

**General Services Capital Plan  
2020/21 Quarter 2 Monitoring and 2021/22 to 2024/25 Budgets**

**Report by Gary Fairley, Chief Officer Corporate Solutions**

**Report for Decision**

**1 Recommendations**

It is recommended that the Council:-

1. Approve the inclusion of the projects set out in Section 3.1;
2. Approve the adjustment to the project expenditure and income budgets in the General Services Capital Plan as set out in Section 3.2;
3. Approve the revised expenditure and funding levels in the General Services Capital Plan 2020/21 to 2024/25 (detailed in appendices 1 and 2).

**2. Purpose of Report**

The purpose of this report is to provide Council with:-

- An update of the General Services Capital Plan incorporating information on further additions to the Capital Plan for approval (Section 3);
- Information on the projected performance against budget for 2020/21 (Section 4);
- Forecast expenditure and income for the General Services Capital Plan for 2020/21 through to 2024/25 (Section 5);
- Update on the Capital Fund (Section 6).

**Date 04 November 2020**

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### 3 Update of General Services Capital Plan

#### 3.1 New projects presented for endorsement in the Plan

The following new projects are being presented for inclusion in the General Services Capital Plan:-

- **Digital Services Infrastructure:** The impact of Covid has led to an immediate requirement to expand and enhance digital infrastructure and equipment to facilitate home working and distance learning. A capital expenditure provision of £0.600 million has been included in the plan to allow for this, fully phased in 2020/21;
- **Fala Park Outdoor Play Equipment:** Provision of new play equipment at Fala Park. Capital expenditure budget of £0.013 million approved by Capital Plan & Asset Management Board on 13 August 2020 and fully phased in 2020/21, and fully funded by a contribution of £0.013 million from Fala Community Association;
- **Auld Gala Park Outdoor Play Equipment:** Provision of a wheeled sports facility at Auld Gala Park in Gorebridge. Existing capital expenditure budget of £0.037 million funded by developer contributions, to be replaced by capital expenditure budget of £0.058 million, as approved by Capital Plan & Asset Management Board on 26 February 2020 and fully phased in 2020/21, fully funded by developer contributions of £0.058 million;
- **School Transport Retrofit Fund:** Installation of physical protection measures for passengers and drivers on school transport services, to assist local authorities and their operators in safely maximising capacity on school transport and to provide reassurance to pupils, parents, carers and school transport staff. Capital expenditure budget of £0.022 million, fully phased in 2020/21 and fully funded by Scottish Government grant;
- **Midlothian & Fairfield Houses Shower Upgrades:** Installation/upgrade of showers in Midlothian & Fairfield Houses. Capital expenditure budget of £0.025 million approved by Capital Plan & Asset Management Board on 30 June 2020 fully phased in 2020/21, and fully funded by a contribution of £0.025 million from Cycling Scotland;
- **Burnbrae Primary School External Works:** Hard standing & landscaping of playground. Capital expenditure budget of £0.103 million approved by Capital Plan & Asset Management Board on 13 August 2020 and phased fully in 2020/21, fully funded by £0.103 million of already collected developer contributions.
- **Town Centre Regeneration Funding:** An allocation of £0.331 million of Scottish Government Town Centre Regeneration Funding for Midlothian Council in 2020/21 announced on 18 September 2020, in addition to the £0.910 million previously awarded in 2019/20. A project group has been set up to consider funding bids;
- **Newbyres Village Equipment:** Upgraded kitchen & laundry equipment at Newbyres Village Care Home. Capital expenditure budget of £0.024 million approved by Capital Plan & Asset Management Board on 27 October 2020 fully phased in 2020/21 and funded by allocation within the block property capital upgrade budget;
- **Bellman's Road Infrastructure Improvements:-** Road surfacing upgrade at Bellman's Depot site in Penicuik to facilitate safe entry and exit of vehicles to and from the site. Capital expenditure of £0.045 million approved by Place DMT on 3 November 2020, fully phased in 2020/21;
- **Poltonhall & Penicuik Astroturf Pitches Resurfacing:** Provisional budgets for the resurfacing of Poltonhall (£0.464 million) and Penicuik (£0.309 million) astroturf pitches to be moved from "in principle" to fully approved in the plan. Both funded through retrospective collection of developer contributions;

