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**CAPITAL FINANCIAL PLAN RESOURCES  
2012/13 TO 2021/22**

**Report by CHIEF FINANCIAL OFFICER**

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**SCOTTISH BORDERS COUNCIL**

**9 FEBRUARY 2012**

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**1 PURPOSE AND SUMMARY**

- 1.1 **This report advises the Council of the estimated capital resources for 2012/13 to 2021/22.**
- 1.2 The report outlines the process supporting the compilation of the draft Capital Financial Plan plus the introduction of a long term 7 year Strategic Plan to support the traditional 3 year Operational Plan.
- 1.3 The financing constraints are identified along with the major issues facing the Council and its capital planning process.
- 1.4 It is acknowledged that a plan covering a 10 year period will be subject to change as political, financial and service priorities evolve.

**2 RECOMMENDATIONS**

- 2.1 **It is recommended that the Council:-**
  - (a) **Notes the estimated Capital Resources for 2012/13 to 2021/22;**  
**and**
  - (b) **Proceeds to approve the Administration's Draft Capital Financial Plan for 2012/13 to 2021/22.**

### 3 BACKGROUND

- 3.1 The current Capital Financial Plan was approved by the Council in June 2011 and covered the five year period from 2011/12 to 2015/16. This plan has been subject to regular review with monitoring reports being presented to Executive in September, October and December 2011, with the final monitoring report in the financial year 2011/12 to be presented to the Executive on 14 February 2012.
- 3.2 In the process of updating the Capital Financial Plan, all departments have engaged in the development of individual Project Outline Business Cases (POBCs) and these have been assessed and scored by the Asset Managers and the Treasury and Capital Manager.
- 3.3 In reviewing the current Capital Financial Plan it was identified that a significant element of the programme for the first 3 years (the Operational Plan) was already committed.
- 3.4 As advised in last year's Capital Plan report, the draft Capital Financial Plan 2012/13 to 2021/22 has been developed on a 10 year basis. It has been split into a 3 year Operational Plan and an indicative Strategic Plan for the remaining 7 years. This is in line with the recommendations flowing from the review of Capital Planning and Monitoring processes that was undertaken in 2009/10. The Strategic Plan is intended to provide an indication of the level of resources and the type of demands on the Capital Financial Plan. It is acknowledged that this will be subject to continuous refinement and review and be subject to amendment reflecting the priorities of the new Council administration.

### 4 THE CAPITAL FINANCE SETTLEMENT 2012/13

- 4.1 The Scottish Government Local Finance Settlement (the Settlement), issued in December 2011, provided a three year General and Specific Capital Grant allocation to the Scottish Borders Council.
- 4.2 The Settlement for the three years is as follows:

<b>£000</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
General Capital Grant	9,484	8,774	13,431
Less: Police Authority Capital Allocation	(345)	(317)	(465)
General Capital Grant available to the Council	9,139	8,457	12,966
Specific Capital Grant – Cycling, Walking & Safer Streets	131	121	177

- 4.3 The level of Capital Grants has been re-profiled and for the General Capital Grant there is an overall reduction due to the change in the funding mechanism for the Flood Prevention support from Scottish Government.

## **5 CAPITAL RESOURCES 2012/13 TO 2021/22**

- 5.1 The principles of affordability and sustainability have been applied in developing an affordable draft Capital Financial Plan 2012/13 to 2021/22 and are financed by Loan Charges of £21.3m per annum. The £15m per annum 'ceiling' for capital spend (excluding Plant and Vehicle Replacement) for the 7 years of the Strategic Plan has been maintained at an average of £14.2m per annum and reflects future assumptions concerning a reduction in the General Capital Grant and the impact of the central "top slicing" of Flood Prevention funding.
- 5.2 During the 3 year Operational Plan an additional £8.4m has been provided to reflect the Council contribution to the costs of the South of Scotland Broadband (BD UK) upgrade project.
- 5.3 The capital receipts assumptions for the funding of the Capital Financial Plan have been revisited and these have been re-profiled to reflect the current market conditions. Overall, the reliance upon capital receipts within the 3 year Operational Plan period has been reduced accordingly.
- 5.4 However, as a result of re-profiling and/or re-scoping some key projects and block allocations it has been possible to deliver an affordable Capital Financial Plan which for the first two years of the programme contains proposals that do not require any increases in the revenue budget Loan Charges above that previously approved for 2012/13.

