Economic Development and Infrastructure Services Committee

Tuesday, 30 April 2024

SUPPLEMENTARY AGENDA

The undernoted reports have been added to the Agenda for the meeting of the **Economic Development and Infrastructure Services Committee** to be held at **Council Chambers**, **Council Office, High Street, Elgin, IV30 1BX** on **Tuesday, 30 April 2024** at **09:30.**

BUSINESS

Information Reports - Not for Discussion at this Meeting

Any member wishing to call in a noting or information report from one meeting shall give notice to Committee Services at least 48 hours before the meeting for which the report is published. The Notice shall be countersigned by one other elected member and shall explain the reason for call in including any action sought.

Information Report - List of Property Transactions Concluded Under Delegated Powers

113 - 124

Report by Depute Chief Executive (Economy, Environment and Finance)

Summary of Economic Development and Infrastructure Services Committee functions:

Roads Authority; Lighting Authority, Reservoirs Act 1975, Public Passenger Transport; Flood Prevention; Twinning; Piers and Harbours and Coast Protection; Industrial and Commercial Development; Environmental Protection; Burial Grounds; Assistance to Industry or Commerce; Public Conveniences; Council Transportation; Catering & Cleaning; Land Reform (Scotland) Act 2003; Countryside Amenities; Tourism, monitoring funding from European Programmes, youth training and employment creation scheme and provide Architectural, Quantity Surveying, Maintenance and Allied Property Services.

Watching the Meeting

You can watch the webcast live by going to:

http://www.moray.gov.uk/moray_standard/page_43661.html

Webcasts are available to view for 1 year following the meeting.

You can also attend the meeting in person, if you wish to do so, please come to the High Street entrance door and a member of staff will be let into the building.

REPORT TO:	**ECONOMIC DEVELOPMENT AND INFRASTRUCTURE SERVICES COMMITTEE ON 30 APRIL 2024**
SUBJECT:	**ZERO EMISSION FLEET REPLACEMENT STRATEGY**
BY:	**DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)**

1. REASON FOR REPORT

1.1 To provide Members with a strategic overview to decarbonise the Council's fleet and meet the agreed net zero targets.

1.2 This report is submitted to the Economic Development and Infrastructure Services Committee in terms of Section III (F) 15 of the Council's Scheme of Administration relating to the function of the Council as Roads Authority.

2. RECOMMENDATION

2.1 **It is recommended that Committee:**

(i) considers the EV strategy proposed by Fleet Services to ensure the Council is well placed to meet its ambitious net zero targets;

(ii) recognises the council's progress made to date in reducing fleet carbon emissions;

(iii) notes that options put forward within the strategy will require varying levels of capital investment, and endorses the preferred option 2, which will be subject to consideration as part of the standard financial planning process going forward;

(iv) recognises that the transition to a zero-emission fleet cannot progress at scale until suitable charging infrastructure is in place following the depot review and smarter working projects;

(v) agrees that proposals for Ashgrove depot are developed as the council's centralised green depot with alternative infrastructure in place to allow development of net zero alternatives;

(vi) agrees to the Council exploring external funding opportunities for future hydrogen and biogas pilots.

3. DEFINITIONS

3.1 BEV – Battery electric vehicle
DNO – Distribution Network Operator (electricity transmission infrastructure provider - currently SSEN)
EV – Electric Vehicle
FCEV – Hydrogen fuel cell vehicle
ZEV – Zero emissions vehicle
HDV – Heavy duty vehicles
ICE – Internal combustion engine vehicle (powered by diesel or petrol)
LCV – Light commercial vehicle (gross vehicle weight of up to 3.5 Tonne)
RCV – Refuse collector vehicle
HVO – Hydrotreated vegetable oil (Renewable diesel)

4. BACKGROUND

4.1 The Scottish Government (SG) has made the commitment to work with public bodies to phase out petrol and diesel cars from the public sector fleet, and phase out the need for any new petrol and diesel light commercial vehicles by 2025. They have set a further target for these bodies not to purchase fossil fuel light commercial vehicles under 3.5T after 2025 and have these vehicle types phased out in Scotland by 2030. The SG target for phasing out Heavy Duty Vehicles (HDV) is by 2040. The Scottish Government's commitment to public sector fleet decarbonisation was underlined by its signature of the Climate Group ZEV Pledge for Public Fleets at COP26, however, these targets are government targets as part of the statutory commitments in the Climate Change (Scotland) Act 2009 as amended and are not binding on local authorities.

4.2 On 10 March 2021 the Council adopted a Climate Change Strategy for 2020-2030 (para 13 of the minute refers). The strategy set a goal of the Council being carbon neutral by 2030 and that the Council, its officers and members will work with others across Moray to deliver that goal. To be net-zero means that the Council will reduce its carbon emissions as much as possible and offset any remaining emissions.

4.3 On 6 April 2022 the Council adopted a route map to start the process of calculating how the Council would reach net zero emissions by 2030 (para 18 of the minute refers). This route map recognised the difficulty in converting Council fleet vehicles and estimated that 75% of fleet vehicles would be transferred to ultra-low emissions vehicles by 2030. The residual emissions would have to be offset until the remaining fossil fuel vehicles were phased out.

4.4 On 7 February 2023 this Committee approved that in relation to vehicles, the development of the council's ZEV strategy and transition to net zero be aligned with SG targets as detailed in paragraph 4.1 rather than tied to the Council's 2030 target (para 10 of the minute refers). This change in position because between now and 2040, the market is expected to mature significantly with greater choice and reduced costs. The approach was intended to inform forward capital funding requests as part of the capital planning process. The strategy set out in **Appendix 1** and summarised below builds on this position.

4.5 On Thursday 18 April 2024 there was media coverage about the inability of SG to meet their high level climate change targets. At the time of writing it's not clear what the wider consequences of this will be, although there are some indications around carbon budgets, and retaining a commitment to net zero. This report is based on information that is correct at the time of writing and in recognition of the fact that there is still an acknowledged climate emergency and 2030 target set by the Council itself, noting that this target and the wider route map are currently under review and are due to be reported before the recess.

4.6 Work will continue to more closely align the separate strategies being developed by the Council under its climate change aspirations. Currently separate teams are responsible for the development of hydrogen strategies, EV public infrastructure, Fleet decarbonisation and council owned infrastructure.

5. ZERO EMISSIONS FLEET REPLACEMENT STRATEGY

5.1 The Council's fleet services management team have developed a draft strategy with key and separate themes to aid transition to net zero. This draft strategy is attached as **Appendix 1**.

5.2 At present, the council's existing fleet contains a total of 47 electric vehicles which represents around 9% of the registered fleet. These vehicles have been well received by Council staff and the wider community. A further 7 electric vehicles are on order. In addition some plant, strimmers, blowers and breakers have been replaced with battery powered alternatives. This early and committed ambition to vehicle transition has put the Council in a strong position in terms of a net zero transition.

5.3 There are 525 registered vehicles in the main operational fleet, dominated by light commercial vehicles with medium vans being the largest vehicle segment (44%). The remainder of the fleet consists of pool cars (21%), heavy goods vehicles dominated by 3 axle rigid trucks (17%), buses (7%) and the remainder is tractors and heavy plant (11%).

5.4 Given the wide range of vehicles in operation, at this moment in time there is not one single technological solution to reduce the council's carbon footprint and some technologies are not yet considered mainstream solutions. All the current available technology has been considered in the proposed strategy. Currently the hardest task for fleet decarbonisation, relates to the larger/heavy duty vehicles.

5.5 The current annual Vehicle and Plant replacement capital budget is £3.53m. Migration to a zero-emission fleet is going to be a complex process which will take a number of years. Whilst good progress has been made it is evident that issues such as supply chain pressures and price inflation are extending the lead times for vehicles and infrastructure. Many manufacturers are still at the prototype stage, and this makes whole life costing, including estimating residual value of vehicles, difficult to predict.

5.6 In terms of investment to progress the journey to zero emission vehicles, the strategy sets out three possible options The investment required will be subject to consideration as part of the standard financial planning process going forward. These options include:

Option 1 - Enhanced capital spend which will meet the ambitious targets set by SG

5.7 There is presently large cost disparity between Internal Combustion Engine (ICE) powered and electric/hydrogen alternatives for the larger heavy goods vehicles (HGV) and specialist vehicles. It is considered to meet in full the ambitious SG and council targets to be net zero is not viable from a financial and general risk perspective to purchase these as electric/hydrogen until the market has matured, greater reliability can be ensured, and economies of scale have led to a reduction in prices.

5.8 It is suggested that there is significant financial risk with seeking full transition by 2040. It is still very much emerging technology, with many of the larger vehicle types not wholly available and tested. Analysis produced suggests that, at current prices, capital investment of £6m per year would be required and may not be the best use of investment taking into account that the Council would be disposing of many of its fossil fuel vehicles before they have reached their optimum life term and age profile.

Option 2 - Steady state capital spend which will demonstrate the council's clear commitment but not meet in full SG targets

5.9 Continuing with the current levels of capital investment allows the Council to continue with the current lifecycle planning approach as set out within the Council's 10 year capital planning process. It will allow the Council to continue to operate vehicles to an optimum life which considers vehicle reliability with age, the associated maintenance costs and predicted residual values to maximise any depreciation costs.

5.10 The Council will continue to replace fossil fuel type vehicle types at their optimum life but will purchase appropriate ZEV equivalent on a phased manageable approach linked to having the right amount of charging infrastructure available. There are still risks associated with seeking a high percentage of electric vehicles as it is still developing technology. However, the Council has taken a strategic view to determine that it seeks electric options where there is a clear and established market, for example in cars and light commercial vans.

Option 3 - Reduced capital investment which will significantly impact the transition to a net zero fleet.

5.11 The Council continues to face a very difficult financial situation with having to find savings over 2024/25 and 2025/26 of approximately £13.5 million. It is estimated that £10m of savings will need to be made in 2024/25 taking account of savings that have already been identified. This means that the Council has no choice but to make significant changes to the services that are delivered, and require to continue to reduce spend.

5.12 If a capital cap was applied leading to significant reduction in current capital investment, this would effectively halt the transition to EV and in addition will extend the age profile of the fleet. Extending the age profile of the fleet will have the following consequences, some of which are directly opposed to SG targets;

- Increased maintenance costs
- Increased downtime
- Increased labour time (- this is expensive and in short supply)
- Potential for major component failure of assets leading to hire costs
- Increased carbon emissions
- Poor fuel economy
- Poor public image

5.13 Charging Infrastructure: The strategy sets out a 3 year approach to increasing charging infrastructure which facilitates the vehicle transition set out in Option 2. It also sets out an approach to be delivered in tandem with the depot strategy (subject to a separate report to this committee) which would see the case for a green hub at Ashgrove depot being prepared to facilitate greater expansion of charging facilities at that site. This, along with other workstreams internally and with the DNO to develop charging infrastructure on a longer term basis form part of the future strategic actions described in the strategy.

Summary

5.14 The recommendation from Fleet Services management is to progress with option 2, which is adopting a phased approach to replacing the current fleet with ZEV equivalent.

5.15 This option represents a blend of priorities which includes the initial ambition tied to an affordable budget allocation in relation to ‘invest to save’ as well as taking account of the Council’s commitment to climate change ambitions. A range of different options have been appraised which included capturing the level of capital investment against meeting climate targets. Firstly, the option of increasing the total amount of electric vehicles to meet Scottish Government targets completely was considered. However, this is not achievable within the Council’s current financial resources and may not be the best use of investment taking into account current emissions, charging infrastructure required and the age of some of the current fleet. The result would be the council effectively replacing vehicles before they are due for replacement. The third option with reduced capital investment would halt our transition to net zero.

5.16 To meet the challenges of addressing the strategy, both the Energy Saving Trust (EST) and Jacobs consultants have assisted in the development of the strategy and acted as a sense check to the approaches being proposed. This has involved considerations of current fleet and infrastructure and to offer technical advice on the broad timing and sequencing of the Council's continued move to a zero emissions fleet.

5.17 Adopting a phased approach and continuing with the Council's Fleet Replacement Programme will result in the optimum operating age profile of a maximum 7-year profile for LGV and cars and a 10 year profile for HDV. This will minimise expensive repair costs and give an enhanced residual value of the asset on replacement.

5.18 In addition, this would also result in fuel savings, reduced maintenance costs and an increase in carbon emissions being saved each year as more and more vehicles are replaced with ZEV equivalent.

6. FINANCIAL POSITION

6.1 It is predicted that if the Council can continue with the £3.53m capital investment (as highlighted by option 2 in EV strategy), which is currently identified within the 10 year capital plan through to 2040 that the council would be able to replace current fossil fuel vehicles at optimum life with EV equivalent on a phased and managed approach.

6.2 Over the life of the project this preferred option 2 would see the council's overall capital investment at £60m and allow the council to have 353 vehicles at zero emission. This would not meet the ambitious SG targets currently in place but would demonstrate the Council's commitment which, in the absence of adequate external funding, would be affordable.

6.3 To fully meet the SG targets and have all the Council's fleet ZEV by 2040 would cost the Council over £107m. This is an additional £47m capital investment and would result in replacing fossil vehicles well before their optimum lifetime. There is also significant risk in not having the appropriate charging infrastructure in place to cope with such wholesale vehicle replacement.

6.4 It is also recommended that where a ZEV specialist or large vehicle is available that these are trialled in the short term between 2025 to 2028 and purchased at small scale to robustly test suitability for service uses and ensure value for money to the Council is achieved in its transition from petrol/diesel vehicles to ZEVs.

6.5 In the assumptions used, a switch from an ICE vehicle to an equivalent electric vehicle comes with some cost savings. One saving noted within the cost model is the saving on diesel. Even with increasing electricity prices, charging an electric vehicle is noticeably less than the cost of diesel.

6.6 An additional benefit of this transition to electric is the carbon emissions saved from the day-to-day operations of the current ICE fleet. There are significant savings (tCO2) per year that the proposal is forecast to provide.

6.7 The current technology and the council's early installation of EV charging infrastructure now makes the cost of smaller electric vehicles a viable replacement proposition with range and whole life costs comparable to petrol and diesel equivalents.

6.8 The technology for larger/specialised vehicles is still very much developing, making the whole life costs for these vehicles a riskier financial proposition for the council. For this reason, the strategy is focused to start with small vehicles, replace in phases and only replace large/specialist vehicles when the technology is right and whole life costs have fallen. In addition, as set out in the strategy, it is recommended that other fuel sources are also explored as well as EV technology, especially for larger vehicles.

7. <u>SUMMARY OF IMPLICATIONS</u>

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

The Strategy for delivering the Council's approach to ZEV and fleet transition sits within the approach of the council in its Corporate Plan of building a stronger greener vibrant economy and will see Moray being recognised as an outward facing and ambitious Council delivering a sustainable economy.

(b) Policy and Legal

Scottish Government's draft vision for Scotland's Public Electric Vehicle Charging Network sets out the future approach to funding to provide, expand and operate the network. The Councils strategy to delivering on these objectives have been prepared taking the draft vision into account and following the template and guidelines, and using the supporting data provided by Scottish Government and Scottish Futures Trust. If the EV strategy is not approved there is significant risk of non-compliance leading to potential reputational damage for the Council.

The targets set by Scottish Government do not impose a binding duty for full compliance, but Scottish Government has made the commitment to work with public bodies to phase out petrol and diesel cars from the public sector fleet and phase out the need for any new petrol and diesel light commercial vehicles by 2025. The recommended approach from the strategy attempts to strike a balance between SG targets, the council's own net-zero aspirations and affordability.

(c) Financial implications

The financial cost of decarbonising the LGV fleet is significant. The cost of LGVs powered by electric and hydrogen remain prohibitively high. Generally, EV costs are double to treble, and hydrogen costs are quadruple the cost of diesel vehicles. There are financial implications associated with the future decarbonisation of the fleet and building of required infrastructure.

If option 2 is approved, which sees capital expenditure continuing at current capital plan rates it may be that additional capital savings will be required from elsewhere within the Council's 10 year capital plan to fund the additional investment required to transition to ZEV fleet. This would be considered along with other strategic positions when reviewing the capital plan for future years. Whilst the capital spend figures quoted in the strategy and report are gross figures, for 24-25 this will be delivered with the slippage factor in place.

There will also be additional cost of infrastructure to be considered but these costs are unknown at this time. This high-level approach is based on the fact smaller vehicles are much cheaper to replace and do not drastically increase the capital costs but as the council does progress to replacing the larger vehicles, costs will increase.

The details in this report set out the costs associated in transitioning the council fleet to ZEV. However, it must be highlighted that these projections are at today's prices and the current market is very fast paced and rapidly evolving. It must also be pointed out that there will likely be costs savings in running an EV fleet as a result of the difference between cost of electricity and cost of diesel, but this can only be assumed subject to external market changes. Another cost assumption is the EV sector suggests a reduction in maintenance costs but this is not proven at this time and difficult to quantify. Initial cost monitoring of current EV's is showing a 10% reduction in parts costs and a 10% reduction in labour costs for smaller EVs with equal costs but increased downtime for larger vehicles. It should be noted that these new vehicles and is early monitoring data. It is however predicted over the long term that revenue maintenance costs will reduce and these reductions could be offset against the capital borrowing costs funding the vehicle replacement programme.

It is also assumed that the current ZEV replacement costs will become less as the external market develops. The council will require to utilise capital and revenue budgets alongside grants and bids to Scottish funding streams. There will be pressure on the market to supply ZEVs which will impact on pricing and availability as organisations move to replace their fleet to meet internal and national targets.

As reported there will be financial implications with regards to the associated infrastructure required whether this be electrical underground, electrical battery, solar, wind or hydrogen. It is crucial that the on-going depot and buildings review is completed which will influence the most suitable and appropriate charging infrastructure required at key locations to transition all of the Council's fleet.

There is potential for significant financial cost to the Council to offset carbon emissions in the future which could otherwise be avoided by taking action now.

(d) Risk Implications

Budget Pressures – Officers will seek to maximise the funding available from Scottish Government to assist with the transition to zero emission vehicles and build the required infrastructure. There is also a risk that avoidable financial costs could be incurred by the Council in the future if actions are not taken to reduce carbon emissions.
The current fleet vehicles are aging and becoming more costly and unpredictable when it comes to general maintenance and repair. This can have a critical impact on service delivery if vehicles remain out of service for longer than services plan.

ZEV availability – there is a risk that the council will not receive vehicles in time to reach SG targets.

There are some risks associated with seeking a high percentage of electric vehicles as it is still developing technology however, the Council has taken a strategic approach to determine it seeks electric options where there is a clear and established market, for example in cars and commercial vans.

Workforce – Investment in Depots and Training will be provided to ensure our teams and the right skills and working environment to maintain a zero-emission fleet.

Road to Net Zero Challenges – The actions from this report will support the reduction of CO_2.

Infrastructure – It is challenging to receive advice, estimates on cost and installation timescales from the council's DNO operator within reasonable timescales and this is widely the same across all regions, simply due to the demand and capacity issues across the network.

(e) Staffing Implications

To meet the council's net zero aspirations is challenging within current workforce. The market is rapidly changing and appropriate resourcing, including project management support is crucial to manage infrastructure installations, power sources and planning/building warrant issues.

The change required to transition all the fleet will require on going management and administration of the back-office infrastructure function such as control of charging cards/Invoicing/repairs to infrastructure responding to out of hours emergencies.

Training will be required at all levels throughout the organisation. Recruitment and retention of fleet staff remains an issue.

(f) Property

The depot review is critical to allow for better understanding of what depots and building assets are to remain in the Council's long term plans moving forwards. This will provide the strategic direction to assist with planning of the infrastructure, carrying out reviews to identify capacity issues at depots/buildings which will then require planning and building warrant control.

(g) Equalities/Socio Economic Impact
The transition to a more environmentally friendly fleet will result in improved air quality for local communities.

(h) Climate Change and Biodiversity Impacts
There is a reputational risk of not meeting the statutory Scottish Government and Moray Council objectives in relation to its climate change aspirations and 2030 net zero target.

The operation of fossil fuel powered vehicles contributes to local air pollution as well as greenhouse gas emissions and the approach proposed in this report will prolong release of air pollutants and greenhouse gas emissions and resultant exposure to employees and the wider public. However, it is noted that the proposed replacement vehicles will emit lower levels of air pollutants and greenhouse gas emissions than the current models in operation.

(i) Consultations
The Depute Chief Executive (Economy, Environment and Finance), Head of Environmental and Commercial Services, Legal Services Manager, Chief Financial Officer, Climate Change Strategy Officer (G Gunn), Committee Services Officer (L Rowan), and Equalities Officer have all been consulted and their comments incorporated into this report.

8. RECOMMENDATIONS

8.1 Subject to approval of the EV strategy and option 2 proposed within the strategy, it is proposed to transition the fleet aligned at a pace to show significant commitment to meet SG targets in conjunction with the council's lifecycle planning approach. It is still anticipated that between now and 2040 the market is expected to mature significantly with greater choice and reduced costs.

8.2 This paper and attached strategy appendix sets out the projected capital funding that will be required to transition the council's fleet to ZEV and will be put forward for consideration as part of the capital planning process.

8.3 Work will continue to more closely align the separate strategies being developed by the Council under its climate change agenda. Currently separate teams are responsible for the development of hydrogen strategies, EV public infrastructure, Fleet decarbonisation and council owned infrastructure.

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Background Papers:

Ref: SPMAN-524642768-1059

Zero Emission Fleet Replacement Strategy

April 2024

Draft

moray council

Definitions

BEV Battery electric vehicle
FCEV Hydrogen fuel cell vehicle
ZEV Zero emissions vehicle
HDV Heavy duty vehicles
ICE Internal combustion engine vehicle (powered by diesel or petrol)
LCV Light commercial vehicle (gross vehicle weight of up to 3.5 Tonne)
RCV Refuse collector vehicle
HVO Hydrotreated vegetable oil (Renewable diesel)

Contents

Executive Summary

As part of the climate change target of net zero emissions by 2045 the Scottish Government (SG) have set a target to replace all public body operated fossil fuel passenger cars by 2025 with a further target for these bodies not to purchase fossil fuel Light Commercial Vehicles (LCV) under 3.5T after 2025 and have these vehicle types phased out in Scotland by 2030. The SG target for phasing out Heavy Duty Vehicles (HDV) is by 2040.

Moray Council have demonstrated a clear commitment to net zero targets through the commencement of a vehicle transition programme. At present, the council's existing fleet contains a total of 47 electric vehicles. This early and committed ambition to vehicle transition has put the Council in a strong position to ensure continued compliance with government regulations as net zero targets approach. This report will clearly outline a continuation of the current replacement efforts to enable Moray Council to remain on target to ensuring the adoption of Zero Emission Vehicles (ZEV) meet current national policy commitments.

The delivery of the council's fleet replacement programme will be heavily dependent on the availability of suitable electric vehicle replacements that will meet the wide spectrum of operations and services that they support. Therefore, a phased replacement plan is suggested, reflecting the uncertainties in the supply of vehicles, their operational capability, and affordability.

The council has approved that in relation to vehicles, the development of the council's ZEV strategy and transition to net zero is aligned with SG targets. Between now and 2040, the market is expected to mature significantly with greater choice and reduced costs. Whilst the SG targets are not binding on local authorities, they are a material policy consideration and align with the council's own Climate Change Strategy.

This strategy sets out a routemap to demonstrate the councils commitment with options identified setting out our transition plans within it. The strategy will set out clear objectives;

1. **Outline the earliest opportunity that its fleet can be zero emission for each vehicle class**
2. **Set out the approach to improve charging infrastructure and identify possible renewable energy source options**
3. **Establish a proposed timeline for this transition whilst meeting SG targets**
4. **Identify separate themes as part of this transition with focus on vehicles, infrastructure and fuel**
5. **Detail the capital investment projected to meet this ambitious transition**

1. Current Fleet Status

1.1 At present, the council's existing fleet contains a total of 47 electric vehicles which represents around 9% of the registered fleet. These vehicles have been well received by Council staff and the wider community. A further 7 electric vehicles are on order. In addition a number of our plant; strimmers, blowers and breakers have been replaced with battery powered alternatives. This early and committed ambition to vehicle transition has put the Council in a strong position to ensure continued compliance with government targets on a net zero approach. It is planned to continue with the current 10 year capital replacement programme to enable the Council to remain on target, identify challenges and ensuring the adoption of zero-emission fleet vehicles meet current national policy commitments.

