

General Services Capital Plan 2015/16 to 2020/21
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 on the General Services Capital Plan reflecting changes approved since the previous report to Council on 22 September 2015;
- Information on additions to the Capital Plan for approval since the last monitoring report to Council on 9 February 2016; and
- Updated forecasts of expenditure and income for the General Services Capital Plan for 2015/16 through to 2020/21;

2 Background

2.1 Budget

The General Services Capital Plan for 2015/16 to 2020/21 considered by Council on 22 September 2015 provided for expenditure of £106.126 million and funding of £69.594 million, therefore giving a total borrowing requirement of £36.532 million over the period 2015/16 to 2020/21. Table 1 below provides a breakdown of this per financial year.

Table 1: General Services Capital Plan for 2015/16 to 2020/21 as reported to Council on 22 September 2015

Item	2015/16 Forecast Outturn £000's	2016/17 Budget £000's	2017/18 Budget £000's	2018/19 Budget £000's	2019/20 Budget £000's	2020/21 Budget £000's	Total
Expenditure	23,195	31,481	14,015	12,352	12,510	12,573	106,126
Funding	16,581	12,251	11,302	10,085	9,742	9,633	69,594
Borrowing Required	6,614	19,230	2,713	2,267	2,768	2,940	36,532

2.2 Expenditure already approved

Since consideration by Council on 22 September 2015, Council have approved changes to the plan as follows:-

- Council on 3 November 2015 approved the addition of £0.022 million of new projects and an increase to existing project budgets of £0.470; and
- Council on 9 February 2016 approved the addition of £0.906 million of new projects

2.3 Expenditure to be approved

Since the General Services Capital Plan Quarter 3 report to Council on 9 February 2016, the new projects as outlined in Table 2 below are being presented for inclusion in the plan:-

Table 2: Additions to Capital Plan for approval

Project	Description	Expenditure £000's	Phasing
School Digital Assets	Planned replacement of Digital Assets in schools, particularly projectors and white boards which are at end of life	813	2016/17 & 2017/18
East High Street Public Realm & Burns Monument	Public Realm works to East High Street and restoration of the Burns Monument	120	2015/16 to 2017/18
Assistive Technology	Extension of rolling capital budget over 2018/19 to 2020/21	450	2018/19 to 2020/21
Total		1,383	

Adjustment to project budgets for approval

Since the General Services Capital Plan Quarter 3 report to Council on 9 February 2016, an amendment to the budgets of the projects outlined in Table 3 overleaf is required:-

Table 3: Adjustment to project budgets for approval

Project	Description of amendment to budget	Previous Budget £000's	Revised Budget £000's	Budget Movement £000's
Newbattle Centre	Stage 1/2 Fees to hub; with corresponding reduction in Unitary Charge	290	1,243	+953
Member's Environmental Improvements	Removal of capital budget in 2016/17 and 2017/18	360	0	-360
Further Early Years Provision	Additional funding (currently unallocated) for provision of Early Year Childcare.	1,836	2,352	+516
Total		2,486	3,595	+1,109

* Funded through additional Scottish Government Grant

2.4 Funding

The planning assumption for the level of General Capital Grant funding from the Scottish Government over the life of the plan was £53.961 million, as reported to Council in the *General Services Capital Plan 2015/16 to 2020/21* report on 22 September 2015. The Local Government Finance (Scotland) Settlement 2016-17 (Finance Circular 7/2015) issued on 16 December 2015 provides for a reduction in the level of General Capital Grant compared to the previous planning assumption. As such the level of General Capital Grant funding from the Scottish Government over the life of the plan has been reduced from £53.961 million to £48.016 million, a reduction of £5.945 million.

The expectation remains that the next Scottish Government will publish a three year budget settlement in the autumn of 2016. Only at that point will there be clarity on the level of grant funding local government can expect for future years. Given the extent of the reduction in the 2016/17 grant (albeit at this stage the reduction is to be reprofiled across the following 3 financial years), it is considered prudent to take a more pessimistic view on future year's settlements than incorporated into previous General Services Capital Plan reports. This is reflected in the forecast levels of General Capital Grant as illustrated in Appendix 1. In light of this, further work shall be undertaken to assess the implications for the 2017/18 to 2020/21 budget projections and as such these will be reported to Council later in the year.