## 3.2 Adjustments to existing project budgets

The following adjustments to existing project expenditure and income budgets are being presented for inclusion in the General Services Capital Plan:-

- **Cycling, Walking & Safer Streets:** Expenditure budget of £0.402 million in 2020/21, financed by 100% match funding from Scottish Government Cycling, Walking & Safer Streets Capital Grant;
- **Riverside Park Paths & Woodland:** Removal of £0.030 million capital expenditure budget and £0.030 million Forestry Commission grant funding in 2020/21. Forestry Commission grant funding rates were changed to favour new woodland planting over management of existing woodland as part of the climate change agenda, which resulted in the cost of the woodland felling works for this project exceeding the grant funding offered;
- **EWiM Phase III:** As reported to Council on 16 June 2020, the proposal to construct a new Depot on the Hopefield site will no longer be progressed. As such, the remaining capital expenditure budget of £9.460 million and the forecast capital receipts of £7.490 million in relation to this project have been removed from the plan. A feasibility study is currently being undertaken on alternative arrangements for the re-provision of the existing Stobhill depot, with a report to be brought back to Council at a later date recommending the proposed solution, capital expenditure budget and forecast capital receipts. In parallel to this, a further report on the use of the land at Hopefield previously earmarked for Industrial Start Up Units will be presented to Council;
- **Cuiken Primary School:** Removal of £0.083 million of Furniture, Fittings & Equipment, included in budget and tender sum. This represents the FF&E expenditure required for 5 of the 6 new classrooms; only one class space is required immediately and has therefore been kitted out. The remaining 5 class spaces will be kitted out at the time of need. Replaced with re-provisioned £0.083 million of new “New Learning Estate Furniture & IT Equipment” expenditure budget, to be phased over the remaining life of the capital plan;
- **Lasswade High School:** Conversion of existing storage area to create additional toilets, and provision of on-site modular unit changing rooms, to expand capacity from current 1,480 pupils to 1,600 pupils. Existing provisional capital expenditure budget of £1.913 million to be replaced with (a) approved expenditure budget of £0.580 million phased across 2021/22 and 2022/23 and (b) retention of provisional £1.333 million for ASN unit pending further review of overall ASN provision across Midlothian;
- **Woodburn Primary School:** Absorption of 1 class extension expenditure budget (£0.092 million) within current proposed extension budget (£2.200 million);
- **A701&A702 Works:** £0.077 million of remaining original budget now absorbed within wider City Deal budget of £21.774 million;

## 4 2020/21 Projection against budget

### 4.1 2020/21 Budget

After accounting for rephasing of budgets from 2019/20 to 2020/21 as reported to Council on 16 June 2020, and including the new projects and adjustments to project budgets as outlined in Section 3, the capital plan expenditure budget for 2020/21 was £67.083 million.

The impact of Covid-19 and the government restrictions in place in early 2020/21 has had a material impact on capital expenditure. There is clearly going to be an impact on construction programmes due to COVID-19 control and social distancing measures and these are likely to be with us for some time. Only existing contracts currently in place will be subject to the current extension of time and related loss & expense in order to accelerate or deliver on time.

Whilst some desk-top work could continue during the lockdown period, the government restrictions forcing the shutdown of the construction industry in Spring 2020 has resulted in a significant delay to a number of projects in the plan, both those that were on-site and those at earlier stages of progression. Following re-opening, the initial focus was to ensure that projects that were on-site continued to progress; and despite this and other issues in the supply chain, the Council have been successful in working with contractors on projects such as the new Danderhall hub to agree a revised schedule to allow the project to progress on cost and on time as planned. Midlothian are taking a very positive and flexible approach to build momentum around the new supply recovery to take advantage of off the shelf opportunities or second hand purchases directed at meeting recovery objectives and supporting economic activity.