1.2 The current annual Vehicle and Plant replacement capital budget is £3.53m. Migration to a zero-emission fleet is going to be a complex process which will take a number of years. Whilst good progress has been made it is evident that issues such as supply chain pressures and price inflation are extending the lead times for vehicles and infrastructure. Many manufacturers are still at the prototype stage, and this makes whole life costing, including estimating residual value of vehicles, difficult to predict.

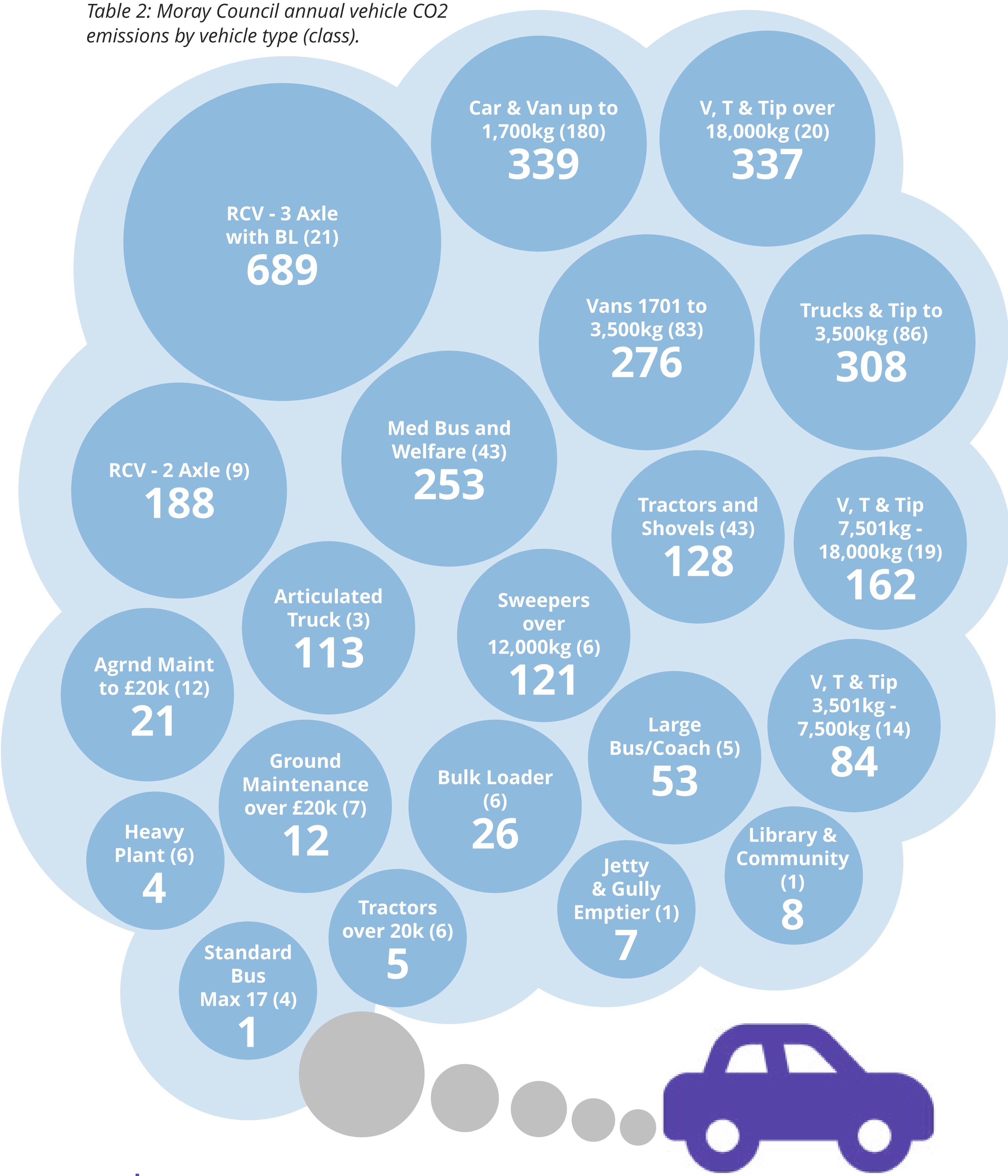
1.3 There are 525 registered vehicles in our main operational fleet, dominated by light commercial vehicles with medium vans being the largest vehicle segment (44%). The remainder of the fleet consists of pool cars (21%), heavy goods vehicles dominated by 3 axle rigid trucks (17%), buses (7%) and the remainder are tractors and heavy plant (11%), which is highlighted in Table 1 below;

Table 1: Current fleet distribution

Light/ Medium Commercial Vehicles	Pool Cars	3 Axle Rigid Trucks	Tractors and Heavy Plant	Buses
44%	21%	17%	11%	7%

1.4 The council's vehicle and plant fleet are grouped into classes associated with the size and type of vehicle. Table 2 below shows the classes and the emissions associated with those classes based on fuel consumption averaged across each vehicle class.

Table 2: Moray Council annual vehicle CO2 emissions by vehicle type (class).



2. Zero Emissions Fleet Replacement Strategy

2.1 Fleet Strategy is very much focussed on supporting front line Services as the council transitions from petrol/diesel vehicles and plant machinery to a zero-emission fleet. The fleet plays a vitally important role in providing frontline services to the residents of Moray and this must be done in a cost effective, efficient, and environmentally friendly way.

2.2 Given the wide range of vehicles in operation, at this moment in time there is not one single technological solution to reduce the council's carbon footprint and some technologies are not yet considered mainstream solutions. All the current available technology has been considered in our proposed strategy. The hardest task for fleet decarbonisation relates to the larger/heavy duty vehicles.

2.3 The Council's fleet services management team have developed a proposed strategy with key and separate themes to aid our transition to net zero. This is outlined in Table 3 below.

Table 3: Fleet management strategy

	2024 - 2027 - 3 Year Plan	By 2030	Vision by 2040
VEHICLES	• Arrange in house training for vehicle technicians • Continue to purchase suitable small ZEV when due for replacement • Allow for the ZEV market to mature • Replace larger type vehicles with low emission fossil fuel • Undertake trials of suitable EV/hydrogen larger vehicles when available	• Aim to have 100% ZEV small cars/fewer diesel vans on fleet • Undertake trials of suitable EV/hydrogen vehicles when available • Review overall vehicle fleet with Services across the Council with a view to reduce vehicle numbers subject to operational needs • Monitor market for specialist fleet availability such as JCBs, loaders	• 100% ZEV for small vehicles • Aim to replace large fossil fuel vehicles with ZEV at closest life cycle replacement point leading up to 2040
INFRASTRUCTURE	• Review infrastructure as part of depot/buildings review • Engage with DNOs to map out future needs • Continue with small scale installation of EV charging infrastructure	• Engage with DNOs to map out future needs • Provide appropriate charging infrastructure at identified depots/buildings to suitably manage transition	• Infrastructure in place at identified depots/buildings to ensure charging/refuel capacity to run our ZEV fleet
FUEL	• Consider HVO as a short term option • Monitor market for hydrogen opportunities • Visit other LAs/Partners with hydrogen in situ	• Monitor market for hydrogen opportunities and work with strategic fuel partners to develop suitable infrastructure	• Hydrogen fuel infrastructure in place to complement EV infrastructure to allow capability to run fleet from different types
OTHER	• Development of fleet decarbonisation working group to bring together the separate alternative fuels and strategies currently being developed by separate teams • Identify capital investment required to move to ZEV fleet • Secure capital funding commitment • Continued communications with all stakeholders • Report to council on progress	• Consider partnership opportunities • All fleet technicians to have appropriate EV/alternative fuel training • Report to council on progress	• Report to council on progress • Aim to have all fossil fuel vehicles to be phased out and ZEV fleet equivalent infrastructure in place • Demonstrate our commitment to meet ambitious SG targets

2.4 To meet the challenges of addressing our strategy, both the Energy Saving Trust (EST) and Jacobs consultants have assisted in the development and acted as a sense check to the approaches being proposed. This has involved considerations of our current fleet and infrastructure and to offer technical advice on the broad timing and sequencing of the Council's continued move to a zero emissions fleet.

2.5 These independent reviews also identified that the Council continues to focus our transition efforts on smaller and medium size vehicles (Classes 1 & 2) which we have already started to adopt. This provides a significant impact in terms of number of vehicles to be transitioned, as 220 vehicles are within these classes. These can be replaced with limited impact on day-to-day operations.

2.6 In summary, it will be very difficult at this time to predict with certainty the exact make up of our vehicle fleet by 2040, due to the number of moving variables such as fuel costs, availability of vehicles, maturity of markets, and technological changes.

2.7 Our immediate short-term actions are summarised in timeline chart overleaf which are focused on developing the Ashgrove site, continuing to install additional EV charging points at the outer district sites, engaging with suitable trials as and when available and considering alternative fuels outlined in section 5 below for short term gains. This will allow the Council to move forward the decarbonisation of its fleet while constantly reviewing and updating the strategy to reflect growing certainty and more obvious paths forward.

VEHICLES

INFRASTRUCTURE

BY 2027

Vehicles

- Continue to purchase small ZEV
- Trial suitable EV/Hydrogen larger type vehicles when available

Infrastructure

- Review as part of depot review
- Engage with DNOs
- Small scale installation of infrastructure to continue

BY 2030

Vehicles

- Aim to be 100% ZEV for small vehicles and meet SG targets
- Aim to reduce large vehicle fleet by 5%

Infrastructure

- Alternative Green Hub solutions installed at Ashgrove Depot
- Hydrogen/Other fuel types considered

BY 2040

Vehicles

- Aim to replace large fossil fuel vehicles with ZEV replacement at closest lifecycle replacement point
- 100% ZEV for small vehicles

Infrastructure

- Green Hub introduced at outer satellite depots
- Hydrogen refuelling points in site

Scottish Government Net Zero Targets

3. Vehicles

3.1 The maturity of the ZEV market continues to be an issue, but whilst saying that, we are aware the market is poised for significant growth. At the time of writing this report, there are still not sufficient numbers of vehicles on the market and certain themes of vehicles are not yet available. Table 4 below outlines our short term 3 year plan against vehicles theme from our overall fleet strategy

Table 4: Vehicle - 3 year plan

Task	Year 1		Year 2				Year 3			
	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025
Continue to purchase suitable ZEV for cars and light vehicles when due for replacement										
Continue to replace larger type vehicles with low emission until 2028 & end replacement lifespan of larger vehicles										
Develop a replacement plan for large vehicle replacements due after 2028										
Undertake trials of suitable EV/hydrogen vehicles when available										
Continue to monitor ZEV options for larger type vehicles/specialist vehicles										
Aim to have fewer diesel cars/vans on fleet										
Review overall vehicle fleet with Services across the Council										
Aim to reduce overall fleet										
Monitor market for specialist fleet availability										

3.2 The electric vehicles that are on the market in some vehicle types have insufficient range and payload to undertake their daily duties within a normal working day and would require recharging part way through which would impact on service delivery.

3.3 The high upfront cost of purchasing ZEVs and the additional cost of project management for installing charging infrastructure and ongoing management of the infrastructure needs to be addressed in more detail, and there will be an associated capital cost required for any types of infrastructure required. At the present time whilst officers can report that the cost of EV cars has significantly reduced over the last few years, the cost for large electric and hydrogen vehicles is still in the region of 2 to 3 times more expensive than the current comparative vehicle in our existing fleet, such as buses, refuse lorries, gritting vehicles etc. There are also widely reported concerns from the vehicle industry that many vehicle suppliers have not begun to consider ZEV alternatives for specialist and bespoke vehicles.

3.4 Consideration will be made to migrate the council's larger HDVs to hydrogen but again this is not straightforward. Until hydrogen vehicles are available in more commercial quantities the cost will remain high, likewise the production and distribution of hydrogen is of equal concern. Industry experts such as EST predict that it will be after 2025 and closer to 2030, before manufacturers are producing vehicles in any reasonable quantity. Large hydrogen vehicles are in the region of 4 times the cost of diesel-powered alternatives.

3.5 It is planned to continue with appropriate vehicle trials when they become available, focused on EV and hydrogen for the larger vehicle type replacements. The outcome of these trials will be shared with the climate change board and regular updates will be provided from the decarbonisation working group that is proposed to be established. Lessons learned will form the basis of any changes/updates to our overall ZEV strategy.

3.6 Table 5 below shows the proposed priority of vehicle types to replace based on availability and suitability of vehicles. This proposal is in line with the SG target to replace all ICE cars from council fleets by 2025 and to replace all LCV up to 3.5t with ZEV at their normal replacement age. However, this is subject to available infrastructure, on-going depot review, available resources and capital funding. It should be noted that the target will not be achievable without considerable support in these areas.

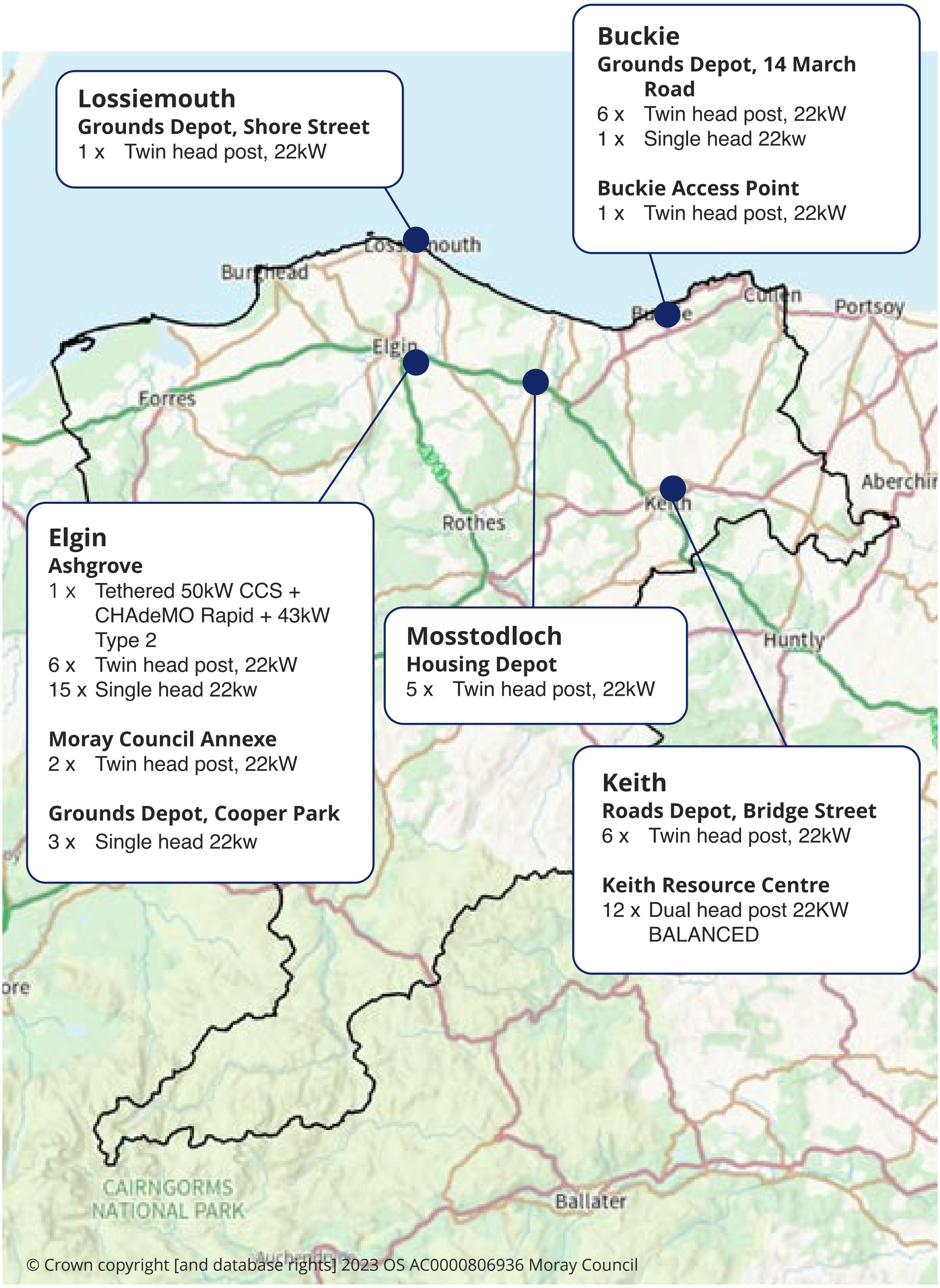
Table 5: Proposed priority of vehicle types to replace based on availability & suitability of vehicles

Available now | Limited Availability | Very Low Availability | Rare / Trial phase | Not widely available / development phase

Vehicle Class	Total	Vehicle Class	Annual Fuel Consumption (for Group) Litres PA	Average litres per vehicle in group PA	Co2 Per litre	Total class tonnes CO2 PA	kg CO2 average per veh PA	Electric Cost % increase over Diesel 2020	Indicative cost Diesel version	Whole Fleet indicative Diesel replacement value / Cost	Indicative cost Electric version	Whole Fleet indicative EV purchase cost
1	178	CAR & VAN UP TO 1700	135,119	759	2.51	339	1905.33	40	£22,500	£4,005,000	£31,500	£5,607,000
2	74	VANS 1701 TO 3500	110,132	1488	2.51	276	3735.56	67	£30,000	£2,220,000	£50,000	£3,700,000
8	30	MED BUS & WELFARE	100,869	3362	2.51	253	8439.37	214	£75,000	£2,250,000	£235,000	£7,050,000
14	5	LARGE BUS/COACH	21,035	4207	2.51	53	10559.57	323	£140,000	£700,000	£452,000	£2,260,000
7	4	STANDARD BUS MAX 17	478	120	2.51	1	299.94	250	£30,000	£120,000	£75,000	£300,000
3	73	TRUCKS & TIP TO 3500	122,666	1680	2.51	308	4217.69	47	£34,000	£2,482,000	£50,000	£3,650,000
4	14	V,T&TIP 3501 - 7500	33,471	2391	2.51	84	6000.87	50	£60,000	£840,000	£90,000	£1,260,000
20	1	LIBRARY & COMMUNITY	3,314	3314	2.51	8	8318.14	146	£150,000	£150,000	£370,000	£370,000
6	18	V,T&TIP OVER 18000	134,268	7459	2.51	337	18722.93	150	£160,000	£2,880,000	£400,000	£7,200,000
11	15	RCV 3 AXLE WITH BL	274,369	18291	2.51	689	45911.08	125	£200,000	£3,000,000	£450,000	£6,750,000
5	15	V,T&TIP 7501 - 18000	64,473	4298	2.51	162	10788.48	125	£85,000	£1,275,000	£191,000	£2,865,000
19	9	RCV - 2 AXLE	74,825	8314	2.51	188	20867.86	166	£150,000	£1,350,000	£400,000	£3,600,000
9	5	SWEEPERS OVER 12000	48,401	9680	2.51	121	24297.30	157	£175,000	£875,000	£450,000	£2,250,000
21	2	ARTICULATED TRUCK	44,989	22495	2.51	113	56461.19	203	£99,500	£199,000	£300,000	£600,000
17	1	JETTER & GULLY EMPTY	2,634	2634	2.51	7	6611.34	130	£195,000	£195,000	£450,000	£450,000
24	32	TRACTOR & SHOVELS	51,072	1596	2.51	128	4005.96	206	£98,000	£3,136,000	£300,000	£9,600,000
25A	13	GRND MAINT TO £20K	8,261	635	2.51	21	1595.01	200	£18,000	£234,000	£54,000	£702,000
25C	8	HEAVY PLANT	1,720	215	2.51	4	539.65	200	£95,000	£760,000	£285,000	£2,280,000
25B	6	GRND MAINT OVER £20K	4,766	794	2.51	12	1993.78	300	£25,000	£150,000	£75,000	£450,000
24A	6	TRACTORS OVER 20K	1,962	327	2.51	5	820.77	300	£90,000	£540,000	£270,000	£1,620,000
23	4	BULK LOADER	10,190	2548	2.51	26	6394.22	300	£150,000	£600,000	£450,000	£1,800,000
			1,249,014			**3,135**				**£27,961,000**		**£64,364,000**
										Fleet Value		**EV Fleet Value**

4. Charging Infrastructure

4.1 Table 6 below outlines our short term 3 year plan for our infrastructure theme from our overall fleet strategy.



4.2 Many of our current depots and buildings are likely to have reached their electrical capacity. Recent infrastructure works to provide additional EV charging at Ashgrove Depot have now taken up most of the available electrical capacity.

4.3 Electricity infrastructure to support charging of a large number of vehicles needs to be thoroughly assessed in order to support future phases of fleet replacement. A partial transition is recommended to minimise any risks associated with day-to-day operations of electric fleet and allow the Council to develop its understanding of the implications.

4.4 It is proposed that Ashgrove Depot is developed as a 'Green hub/depot', with solar/green energy production. On site we have extensive south facing roofs which could generate income as the EV transition progresses, facilitate battery storage & future vehicle charging. This would also include options for hydrogen storage & workshop facilities to be appraised for suitability. Following initial site investigations undertaken it has been suggested that the Ashgrove green hub proposal presents an opportunity for significant lifetime energy savings in the order of £500k. It is proposed that this will be considered alongside our infrastructure options as part of the on-going wider depot review.

4.5 Once completed and reviewed, this model is proposed to be rolled out to other larger depots such as Keith and Buckie. Concurrently small-scale pool car infrastructure can be developed where feasible such as more isolated offices.

4.6 The advantages of transition by depot are that it allows for learning from the Ashgrove upgrade to be built in to the remaining depot upgrades which will allow a cost appraisal and a more focussed approach, Upgrading Ashgrove Depot to a 'Green hub/Depot' would be a 'flagship' project and there is opportunity to generate income through green energy production in the interim & make savings in the future. This approach will also offset potential DNO upgrade costs at Ashgrove and potentially at other depots. The disadvantages are that not all vehicle types will be available at present although as the project develops, they will become available, and the depot improvements will allow these vehicles to be serviced and maintained as they come on stream.

4.7 It is widely known within the industry that the lead time for the installation of appropriate charging infrastructure is a major factor and a certain level of contingency needs to be allowed for. Applications for electricity grid connections have quadrupled in the last 4 years and requesting estimates for proposed upgrades/new infrastructure from the council's electrical DNO is proving difficult due to the challenges and demand they are facing on their network. These issues therefore make a good case to further explore potential levels of battery storage as suggested above and support the alternative green hub proposals for Ashgrove depot.

4.8 It is suggested as a general principle that electric vehicles will have 1 charge socket each and operate on a 'Back-to-Base' system so that vehicles charge overnight and, in most scenarios, can achieve their duty cycle on one charge. Load balancing will be adopted to reduce the load on a charge point that has two or more sockets, this is where the charge point manages the load across the sockets or site overnight to reduce peak power draw and allows all vehicle's to be charged.

4.9 The installation project for infrastructure is fundamental to the transition to electric vehicles and net zero, the transition to ZEVs cannot progress at each phase until the infrastructure is in place. It is proposed to create a working group with officers from Fleet Services, Corporate Property and Climate Change team to collaboratively deliver infrastructure across our buildings and depots, in line with the Council's depot strategy.

4.10 Resources may also be required to facilitate growth in managing the electric charging infrastructure and associated back office systems.

5. Fuel

5.1 There are currently a number of different alternative fuels outwith electricity. In the short term it is proposed to explore in more detail the benefits and risks in considering other fuel types.

5.2 Officers within the Fleet team have participated in a number of working groups and have developed good relationships with other local authorities who are currently progressing with ZEV alternative vehicle trials.

5.3 It is proposed that a report will be taken through the climate change board to seek any agreement in pursuing trials with alternative fuels and type before any wider implementation.

5.4 A brief overview of the alternative fuel types are detailed overleaf.

Hydrogen

At present, hydrogen fuel cell vehicles albeit fully zero emission, are more expensive in terms of capital and fuel cost than both their diesel and battery electric counterparts, there are also few hydrogen vehicles commercially available on the market across the UK. As such, the business case for purchasing hydrogen vehicles currently remains weak. Although there are commercial hydrogen cars and light vans available, the market for electric cars is more developed and offers a more cost-effective way to reduce emissions.

For heavy goods vehicles and large vehicles, it is likely that the technology will allow for a combination of electric and either hydrogen or biogas vehicles to be most suitable to the needs of a fleet which covers both rural and urban areas and both longer distance and shorter back-to-base operations.

It is likely that it will be after 2025 before hydrogen is produced in large enough quantities to become a reliable large-scale alternative to diesel and possibly closer to 2030 before large hydrogen vehicles are produced in commercial numbers for the cost of these reduce.