## **6 THE CAPITAL FINANCIAL PLAN 2012/13 TO 2021/22**

- 6.1 The Administration's draft Capital Financial Plan 2012/13 to 2021/22 presented elsewhere on the agenda has been fully reviewed to ensure its affordability and deliverability.
- 6.2 In developing the draft Capital Financial Plan the following considerations were required to be taken into account:

### **Engineering & Infrastructure**

#### **(a) Flood & Coastal Protection**

The proposals incorporate revised expenditure profiles and estimates to enable the Council to be best placed to support the 20% required from capital resources to enable bids into the 80% match funding from Scottish Government for these projects. Formal approval for the Galashiels scheme is expected early in 2012/13 and as a result the grossed-up cost of the scheme is shown in the plan, with 80% funding included under Specific Capital grants in the attached appendix. For Selkirk and Hawick, 80% match funding is only likely

to be available beyond the timeframe of the 3 year operational plan and for this reason only the Council costs are shown in the plan. Once these schemes are finalised and funding secured, the budgets will be grossed up to show total scheme costs and associated Scottish Government funding.

(b) **Waste Management - Easter Langlee Cell Provision**

This project, following the completion of the first landfill cells, has been identified as requiring additional resources (£300k) above the current approved budget for 2012/13 to enable the completion of the next phase of capping activity and secure the appropriate environmental compliance.

(c) **Waste Management – Easter Langlee Leachate Management**

This project was previously in the Capital Financial Plan for delivery in 2015/16. Work being undertaken on the overall management of the site has identified that this work requires to be accelerated to 2013/14.

**Land & Property**

(d) **School Estate – Duns PS Relocation**

It is proposed to accelerate an element of the expenditure on this project to enable the advanced design and preparation work to be completed over 2012/13 and 2013/14. This will enable construction to start in 2014/15.

(e) **School Estate – School Capacity Projects & Option Appraisals**

There are several areas of the Borders where school capacity pressures have been identified and more detailed proposals will be brought to Committee at the appropriate time.

The Strategic Plan 7 year timeframe has been populated with expenditure proposals. However due to the evolving pattern of capacity pressures and the need to consider potential strategic rationalisation of the school estate over the medium term, specific projects have not been detailed.

(f) **Community Services – Duns Community Hub and Jim Clark Motor Museum**

The proposals for these two projects have been included within the indicative Strategic Plan timeframe of the Draft Capital Financial Plan. This is to enable the proposed projects to be delivered in a natural progression from the Duns PS relocation project. These projects are still at an early stage of development and no external funding assumptions have been included.

(g) **Environment & Infrastructure Property – Wilton Lodge Park**

The proposals for the business case are progressing and these will be brought to Committee during 2012/13. As the business case is not fully evaluated and the remit from the Capital Management Group (CMG) was that this project should be self financing through the incorporation of capital receipts, the project has not been included in the draft Capital Financial Plan at this stage.

(h) **Economy & Regeneration – Selkirk Historic Town Centre Regeneration Project**

This project has been incorporated into the programme with external funding assumptions of £1.3m. The Council's contribution is estimated at £350k. Work is currently ongoing with officers to establish the project scope and develop bids to external funding providers. It should be noted that no external funding commitments have yet been secured.

**Business Infrastructure**

(i) **Business Applications – Corporate Application Suite (CAS)**

This project, included in the Strategic Plan timeframe reflects the need to upgrade/refresh the core corporate business applications to continue to ensure that these are fit for purpose and enable the continued business transformation process within the Council.

