

## **General Services Capital Plan 2017/18 to 2021/22**

### **Report by Gary Fairley, Head of Finance and Integrated Service Support**

#### **1 Purpose of Report**

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

- An update of the General Services Capital Plan incorporating rephasing of projects and new projects approved since the previous report to Council on 08 March 2016 (Section 2.1/2.2)
- Information on further additions to the Capital Plan for approval (Section 2.3);
- Information on the projected performance against budget for 2017/18 (Section 3);
- Update on the capital fund (Section 4) and the projected debt outstanding (Section 5).

#### **2 Rephasing and New Projects**

##### **2.1 Rephasing**

The General Services Capital Plan presented to Council on 07 February 2017 allowed, over the period 2017/18 to 2021/22, for expenditure of £98.927 million, funding of £70.295 million, and a total borrowing requirement of £28.632 million.

Expenditure and income forecasts covering the period of the plan have been rephased based on the outturn position for 2016/17 and the most recent information available.

This revises the overall levels of expenditure, funding and borrowing required over the period 2017/18 to 2021/22 as shown in Table 1 below.

**Table 1: General Services Capital Plan 2017/18 to 2021/22 including rephasing**

<b>Item</b>	<b>2017/18 Budget</b>	<b>2018/19 Budget</b>	<b>2019/20 Budget</b>	<b>2020/21 Budget</b>	<b>2021/22 Budget</b>	<b>Total Budget</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Expenditure</b>	19,239	24,150	25,296	22,374	10,693	<b>101,752</b>
<b>Funding</b>	10,555	21,201	17,185	11,940	9,581	<b>70,462</b>
<b>Borrowing Required</b>	<b>8,684</b>	<b>2,949</b>	<b>8,111</b>	<b>10,434</b>	<b>1,112</b>	<b>31,290</b>

## 2.2 Approved Projects

Since the report to Council on 07 February 2017, the following projects have received approval by Council for inclusion in the General Services Capital Plan.

### Council 28 February 2017

- **Danderhall hub:** New Primary School with integrated Leisure and Library space. £15.317 million budget with £6.491 million funded from developer contributions and £8.826 million from prudential borrowing;
- **Shawfair Town Centre Land Purchase:** Purchase of site owned by Network Rail adjacent to the new Shawfair Town Centre. £5.615 million budget to be fully funded by an external contribution from Shawfair LLP;

### Council 27 June 2017

- **Modular Units:** The procurement and installation of modular units during the 2017/18 academic year to provide additional capacity at Mayfield Nursery School, Danderhall, St. David's Lasswade and Burnbrae Primary Schools. £1.967 million budget to be funded £1.031 million from existing grant provision for Early Years and £0.936 million from prudential borrowing;
- **Newbattle Centre:** Investment in digital assets for a new centre of excellence in digital industries at the new Newbattle Centre. £0.457 million budget to be funded by prudential borrowing;
- **Saltersgate Adaptations – Phase III:** Internal alterations and transformation of playground into 5 themed play and learning spaces. £0.417 million budget to be funded by prudential borrowing;
- **Cuiken & Sacred Heart Primaries – Preparatory Works:** Appointment of professional team to progress detailed design plans and costs for extensions to Cuiken and Sacred Heart Primaries. £0.200 million budget to be funded by prudential borrowing;
- **Midlothian House 3<sup>rd</sup> Floor Reconfiguration:** Alterations to the third floor of Midlothian House to rationalise existing Councillors accommodation, relocate existing Council staff, and incorporate flexible meeting space. £0.122 million budget to be funded by prudential borrowing;

