
**CAPITAL FINANCIAL RESOURCES
2013/14 TO 2022/23**

Report by CHIEF FINANCIAL OFFICER

SCOTTISH BORDERS COUNCIL

7 FEBRUARY 2013

1 PURPOSE AND SUMMARY

- 1.1 **This report advises Council of the estimated capital resources for 2013/14 to 2022/23.**
- 1.2 The report outlines the process supporting the compilation of the draft 10 year Capital Financial Plan, comprising a long term 7 year Strategic Plan plus 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 2013/14 to 2022/23;**
 - and**
 - (b) **Proceeds to consider the Administration's Draft Capital Financial Plan for 2013/14 to 2022/23.**

3 BACKGROUND

- 3.1 The current Capital Financial Plan was approved by the Council on 9 February 2012 and covered the period 2012/13 to 2021/22. It has been split into a 3 year Operational Plan and an indicative Strategic Plan for the remaining 7 years in line with the recommendations of the 2009/10 review of Capital Planning and Monitoring processes. The Strategic element of the plan is designed to provide an indication of the requirement to deploy future capital to enhance the Council asset base. The current plan has been subject to regular review with monitoring reports being presented to Executive in June, September, October 2012 and the Capital Management Group 10 January 2013, with the final monitoring report in the financial year 2012/13 to be presented to the Executive on 12 February 2013.
- 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 The 2013/14 to 2022/23 Capital plan has been developed in line with the approach adopted for the previous 10 year Capital plan. It is acknowledged that this will be subject to ongoing refinement and review and be subject to amendment reflecting the priorities of the new Council administration.

4 THE CAPITAL FINANCE SETTLEMENT 2013/14

- 4.1 The Scottish Government Local Finance Settlement (the Settlement), issued in November 2012, provided a two year General and Specific Capital Grant allocation to the Council.

- 4.2 The Settlement for the two years is as follows:

£000	2013/14	2014/15
	£000's	£000's
General Capital Grant	11,041	14,557
Less: Police Authority Capital Allocation	(317)	(465)
General Capital Grant available to the Council	10,724	14,092
Specific Capital Grant – Cycling, Walking & Safer Streets	121	177
Flood Protection (exclusive of 12/13 slippage)	1,820	482

- 4.3 The General Capital Grant assumption from 2015/16 has been an increase from £9m to £11.5m for 2015/16 and £10m for 2016/17 onwards. This reflects the increased resources in the current settlement. However it must be acknowledged that this is only a planning assumption at this stage and will potentially be subject to revision as the resources available from future settlements are confirmed.

5 CAPITAL RESOURCES 2013/14 TO 2022/23

- 5.1 The principles of affordability and sustainability have been applied in developing the draft Capital Financial Plan 2013/14 to 2022/23, financed by Loan Charges of £21.3m per annum. The 7 year Strategic Plan (excluding Plant and Vehicle Replacement) has been maintained at an average of £14.2m per annum and reflects future assumptions concerning grant levels. As mentioned in para 4.3 this will be revised as actual future settlements are confirmed.
- 5.2 The total capital resources assumed throughout the 10 years of the draft Capital Plan have increased by £25.9m. This increase is detailed below:

	£m
Capital Receipts	1.3
Capital Funded from Current Revenue (CFCR)	0.5
General Capital Grant Funding	9.0
Specific Government Grant Funding	9.6
Other Grants & Contributions	2.6
Borrowing	2.8
Total Additional Resources	25.9

- 5.3 The capital receipts estimate has been fully re-appraised and includes a reduction of £1.1m (predominantly due to a £0.8m reduction in the receipts anticipated from the sale of former high school sites). This is offset by the application of a £2.4m capital receipt that is currently sitting in the Capital Fund on the Balance Sheet to support the cost of the new Kelso High School project.
- 5.4 The increase of £9.6m in Specific Government Grant Funding represents the £9.9m grant awarded for Kelso High School offset by a small reduction in the Galashiels Flood Protection Grant.
- 5.5 The draft Capital Plan also includes funding from other external sources with specific conditions attached. Full funding agreements are not in place for all of these funds (detailed in para 7.2 (e)) with a number either awaiting decisions' from the funding bodies or waiting for applications to be submitted. The amounts included in the expenditure proposals assumes these bids/applications will be successful, if however they are unsuccessful reports will be bought to Committee on an exception basis.
- 5.6 The draft Capital Plan includes an overall increase in borrowing; however, this is lower than the Council's contribution required for Kelso High School. The additional borrowing has been profiled to ensure it remains within the current Loans Charges budget specified in the financial strategy of £21.3m.

