

REPORT TO: East Lothian Council

MEETING DATE: 22 April 2014

BY: Depute Chief Executive (Resources and People Services)

SUBJECT: Revisions to the Capital Plan 2014-17

1 PURPOSE

- 1.1 To advise Members of the Council of a number of recent developments and to make related recommendations to modify the Capital Plan 2014-17.

2 RECOMMENDATIONS

- 2.1 To approve the actions and related modifications to the Capital Plan 2014-17 in respect of the six projects detailed in Sections 3.3 to 3.8 of this report.

3 BACKGROUND

- 3.1 At the Special Budget Meeting of Council held on 11 February 2014, the Council approved new 3-year revenue and capital budgets along with a supporting Financial Strategy for the period 2014-17.
- 3.2 As can typically be expected within any major spending programme, there have been a number of recent developments that require modifications to be made to the Capital Plan. Such modifications are required now in order to best address the business need presented, maximise external funding and ensure successful delivery within required timescales. In accordance with the Financial Strategy, the Council is operating within a set of self-imposed capital spending limits covering the next 5-year period and for the Strategy to remain valid, it is important that we continue to operate within these limits. However, the limits need to be applied flexibly to take into account additional capital income received and inter-year transfers required facilitating movements in the planned timing and delivery of individual projects. Brief project details are set out in the following sections of this report illustrating the need for change.

- 3.3 **Provision of Business Units Mid Road, Prestonpans** – the Council originally made an ERDF funding application in support of this project in August 2013 but this was initially unsuccessful. In mid-February, shortly after approving the capital budget, the Council was invited to resubmit our bid and towards the end of March received provisional notification that subject to certain conditions, the project would be supported. If confirmed, this award would bring in European government grant funding of £421K amounting to 40% of the estimated total project costs. East Lothian Land as partners to the bid has confirmed a willingness to invest in the project, details of which are yet to be finalised. The provisional grant award contains a number of technical conditions most notably a very challenging delivery/completion date of March 2015. It had been anticipated that the Council contribution to the project would be met from the 2013/14 Support for Businesses line within the Capital Plan. Given the late notifications on the outcome of the grant applications, this line remains unspent (£500K) although it would now be proposed to carry this forward by way of inter year transfer.
- 3.4 **Windygoul Primary School Permanent Additional Classrooms** – the Capital Plan currently makes significant provision for both temporary and permanent extensions to the school with the majority of spend currently profiled to take place in 2015/16. The latest pupil roll projections for Windygoul PS now indicate a requirement for an increase of three classes along with additional dining room capacity for the academic year 2014/15 which would require a major and immediate investment within the financial year 2014/15 of around £750K. Overall, it is anticipated that the accelerated spend can be contained within the overall project costs approved as part of the Capital Plan in February.
- 3.5 **Development of a Secondary Communication Provision in East Lothian** – in recent years the Council has faced increasing pressure on existing specialist provisions for secondary school aged pupils and in addition, has found increasing difficulty in securing places for East Lothian pupils in provision in other local authorities and special schools outwith the county. It is now being proposed as the most effective and efficient way forward, that a new specialist provision be developed in the former Haddington Infant School. It is hoped that with an early decision to proceed in this way, the new facility could be available from the start of the 2015/16 academic year. The project costs have been provisionally estimated at around £900K and would largely fall across financial years 2014/15 and 2015/16 – with expenditure of around £300K in 2014/15, £580K in 2015/16 and £20K in 2016/17. There is currently no provision within the Capital Plan for this project and should approval be given, it would be necessary to accommodate this within the existing capital spending limits by managing any scope for inter-year transfers.
- 3.6 **Corporate IT Programme** – the Council is facing significant challenges over and above what had been anticipated with regard to what has become known as “PSN (Public Sector Network) Compliance”. Every Council in the UK connects to government agencies and other public sector organisations through what's known as the Public Sector Network

or PSN. In East Lothian, this helps us provide services such as the processing of Births, Deaths and Marriages; exchanging information with the Department for Work and Pensions; the registration of Blue Badge parking permits; criminal history, and secure email communication with the Police and Central Government. To maintain the network's security and availability, the Government's Cabinet Office has set new higher standards within a Code of Connection that everyone must comply with. Given the critical nature of the services provided through this network, East Lothian Council must remain connected to the PSN. As part of our recent successful accreditation submission, the Council is committed to a series of actions that will place considerable financial demands in excess of the provision made for Corporate ICT within the existing Capital Plan over the next few years. It is now proposed that our annual provision be increased by £100K to help support this program of work.

- 3.7 **East Linton Railstop** – as part of the Capital Plan approved in February, the Council approved a provision in support of a Council contribution towards the provision of a new rail station at East Linton. This contribution would be made as part of a joint bid with Scottish Borders Council through SESTRAN to the Scottish Stations Fund. At the time of report writing, work on finalising the bid is almost complete and it has become evident that in order to retain any credible prospect of success, the required level of Council contribution is likely to be significantly higher than originally anticipated. Accordingly, it is now suggested that within the bid submitted, the Council should increase the contribution it is prepared to make noting that should the bid ultimately be successful, this will place a significant additional liability upon the future years (2016-18) of the Capital Plan. Any such increased liability will need to be managed within the capital spending limits approved in the Financial Strategy.
- 3.8 **Galloway's Pier** – The Council has recently secured external grant funding of approximately £150K in relation to the repair and refurbishment of Galloway's Pier in North Berwick. The project had originally been anticipated to complete in 2013/14 but tendering work is only now nearing completion and if this project is to proceed, the Coastal Protection/Flood Prevention line within the Capital Plan would require to be supplemented by a carry forward of unspent provision of around £150K from 2013/14.

4 POLICY IMPLICATIONS

- 4.1 There are no new/direct policy implications associated with the recommendations made in this report with all projects promoted in this report already identified within existing service and/or financial plans.

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 The Council's Capital Plan has a significant impact upon the future delivery of services and therefore a potential impact on the wellbeing of equality groups. The EQIA on the Council Financial Strategy

recommends that EQIA is considered as an ongoing process as part of the development and delivery of Council budgets.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – Each of the six projects within this report will require a degree of modification to be made to the existing Capital Plan which will still comply with the Council’s Financial Strategy. Two projects require and can be supported through carry forward of 2013/14 provisions, one project requires acceleration but remains within total project costs and three have additional costs that can be contained within approved capital spending limits through careful management of inter year transfers. As indicated earlier in the report, should they proceed, two of the projects will attract significant external funding amounting to £571K. Officers will continue to explore any additional and/or alternative funding and procurement opportunities including but not restricted to Government Grants, SFT, HUB etc.
- 6.2 Personnel - none.
- 6.3 Other – none.

7 BACKGROUND PAPERS

- 7.1 East Lothian Council 11 February 2014 – Item 1 – Council Financial Strategy 2014/17
- 7.2 East Lothian Council 11 February 2014 – Item 5 – Budget Proposals 2014/17

AUTHOR’S NAME	Jim Lamond
DESIGNATION	Head of Council Resources
CONTACT INFO	jlamond@eastlothian.gov.uk
DATE	11/4/2014