However, the impact of Covid-19 has had a material effect on the project delivery timelines within the Capital Plan. As a result of this, project budgets have been rephased to account for this, and for updated project delivery profiles provided by project managers, contractors and developers in the period.

The resultant impact is a re-profiled budget in 2020/21 of £39.615 million (a decrease of £27.467 million) as shown in the table below:-

*Table 1: Rephasing of project expenditure budgets*

<b>Project</b>	<b>Description of rephasing of budget</b>	<b>Previous 2020/21 Budget £000's</b>	<b>Revised 2020/21 Budget £000's</b>	<b>2020/21 Budget Rephasing £000's</b>
<b>Easthouses Primary School</b>	Review of wider Learning Estate Strategy in Dalkeith/Mayfield/Easthouses area	10,012	1,019	-8,992
<b>Early Years Grant Funded Projects</b>	Rephased to reflect revised project delivery timescales and impact of Covid	6,386	1,966	-4,419
<b>City Deal: A701 &amp; A702 Relief Road</b>	Ongoing preparatory works in order to review project scope	5,126	1,000	-4,126
<b>Woodburn Primary School</b>	Review of wider Learning Estate Strategy in Dalkeith/Mayfield/Easthouses area	1,962	33	-1,929
<b>King's Park Primary School</b>	Review of wider Learning Estate Strategy in Dalkeith/Mayfield/Easthouses area	1,490	33	-1,456
<b>Destination Hillend</b>	Delay to project due to Covid 19 and detailed review of original business case with subsequent rephasing of expenditure	1,380	194	-1,186
<b>Mauricewood Refurbishment</b>	Not expected to commence until 2021/22 due to impact of Covid 19	875	0	-875

<b>Highbank Intermediate Care Re-provisioning</b>	Delay to demolition of existing Dundas Building due to need to potentially retain St. Mary's Primary School as a result of Covid-19, with demolition of existing Dundas Building now expected to commence in February 2021	1,215	470	-745
<b>St. David's Primary School</b>	Review of wider Learning Estate Strategy in Dalkeith/Mayfield/Easthouses area	546	33	-513
<b>Road Upgrades Asset Management Plan</b>	Various projects delayed due to impact of Covid and in particular due to the lockdown restrictions in quarter 1	1,643	1,139	-504
<b>32-38 Buccleuch Street Ground Floor Redevelopment</b>	Project delayed due to impact of Covid and overall project scope review, including requirement to potentially include carbon neutral / passivehaus energy efficiency engineering within the final solution	343	13	-331
<b>Road Asset Management Plan – Temple Ground Stabilisation</b>	Project delayed due to impact of Covid and prioritisation of other projects within the Roads Asset Management Plan. Approval for this project remains as "in principle" and requires report to Capital Plan & Asset Management Board for full approval/governance	309	0	-309
<b>Danderhall Leisure Centre &amp; Library Demolition</b>	New hub expected to reach practical completion in financial year 2020/21 but delay to programme due to Covid-19 means demolitions to existing library/leisure centre are now expected to take place in 2021/22	300	0	-300
<b>Footway &amp; Footpath Network Upgrades</b>	Various projects delayed due to impact of Covid and in particular due to the lockdown restrictions in quarter 1	545	272	-273
<b>Saltersgate Playground Alterations</b>	Work unable to commence until Summer 2021	252	0	-252
<b>Penicuik High School ASN</b>	Review of ASN provision across Midlothian still ongoing	250	25	-225
<b>Member's Environmental Improvements / Participatory Budgets</b>	Revised planning assumption based on expenditure to date in 2020/21	427	230	-197
<b>New Hopefield Primary School</b>	Retention payment now due in 2020/21	1,362	1,189	-173
<b>Contaminated Land / PSHG</b>	Reduction in 2020/21 expenditure due to Covid-19 lockdown	384	212	-172
<b>Borders Rail Economic Development Projects</b>	Approved capital expenditure budget of £125k remaining with no identified projects to date	125	0	-125
<b>Outdoor Play Equipment / Wheeled Sports Facilities</b>	Projects postponed until April 2021 as a result of Covid-19 impact	106	0	-106
<b>Others</b>	Other variances	910	651	-259
<b>Total</b>		<b>36,222</b>	<b>8,829</b>	<b>-27,467</b>

In line with this, the expected level of funding available to finance the plan has also been rephased and totals £21.454 million, a decrease of £20.336 million.