## 2.3 Projects presented for approval

The following new projects are being presented for inclusion in the plan:-

- **Outdoor Play Equipment – Rosewell & Gorebridge:** Provision of an outdoor skate park sports facility in Rosewell Park, play equipment at Arniston park in Gorebridge, and play equipment/children's bmx bike facility at Auld Gala Park in Gorebridge. Budget of £0.178 million fully funded through developer contributions from existing Section 75 agreements;
- **Purchase of 9/11 White Hart Street:** Purchase of investment property in Dalkeith. £0.150 million budget approved under delegated authority by the Chief Executive 11 July 2017 to be funded by prudential borrowing;
- **Early Years Pilot – Mayfield Family Outreach Centre:** Adaptations to the existing Family Outreach Centre as part of Scottish Government's 1140 hours initiative for 2&3 year olds. Budget of £0.020 million fully

funded by £0.020 million of Scottish Government's Early Years Capital Grant;

The inclusion of these projects revises the overall levels of expenditure, funding and borrowing required over the period 2017/18 to 2021/22 as shown in table 2 below.

**Table 2: General Services Capital Plan including Projects Approved / for Approval**

Item	2017/18 Budget	2018/19 Budget	2019/20 Budget	2020/21 Budget	2021/22 Budget	Total Budget
	£000's	£000's	£000's	£000's	£000's	£000's
<b>Expenditure</b>	28,466	26,563	32,163	27,374	11,630	<b>126,197</b>
<b>Funding</b>	17,441	22,224	18,849	12,895	10,560	<b>81,969</b>
<b>Borrowing Required</b>	<b>11,025</b>	<b>4,339</b>	<b>13,314</b>	<b>14,479</b>	<b>1,070</b>	<b>44,228</b>

### 3. 2017/18 Projection against budget

#### 3.1 Expenditure

Expenditure to 25 June 2017 is £4.883 million with a projected expenditure outturn of £28.426 million against the revised budget of £28.466 million, with variances as follows:-

- **Gore Glen Bing:** project now complete therefore saving £0.057 million against £0.058 million remaining budget;
- **Easthouses Lily Stand:** expenditure of £0.005 million projected with no budget;
- **Electric Vehicle Charging Points:** additional expenditure of £0.012 million fully funded by additional £0.012 million Scottish Government Grant

At this stage it is anticipated that budgets for all other projects detailed in Appendix 2 will be fully spent in the current year.

#### 3.2 Funding

The funding available to finance the Capital Plan in 2017/18 is expected to total £17.453 million against the revised budget of £17.441 million, with a small variance in respect of additional funding of £0.012 million from the Scottish Government for installation of electric vehicle charging points. Funding of £2.783 million has been received to 25 June 2017.

#### 3.3 Borrowing

The budgeted level of borrowing for 2017/18 is £11.025 million. Based on the forecast expenditure and funding levels as noted above, the revised estimate of the level of borrowing required for 2017/18 is £10.973 million, a reduction of £0.052 million. The impact on the

Council's borrowing costs is reflected in the Financial Monitoring 2017/18 General Fund Revenue report elsewhere on today's agenda.

The projected performance against budget for 2017/18 is shown in table 3 below:-

Item	2017/18 Rephased Budget £000's	Actual To 25/06/17 £000's	2017/18 Projected Outturn £000's	2017/18 Variance £000's
<b>Expenditure</b>	28,466	4,883	28,426	-40
<b>Funding</b>	17,441	2,783	17,453	+12
<b>Borrowing Required</b>	<b>11,025</b>	<b>2,100</b>	<b>10,973</b>	<b>-52</b>

#### 4. Capital Fund

The Capital Fund at the start of the 2017/18 financial year was £22.485 million. Capital Receipts of £7.912 million are forecast to be received in 2017/18 (£0.087 million to 25 June 2017), and will be transferred to the capital fund. This will increase the balance in the Capital Fund to £30.397 million as at 31 March 2018.

Council, on 27 September 2016, approved the medium to long-term strategy for the Capital Fund, specifically, to maintain the current arrangements for crediting all capital receipts for the disposal of assets to the Capital Fund, and for £12.000 million to be earmarked from the Capital Fund for the Edinburgh and South East Scotland City Region Deal.

