

**SCOTTISH BORDERS COUNCIL**

**22 December 2016**

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**1 PURPOSE AND SUMMARY**

- 1.1 This report provides an update on the Borders Railway Blueprint Project to establish a permanent home for the Great Tapestry of Scotland (GTS) in the Scottish Borders. The previously favoured location was at Tweedbank; however, the potential now exists to locate the GTS in Galashiels bringing significant benefits to the town. Following further work, a Borders Railway Blueprint led due diligence process and approval of funding from the Scottish Government this report now recommends approval of locating the GTS in Galashiels and for the project to proceed on that basis.**
- 1.2 This report follows the detailed report considered by Council on 29 September 2016 at which time Council noted the further work undertaken, specifically the Feasibility Study completed by Page / Park, the Detailed Business Case completed by Jura Consultants and the Cost Consultants Report completed by Turner Townsend. Council requested a further report in respect of a final decision on the project be brought to Council on 10 November 2016. It was not possible to meet that date due to the ongoing due diligence process described below and this report now fulfils Council's request.
- 1.3 The key conclusion of the due diligence process was that:
- “The Galashiels option has the potential to deliver a successful tourism and regeneration proposition in a way that the Tweedbank option does not. The Galashiels proposal provides the opportunity for additional education and community use that is not a feature of the Tweedbank proposal. Furthermore, the Galashiels site benefits from a significant degree of community support and is consistent with the Scottish Government's “Town Centre First” principle in relation to placemaking and regeneration.”

- 1.4 The Group undertaking the due diligence process required that a further Supplementary Report (Annex 1) was prepared for consideration of the Blueprint Leadership Group. This supplementary Report underpins the conclusion of the Due Diligence Group and draws together all the relevant information on which they based their decision. The Supplementary Report:
- Summarises the work since 1 September 2016
  - Presents further Business Case Information for Galashiels; and
  - Updates the comparison between Galashiels and Tweedbank

The Blueprint Leadership Group considered the conclusion of the Due Diligence Group and the Supplementary Report and agreed to recommend to the Cabinet Secretary for Culture, Tourism and External Affairs that the £2.5Million of Blueprint funds held by the Scottish Government be approved for release.

- 1.5 The Council was informed on 6 December 2016 that the Cabinet Secretary had approved the Galashiels proposal and release of the Scottish Government held Blueprint funding of £2.5m.

## **2 RECOMMENDATIONS**

### **2.1 It is recommended that the Council:**

- (a) Agrees to locate a permanent home for the Great Tapestry of Scotland in Galashiels at the site identified in the Feasibility Study as the Poundstretcher/Old Post Office Site.**
- (b) Agrees to the use of the allocated capital funds in the financial plan, notes the funds now available from the Scottish Government for delivery of the project and approves the submission of a bid to the Heritage Lottery fund. Notes in the event of the HLF bid for Capital funding failing, the Council will be required to underwrite any resultant funding shortfall.**
- (c) Instructs the Chief Executive to proceed with the delivery of the project and agrees that progress be reported to Executive Committee through the normal capital monitoring process. And,**
- (d) Agrees the overarching governance arrangements proposed in paragraph 13 of the report be negotiated in detail between the parties and instructs the Corporate Transformation & Services Director brings forward a report to Executive Committee, in due course, to recommend the final detailed arrangements between the Council, Live Borders and the GTS Trustees.**

### **3 GREAT TAPESTRY OF SCOTLAND**

#### **BACKGROUND**

- 3.1 The Great Tapestry of Scotland (GTS) is a unique community arts project which was created to stitch, and present, the entire history of Scotland. It was the brainchild of renowned writer Alexander McCall-Smith, historian Alistair Moffat and artist Andrew Crummy. It is 143 metres long, currently has 160 panels and was handcrafted by more than 1,000 volunteer stitchers who spent over 50,000 hours working on the Tapestry. The GTS initially went on display at the Scottish Parliament (2013) before touring around Scotland.

