
6 MONTH REVIEW OF 2016/17 TO 2025/26 CAPITAL PLAN

Report by Chief Financial Officer

SCOTTISH BORDERS COUNCIL

29 September 2016

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to provide Members with the findings and recommendations of the 6 month review of the 2016/17 to 2025/26 Capital Plan.**
- 1.2 The 2016/17 to 2025/26 Capital plan was approved by Full Council on 11 February 2016. As part of the approval it was agreed a review should be undertaken after 6 months of the plan due to uncertainties regarding the delivery of some projects and the ongoing development and refinement of various strategies including the sports pitch replacement programme, the waste strategy, the school estate review and the requirements of IT strategy.
- 1.3 This review has now been undertaken of all projects within the Capital Plan to ensure they meet the criteria set out in para 3.3 in conjunction with the Service Director Assets and Infrastructure. In total £2.941m of proposed revisions to the capital programme have been identified with revised proposals relating to Kelso High School, Langlee and Broomlands primary schools, the cemetery acquisition block and the 3G pitch replacement programme as detailed below. The report further recommends additional resources be applied to allow the upgrade and demolition of assets with the balance £2.441m being allocated to the emergency and unplanned schemes pending further recommendations regarding the use of this funding being submitted to elected members.
- 1.4 The contingencies held within Kelso High School and Langlee and Broomlands Primary School are no longer required and can be returned to the Emergency/Unplanned Schemes.
- 1.5 The Cemetery Land Acquisition and development block and the Peebles 3G Synthetic Pitch, have for a number of reasons been unable to be progressed and overall deliverability of these projects are highly uncertain. Rather than leaving this funding unapplied within the programme for an indeterminate period, it is recommended these projects are removed from the current capital plan and the funds returned to Emergency/Unplanned Schemes. When deliverable proposals requiring funding are brought to

members for consideration this funding will be reviewed.

- 1.6 The Transformation Programme identified savings for property will require the Council to adopt a more flexible, more efficient property portfolio with a reduced footprint. This will require an element of capital funding which is currently not identified in the Plan. If the capital funds are not identified revenue savings will not be achieved.

2 RECOMMENDATIONS

2.1 It is recommended that the Executive Committee:

- (a) Agrees to the reallocation of £0.833m from the Kelso High School budget;**
- (b) Notes the position regarding Langlee and Broomlands Schools projects;**
- (c) Agrees to the removal of Peebles 3G Pitch £1.288m from the current capital plan due to ongoing uncertainty re deliverability;**
- (d) Agrees to the removal of £0.82m from the Cemetery Land Acquisition and Development budget from the current capital plan;**
- (e) Agrees to allocate £0.25m to the Office Accommodation Transformation Program to enable the upgrade of existing office accommodation in Paton Street initially to accommodate CGI's new service centre;**
- (f) Agrees to allocate £0.25m to the Demolition and Site Preparation Block;**
- (g) Notes the shortfall in grant for flood damage awarded by Transport Scotland of £422,000; and**
- (h) Agrees to allocate the balance of funding, £2.441m initially to the budget for emergency and unplanned schemes; and request a further update report from the Chief Executive recommending the most effective deployment of this funding given the requirement for investment in the Council's property estate, the wider asset network and the shortfall in grant funding noted in (g) above.**

3 BACKGROUND

- 3.1 The Council in setting its Capital Plan must adhere to the Prudential Code of Capital Finance (the Code) in Local Authorities as published by CIPFA. The Code was established to both give Local Authorities an element of flexibility but also to ensure they do not over borrow beyond levels that are affordable and to ensure that capital plans remain sustainable over the longer term.
- 3.2 The Capital Plan for 2016/17 to 2025/26 was approved by Scottish Borders Council on 11 February 2016. The plan is broken down into 3 year operational plan (2016/17 to 2018/19) and 7 year strategic plan (2019/20 to 2025/26).
- 3.3 Due to the lateness of the General Capital Grant information and the developing nature of a number of strategies and projects it was agreed the plan would be reviewed after 6 months. This would ensure projects:
- a) meet corporate priorities
 - b) are deliverable
 - c) demonstrates value for money
 - d) ensure the council continues to make best use of capital resources

4 6 MONTH REVIEW

- 4.1 Each project with the Capital Plan has now being assessed jointly by the a team of officers from the finance and assets and infrastructure divisions. The results have been discussed review jointly by the Chief Financial Officers and the Service Director Assets and Instructure against the criteria listed in para 3.3 above. The results have been reviewed and endorsed by the Council management team the following projects are recommended for change within the current plan. The adjustments in total over the period 2016/17 – 2018/19 sum to £2.9441m.

