

Item: 11

Policy and Resources Committee: 16 February 2021.

Islands Deal.

Joint Report by Chief Executive and Executive Director of Development and Infrastructure.

1. Purpose of Report

To advise of progress with the Islands Deal with UK and Scottish Governments and to consider resource required to progress the Deal.

2. Recommendations

The Committee is invited to note:

2.1.

That, since the announcement in July 2020 by UK and Scottish Governments of funding for an Islands Deal of £100 million, work has continued to further define and develop the individual projects which will make up the Deal.

2.2.

The expectation that Heads of Terms for the Deal will be signed in March 2021, with the full Deal signed towards the end of 2021, following finalisation of the Full Business Cases for each project.

2.3.

That, in October 2018, the Council agreed that further budgetary provision of £400,383 be allocated to progress the Islands Deal, to be met from the Renewables, Regeneration and Redevelopment Fund.

2.4.

That, as at 31 March 2021, it is anticipated that a remaining balance of £166,503 will be available from the further budgetary provision of £400,383.

2.5.

That implementation of the Deal will require the establishment of a Programme Management Office, led by a Programme Director, with all associated costs to be shared equally by the three Island Councils.

2.6.

That the Council's share of the costs of the Programme Director for the initial three years, estimated at £30,000 per annum, can be met from the remaining balance referred to at paragraph 2.4 above.

It is recommended:

2.7.

That the balance remaining on the original allocation from the Renewables, Regeneration and Redevelopment Fund, in respect of progressing the Islands Deal, amounting to £166,503, be utilised as follows:

- To fund the Council's share of the costs of the Programme Director for three years, estimated at a total cost of £90,000.
- To progress finalisation of the Deal by enabling specialist external support to develop Final Business Cases for each Deal project.
- To enable any necessary temporary project resource requirements required to manage the transition to the Programme Management Office.

2.8.

That, following final definition of the resource requirements of the Programme Management Office, the Chief Executive and the Executive Director of Development and Infrastructure should submit a report, to the next available meeting of the Committee, detailing any necessary additional funding.

3. Progress with the Islands Deal

3.1.

Since the formal announcement of the Islands Deal by both the UK and Scottish Governments, in July 2020, work has continued to further define and develop the individual projects which will make up the Deal. This has included development of Strategic Outline Cases (SOCs) for the projects, which were submitted to both Governments in October 2020 following discussion at the Special General Meeting of the Council on 13 October 2020.

3.2.

Both UK and Scottish Governments have provided feedback on the SOC's which has been incorporated into the projects.

3.3.

The expectation from both Governments is that Heads of Terms can be signed by the end of March 2021, in line with the timetable developed at the time of the announcement.

3.4.

Following the signing of Heads of Terms, Outline Business Cases will be developed for the Deal projects, followed by Full Business Cases, in accordance with Treasury Green Book procedures. Successful conclusion of this process will then result in the signing of the Final Deal, currently expected to be by the end of 2021.

3.5.

Implementation of the Deal will require a formal governance structure to be developed, in accordance with UK and Scottish Government requirements. This structure will include a Programme Management Office (PMO) which will manage overall implementation of the Deal, provide the necessary financial and progress reports to Government and ensure that the agreed aims and objectives are met. The PMO will be led by a Programme Director, with costs shared equally between the three Island Councils. The PMO will take over from the current temporary structures put in place to progress the Deal.

4. Islands Deal Resources

4.1.

In September 2018, the Policy and Resources Committee recommended further budgetary provision of £400,383 to progress the Islands Deal, to be met from the Renewables, Regeneration and Redevelopment Fund. The expectation at the time was that the Deal would be signed by March 2021 and so the funding was allocated over financial years 2018/19 to 2020/21. Progress has, however, been slower than expected, partly due to Government timescales and partly due to the COVID-19 pandemic. As a result, and as noted above, signing of the Deal is not now expected until the end of 2021.

4.2.

As of March 2020, there was £316,503 remaining from this allocation. A budget of £229,000 was agreed for financial year 2020/21, leaving £87,503 from the total allocation. It is expected that the full amount of £229,000 will not be spent by March 2021 due to slower than expected progress of specialist external consultancy support to develop the Business Cases. Projected year-end out-turn estimates an underspend of £79,000.

4.3.

There is likely therefore to be £166,503 remaining from the original allocation from the Renewables, Regeneration and Redevelopment Fund, as of 31 March 2021. It is proposed to use this unallocated balance for three purposes:

- To fund the Council's share of the costs of the Programme Director for three years, estimated at a total cost of £90,000.
- To support finalisation of the Business Cases by enabling input of specialist external support and advice.

- To enable the continuation of the temporary resource requirements to manage the transition to the PMO.

4.4.

Following the appointment of the Programme Director, the details of the PMO structure, and any necessary resource requirements will be defined, together with clarification of the Council's share of the costs. Any subsequent additional funding requirements will be the subject of a further report to Committee, likely to be in Summer 2021.

5. Human Resource Implications

The role of Programme Director is being jointly developed by the three Islands Councils, with a view to recruiting to this position, through internal secondment processes, by April 2021. Discussions around terms and conditions of employment are ongoing and will require agreement by the Islands Deal Programme Board, however an estimated total cost per year of £90,000 including employment on costs, can be made. The Council's share of this would therefore be in the region of £30,000 per year. The role is anticipated to be for an initial duration of three years, to ensure that the necessary systems, processes and governance structures are fully set up and implemented to enable appropriate management of the Deal over its anticipated ten-year duration.

6. Links to Council Plan

6.1.

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Council Plan strategic priority of Enterprising Communities.

6.2.

The proposals in this report relate directly to Priority 4.9 Work in partnership with the two other Islands Councils to finalise the Islands Deal.

7. Links to Local Outcomes Improvement Plan

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Local Outcomes Improvement Plan priorities of Strong Communities, Living Well and A Vibrant Economy.

8. Financial Implications

8.1.

This report has identified that there is £87,503 unallocated from the £400,383 approved to progress the Islands Deal in September 2018. There is also a projected underspend of £79,000 from the current financial year. It is therefore anticipated that there will be £166,503 available to be used from 1 April 2021.

8.2.

There is however an immediate need to identify a funding source for the Council's share of the costs of the Programme Director, estimated to be £30,000 per year for an initial period of three years. This can be met from the remaining funds identified above.

8.3.

The remaining £76,503 will be used to support development of the Final Business Cases for each project within the Deal and for any necessary temporary resource needed to transition to the Programme Management Office.

8.4.

Long-term resourcing of the Programme Management Office for the duration of the Deal period will be the subject of a future report. The appropriate route to address long term resourcing would be through the annual budget setting process.

9. Legal Aspects

There are no legal implications arising directly from the recommendations of this report.

10. Contact Officers

John Mundell, Interim Chief Executive, extension 2101, Email chief.executive@orkney.gov.uk

Gavin Barr, Executive Director of Development and Infrastructure, Email gavin.barr@orkney.gov.uk

Darren Richardson, Head of Infrastructure and Strategic Projects, extension 2310, Email darren.richardson@orkney.gov.uk

Lorna Richardson, Strategic Policy and Projects Manager, Email lorna.richardson@orkney.gov.uk