### **4 BORDERS RAILWAY BLUEPRINT AND GTS**

- 4.1 The commitment to build a permanent home for the GTS is established within the Borders Railway Blueprint (November 2014) document. The Blueprint project partners are the Scottish Government, Scottish Borders Council (SBC), Midlothian Council, City of Edinburgh Council, Visit Scotland, Scottish Enterprise, Abellio and Transport Scotland.
- 4.2 The railway, which was successfully opened by HM The Queen and the First Minister in September 2015, is one of Scotland's most strategic transport projects of the last 45 years. Since its launch, Transport Scotland statistics have revealed that, for the first 6 months of operation (over a winter period) passenger numbers through Galashiels and Tweedbank stations are 5 and 10 times higher respectively than originally predicted.
- 4.3 As well as passenger numbers being well beyond expectations, visitors to the GTS have also been significantly greater than anticipated. For example, at the latest exhibition at the Verdant Works (Dundee), the GTS has been credited for quadrupling visitor numbers to the museum in the same period as the previous year. As a result, the venue employed additional staff to cope with the increased numbers.

### **5 TWEEDBANK PROPOSITION & UPDATE**

- 5.1 The commitment to locate the GTS at Tweedbank was made in the Borders Railway Blueprint and by the Council's decision on 18 December 2014. The site has many advantages - being very close to the railway, with easy access to the trunk road network, and being well related to future expansion plans for the adjacent business park being progressed through the City Region Deal currently being negotiated with the UK and Scottish Governments.
- 5.2 In order to secure the Blueprint funds of £2.5million, the Blueprint Leadership Group continues to work closely with the Council and Scottish Government. As part of the work undertaken since May 2016, updating the information supporting the original Business Plan, and providing an updated position in respect of planning matters at Tweedbank, including the Business Park proposals from Scottish Enterprise as part of their commitment to the Borders Railway Blueprint, has been undertaken.

## **6 GALASHIELS TOWN CENTRE REGENERATION OPPORTUNITY**

- 6.1 Whilst undertaking the due diligence process for Tweedbank, a new opportunity arose to consider locating the GTS within the heart of Galashiels. The two key buildings which have been identified occupy a prime town centre location. The buildings are the former Post Office and what was the adjacent Pound Stretcher shop. The latter building was not vacant when the Council carried out its original assessment of Galashiels (2014). Once this building became available, the Council took immediate action to assess the proposition through a feasibility study.
- 6.2 The potential to house the GTS within a unique architectural building, specifically designed for Galashiels, would not only be a significant draw for visitors (from local to international) to the town but would contribute to the completion of the Galashiels Inner Relief Road (GIRR) Project, the final phases of which focused on the regeneration of the town centre.

## **7 STRATEGIC SIGNIFICANCE OF GALASHIELS PROJECT**

- 7.1 **Town Centre First Principle:** The potential re-location of the GTS to Galashiels aligns with the Scottish Government's "Town Centre First" principle, and would also send out a strong message to local businesses and shop keepers that their needs are being considered 'first'.

The "Town Centre First" Principle encourages the public sector to continue to invest in town centres and help communities thrive.

The principle, jointly developed by Scottish Government and COSLA, is about adopting an approach to decisions that considers the vibrancy of town centres as a starting point. It asks that the health of town centres features in decision making processes. The principle is about open, measured and transparent decision making that takes account of medium to longer term impacts on town centres. The principle recognises that town centre locations are not always suitable, but requests that the rationale for locating elsewhere is evidenced and transparent.

Town centres are a key element of the economic, social and environmental fabric of Scotland's towns; often at the core of community and economic life, offering spaces in which to live, meet and interact, do business, and access facilities and services. Collective responsibility must be taken to help town centres thrive sustainably, reinvent their function, and meet the needs of residents, businesses, and visitors for the 21st century.

The principle requests that:

Government, local authorities, the wider public sector, businesses and communities put the health of town centres at the heart of proportionate and best value decision making, seeking to deliver the best local outcomes regarding investment and de-investment decisions, alignment of policies, targeting of available resources to priority town centre sites, and encouraging vibrancy, equality and diversity.

Each partner is requested to commit to:

A collaborative approach which understands and underpins the long term plan for each town centre.

- 7.2 **Scotland wide:** The Borders Railway has reconnected the Borders to the central belt and main centres of population in Scotland. In so doing it has created new and exciting opportunities for Borders businesses and for people to visit and enjoy what the Borders has to offer. The GTS presents a unique opportunity for the Borders to build on the region's strong textiles history. It would provide a significant cultural asset in the South of Scotland balancing/complementing those being provided in the North, West and East of the country at the Inverness's Cultural Centre, Glasgow's Kelvinhall / Huntarian Museum redevelopment, Edinburgh's Printmakers and Dundee's V&A.
- 7.3 **Local impact:** With the new opportunity that has arisen, the chance has been taken to widen the original brief for the GTS building, with the intention to display other textile and related materials associated with the rich textile heritage and legacy of the Borders. Likewise, the ability to host other community, educational and commercial income generating activities is now part of the brief.

