

Shadow Board – Shetland Merger Project

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| Committee | Shadow Board |
| Subject | Transfer of Assets from SIC |
| Action requested | <input type="checkbox"/> For information only <input checked="" type="checkbox"/> For discussion <input type="checkbox"/> Special Resolution |
| Brief summary of the paper | Shadow Board to note proposal for transfer of assets from SIC and recommendation that careful consideration given to transfer of TFU assets. |
| Resource implications [if yes, please provide detail] | Yes Amended the financial model in the MMBC and the amount of transitional funding requested |
| Risk implications [if yes, please provide detail] | No |
| Date paper prepared | 12-May-20 |
| Date of committee meeting | 20-May-20 |
| Author | Principal Designate |
| Equality and diversity | No |
| Status | Non-confidential |
| Freedom of Information Can this paper be included in 'open' business?* | Yes |

The Council approved that in order to demonstrate Best Value, the Council should transfer the assets as described in the accompanying paper for the following considerations:

1. An estimated one-off capital payment of £100k for the TFU equipment.

This will be the value of the TFU assets on the Council’s asset registers at the point of transfer, plus an allowance for smaller assets such as finishing machines, etc.

2. A £39k/year full lessee repair and maintenance lease for the heritable estate as set out in the accompanying document.

Review:

In terms of the estate this is a more favourable position than presented to the Shadow Board previously.

In terms of the transfer of assets, because of state aid considerations the Textile Facilitation Unit (TFU) cannot be transferred below value as it used for income generation as well as teaching. It was decided that it be transferred for value. The estimate provided of value was 100K which will be decided at the point of transfer.

An initial estimate of values is provided in the table below

TFU Machinery Valuations

| Equipment | Description / notes | Book value | Replacement |
|---|---|-------------------|--------------|
| Shima Seiki 5 Gauge flat panel knitting | 1990s model, runs off a floppy disk! parts only from scrapped machines | £1000 - 1500 | £3,000 |
| Shima Seiki 7 Gauge flat panel knitting | Second hand for £33000 in 2016, no longer manufactured but parts still in stock | £4000-£5000 | £10,000 |
| Shima Seiki 12 Gauge flat panel knitting | Early 2000s model, no longer manufactured but parts still in stock | £4000-£5000 | £10,000 |
| Shima CAD computer SDS-ONE APEX series 3D design system | New in 2018 £16000, not most recent system | £3000-4000. | £6000 |
| Older Shima CAD computer (no 3D), | Rebuilt by college, but too old for a modern MS operating system – not internet capable, not back compatible from more recent Apex version above. | £1000 | £1000 - 1500 |
| Industrial Overlocker | Similar available on ebay, ours is broken and we have been unable to source the part. | Unsaleable | £100-300 |
| Linking Machines x6 | Various gauges some with needles in poor condition, similar in good condition on ebay | £400 – 500 (each) | £500 - 600 |
| Steam Press | 1990s model, boiler failed and replace by an uncertificated one manufactured by Ocean Kinetics, overhead extraction unit also doesn’t work. | Unsaleable | £2,225 (new) |

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|--------------|---|-----------------------------|-----------------------------|
| Total | Replacement cost based on direct purchase price not through a dealer, book price overestimates what we would get if sold to a dealer. | £15,400 – 19,500 | £35,250 – 36,600 |
|--------------|---|-----------------------------|-----------------------------|

Recommendation: Further work be done to understand the 100K estimate made by SIC and careful consideration be given to the final figure requested for transfer of TFU assets versus purchase of new equipment which would allow modernisation of some aspects of the unit for the future.