However, in order to get to the stage where hydrogen would be a viable alternative for the fleet it would be necessary to put in place small scale pilot projects to support the development of refuelling infrastructure and training of vehicle technicians. Pilots could include retrofitting hydrogen onto diesel vehicles to allow dual fuel hydrogen/diesel vehicles as a bridging technology until the market for full hydrogen fuel cell vehicles becomes more developed.

The Council is looking at external funding opportunities that would be required for such a pilot to progress. Partnership opportunities with Aberdeen City Council and Aberdeenshire Council are being explored.

In addition, both the Ministry of Defence (MOD) and National Health Service (NHS) are also interested in exploring hydrogen for their respective fleet vehicles and there may be partnership opportunities for future development.

Biogas

Biogas is created from distillery waste and is already used as a low carbon fuel for delivery vehicles within the distillery industry. The anaerobic digestion technology to convert such waste into fuel is already operating in Moray. Trialling biogas in partnership with the whisky industry is an opportunity for the Council to support the expansion of biogas as a vehicle fuel. As these technologies are scaled up and biogas is more available, this would be a reliable source of local low carbon fuel.

Using biogas as a vehicle fuel is not a new technology and the cost of biogas vehicles compare favourably with electric vehicles. As with hydrogen, it would be necessary to put in place small scale pilot projects to support the development of refuelling infrastructure and associated technical expertise. Such a pilot should be centred round developing training opportunities for mechanics and drivers, and developing expertise and confidence on rolling out biogas vehicles as and when appropriate.

HVO

Hydrotreated Vegetable Oil (HVO) is produced from a plant based, renewable source which produces up to 90% less CO2 at the tailpipe and less (or possibly equal) Nitrogen Oxide (NOx). It is a direct replacement for the current fossil fuel diesel which we are all familiar with so no changes are required on any part of the infrastructure or vehicle.

The engine's combustion is slightly hotter and the fuel gives a very small increase in power due to the higher cetane levels, however, other than a change in fuel efficiency (plus or minus) the engine is not affected by the fuel in any way, and the cooling system can handle the slight increase in combustion temperature without concern.

HVO has received a lot of attention due to the way in which it is produced. The production process information is ambiguous at best, with many sources both for and against the use of HVO pitching their ideas of how and where the raw material is sourced. The main issue comes from the use of virgin palm oil and how this oil is produced to supply the refinement companies.

Currently Indonesia and Malaysia supply 34% and 11% (respectively) of oil to the HVO industry, of which a portion is palm oil. HVO is usually 80% 'other products' such as fatty distillates and waste organic material with only 20% virgin oil, of which palm oil is one virgin oil product. Other oils are rape seed, sunflower oil, vegetable oil or soy bean oil, etc. The growing of oil palm trees in Malaysia and Indonesia is adding to the deforestation of ancient forests, threatening the habitats of many endangered species. This poses the question of carbon outsourcing; the moving of the carbon issue to other countries.

The use of this fuel may also be the interim solution until such time as alternate fuels such as Electric or Hydrogen are able and available to be introduced. Apart from cost there looks to be no major risks in adopting the fuel. It is proposed to undertake further monitoring of fuel price and availability, to enable further research and cost benefit analysis to be carried out.

Fuels such as HVO have advantages as a bridging technology in the short term but do have a number of disadvantages. A detailed report will be taken through climate change board before any trials of considering the use of alternative fuels are undertaken.

6. Fleet replacement lifecycle planning

6.1 It is critical that the Council aims to operate vehicles to an optimum life which considers vehicle reliability with age, the associated maintenance costs and predicted residual values, with the aim of replacing vehicles before they increase financial liability through age, mileage, and depreciation. A modern fleet also has benefits for employees, safety, and the Council's image.

6.2 By planning fleet replacement, procurement requirements can be addressed early, with opportunities to engage with the local market and secure manufacturers 'build slots' well in advance of when delivery is required. This also brings value in large scale procurement exercises, to bring economies of scale and add social value.

6.3 Fleet management have taken time to review the current fleet establishment to ensure that the Council's fleet continues to be fit for purpose, is aligned to the Councils obligations to meet the SG targets and become net zero by 2040. It is crucial that a long term and sustainable financial plan is in place to ensure successful delivery of the transition programme.

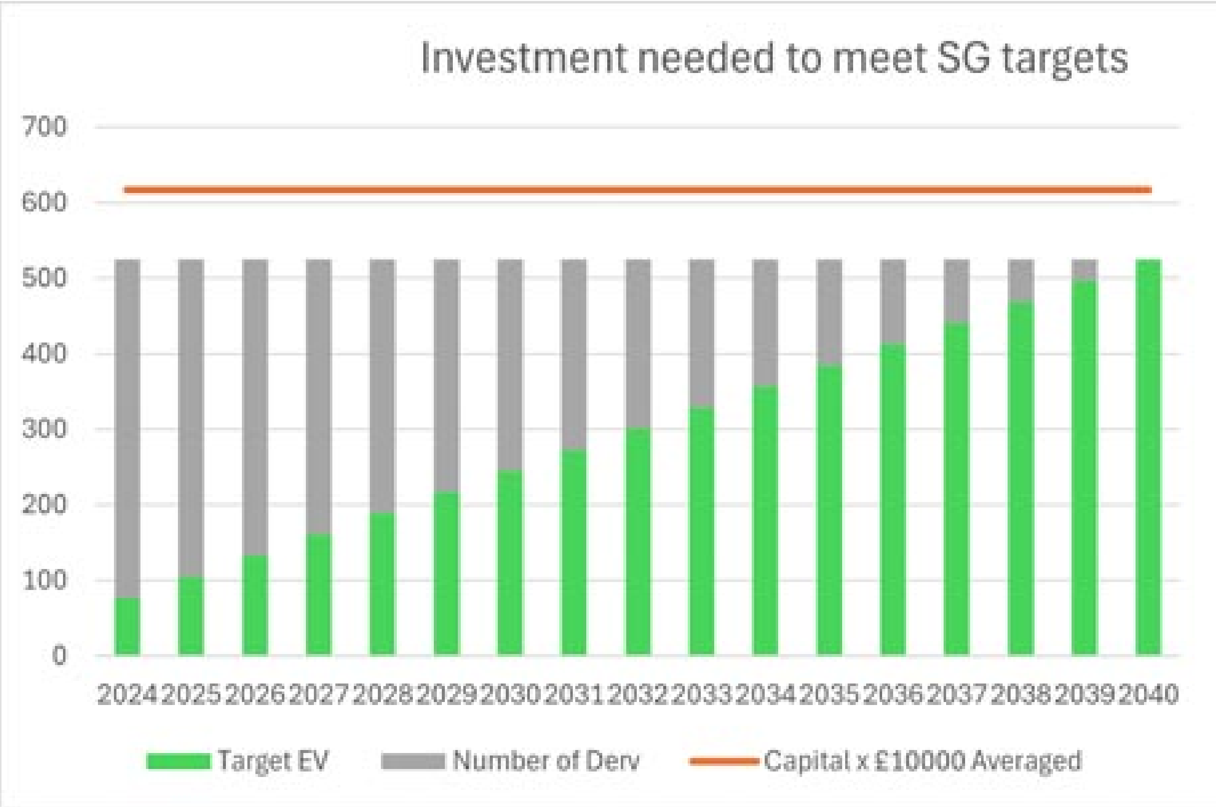
6.4 it is therefore proposed that the Council's Fleet Replacement Programme is maintained to ensure an optimum operating age profile of a maximum 7-year profile for LGV and cars and a 10 year profile for HDV, mobile plant, and small hand-held plant will continue to be assessed for replacement based on their condition. This will minimise expensive repair costs and give an enhanced residual value of the asset on replacement.

7. Capital Investment projections

OPTION 1 – Enhanced Capital Spend
To meet ambitious SG targets and all fossil fuel vehicle types phased out by 2040

7.1 As outlined earlier within this strategy, there is presently large cost disparity between Internal Combustion Engine (ICE) powered and electric/hydrogen alternatives for the larger heavy goods vehicles (HGV) and specialist vehicles. It is suggested to meet in full the ambitious SG and council targets to be net zero is not viable from a financial and general risk perspective to purchase these as electric/hydrogen until the market has matured, greater reliability can be ensured, and economies of scale have led to a reduction in prices.

7.2 The chart below highlights the capital investment and required number of ZEV vehicles to be purchased each year between now and 2040 to achieve full compliance with the SG target on phasing out fossil fuel vehicles by 2040.



7.3 It is suggested that there is significant financial risk with seeking full transition by 2040. It is still very much emerging technology, with many of the larger vehicle types not wholly available and tested. The chart above suggests that at current prices that a capital investment of £6m per year would be required and may not be the best use of investment taking into account that the Council would be disposing of many of its fossil fuel vehicles before they have reached their optimum life term and age profile.

7.4 The provision of suitable charging infrastructure, especially in the immediate short term, will be challenging to have in place and fully operational. Charging Infrastructure is very much reliant on grid capacity and engagement should be undertaken with DNOs soon to establish a way forward.

7.5 It must be clear that projections are made at today's vehicle replacement prices and it is highly likely that these projections will change as the market matures and is subject to the future availability of vehicle types.

OPTION 2 – Steady State Capital Spend
Phased Fleet replacement lifecycle planning approach

7.6 Option 2, would see the council's overall capital investment at £60m over the next 17 years and allow us to have 353 vehicles at zero emission. This would not meet the ambitious SG targets currently in place but would demonstrate the Council's commitment which would be affordable in line with current capital spend on fleet.

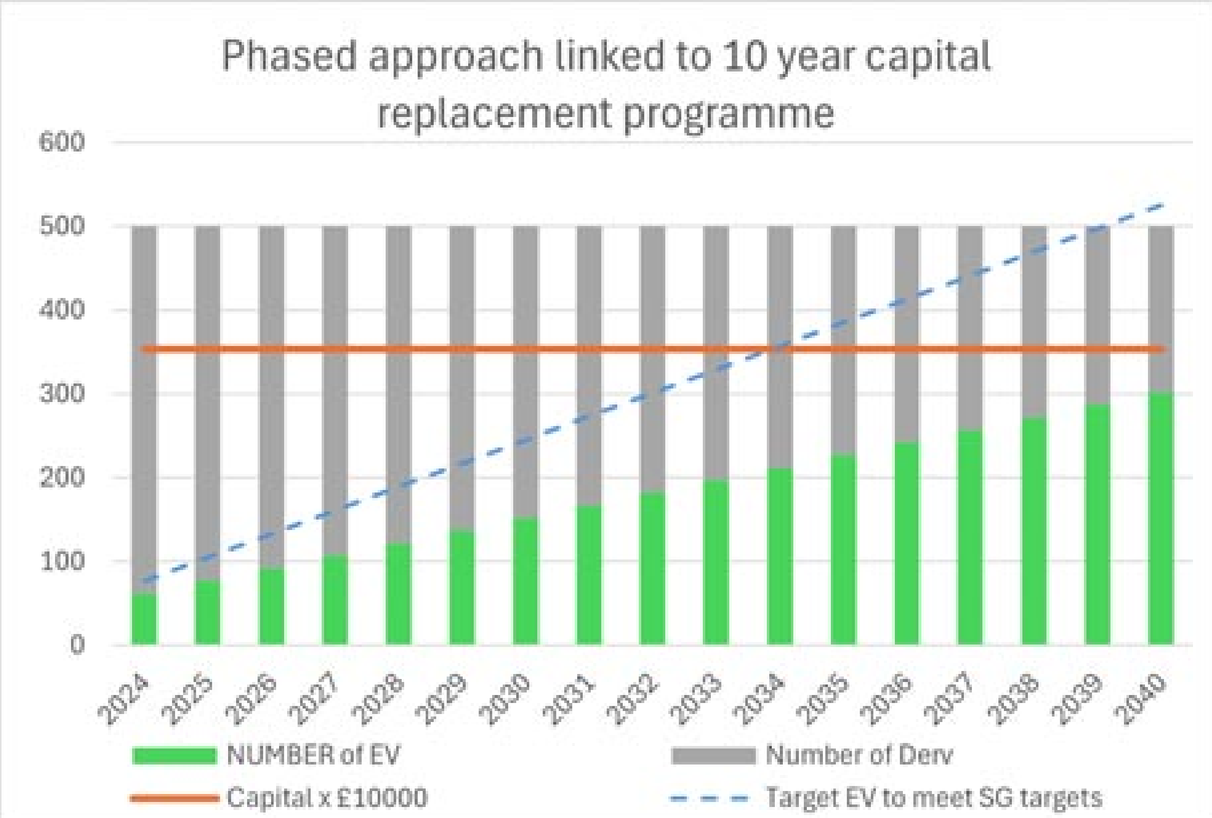
7.7 There are still risks associated with seeking a high percentage of electric vehicles as it is still developing technology. However, the Council has taken a strategic approach to determine it seeks electric options where there is a clear and established market, for example in cars and commercial vans.

7.8 This proposal allows the Council to continue with his current lifecycle planning approach as set out within the Council's 10 year capital planning process. It will allow the Council to continue to operate vehicles to an optimum life which considers vehicle reliability with age, the associated maintenance costs and predicted residual values, with the aim of replacing vehicles before they increase financial liability through age, mileage, and depreciation.

7.9 During this transitional approach the Council will continue with the development of internal staff to be fully trained to maintain these alternative fuelled vehicles from our existing workshop. This will mean that there is sufficient resilience within our operations to adapt to new technology and reduced need to rely on third parties for support.

7.10 The Council will continue to trial new alternative technology to ensure knowledge and facilities are developed appropriately.

7.11 The chart below sets out our current capital fleet replacement budget to continue to replace fossil fuel type vehicles. In addition, the capital investment required to achieve a blend of suitable ZEV equivalents on an achievable phased approach is identified which considers all of the external and internal challenges faced with ZEV transition.



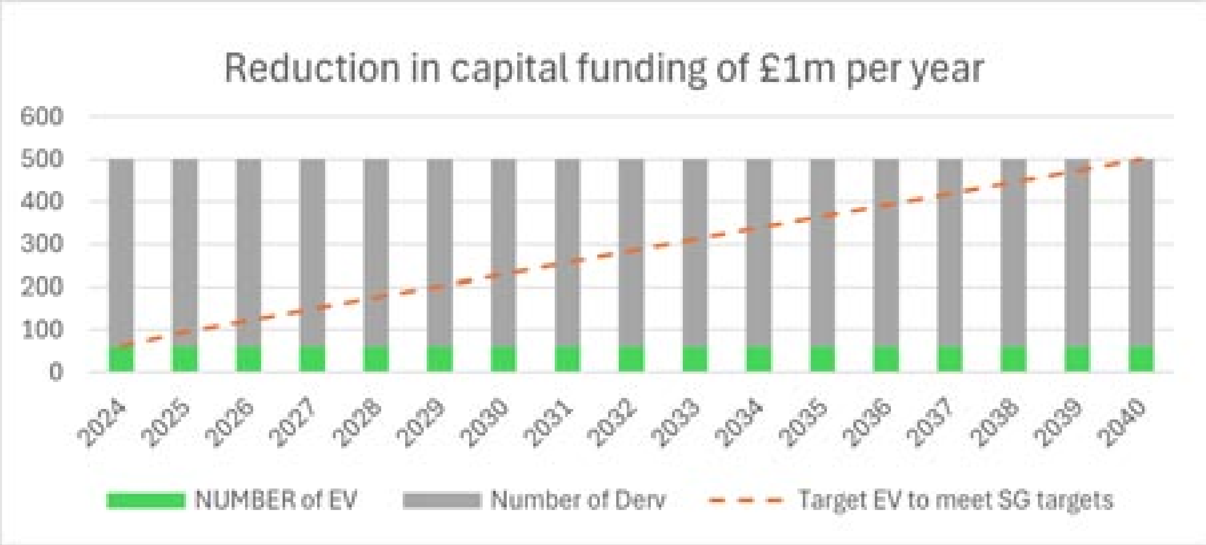
7.12 This option above represents a blend of priorities which meets the initial transitional ambition tied to continuing with the optimum lifecycle planning capital budget allocation. The capital investment is relatively fixed each year during the fixed period and allows for a manageable smoother transition than the wholesale replacement as outlined in option 1 above.

7.13 It should be noted that EV infrastructure will still be a barrier to this transition and must be urgently addressed in line with the depot review and hybrid workstyles if transition to EV is to succeed. Further considerations need to be made in relation to home charging for housing and other vehicles that are currently taken home overnight.

OPTION 3 – Reduced Capital Spend
Phased Fleet replacement lifecycle planning approach with reduced capital investment

7.14 The Council continues to face a very difficult financial situation with having to find savings over 2024/25 and 2025/26 of approximately £13.5 million. It is estimated that £10m of savings will need to be made in 2024/25 taking account of savings that have already been identified. This means that the Council has no choice but to make significant changes to the services that are delivered, and require to continue to reduce spend.

7.15 One proposal put forward is to introduce a capital cap within the current 10 year capital plan. The chart below highlights with a reduced capital investment the number of ZEV vehicles that would be purchased and how this would impact the transition in becoming net zero and meeting the SG targets currently in place.



7.16 Adoption of this proposal will effectively halt the transition to EV and in addition will extend the age profile of the fleet. Extending the age profile of the fleet will have the following consequences, some of which are directly opposed to SG targets;

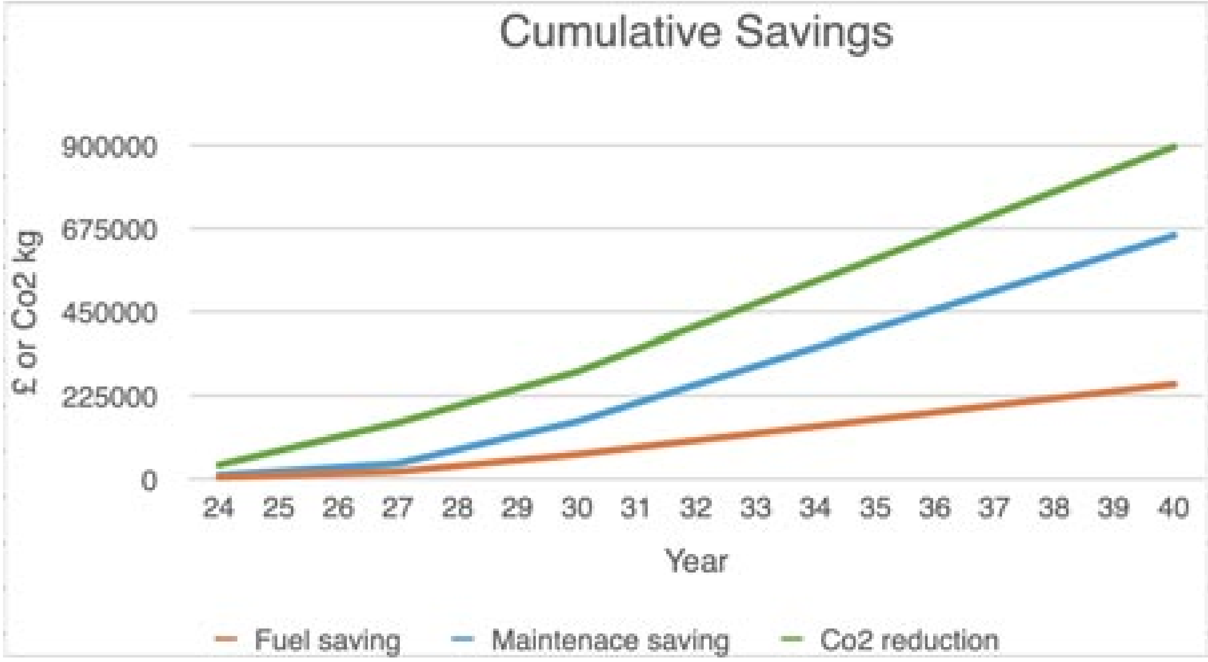
- Increased maintenance costs
- Increased downtime
- Increased labour time (- this is expensive and in short supply)
- Potential for major component failure of assets leading to hire costs
- Increased carbon emissions
- Poor fuel economy
- Poor public image

7.17 To summarise the above options; In order to fully meet the SG targets and have all the Councils fleet ZEV by 2040 would cost the Council over £107m. This is a £47m additional capital investment and would result in replacing fossil vehicles well before their optimum lifetime. There is also significant risk in not having the appropriate charging infrastructure in place to cope with such wholesale vehicle replacement.

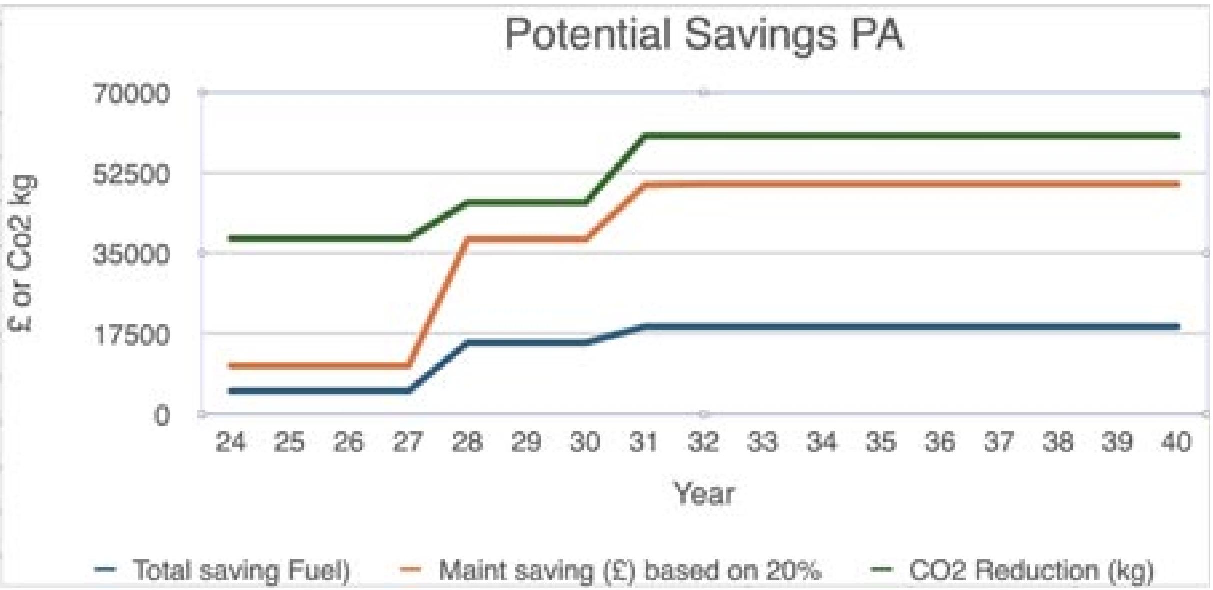
8. Potential Savings

8.1 The basis of our proposed ZEV strategy is to comply with the government's aims. Given more optimistic expectations of when larger vehicles are available as outlined in this report, our approach fully complies with SG ambitions.

8.2 The chart below outlines the general downward trend of the operational costs associated with this replacement scheme. In our assumptions, a switch from an ICE vehicle to an equivalent electric vehicle comes with some cost savings. One saving noted within the cost model is the saving on diesel. Even with increasing electricity prices charging an electric vehicle is noticeably less than the cost of diesel.



8.3 An additional benefit of this transition to electric is the carbon emissions saved from the day-to-day operations of the current ICE fleet. The chart below outlines the approximate savings (tCO2) per year that our proposal is forecast to provide.



REPORT TO: ECONOMIC DEVELOPMENT AND INFRASTRCUTURE SERVICES COMMITTEE ON 30 APRIL 2024

SUBJECT: FLOOD RISK MANAGEMENT AND BRIDGES CAPITAL AND REVENUE BUDGETS 2024/25

BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)

1. REASON FOR REPORT

1.1 To inform Committee of the Flood Risk Management Schedule of Clearance and Repair for 2024/25.

1.2 To inform Committee of the Bridge Maintenance Schedule of Works and the programme of Capital works for Bridges for 2024/25.

1.3 This report is submitted to Committee in terms of Section III (A) (2) of the Council’s Scheme of Administration relating to the consideration of Capital and Revenue Budgets and long term financial plans.

2. RECOMMENDATION

2.1 It is recommended that Committee agree:

(i) the Flood Risk Management Schedule of Clearance and Repair for 2024/25;

(ii) the proposed Schedules of Road Bridge Revenue and Capital Maintenance Works and Non-network Bridge Capital Maintenance Works to be undertaken for 2024/25; and

(iii) to delegate authority to the Head of Environmental and Commercial Services to apply for grant funding as set out in paragraph 3.23 of this report.