This reduces the projected in-year borrowing requirement from £25.283 million to £18.161 million. The projected performance against budget for 2019/20 is shown in table 2 below:-

**Table 2: General Services Capital Plan Projected Performance against Budget 2019/20 – as at Quarter 3**

Item	2020/21 Budget £000's	2020/21 Rephased Budget £000's	Actual To 13.09.20 £000's	2020/21 Projected Outturn £000's	2020/21 Variance £000's	2020/21 Carry Forward £000's
<b>Expenditure</b>	67,083	39,615	12,145	39,199	-416	27,467
<b>Funding</b>	41,790	21,454	5,403	21,454	0	20,336
<b>Borrowing Required</b>	<b>25,283</b>	<b>18,161</b>	<b>6,742</b>	<b>17,745</b>	<b>-416</b>	

## 4.2 Expenditure

Expenditure to 13 September 2020 is £12.145 million with a projected expenditure outturn of £39.199 million, an underspend of £0.416 million against the revised budget of £39.615 million.

At this stage it is anticipated that budgets for the projects detailed in Appendix 2 will be fully spent in the current year other than for the following:-

- **Cuiken Primary School Extension:** Release of £0.330 million of project contingencies. Final retention payment to be made and final account expected to be closed off in summer 2021, with any remaining contingencies returned at that point;
- **GoreGlen Primary School:** Project now complete. Release of remaining budget of £0.027 million;
- **Newbattle High School:** Project now complete. Release of remaining budget of £0.059 million;

## 4.3 Funding

The funding available to finance the Capital Plan in 2020/21 is expected to total £21.454 million, in line with the revised budget of £21.454 million. Funding of £5.403 million has been received to 13 September 2020.

## 4.4 Borrowing

The budgeted level of borrowing for 2020/21 is £18.161 million. Based on the forecast expenditure and funding levels as noted above, the revised estimate of the level of borrowing required for 2020/21 is forecast to be £17.745 million, £0.416 million less than budgeted. The impact on the Council's borrowing costs is reflected in the Financial Monitoring 2020/21 General Fund Revenue report elsewhere on today's agenda.

## 5 Capital Plan 2020/21 to 2024/25

### 5.1 Rephasing

In addition to the rephasing of project expenditure and funding from 2019/20 to to/from 2020/21 as reported in Section 4, expenditure and income forecasts covering the remainder of the period of the plan have been rephased to reflect the impact of the lockdown and distancing restrictions, and the most recent information available from project managers and service leads. These expenditure and income forecasts are the budgets that project managers and service leads are working towards as targets.

As noted in the report to Council on 11 February 2020, projects over £1 million in gross expenditure are required to take a Gateway Review report to the Capital Plan & Asset Management Board at key project milestones. The Gateway Review process allows the Capital Plan & Asset Management Board to scrutinise both the project budget and programme, from the very outset of each project's life, and mitigate against the rephasing seen across the General Services Capital Plan in previous years.

### 5.2 Expenditure

In addition to the inclusion of new projects listed in sections 3.1-3.3, the adjustments to project budgets listed in section 3.4, and the rephasing of project expenditure as noted in section 4.1 and 5.1, the plan has also been extended by one year to cover the financial year 2024/25, with project expenditure budgets and asset management plan budgets updated accordingly. Expenditure budgets of £21.210 million in 2024/25 have been added to the plan, including the following additions to the Council's core asset management plans:-

<b>Asset Management Strand</b>	<b>2024/25 Budget £000's</b>
Digital Services	1,667
Business Applications	333
Street Lighting/Traffic Signals	1,000
Road Upgrades	1,500
Footways & Footpaths	500
Property Upgrades	1,000
Assistive Technology	150
<b>Total</b>	<b>6,150</b>

The forecast level of expenditure over the life of the plan therefore totals £210.241 million.