Key Outcomes are likely to be:

**Promotion** of a national cultural asset through celebrating the GTS as a significant tourist asset at a local, national and international scale;

**Rebuilding of a place and its community** to become more economically, socially and physically sustainable by an 'opportunistic' chance to revitalise its town;

**Conservation and enhancement** of No.1 Channel Street, a grade-B listed 19<sup>th</sup> century building within a Conservation Area in partnership with Historic Environment Scotland and Heritage Lottery Fund (funding opportunities described below.);

**Reinforcement of textile industry heritage** and creative arts in the Borders.

## 8 GALASHIELS COMMUNITY ASSESSMENT

- 8.1 **Creative Groups:** SBC has, for some time, worked closely with representatives from the local cultural/artist groups and already has an established stakeholder forum which meets on a regular basis. The Tapestry Team has therefore been able, with Live Borders who now deliver the Council's Arts and Culture Services, to build on this and is working collaboratively with the Mac Arts Centre (located in a Church adjacent to the site) and the Creative Arts Business Network (CABN). The potential synergy which could be ignited between these - the GTS and the local community arts/textile groups - is unique to the area. Partnership working is fundamental therefore to the long term success of the building as it would allow the community to facilitate, learn and develop from the building rather than it just being seen as a place for tourists. For example, there is a desire to create managed workspace (i.e. multiple studios for local artists) within the new space. Plus, in addition to the current partnership working, it is intended to extend that invitation to other groups, such as WASPS (Workshop and Artists' Studio Provision Scotland), to maximise the full potential of the facility which can be realised with all community, arts and textile groups.

8.2 **Business Groups:** SBC works closely with the business network, in particular, the Galashiels Development Consultation Group. This is the umbrella organisation for all interested stakeholders, such as 'Energise Galashiels' (EG), see below. EG has an interest in the continual on-going development of the town centre to improve outcomes for residents and visitors alike. Links have also been made with Scottish Business in the Community which is tasked to broker between business and community organisations (i.e. schools, colleges, charities, volunteers etc.).

8.3 **Academic connections with Galashiels:** Heriot-Watt University, which operates a dedicated Textile Campus within Galashiels, is now seeking to locate an Innovation Hub within the town as part of the City Deal. The intention is that the Hub would support enhanced educational outcomes for young people and provide a vehicle for increased activity around the commercialisation of textile related Intellectual Property and 'Routes to Market' within the context of the Scottish Borders.

8.4 **Modern Apprentices:** The combination of business group, Heriot-Watt University and Borders College interest should also provide a strong opportunity to develop a Modern Apprenticeship programme that fits with the development of the project. This has the potential to provide a wide range of Apprenticeships across a number of private and public sector organisations.

8.5 **Stakeholder engagement and contributions to date:**

(a) As reported to Council in September 2016 Energise Galashiels has undertaken a piece of work, during which it has discussed the proposition to locate the Tapestry in Galashiels with a number of stakeholders. As a consequence of this work Enterprise Galashiels has submitted a Paper to the Council. In addition, Energise Galashiels sought support from a number of other groups and five Letters of Support from these organisations were received These stakeholders are:

1. Destination Scottish Borders
2. Galashiels Community Council
3. Galashiels Chamber of Trade
4. Health High Streets
5. MacArts

(b) The Paper and letters of support were appended to the Council Report in September 2016.