3. BACKGROUND

Flood Risk Management (FRM)

3.1 The Flood Risk Management (Scotland) Act 2009 (the Act) requires the Council to deliver the Actions within the Local Flood Risk Management Plans for Findhorn, Nairn and Speyside, and North East Local Plan Districts.

3.2 The Act places upon the Council a duty to assess relevant bodies of water (other than canals) in its area, for the purpose of ascertaining whether the condition of any such body of water gives rise to a risk of flooding. Where a water body gives rise to flood risk and the Council considers clearance and repair works would substantially reduce that risk, the Council must prepare a schedule of those works and carry them out.

3.3 During 2023/2024 work has been on going to complete the 2023/2024 Clearance and Repair Schedule. There was no under or over spend on the FRM Revenue budget for 2023/24. The continued high cost of construction and flooding events at Aberlour have impacted on delivery of the Clearance and Repair Schedule. Tyock Culvert repairs and purchase of specialist machinery to clear the Tyock Burn will now be undertaken in 2024/2025.

3.4 General maintenance of the Council flood schemes has continued throughout the year. Work has also been undertaken to improve access to the Tyock Burn at the confluence with the Linkwood Burn and review flood scheme models to assess the impact climate change has on the flood schemes at Elgin. Assessment of the Elgin model is ongoing and will be completed in 2023/2024. To understand the significant surface water flooding in Aberlour, a hydraulic model has been completed, which will allow future events to be modelled and possible mitigation designed.

3.5 The 2024/2025 Flood Risk Management Annual revenue Budget is £310,000. The budget does not include for damage to assets or any clearance and repairs following a flood event. If an event occurs this will be considered as a budget pressure.

3.6 The proposed Schedule for Clearance and Repair for 2024/2025 is provided in **Appendix 1**. The Schedule contains recurrent works, reactive works as well as planned works, together with routine survey and monitoring works. The Council's Asset Management System provides a risk based system to identify potential flooding issues. Reports from other sources continue to inform the production of the Schedule. The Schedule will be published on the Council's website, subject to agreement by this Committee.

3.7 The Schedule includes the maintenance of the flood schemes in accordance with their Operation and Maintenance Manuals. This covers schemes in Aberlour, Rothes, Elgin, Forres, Dallas, Newmill and Lhanbryde.

3.8 Key projects for the 2024/2025 year will be: -

- Update of the Flood Models for schemes at Arradoul, Longmorn and Newmill, which will include the impact of changes in Climate Change predictions.
- Tyock Burn culvert repair.
- Trash screen review, clearance and repair.

Flood Risk Management Capital

3.9 Significant maintenance work to replace life expired elements and remove trees from flood plains at the Elgin, Forres Burn of Mosset and Forres Findhorn Flood Schemes at a total cost of £348,000 was programmed for 2023/2024. Works have been completed at Lhanbryde, Newmill, Chapelton and Tyock Burn. Works at Elgin and Longmorn have been delayed due to weather conditions and emergency works to alleviate flooding at Whistlestop Woods (Garmouth). A carry forward of £130,000 will be requested on 28 June 2024, to undertake the delayed works.

3.10 Capital works for 24/25 will focus on coastal protection. This work will include assessment of coastal defences at Findhorn, Cullen and Lossiemouth, which will identify any remedial works required. The total cost of this work is estimated at £74,266, which is the allocation Moray Council has received from the Coastal Change Adaptation Capital Grant.

Road Bridges Revenue

3.11 Under the Roads Scotland Act 1984, Moray Council has a duty to manage and maintain the safety of the road network in Moray. Moray Council's road network includes 376 bridges and 160 retaining walls.

3.12 In 2023/2024 repairs were carried out at Aultahuish Bridge, C13E/20, Knockach Bridge, A940/40 Reiket Lane Railway Bridge, C40E/10 and the Hopeman to Burghead Old Railway Line 2, NN121 along with emergency repairs to Sanquhar Footbridge At a total cost of £41,145. Principal Inspections using an underbridge unit were undertaken at a cost of £10,288. Site investigation for Poolflasgan and Lee bridges has been undertaken at a cost of £25,268, to inform structural assessments in 24/25. Topographical surveys at Sanquhar Footbridge and Blackhills Culvert, U129E/20 have been undertaken at a cost of £3,300. There is no under or overspend predicted for the bridges revenue budget.

3.13 The bridges revenue budget for 2024/2025 is £130,000. £34.000 will be spent on structural assessments at Lee Bridge, U173E/10 in Forres and Poolflasgan Bridge, B9102/60 in Knockando. £50,000 will be allocated for unplanned repairs such as non-recoverable traffic collision damage. The remaining revenue budget allows for Principal Inspections and masonry repairs to be undertaken.

3.14 Drumin Bridge C60H/10 was closed this year due to scour under the pier. When the watercourse is safe to enter, further investigation will be carried out to determine the extent of the scour and the potential for repair. Any significant works required to reopen this bridge will be prioritised in line with the council's Bridge Maintenance Prioritisation Policy.

Road Bridges Capital

3.15 Capital bridge refurbishment schemes were completed during 2023-24 at Bridge of Slateford and Kirkhill Drive. A new bearing greaser system has been installed at Boat O'Brig. Planned works for New Bishopmill Bridge have been deferred to allow repairs to Viewmill Bridge to be progressed. Design work for Viewmill Bridge is complete, the contract has been awarded and construction is programmed to begin in April 2024.

3.16 In May 2023 members agreed the Bridge Maintenance Prioritisation Policy, which sets out the criteria on which all future bridge maintenance works will be prioritised (paragraph 12 of the minute refers).

3.17 The bridges Capital Programme for 2024/25 includes delivery of Cloddach Bridge replacement (Subject to approval of the business case by UK Government), Auchriachan Bridge refurbishment and Blackhills Culvert refurbishment at a total estimated cost of £4,762,145 (gross). New Bishopmill Bridge, deferred to 2024/25 to progress works at Viewmill Bridge, will now be deferred to 2025/26 to allow work on the replacement of Cloddach Bridge to progress.

3.18 The bridges Capital Programme for 2025/26 includes funding to replace the deck on Arthurs Bridge. This work will be subject to a feasibility study, which is currently being developed and is programmed for completion end of April 2024.

Non-Network Bridges Capital

3.19 Maintenance of the Council's non network bridges, which consist of footbridges and some small vehicular bridges, is funded through a capital allocation of £50,000 per year.

3.20 The budget for 2024/25 will be spent on repairs to the Marywell Bridge at a cost of £50,000 (gross).

3.21 A breakdown of the Capital projects for Road Bridges and Non-Network Bridges is provided in **Appendix 2.**

3.22 All Capital works will be monitored for slippage throughout 2024/25 through the budget monitoring process with a view that the out-turn is within the net capital budget of £4,647,000.

3.23 In line with the Consultancy Team's remit to promote Flood Risk Management and maintain bridges to provide a safe road network there can be mid-year opportunities to benefit from grant funding to deliver these priorities. The deadlines often preclude submission of a report to the service committee. It is requested that delegated authority is granted to the Head of Environmental and Commercial Services to approve grant funding applications, where these fit with clear 'business as usual' work priorities, and do not require any other unbudgeted expenditure by the council.

Harbours Infrastructure Capital

3.24 The works in the 2024/25 Harbour Works (net of slippage £183k) are to carry out repairs to Burghead Harbour, Cullen Harbour and Findochty Harbour. The capital plan for harbours is based on inspections of the condition of the Council's six harbours and the first three years in the plan are based on planned asset management arising from the most recent inspections.

4. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

"We leave a better environment for future generations."

"Our businesses and communities prosper.".

(b) Policy and Legal

Under the Flood Risk Management (Scotland) Act 2009, the Council has a statutory duty to implement the Actions from the Local Flood Risk Management Plans. The Council can do works not included in the Plans that will manage flood risk, provided it does not affect the delivery of those actions in the Plan.

Bridge maintenance work is undertaken in accordance with the Council's duty to maintain a safe road network, under the Roads (Scotland) Act 1984 and in line with the Council's Bridge Maintenance Prioritisation Policy.

(c) Financial implications

The proposed Capital and Revenue works as estimated are contained within the Council's budget for 2024/25. The net capital total for council funded work (inclusive of slippage) is £4,830k plus £74k grant funding for coastal adaptation (flood risk management budget area).

No allowance has been made in the Flood Risk Management budget for dealing with the consequence of exceptional rainfall/flood events. This will be considered as a budget pressure, if such events arise.

(d) Risk Implications

There are no risk implications as a result of this report other than to recognise that flooding and coastal issues are unpredictable and the items in the Schedule will be carried out in recognising this uncertainty.

(e) Staffing Implications

There are no staffing implications associated with the recommendations in this report.

(f) Property

There are no property implications associated with the recommendations in this report.

(g) Equalities/Socio Economic Impact
There are no equalities/socio economic implications associated with the recommendations in this report.

(h) Climate Change and Biodiversity Impacts
During the design and implementation of Flood Risk Management works we aim to increase biodiversity wherever practicable.

Where a negative impact on climate change occurs as a result of the work, we do we endeavour to mitigate this where possible. This includes sourcing materials from a sustainable source and re-using materials.

(i) Consultations
Depute Chief Executive (Economy Environment and Finance), Head of Environmental and Commercial Services, Chief Financial Officer, Legal Services Manager, Equal Opportunities Officer and Committee Services Officer (L Rowan) have been consulted and their comments incorporated into the report.

5. <u>CONCLUSION</u>

5.1 The Council has a duty under the Act to implement Flood Risk Management Plans, including clearance and repair of water bodies. The proposed allocations in the 2024/25 Flood Risk Management Revenue Budget take account of this duty.

5.2 The Council has a duty under the Roads (Scotland) Act to maintain a safe road network. The proposed allocations for 2024/25 Bridges Revenue and Capital Budget takes account of this duty, based as far as practicable, on a risk-based plan-led approach.

Author of Report: Debbie Halliday, Consultancy Manager

Background Papers:

Ref: SPMAN-524642768-1058

Appendix 1

Flood Risk Management Revenue
Schedule of Clearance and Repair Works 2024/25

Location	**Improvement Works Description**	**Estimated Cost (£)**
Tyock Burn	Tyock Burn - Culvert Maintenance	£55,000
Newmill FAs	Newmill FAS - Scheme Review and Model Update	£7,500
Longmorn FAS	Arradoul FAS - Scheme Review and Model Update	£1,000
Arradoul FAS	Longmorn FAS - Scheme Review and Model Update	£1,000
Various	Various - Surveys	£5,000.00
Various	Various - Upgrade Life Expired Equipment	£10,000.00
Garmouth	Garmouth - Instal Telemetry Equipment	£7,500.00
Coastal Defence	Portgordon - Seaweed Removal	£3,000.00
Moray Wide	Various - Trash Screen Review and Repair	£20,000.00
Longmorn FAS	Longmorn - Fence and Embankment Repairs	£8,000.00
Coastal Defence	Lossiemouth Sewall Repair	£28,000.00
	Total	**£146,000**

Location	**Annual Maintenance Works Description**	**Estimated Cost (£)**
Various	Reactive Works	£13,000
Telemetry	Telemetry Maintenance	£5,000
Kingston	Shingle Bank Survey Kingston	£5,500
Forres FAS	Shingle Bank Survey Findhorn	£10,000
Longmorn FAS	Longmorn FAS - Operation and Maintenance	£400
Dallas FAS	Dallas FAS - Operation and Maintenance	£3,000
Forres FAS	Findhorn and Pilmuir FAS - Operation and Maintenance	£43,250
Aberlour FAS	Aberlour FAS - Operation and Maintenance	£1,500
Millbuies Reservoir	Asset Maintenance, Operation and Maintenance	£500
Rothes FAS	Rothes FAS - Operation and Maintenance	£4,900
	Tyock Burn - Inspection and Clearance	£12,500
Elgin FAS	Elgin FAS - Operation and Maintenance	£34,500
Forres FAS	Burn of Mosset FAS - Operation and Maintenance	£10,000
Aerial Photos	6 Monthly aerial Photos	£4,450
Newmill FAS	Newmill FAS - Operation and Maintenance	£7,500
Lhanbryde FAS	Lhanbryde FAS - Operation and Maintenance	£3,000
Community Engagement	Community Engagement	£5,000
	Total	**£164,000**
	Revenue Total	**£310,000**

Appendix 2

Bridges Capital
Schedule of Works 2024/25

Location	Improvement Works Description	Capital Plan Value
U129E/20	Blackhills Culvert	£175,000
B9008/10	Auchriachan Bridge	£350,000
Various	Non Network	£50,000
C2E/20	Cloddach	£4,237,000
Running total		**£4,812,000**
Slippage factor		£165,000
Total		**£4,647,000**

REPORT TO: ECONOMIC DEVELOPMENT AND INFRASTRUCTURE SERVICES COMMITTEE ON 30 APRIL 2024

SUBJECT: MARINE SAFETY AND OPERATIONAL SUMMARY OF 2023/24 AND Q3/4 2023/24 UPDATES

BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)

1. REASON FOR REPORT

1.1 To inform the Committee on matters of Marine Safety and compliance with the Port Marine Safety Code (PMSC) for the year 2023/24 and details of Q3 and Q4 2023/24.

1.2 This report is submitted to Committee in terms of Section III (F) (25) of the Council's Scheme of Administration relating to the functions of Council as Statutory Harbour Authority (SHA).

2. RECOMMENDATION

2.1 **Committee is asked to consider and note the safety performance, fulfilling their function as Duty Holder under the Port Marine Safety Code (PMSC) and approve a 3 yearly statement of compliance to PMSC letter to be written and signed on behalf of duty holders by depute chief executive (Economy, Environment and Finance). Upon signing, Letter will be sent to Maritime and Coastguard Agency (MCA).**

3. BACKGROUND

3.1 Under the statutory requirements of the Port Marine Safety Code (PMSC) the organisation (Moray Council) must appoint a duty holder to ensure compliance with the PMSC is achieved. The organisation must provide a report on PMSC performance annually as a minimum.

3.2 The role of Duty Holders is held by members of Economic Development and Infrastructure Services Committee (ED&I). The role requires accountability for ensuring the organisation’s compliance with the PMSC.

3.3 Moray Council, in its capacity as a Statutory Harbour Authority, is committed to undertaking and regulating marine operations to safeguard all its harbour areas, the users, the public and the environment through its Safety Management System (SMS).

4. ANNUAL REVIEW 2023/24

4.1 The following sections of the report set out an overview of marine safety performance in 2023/24 and an update on Q3 and Q4 of 2023/24.

PMSC Audit

4.2 A full annual audit of Moray Council compliance with PMSC was carried out by Marex Marine within their capacity as Designated Person. The Audit was conducted at Buckie Harbour Office on 27 March 2023 and concluded that the Moray Council harbours are compliant with the Port Marine Safety Code. The next audit is currently in the process of being scheduled for Q1 2024/25 with Marex marine who act as Designated Person as per PMSC guidance. The Audit process made observations, mainly clerical in nature, which are provided in the table below with progress towards close out included.

4.3 It should be noted that duty holders are required to be conversant with PMSC and its relevant content. It is advised that training for Duty Holders is provided through the Designated Person Marex Marine which has been done.

4.4 Observations from PMSC Audit:

Observation	Progression
Review Harbour Bye-laws with particular regard to continued relevancy	Harbours team have carried out an initial review and have some proposed changes. Currently on hold due to capacity issues within legal services. This position will be reviewed in 24/25 to determine conclusive plan including resourcing issues. Low risk, current byelaws are acceptable at present..
Consider cyber security protocols	Cyber security requirements being included and updated as part of ICT works during move to new harbour office May 24.
Risk assessment review required	Annual Risk assessment review carried out in February/ March 24
Consideration of adding extra safety signs around harbour	In conjunction with ongoing water safety group meetings and workstream considerations for signs required to be discussed.
Increasing drills carried out with external institutions suggested	Large multi-party oil spill drill scheduled for 23-25 April 2024

Statement of compliance letter

4.5 As part of regular auditing process, MCA requires a declaration of compliance with PMSC. The statement of compliance takes the form of a letter written and signed by Depute Chief executive (Economy, Environment, Finance) stating that Moray Council is compliant with PMSC. Duty holders are asked to approve this letter and permit it to be signed on behalf of EDIS committee and sent to MCA.

Key Performance Indicators

4.6 The paragraphs below detail the main statistics from the major areas of concern for review of compliance with PMSC.

Annual Accident, Incident and Near Miss Statistics

4.7 The table below summarises the incidents that occurred throughout 2023/24.

Quarter	Injuries	Incidents	Near Misses
1	0	0	1
2	2	0	0
3	0	1	0
4	1	4	0
Total	3	5	1

4.8 The following details the injuries incidents and near misses for the year 2023/24 as a whole. All information below was reported on in previous quarterly reports to Economic Development and Infrastructure Committee.

	Date	location	Brief summary	outcome
Injuries				
	09/07/23	Portknockie	Member of public fall from paddleboard requiring hospital admission.	Injured party recovered. Increased patrolling and monitoring of harbours. Fee introduced for 3rd party companies engaging in training/ activities in leisure harbours
	15/09/23	Buckie	Moray Council employee fall from height	Health and safety department contacted. Reporting made
	22/02/24	Buckie	Harbour employee struck by rope	Pier Lighting upgraded.
Incidents				
	13/12/23	Findochty	Sinking Vessel	Removal of vessel
	09/02/24	Buckie	Cargo vessel grounding	Notice to mariners produced. Area of channel dredged
	29/02/24	Buckie	Cargo Vessel collision with pier	Vessel repaired in Harbour. Vessel insurance payment for damages to pier railings
	29/02/24	Buckie	Oil pollution recovery	Pollution cleared and disposed of appropriately

	18/03/24	Buckie	Potential unexploded ordnance	External Unexploded Ordnance report carried out. Outcome of report low risk area. Relevant authorities contacted. Appropriate measures taken.
Near Misses				
	14/04/23	Buckie	Diver stop job due to vessel movements.	Increased visual confirmations in place.

4.9 The number of injuries and incidents at Moray Council harbours during 2023/24 is low but has increased since 2022/23. Whether there is an underlying factor, such as increased activity, is unclear given the low numbers, but this is being monitored. It must be noted that strict risk assessments and permit to work procedures are implemented by harbour staff when carrying out jobs and encouragingly incidents and accidents involving Harbour staff are extremely low. Third party incidents and accidents are harder to control but work within Moray Water Safety group and a drive to lead by example in the harbour area will hopefully press a safety culture within the harbours environment. With this in place the target for Accidents, Incidents and near misses is 0. All accidents, incidents and near misses will continue to be investigated thoroughly and reported accordingly at quarterly and annual meetings. Lessons learned and actions arising from the events will also be detailed.

Aids to Navigation

4.10 As a Local Lighthouse Authority, Moray Council is required to report the availability of all of its navigational lights to the Northern Lighthouse Board in March of each year. Currently the Port Closed light on the North Pier in Buckie is unavailable resulting in availability figures being decreased. This has been discussed with the Northern Lighthouse Board and they have noted it is not an urgent requirement as the light is not mandatory and other provisions to communicate any port closures are available. Mucks Light structure is at end of life and has been through the Asset Management Working Group (AMWG) gateway a procurement of new structure to be installed is underway. Target date for completion is by end of June 2024. Cost of £175,000 has been estimated.

4.11 New solar powered lights have been installed in Burghead and Buckie. The new solar powered lighting will decrease the number of faults observed and as a result over time lead to an increase in the availability figures for all navigational aids. This work has been funded by Scottish Government Marine Fund Scotland Scheme.

4.12 A risk assessment for changing the lighting system was prepared and approved by the Northern Lighthouse Board. A Notice to Mariners has been produced and sent to all harbour users and the UKHO so visiting vessels can be informed of this change.

4.13 The table below summarises the availability of Navigational lights under Moray Council's responsibility.

IALA Category	No Of Aids	Total Hours	No Of Failures	OOS Hours	MTTR	MTBF	Availability	Target Availability
Moray Council								
CAT 1	1	26,304	0	0:00	0:00	0:00	100.00 %	99.80 %
CAT 2	15	394,560	6	31333:58	5222:20	60537:40	92.06 %	99.00 %
CAT 3	4	105,216	1	5222:00	5222:00	99994:00	95.04 %	97.00 %
No Category	0	0	0	0:00	0:00	0:00	0.00 %	0.00 %
Totals	20							

4.14 The 'Availability Objective' is calculated over a rolling 3-year period. This means that over this period a Cat 1 Aid to Navigation needs to be functional for 99.8% of the time. Currently Moray Council meeting this target. The availability of Cat 2 and 3 lights is below the target availability.

4.15 The target for the year 2024/25 is to increase the availability figures of Cat 2 lights to 95% and cat 3 lights to 97%. This will be achieved by utilisation of new solar powered lights that have been installed during 2023/24. One sector light remains to be installed in Buckie due to be installed during Q1. Once installation is completed of the final light efficiency will increase back to target due to less reliance on unsuitable cabling prone to faults.

Pilotage and Cargo works

4.16 Pilotage is not compulsory at Buckie harbour, and therefore not all cargo movements require the services of a pilot. The number of pilotage acts carried out in the year 2023/24 was 30, in relation to 106 vessel movements in and out of the harbour.

4.17 During financial year 2023/24 there has been a continuation of regular and frequent cargo loading and discharging in Buckie harbour.

The table below summarises cargo handled this year compared to previous years:

	2023/24	2022/23	2021/22	2020/21	2019/20
Import tonnage	82143.79	86446.02	70488.72	64019.24	74242.20
Export tonnage	21622.97	17954.10	8931.55	31846.33	13330.50
Total	103766.75	104400.12	79420.27	95865.570	87572.70

4.18 Cargo operations within Buckie harbour are and continue to be extremely busy with vessels on average in harbour every week. Tonnages handled have been increasing steadily over a period of years with imports of Malt/ Barley in particular handled regularly. This service is a vital part of the supply chain to Moray local economy.

Training

4.19 Training has been completed in a number of areas including:

- First aid training completed by 4 Harbour assistants.
- Port Security training for 2 assistant harbourmasters carried out May 2023. Security refresher training for Harbourmaster carried out September 2023.
- STCW fire/sea survival and rescue boat course completed by 1 assistant harbourmaster June 2023.
- RYA basic sea survival completed by 1 harbour assistant October 2023.
- MCA oil spill level 1 training completed by 1 harbour assistant September 2023.
- RYA Day skipper theory and engine maintenance course completed by 1 Assistant harbourmaster.
- RYA powerboat level 2 course completed by 1 harbour assistant March 2024.
- Powerboat courses for 2 harbour assistants.

4.20 Pilotage training for hours of darkness continues for 2 members of staff with 2 new members of harbour staff planned to commence pilotage training during Q2 2024/25.

4.21 Training requirements for all harbour staff is currently being reviewed and training matrix updated and agreed upon by OD for 2024/2025.

Staffing

4.22 Recent recruitment within the harbours team includes the appointment of 1 new permanent harbour assistant.

4.23 Recruitment for MV Selkie staff has been paused whilst a change management process is being undertaken within the harbours team. The process is aiming to clarify contractual queries and provide structure and resilience throughout the team enabling full time Moray council employees to crew vessel with all harbour staff providing back up resilience.

<u>Conservancy</u>
Capital dredging Projects

4.24 A capital dredging programme was agreed at a Full Council meeting on 29 June 2022 (paragraph 22 of the minute refers,) All relevant Marine Directorate licences were completed and are held within Buckie Harbour Office with copies held on Board all dredging vessels engaged in operations within Moray Council harbours.

4.25 The recent agreed external dredging project carried out between 5 October and 10 November 2023 has extensively dredged basin 2 to a depth of 2.7 metres except in small areas where bedrock was reached.

4.26 In total 6,010 m3 of spoil was removed from basins 1-3 and navigational channel during the works and discharged at designated spoil ground.

4.27 A secondary capital dredging programme was commissioned after a decision of full council on 12 December 2023 (para 9 of the minute refers).

4.28 Under delegated authority afforded to Head of Environmental and Commercial Services a tendering process identified a suitable marine contractor to carry out the required works for specialist rock dredging in Buckie.

4.29 The works are underway and began on 8 March 2024 with a contract to bring the area of the channel and basin 2 to a level of 3.2 metres below chart datum in entirety.