In line with revised levels of expenditure, the forecast level of developer contributions that can be applied to finance the plan has increased from £15.585 million as reported to Council on 22 September 2015, to £16.644 million.

In addition, the level of other contributions available to finance the plan has increased from £0.047 million (per the 22 September 2015 report) to £0.694 million. This reflects:-

- £0.526 million from Zero Waste Scotland to fund the provision of new vehicles and caddies for the Food Waste rollout (as reported to Council in the Quarter 2 Monitoring Report on 3 November 2015);
- £0.061 million from the Scottish Government to finance the provision of Electric Vehicle Charging Points (as reported to Council in the Quarter 3 Monitoring Report on 9 February 2016), and
- £0.060 million from Dalkeith Business Renewal to finance 50% of the East High Street & Burns Monument Works.

Overall, the funding available to finance the planned expenditure has decreased from £69.594 million to £65.354 million.

2.5 Future Year Capital Budgets

As reported to Council in the *General Services Capital Plan 2015/16 to 2020/21* report on 22 September 2015, work is currently being undertaken to develop full asset management plans for the Council's core asset base of Property, Roads, Street Lighting, Footway & Footpaths, Vehicles and Digital Services equipment. The impact of this work on the availability of capital resources will be reported to Council in due course.

In line with this, in the 22 September 2015 *General Services Capital Plan 2015/16 to 2020/21* report, a planning assumption was included in the capital plan, to include an unallocated budget in 2016/17 through to 2020/21 in order to provide a prudent estimate of the likely levels of capital spend arising from these core strands of work. This was designed to aid budget planning through the provision of more realistic loan charges projections, particularly over the latter years of the capital plan.

This provided for a level of "unallocated" capital expenditure across 2016/17 to 2020/21 of £31.489 million. This level was set to ensure that the cap on debt outstanding of £114.000 million (net of the debt outstanding on any projects that the Council are forward funding), as set by Council on 4 February 2014, remained achievable.

Based on the revised levels of expenditure and funding as outlined in Sections 2.2 and 2.3 above, the level of "unallocated" capital expenditure has been reduced by £7.062 million to £24.427 million, to ensure that the cap on debt outstanding of £114.000 million remains achievable.

Overall, including the adjustments outlined in Sections 2.2 to 2.4, the total expenditure included in the plan has decreased from £106.126 million to £102.954 million.

2.6 Borrowing

As a result of the revised expenditure and funding forecasts as reported in Sections 2.2 to 2.5, the forecast level of borrowing over the period 2015/16 to 2020/21 has increased from £36.532 million to £37.600 million.

2.7 Summary

Table 4 overleaf provides a summary of the forecast levels of expenditure, funding and borrowing as reported in Sections 2.2 to 2.6 above.

Table 4: Summary of General Services Capital Plan 2015/16 to 2020/21

Item	2015/16 Forecast Outturn £000's	2016/17 Budget £000's	2017/18 Budget £000's	2018/19 Budget £000's	2019/20 Budget £000's	2020/21 Budget £000's	Total
Expenditure	21,040	29,615	17,468	12,708	11,451	10,671	102,954
Funding	17,657	11,065	9,965	10,429	8,636	7,602	65,354
Borrowing Required	3,384	18,550	7,503	2,279	2,815	3,069	37,600

3 Overall Cap on Debt Outstanding

As noted in Section 2.5, the approved cap on debt outstanding sits at £114.000 million, net of the debt outstanding on any projects that are forward funded (where the Council build the asset and recover monies from e.g. developers).