- (c) Since September 2016 Energise Galashiels have continued to develop their thinking on the project and on the wider work they might lead for Galashiels. They submitted a further paper on 31 October 2016 to the Council and that is attached as Annex 1 within the Supplementary Report. They have facilitated further support from other organisations and letters of support have also now been received from:
- i. The Scottish Borders Tourism Partnership. It was established in 2005 and is the Umbrella or "Trade" Association for all Tourism Businesses in the Scottish Borders. It is made up of mainly private sector companies working with Visit Scotland, Scottish Borders Council, The Forestry Commission and Business Gateway.
  - ii. SCOT (the Scottish Centre of Textiles) an organisation that proposes establishing a Scottish National Collection of Textiles (SNCT) in the Borders. Their letter of support for locating the GTS in Galashiels also proposes exploring the possible linkage of SNCT with the GTS and should Members agree to locate the GTS in Galashiels this proposal will be pursued.
  - iii. Scottish Borders Chambers of Commerce (SBCC) have also written in support of location the Tapestry in Galashiels.
- (d) As with the first paper from Energise Galashiels the second paper is wide ranging and addresses not only the specifics of the GTS proposition but also a number of contextual issues in respect of Galashiels Town Centre. The due diligence process placed heavy emphasis on both papers from Energise Galashiels and were impressed with the level of detailed analysis and thinking they had put into the work undertaken. The question posed within the second paper: "If not the Great Tapestry of Scotland.....then what for Galashiels?" is a good focus point. The discussion and responses to this question have led to the clear consensus through the due diligence process that not only is the opportunity of bringing the Tapestry to Galashiels a positive step it can act as the catalyst for the wider regeneration within Galashiels. Most strikingly the Energise Galashiels paper goes on to explore and set out in some detail what that organisation believes options might be and even what role it may play in delivering those options. Realising this full potential benefit will require a highly collaborative approach between as many public and private organisations as is possible. Energise Galashiels' work to date and approach is already contributing to a more successful outcome.
- (e) Within the second Energise Galashiels paper is a commitment to take forward a Business Improvement District (BID) for Galashiels. Such was the effort made by Energise Galashiels that it was possible through the Borders Railway Blueprint to link their work to parallel work in Dalkeith and develop a proposal for a Borders Railway Corridor BID linking Galashiels and Dalkeith. The Blueprint Leadership Group considered this proposal at its most recent meeting

and committed £10k to Phase 1 of the work allowing the progress of developing the BID to be further accelerated. This is an excellent example of the role Energise Galashiels can play in the wider regeneration of the town.

## 9 FURTHER WORK UNDERTAKEN

9.1 Since the Report to Council in September 2016 and as a consequence of the due diligence process the Project Team has undertaken a range of work that has advanced the project in a number of substantive ways. The key elements of the work are as follows:

- (a) Capital cost reviewed
- (b) Revenue model reviewed
- (c) Governance model reviewed
- (d) Digital strategy developed

The detail of each of these pieces of work is contained within the Supplementary Report at Annex 1. However the outcome summary of each piece of work is as follows.

9.2 In respect of the **capital cost** review in parallel with the Jura Detailed Business Case the Council's Project Team undertook a Treasury Green Book assessment of the Capital cost to deliver the project. This demonstrated that the total Capital cost, in Q2 2018 prices, is estimated to be £6,700,000. Annex 3 of the Supplementary Report contains the independent cost report, benchmark assessment, quantified risk analysis and programme. This reduces the capital cost reported to Council in September 2016.

9.3 In respect of the **revenue model** the increased confidence in the governance proposal has allowed the Council to work with Live Borders to review the staffing costs contained within the business case. Live Borders have undertaken an initial assessment of the operational efficiencies that can be gained from operating the facility within the management structure of their existing arrangements and identified that due to the existing management and facilities structure that is already in place the predicted annual reduction on the running costs for the Galashiels site would be £77,674 (summary review provided in Annex 5 of the Supplementary Report). This may allow the project to become commercially sustainable after year 1 and to build a significant surplus after year 2. This changes the overall revenue position reported to Council in September and potentially removes the five year operating deficit forecast at that point.

9.4 In respect of the **governance model** the ongoing work with Live Borders has confirmed that the proposal is viable and supported in principle by them. There is greater confidence that the model should be pursued and this is recommended within the report.

9.5 In respect of the digital strategy, this was new piece of work and

The summarised aims within the strategy are to:

- Create access to content in the GTS collection;
- Create a critical mass of digital content;
- Add value to, and open previously unimagined

- areas for research;
- Support innovative methods of research;
- Facilitate the interpretation of our content by others for new audiences;
- Transform discoverability of GTS content;
- Make content more visible and increase use;
- Preserve any unique, rare and fragile heritage items by digital reproduction and protect vulnerable documents;
- Generate income to support our long-term digital programme.
- Improve the overall GTS experience

## **10 DUE DILIGENCE PROCESS**

- 10.1 The detail of the due diligence process is contained at Appendix 2 to this report. This takes the form of a letter from Steve Dunlop the Chief Executive of Scottish Canals who was the independent chair of the due diligence process. The process has three stages.
- 10.2 The first part of the process utilised preparatory work to complete a pre-agreed template for each of the Galashiels and Tweedbank sites. The template was an amalgam of the Scottish Enterprise Stage 3 appraisal process and the Scottish Government's Milestone Review Framework for major capital projects. This provided a detailed set of information for the second part of the process which was a Workshop chaired by Steve Dunlop bringing together interested parties with independent experts. Finally at stage three the Supplementary Report was prepared to support the conclusion of the Workshop and to address the actions agreed at the Workshop. Crucially and very helpfully the Supplementary Report provided a consistent basis for the Blueprint Leadership Group, The Cabinet Secretary and now Council to consider the conclusions of the due diligence process.