Maintenance Dredging

4.30 There is a target Depth of 3.0 metres to be reached in all areas of the channel and basins 1-3 in Buckie Harbour by the end of May 2024/25. Progress toward this has been and will continue to be monitored and reported as a KPI. A recent Bathymetric survey carried out in February 2024 has identified a shallow area to the immediate west of west pier. The area is approximately 5m2 in area and is being worked upon. The depth of this area was 1.2m below chart datum and appropriate Notice to Mariners has been issued to all mariners warning of the shallow area. The shallow area has developed quickly after prolonged periods of adverse weather forcing sediment toward the harbour entrance.

4.31 The recent external dredging campaign alongside work from Selkie throughout the year has provided a controlling depth of 2.5m in the channel outside of above-mentioned shallow area and basins 1 and 2. Areas of rock outcropping discovered in basin 2 are being dredged to ensure the channel and basin 2 are at least 3.0 metres below chart datum by end of May 2024.

4.32 Immediate dredging plans are to prioritise the channel entrance with Selkie and to aid in the dredging of basin 2 when required. The dredging plan includes provision to continue to dredge at Buckie regularly as the main priority of the dredging programme with work in Burghead identified as next priority.

4.33 Burghead will be attended any time there is a suitable weather window during manned periods and when tidal conditions suit once the shallow area at Buckie harbour entrance is rectified. Currently the depth below chart datum at the entrance of Burghead harbour is 0 metres.

4.34 There is a Notice to Mariners published warning vessels of the fluctuating depths within the entrance channel of Burghead advising all mariners to contact Harbourmaster for accurate information and tidal information.

4.35 The priority areas for dredging at Burghead remain the sand bank which is located adjacent to the north breakwater and an area of sand build up adjacent to the groyne, which has been repaired during 2023/2024. Other dredging requirements include:

- Hopeman: New licence received. Develop land based plans for dredging utilising Selkie alongside land based excavators. The inner basin and channel will both be included in dredging plans.
- Portknockie: there is no specific need for dredging plans at Portknockie at this time however the entrance and pontoon basin will be closely monitored and dredged accordingly.
- Findochty: Dredging is required at the entrance channel and areas around the middle jetty.

4.36 Maintenance dredging will continue throughout 2024/2025 with Portknockie and Findochty works planned to take place during Q2/3 with expected favourable weather. It should be noted that commercially and operationally works in Buckie and then secondly Burghead will be prioritised before any additional work is undertaken.

Selkie

4.37 MV Selkie has completed works within Buckie and Burghead during the financial year of 2023/2024. The below table summarises the work carried out during the year:

Days worked and total tonnage removed 2023/2024 vs 2020/2021-2022/2023

Year	Days working	Weather days	Maintenance	Working days %	Tonnage Removed
2023/24	62	58	28	42	8,472
2022/23	94	68	46	46	12,880
2021/22	77	62	59	39	14,120
2020/21	38	14	46	39	11,240

Tonnage removed per harbour during 2023/2024

Harbour	Total Tonnage removed
Buckie	7,092
Burghead	1,380

4.38 During 2023/2024 there has been a marked decrease in the total tonnage removed to spoil by MV Selkie compared to the previous year. Although this on the face of it appears to denote less work has been completed by the vessel it is important to note that Selkie has been deployed to work in targeted area of Basin 4 in Buckie which is a more detailed and slower process of work compared to general dredging in the channel area. Selkie has also been involved in working in Basin 2 during October and November time this year to aid the capital dredging programme. This work involved scraping of extremely dense materials and rock which by its nature was extremely difficult and resulted in lower volumes of material deposited to spoil ground. There has also been a decrease in downtime due to maintenance (19% vs 22%). This has decreased steadily since 2020/2021 from 47% (see table in paragraph 4.42) However, there has been an increase in the number of days the vessel has not been able to work due to availability of crew and adverse weather resulting in a working percentage which has decreased from 46% to 42% over the financial year.

4.39 The plan for increased efficiency moving forward continues to be to maximise the number of days crewed on vessel further and continue to work effectively with maintenance to lower the number of maintenance days.

4.40 It must however be noted that the maintenance delays of the vessel are invariably the result of excavator issues. The excavator on board Selkie has reached an age where regular issues with components such as valves are likely to remain high despite good maintenance. This is a direct result of age of the excavator and the harsh environment the excavator works in on a constant basis. The implications and options relating to this are currently being explored and will be progressed with fleet services as part of the asset management planning process.

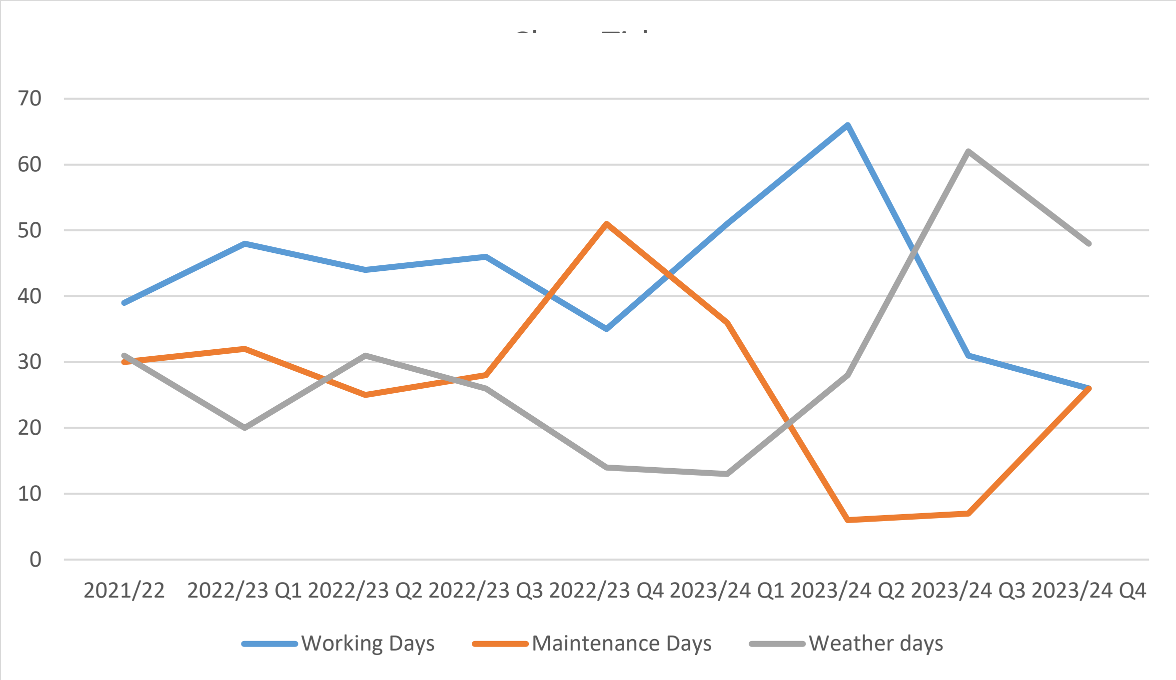
4.41 A review is underway in general within the harbour service which ultimately aims to maximise crewing of the vessel by using in house crew working to simpler contractual understandings. The crew will also be more agile in ability to work at shorter notice periods allowing maximum advantage to be taken of periods of good weather. The training of all staff within the harbours team will also allow maximum resilience with multiple members of staff being able to work on the vessel if required.

4.42 KPIs measuring the percentage of days working and days of maintenance will continue to be included in quarterly reports moving forward. This is a measure of the vessels working efficiency with a target of 50% working days and 20% maintenance days set. A copy of KPI table is included in paragraph 4.44. Below shows in table and graph form Selkie working percentage vs Maintenance and Weather days.

% Comparison of working days compared to weather and maintenance per year.

Year	Days working %	Weather days %	Maintenance %
2023/24	42	39	19
2022/23	46	32	22
2021/22	39	31	30
2020/21	39	14	47

Graph of Selkie Working day % trends.



4.43 Although Q4 has shown a trend upwards, the general pattern of Selkie maintenance unavailability compared across quarters in 2023/24 vs 2022/23 shows a slight decrease in days. There has been a decrease in working days over Q3/4 which has correlated with a dramatic decrease in tonnage removed to spoil however, it must be noted that this coincides with a sustained period of consistent poor weather which has limited work and less crew availability and manned days. There is still continued improvement required to reach the desired KPIs highlighted in the table in paragraph 4.44 (below) during 2024/25 financial year. The target of 20% or less of maintenance days has been reached however targets for working days and tonnages removed have not been reached despite significant progress during Q1/2. A trend graph will continue to be added in future reports to highlight progress toward KPIs identified for working day and maintenance day targets.

4.44 **KPI Summary Table**

KPI	Progress at the end of Q4	Completion Target Date
	Conservancy	
Buckie Channel Depth 3.0M	Current official depth improved to 2.5M confirmed by bathymetric survey. External dredging programme continuing work	31/05/24
Buckie Basin 1/2/3 depth 3.0M	Current depth 2.5M	Review of progress continuously. Fully achieved basin 2 by 31/05/24 Basin 1/3 achieved by 31/03/25
Provide 0.3M channel Burghead	Current depth 0.0M	Review of progress 31/03/24 Fully achieved by 31/08/24

	Productivity	
Maintenance days less than 20%	19% for 2023/24	Continuous review
Working days greater than 50%	42% for 2023/24	Continuous review
Total minimum tonnage removed above 14,120 Tonnes (aspirational target 18,000 Tonnes)	Mid Q4 8,472	31/03/25
Total working days above 77 (target 100)	62 Mid Q4	31/03/25
	Staffing	
Full Time master	recruitment campaign (long term skilled agency worker currently)	30/09/22 postponed. Change management process underway to review and implement changes to crewing structure, 30/06/24
	Safety management/ Maintenance	
SMS review and Update	Reviewed and awaiting audit review by designated person to be carried out Q1 24/25	30/06/24
Full Risk assessment update	annual review completed Feb 24	31/03/24
	Financial	
Lower Running costs to within Budget	To be reviewed	31/03/24

Green Harbours

4.45 There has been continuing work carried out with the focus on lowering carbon emissions and promoting overall environmentally sound practices within the harbours. Electrical upgrades to allow greater connectivity for vessels with less reliance on fossil fuel generators is nearing completion with an expected completion date of mid-May 2024.

5. Operational Updates

5.1 Multiple works are currently ongoing and nearing completion in Buckie harbour.

5.2 Weighbridge has now been completed and is available for use with an interim reduced fee of £0.29 per tonne for a period of 3 months agreed to encourage return to normal operational practices. Further smaller works to improve fencing in line with additional security and increased data automation of the weighbridge and new harbour office will be completed by end of Q2 2024/25.

5.3 Offshore windfarm Operations and maintenance (O/M) base and quayside works are progressing with expected completion May 2024.

5.4 Delivery of new Harbour office at site of Fishmarket progressing with expected delivery date of May 2024.

5.5 New lighting installed on Piers 2 and 4 providing ability for increased focussed lighting for works being carried out during hours of darkness.

5.6 Electrical upgrade works nearing completion. Distribution boxes on Piers energised. Pier 3 cable pulling and completion civil works covering trenches outstanding.

6. FUTURE OBJECTIVES AND PLANS

6.1 **Objectives identified for 2024/25 include the following:**

- Completion of PMSC audit during Q1.
- Procure and replace Buckie Mucks navigational Light structure by end of Q2 2024/25.
- Progress procurement and installation of CCTV equipment in Buckie harbour.
- Completion of multi organisation oil spill drill 25-27 April 2024
- Review and report existing and identify new KPIs.
- Undertake further reviews of Berthing Policy and Harbour Bye-laws.
- Progression of Water safety policy draft framework.
- Review training requirements and request necessary training.
- Increase momentum of Pilot training and accreditation leading to an additional 2 fully competent Pilots within the Harbour team by end of financial year.
- Carry out change management process to address long term staffing queries and dredging crewing requirements.

7. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP)
Sustainable harbours maintained to operate safely and efficiently contribute to the economic development of Moray.

(b) Policy and Legal
Non-compliance with the Code will have legal implications.

(c) Financial implications
Non-compliance of the Code may have financial implications.

(d) Risk Implications
Failure to comply with the Port Marine Safety Code could result in prosecution of the authority.

(e) Staffing Implications
No staffing implications arise from this report.

(f) Property
There are no property implications arising from this report.

(g) Equalities/Socio Economic Impact
There are no specific equalities matters, however, the Equalities Officer has been consulted and comments incorporated into this report.

(h) Climate Change and Biodiversity Impacts
There are no climate change and biodiversity implications arising from this report.

(i) Consultations
The Depute Chief Executive (Economy, Environment and Finance), Head of Environmental & Commercial Services, Legal Services Manager, Chief Financial Officer, Committee Services Officer (L Rowan), Acting Principal Climate Change Strategy Officer, and Equalities Officer have all been consulted and their comments incorporated into this report.

8. CONCLUSION

8.1 The Council is currently deemed to be compliant with the PMSC, however, work to maintain a safe environment remains an ongoing matter in a dynamic environment. Diligent staffing and constant monitoring and risk assessing will be utilised to maintain compliance as demands evolve.

Author of Report:	Stuart Akass, Harbours Development and Operations Manager
Background Papers:	
Ref:	SPMAN-524642768-1055

REPORT TO: ECONOMIC DEVELOPMENT AND INFRASTRUCTURE SERVICES COMMITTEE ON 30 APRIL 2024

SUBJECT: DEPOT AND STORE REVIEW

BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)

1. REASON FOR REPORT

1.1 The purpose of this report is to provide an update on progress in relation to the Depot and Store review and seek Committee approval of the outline business case and the request for resource.

1.2 This report is submitted to Committee in terms of Section III (F) (3) of the Council's Scheme of Administration relating to industrial and commercial development.

2. RECOMMENDATION

2.1 It is recommended that Committee:-

(i) approves the Outline Business Case for the Depot and Store Review;

(ii) agrees to fund a project resource of a temporary Senior Project Officer at grade 11 for an initial period of 1 year from the initial savings generated (£64,700) and the balance from reserves (£11,300); and

(iii) notes that a further update on progress will be provided once the full business case is developed.

3. BACKGROUND

3.1 On 12 December 2018, the Council approved a report which detailed recommendations aimed at improving how the Council manages and maintains its property assets (paragraph 6 of the Minute refers). On 29 October 2019, the Policy and Resources Committee approved a report detailing the Property Asset Management Appraisal (PAMA) Improvement Plan with the status of actions (paragraph 13 of the Minute refers). On 30 June 2021, the Council approved a report which outlined progress and indicated that delays to progress had been sustained due to the Covid-19 pandemic and changes of senior lead officers (paragraph 14 of the Minute refers).

3.2 On 30 August 2022, the Corporate Committee approved a report which provided an update on the PAMA which contained the decision to merge the Depot and Store reviews to ensure maximum benefits to the Council (paragraph 7 of the Minute refers). On 6 September 2022, this Committee received an update on the now combined review (paragraph 12 of the Minute refers). Finally, on 20 June 2023, this Committee approved a report which provided a further update on progress of the review and included some early actions to provide some financial savings (paragraph 13 of the Minute refers).

3.3 The report on 20 June 2023 indicated that the outline business case for the depot and store review would be reported before 31 December 2023. Unfortunately, this target was not met primarily due to resources being diverted to review and develop budget options and also the actions required to respond to the Reinforced Aerated Autoclaved Concrete (RAAC) investigations required.

4. PROGRESS AND NEXT STEPS

4.1 The report to this Committee on 20 June 2023 outlined 5 properties which could potentially be removed from the Council's portfolio. Since then, actions have been taken to progress this rationalisation and the table below details the outcome.

Property	User	Outcome
Unit H Isla Bank Mills, Keith	DLO	Property vacated and relet to private company. Operating cost saving of £33,500 per annum plus unit let to new tenant at £26,200 per annum.
Dava garage	Roads	Agreement reached with landlord to terminate lease. Currently progressing demolition as required by lease terms prior to property being handed back.
Dufftown depot	Roads	Services relocated to Keith depot however still required for salt store. Full saving not possible until replacement salt facility available. Design work progressing on new facility likely to be completed in next financial year. Expected operational cost saving

		initially of £5,000 plus reduction in back log maintenance cost.
Household Waste Recycling Centre (HWRC), Conglass Lane, Tomintoul	Roads	Service recommended to be relocated to Roads Depot in Tomintoul, however due to potential conflicts between public traffic and Council operations decision made to retain separate facility.
Auchinhove salt store	Roads	Only used to store salt cannot be made available until alternative salt facility completed in Keith Depot.

4.2 Since the report in June further engagement with services has been undertaken and an outline business case for the rationalisation of the Council's depots and stores has been developed, a copy is attached in **APPENDIX I**.

4.3 The OBC outlines the need for investment within the Council's depots and stores in order that they can be brought up to a B standard for condition and suitability. The current do-nothing situation would require capital investment in the region of £3.72M to ensure the existing properties meet this standard. This capital investment would cost the Council circa £260,000 per annum in currently unbudgeted revenue costs. This additional cost is not sustainable and therefore a reduction in the operating costs for the properties is required to support investment. Therefore a review of the depots and stores is required to identify the savings opportunities to permit capital investment without placing additional pressure on the Council's revenue budget.

4.4 Through the engagement with services and information gathering stages of the development of the OBC it is clear that there are opportunities to rationalise the estate and generate revenue savings. The OBC has considered 4 options. The options identified are:

- Option 1 As Is – Retain Existing Depots & Stores – Business as usual.
- Option 2 Do the Minimum – Progress a phase of property rationalisation and consolidation targeting 'low hanging fruit' sites.
- Option 3 Intermediate – Phased approach of property rationalisation and service footprint reduction.
- Option 4 Maximum – Property rationalisation and service transformation in a big bang.

4.5 The principle as we move from option 1 to option 4 was to consider a centralised model, with option 4 being a single site likely to be in the central area of Moray and options 2 and 3 looking at varying degrees of rationalisation of services into single sites within the larger settlements of Moray. Section 4.3 of the OBC provides details of each option.

4.6 In addition to cost avoidance/revenue savings, the OBC sets out the following benefits that are anticipated to be generated from the rationalisation of the depot and store estate along with initial targets:

Benefit	Target
Cash Releasing	
Reduced operating costs	10-20% reduction in operating costs.
Increased external revenue income	Generate £200,000 of additional external rental income per annum.
Capital receipts	Generate £50,000 in capital receipts from surplus assets.
Non Cash releasing	
Reduction in Operational Estate carbon footprint	Reduce carbon emissions from depot and store estate by 20%.
Quantitative	
Reduction in the number of industrial units being internally leased	Reduce units within investment portfolio leased internally by 5 units.
Qualitative	
Increase in team working	Increase number of multi service buildings/sites by 3 to 4 in total.

4.7 An appraisal of the options was undertaken and is detailed within the OBC with each option considered against the objectives of the project and the critical success factors outlined in the OBC.

4.8 The OBC recommends that the Council undertake a phased approach of property rationalisation and service footprint reduction as defined in option 3 with the target of rationalising 14 depots and stores to primarily 4 multi use facilities at Ashgrove Elgin, Buckie, Forres and Keith and a single DLO facility in Mosstodloch. At this stage in the development of the project, this option is likely to have a phased capital expenditure requirement in the region of £7.32M, however the option could release annual operating revenue cost savings of £310,000 and additional new annual revenue income from surplus leased properties of £192,000. The revenue elements combined provides a potential revenue saving (before capital borrowing costs) of circa £500,000 per annum on completion. The OBC provides details on these savings and indicates the point when the project will break even which is within the first 15 years. Further the cost of financing the capital required is estimated to be in the region of £500,000 therefore it is not expected that selecting the preferred option would place any extra pressure on the Council’s capital plan as the cost of borrowing should be offset by savings generated. As the OBC matures to FBC, the financial and economic cases will be further developed and a focus applied to generating net savings where possible. Pending that process and based on current OBC projections, the project will avoid further capital expenditure on an unsustainable asset group and will instead apply this to developing modern and efficient depots and stores which will not only materially improve working conditions for our workforce but also potentially bring additional benefits.

4.9 In particular, it should be noted that option 3 best links with the draft ZERO EMISSION FLEET REPLACEMENT STRATEGY which is also being considered at this committee where there is a desire to increase charging infrastructure at the Ashgrove Depot to develop a green hub. If approved, the intention would be for the teams working on both projects to work collaboratively to ensure both projects deliver for the Council. In addition to linking with the Zero Emission Fleet Replacement Strategy, it is expected that the work to be undertaken to rationalise the depots and stores will help open up opportunities for wider public and third sector property sharing. It is expected that as the project progresses these opportunities will be forthcoming and will bring additional cost savings. This type of approach is mirroring progress made within the office estate where with the work undertaken to date this has permitted the opportunity to engage with partners to investigate additional income opportunities to the Council.

4.10 It is therefore recommended that the OBC is approved, and officers instructed to progress the development of the Full Business Case in relation to the project.

4.11 If Committee is minded to approve the OBC it is recommended, as set out in the OBC, that a dedicated staffing project resource is established to drive this project forward. Within the financial assessments in the OBC an allowance of £100,000 per annum has been built into the model. At this stage it is anticipated this would be to provide a Senior Project Officer (SPO) post to lead the project at a grade 11. This project is complex with multiple properties and services involved along with important links to other Council strategies. Experience has shown that there is a need for a dedicated project resource with appropriate project management skills to ensure the project progresses at an appropriate rate to deliver savings to the Council. There are no immediately identifiable alternatives to resource the project other than the proposed additional resource as several other projects are underway which are impacting on the same teams that would support this project. It is proposed that Committee approve an initial 1 year of SPO resource at £76,000 including on-costs to permit the development of the FBC with the intention that this would be completed by 31 December 2024 and reported to Committee before 31 March 2025. The FBC would then outline future project resource requirements and funding and would aim to identify cashable savings over and above the cost avoidance within Option 3.

5. <u>SUMMARY OF IMPLICATIONS</u>

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

This project forms part of the Improvement and Modernisation Programme of Work that supports the Council priorities of building a stronger, greener, vibrant economy and building thriving, resilient and empowered communities by providing modern and sustainable services and infrastructure.

(b) Policy and Legal

None.

(c) Financial Implications

The Financial implications are outlined within the OBC. If approved there would be a requirement to fund the additional staff resource in advance of savings to fully offset this cost being generated from the project. It is estimated that the cost of the SPO for 1 year would be £76,000 (including on-costs). Currently savings of circa £64,700 has been generated from early actions resulting in a gap of funding of £11,300.

Corporate Management Team Additional Expenditure Warning

When the Council approved the budget for 2024/25 on 28 February 2024 it balanced only by using reserves. The indicative 3 year budget shows a likely requirement to continue to make savings in the order of £13 million in the next two years. All financial decisions must be made in this context and only essential additional expenditure should be agreed in the course of the year. In making this determination the committee should consider whether the financial risk to the Council of incurring additional expenditure outweighs the risk to the Council of not incurring that expenditure, as set out in the risk section below and whether a decision on funding could reasonably be deferred until the budget for future years is approved.

As the budget has been balanced using reserves and reduced free general reserves to the policy minimum, this would use further earmarked reserves of £11,300 in 2024/25. There would be no future year increase in costs as this is a proposed temporary post.

(d) Risk Implications

The main risks with the project will be timescale for delivery and cost increases. The request for additional staff resource is to mitigate the risk of this project continuing to be hampered by competing Council priorities.

The risk of not progressing the depot and stores review is that increase spend would be required on the existing properties which would place an unbudgeted financial burden on the Council.

(e) Staffing Implications

As stated above, in order to progress this project timeously, there should be a staff resource brought in to lead the development of the FBC. It is proposed that a Senior Project Officer at Grade 11 for an initial period of 1 year is brought in. Additional staff resource to support the project will come from the Housing and Property Service however support will be required from the services who occupy the depots and stores along with Finance support.

(f) Property
The property implications are as detailed in this report and the attached OBC.

(g) Equalities/Socio Economic Impact
There are no equalities or socio-economic issues arising from this report. However, these will be appraised within the full business case.

(h) Climate Change and Biodiversity Impacts
No climate change or biodiversity implications have been identified relating to the recommendations of this report. However, any decisions on the future of property assets will be heavily influenced by the Council's strategy.

The Depot and Store review will help to decarbonise the Council's property portfolio and will support the decarbonisation strategy for the Council's fleet.

(i) Consultations
The Head of Housing and Property Services, Head of HR, ICT and Organisational Development, Chief Financial Officer, Legal Services Manager, the Head of Environmental and Commercial Services, Building Services Manager, Design and Construction Manager, the Equal Opportunities Officer and Lissa Rowan, Committee Services Officer have been consulted and their comments incorporated in this report as appropriate.