### 5.3 Funding

The planning assumption for the level of General Capital Grant funding from the Scottish Government over the period 2021/22 to 2024/25 is that the grant will be cash flat at 2020/21 levels, equating to £7.144 million

per annum. The exact level of General Capital Grant funding for 2021/22 will not be known until the Local Authority share of the Scottish Government Budget is published in early 2021.

The funding of the plan has also been extended by one year based on the longer term capital strategy to cover the financial year 2024/25, with income budgets updated accordingly. Income budgets of £10.659 million in 2024/25 (including Scottish Government Grant) have been added to the plan.

Overall, the funding available to finance the planned expenditure therefore totals £116.123 million. A more detailed breakdown is shown in Appendix 1.

## 5.4 Borrowing

As a result of these revised expenditure and funding forecasts, the forecast level of borrowing over the period 2020/21 to 2024/25 is £94.119 million.

**Table 4: General Services Capital Plan 2020/21 to 2024/25**

Item	2020/21 Budget £000's	2021/22 Budget £000's	2022/23 Budget £000's	2023/24 Budget £000's	2024/25 Budget £000's	Total Budget £000's
<b>Expenditure</b>	39,199	52,685	54,838	42,310	21,210	<b>210,241</b>
<b>Funding</b>	21,454	33,022	34,871	16,117	10,659	<b>116,123</b>
<b>Borrowing Required</b>	<b>17,745</b>	<b>19,664</b>	<b>19,967</b>	<b>26,192</b>	<b>10,551</b>	<b>94,119</b>

## 6. Capital Fund

The Capital Fund at the start of the 2020/21 financial year was £25.364 million. £7.694 million of this is earmarked to fund the City Deal project, with a further £7.000 million earmarked to support capital investment across the period 2020/21 to 2024/25.

£3.055 million of receipts from sales are expected to be transferred into the capital fund across the period 2020/21 to 2024/25.

Based on the above, the forecast capital fund balance at 31 March 2025 is £13.725 million.

In addition to the use of the remainder of the Capital Fund balance to support investment identified in the Capital Plan, consideration will also be given to the Statutory Guidance on the use of Capital Receipts Flexibility Scheme to finance Covid expenditure (revenue).



## **7. Report Implications**

### **7.1 Resource**

The borrowing required to finance the planned investment in 2020/21 to 2024/25 is currently £94.119 million and is reflected in the medium term financial strategy.

### **7.2 Digital**

There are no Digital Services implications arising from this report.

### **7.3 Risk**

The impact of Covid-19 and the restriction measures introduced by government to date have been reflected in the rephasing assumptions in the plan as noted in this report. Any further restrictions introduced by the Scottish and UK Governments are highly likely to have an additional effect on the delivery programme for all projects within the plan.

The impact of Brexit, and in particular a no-deal Brexit, is difficult to quantify and may impact on both the budget and programme of projects, particularly where materials are imported.

These potentially exacerbate the inherent risk in the Capital Plan that projects will cost more than estimated thus resulting in additional borrowing. The monitoring procedures ensure that significant variations are reported at an early stage so that remedial action can be taken to mitigate this risk.

An additional risk is the timing of capital expenditure being delayed and the failure to deliver new assets and infrastructure on time. In addition, overly aggressive projections of expenditure being incurred may lead to borrowing being taken in advance of need. The impact of Covid 19 to date, further restriction measures that may be brought in, and the post Brexit economic climate, further exacerbates this. The rephasing assumptions outlined in Section 5.1 have been included in the plan to reflect a more realistic assessment of the timing of capital expenditure, based on historic evidence and the overlay and impact of Covid, and therefore mitigate the potential for borrowing to be taken in advance of need.

In developing the strategy and taking cognisance of the longer term affordability gap it is clear that a number of potential projects which are currently included will only be able to be progressed if they can be delivered on a spend to save basis (i.e. where income or cost savings more than offset the cost of funding the investment) or where they can be delivered on a cost neutral basis. In addition it will be challenging to progress potential additional projects such as Dalkeith town centre redevelopment and master planning proposals for Newtongrange and Mayfield unless these are on a spend to save basis.