The projected level of debt outstanding, based on the expenditure and income assumptions outlined above, and net of any forward funded projects, is shown in table 5 below:-

Table 5: Debt outstanding net of any forward funded projects

Item	2015/16 Forecast Outturn £000's	2016/17 Budget £000's	2017/18 Budget £000's	2018/19 Budget £000's	2019/20 Budget £000's	2020/21 Budget £000's
Debt Outstanding 01 April	103,675	103,142	118,019	121,653	120,023	119,078
Borrowing arising from Capital Plan	3,384	18,550	7,503	2,279	2,815	3,069
Debt Repayments	-3,917	-3,672	-3,870	-3,908	-3,761	-3,829
Debt Outstanding 31 March	103,142	118,019	121,653	120,023	119,078	118,318
Less: Net debt on Forward Funded projects						
Bilston Primary School	-188	-1,215	-1,217	-225	0	0
Gorebridge North Primary School	0	-3,151	-4,195	-3,655	-3,095	-2,515
Paradykes Primary School	0	-843	-2,241	-2,143	-1,983	-1,803
Debt Outstanding 31 March exc. Forward Funded projects	102,954	112,810	114,000	114,000	114,000	114,000
Agreed Cap	114,000	114,000	114,000	114,000	114,000	114,000
Headroom	11,046	1,190	0	0	0	0

As can be noted from the table above, the overall level of debt outstanding (net of forward funded projects) is projected to remain within the cap of £114.000 million set by Council, and officers will continue to monitor and review the appropriate level of cap which should be applied.

4 Capital Fund

The Capital Fund at the start of the 2015/16 financial year was £14.853 million. Capital Receipts of £2.563 million are forecast to be received in 2015/16, and will be transferred to the Capital Fund. This will increase the balance in the Capital Fund to £17.416 million. The projected balance on the Capital Fund at 31 March 2021 is £32.061 million.

Officers are currently reviewing the medium-long term strategy for the utilisation of the Capital Fund and will report back in due course.

5 Report Implications

5.1 Resource

The borrowing required to finance the planned investment across 2015/16 to 2020/21 is currently £37.600 million. The loan charges associated with this borrowing are reported to Council in the Financial Strategy 2016/17 to 2020/21 report also presented to Council today, 8 March 2016.

The loan charges associated with this borrowing are reported in the Financial Strategy 2016/17 to 2020/21 report to Council, also on today's agenda. These loan charges reflect the slippage, or reprofiling, of expenditure, based on experience from previous capital plan budget reports.

5.2 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.

There is also a risk that the wrong projects are prioritised, however there is an additional risk that the revenue budget cannot afford the level of borrowing currently reflected.

5.3 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

5.4 Impact on Performance and Outcome

There are no issues arising directly from this report.

5.5 Adopting a Preventative Approach

There are no issues arising directly from this report

5.6 Involving Communities and Other Stakeholders

No external consultation has taken place on this report.

5.7 Ensuring Equalities

There are no equalities issues arising directly from this report.

5.8 Supporting Sustainable Development

There are no sustainability issues arising directly from this report.

5.9 Digital Issues

There are no digital implications arising from this report.

6 Recommendations

Council is asked to:

- a) Approve the additions to the Capital Plan as outlined in Section 2.3;
- b) Approve the revised expenditure and funding forecasts in the General Services Capital Plan, as shown in Section 2.7 and Appendices 3 and 4;
- c) Note the unallocated amounts in the General Services Capital Plan 2015/16 to 2020/21 (as shown in Appendices 3 and 4).

Date 29 February 2016

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Background Papers:

Appendix 1 – General Services Capital Plan 2015/16 to 2020/21

Appendix 2 – General Services Capital Plan detailed expenditure 2015/16 to 2020/21

Appendix 1: General Services Capital Plan 2015/16 to 2020/21

GENERAL SERVICES CAPITAL PLAN	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
2015/16 to 2020/21	Forecast Outturn	Budget	Budget	Budget	Budget	Budget	Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
EXPENDITURE							
Resources	9,665	5,806	6,237	2,141	4,547	2,453	30,850
Education, Community & Economy	9,954	22,310	11,051	1,622	443	0	45,380
Health & Social Care	310	105	143	150	150	203	1,060
Council Transformation	1,112	87	37	0	0	0	1,237
Unallocated	0	1,306	0	8,794	6,311	8,016	24,427
Total Approved Expenditure	21,040	29,615	17,468	12,708	11,451	10,671	102,954
FUNDING							
Government Grants	9,654	7,392	8,224	8,214	7,691	6,842	48,016
Receipts from Sales	2,563	2,515	3,250	2,960	2,960	2,960	17,208
Transfer to Capital Fund	-2,563	-2,515	-3,250	-2,960	-2,960	-2,960	-17,208
Developer Contributions	7,362	3,635	1,725	2,215	945	760	16,644
Other Contributions	640	38	16	0	0	0	694
Total Available Funding	17,657	11,065	9,965	10,429	8,636	7,602	65,354
Approved Borrowing Required	3,384	18,550	7,503	2,279	2,815	3,069	37,600