6. <u>CONCLUSIONS</u>

6.1 Committee note the progress on the rationalisation of the previously identified assets for rationalisation.

6.2 Committee note and approve the contents of the Outline Business Case.

6.3 Committee approve the use of savings and also reserves to provide the resources to appoint a Senior Project Officer to lead this project for an initial period of 1 year to develop the Full Business Case.

Author of Report: Neil Strachan, Property Asset Manager
Background Papers:
Ref: SPMAN-1285234812-1531

Item 13d)

Business Case
For Depot & Stores Review

Name of Document:	Outline Business Case
Author:	Kevin Black/Neil Strachan
Description of Content:	Outline Business Case - Depot & Stores Review
Status:	Final Draft
Approved by:	
Date of Approval:	

Contents

1. Version History

Version	Date	Details
0.1	09.01.23	Initial draft created by - Kevin Black
0.2	19.01.23	Formatting and data update - Kevin Black
0.3	01.02.23	Wording and layout update – Neil Strachan / Kevin Black
0.4	07.02.23	Wording and layout update – Neil Strachan / Kevin Black
0.5	10.02.23	Overall review tidy up – Neil Strachan
0.6	15.02.23	Review, update and include staff resource request – Neil Strachan
0.7	10.08.23	04.08 Workshop update – Kevin Black
0.8	19.09.23	30.08 Workshop Update – Neil Strachan, Kevin Black, James Campbell
0.9	03.10.23	Various updates prior to circulation – Neil Strachan, Kevin Black and James Campbell
0.10	11.12.23	Updated Strategic Case – Neil Strachan
0.11	14.02.24	Updated following workshops with MK, KB and JC – Neil Strachan
0.12	22.02.24	Updated following comments from MK – Neil Strachan
0.13	11.04.24	Updated following comments from RG and formatting undertaken – Neil Strachan
0.14	15.04.24	Updated following initial comments from LP – Neil Strachan

2. Executive Summary

This document sets out the outline business case for the review of operational Depots & Stores across the Moray Council area. The document sets out the strategic case for the review with the project originating from the Property Asset Management Appraisal (PAMA) Improvement Plan which was reported to Committee in October 2019 and linking the project to the Council's Corporate Plan and other strategies.

The benefits that will be realised from the project are outlined along with the scope of the project and specifically which properties are out with the scope. There is a clear strategic case to undertake the review with a focus on delivering savings from rationalising the portfolio. Within the Economic Case four broad options are appraised from a do minimum option to a big bang major single site development. From the appraisal the preferred option 3 is a staged rationalisation looking to amalgamate existing sites to create single multi use sites in the main settlements in Moray. This option will require investment in the portfolio however with the rationalisation it is expected that the revenue cost of this capital will be offset by revenue savings and income from leased surplus assets.

Finally, the document sets out the resource need for the project along with the expected project management arrangements including the creating of a project board to manage the project moving forward.

3 The Strategic Case

3.1 Vision Statement

This document sets out the high-level business case for the review of operational Depots and Stores and Electric Vehicle Charging strategy across Moray Council. This will encompass a review of the existing Depot & Stores portfolio, along with identifying the future requirement for provision of appropriate, functional spaces and facilities required to deliver services, intended to optimise utilisation of resources and working to minimise our carbon footprint by way of a decarbonisation strategy. Further, consideration on the location and provision of Electric Vehicle (EV) charging stations will be reviewed and incorporated within recommended options in line with the emerging EV Charging Strategy.

This review integrates the overall requirement to utilise our property estate as efficiently as possible linking with other ongoing property reviews.

Vision

“Moray Council will create progressive, dynamic and sustainable working environments that empower our workforce to succeed and deliver excellent services, using technologies and workstyles that enhance communication, collaboration, improve wellbeing and operational efficiency, increase productivity optimising efficiency to ensure that the Council’s Route Map to Net Zero is included in decision making.” This is very close to the vision of the Council’s Smarter Working project.

The outline business case builds on work undertaken previously including updates which have been provided to Committee on the Property Asset Management Appraisal. In particular, it details the logical basis for the need for rationalisation of the Council’s depot and store assets and the need for change to working practices. Changes to working practices will be required to drive efficiency within services and increase productivity to provide savings opportunities.

These savings will help to support the capital spend required to improve our asset base and to ensure that we develop an optimised portfolio which is appropriate for smart working, efficient service delivery and the challenges of climate change.

The Outline Business Case details the preferred option to progress by rationalising the depot and store portfolio recommending a carefully managed and controlled staged process for implementation of change within the depot and store estate. In order to take the overall project forward a Full Business Case will be developed recognising this staged process. This is likely to take the form of initial quick win rationalisation, followed by a fixed percentage reduction in occupational footprint which would be aligned with service transformation.

3.2 Case for Change

The Council on 12 December 2018 approved a report which detailed recommendations aimed at improving how the Council manages and maintains its property assets. The Policy and Resources Committee on 29 October 2019 approved a report detailing the Property Asset Management Appraisal (PAMA) Improvement Plan. Within the PAMA report, there were two recommendations to undertake a review of Council Depots and Council Stores. Work commenced on both reviews prior to the onset of the Covid 19 pandemic. The Corporate Committee on 30 August 2022 approved an update to the PAMA which combined the Depot and Store review into a widened review looking at the commercial properties that the Council uses to support its delivery of services.

As identified in the PAMA the review of the Depot and Stores requirement across Moray has been necessitated due to the deteriorating condition of the properties and sites with conservative estimates indicating presently that £3.7million is required to bring the Council's depot and store properties up to a basic standard. In addition to the financial challenge, there have been changes in the way Services are delivered to the people of Moray particularly, post Covid 19 pandemic, with opportunities to continue to change service delivery by driving efficiency and increasing productivity that should be a focus of this review.

At present, there is at least one Moray Council commercial site (not an office specific site) in nearly every town of substantial size in Moray. Buckie has three sites plus temporary Closed Records Store, Keith four sites, and Elgin five plus some smaller stores. The geographical spread of Moray from the Cairngorms to the Moray coast dictates the requirement for varied levels of service provision, resource, equipment and material location, particularly for road maintenance and winter treatment activities. Therefore, some strategically located sites are required, such as Dufftown and Tomintoul where the winter conditions and distance from larger settlements dictate that winter maintenance supplies be in these locations. Most Council services are historical with several located from different sites within the same settlement.

Following consultation with the main Service providers that use our current depots and stores, it is apparent that there is a need for both operational manned depots/stores and unmanned support locations. Currently, services tend to occupy similar building facilities in similar areas therefore, consolidation of Service providers onto one site or one site per key location enables Moray Council to realise economies of scale across the operational estate along with other management, operational, equipment, procurement and financial benefits.

Financial Case

Moray Council, along with all other Local Authorities in Scotland, has significant pressure on its annual revenue budget. Ensuring efficient and effective use of all property is an integral aspect of the PAMA and general property asset management. The rationalisation of the Depot and Stores properties will contribute by reducing revenue spend year on year on operating costs and maintenance, and by providing capital receipts where properties can be disposed of or form additional annual revenue income where surplus properties are leased out to non-Council occupants. This could amount to circa £245,000 as a potential annual operating expenditure saving and potentially new annual income of circa £240,000. Further opportunities to share occupation with other public sector partners will be considered to ensure all potential revenue saving opportunities are captured.

In addition, as detailed later in the OBC, there is in the order of £3.7m capital investment required within the depot and store estate now which is currently unbudgeted and unplanned. Therefore, there is a need to ensure that any investment is correctly targeted on assets that have a long-term Service delivery potential.

Staff Case

Attracting and retaining a quality, creative, motivated and productive workforce is key to the successful delivery of the Corporate Strategic plan. In order to compete with other prospective employers there is a need to ensure that Moray Council has:-

- adopted a modern efficient, effective way of working,
- has appropriately equipped functional spaces available for service needs,
- supports the health and wellbeing of our staff through effective application of policies, strategies, action plans and support mechanisms.

Staff welfare facilities vary greatly across the many locations in Moray. The review of our current sites show that overall welfare facilities are below the required and expected standards at our operational bases. Significant improvement to all welfare locations, therefore, is required to ensure staff have appropriate work accommodation. With the budgetary pressures, the ability to focus spend on a smaller number of buildings will ensure that all properties welfare facilities meet expected standards.

During the period of the pandemic there have been changes to the structure of teams across the Council. As a consequence, there is a need now to take stock and review the priorities, function and needs of services and individuals. Further, to provide the right type of space in the best location possible to meet service delivery requirements ensuring that Services are able to be as efficient and productive as possible. It is recognised that through the Smarter Working Project significant changes to how office-based staff work have been rolled out. Services will need to assess how any office-based elements of the depot and store estate will be impacted in light of this. It is the intention to extend the Smarter Working Project principles to any offices within the depot and store estate.

Policy Case

Moray Council Corporate Plan
The adopted Corporate Plan sets out the vision and priorities for Moray Council. One priority is to “Build thriving, resilient, empowered communities” and within the plan the focus for the Council is to “Provide modern and sustainable services, housing and infrastructure that meet the needs of our communities and this project seeks to support this focus.

This project aligns with the Council priorities of “Our People, Our Place and Our Future” through the design of modern workspaces that will support our workforce as they strive to deliver quality services for our communities across Moray in a productive and efficient way.

Complementing the work that is progressing under the Smarter Working Project, this project looks to rationalise the Council’s property holdings specifically in relation to our operational depot and store properties and to consider the requirement for appropriate infrastructure in support of a plan of decarbonisation of both our buildings and vehicle fleet. It also seeks to ensure that Moray Council has the correct property in the correct location to support the delivery of services to the citizens of Moray.

Climate Change Strategy

Climate change is a key corporate priority and through rationalisation and combining of sites, there are significant opportunities for reduction in energy consumption and consequential reduction in environmental impact. Targets for these reductions in energy and carbon usage will be clearly identified in the full Business Case. Further the Council's Climate Change Strategy and Route Map to Net Zero details the desire for the Council to be a carbon neutral Council by 2030. Via a comprehensive review of these assets the ability to reduce carbon usage will be a key decision-making factor in assessing the assets that require to be retained, refurbished, altered, extended and built. Along with Transport Management the project will ensure appropriate infrastructure is in place for charging the Council's EV fleet.

Corporate Workforce Strategy

The Council aims to develop a skilled, motivated and flexible workforce. The creation of combined locations offering improved facilities for operational staff in the key locations across Moray aims to maximise flexibility and minimise constraints for optimal performance, staff welfare and customer service.

Combined with the recruitment challenges that are being experienced within Moray, Moray Council will need to provide improved working and welfare facilities for employees at work, while also promoting its attractive scenery, natural outdoor facilities and being a great place to bring up a family.

In addition to the above, Moray also has an aging population, and the Council has an ageing workforce. Attracting young people into the workforce is linked with having the requisite standard of facilities.

3.3 Investment Objectives and Aims

The Depot and Stores Review complements the EV Strategy and is designed to deliver health and safety compliant accommodation in the appropriate location to ensure services can be delivered as efficiently and effectively as possible. The approach will focus on the functions required to deliver the service needs, how and where they do this from, optimising workforce by integration and or amalgamation. In addition, supporting services to consider where it may be feasible to free up capacity through automation to enable efficiency, using the right processes, connectivity, time and place to get work done effectively and efficiently. This approach should reduce waste, energy and environmental impact, future proofing for sustainability with other operational benefits achieved from the Depot and Stores consolidation.

Strategic Aims

Process

- Provide modern working environments which support delivery of high quality, efficient and productive services.

- Enable improved working practices for enhanced productivity and sustainability.

- Successful decarbonisation by reducing the environmental footprint of our depot and store estate portfolio and operational activities by a Target of 20% year on year to Net Zero.

- Evaluate and determine whether to transition to one centrally located stock keeping system across the Council standardising for economy of scale and procurement by optimised Depots and Stores use through amalgamation, smarter inventory management, streamlined order fulfilment and by sharing facilities and opportunities that bring other benefits of improvements in service performance through new ways of working and management.

Learning and Growth

- Support the development of an organisational culture, skills and environment that embraces and embeds flexible and cooperative working practices.

- Improve organisational resilience by sound investment and appropriate training.

Workforce

- Provide a depots and stores estate that enables services to:
  - Improve employee motivation, morale and wellbeing.
  - Attract and retain quality, creative, motivated and productive staff.

Climate

- Facilitate Moray Council’s journey towards Net Zero on the Operational Estate.

- Improve Energy and environmental efficiency through best practice methods of operation and quality improved performances of facilities.

- Employ Climate improvement targets and monitoring as a central part of the project from the initial stages reviewed regularly to meet key identified Key Performance Indicators and deliverables.

- Review existing performance, energy use and environmental practices regularly checking trends and benchmarking. Examine alternative power generation and on tap sources that may assist in reducing or eliminating consumption of fossil fuels.

- Facilitate a reduction in fleet sizes, leading to a reduction in costs and environmental impact.

Financial

- Provide infrastructure that enables services through transformation to increase efficiency and effectiveness of utilisation of Moray Council properties, their condition and site functions in order to reduce operational and maintenance cost by better use of assets and property improvements.

- Organise integrated financial reporting and reference for management and monitoring, by way of programming, trackers and setting milestones with key deliverables.

Data Management

- Improve document referencing, collaboration, accessibility and management.

Strategic Performance Reporting

- Where appropriate and feasible being service dependant**,** incorporate Key Performance Indicators (KPIs) for monitoring delivery of priorities set out in clearly defined categories including Revenue and Budget Forecasts reporting quarterly being part of a Benefits Profile, RAID Log and Opportunities with Risk Management including graphic (RAG) ratings identifying areas for escalation that have not met targets in order to identify opportunities for early intervention,

Investment Objectives

The key investment objectives for this project are as follows:

1. Investment objective 1 – to provide an optimised working environment with the correct operational equipment and facilities in strategically located Depots and Stores to support efficient service delivery.

2. Investment objective 2 – to streamline and increase sustainability of the operational estate through rationalisation of the property portfolio and by seeking opportunities for income generation from any spare capacity identified.

3. Investment objective 3 – to increase staff satisfaction and morale by providing an improved working environment.

4. Investment objective 4 – provide improved infrastructure that is capable of ensuring the Council can meet future service needs with focus on achieving and maintaining net zero targets.

3.4 Benefits to be realised

This section describes the aim and targeted outcomes and benefits associated with the implementation of the scope in relation to business needs to be delivered by those most directly affected (stakeholders):

- Moving forward to a sustainable future.
- Operational space provided to our front-line services is sustainable.
- Operational space is future proofed.
- Property assets meet the requirements of our staff.

The main benefits categorised in terms of type:-

A) Cash Releasing

Within Asset Management Control

- Review of the property portfolio and condition, working practices and building performance with rationalisation of energy use, including no cost/ low-cost measures.

- Reduced operating costs as the number of occupied sites reduces.
- Reduction in Lease costs for sites leased internally.
- Potential reductions in maintenance costs by review of Building Conditions and Operations if buildings/sites can be disposed of. Savings are in both backlog and future maintenance costs.
- Capital receipts if surplus property sold and as appropriate exploiting property development potential.
- Increased external revenue income via leasing surplus assets if identified as most cost-effective route.

Within Service Control

- Future opportunities to generate our own power through renewable resources and EV charging so reducing external supplier charges, reducing carbon emissions facilitating the route to net zero.
- Review Waste Management Practices to minimise, reduce, recover, reuse, recycle, re purpose, transform and as appropriate compost together with residual management (i.e. minimise disposal or waste to landfill) assisted by environmentally sound procurement (smarter purchases).
- Reduction in fleet sizes, therefore reduction in costs and environmental impact - due to co-location, fleet amalgamations and streamline Transport Management.

B) Non-Cash releasing

Within Asset Management Control

- Reduction in Operational Estate carbon and environmental footprint due to less sites, improved premises building condition and less buildings overall.
- Improvement in work environment for our operational staff with efficiency savings through integration and or amalgamation.
- Improved Health and Safety and security benefits with modern well designed and laid out facilities.

Within Service Control

- Reduction in overall fleet carbon emissions due to reduced vehicle movements due to improved operating practices and reduced fleet size.

C) Quantitative

Within Asset Management Control

- Increased number of staff utilising the remaining operational depot spaces.
- Reducing unutilised storage capacity.
- Reduction in the number of industrial units being internally leased by the council, and by association, an increasing number available for private lease.

Within Service Control

- Reduced inventory value in held stock through consolidated stock control and where feasible standardised procurement.
- Improved ability to recruit due to improved welfare facilities and working conditions (reduction in need for re-advertising, increase in candidate attraction) with more advanced and higher operational standards.

D) Qualitative

Within Asset Management Control

- Improve staff wellbeing and feeling of satisfaction working from better workspaces which are maintained to higher standards.

Within Service Control

- Increase in team working via integration and or amalgamation, co located services and smarter working arrangements.

There are some potential dis-benefits which are: -

- Potential separation of service management teams from operational staff due to office staff being relocated to surplus office space within the existing portfolio that will be mitigated by excellent communication channels.
- Some surplus sites may have limited and or no alternative use which may require them to be held although maintenance and running costs would be reduced. Any surplus sites that fall into this category will be declared surplus and offered for community uses where possible.

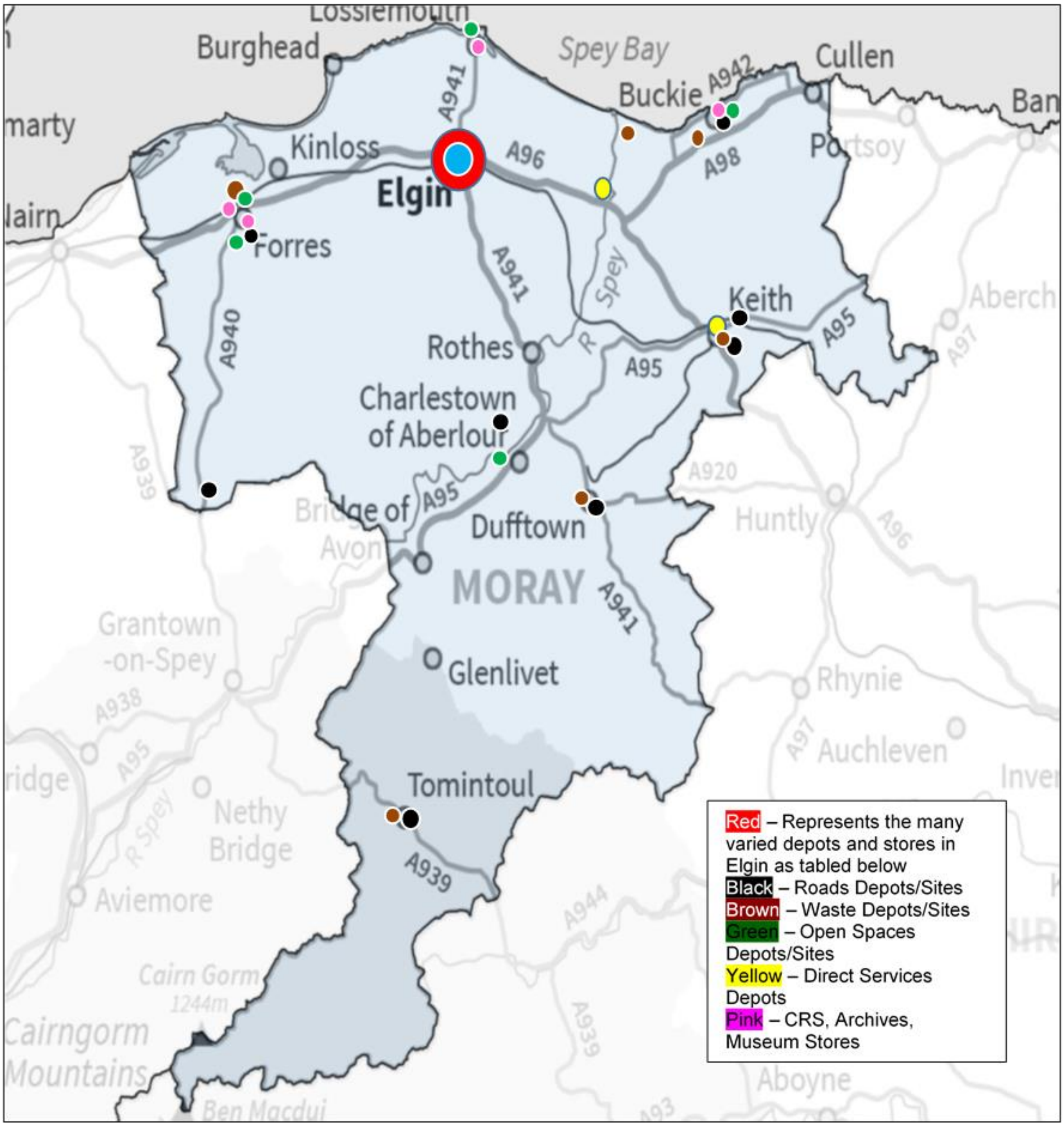
Mitigation measures of these and any other dis-benefits identified during the process will be developed and logged appropriately in a Risks, Assumptions Issues and Dependencies (RAID) log.

A benefits realisation process will be developed to ensure that monitoring of the benefits can be achieved. A SMART monitoring plan to track and manage the collective benefits associated with the programme / project delivery plan will be appended to the full business case however, at this time the following initial target ranges have been identified for the key benefits:

Benefit	Target
Cash Releasing	
Reduced operating costs	10-20% reduction in operating costs
Increased external revenue income	Generate £200,000 of additional external rental income per annum.
Capital receipts	Generate £50,000 in capital receipts from surplus assets.
Non Cash releasing	
Reduction in Operational Estate carbon footprint	Reduce carbon emissions from depot and store estate by 20%
Quantitative	
Reduction in the number of industrial units being internally leased	Reduce units within investment portfolio leased internally by 5 units.
Qualitative	
Increase in team working	Increase number of multi service buildings/sites by 3 to 4 in total.

3.5 Scope of the Project

The majority of the Council's depots and stores are occupied by either Roads, Waste, Open Spaces, Direct Services and Closed Records Store, Archives and Museum stores. In Diagram 1 below, the current depots and stores are shown according to the following colour coding; Black = Roads, Brown = Waste, Green = Open Spaces, Yellow = Direct Services, and Pink = CRS, Archives and Museum stores.



Elgin is shown as a larger red circle as it is the location with a far greater requirement for Stores and Operational Depot provision than elsewhere across Moray and as such, review of this area is a substantial exercise in itself. The larger blue circle on Elgin also signifies a number of potential site closures due to amalgamation to a central location.

Of all our sites, currently only Ashgrove in Elgin is a true multidiscipline depot serving, Fleet, Roads, and Open Spaces. This site has real potential for accommodating additional disciplines and stores.

The table below provides a list of the sites shown on the plan above indicating the address of the site and the service which uses the site. They are arranged in settlements, and colour coded as per Diagram 1 above.

Sites In Scope			
No.	Area	Site Group	Site
1	Aberlour	Depots	Aberlour Garage - Speyside Way
2	Archiestown	Depots	Skateneuk - Roads
3	Buckie	Depots	Freuchny - Roads
4	Buckie	Depots	14 March Road East - Outside Spaces
5	Buckie	Store	Buckie Drifter - CRS
6	Buckie	Depots	Gollachy Transfer Station & Recycling Centre - Waste
7	Dufftown	Depots	Richmond Quarry - Roads
8	Dufftown	Depots	Recycling Centre - Waste
9	Elgin	Depots	Ashgrove - Central Depot - Multiple Services
10	Elgin	Depots	Cooper Park - Open Spaces
11	Elgin	Depots	Kirkhill Gully Waste Water Treatment - Roads
12	Elgin	Depots	Moycroft Transfer Station - Waste
13	Elgin	Store	Ind Unit - Pinefield Store - Occupational Therapy
14	Elgin	Depots	Council Workshop - 6 Chanonry Spur - Criminal Justice
15	Elgin	Store	Ind Unit - 9 Chanonry Spur - H&SCM
16	Elgin	Store	Ind Unit - 10 Tyock Ind Est - Direct Services
17	Elgin	Store	Ind Unit - 4 Linkwood Lane - Catering Services
18	Elgin	Depots	Ind Unit - 6 Chanonry Rd North - Plus site Across Road - PTU
19	Elgin	Depots	Recycling Centre - Waste
20	Forres	Depots	Waterford Rd - Outside Spaces
21	Forres	Depots	Dava Garage - Roads
22	Forres	Depots	Wester New Forres - Roads
23	Forres	Store	Ind Unit - 9 West Rd - Archives
24	Forres	Store	Store - Museum

25	Forres	Depots	Transfer Station & Recycling Centre - Waste
26	Keith	Depots	Bridge St - Roads
27	Keith	Depots	Unit H Isla Bank Mills - Direct Services
28	Keith	Depots	Balloch Rd Depot & Recycling Centre - Waste
29	Keith	Store	Auchinhove Salt Store - Roads
30	Lossiemouth	Depots	Shore St - Open Spaces
31	Mosstodloch	Depots	Mosstodloch Industrial Estate - Direct Services
32	Tomintoul	Depots	Conglass Lane - Roads
33	Tomintoul	Depots	Conglass Lane Recycling Centre - Waste

3.6 Out of Scope

Some sites are currently classified for retention due to their specialist service provision although, there may be opportunity to combine other uses at these sites, which will require separate consideration at a later stage. These sites are as follows:-

Sites to Retain			
No.	Area	Site Group	Site
8	Dufftown	Depots	(HWRC) Recycling Centre - Waste
32	Tomintoul	Depots	Conglass Lane - Roads
33	Tomintoul	Depots	Conglass Lane (HWRC) Recycling Centre - Waste
5	Buckie	Store	Buckie Drifter - CRS
23	Forres	Store	Ind Unit - 9 West Rd - Archives
24	Forres	Store	Store - Museum

Household Waste Recycling Centres (HWRC) in Tomintoul cannot be amalgamated with the Roads depot due to lack of space at the depot resulting in conflicts with pedestrian and vehicular movements. The Roads Depot in Tomintoul must be retained to provide a strategic location for winter maintenance due to the remote location of Tomintoul. The Household Waste Recycling Centre will be retained in Dufftown to ensure service provision is retained locally for this service.

