

## **Capital Plan Prioritisation**

### **Report by Kevin Anderson, Executive Director - Place**

#### **Report for Decision**

#### **1 Recommendations**

Council is recommended to;

- a) Approve the inclusion in the General Services Capital Plan (i) the extension of Bilston Primary; (ii) the extension of Mauricewood Primary, both expected to be fully funded by developer contributions (so no overall net borrowing cost to the Council); and (iii) expansion of Hawthornden & Mount Esk to provide dedicated Additional Support Needs (ASN) provision for Lasswade CHS and relocate Mount Esk ELC provision to Hawthornden PS, expected to be fully funded by developer contributions and early years funding (so no overall net borrowing cost to Council); all as outlined in section 4.1(a) of this report
- b) Agree that the New Building Contract for Destination Hillend does not proceed, with a revised replacement to reduce the footprint of the building with a focus on facilities essential to the wider business case in order to protect the level of revenue to be generated on site. Noting that the extent of saving to be made is currently being reviewed by the design team and will be presented to Council in the form of a revision to the Business Case once this exercise is complete.
- c) decide on the appropriate forum for continued elected member involvement in a cross party group for governance of the Capital Plan and Infrastructure investment i.e. Business Transformation Steering Group or a new Investment Strategy Group.

#### **2 Purpose of Report/Executive Summary**

Council approved at the meeting on 27 February, 2024 to adopt a longer term strategic planning approach through the Strategic Infrastructure Investment Framework for future capital investment and asset management.

Council also agreed to establish a forum for continued elected member involvement in a cross party group for governance of the Capital Plan and Infrastructure investment. Members are required to decide if this will be incorporated into the Business Transformation Steering Group or a separate Investment Strategy Group.

This report is to endorse that any increase in the GSCP debt must be supported by clear, evidenced progress in bridging the gap between recurring expenditure and recurring income.

**Date:** 24 April 2024

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### **3 Current Approved General Services Capital Plan (GSCP)**

- 3.1** The Capital Investment Strategy 2018 – 2028 agreed by the Council on 26 June 2018, comprised of investment over its 10 year period. Clearly it was difficult to fully anticipate the local authority environment over such a long period, so an element of the strategy represented aspiration and expectation rather than certainty, particularly given the affordability gap for the projects currently identified and costed.
- 3.2** The response to the Covid pandemic, EU exit and global conflicts are significant factors leading to an increase in construction inflation driven by shortages also in the supply of materials and labour.
- 3.3** In this context the Council has seen tenders for projects returning prices around 30% above what was expected when the plan was agreed and driven by fast moving international events in this environment it has forced a rethink in our investment plans.
- 3.4** Recognising that in this environment it will not be possible to deliver the agreed plan within the available resources a review to establish options to deliver the Council's priorities has been undertaken. It is proposed to focus the resources we have on our priorities and critical building projects.
- 3.5** Elected members have been engaged through the Business Transformation Steering Group (BTSG) and separate Group meetings in a series of workshop sessions to consider changes to the Capital Plan; to prioritise projects within the available resources by deletions/pauses/deferrals of capital projects and asset management, to achieve the approved Medium Term Financial Strategy.
- 3.6** The General Services Capital Plan approved by Council on 27/02/2024 contains:-
- a) Total capital expenditure of £386.933m to 2027/28, and £458.331m including Later Years
  - b) Total capital funding of £116.094m to 2027/28, and £173.695m including Later Years
  - c) A total approved borrowing required per the 2024/25 Treasury Management and Investment Strategy of £270.839m to 2027/28, and £284.635m including Later Years

