

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

4 SEPTEMBER 2013

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION

Corporate Management and Finance – Lead Cabinet Member – Councillor Harrington

BIG TICKET PROGRAMME BOARD

1. Summary

The purpose of this report is to update Cabinet on the progress of the Big Ticket Programme Boards.

2. Recommendations

Cabinet is asked to note the report.

3. Reasons for the Recommendations/Decision(s)

To update members on the progress of the Big Ticket Programme Boards.

4. Members' Interests

Members (including co-opted Members) should consider whether they have a personal interest in any item, as defined in **paragraphs 9 and 11** of the Council's code of conduct and, if so, declare the existence and nature of that interest in accordance with and/or taking account of **paragraphs 12 - 17** of the code.

Where a Member regards him/herself as having a personal interest, as described in **paragraph 16** of the code, in any business of the Council he/she must then, **in accordance with paragraph 18** of the code, consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest and the business:-

- affects the members financial position or the financial position of a person or body described in **paragraph 17** of the code, or
- relates to the determining of any approval, consent, licence, permission or registration in relation to the member or any person or body described in **paragraph 17** of the code.

A Member with a personal interest, as described in **paragraph 18** of the code, may attend the meeting but must not take part in the consideration and voting upon the relevant item of business. However, a member with such an interest may make representations, answer questions or give evidence relating to that business before the business is considered or

voted on, provided the public are also allowed to attend the meeting for the same purpose whether under a statutory right or otherwise (**paragraph 19** of the code)

Members may participate in any discussion and vote on a matter in which they have an interest, as described in **paragraph 18** of the code, where that interest relates to functions of the Council detailed in **paragraph 20** of the code.

Disclosable Pecuniary Interests

It is a criminal offence for a member to participate in any discussion or vote on a matter in which he/she has a disclosable pecuniary interest (and where an appropriate dispensation has not been granted) **paragraph 21** of the code.

Members are required to comply with any procedural rule adopted by the Council which requires a member to leave the meeting room whilst the meeting is discussing a matter in which that member has a disclosable pecuniary interest (**paragraph 22** of the code).

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**REPORT OF
CORPORATE
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BIG TICKET PROGRAMME BOARD

1. SUMMARY

The purpose of this report is to update Cabinet on the progress of the Big Ticket Programme Boards.

2. RECOMMENDATIONS

Cabinet is asked to note the report.

3. DETAIL

Adult Programme Board Update

- 1 The Adult Programme Board has been revised to ensure continued strategic focus, with new arrangements to take forward the implementation of projects once approved.
- 3 Following approval by Cabinet, the Board has agreed the approach to implementing the Learning Disability Services EIT Review in order to achieve the 15% savings identified, and lead officers for key projects and timescales have been agreed. The project is scheduled to take approximately 18 months, with priority being given to the reconfiguration of day services and respite care, alongside work to increase supported living opportunities.
- 4 The Council has one in-house residential unit at Oak Road and work has continued to assess its suitability for a supported living scheme. Consultation has taken place with current clients and carers and there was support to move towards an independent living scheme on site.
- 5 A bid in relation to the Homes and Communities Agency for units to be provided at the former Blenheim site has been successful, attracting grant for 24 affordable rents and 4 affordable homeownership for LD and older peoples housing.
- 6 In order to take forward the review's recommendations, approximately 360 clients will need care management input, and it has been agreed to appoint additional care managers on a temporary basis in order to increase capacity in the team and ensure clients are supported in an appropriate and timely manner.
- 7 Existing residential placements continue to be reviewed on a commercial basis in order to ensure that they are value for money, with a focus on high cost cases. A summary of the work undertaken by CCS on the Council's behalf was presented at the Board meeting in July.
- 8 The Adult Mental Health Services EIT Review continues. Public consultation took place between 11 March and 7 June and the results are being considered by the Adult Services and Health Select Committee in July. The proposals included greater support for usage of

personal budgets, ceasing the in-house day, rehab and respite services, ceasing the dedicated user and carer involvement posts and providing such support through other existing mechanisms, and re-configuring the community support service. A report with final proposals is due to be considered at Cabinet in September.

- 9 The Programme Board has considered the results of a regional review into Reablement services, undertaken on behalf of NE ADASS. The review found that a variety of approaches had developed across the region. Further work will be undertaken to compare Stockton's approach to other models, and to develop methods of tracking the cost/benefit impact of reablement interventions, over a period of more than one financial year.
- 10 In line with the new Independent Living Commissioning Strategy the Board will be considering the current market position locally.
- 11 Work is also continuing to take forward the Enabling Workstream's project investigating the client's 'pathway into care', and project arrangements are being developed to implement the new Carers' Strategy.
- 12 Next steps include to:
 - Finalise the Mental Health EIT Review proposals in conjunction with ASH Select Committee;
 - Undertake the implementation of the Learning Disability Actions, including the outcome of the review of Oak Road
 - Review SBC's approach to reablement in light of the regional findings