Following consideration of the similarity of building construction, use and function it is considered that the Council's CRS, Archives and Museum stores should be excluded from the scope of this review due to the specialist nature of their storage and internal environmental condition requirements. A separate project looking only at this Service area will be undertaken and buildings released by this project will be considered where appropriate.

In addition to the physical buildings and their condition that are in scope, modernisation of the Services that occupy the buildings that are also in scope is required to maximise the opportunities of property rationalisation which requires an integrated collective approach by the affected services in order to achieve the most optimised efficient solution.

The project must therefore look at the way Services are delivered from each property asset and consider any opportunities to optimise by driving efficiency and increasing productivity in these Service areas.

Initial discussions with appropriate service managers and staff have identified the opportunity for colocation of Services and collaborative working across Moray as opportunities to deliver efficiencies. Service operation reviews will be required to determine exactly what is required and in which location to deliver Services. Summary of the current initial collaboration and consultancy status is identified in Item 4.2 Engagement Undertaken below.

Challenge to current working practices will be required and opportunities to maximise the use of technology, harnessing automation and digital working to transform the working methods should be explored to ensure maximum operational and financial benefits can be derived from the project.

These functional reviews will require to be service specific with standardised guidance and direction, some of which, is not a function of Asset Management.

It is therefore recommended that to maximise the benefit of this review that the opportunity is taken to undertake process reviews in order to establish where service system sharing may be possible. It is recommended that some of the savings generated by this project could be used to support services in doing this, potentially by employing appropriate consultant support. Services should identify what their support need will be, where it is anticipated that external expert knowledge resource out with the organisation would be beneficial focusing on relevant issues to ensure timely outcomes.

To optimise site and building footprint, the priority must be to rationalise inter-departmental operations including resources, transport, plant, equipment and storage of goods and materials.

In addition to the property use and service delivery methods and systems being in scope, further factors which might influence the recommended actions require consideration. The specific matters that should be considered are:

- Technology and working practices including standardisation.
- Need for decarbonisation by various means and to meet future net zero targets.
- Future IT/digitisation strategy
- Transition to carbon zero vehicles.

4 Economic Case

4.1 Critical Success Factors

CSF1	Strategic Fit	How well the option provides a holistic fit and synergy with other key elements of Moray Council strategies including but not exclusive to the Route Map to Net Zero, EV Strategy, PAMA. Further the option must assist the services in maintaining or improving upon their level of service provision in each area with flexibility for future service developments.
CSF2	Potential VFM	How well the option reduces spend by each service relative to any investment required - the return on the required spend (benefits optimisation). Further how well the options provide a reduction in value of working capital tied up as stock holding in stores, and in equipment in depots.
CSF3	Potential Achievability	How well the option is likely to be delivered effectively and timeously in view of the complexity of the option, the experience, capability and capacity of the partners involved.
CSF4	Potential Affordability	How well the option meets the likely availability of funding and matches other funding constraints, including the capital and revenue consequences associated with the proposed investment.

The Critical Success Factors are all intrinsically linked to management and personnel co-operation and commitment, clearly defined programmes of works, financial budgets, action plans, targets, and milestones with prioritised timeous key deliverables.

4.2 Engagement Undertaken

Engagement with Departmental Management has been undertaken at several stages in the development of this outline business case. Inspection of depots has been undertaken to establish baseline for occupation. On site meetings have been undertaken with relevant stakeholders to collect usage information and establish what current and future changes to service delivery are planned. Further workshops were undertaken with key strategic staff members from operational services, Finance and Housing and Property to develop the outline business case.

Outcome of engagement

The following outcomes were determined by the engagement:

- The Depots and Stores are operationally interlinked and must be treated as one for the purpose of this review.
- The EV Strategy and future views on what will power our vehicles and estate are an integral part of managing our operational estate and therefore must be wholly incorporated into the review.
- Identified existing arrangements.
- Identified the key requirements for the project, related benefits and risks, constraints and inter-dependencies.
- Consideration of option appraisals to underpin the business case.
- Agreed from all that there required to be a general reduction of operational footprint and that this would be possible.

4.3 Options Appraisals

Option 1 As Is - Retain Existing Depots & Stores – Business as usual

This being the minimum level of capital investment to ensure the portfolio remains compliant with all necessary legislation and regulation, with no proposed changes to the way services operate from the sites that are in scope of this project.

The back log maintenance cost for the existing properties is circa £3,720k for the Roads, Building Services, Waste, and Open Spaces sites.

Finance –	Capital requirement minimum spend of £3,720k in order for sites to reach a minimum B rating for condition, and a B rating for suitability – Capital BB. Revenue savings nil
Benefits –	none
Risks -	Continued use of multiple sites with no reduction in running costs.

Significant expenditure required to make all sites meet minimum standard without any revenue savings through site reductions. Retains underutilised assets.

Strengths	Weaknesses
▪ Within the full control of the Property Services Team	▪ Does not generate savings or wider efficiency improvements for the authority
Opportunities	**Threats**
• None	• Financial viability a concern as no savings generated risk on Council finances. • Without savings required investment may not be undertaken placing risk that properties would full further into disrepair and become unable to comply with legislation.

Option 2 Do the Minimum

Progress a phase of property rationalisation and consolidation targeting 'low hanging fruit' sites. Specifically, sites in scope would be where teams working from them will not require significant service transformation support. This option does not seek to realise additional efficiency from the wider estate or progress the modernisation of services that operate from them.

Potential Properties released sites:

Sites to Release Quickly			
No.	Area	Site Group	Site
7	Dufftown	Depots	Richmond Depot – Roads – incorporate into Keith Depot.
16	Elgin	Store	10 Tyock Ind Est
17	Elgin	Store	4 Linkwood Lane
20	Forres	Depots	Waterford Road – Outside Spaces
21	Forres	Depots	Dava Garage – Roads – Surplus to requirements
27	Keith	Depots	Unit H Isla Bank Mills - Direct Services – Vacated June 2023
29	Keith	Store	Auchinhove Salt Store - Roads
30	Lossiemouth	Depot	Shore St - Open Spaces

The above in total equates to release of 2,995 sqm of building area and 19,508sqm of site area being an initial reduction in property asset and liability.

Finance –	Capital Project requirement minimum of circa £500k. Capital BB savings circa £938k. Revenue savings from all depots released above circa £83k.
Benefits –	Potential relocation of units into Elgin Ashgrove depot and closure of other sites could generate an operating cost saving of £83k per annum, and potential new rental income of £116k per annum. A reduction in required works for the depots removed from the asset base of circa £938k. Reduction in depot and store sites requiring future maintenance spend.
Risks -	Significant expenditure required at Waterford to remove the current D rated properties and construct a new structure at the Waste depot for Open Spaces. Likely cost of, circa £400k. Expenditure also required at Ashgrove to remove the older office portacabins. Likely cost of circa £100k. Significant spend on remaining depots required to meet BB standard, circa £2,780k. Does not consider other sites like Buckie and Keith. Does not address issues with multiple store systems. Does not allow for significant reduction in floor space via changes in working practices.

Strengths	Weaknesses
▪ Has the ability to realise 'low hanging fruit' savings ▪ Within the full control of the Property Services Team	▪ Leaves potential inefficiency in how services operate unchanged
Opportunities	**Threats**
▪ Small changes to the estate could enable conversations with services operating from the wider estate to understand how they would support transformation in the future	The arrangement does not consider future proofing or optimisation of services and accommodation for sustainability

<u>Option 3 Intermediate –</u> Phased approach of property rationalisation and service footprint reduction

This option would anticipate significant Ashgrove, Buckie, and Forres redevelopment to permit services to rationalise and come together in multi-disciplined bases. Potential to develop an additional building at Ashgrove with potential substantial reorganisation of site to maximise usage of the site.

- Improve the operational efficiency of 4 number multi sites to deliver fit-for-purpose facilities for the longer term.
- Upgrade facilities to improve operation of depots and ensure continued compliance with regulation.
- Consider as appropriate: Refurbishment, Alter and or Extend or Design new facilities to optimise commercial property use including reduce the carbon impact of operating the sites.

It is intended this would be undertaken potentially in 4 stages:

- Stage 1 – initial quick wins.
- Stage 2 – as in option 2 above with limited development required.
- Stage 3 – upgrade/development of 4 multi use sites to maximise reduction in overall depot and store numbers.
- Stage 4 - service transformation that will enable the new property infrastructure to be fully utilised.

Potential properties released:

No.	Area	Site Group	Site
4	Buckie	Depot	14 March Road
6	Buckie	Depot	Gollachy
7	Dufftown	Depots	Richmond Depot – Roads – incorporate into Keith Depot.
10	Elgin	Depot	Cooper Park
13	Elgin	Store	Pinefield Store
15	Elgin	Store	Unit 9&10 Chanonry Spur
16	Elgin	Store	10 Tyock Ind Est
17	Elgin	Store	4 Linkwood Lane
18	Elgin	Store	Unit 6 Chanonry Road North
20	Forres	Depots	Waterford Road – Outside Spaces
21	Forres	Depots	Dava Garage – Roads – Surplus to requirements
27	Keith	Depots	Unit H Isla Bank Mills - Direct Services – Vacated June 2023
29	Keith	Store	Auchinhove Salt Store - Roads
30	Lossiemouth	Depot	Shore St - Open Spaces

The above in total equates to release 4,987sqm of building area and 39,584sqm of site area being a significant reduction in property asset and burden.

Finance – Capital Project requirement minimum of circa £5.5m (£500k Project Costs Option 2 + £5,000k Project costs Option 3.)
Capital BB savings circa £1,900k.

Revenue savings from all depots released above circa £310k in operating costs.

Benefits - Relocation of Services from units in Elgin to Ashgrove depot and closure of other sites identified above could generate an operating cost saving of £310K per annum and potential new rental income of £192K.

The removal of these depots would save circa £1.9m on backlog maintenance.

A further reduction in depot and store sites assist in driving down future maintenance spend.

In addition, optimising depots and stores use, enable a more streamlined operation, smarter inventory management and procurement, sharing facilities, services and management, enhancing the economies of scale and can potentially improve and create a new, unique culture in order to lower operational costs.
Opportunities for greater decarbonisation and to partially further deliver a net zero depot site to help meet Council objective for 2030 and remove multiple small buildings from the estate.
Increased space utilisation at Ashgrove.

Opportunity to move to one Stores stock holding system thus delivering financial benefits of having one central stores system operating across the Council.

Expected reduction in floor space requirement delivering further ability to combine services to existing main sites.
Ensures all areas of Moray are addressed.

Risks Significant expenditure required at Waterford to remove the current D rated properties and construct a new structure at the Waste depot for Open Spaces. Expenditure also required at Ashgrove to remove the older office portacabins potentially provide additional space. Financial risk due to cost price increases for development.

All of the above options require varying degrees of integrated Programme and Project Management where supplemental focus should be on Planned Preventative action for efficiency in order to mitigate as far as possible current reactive maintenance of the property portfolio thus improving management of the portfolio and better strategically targeted financial focus.

Strengths	Weaknesses
▪ Generates quick financial wins whilst phase 2 is planned ▪ Ability to move into phase 2 with evidence that underpins service transformation	▪ Whilst the estate rationalisation is within the control of the Property Services Team, wider transformation activity will require specialised resources.
Opportunities	**Threats**
▪ Phase 1 provides an opportunity to work with other public sector organisations to understand how their requirements could be integrated into phase 2 planning	▪ Services may currently and historically operate in a way that means it is not easy to obtain data on performance that can be used to redesign services

Option 4 Maximum – Property rationalisation and service transformation in a big bang

Plan developed to move to future state models for both the estate portfolio and service ways of working. Likely to include a new site in or around Elgin that would incorporate every available element of service provision that could be delivered from such a location. This would include the moves laid out in the previous options but also the incorporation of the Mosstodloch depot, as well as further elements from Forres, Keith and Buckie depots. This option would require significant service transformation.

Initial costing for a new build single depot and store are significant and would not appear to be feasible at this time without significant transformation, re-organisation and investment.

Potential properties released:

No.	Area	Site Group	Site
2	Archiestown	Depots	Skateneuk - Roads
3	Buckie	Depots	Freuchny - Roads
4	Buckie	Depots	March Road
7	Dufftown	Depots	Richmond Quarry - Roads
10	Elgin	Depots	Cooper Park - Open Spaces
13	Elgin	Store	Ind Unit - Pinefield Store - Occupational Therapy

14	Elgin	Depots	Council Workshop - 6 Chanonry Spur - Criminal Justice
15	Elgin	Store	Ind Unit - 9 Chanonry Spur - H&SCM
16	Elgin	Store	Ind Unit - 10 Tyock Ind Est - Direct Services
17	Elgin	Store	Ind Unit - 4 Linkwood Lane - Catering Services
18	Elgin	Depots	Ind Unit - 6 Chanonry Rd North - Plus site Across Road - PTU
20	Forres	Depots	Waterford Rd - Outside Spaces
21	Forres	Depots	Dava Garage - Roads
22	Forres	Depots	Wester New Forres - Roads
27	Keith	Depots	Unit H Isla Bank Mills - Direct Services
28	Keith	Depots	Balloch Rd Depot & Recycling Centre - Waste
29	Keith	Store	Auchinhove Salt Store - Roads
30	Lossiemouth	Depots	Shore St - Open Spaces
31	Mosstodloch	Depots	Mosstodloch Industrial Estate - Direct Services

The above in total equates to release of 7,538sqm of building area and 52,485sqm of site area being a considerable reduction in property asset and burden.

Finance – Capital Project requirement minimum of circa £20,000k.
Capital BB savings circa £2,400k.

Revenue savings on operating costs from all depots released above circa £342k.

New rental income of circa £243k.

Benefits – A single main site within Elgin which could maximise efficiency savings.

Relocation of all units into Elgin Ashgrove depot and closure of other sites could generate operating cost saving of £342k, and potential new rental income of £243k.

Reduction in required works for the depots relocated from of circa £2.4m.

A reduction in depot and store sites requiring future maintenance spend.

Opportunity to deliver a net zero site to meet Council objective for 2030 and remove multiple buildings from the estate.

Ability to deliver on the potential current and future options in fleet and building power supply options.

Likely to reduce overall annual running and maintenance costs for the depots and stores.

Purpose designed to meet services current and future operational needs.

Risks - Significant financial risk due to current and ever increasing construction cost challenges.

Site limitations either due to services or access may restrict maximum opportunity.

Based on high level review likely that savings generated will not support capital expenditure alone therefore significant Council capital funds required.

Increased fleet costs due to travel from one central depot out and across Moray.

Less opportunity to support locally operating services such as Care @ Home.

Significant move away from the Scottish Governments target of 20 Minute Neighbourhoods.

Strengths	Weaknesses
▪ Quickly offers a road map for realising significant savings from the estate	▪ Lack of data and time to engage services could considerably lengthen the period for transformational activity to be successful, potentially reducing more speedier benefits to be realised ▪ Whilst the estate rationalisation is within the control of the Property Services Team, wider

	transformation activity will require specialised resources.
Opportunities	**Threats**
▪ A more aggressive timescale could build a mindset of 'this is going to happen' and motivate affected services to support planning activity	▪ Services may currently and historically operate in a way that means it is not easy to obtain valuable data on performance that can be used to redesign services

Financial Summary of the options 1 to 4 above. No inflationary figure has been incorporated.

Option	Total Annual Operating Cost Savings (Revenue)	Total Potential Annual New Private Rental Income (Revenue)	Costs to BB to Spend (Capital)	Potential Project Costs (Capital)	Straight 15 Year Cumulative Financial Effect	Revenue cost per annum of capital requirement
1	£ -	£ -	-£ 3,720,000	£ -	-£ 3,720,000	£260,000
2	£ 83,000	£ 116,000	-£ 2,782,000	-£ 500,000	-£ 297,000	£30,000 (£230,000 off set by £199,000 of savings/income)
3	£ 310,000	£ 192,000	-£ 1,820,000	-£ 5,500,000	£ 210,000	£10,000 (£512,000 off set by £502,000 of savings/income)
4	£ 342,000	£ 243,000	-£ 1,320,000	-£ 20,000,000	-£ 12,545,000	Too expensive

Note – detailed updated costs are to be produced as part of the full business case. Noting that construction costs are predicted to rise by 17% within the next five years according to (BCIS) Building Construction Information Service.

Service transformation savings are envisaged to be significant and additional to the project savings noted above. These are as yet unquantified given they are in the control of the Services and not Asset Management, but will be delivered as a result of this projects outcomes.

<u>Options 1 to 4 versus the Objectives and Critical Success factors.</u>

Red – Does not meet the Objective / Success factor.
Amber – Partly meets the Objective / Success factor.
Green – Fully meets the Objective / Success factor.

Reference to:	Option 1	Option 2	Option 3	Option 4
Description of Option:	**As is** Retain existing Depots & Stores.	**Minimum** Relocate Forres Waterford depot to Forres Waste depot. Move what can be to Ashgrove in Elgin with minimal changes to the site after the 5S exercise.	**Intermediate** As option 2 plus significant Ashgrove, Buckie, and Keith redevelopment after Services have been challenged in methods and processes of service delivery.	**Maximum** As Option 3 but a blank page redevelopment of Ashgrove or development of a new replacement site.
Objectives				
Objective 1: to provide operational equipment and facilities in strategically located Depots & Stores to support efficient service delivery.				
Objective 2: to increase sustainability of the operational estate through rationalisation and seeking opportunities for income generation from any spare capacity identified				
Objective 3: to increase staff satisfaction in work life balance through provision of suitable facilities.				

Objective 4: to provide facilities and equipment that are powered by carbon neutral or carbon zero power sources but do not have a negative impact on service delivery levels.				
CSF'S				
Strategic Fit				
Potential VFM				
Potential Achievability				
Potential Affordability				
Costs				
Risks				
Summary	Discounted	Possible	Preferred	Discounted

4.4 The Preferred Option

The preferred option selected from the Options Appraisal is:

Option 3 – Intermediate, phased approach of property rationalisation and service footprint reduction.

This option will involve the rationalisation of 14 depots and stores to primarily focus on 4 multi-use facilities at Ashgrove, Buckie, Forres and Keith. This option would be split into 3 phases with the option that phase 3 could be extended if during the process Service development shows further opportunities for rationalisation and consolidation.

Option 3 was selected as the preferred option as it will provide the additional functionality and space required at the main Moray locations while challenging existing behaviours and processes permitting greater optimisation and efficiency together with significant asset reduction. These challenges will reduce the demand for operational Depot and Stores space so reducing the financial demand on the Council as a whole.

The intention will be to progress with the release of the quick release/low hanging fruit properties first and then, develop detailed full appraisals of the development options for Ashgrove, Buckie and Forres and develop the full business case. For Ashgrove the business case would consider a ‘do minimum option’ of demolition of offices and tidy up, an intermediate option of ‘some limited reorganisation including potential single new build extension,’ and a maximum option looking at ‘potential substantial reorganisation of Ashgrove, including looking at potential new access points all of which could be phased with key stage completions. Notwithstanding the options for Ashgrove all future plans for the site will be developed with full integration with the Council’s future plans for a zero emission fleet, where there is a desire for a green hub, which would fit with the strategy of maximising the use of the depot. Further smaller simpler option appraisals will be undertaken at Buckie and Forres to provide recommendation for consolidation of assets at the site locations into one site at each location.

Rationalising stock keeping across the operational services will facilitate the release of working capital through the resulting reduction in stock value. This financial release will be further enhanced by the cultural changes required as services amalgamate and share plant and equipment. There will be less duplication in these critical and expensive areas.

Carbon reduction will be achieved through having less sites that are inefficient in their use of Carbon-based fuels, and an expected overall fleet size and mileage reduction. There will also be an increase in Net Zero fuel utilisation for the reduced depot estate and from our mobile fleets.

In planning for the future, there is the potential for development towards Option 4 in relation to Ashgrove over time as demonstrated by the potential for overall reduction in assets with greater integration if and when funds are available, and the business case is sufficiently strong. Therefore, proposals would look at options that permit significant staged development in the future.

5 Commercial Case

5.1 The Procurement Process

Procurement of any equipment or services will be undertaken using existing contracts.

5.2 Procurement Support and Oversight

The project will seek support from the Council procurement team at the appropriate time to ensure all procurement within the project is progressed in line with council guidance. Procurement support is anticipated in two areas:

- Depot reconfiguration
- Equipment and ways of working that support service transformation.

5.3 Anticipated Procurement Pipeline

It is considered that procurement assistance will not be required in the initial stages of phase 1. If any minor reconfiguration is required, works will be progressed via the Council's repairs framework using existing procurement processes. Any proposals to undertaken significant building works will require to be scoped out and appropriate procurement processes included within the full business case.

5.4 Roles and Responsibilities

Initial procurement activities will be undertaken within Housing and Property however, as the project progresses procurement support will be required to support construction and service specific equipment procurement.

6 The Financial Case

6.1 Overall Affordability

The Depots have not had the required level of maintenance spend for a number of years as the reviews have been undertaken, and their results awaited. There has also been further interruption by the Covid-19 pandemic. Certain works will be required whether the Depot & Stores review is implemented as a whole or not. In particular, Forres Waterford depot is in a severe state of disrepair.

The recommended option will require to be fully costed via the full business case. It is recommended that stage 3 as outlined in the option above should be split into three areas being: Elgin Area, Buckie Area and Forres Area which will allow each to progress at the appropriate rate.

At this stage the potential capital spend for the recommended option is circa £7.32m which will release operational costs savings and income generation as set out in the financial model below. The revenue cost of borrowing the £7.32m is currently estimated at £512k per annum. The savings outlined indicate circa £502k of annual savings or additional income. Currently there is a gap between annual savings and the cost of borrowing of £10,000. The development of the FBC will focus on ensuring net savings are generated to ensure no extra pressure is placed on the Council's capital plan with the intention that at FBC stage the cost of borrowing should be offset by savings generated.

6.2 Assumptions

In order to develop the financial model a number of assumptions have been used and are outlined below.

- Capital costs of improving the properties are based on the best information available at this time and include current cost information or information from previous cost assessments appropriately index linked.

- Operating costs have been collated for all properties based on 2021/22 financial year. This will be updated throughout the development of the business case, but the decision was made to baseline on these figures. It is likely that these costs will have only increased in the passage of time.

- Where future rental income has been identified it is based on the current estimated market rent and uplifted for future years on a compound interest rate.

- For the model 3, annual inflation rates have been used with 5% for 2024/25, 3% for 2025/26 and 2026/27 and then 2.5% thereafter. All costs and incomes have had the same inflation rate applied.

- Limited information is currently available on potential operational service savings from the rationalisation therefore, only operational savings in relation to the use of salt barns in Keith and Tomintoul have been included in the model. Where other service savings can be identified, they will be included in future versions of the model.

- It has been assumed that all vacant surplus properties will be leased out. The model does permit for inclusion of capital receipts instead of rental income, and it can be adapted as required.

- The model sets out a basic programme of works rationalisation and if this changes with time, the model can be updated, with associated adjustment to future savings.