## **11 EXTERNAL FUNDING OPTIONS FOR GALASHIELS**

- 11.1 The Borders Railway Blueprint committed, in-principle, £2.5m to the GTS Project. The Council has committed £3.5m. The nature of the project will require a regular, and frequent, financial outlay prior to actual works commencing on site. This means that the project budget would almost certainly be profiled and expended over three financial years.

- 11.2 In previous years, Galashiels has not been successful in attracting Scottish Government Regeneration Capital Grant Fund (RCGF). An application form for RCGF was submitted to the Scottish Government on 20 June 2016 to ensure that, if the Project was approved by Council the option for this funding would be available. The bid was revised prior to the review process by Scottish Government, with £2.15M being requested. **The Council has now been informed that this bid has not been successful.** However following the due diligence process a review meeting was held with Scottish Government officials and it is clear that were Council to agree to locate the GTS in Galashiels and given the outcome of the due diligence process including release of the £2.5M Blueprint funding, a further bid to the RCGF would be consequently much stronger. Whilst officials could not give any certainty on the possibility success the fact they were keen to see a second submission is worthy of note – they did not dismiss the project as being un-fundable through RCGF.
- 11.3 As well as RCGF, the location of the GTS within Galashiels would also help to attract Heritage Lottery Funding (HLF). Likewise, Historic Environment Scotland (HES) can consider applications for grant support towards the external repair of historic buildings and structures. This is more likely when the project involves bringing an unused building back into use and providing enhanced public access. These criteria are met by the location of the GTS in Galashiels. As part of the due diligence process the Council was asked to pursue discussions with HLF and HES to ascertain their views on the viability of funding the project. Given the new cost estimates the figure required from third parties is £700k and this was seen as a modest bid, both in the context of the applications they receive, and in the context of the project. As such HLF were positive about the likelihood of funding and this view was fed into the due diligence process and formed part of the considerations the due diligence group made. As with RCGF funding whilst there can be no certainty of success, experience to date and the discussions held suggest there are good grounds for considering successful bids can be made for funds.
- 11.4 As is noted elsewhere in the report as a consequence of the conclusion of the due diligence process and the consideration and recommendation of the Blueprint Leadership Group the Cabinet Secretary for Culture, Tourism and External Affairs has agreed that the £2.5Million of Blueprint funds held by the Scottish Government be released to deliver the project in Galashiels.

As would be expected there are some conditions on the grant funding. They are:

- i. SBC Members confirming their preferred site as Galashiels
- ii. Next steps continuing to evidence operational sustainability;
- iii. A procurement process [for the purchase of the Poundstretcher site and Post Office] confirming project affordability within available budget;
- iv. Continuation of fundraising activity; and
- v. There being agreement in place that should fundraising secure additional funding above and beyond the £6.7m indicative project cost, there would either be a reduction in Ministers funding contribution (which should be a pro-rata reduction in the agreed

funding contribution from SG/SBC) or joint funder agreement (ie Scottish Government and SBC) on any proposal to expand project scope and the benefits thereof

These conditions are straightforward and would be considered standard in the context of similar Government Grants.

- 11.5 Locating the GTS in Galashiels opens up considerable further funding opportunities that may be able to contribute to the Project and or the wider regeneration of Galashiels.