The projected balance on the Capital Fund at 31 March 2022, inclusive of the release of £12.000 million City Deal funding, is £27.097 million.

#### 5. Overall Cap on Debt Outstanding

The projected level of debt outstanding, based on the expenditure and income assumptions outlined in Tables 2 and 3, and net of any forward funded projects, is shown in Table 4 overleaf:-

**Table 4: Debt outstanding net of any forward funded projects**

<b>Item</b>	<b>2017/18 Budget</b>	<b>2018/19 Budget</b>	<b>2019/20 Budget</b>	<b>2020/21 Budget</b>	<b>2021/22 Budget</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Debt Outstanding 01 April	113,739	120,896	121,323	130,838	141,475
Borrowing arising from Capital Plan	10,973	4,339	13,314	14,479	1,070
Debt Repayments	-3,816	-3,913	-3,799	-3,842	-3,912
<b>Debt Outstanding 31 March</b>	<b>120,896</b>	<b>121,323</b>	<b>130,838</b>	<b>141,475</b>	<b>138,633</b>
Less: Net debt on Forward Funded projects	-5,483	-6,946	-11,121	-10,922	-9,096
<b>Debt Outstanding 31 March exc. Forward Funded projects</b>	<b>115,414</b>	<b>114,377</b>	<b>119,717</b>	<b>130,553</b>	<b>129,537</b>
<b>Agreed Cap</b>	<b>124,000</b>	<b>124,000</b>	<b>124,000</b>	<b>124,000</b>	<b>124,000</b>
<b>Headroom</b>	<b>8,586</b>	<b>9,623</b>	<b>4,283</b>	<b>-6,553</b>	<b>-5,537</b>

As can be noted from the table above, the overall level of debt outstanding is projected to exceed this cap in the year ended 31 March 2021 by £6.553 million and remain £5.537 million above the cap in the year ended 31 March 2022.

The loan charges incorporated within previous Financial Strategy reports are based on the overall level of debt outstanding remaining within the cap of £124.000 million. As noted above, the level of debt outstanding is projected to exceed the cap and this will result in either (a) a corresponding increase in the level of loan charges over the period 2017/18 to 2021/22 or (b) require reductions in Capital Expenditure or alternative sources of funding.

## **6. Report Implications**

### **6.1 Resource**

The borrowing required to finance the planned investment in 2017/18 to 2021/22 is currently £44.176 million. The loan charges associated with the borrowing requirement for 2017/18 are reported to Council in the Financial Monitoring 2017/18 General Fund Revenue report presented elsewhere on today's agenda.

### **6.2 Risk**

The inherent risk in the Capital Plan is 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.

As noted in Section 5, the level of debt outstanding exceeds the cap and will therefore result in additional loan charges. This risk is exacerbated through the lack of fully developed asset management plans, with only provisional sums for the Council's 6 core asset bases (Property, Roads, Street Lighting, Footway & Footpaths, Vehicles and Digital Services equipment) currently included in the capital plan. The impact of the Learning Estate Strategy is yet to be quantified and is therefore currently not included in the plan, further exacerbating this risk. In order to mitigate this risk it is proposed that officers review the emerging Learning Estate Strategy, the additional investment requirements arising from the developing asset management plans, and the prioritisation of any new projects, to ensure that the overall level of debt outstanding remains affordable.

### **6.3 Single Midlothian Plan and Business Transformation**

Themes addressed in this report:

- ☐ Community safety
- ☐ Adult health, care and housing
- ☐ Getting it right for every Midlothian child
- ☐ Improving opportunities in Midlothian
- ☒ Sustainable growth
- ☐ Business transformation and Best Value
- ☐ None of the above

### **6.4 Impact on Performance and Outcome**

There are no issues arising directly from this report.

### **6.5 Adopting a Preventative Approach**

There are no issues arising directly from this report

### **6.6 Involving Communities and Other Stakeholders**

No external consultation has taken place on this report.