- There has been no interest applied to the capital required for improvements to the properties, so the payback period is simply the accumulative revenue savings and new income covering the capital expended.

- The financial model assumes there is additional project staffing resource for the first 4 years of the project at £100,000 per annum.

6.3 Financial Model

The financial model below has been developed to illustrate the potential savings this project will deliver. As stated previously the project's primary focus is to delivery financial savings to the Council and has focused on the property savings feasible by the project. Operational financial savings could be built into the model in future versions if it was deemed appropriate. Full details of the model are included in Appendix ii.

The table below provides a summary of the capital expenditure, revenue expenditure, revenue savings and revenue income that will be provided by the project for the first 15 years. Where a property has been removed from the portfolio there will be a recurring saving to the Council however, the table below shows the point at which the revenue savings have paid off the capital spend.

Depot & Stores Review Financial Sumary Table		Cummulative Financial Effect	Total Annual Financial Effect	Capital Expenditure Required	Capital Expenditure Saving	New Annual Operating Expenditure Required	Annual Operating Expenditure Saving	New Annual Income	Project Costs
Financial Efffect FY24/25	Year 1 Only	£ 319,163	£ 319,163	£ 462,235	£ 446,250	£ 2,000	£ 209,639	£ 27,510	£ 100,000
Financial Efffect FY24/25 to FY25/26	Year 1 & 2	-£ 3,109,845	-£ 3,429,008	£ 4,206,308	£ 345,752	£ 4,060	£ 249,440	£ 86,168	£ 100,000
Financial Efffect FY24/25 to FY26/27	Years 1 to 3	-£ 5,963,192	-£ 2,853,347	£ 3,907,987	£ 476,521	£ 6,182	£ 297,668	£ 186,632	£ 100,000
Financial Efffect FY24/25 to FY27/28	Years 1 to 4	-£ 5,228,817	£ 734,376	£ 42,175	£ 119,116	£ 8,357	£ 320,720	£ 245,071	£ 100,000
Financial Effect FY24/25 to FY28/29	Years 1 to 5	-£ 4,655,373	£ 573,443	£ -	£ -	£ 10,586	£ 332,831	£ 251,198	£ -
Financial Effect FY24/25 to FY29/30	Years 1 to 6	-£ 4,069,614	£ 585,759	£ -	£ -	£ 12,871	£ 341,152	£ 257,478	£ -
Financial Effect FY24/25 to FY30/31	Years 1 to 7	-£ 3,471,231	£ 598,383	£ -	£ -	£ 15,213	£ 349,681	£ 263,915	£ -
Financial Effect FY24/25 to FY31/32	Years 1 to 8	-£ 2,859,909	£ 611,322	£ -	£ -	£ 17,613	£ 358,423	£ 270,513	£ -
Financial Effect FY24/25 to FY32/33	Years 1 to 9	-£ 2,235,325	£ 624,585	£ -	£ -	£ 20,074	£ 367,383	£ 277,276	£ -
Financial Effect FY24/25 to FY33/34	Years 1 to 10	-£ 1,597,146	£ 638,179	£ -	£ -	£ 22,596	£ 376,568	£ 284,207	£ -
Financial Effect FY24/25 to FY34/35	Years 1 to 11	-£ 945,032	£ 652,113	£ -	£ -	£ 25,181	£ 385,982	£ 291,313	£ -
Financial Effect FY24/25 to FY35/36	Years 1 to 12	-£ 278,637	£ 666,396	£ -	£ -	£ 27,831	£ 395,632	£ 298,595	£ -
Financial Effect FY24/25 to FY36/37	Years 1 to 13	£ 402,399	£ 681,035	£ -	£ -	£ 30,547	£ 405,522	£ 306,060	£ -
Financial Effect FY24/25 to FY37/38	Years 1 to 14	£ 1,098,440	£ 696,041	£ -	£ -	£ 33,331	£ 415,660	£ 313,712	£ -
Financial Effect FY24/25 to FY38/39	Years 1 to 15	£ 1,809,861	£ 711,422	£ -	£ -	£ 36,185	£ 426,052	£ 321,555	£ -

The table above shows that, following the development and implementation of the project, significant annual savings will be generated from the rationalisation of the properties and that new income will also be generated from the leasing of these surplus assets. The table shows that on a simple basis, the project will cover its costs within the first 15 years.

Further considering the cost of the capital required to undertake the project it is expected that the revenue savings and income generated from the project will off set the revenue cost of the capital required.

6.4 Financial Risks

Within a multi-year project like this, there are many potential financial risks. The main financial risks are in capital cost increases or where potential new income decreases:

- Cost price uncertainty – the capital expenditure is currently based on the best available data until the work packages are fully designed and costed. There is significant risk that the capital expenditure could increase.

- The new revenue income is based on the surplus properties being leased. The expectation based on current demand for industrial space that leasing the surplus units will be possible. Should there be a downturn in the economy, this might not be the case, thus limiting the income generated.

Mitigation measures of these and any other dis-benefits identified during the process will be developed and logged appropriately in a Risks, Assumptions Issues and Dependencies (RAID) log.

Within the financial model no allowance for income generated from sharing space with public sector partners has been included and this is an opportunity that should be considered as the project develops.

6.5 Financial Management

The project will have multiple and diverse financial flows between revenue savings, income generation and capital spend. It will be a priority that all these flows are managed closely. It is expected that the financial support will be required on the project. Section 7.3 of the OBC sets out the governance and oversight of the project detailing the need for a Project Board and Delivery Group. It is expected that financial representation will be on both of these critical decision-making forums.

Decisions relating to finance will have to follow the corporate financial reporting processes however in addition to this it is expected that following approval of capital spend monthly updates on spend would be provided to the Project Board. Further, as the income and operational saving targets are fully set out and programmed, the monitoring of this will be undertaken by the Project Board.

7 The Management Case

7.1 Resource Requirements

This programme of work is currently being managed and progressed by the Corporate Asset Management Team within existing staffing structure.

This project will require the expert advice and support from the following services:-

- Roads
- Outside Spaces
- Building Services
- Waste
- Finance
- Planning
- Asset Management- Commercial Properties
- Property
- Potentially change management support.

It is recognised that progressing this project without project specific resource will increase the time it will take to complete and will negatively impact on the delivery of savings. Taking this into account, it is recommended that a budget of circa £100,000 per annum is set aside from savings created by the rationalisation to provide additional resource within the Team to ensure the project progresses favourably in line with the timeframe identified below.

7.2 Programme Management Arrangements

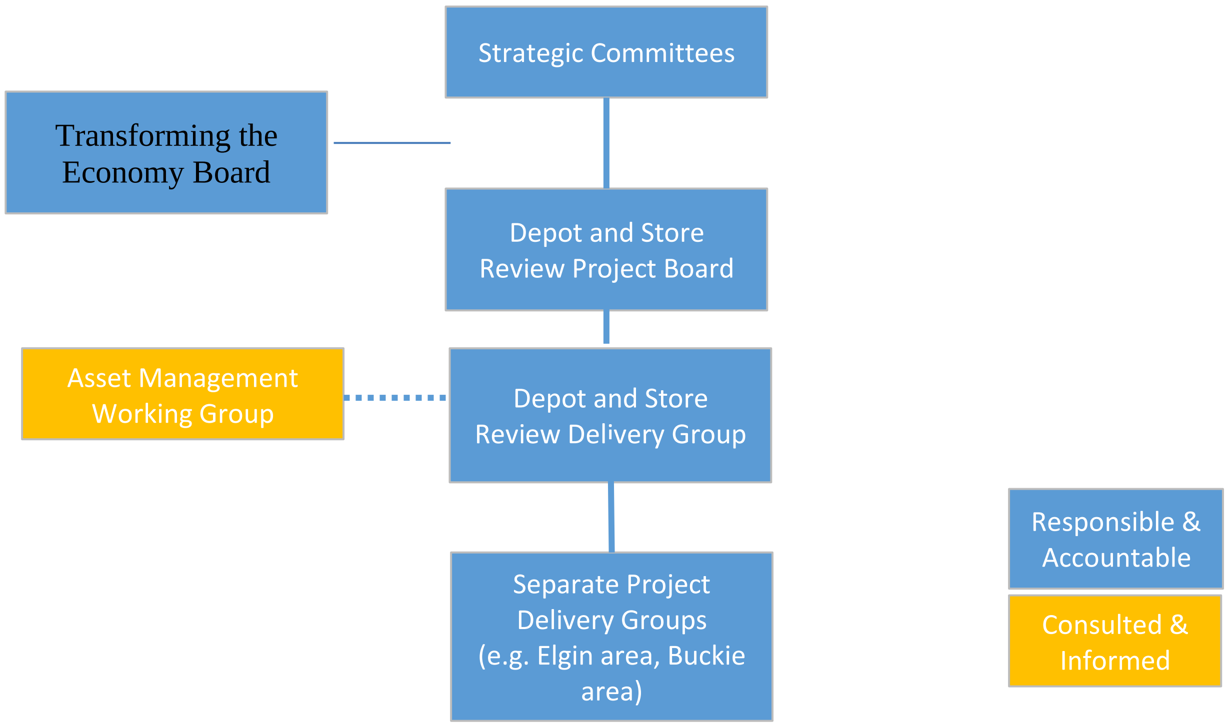
This programme is an integral part of good Asset Management practices and is a direct recommendation from the Property Asset Management Appraisal approved at Committee on 29 October 2019. Information on the progress of the programme will be included in updates to the IMP and Housing and Property Service Plan.

KPIs will be identified, agreed and appropriate reporting established in the full business cases.

7.3 Governance and oversight

Currently there is no project management support or resource. However, it is recognised the project should be managed in accordance with Moray Council project management procedures.

7.3.1 Project reporting structure
The proposed project reporting structure is set out below:



7.3.2 Project roles and responsibilities

Project Board
Lead officers; Head of Housing and Property, Head of Environmental & Commercial Services and Chief Financial Officer.

The Project Sponsor for the Depot Review will be Head of Housing and Property – Edward Thomas.

The Senior Responsible Owner for the project will be the Property Asset Manager – Neil Strachan

The Project Manager - to be established.

Service specific reps, along with support like legal, finance etc.

Delivery Group
Lead by project manger
Service specific reps, along with support from finance, legal, Asset Management.

A full Project RACI matrix will be developed to align with the agreed project procurement strategy as part of the development of the Full Business Case.

It is anticipated that the Project Board and Delivery Group would meet monthly.

7.3.3 Project plan

The high-level indicative project plan is set out below:

	2024				2025				2026				2027			
Activity	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
OBC prepare and reported to Committee	■	■														
Prepare and report FBC.		■	■	■												
Complete rationalisation of early options	■	■														
Undertake Buckie project				■	■	■	■	■	■							
Release Buckie properties for lease or sale								■	■	■						
Undertake Forres design solutions				■												
Agree design for Forres and secure approvals					■	■										
Implement procurement							■	■								
On site with works									■	■	■	■				
Release Forres property for lease or sale												■	■			
Develop design for Ashgrove					■	■										
Develop programme for Ashgrove						■										
Procure delviery method						■	■									
Secure statutory consents and contractor							■	■	■							
Commence on site works										■	■	■	■			
Release rationalised properties when avaliable from Elgin							■	■	■	■	■	■	■	■		

7.4 Arrangements for Change Management

Existing Council process will be followed for any changes required and a formal change management process will be developed prior to completion of FBC.

7.5 Arrangement for Benefits Realisation

The projects benefits are set out in section 3.5 of the OBC. Prior to completion of the FBC, a detailed plan on how and when each benefit will be monitored, measured and reported initially to the Project Board and Committee as necessary.

7.6 Arrangements for Risk Management

Risks to the overall project will be identified and recorded. They will be owned by the Asset Management Team and reported to the Project Board.

The strategy for the active and effective management of risk will involve:

- identifying possible risk in advance and putting mechanisms in place to minimise the likelihood of them materialising with adverse effects;
- having processes in place to monitor risks, and access to reliable, up-to-date information about risks;
- the right balance of control to mitigate against the adverse consequences of the risks, should they materialise;
- decision making processes supported by a framework for risk analysis and evaluation.

A risk register will be developed and included in the FBC.

7.7 Gateway Review Arrangements

The council's Project Governance Policy sets out project gateway review arrangements. It is based on the Prince2 Project management methodology, aligned with the Scottish Government Construction Procurement Manual and the Office of Government Commerce (OGC) Gateway framework. A copy of this document can be found here: **PMG – Moray Gateway Process**

REPORT TO: ECONOMIC DEVELOPMENT AND INFRASTRUCTURE SERVICES COMMITTEE ON 30 APRIL 2024

SUBJECT: INFORMATION REPORT: LIST OF PROPERTY TRANSACTIONS CONCLUDED UNDER DELEGATED POWERS

BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT & FINANCE)

1. REASON FOR REPORT

1.1 To inform the Committee of property transactions which have been dealt with under delegated powers.

1.2 This report is submitted to the Economic Development and Infrastructure Services Committee in terms of Section III F (5) of the Council's Scheme of Administration relating to industrial and commercial development.

2. BACKGROUND

2.1 In terms of the Council's Scheme of Delegation, the Head of Housing and Property has delegated authority to grant leases, licenses or other occupation agreements of land and buildings for 25 years or less duration where the initial rent does not exceed £35,000 per annum and sites on long term building leases of up to 125 years duration where the initial rent does not exceed £35,000 per annum.

2.2 In terms of the Council's Scheme of Delegation, the Head of Housing and Property has delegated authority to conduct rent reviews and fix new rents.

2.3 In terms of the Council's Scheme of Delegation, the Head of Housing and Property has delegated authority to approve acquisitions of heritable property up to a value of £250,000 where appropriate provisions have been made in the Capital or Revenue Plan. For acquisitions by lease, this delegation covers property with a rental value of up to £5,000 per annum where appropriate provision has been made in the Capital or Revenue Plan.

3. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

The proposals support the aim of delivering financial stability.

(b) **Policy and Legal**
None.

(c) **Financial Implications**
The transactions detailed in **APPENDICES I and II** will generate monies to the Council.

Funds for the acquisition of the property detailed in **APPENDIX III** were made from existing provision in the Housing Revenue Account.

(d) **Risk Implications**
None.

(e) **Staffing Implications**
None.

(f) **Property**
None.

(g) **Equalities/Socio Economic Impact**
None.

(h) **Climate Change and Biodiversity Impacts**
None.

(i) **Consultations**
None.

4. CONCLUSION

4.1 It is recommended that the Committee notes the 10 leases, 17 rent reviews and 1 acquisition of property as set out in APPENDICES I, II and III.

Author of Report: Stuart Beveridge, Asset Manager (Commercial Buildings)
Background Papers:
Ref: SB/JB

APPENDIX I

REPORT TO THE ECONOMIC DEVELOPMENT AND INFRASTRUCTURE SERVICES COMMITTEE ON 30 APRIL 2024

LIST OF LEASES OF BUILDINGS AND SITES – SUBMITTED FOR NOTING

1. Reference No. 2. Officer's Ints	1. Address 2. Tenant	1. Building (m^2) 2. Site (Ha)	1. Date of Entry 2. Review Period	Rent (per annum)	Remarks
1. EL/645/38 2. STBE	1. 2 High Street, Elgin 2. Social Security Scotland	1. - 2. -	1. 1/12/22 2. Annually	£7,000	Permitted Use: Licence to use 3 desks in the Annexe.
1. BK/1/222 2. IAWA	1. 18 March Road East, Buckie 2. Sarah Addison	1. 70sqm 2. 0.03Ha	1. 20/11/23 2. 3 years	£6,100	Permitted Use: Storage of automotive products.
1. EL/1/208 2. IAWA	1. 8 Chanonry Road South, Elgin 2. Olleco (Company Number 05878742)	1. 550sqm 2. 0.13Ha	1. 1/8/23 2. 3 years	£35,000	Permitted Use: Storage & distribution depot for fresh & used cooking oils.
1. BK/482/2 2. STBE	1. Electricity Sub-Station at Millbank Primary School, Buckie 2. Scottish Hydro Electric Power Distribution Ltd	1. 25sqm 2. -	1. 19/1/24 2. None	£0	Permitted Use: Licence for creation of replacement sub-station.

1. LO/1/221 2. ALBU	1. Unit 1 Coulardbank Business Centre, Lossiemouth 2. Nina Lian Lucas	1. 25sqm 2. 0.0025Ha	1. 18/3/24 2. 3 years	£3,960	Permitted Use: Clothing manufacture, ancillary storage & training.
1. EL/555/15 2. STBE	1. Car Park Deanshaugh Fields, Lesmurdie Road, Elgin 2. Johnstons of Elgin	1. 2. 0.37Ha	1. 12/2/24 2. 3 years	£16,800	Permitted Use: Staff car parking.
1. KE/4/252 2. ALBU	1. Unit B Balloch Road, Keith 2. Enercon Services UK Ltd	1. 246sqm 2. 0.53Ha	1. 1/4/24 2. 3 years	£12,000	Permitted Use: Store, workshop & ancillary offices for wind turbine maintenance.
1. FR/840/1 2. STBE	1. 5/6 Culbin Road, Forres 2. Moray Council – Housing Revenue Account	1. 193sqm 2. 0.03Ha	1. 1/4/24 2. 3 years	£4,035	Permitted Use: Residential - Internal lease from General Services to Housing Revenue Account.
1. EL/660/7 2. SOAND	1. East Lodge, Cooper Park, King Street, Elgin 2. Dianne Jackson	1. 27sqm 2. 0.03Ha	1. 1/4/24 2. 3 years	£2,184	Permitted Use: Hypnotherapy practice.

1. EL/1/305 2. SOAND	1. Yard A Chanonry Road South, Elgin 2. Sam Jarockyj	1. - 2. 0.04Ha	1. 1/4/24 2. 3 years	£2,700 p.a.	Permitted Use: Storage yard for tenant's garden maintenance business.

APPENDIX II

REPORT TO THE ECONOMIC DEVELOPMENT AND INFRASTRUCTURE SERVICES COMMITTEE ON 30 APRIL 2024

LIST OF RENT REVIEWS OF BUILDINGS AND SITES - SUBMITTED FOR NOTING

1. Ref No. 2. Valuer's Ints.	1. Address 2. Tenant	1. Building (m²) 2. Site (Ha)	1. Date of Entry 2. Review Period Interval	1. Previous Rent 2. New Rent	Remarks
1. EL/8/125 2. ALBU	1. Unit 25 Tyock Industrial Estate, Elgin 2. JNK Kitchen Studios Ltd	1. - 2. 0.12Ha	1. 1/4/79 2. 5 years	1. £2,700 p.a. 2. £3,150 p.a.	Permitted Use: Manufacture & sale of furniture & bathroom/kitchen fittings.
1. KE/1/107 2. ALBU	1. 3 Westerton Road North, Keith 2. Clark & Sutherland Ltd	1. - 2. 0.27Ha	1. 1/1/14 2. 5 years	1. £5,640 p.a. 2. £8,800 p.a.	Permitted Use: Fabrication workshop & ancillary offices.
1. EL/1/224 2. ALBU	1. Unit 4, 2 Chanonry Road North, Elgin 2. Mr Neil Ross & Mrs Mary Ross, T/A The Blind Spot	1. 25sqm 2. 0.003Ha	1. 1/3/15 2. 3 years	1. £3,950 p.a. 2. £4,160 p.a.	Permitted Use: Office in connection with tenant's business as a blinds company.
1. EL/8/232 2. STBE	1. Unit 32 Tyock Industrial Estate, Elgin 2. H & M Hydraulics (Elgin) Ltd	1. 132sqm 2. 0.04Ha	1. 9/5/03 2. 3 years	1. £11,400 p.a. 2. £13,300 p.a.	Permitted Use: Manufacture & trading of hydraulic hoses.

1. FR/1/207 2. IAWA	1. Unit 10 Greshop Road, Forres 2. Stephen Andrew Duncan	1. 85sqm 2. 0.01Ha	1. 1/11/14 2. 3 years	1. £6,800 p.a. 2. £7,350 p.a.	Permitted Use: Storage of materials in connection with a flooring business.
1. EL/1/213 2. IAWA	1. 4 Chanonry Road North, Elgin 2. Michael & Nathan Clayton, T/A Clayton Brothers	1. 70sqm 2. -	1. 11/11/14 2. 3 years	1. £7,400 p.a. 2. £8,550 p.a.	Permitted Use: Workshop & store with yard for use in connection with tenant's groundworks & ground maintenance business.
1. EL/5/264 2. ALBU	1. 12 Pinefield Parade, Elgin 2. Terry Webster & Michael Booth	1. - 2. 0.1Ha	1. 30/11/07 2. 5 years	1. £3,000 p.a. 2. £4,975 p.a.	Permitted Use: Plant hire & sales – but amended to engineering works for sub-lease.
1. EL/8/223 2. STBE	1. Unit 23 Tyock Industrial Estate, Elgin 2. City Electrical Factors Ltd	1. 282.2sqm 2. 0.04Ha	1. 11/11/09 2. 3 years	1. £19,680 p.a. 2. £20,500 p.a.	Permitted Use: Storage, distribution & incidental sales of electrical goods & components (with ancillary office & trade counter) in connection with tenant's business.

1. EL/1/203 2. IAWA	1. 5 Chanonry Spur, Elgin 2. Callum Foster	1. 96sqm 2. 0.01Ha	1. 19/3/12 2. 3 years	1. £7,090 p.a. 2. £8,450 p.a.	Permitted Use: Car valeting & detailing with ancillary sale of car valeting products.
1. EL/5/274 2. IAWA	1. Unit H Pinefield Business Centre, Elgin 2. Oakwood Bathrooms Ltd (SC503493)	1. 76sqm 2. -	1. 13/3/18 2. 3 years	1. £5,400 p.a. 2. £5,900 p.a.	Permitted Use: Storage in connection with tenant's bathroom installation business.
1. EL/5/127 2. IAWA	1. Site at rear of Pinefield Business Centre, Elgin 2. David McKenzie	1. - 2. 0.02Ha	1. 1/2/18 2. 3 years	1. £1,500 p.a. 2. £1,700 p.a.	Permitted Use: Storage yard in connection with tenant's home & garden maintenance business.
1. BK/1/202 2. IAWA	1. 7, 8 & 9 March Lane, Buckie 2. Moray Reach Out	1. 324sqm 2. 0.08Ha	1. 18/3/03 2. 3 years	1. £21,550 p.a. 2. £23,200 p.a.	Permitted Use: Can recycling workshop & ancillary offices.
1. EL/1/229 2. IAWA	1. 18 Chanonry Road North, Elgin 2. Go North Camper Conversions Ltd (SC593845)	1. 200sqm 2. 0.02Ha	1. 1/2/18 2. 3 years	1. £15,800 p.a. 2. £17,400 p.a.	Permitted Use: Storage & maintenance of vehicles in connection with tenant's camper van & car hire business.

1. HN/750/4 2. SOAND	1. Store 4 Hopeman Harbour, Hopeman 2. Elizabeth Grey	1. 74sqm 2. -	1. 13/12/05 2. 3 years	1. £980 p.a. 2. £1,450 p.a.	Permitted Use: Manufacture of arts & crafts.
1. EL/3/201 2. STBE	1. 1 Linkwood Lane, Elgin 2. Fiona Stokes	1. 99.9sqm 2. 0.02Ha	1. 17/8/09 2. 3 years	1. £8,300 p.a. 2. £9,250 p.a.	Permitted Use: Use as a canine hydrotherapy centre.
1. EL/645/38 2. STBE	1. 2 High Street, Elgin 2. Social Security Scotland	1. 3 desks 2. -	1. 30/12/19 2. Annually	1. £7,000 p.a. 2. £9,065 p.a.	Permitted Use: Office & admin.
1. FR/2/203 2. IAWA	1. 2 Greshop Road, Forres 2. Maclean’s Highland Bakery	1. 122sqm 2. 0.06Ha	1. 1/4/21 2. 3 years	1. £10,750 p.a. 2. £12,450 p.a.	Permitted Use: Production of gluten free food products.

APPENDIX III

REPORT TO THE ECONOMIC DEVELOPMENT AND INFRASTRUCTURE SERVICES COMMITTEE ON 30 APRIL 2024

LIST OF ACQUISITION OF FEU - SUBMITTED FOR NOTING

Officer Intls	**Address**	**Description**	**Land Owner**	**Purchase Price**	**Declared Surplus**	**Comments**
STBE	67 Balvenie Street Dufftown AB55 4AS	Ground floor residential flat	Alison Richard	£75,000	N/a	Purchased for Housing Revenue Account.