## **12 GOVERNANCE OPTONS FOR GALASHIELS**

- 12.1 At the time of the original decisions in May and December 2014 in respect of the GTS it was proposed and agreed that a new Trust would be established. The new Trust would own the Tapestry which would be permanently gifted to it by the existing Tapestry Trust. The Council would lease the building then proposed for Tweedbank to the new Trust and the new Trust would have responsibility for the management of the visitor attraction including all operational and financial matters. It was envisaged that the new Trust would have a Board drawn from both existing Tapestry Trustees and other individuals with relevant skills and experience. The Council's commitment to the new Trust was simply to lease the new building to it – rent free in the initial period. It was agreed that over time a commercial rent should be sought were the visitor attraction to be successful.
- 12.2 In considering locating the GTS in Galashiels, work has been undertaken to assess the most appropriate governance arrangements that might be put in place. In undertaking that work two key issues emerged. They are:
- (a) The option to locate the GTS in Galashiels will act as a catalyst to a wider set of town centre regeneration outcomes. Of most relevance in this context is the opportunity to work with other arts and culture organisations to secure a higher profile and wide ranging offer for visitors and residents alike from this sector within Galashiels. This is an outcome that would not have been achievable within the immediate locality at Tweedbank. Obvious links are with MacArts who have already written in support of the project. The feasibility study and detailed business case set out further options including flexible studio space and the potential to accommodate other organisations within the area.
  - (b) Since 2014 the Council has completed the transfer of its Cultural Services to what was Borders Sport & Leisure Trust which, with the added responsibility for culture, has become Live Borders (LB). The establishment of LB is a very significant and material change to the landscape in respect of governance. The new relationship between the Council and LB in respect of Culture offers an opportunity for an existing organisation with established capacity in the Borders to play a significant part in the delivery of the GTS project. No such opportunity was available in 2014.

- 12.3 As a consequence, and following discussion with both LB and the Tapestry Trustees, alternative governance arrangements continue to be discussed. These discussions are at an early stage, but it is already clear that all parties recognise the opportunities presented by these new factors and are keen to ensure their potential is secured through a different style of agreement. The model proposed will of course require to be subject to continued critical review to ensure that it is both lawful, provides best value and is the best fit for the project. To date the most viable way forward continues to be to:
- (a) Retain ownership of the Tapestry itself with the existing Tapestry Trust.
  - (b) Seek, through the Council's existing Service Agreement with LB, for them to manage the new visitor attraction as a new Council service the project costs will include a provision of £10k to put in place the addendum to the current Live Borders Trust Service Level Agreement.
  - (c) Lease the new building in Galashiels to LB under the well established arrangements between the Council and LB.
  - (d) Ensure the scope of the new service is defined to include not just the specifics relating to the "Tapestry visitor attraction" but is drawn more widely to recognise the opportunity to establish a new arts and culture offering in Galashiels encompassing a wider set of stakeholders. This complements the services already required of LB by the Council.
  - (e) Support the delivery of d) through a new Management Agreement between the Council, LB and the Tapestry Trustees. Current thinking is to establish a new group specifically to focus on delivering the requirements of d) and to ensure this work does not place disproportionate demands on the LB Board. This recognises that the Board already has significant work to undertake in progressing its arrangements to deliver the new mix of Sport and Culture Services.
- 12.4 It is important to restate that, throughout the discussions, the Tapestry Trustees have remained wholly committed to locating the Tapestry in the Borders and continue to support the proposal to transfer ownership of the Tapestry, along with all commercial rights, to a new organisation should that be agreed as the most effective way forward. Were no new organisation required, the equivalent ownership and commercial rights would also be made available through the alternative arrangement agreed.
- 12.5 There is clearly further work to do in respect of the new governance arrangements. It is therefore recommended that Council agrees the overarching governance arrangements proposed above and that these be negotiated in detail between the parties. It also recommended that Council requests the Corporate Transformation & Services Director brings forward a report to Executive Committee, in due course, to seek approval of the final detailed arrangements between the Council, Live Borders and the GTS Trustees.

### **13 OPTION COMPARISON SUMMARY**

- 13.1 The September 2016 Report contained a summary table as an easy reference guide to compare the options in Galashiels and Tweedbank. Galashiels Scenario 2 (the wider regeneration project proposed by Jura) remains the comparator used to the Tweedbank proposal. The table has been updated following the further work and is contained as Table 1 on page 10 of the Supplementary Report attached as Annex 1 to this report. Whilst the quantifiable assessment comparators remain quite close between the two sites, the indicative wider regeneration impact measured as Gross Value Added (GVA) over 30 years is significant. Furthermore, the strategic fit and local impact is much stronger for Galashiels than Tweedbank.
- 13.2 The strength of the Galashiels Scenario 2 option is that the attraction has the real potential of future growth beyond the predicted peak paying visitor numbers, if the project is part of a wider regeneration project. Filling some of the key market gaps in relation to hotel space and development of the food and drink market is seen as significant market opportunity to increase visitor numbers but also the wider socio-economic benefits.
- 13.3 The proposal to locate the Great Tapestry of Scotland in Galashiels offers stronger strategic and local benefits due to the existing commercial and social infrastructure within the town when combined with the potential to develop this through regeneration. The stronger existing base results in wider socio-economic benefits being realised immediately, rather than waiting for further development to follow, in the scenario at Tweedbank. This is evident from the G V A assessment where Galashiels returns a higher figure based on lower estimated numbers in the first five years and over thirty years.
- 13.4 The conclusion of the due diligence process is unequivocal:
- “The Galashiels option has the potential to deliver a successful tourism and regeneration proposition in a way that the Tweedbank option does not. The Galashiels proposal provides the opportunity for additional education and community use that is not a feature of the Tweedbank proposal. Furthermore, the Galashiels site benefits from a significant degree of community support and is consistent with the Scottish Government’s “Town Centre First” principle in relation to placemaking and regeneration.”
- 13.5 Consequently it is recommended that Council agrees to locate a permanent home for the Great Tapestry of Scotland in Galashiels at the site identified in the Feasibility Study as the Poundstretcher/Old Post Office Site.