### **6.7 Ensuring Equalities**

There are no equalities issues arising directly from this report.

### **6.8 Supporting Sustainable Development**

There are no sustainability issues arising directly from this report.

### **6.9 Digital Services Issues**

There are no Digital Services implications arising from this report.

## **7 Recommendations**

Council is asked to:

- a) Approve the projects as outlined in Section 2.3 to be added to the General Services Capital Plan;

- b) Approve the allocated expenditure and funding in the General Services Capital Plan 2017/18 to 2021/22 (as shown in appendices 1 and 2);
- c) Note the General Services Capital Plan Quarter 1 monitoring position for 2017/18;
- d) Note that based on the current forecasts and provisional sums, that the level of debt outstanding is forecast to exceed the £124.000 million cap.

**Date 9 August 2017**

**Report Contact:**

Name Gary Thomson

Tel No 0131 271 3230

[gary.thomson@midlothian.gov.uk](mailto:gary.thomson@midlothian.gov.uk)

**Background Papers:**

Appendix 1 – Summary General Services Capital Plan 2017/18 to 2021/22

Appendix 2 – Detailed General Services Capital Plan Expenditure 2017/18 to 2021/22

## Appendix 1

### Summary General Services Capital Plan 2017/18 to 2021/22

<b>GENERAL SERVICES CAPITAL PLAN 2017/18 to 2021/22</b>	<b>2017/18 Budget £'000</b>	<b>2018/19 Budget £'000</b>	<b>2019/20 Budget £'000</b>	<b>2020/21 Budget £'000</b>	<b>2021/22 Budget £'000</b>	<b>Total Budget £'000</b>
<b>EXPENDITURE</b>						
Resources	11,150	10,298	13,858	19,601	10,108	<b>65,015</b>
Education, Community & Economy	16,875	11,928	12,155	5,523	1,320	<b>47,801</b>
Health & Social Care	197	437	150	150	203	<b>1,137</b>
Council Transformation	205	3,900	6,000	2,100	0	<b>12,205</b>
<b>Total Approved Expenditure</b>	<b>28,426</b>	<b>26,563</b>	<b>32,163</b>	<b>27,374</b>	<b>11,630</b>	<b>126,157</b>
<b>FUNDING</b>						
Government Grants	10,543	9,218	9,218	8,336	8,336	<b>45,651</b>
Government Grants - Others	264	0	0	0	0	<b>264</b>
Receipts from Sales transferred to Capital Fund	7,912	0	8,700	0	0	<b>17,217</b>
Transfer from Capital Fund to Capital Plan	-7,912	3,900	-2,700	2,100	0	<b>-5,217</b>
Developer Contributions	1,474	4,813	3,631	2,459	2,223	<b>14,601</b>
Other Contributions	5,172	4,293	0	0	0	<b>9,465</b>
<b>Total Available Funding</b>	<b>17,453</b>	<b>22,224</b>	<b>18,849</b>	<b>12,895</b>	<b>10,560</b>	<b>81,981</b>
<b>Approved Borrowing Required</b>	<b>10,973</b>	<b>4,339</b>	<b>13,314</b>	<b>14,479</b>	<b>1,070</b>	<b>44,176</b>