Children's Programme Board Update

- 13 The Children's Programme Board continues to meet monthly and is overseeing work relating to the following: 52 WK Residential, Fostering & Adoption, services for children with disabilities and complex needs, day care and short breaks provision.
- 14 52 Week Residential – Cabinet at its meeting held on 7th March 2013, agreed to the establishment of a joint venture partnership with Spark of Genius, to deliver care and education to children with complex needs through the acquisition of properties for care facilities and the renovation of King Edwin school. The business case for the venture was based on the location of 20 children who currently received out-of-borough social and education placement. The cost of the venture was estimated at £2M to be funded from the transformation reserve and was expected to generate annual savings of £400,000 per annum.
- 15 Work on refurbishment of the school is progressing well and the Joint Venture Partnership remain confident that the project will deliver on time. Officers were currently progressing one offer to obtain a property suitable for use as a childrens home.
16. Fostering & Adoption models – Further work to explore a range of different business models for fostering and adoption has been prioritised and the Board will consider a detailed report on this at the October meeting. In addition fostering and adoption models will be explored as part of the STS innovation challenge in September.
17. Provision for Children and Young People with disabilities/complex needs –The Board have considered the results of an initial feasibility exploring the availability of current and alternative facilities that may be more suitable/cost effective. This included the possibility of co-locating the services at a single site this would be reliant upon the suitability of a facility to allow physical separation of the entrances for daycare and residential provision. A more detailed analysis of all available options, would be reported to the Board in October. Capital funding of £125k may be available to assist in any associated building costs with the preferred option.

18. An assessment of actual need for non-assessed short break services would be reported to the Board in August to assist any future decision taken to reduce this provision. For 13/14, the budget had already been reduced by 25%*
 - Excluding funding for SUfc who's current funding had been maintained.
19. The Board noted that the Childrens Health & Wellbeing Partnership were leading on the preparation of a draft Early Help Strategy intended for consideration by HWB Board/Partnership.
20. An outline Business Case has been presented to the Board detailing a proposal by SICTU to form as an employee mutual in order to be more cost effective and competitive in providing ICT facilities for schools, academies and other potential clients. Such a proposal, if implemented, could form the blueprint for other service areas following suit in the future. A further more detailed business case for the SICTU proposal will be reported to the Board in September.

Energy & Waste Programme Board Update

21. Energy and Waste are two of the Council's biggest single spend items alongside both the Children's and Adults Social Care operations. Energy and Waste were both identified as a "big ticket" reviews back in the 2012/13 MTFP and therefore subject to a formal work programme to consider whole scale changes to reduce or at least stabilise future revenue commitments.
22. The review coincides with two pieces of work being carried out at a sub-regional level, one on the exploration of Power Purchase Agreements for Energy and the second looking at possible waste arrangements beyond 2020 when the contracted arrangement ceases.
23. The Corporate Director of Development and Neighbourhood Services currently chairs the officer Programme Board for Energy and Waste spend across the two areas is approx. £7.5m annually, a number of pressures exist particularly around increases in gate fees for waste at the current contracted facility and energy which is purchased on the futures market with unpredictable trends.
24. Key areas of activity are:-

Waste Disposal

Work in this area to date has considered the legal position of the current waste disposal contract with SITA due to expire in 2020 and exploration to see if a business case exists to exit the contract early, however legal advice suggests there is not an option to terminate early. The option of extending this contract was initially thought not possible however further discussions have centred on building in a clause to the contract to allow the current contract for waste disposal to be extended. It is not considered that a short extension of between 5 – 7 years would amount to a material change and would not therefore create a new contract situation. This would enable a price to be agreed closer to the price currently paid the alternative being a dramatic increase if a new contract was entered into with SITA. This advice will be shared with District Lawyers group in September.

In addition to fully understand the options / costs of waste disposal post 2020 i.e. when the current contract expires, the Board have undertaken a detailed financial modelling exercise. The initial conclusions drawn from this are that the estimated expenditure based on the current waste disposal contract will be £4.7m by 2020/21. An increase of £0.9m from the 2013/14 budget. Analysis has also been undertaken on expenditure post 2020/21 based on current national waste disposal fees. The key point to note is that gate fees vary substantially.

The factors that determine specific gate fees at a facility are complex ranging from size of a facility, the nature and duration of contracts, tonnage levels, financing arrangements, the age of the facility, the level of revenues generated from the sale of recovered materials and other outputs such as energy.

Figures have been produced showing the Median £5.5m, Low £4m and High £8.7m. Worse case scenario is that the authority could face an increase in expenditure of £5m for disposal of waste.

This information will provide a strong basis against which the Board can monitor costs.

District Heating

The Board has considered the pre-feasibility study that has tested the potential for developing a new district heating network using industrial waste heat from GrowHow's plant on Teesside and supplying it to public and private sector buildings in Billingham and Stockton, focussing on de-risking the decision to proceed to next stages of feasibility testing and business case development.