4.2 Kelso High School

The budget currently held for Kelso High School was established with an element of high level contingency due to a number of uncertainties around both external funding and the inclusion or exclusion of off-site works within the contract. These uncertainties have now been resolved and £0.833m can be returned to the Emergency/Unplanned Schemes.

4.3 Langlee and Broomlands Primary Schools

The final tenders for both schools have now been received and the project budgets fully evaluated. A separate report was previously presented to the Executive on the 16th August requesting a transfer of funds between Langlee and Broomlands and a rephrasing reflect the contractors project programme. Members approved the transfer of £0.1m to fund essential Sluice works in residential care homes in 2016/17 with a further £0.101m returning to Emergency/Unplanned schemes in 2017/18.

4.4 **Peebles 3G Synthetic Pitch**

The inability to identify a suitable site for the new 3G pitch has resulted in the potential delivery of this pitch being postponed until 2018/19 at the earliest. The failure to identify a suitable site that is acceptable to all interested parties within the community brings into question the overall deliverability of the pitch. It is therefore recommended this pitch is removed from the Capital plan and that the funds £1.288m council contribution be returned to Emergency/Unplanned Schemes. If a viable site can be identified in future the request for funds would be evaluated against the other capital commitments with the plan. As a result of this £0.3m of grant funding from SportScotland will be foregone; however, the remaining funding will be released and be available for other priorities.

4.5 **Cemetery Land Acquisition and Development**

Work has been ongoing over a number of years to obtain suitable sites in Coldstream and Earlston. Preferred sites have been identified and protracted negotiations are underway to procure both sites. If however both sites are procured the funds currently allocated will be insufficient to develop these. The final timing of the procurement is also currently unknown as dependant of reaching a mutually acceptable position for both parties. Due to the number of uncertainty and the lack of the full budget to develop the sites it is recommended the funds are no longer held for cemeteries but returned fully to the Emergency/unplanned schemes. If viable sites are identified the request for funds would be evaluated against the other capital commitments within the plan.

4.6 **Transformation Projects**

Within the current transformation programme there are a number of key projects which are required to be completed to allow revenue savings to be achieved. The requirement to demolish buildings and transform our remaining office accommodation into move flexi and costs efficient spaces is key to achieving the £1.5m property savings. There is currently no budget allocated to these and thus jeopardising the revenue savings. The total capital requirement is an initial £0.5m and it is recommended this is funded as part of the six month review.

4.7 **Capital Grant – Transport Scotland**

The Council has previously applied for funding to support the replacement of capital infrastructure damaged by storms in December 2015; in total £925,000 was claimed from Transport Scotland. The Council has recently received confirmation that we have been awarded £503,000 (54%) leaving a shortfall of £422,000 against the overall grant claimed. The 54% allocation to the Council is in line with the percentage grant allocated to all councils that applied for this financial assistance. The source of funding for this shortfall will require to be identified and it would seem appropriate that consideration be given to using the support capacity identified in this report for that purpose.

4.8 **Office Accommodation – CGI**

Under the terms of the contract signed by CGI, the Council is responsible for providing temporary office accommodation to house the CGI Service Centre until permanent facilities are available. It is proposed that CGI occupy the upper floors of Paton Street in Galashiels and that the Council

invest capital to bring these facilities up to a modern business standard. While CGI will occupy these premises on a temporary basis, the Council will receive longer-term benefit through improving the quality of its offices in the centre of Galashiels and Council staff can be relocated to these premises when CGI vacate the building.

4.9 Demolition Costs

Additional funding is requested to continue the process of right-sizing the Council estate. This will require the demolition of a number of operational properties including the remaining old high school building in Eyemouth, the old Duns primary school, the old Parkside nursery building and Eildon Mill. £250,000 is requested for this purpose.

5 IMPLICATIONS

5.1 Financial

- (a) The effect on the operational capital plan from the removal or reduction of the projects listed is shown in Table 1 over the page. In total a net £2.441m would be returned to Emergency and Unplanned schemes for reprioritisation. Of this sum £1.4m would be available in 2016/17.