## Appendix 2

### Detailed General Services Capital Plan Expenditure 2017/18 to 2021/22

<b>GENERAL SERVICES CAPITAL PLAN</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>Total</b>
<b>2017/18 to 2021/22</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Spend</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>RESOURCES</b>						
<b>Customer Services</b>						
Front Office - Device & Interactive Asset Upgrades	312	143	0	0	0	<b>454</b>
Back Office - Anti Virus Upgrades	0	49	26	0	0	<b>75</b>
Network Enterprise - Network Assets (Power & Data)	182	44	0	0	0	<b>226</b>
IGS - Compliance - Data Encryption	0	15	8	0	0	<b>23</b>
IGS - Compliance - PCI	39	0	0	0	0	<b>39</b>
Disaster Recovery	0	0	0	26	14	<b>40</b>
Service Desk - ITMIS Service Improvement	80	0	0	0	0	<b>80</b>
Committee Management System	3	0	0	0	0	<b>3</b>
Paperless Meetings	16	0	0	0	0	<b>16</b>
Business Application Upgrades inc. mobile working	139	0	0	0	0	<b>139</b>
Interactive White Board Replacement	474	0	0	0	0	<b>474</b>
SWAN Programme	517	0	0	0	0	<b>517</b>
New GoreGlen & Bilston Digital Assets	67	0	0	0	0	<b>67</b>
Newbattle Centre for Excellence in Digital Industries	297	160	0	0	0	<b>457</b>
Digital Services Asset Management Plan	0	1,645	2,496	2,355	2,264	<b>8,759</b>
<b>Commercial Operations</b>						
Street Lighting Upgrades	761	1,000	1,000	1,000	1,350	<b>5,111</b>
Footway & Footpath Network Upgrades	318	500	500	500	675	<b>2,493</b>
Road Upgrades	1,306	1,570	1,500	1,500	2,025	<b>7,901</b>
Zero Waste Capital Contribution	0	0	0	7,380	0	<b>7,380</b>
Cycling, Walking & Safer Streets Projects	79	108	102	94	122	<b>505</b>
Footpath Lighting: Bonnyrigg Bypass to Gorton Road	83	44	0	0	0	<b>127</b>
B6482 Newbattle/Easthouses Road Cycleway	54	29	0	0	0	<b>84</b>
A6094: Bonnyrigg Bypass Cycleway & Toucan Crossing / R	49	26	0	0	0	<b>75</b>
Ironmills Park Steps	21	0	0	0	0	<b>21</b>
New recycling facility - Penicuik	244	0	0	0	0	<b>244</b>
Vehicle & Plant Replacement Programme	2,552	2,515	1,707	2,957	2,226	<b>11,958</b>
Electric Vehicles - Powerpoint Installation	58	0	0	0	0	<b>58</b>
Grass Cutting Machinery	78	42	0	0	0	<b>120</b>
Geogrid - Barleyknowe Lane	43	0	0	0	0	<b>43</b>
Vogrie Car Parking Barriers	17	0	0	0	0	<b>17</b>
King George V Park Outdoor Fitness Equipment	4	0	0	0	0	<b>4</b>
Gore Glen Bing	1	0	0	0	0	<b>1</b>
Easthouses Lily Stand	5	0	0	0	0	<b>5</b>
Outdoor Play Equipment - Rosewell	32	17	0	0	0	<b>49</b>
Outdoor Play Equipment - Gorebridge	84	45	0	0	0	<b>129</b>
<b>Property &amp; Facilities</b>						
Stobhill Depot Upgrade	568	0	0	0	0	<b>568</b>
New Depot: EWIM Phase III	122	1,228	5,519	2,788	83	<b>9,740</b>
Straiton Bing Site Investigation	2	0	0	0	0	<b>2</b>
Property Upgrades inc. Lighting/Lightning	1,723	1,000	1,000	1,000	1,350	<b>6,073</b>
Midlothian House 3rd Floor Reconfiguration	79	43	0	0	0	<b>122</b>
Purchase of 7 Eskdail Court, Dalkeith	243	0	0	0	0	<b>243</b>
Purchase of 49 Abbey Road, Dalkeith	215	0	0	0	0	<b>215</b>
Purchase of 31 Jamac Court, Dalkeith	1	0	0	0	0	<b>1</b>
Hillend Freestyle Jump Slope Upgrade	208	0	0	0	0	<b>208</b>
Purchase 9/11 White Hart Street	98	53	0	0	0	<b>150</b>
<b>TOTAL RESOURCES</b>	<b>11,172</b>	<b>10,276</b>	<b>13,858</b>	<b>19,601</b>	<b>10,108</b>	<b>65,015</b>