GENERAL SERVICES CAPITAL PLAN	2023/24	2024/25	2025/26	2026/27	2027/28	Total	Ltr Yrs	Total
2023/24 to 2027/28	F/cst O/turn	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	£'000	£'000	£000's	£000's	£000's	£'000	£000's	£'000
<b>EXPENDITURE - PER PROGRAMME BOARD</b>								
Children, Young People & Estates	28,266	40,862	82,647	79,450	35,156	266,381	6,470	272,851
Asset Management	14,188	17,118	9,990	9,470	10,423	61,187	7,108	68,295
Transport, Energy & Infrastructure	3,196	600	3,352	5,305	2,616	15,069	56,074	71,143
Regeneration & Development	12,992	13,705	9,513	1,386	0	37,596	3,367	40,963
Other	2,850	6,975	6,342	872	698	17,737	614	18,351
Provision for return of contingencies	-506	-2,539	-2,019	-3,055	-2,918	-11,038	-2,234	-13,272
<b>Total Approved Expenditure</b>	<b>60,985</b>	<b>76,721</b>	<b>109,824</b>	<b>93,428</b>	<b>45,974</b>	<b>386,933</b>	<b>71,398</b>	<b>458,331</b>
Total Capital Funding	32,008	25,471	24,409	22,402	11,804	116,094	57,602	173,695
<b>Approved Borrowing Required</b>	<b>28,978</b>	<b>51,250</b>	<b>85,415</b>	<b>71,026</b>	<b>34,170</b>	<b>270,839</b>	<b>13,797</b>	<b>284,635</b>

## 4 Loan Charges from GSCP Borrowing

### 4.1 Loan Charges reflect borrowing costs to support the existing GSCP

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	F/cst O/turn	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	£'000	£'000	£000's	£000's	£000's	£000's	£000's	£000's
<b>Approved Borrowing Required (from table above)</b>	<b>28,978</b>	<b>51,250</b>	<b>85,415</b>	<b>71,026</b>	<b>34,170</b>			<b>270,839</b>
Annual Loan Charges to Revenue Budget	1,700	5,460	10,173	12,520	12,889	13,700	14,616	

These loan charges figures include a refreshed Learning Estate Strategy in line with recommendations made to Council on 27 February (subsequently deferred). Specifically, this reflects:-

- Inclusion of extension of Bilston & Mauricewood Primaries, and expansion of Hawthornden & Mount Esk to provide dedicated Additional Support Needs (ASN) provision for Lasswade CHS and relocate Mount Esk ELC provision to Hawthornden PS, all approved in principle in GSCP and expected to be fully funded by developer contributions (so no overall net borrowing cost to Council) and (for the Bonnyrigg Primaries solution) early years funding.
- Inclusion of 2 stream primary school at development site Hs12 in Bonnyrigg: Capital expenditure of £13.469m with all of the non-ASN costs of the school funded by Developer Contributions of £11.691m; therefore potentially a net borrowing cost to Council of £1.778m

c) Inclusion of Backlog Upgrades to existing schools (King's Park, Rosewell, Mauricewood and Newtongrange Primaries) where the originally proposed extension/refurbishment project is no longer proposed to progress:

- *Removal of Kings Park Primary School refurbishment / extension*
- *Removal of Rosewell Primary School refurbishment / extension*
- *Removal of Newtongrange Primary School refurbishment / extension*
- *Extension only for Mauricewood Primary School*

They do not include any borrowing associated with the Shawfair/ Dalkeith and Newbattle/Gorebridge projects. These projects remain within the Learning Estate Strategy with the nature and timing of provision being monitored to inform required dates of delivery.

## **5 Loan Charges and link to the Medium Term Financial Strategy**

**5.1** The loan charges figures shown in the above table 4.1 contribute to a Budget Gap for the existing term of the MTFs of £23.562m to 2028/29. These were the loan charges reported to Council in the MTFs report on 27 February 2024.

**5.2** Any projects that are not fully funded by external capital grant income, or that generate income that offsets the borrowing and operating costs in full, will result in additional loan charges to the Council's revenue budget

**5.3** Any further increase in loan charges above the levels shown in the above table 4.1 must be supported by clear, evidenced progress in bridging the revenue budget gap between annually recurring income and expenditure in order to reduce the expected gap of £23.562m to 2028/29.

