mairi Campbell, administration support for Lorn Arc, started on the 16th November. David McKechnie, Aecom consultant, took up post on the 18th November. David will provide project management support over the next three to six months to provide both cover whilst Adrian Jackson-Stark is on sick leave and to assist in driving the Lorn Arc projects forward, with priority given to the next phase of the Oban Airport Business Park and the Dunbeg Corridor projects
 - 4.1.1 **Campbeltown** – The Kinloch Road regeneration works and the Transit Berthing Facility are complete, the latter is reporting increased visiting boat numbers, a performance report prepared by the operator will go to MAKI January Business Day. Works on the remaining two key target THI buildings - the Town Hall and 50-52 Main Street (both contribution projects to third parties) are on site but both projects are behind programme. The Council has therefore formally requested a further extension of time (currently December 2015) from HLF. The expected completion dates are now the 12th February 2016 and the 22 April 2016, respectively.
 - 4.1.2 **Helensburgh – Town Centre Public Realm works** – Officially opened on the 20th June, continues to receive very positive feedback. The project's Outdoor Museum was shortlisted for the prestigious FX International Award for Museums and Interior design

category, although unsuccessful the judges were very complimentary about the project, stating that “every town should have an outdoor museum”. The project has also been shortlisted for the Scottish Property Awards and the Civic Trust Awards, judging will take place in spring 2016. **Helensburgh Waterfront development** – A review of the design specification and costs is currently taking place, the intention is to report the findings to members early in the New Year.

4.1.3 **Oban - Oban Bay Public Realm works** - Phase 1 Stafford which was officially opened on the 7th October continues to receive positive feedback. The Phase 2 tender, which has come in under budget, has been awarded to Land Engineering. Works will start on site on the 4th January with a completion date of early June 2016.

North Pier Visitor Facility – Project continues to be delayed due to a legal objection from adjacent neighbour, following which a Court Summons was issued to the Council on the 19th January. Design was reviewed to address complainants concerns and planning approval has been given for the revised design. Following a lengthy Mediation meeting on the 24th September draft Heads of Terms have been drawn up and are in the process of being agreed. If agreement is reached then this will avoid the need for a court hearing. In the interim, the design team are looking at revised design options to reflect the Heads of Terms with the focus on function and affordability.

Oban South Pier – The April 2015 OLI Area Committee followed by the May Policy and Resources Committee meeting approved the recommendation that the remaining funds in this project be transferred to the public realm phase 2 works and as a result this project has now been removed from CHORD.

Oban – Short Stay Marina, it was reported to the April 2015 OLI Area Committee that Oban Bay Marina Limited’s revised Business Plan was not financially viable based on a Council and HIE contribution of £200,000 each. As requested by members, officers met and had a productive meeting with OBM Ltd, the agreed minute of the meeting was reported to the August OLI Area Committee. A subsequent meeting was held on the 29th September with OBM Ltd’s technical advisors, the council’s technical advisors and marine engineer specialists to discuss the best technical location for the transit berthing facility. It was agreed this to be the north side of the North Oban Bay Pier. A Project Initiation Document (PID) will now be drawn up and brought to members for approval in due course.

4.1.4 **Rothesay – THI** All THI funds have been allocated. Projects are progressing well. Redevelopment of the gap site has significantly improved the gateway into Bute, however, following Tesco’s decision not to trade officers are working with the developer to find an alternative use/occupier.

Rothesay Pavilion – The FBC was approved in April 2015, total cost £9.057.873. Funding applications of circa £6m have been approved. Grant applications continue to be made to close the funding gap of circa £860k – see Appendix A for further details. The essential works contract was completed on the 24 July. The Pavilion closed its doors on the 27th September following a very successful closing weekend. Since then intrusive surveys have been undertaken to enable the design team and cost consultants to get a better understanding on the extent of the required works. The closing date for the first stage submissions for the works contract was the 16 October. Five contractors have posted submissions, two of which are local contractors, the submissions are currently being evaluated. The Minute of Agreement between the Council and the Rothesay Pavilion Charity has been signed and is with the Heritage Lottery Fund (HLF) and other funders for their approval, after which the Council can submit the formal Submission to Start to HLF for sign off. Following completion of a stage E cost plan by the consultant quantity surveyor, projected construction costs have risen significantly due mainly to the findings of recent building surveys mentioned above. The potential impact of this could be as much as £1.9M, making the total cost circa £11m. The consequent effect of this is contained in a separate report to this committee.