Appendix 2: General Services Capital Plan detailed expenditure 2015/16 to 2020/21

GENERAL SERVICES CAPITAL PLAN 2014/15 to 2017/18	2015/16 Budget £'000	2016/17 Budget £'000	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000	Total Spend £'000
RESOURCES							
Customer Services							
Front Office - Device & Interactive Asset Upgrades	375	421	445	143	0	0	1,384
Back Office - Anti Virus Upgrades	0	0	0	49	26	0	75
Back Office - Server Replacement	160	0	59	91	32	0	341
Back Office - UPS Devices	40	-21	-9	0	0	0	10
Network Enterprise - Network Connection	0	0	0	0	0	0	0
Network Enterprise - Network Assets (Power & Data)	75	70	111	44	0	0	300
IGS - Compliance - Data Encryption	0	0	0	15	8	0	23
IGS - Compliance - PCI	0	27	12	0	0	0	39
Disaster Recovery	0	0	0	0	0	40	40
Service Desk - ITMIS Service Improvement	50	70	30	0	0	0	150
Midlothian Website Development	5	0	0	0	0	0	5
IT Development (Education)	0	0	0	0	0	0	0
Committee Management System	15	0	0	0	0	0	15
Paperless Meetings	16	0	0	0	0	0	16
Business Application Upgrades inc. mobile working	100	81	35	0	0	0	216
Interactive White Board Replacement	0	569	244	0	0	0	813
SWAN Programme	0	0	0	0	0	0	0
Commercial Operations							
Street Lighting Upgrades	646	595	905	350	0	0	2,496
Street Lighting LED Upgrade (Salix Funded)	200	0	0	0	0	0	200
Footway & Footpath Network Upgrades	1,000	700	300	0	0	0	2,000
Road Upgrades	1,521	1,050	1,425	525	0	0	4,521
A6106 Lugton	30	0	0	0	0	0	30
Millerhill Access Road / Site Services	100	0	0	0	0	0	100
Zero Waste Capital Contribution	0	0	0	0	4,481	2,413	6,894
Beeslack High School Safer Routes to School	0	0	0	0	0	0	0
Cycling, Walking & Safer Streets Projects	127	67	87	32	0	0	312
Ironmills Park Steps	28	0	0	0	0	0	28
Emily Bing	13	0	0	0	0	0	13
New recycling facility - Penicuik	1	220	94	0	0	0	315
DDA Works 2010/11	0	0	0	0	0	0	0
Waste Collection Vehicles	338	70	391	194	0	0	993
Food Waste Collection	526	89	38	0	0	0	653
Vehicle & Plant Replacement Programme	1,484	700	950	350	0	0	3,484
Electric Vehicles - Powerpoint Installation	61	0	0	0	0	0	61
Install Geogrid - Barleyknowe Lane	102	0	0	0	0	0	102
Bonnyrigg Skate Park	4	0	0	0	0	0	4
Newtongrange Wheeled Sports park	39	0	0	0	0	0	39
Loanhead Memorial Park	60	0	0	0	0	0	60
Riverside Park	26	0	0	0	0	0	26
20mph Limits	40	0	0	0	0	0	40
Vogrie Car Parking Barriers	33	0	0	0	0	0	33
CCTV Upgrade	143	0	0	0	0	0	143
Webcasting Council, Cabinet & Committee Meetings	19	0	0	0	0	0	19
Property & Facilities							
Stobhill Depot Upgrade	0	398	171	0	0	0	569
Property Upgrades inc. Lighting/Lightning	1,576	700	950	350	0	0	3,576
Purchase of 7 Eskdail Court, Dalkeith	700	0	0	0	0	0	700
Primary 1-3 Free School Meals	12	0	0	0	0	0	12
TOTAL RESOURCES	9,665	5,806	6,237	2,141	4,547	2,453	30,850