### **7.4 Ensuring Equalities**

There are no equalities issues arising directly from this report.

## **7.5 Additional Report Implications**

See Appendix A.

## **Appendix A: Report Implications**

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

Not applicable.

### **A.2 Key Drivers for Change**

### **A.3 Key Delivery Streams**

Themes 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 report does not directly impact on Delivering Best Value.

### **A.5 Involving Communities and Other Stakeholders**

No external consultation has taken place on this report.

### **A.6 Impact on Performance and Outcome**

There are no issues arising directly from this report.

### **A.7 Adopting a Preventative Approach**

Not applicable.

### **A.8 Supporting Sustainable Development**

Not applicable.

**Background Papers:**

Appendix 1 – Summary General Services Capital Plan 2020/21 to 2024/25

Appendix 2 – Detailed General Services Capital Plan Expenditure 2020/21 to  
2024/25

Appendix 3 – Gateway Review Requirements for all capital projects over £1 million

## Appendix 1: Summary General Services Capital Plan 2020/21 to 2024/25

<b>GENERAL SERVICES CAPITAL PL</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>Total</b>
<b>2020/21 to 2024/25</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>EXPENDITURE</b>						
Place	21,936	19,689	14,842	11,605	7,884	<b>75,955</b>
People & Partnerships	17,056	29,850	30,660	27,008	13,217	<b>117,791</b>
Council Transformation	1,035	4,126	10,654	5,068	1,167	<b>22,049</b>
Provision for return of contingencies	-828	-980	-1,317	-1,371	-1,058	<b>-5,554</b>
<b>Total Approved Expenditure</b>	<b>39,199</b>	<b>52,685</b>	<b>54,838</b>	<b>42,310</b>	<b>21,210</b>	<b>210,242</b>
<b>FUNDING</b>						
Government Grants - General Capital	7,546	7,344	7,344	7,344	7,344	<b>36,922</b>
Government Grants - Early Years	2,964	7,423	2,917	1,885	0	<b>15,188</b>
Government Grants - Others	1,314	0	0	0	0	<b>1,314</b>
Schools for the Future Funding Round	0	0	0	0	0	<b>0</b>
City Deal Funding (Scottish Governme	1,000	4,126	5,774	0	0	<b>10,900</b>
City Deal Funding (Capital Fund)	0	0	6,528	1,166	0	<b>7,694</b>
Receipts from Sales	1,805	1,250	0	0	0	<b>3,055</b>
Receipts from Sales transferred to Ca	-1,805	-1,250	0	0	0	<b>-3,055</b>
Transfer from Capital Fund to Capital	2,000	3,000	2,000	0	0	<b>7,000</b>
Land Transfers from HRA Applied to C	0	1,020	0	0	0	<b>1,020</b>
Developer Contributions - GSCP Cor	2,154	3,313	2,940	2,833	1,567	<b>12,807</b>
Developer Contributions - LES New	952	4,256	6,943	2,464	1,323	<b>15,938</b>
Developer Contributions - A701/702	425	425	425	425	425	<b>2,125</b>
Developer Contributions - Other Proje	0	0	0	0	0	<b>0</b>
Other Contributions	3,099	2,115	0	0	0	<b>5,214</b>
<b>Total Available Funding</b>	<b>21,454</b>	<b>33,022</b>	<b>34,871</b>	<b>16,117</b>	<b>10,659</b>	<b>116,123</b>
<b>Approved Borrowing Required</b>	<b>17,745</b>	<b>19,664</b>	<b>19,967</b>	<b>26,192</b>	<b>10,551</b>	<b>94,119</b>

### Detailed General Services Capital Plan Expenditure 2020/21 to 2024/25

Those projects shaded are included in the Capital Plan "in principle" and require a report to Capital Plan & Asset Management Board and/or Council in order to achieve full adoption in the General Services Capital Plan