An understanding of the predicted demand for heat and the type of potential heat customer (public/private sector and building type) for two clusters of buildings to the north and south of GrowHow had been developed, potential main heat network routes had been identified, a range of capital costs developed to provide an initial 'size and shape' of the network, preliminary simple commercial testing completed, and testing carried out of the sensitivity of the project's economics to factors such as energy costs, capital costs and heat demand.

Key conclusions and messages from the analysis were:

- For the overall heat network sketched out the analysis, which comprised of a north and south cluster, in the base case (25 year analysis period, discount rate 3.5% and heat purchase price from GrowHow 1p/kWh) the IRR achieved was currently 6.8%, which was promising at this stage of pre-feasibility.
- The IRR's presented were simple 'project IRR's' and take no account of an approach to funding & finance.
- Project returns were sensitive to a number of assumptions and variables (not least of which was the estimated heat demand, discount rates and GrowHow's heat sale price) which would need to be developed and understood in more detail over time if the project was taken forward.
- Getting the network started was key – and should be based on a small cluster of large anchor loads with a long term requirement for heat and who were prepared to connect to a heat network.
- From the information presented by GrowHow at the presentation by Arup of the draft final report and the consequent discussion, a potential promising first phase of a Billingham heat network emerged, focussing on providing heat predominantly from the GrowHow plant to three initial anchor loads:-
 1. North Bank Growers greenhouses
 2. KP Foods
 3. Billingham Forum
- This first phase would still present challenges however, as the information from GrowHow at the presentation means Arup's assumptions around 100% availability of heat from GrowHow would not be realised. In short, there would be a need for

providing top-up heat to raise the supply temperature into the heat network and for back-up heating during the periods of non-availability of heat from GrowHow's ammonia plant. Options for providing this top-up and back-up heat include GrowHow's boiler plant and SITA's EfW plant.

Recommended immediate next steps were:

1. Full technical and commercial feasibility study of the identified first phase. This should include activities such as testing and developing the preferred delivery mechanism and route to procurement based on the identified roles, responsibilities and commercial requirements of the various stakeholders.
2. In developing all aspects of the first phase, it would be important to be mindful of the longer term vision for developing the Billingham network to serve a wider area and to ensure that the technical and contractual arrangements would allow this future development of the network (or networks).
3. Once the feasibility testing of the first phase had been developed to the point of there being a good level of confidence that the first phase of the network could be delivered, carry out some informal soft market testing with the owners of the other main anchor load buildings in the Group A and B clusters to understand their attitude to heat networks, gauge their 'keenness' to connect, understand what conditions would need to exist for them to connect and get more accurate data on their heating energy consumption.
4. Assuming a positive response to the soft market testing exercise, then complete a full technical and commercial feasibility study and risk assessment for the wider heat network, building on the first delivery phase's feasibility study, using the information gathered on likelihood of connection and scale of heat demands, and investigating the other issues that present risk, such as back-up and top-up heat sources, and obstacles presented by utilities, the A19 and the River Tees.

Street Lighting

This area incurs an annual energy bill of £1.577M and a maintenance bill of £0.689M. 27,000 columns with over 10,000 obsolete. A programme of street light dimming has recently been completed using SALIX SEELS 4 funding with 8,500 dimmed street lights now operational. The investment of £889k will result in savings estimated at £200k per annum from the authority's electricity bill.

A detailed business case for further capital investment is being developed using a technical and financial toolkit developed by ARUPS for the Scottish Futures Trust. The Board considered options for the replacement of columns and the installation with low energy, low maintenance lighting. This has the potential to reduce revenue support significantly. Draft 'invest to save' options considered at the board meeting on 12th July included a range of funding options between 0% and 100% borrowing. The Board agreed that the preferred option must deal with columns in addition to replacement with LED lights as this would reduce maintenance in future years. Installation could be achieved over a three year period this delivering savings quickly, a detailed report to be prepared for CMT consideration.

It should be noted that whilst initially a joint procurement approach had hoped to be reached with Middlesbrough in this regard, their current position makes this unachievable.

Vehicles & Fuel

The Board have considered the findings of the task and finish review of vehicles and fuel and have agreed the need to implement a viable ICT system for fleet management. £50K has

been identified from Direct Services resources with payback in efficiency savings expected in 3 / 4 years. Board supported proposal to restructure staff in this area which supports the alternate approach to Fleet Management i.e. moving from leasing vehicles to purchasing. A detailed report is being prepared for CMTs consideration.

FINANCIAL / RISK ISSUES

Full financial assessments / risk assessments to be undertaken by each programme board in line with proposals / recommendations.

CONSULTATION / COMMUNICATIONS

Consultation has included regular briefings with the relevant Cabinet members.

LEGAL IMPLICATIONS

None arising from this report.

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