4.1.5 **Dunoon - Queens Hall** - planning application approved; Building Warrant and Transport Regulation Order submitted. With regard property matters, 27-29 Argyll Street and 24 Argyll Street have been acquired. **15 Argyll Street** – late last week the owners instructed their solicitors to withdraw their appeal against the CPO and to accept the Council's offer. However, by the time this was done it was too late for the Reporter to consult with the Scottish Government as to whether they still required him to proceed with the inquiry, therefore inquiry went ahead on the 1 December as Council witnesses were present. After the Reporter asked a witnesses a few questions the inquiry was adjourned to allow him to consult with the Scottish Government. Should a report be required the Reporter will invite both parties' solicitors to lodge final submissions. He will then complete his report (within 6 weeks) and provide this to Scottish Government, who will then consider whether to permit the CPO to be confirmed. The Council's formal offer was issued on the 2nd December. In terms of procurement of the main works, there have been five PQQ returns, which are currently being evaluated with tenders due to be issued in January 2016 with a site start in May 2016. **The Wooden Pier** – Phases 1a and 1b are now substantially complete and the Final Accounts have been agreed. The project has been delivered within budget.

4.2 **Resourcing** - Kirsteen Macdonald was appointed in August as the Oban Project Manager to take forward the Oban Maritime projects including Lorn Arc. Andrew Collins is overseeing the Oban public realm projects. Dominique Brown who was providing temporary administration support to cover maternity leave, left the Council on the 27 November to take up a permanent post with SEPA. Leanne Stewart, will return from maternity leave on the 7 January 2016. Mairi Campbell, administration support for Lorn Arc, started on the 16th November. To assist with the delivery of the Lorn Arc programme, David McKechnie, Aecom consultant, took up post on the 18th November. David will provide project management support over the next three to six months to provide both cover whilst Adrian Jackson-Stark is on sick leave and to assist in driving the Lorn Arc projects forward, with priority given to the next phase of the Oban Airport Business Park and the Dunbeg Corridor projects.

4.3 **Budget:** Projects are currently low to medium risk of being delivered within budget, the exceptions are the Rothesay Pavilion which although securing external funding of circa £6m still has yet to fully realise its funding target, Dunoon Queens Hall and the Helensburgh Waterfront development. Details are contained within Appendix A.

5 CONCLUSION

5.1 Delivering this number of complex capital budgets continues to be a challenge for the team but as outlined in report good progress is being made. For example, since the last report, the tender has been let for phase 2 of the Oban public realm works and the first stage notices for procuring the works contracts for the Queens Hall and Rothesay Pavilion have been issued. Inflation in the construction industry continues to put pressure on bringing projects within budget but to help mitigate against tender returns exceeding budgets, cost plans are regularly updated and actions required reported to Area Committees. Progress against the Programme Plan is regularly reviewed by the Programme Manager and at monthly Development and Infrastructure Management Team meetings.

6. IMPLICATIONS

POLICY	The delivery of this project fits with the Council's Corporate Plan, Single Outcome Agreement and approved Development Plan policy for town centre
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	regeneration. The economic outcomes from this project will contribute to the Government's Economic Strategy.
FINANCIAL	As outlined in section 4.3 above.
LEGAL	Each project will have differing legal requirements, this will be laid out in each project's Project Initiation Document. No legal issues at Programme level.
PERSONNEL	Recruitment is currently taking place. The resources required to deliver the Capital Regeneration projects will be continually monitored and reported to the Policy and Resource Committee.
EQUAL OPPORTUNITIES	There are no equal opportunities implications.
RISK	As outlined in Appendix A
CUSTOMER SERVICE	There are no customer service implications.

Executive Director Development and Infrastructure Services: Pippa Milne

Policy Lead: Ellen Morton

3 December 2015

For further information - please contact Helen Ford, CHORD Programme Manager,
Development and Infrastructure Services
Economic Development and Strategic Transportation.
07879641415

Attached: Appendix A – CHORD Programme Highlight Report 26 October 2015
Appendix B – Programme Plan

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