## **6 Capital Plan Prioritisation – Recommended changes**

### **6.1 Destination Hillend Project**

It is recommended that the New Building Contract does not proceed, with a revised replacement to reduce the footprint of the building with a focus on facilities essential to the wider business case in order to protect the level of revenue to be generated on site. The extent of saving to be made is currently being reviewed by the design team and will be presented to Council in the form of a revision to the Business Case once this exercise is complete.

## 6.2 Further work to the Shawfair All Through Education Campus

Following Council approval in December 2023, the Shawfair Town Centre Site missives are now concluded, and the site acquired from Network Rail Infrastructure Limited for education purposes.

Edge Analytics are appointed to review all school pupil roll projections as they have previously reviewed/advised Renfrewshire & West Lothian Council. The output of this exercise will be used to inform the Dalkeith/Shawfair Education Solution and is anticipated to be reported to Council by August 2024.

### In addition further action is in progress for:

- **Gorebridge**
- Roll projections continue to be monitored to establish timing of expansion of school provision within this catchment, with further work to be undertaken to identify sites within the Gorebridge area that would be suitable for a Secondary School (preferably on land owned by Council).
- **Newbattle**
- 300 pupil extension to existing Newbattle High School to be explored within existing site capable of accommodating extension would increase capacity from 1,400 to 1,700.

## 7 Report Implications (Resource, Digital and Risk)

### 7.1 Resource

A review continues to reassess the use and conditions of Developer Contributions, with a status report to follow to Council. The application of developer contributions towards infrastructure provides funding towards new facilities for our growing communities. Local communities and their elected members are likely to be involved in considerations about facilities to be delivered, in particular where there is an element about of direction about the spending of contributions e.g. in relation to children's play and community facilities.

The Council is the fastest growing local authority in Scotland and is currently holding developer contributions totalling £49.5 million. Developer Contributions are applied as negotiated.

External legal advice to the Council in late 2023 confirmed that a Section 75 agreement is a contract between the parties i.e., if the agreement provides that a contribution is to be repaid if not applied or legally committed within a prescribed period, that is what the Council is obliged to do.

## **7.2 Digital**

There are no digital implications of this report at this point in time.

## **7.3 Risk**

The risk is of emerging financial risks associated with the need to meet identified affordability targets in the General Services Capital Plan.

## **7.4 Ensuring Equalities (if required a separate IIA must be completed)**

An IIA is not required at this stage.

## **7.5 Additional Report Implications (See Appendix A)**

See Appendix A

## **Appendices**

**Appendix A – Additional Report Implications**

**Appendix B – Background information/Links**

## APPENDIX A – Report Implications

### A.1 Key Priorities within the Single Midlothian Plan

Actively managing priorities within the GSCP will ensure that capital investment required to ensure Midlothian Council's priorities as set out in the Single Midlothian Plan are achieved in a financially sustainable way.

### A.2 Key Drivers for Change

Key drivers addressed in this report:

- Holistic Working
- Hub and Spoke
- Modern
- Sustainable
- Transformational
- Preventative
- Asset-based
- Continuous Improvement
- One size fits one
- None of the above

### A.3 Key Delivery Streams

Key delivery streams addressed in this report:

- One Council Working with you, for you
- Preventative and Sustainable
- Efficient and Modern
- Innovative and Ambitious
- None of the above

### A.4 Delivering Best Value

The Capital Planning process aims to deliver Best Value as making the best use of public resources with clear plans and strategies in place, and with sound governance and strong leadership, the council will be well placed to ensure that all of its resources are deployed to achieve its strategic priorities, meet the needs of its communities and deliver continuous improvement.

### A.5 Involving Communities and Other Stakeholders

Not applicable

### A.6 Impact on Performance and Outcomes

Not applicable



**A.7 Adopting a Preventative Approach**

Utilising our assets base to efficiently deliver services to support our wider transformation aims.

**A.8 Supporting Sustainable Development**

Not applicable