Table 1 – Proposed Capital plan adjustments

Project	2016/17 £000's	2017/18 £000's	2018/19 £000's	Total £'000's
Kelso High School	(833)			(833)
Peebles 3G Pitch (net)			(1,288)	(1,288)
Cemetery land acquisition and development	(820)			(820)
Property Transformation including demolition	250	250		500
Total	(1,403)	250	(1,288)	2,441

- (b) The removal of Peebles 3G pitch would result in a loss of external income of £300k. The Table 1 reflects the **net** position of the saving after accounting for the loss of grant.
- (c) The removal of the Peebles 3G pitch will also avoid additional revenue costs of £0.040m per annum which would be required for the replacement of the facility in future years.

5.2 Risk and Mitigations

- (a) The current Capital Plan is partly funded from the use of assumed Capital Receipts generated from the sale of surplus properties. The operational part of the plan assumes £4.2m over the 3 years. Appendix 1 details the sites identified to generate the receipts. Officers are currently actively pursuing the sale of these properties

but are fully dependant on the property market. There is a risk the fully receipts will not be generated to the required level or within the required timescales.

- (b) There are a number of projects within the Capital Plan with assumed external funding. The value of these external grants within the operational plan is currently £7.65m of which only £2.39m is currently secured by legal agreement. If the remaining £5.26m is not fully secured it will result in pressure in the overall program or non-deliverability of the project. Appendix 2 details the external grants included in the operational plan.
- (c) There are a number of pressures developing across the Council which may result in requirements for capital budget. These include the outcomes of the School Estate Review, Waste Strategy, and the poor condition of the roads and bridges infrastructure. It is hoped these will be contained within the current capital resources.

5.3 **Equalities**

It is anticipated that there are no adverse equality implications arising from the proposals in this report.

5.4 **Acting Sustainably**

There is no impact on the Councils sustainability duties.

5.5 **Carbon Management**

There will be no adverse impact on the Council's carbon emission targets.

5.6 **Rural Proofing**

This report does not relate to a new or amended policy or strategy and as a result rural proofing is not an applicable consideration.

5.7 **Changes to Scheme of Administration or Scheme of Delegation**

There are no changes to the Schemes of Administration or Delegation as a result of this report.

6 CONSULTATION

- 6.1 The Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Chief Officer HR and the Clerk to the Council have been consulted in the preparation of this report and any comments received incorporated into the report.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

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Background Papers:
Previous Minute Reference:

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Assumed Capital Receipts 2016/17 to 2018/19

Halyrude Primary School
West Linton Primary School
Granthouse OSC
Bowmont Hall, Kelso
Edrom Village Hall
Former Primary School, Duns
Former High School, Earlston
Lothian Street Offices, Hawick
Town Hall and Contact Centre, Eyemouth
Guthrie Drive Development Site, Hawick
Galalaw Development Site, Hawick
Plots 6, 7, 8 and paddock, Oxnam Rd Int Estate, Jedburgh
31 High Street, Jedburgh
Plot 2 Pinnaclehill, Kelso
Plot 7 Whitlaw Industrial Estate, Lauder
Plots 3&4 Whitlaw Industrial Estate, Lauder
Site 2 Ettrick Park, Selkirk
Buckholm Mill, Galashiels
Former Cemetery Depot and Lodge House, Kelso
Former Burgh Yard site and 1-4 Hill Street, Galashiels

Other External Grant & Contributions

	2016/17 £000's	2017/18 £000's	2018/19 £000's	
Selkirk Town Centre (Streetscape works)		(100)		Confirmed
SUStrans (various Place projects)	(120)			Confirmed
Cycling, Walking & Safer Streets	(10)			Confirmed
Innerleithen - Walkerburn - Shared access route		(20)	(130)	Confirmed
Tweedbank Traffic Calming	(18)			Confirmed
Kelso High School - Pitches (SportScotland)			(300)	Confirmed
Jim Clark Museum	(59)	(503)	(196)	
Peebles 3G Synthetic Pitch	(300)			
Various Parks	(41)			Confirmed
Jedburgh 3G Synthetic Pitch		(300)		
Hawick 3G Synthetic Pitch	(300)			
Wilton Lodge Park	(1,194)	(73)		Confirmed
Wilton Lodge (SUStrans)	(100)			Confirmed
Sir Walter Scott Court House - Phase 1	(205)			Confirmed
Sir Walter Scott Court House - Phase 2			(460)	
Borders Railway Stations	(21)			Confirmed
Central Borders Business Park - Blueprint Funding		(1,000)		
Great Tapestry of Scotland - Building	(2,500)			
	(4,868)	(1,996)	(1,086)	