## 14 NEXT STEPS

- 14.1 The work completed since September 2016 has allowed officers to make a set of recommendations within this report that can conclude the strategic decision making in respect of the project.
- 14.2 In order to allow the project to proceed and in addition to the recommendations already set out in the body of the report it is recommended that Council instructs the Chief Executive to proceed with the delivery of the project and agrees that progress be reported to Executive Committee through the normal capital monitoring process.

## 15 IMPLICATIONS

### 15.1 Financial

#### (a) Capital Implications

In parallel with the Jura Detailed Business Case the Council's Project Team undertook a Treasury Green Book assessment of the Capital cost to deliver the project. This demonstrates that the total Capital cost, in Q3 2018 prices, is estimated to be £6,700,000.

The report to Scottish Borders Council on 23 September 2016 indicated that the budget estimates for Tweedbank and Galashiels at that time were as follows:

	£k
Tweedbank Total Project Cost	6,339
Galashiels Project Cost	6,328
Galashiels Building Acquisition Cost	600
Galashiels Total Project Cost	6,928
Cost Difference	589

The budget estimate for Galashiels has now been extrapolated from the unit cost per square meter at Tweedbank, both of the cost comparisons have been subject to value engineering reviews.

The budget estimate for Galashiels has also benefited from a reduction in scope and an increased level of design certainty, as follows:

- In September 2016 the scope and aspirations for the project were wider looking to improve the visitor gateway of the Borders Railway at the Transport Interchange, leading to the new Tapestry Building,
- The scope also included a rooftop conference/meeting/viewing area on the old post office building that is no longer included.
- the completion of desktop studies for land use and utilities;
- the development of the feasibility design;

- further discussions regarding cost with landowners;
- reduction in the external works for Galashiels

The resultant updated summary of cost for each option is as follows:

	£k
Tweedbank Total Project Cost	5,994
Galashiels Project Cost	6,085
Galashiels Building Acquisition Cost	615
Re-planting of Tweedbank	11*
Galashiels Total Project Cost	6,700
Cost Difference	706

\*If the Galashiels option is taken forward there is a requirement to replant the footprint of the Tapestry site in Tweedbank (2500sqm) with shrubs to tidy up the site and to re-establish boundary tree planting of the neighbouring properties as promised in the original planning submission.

The approved capital budget provision for the Tapestry Project is £3.5M and the contribution of an additional £2.5M from the Borders Railway Blueprint is now confirmed.

The current estimate for Galashiels at Q3 2018 prices is £6.7m and the report makes clear it is intended to apply for £0.7m of third party funding to provide the total funding required. If third party funding is not forthcoming the Council will be required to underwrite the funding shortfall. In this eventuality Members approval would be sought to fill the gap by transferring £345k from the current approved capital allocation for GIRR5, as this will safeguard £90k for the required works to Channel Street, in the knowledge that the wider aspirations for placemaking will be delivered through the Master Planning exercise that is being taken forward. The residual shortfall could be met by reprioritisation of the capital plan or by undertaking £355,000 of additional borrowing at a revenue cost of approximately £11,000 per annum.

This would be a last resort however. There are ongoing positive discussions with external funding bodies like HLF, Historic Environment Scotland and the Town Centre Regeneration Fund who are interested in funding the gap of £355k. Officers would commence the application process with these funders in January 2017 so that a decision can be in place prior to committing to a construction contract in Summer 2018.

If the Galashiels option is approved, of the £522k expenditure to date £192k would be allowable costs for the Galashiels Project, £340k will require to be written off against revenue as abortive costs of the Tweedbank project. These figures are best current estimates but are not final figures.