(j) **Technical IT Infrastructure – South of Scotland Broadband (BD UK)**

£8.4m has been included within 2013/14 and 2014/15 to support the Council's contribution to the delivery of the South of Scotland Broadband Project. This project is a key economic development deliverable for the Council and is being progressed jointly with Dumfries and Galloway Council. The Scottish Government has committed an initial £5m to the total cost of the project.

The assumption is that this will be able to be treated as capital expenditure, even though it may require Scottish Government consent.

## **IMPLICATIONS**

### **7.1 Financial**

- (a) The financial implications are covered in Section 5 of this report.
- (b) Pending the confirmation of our General Capital Grant for 2015/16 onwards, the estimated grant shown in the draft Capital Financial Plan 2012/13 to 2021/22 reflects the assumptions used in Section 5.

### **7.2 Risk and Mitigations**

- (a) The draft plan contains recommended budgets for a large number of capital projects of varying size and degrees of complexity. There is a risk that, over time, they may not complete within timescales and budget. As projects progress through their development phases and into construction, asset and project managers will monitor them closely in line with the Council's Financial Regulations and Capital Budget Monitoring Code of Practice. They will also identify any variations in costs and/or timing and report them to the Capital Management Group as soon as possible.
- (b) Section 6.2 details some of the individual risks within specific projects and how these are to be mitigated.
- (c) The cost of creating the infrastructure for the proposed town expansion of Newtown St Boswells has not been able to be accommodated within the proposed draft Capital Financial Plan. Should the housing market recover and house building commence, Developer Contributions may not be able to cover all the associated costs in the required timeframes. A report is currently in development by the Director of Environment & Infrastructure in relation this matter and will be brought to the appropriate Committee in due course.
- (d) Scottish Government has indicated that they intend to introduce separate Food Waste collections for urban areas, which would result in additional significant revenue and capital costs. The draft Capital Financial Plan does not include provision for this as the Council proposes to negotiate a compromise on the basis that the new Waste Treatment Plant at Langlee will be able to separate out Food Waste without the need to introduce expensive separate collections.
- (e) Several of the projects within the draft Capital Financial Plan are intended to address or avoid negative environmental impacts in relation to the waste management activities of the Council.

### **7.3 Equalities**

Where appropriate, project managers have carried out Equalities Impact Assessments for projects currently under way and will do so for future projects in the Plan.

#### 7.4 **Acting Sustainably**

- (a) Elements of the draft Capital Financial Plan, including South of Scotland Broadband, are included on the basis that these deliver key strategic benefits in relation to Scottish Borders economy.
- (b) Elements of the draft Capital Financial Plan, including the projects within the Social Work workstream of Land & Property, are about ensuring that social cohesion in the Scottish Borders is supported and enhanced.
- (c) There are key, major projects included in the draft Capital Financial Plan which have the primary purpose of protecting (Flood Protection, Leachate Management) and enhancing (Selkirk Town Centre Regeneration Project) the Scottish Borders environment.

#### 7.5 **Carbon Management**

Elements of the proposals contained within the draft Capital Financial Plan are intended to contribute towards the reduction in the Council's carbon emissions. Of particular note are the proposals in relation to the management of closed landfill sites and several of the allocations within the Property & Asset Programme.

#### 7.6 **Rural Proofing**

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

#### 7.7 **Changes to Scheme of Administration or Scheme of Delegation**

No changes to the Scheme of Administration or Scheme of Delegation are required.

### **8 CONSULTATION**

- 8.1 The Head of Audit and Risk, Head of Legal and Democratic Services and the Clerk to the Council have been consulted as part of the preparation of this report, and any comments have been incorporated into the report.
- 8.2 The Heads of Property and Facilities Management, Engineering and Infrastructure and Business Technology Solutions as the key Asset Managers for the individual themes within the proposed Capital Financial Plan have been consulted and any comments have been incorporated into the report.

#### **Approved by**

**Chief Financial Officer**

**Signature David Robertson**

#### **Author(s)**

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**Background Papers:**

Re-profiling of Capital Plan 2011/12 > 2015/16, Executive 7 June 2011

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Treasury & Capital Manager can also give information on other language translations as well as providing additional copies.

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