6 THE CAPITAL FINANCIAL PLAN 2013/14 TO 2022/23

- 6.1 The draft Capital Plan 2013/14 to 2022/23 has been fully reviewed to ensure its affordability and deliverability.
- 6.2 The main changes incorporated in the draft Capital Plan are detailed in paras 6.3 to 6.6.

6.3 **Engineering & Infrastructure**

(a) **Roads, Bridges, Lighting and Transport**

The proposals incorporate additional funding totalling £6.5m over the plan. These include £0.551m for matched funding for the GIRRS regeneration project in Galashiels, and £0.598m additional funds for roads, bridges and street lighting. An additional £5m has also been allocated to implement energy efficient street lighting, which will reduce future revenue costs.

(b) **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. The bids for Flood Protection, now being sought by Scottish Government, are being developed and it is expected that the order of bids will be, Selkirk and then Hawick (2009 Act).

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

Due to the delay in implementation of the Waste Treatment facility the cell development at Easter Langlee requires to be bought forward into the 10 year programme. £1.2m has been incorporated into the plan to accommodate this.

(d) **Waste Management –Various**

To ensure the Council can meet the requirements of the Zero Waste plan, environmental obligations and Health and Safety responsibilities a number of key waste projects have been incorporated into the plan totalling £0.652m. These projects include improvements to Community Recycling Sites and landfill sites.

6.4 **Land & Property**

(a) **School Estate – Duns PS Relocation including Locality Support Centre**

Following extensive option appraisal the proposed plan incorporates the recommended revised scope and costs for relocating the current primary school to the old high school site and includes a locality support centre. An additional £1m has been added to the budget giving total proposed budget of £6.9m, of which £3m is funding from Scottish Government.

(b) **School Estate – Kelso High School**

The new Kelso High School has been included at full capital construction costs of £18.6m. The Council has been successful in securing match funding of 66% (£9.9m) of the educational facilities (excluded land purchase and project management) from the Scottish Government. The mechanism for payment of this funding has still to be finally determined.

(c) **School Estate – Galashiels School Provision**

A budget of £11m has been incorporated into the draft plan to facilitate the provision of additional capacity, within the Langlee area of Galashiels, to support the housing developments in the area. It also includes an element of funding to allow work to be commenced to examine at the suitability of space within Galashiels Academy.

(d) **School Estate – School Refurbishments and capacity Projects**

To accommodate the inclusion of Kelso High School and the Galashiels School Provision projects the proposed budget for the School Refurbishment and Capacity Projects has been reduced over the 10 year draft plan to £14.7m.

(e) **School Estate – Peebles High School – Sports Facility**

The proposed budget has been increased to include the £0.5m of match funding bid to SportsScotland. The application is currently being considered and confirmation of Grant award is awaited.

(f) **Community Services – Duns Community Hub**

The previously approved Duns Community Hub budget of £0.5m has been removed from the draft plan as the required out-comes of the project has been accommodated within the revised relocation of Duns Primary School project.

(g) **Community Services – Selkirk Synthetic Pitch**

In line with priorities for Sports Hubs at each high school the draft plan includes provision of £0.9m, for a synthetic pitch at Selkirk. The plan includes £0.45m on the assumption that external match funding will be obtained from SportsScotland. The grant application has yet to be compiled.

(h) **Social Work – Social, Behavioural and Emotional Needs Facilities.**

The draft plan incorporates £0.9m for the creation of a centralised facility that is accessible to more young people and families who cannot be supported in main stream facilities. In addition it will allow the redeployment of both staff and resources to enable the more efficient operation of the service and create better links with local schools.

(i) **Corporate Property – Headquarters Building**

The draft plan incorporates £0.39m for work on the headquarters building fabric. This will allow for essential refurbishment and replacement of life expired windows and roof coverings with thermally efficient alternatives which will assist the Council to meet future carbon reduction targets.

(j) **Environment & Infrastructure Property – Play Facilities**

The draft plan incorporates additional resources of £0.35m for the ongoing investment in play facilities enhancements.