(b) **Revenue Implications**

Since the September 2016 report further work has been undertaken with Live Borders to assess the possible economies of scale that could be for delivered through Live Borders Trust.

The original business case assessment by Jura showed a five year deficit for the Galashiels option as follows:

	<b>£ Surplus / (Deficit)</b>
Year	Scenario 2
1	(79,679)
2	(53,919)
3	(12,038)
4	(18,647)
5	(21,514)

Live Borders has undertaken an initial assessment of the operational efficiencies that can be gained from operating the facility within the Trust and identified that due to the existing management and facilities structure that is already in place cost reductions, when measured against the running costs for Galashiels originally projected by Jura, would be £77,674 in year 1. These estimates if realised and sustained could allow the project to become commercially sustainable after year 1 and to build a small recurrent surplus after year 2.

Financial viability is assessed in the table below.

	<b>£ Surplus / (Deficit)</b>
Year	Scenario 2
1	(2,005)
2	23,755
3	65,633
4	59,027
5	56,160

This demonstrates that the project has the potential to avoid any further additional financial burden to the Council if the Live Borders operational model in Galashiels is implemented.

(c) **Summary**

The borrowing implications for the Council associated with the £3.5m asset investment in the tapestry building remains £208,000 per annum as per the original council report. This assumes that external funding is available to meet the £0.7m capital shortfall. If no external funding is forthcoming and the council is required to meet this gap then £345,000 funding currently earmarked for the GIRR project will be applied along with additional provision of £11,000 per annum required in the loans charges budget to finance the project. The analysis from Live Borders indicates the annual running costs of the facility compared to Jura's estimates could be fully offset by income by year 2.

15.2 **Risk and Mitigations**

A risk register drawn from the work undertaken by each consultant and augmented by an officer assessment has been completed and was included within the September 2016 Report to Council.

These Registers continue to be reviewed and updated by the Project Team. There have been no significant increases in risk since the September Report and a reduction in the funding risk given the agreement by Government combined with the reduction in the project costs set out above.

The revenue costs noted above are based on the analysis undertaken by Jura consultants and Live Borders. These have been subject to a diligence review by Council Officers and are considered to be reasonable. They remain best estimates however and a failure to meet business plan visitor related income targets, or to manage costs within the parameters set out in the business case, will result in an ongoing subsidy being required.

15.3 **Equalities**

An Equalities Impact Assessment will be carried out on the new proposal. It is anticipated, however, that there are no adverse equality implications. Indeed, the revised building design for Galashiels will be informed by good practice (as with Tweedbank) with regard to accessibility and ensuring a good visitor experience for all users - whatever their physical requirements. A full Equalities Impact Assessment will be undertaken as part of the final detailed design phase for the building.

15.4 **Acting Sustainably**

There are no sustainability issues related to this paper as it's for information, only, on an updated position for the GTS.

### 15.5 **Carbon Management**

Whatever the outcome for the location of the GTS there will be carbon management implications from this project in terms of building construction and its on-going operation. The future building (regardless of location) will be designed to high energy efficiency standards to minimise its carbon emissions and running costs. Attracting additional visitors to the Scottish Borders will have an impact on travel related carbon emissions. These will be mitigated to some extent by a proportion of visitors using the Borders Railway and other public transport.

### 15.6 **Rural Proofing**

Rural Proofing is not required as the proposal does not relate to new or amended Council policy or strategy. However, the redevelopment of ageing and vacant town centre properties will have a positive impact on attracting more visitors to the area and regenerating the local economy. This increases the potential for further business development and inward investment opportunities, which in turn may lead to the creation of new job opportunities for those in the rural areas surrounding the town, as well as those in areas of need within the town.

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

No changes are required to either Scheme.

## **16 CONSULTATION**

- 16.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, and the Clerk to the Council have been consulted and comments received have been incorporated into the final report.

### **Approved by**

**Rob Dickson**  
**Corporate Transformation**  
**& Services Director**

**Signature .....**

### **Author(s)**

Name	Designation and Contact Number
Rob Dickson	Corporate Transformation & Services Director, 01835 825075
Ewan Doyle	Project Management Team Leader, 01835 825124

### **Background Papers:**

**Previous Minute Reference:** Scottish Borders Council, 18 December 2014, and 29 September 2016

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

Contact us at: Gemma Charlton, Council Headquarters, Newtown St Boswells,  
Melrose, TD6 0SA. Tel 01835 825075. Email [gemma.charlton@scotborders.gov.uk](mailto:gemma.charlton@scotborders.gov.uk)