	2017/18	2018/19	2019/20	2020/21	2021/22	Total
<b>EDUCATION, COMMUNITY AND ECONOMY</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Spend</b>
<b>Early Years</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Gorebridge Development Trust (EYG Funded)	115	0	0	0	0	115
Gorebridge Development Trust	91	0	0	0	0	91
Gorebridge Development Trust (EYG Funded)	66	0	0	0	0	66
Early Years Pilot - Mayfield Family Outreach Centre	13	7	0	0	0	20
Further Early Years Provisions	0	382	382	382	382	1,530
<b>Primary</b>						
New Bilston Primary	239	0	0	0	0	239
New Gorebridge North Primary	236	0	0	0	0	236
Paradykes Primary Replacement	7,403	470	0	0	0	7,873
Roslin Primary Replacement	1,373	143	0	0	0	1,516
Former Hopefield Primary School	300	4,573	4,714	141	0	9,728
Inspiring Learning Spaces	98	0	0	0	0	98
New Danderhall Primary hub	100	2,413	6,867	5,000	937	15,317
Cuiken & Sacred Heart Primaries - Design Team	130	70	0	0	0	200
<b>Secondary</b>						
Lasswade High School inc. 2nd MUGA	435	154	0	0	0	589
Newbattle High School Preparatory Works	476	544	182	0	0	1,202
Beeslack Community High School Pitch	17	0	0	0	0	17
<b>General</b>	0	0	0	0	0	
Online Payments for Schools	39	39	10	0	0	87
PPP1 Land Acquisition	27	0	0	0	0	27
Saltersgate Alterations Phase II	160	0	0	0	0	160
Saltersgate Alterations Phase III - Internal Alterations	100	54	0	0	0	155
Saltersgate Alterations Phase III - Playground Improvements	171	92	0	0	0	263
Modular Units - Various	1,279	688	0	0	0	1,967
<b>Children and Families</b>						
<b>Planning &amp; Development</b>						
Environmental Improvements	209	209	0	0	0	418
Borders Rail - Economic Development Projects	125	125	0	0	0	250
East High Street Public Realm & Burns Monument	20	0	0	0	0	20
Shawfair Town Centre Land Purchase	3,650	1,965	0	0	0	5,615
<b>TOTAL EDUCATION, COMMUNITY AND ECONOMY</b>	<b>16,873</b>	<b>11,928</b>	<b>12,155</b>	<b>5,523</b>	<b>1,320</b>	<b>47,799</b>
<b>HEALTH AND SOCIAL CARE</b>						
<b>Adult &amp; Social Care</b>						
Assistive Technology	100	437	150	150	203	1,040
Travelling Peoples Site Upgrade	17	0	0	0	0	17
Homecare	80	0	0	0	0	80
<b>Customer &amp; Housing Services</b>						
<b>TOTAL HEALTH AND SOCIAL CARE</b>	<b>197</b>	<b>437</b>	<b>150</b>	<b>150</b>	<b>203</b>	<b>1,137</b>
<b>COUNCIL TRANSFORMATION</b>						
Purchase to Pay	15	0	0	0	0	15
Online Housing Applications	27	0	0	0	0	27
Corporate Telephony Services Upgrade	9	0	0	0	0	9
EWiM - Buccleuch House Ground Floor	33	0	0	0	0	33
Website Upgrade	121	0	0	0	0	121
City Deal	0	3,900	6,000	2,100	0	12,000
<b>TOTAL COUNCIL TRANSFORMATION</b>	<b>205</b>	<b>3,900</b>	<b>6,000</b>	<b>2,100</b>	<b>0</b>	<b>12,205</b>
<b>GENERAL SERVICES CAPITAL PLAN TOTAL</b>	<b>28,448</b>	<b>26,541</b>	<b>32,163</b>	<b>27,374</b>	<b>11,630</b>	<b>126,156</b>