(k) **Environment & Infrastructure – Drainage Parks & Open Spaces**

The draft plan incorporates £0.76m to facilitate the delivery of a number of landscape drainage improvements projects throughout the region.

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

The draft plan proposes a reduced budget of £0.45m which reflects the funding split between Capital and Revenue. The main element of the regeneration project will be grants to individual property owners and therefore not capital expenditure for Scottish Borders Council.

(m) **Economy & Regeneration – Newtown StBoswells Village Centre**

The draft plan incorporates £0.4m from 2016/17 to facilitate a planned and phased approach to the regeneration and development of the village centre. This is 50% funded from Developer Contributions.

(n) **Economy & Regeneration – Wilton Lodge Park**

The draft plan incorporates £3.4m for the proposed re-development of Wilton Lodge Park. This project has been successful in obtaining £2.6m external funding from Heritage Lottery Fund leaving the balance of £0.8m match funding from Scottish Borders Council.

(o) **Economy & Regeneration – Demolition & Site Preparation**

The draft plan incorporates £0.5m for the demolition and site preparation costs at the old Earlston High School site. This will enhance the site to enable its release to support the delivery of additional housing.

(p) **Property & Asset Programme**

The plan incorporates £1m additional funding over the 10 year programme to reflect the continued pressure to deliver works to address deficiencies in the condition of the Council's property estate, across all departments

6.5 **Business Infrastructure**

(a) **Business Applications – Business Systems Development & Minor IT Projects**

The draft plan incorporates a reduction of £0.226m to enable the provision of additional resources to be allocated to Technical IT Infrastructure. This leaves a remaining budget of £1.1m over the 10 year plan.

(b) **Business Applications – Corporate Applications Suite**

The draft plan incorporates a reduction of £0.3m due to reduced requirements in the later years of the plan. This leaves a remaining budget of £2.2m to develop and upgrade the core corporate business applications of the Council.

(c) **Technical IT Infrastructure – Infrastructure & Microsoft Refresh**

The draft plan incorporates an additional £0.355m in 2022/23 to allow the continuation of the rolling programme of investment.

(d) **Technical IT Infrastructure – Triple Wi-Fi**

The draft plan incorporates £0.28m to facilitate the roll-out of Triple Wi-Fi across the Council's 4 areas offices and 9 high schools. This will enhance the Council's approach to work style transformation, partnership working and partnership co-location which are currently restricted due to the current infrastructure.

6.6 **Other**

(a) **Other -Emergency & Unplanned Schemes**

The Emergency & Unplanned Schemes allocation has been reduced to £0.3m per annum over the 10 years. This was required to produce an affordable overall capital programme within current revenue affordability.

IMPLICATIONS

7.1 Financial

- (a) The financial implications are covered in Section 5 and 6 of this report.
- (b) Pending the confirmation of the Council's 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 of this report.

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, these 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) The Transforming Older Peoples Review identified that there is a requirement to increase provision of Extra Care Housing in the Borders. However the proposed solution is currently unclear and consequently no provision has been included within the draft plan. There is a risk the need will be required to be met within the 10 years of plan.
- (c) The requirement to develop an additional bridge in Peebles to allow the regeneration and development of the town has been identified within the next few years as the existing bridge is currently projected to reach capacity in 2020. There has been no allowance within the plan for this however work is currently ongoing to review options and further reports will be forthcoming.
- (e) There are a number of projects within the draft plan which are reliant on funding from external sources which have yet to be confirmed or applied for. These are:

Project	£m
Peebles High School Sport facilities	0.50
Selkirk Synthetic Pitch	0.45
Selkirk Town Centre Regeneration	0.10
Total	1.05

If the above external funds are not received the scope of the projects will require to be reviewed or funds found from within other areas of the plan.

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 the projects within the Social Work workstream of Land & Property, are about ensuring social cohesion in the Scottish Borders is supported and enhanced.
- (b) There are key, major projects included in the draft Capital Financial Plan which have the primary purpose of protecting and enhancing 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 Information Services 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

David Robertson
Chief Financial Officer

Signature

Author(s)

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Background Papers:

Capital Budget Working Papers, ABWG Papers and Minutes 4 December 2012,
Administration 18 December 2012

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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