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
EDUCATION, COMMUNITY AND ECONOMY	Budget	Budget	Budget	Budget	Budget	Budget	Spend
Early Years	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Woodburn Family Learning Centre	305	15	7	0	0	0	327
Further Early Years Provisions	0	523	784	784	261	0	2,352
Primary							
Burnbrae Primary	23	0	0	0	0	0	23
New Bilston Primary	3,162	2,537	1,087	0	0	0	6,786
New Gorebridge North Primary	3,421	3,651	1,565	0	0	0	8,636
Rosewell Primary Extension	95	0	0	0	0	0	95
Corbank Primary Extension	24	0	0	0	0	0	24
St Andrews Primary Extension	5	0	0	0	0	0	5
Newtongrange Primary Extension	30	0	0	0	0	0	30
Paradykes & Roslin Primaries Preparatory Works	523	333	143	0	0	0	998
Paradykes Primary Replacement	0	9,274	4,196	119	0	0	13,589
Roslin Primary Replacement	0	5,048	2,284	65	0	0	7,396
Gorebridge Primary School Additional Classroom	12	0	0	0	0	0	12
Hopefield Primary School Demolition	164	0	0	0	0	0	164
Hawthornden Primary School Roof	6	0	0	0	0	0	6
Stobhill Primary School Footpath	22	0	0	0	0	0	22
Secondary							
Lasswade High School inc. 2nd MUGA	172	404	379	111	0	0	1,067
Newbattle High School Preparatory Works	1,243	53	405	544	182	0	2,426
Newbattle High School - Future Extension	0	0	0	0	0	0	0
Saltergate Alterations	154	3	1	0	0	0	159
General							
Online Payments for Schools	45	0	0	0	0	0	45
Bright Sparks	356	8	3	0	0	0	367
PPP1 Land Acquisition	27	0	0	0	0	0	27
Children and Families							
Eastfield Children's Unit	3	0	0	0	0	0	3
Woodburn Children's Unit	0	0	0	0	0	0	0
Planning & Development							
Environmental Improvements	140	386	166	0	0	0	692
Property Asset Management System	9	0	0	0	0	0	9
Dalkeith Town Centre	1	0	0	0	0	0	1
East High Street Public Realm & Burns Monument	12	76	32	0	0	0	120
TOTAL EDUCATION, COMMUNITY AND ECONOMY	9,954	22,310	11,051	1,622	443	0	45,380
HEALTH AND SOCIAL CARE							
Adult & Social Care							
Care Homes	1	0	0	0	0	0	1
Penicuik Care Home Hub	33	0	0	0	0	0	33
Penicuik Care Home Hub - Fit Out	0	0	0	0	0	0	0
Highbank OPH - Adaptations (Phase II)	0	0	0	0	0	0	0
Assistive Technology	260	105	143	150	150	203	1,010
Travelling Peoples Site Upgrade	17	0	0	0	0	0	17
Customer & Housing Services							
Libraries Cash Management System	-1	0	0	0	0	0	-1
TOTAL HEALTH AND SOCIAL CARE	310	105	143	150	150	203	1,060
COUNCIL TRANSFORMATION							
Purchase to Pay	32	0	0	0	0	0	32
Property Services Review	43	0	0	0	0	0	43
EDRMS	12	0	0	0	0	0	12
EWiM	125	0	0	0	0	0	125
EWiM Phase 2	661	0	0	0	0	0	661
Online Housing Applications	27	0	0	0	0	0	27
Corporate Telephony Services Upgrade	54	0	0	0	0	0	54
EWiM - Buccleuch House Ground Floor	33	0	0	0	0	0	33
Unallocated	125	88	38	0	0	0	250
TOTAL COUNCIL TRANSFORMATION	1,112	87	37	0	0	0	1,237
UNALLOCATED							
Unallocated	0	1,306	0	8,794	6,311	8,016	24,427
TOTAL UNALLOCATED	0	1,306	0	8,794	6,311	8,016	24,427
GENERAL SERVICES CAPITAL PLAN TOTAL	21,040	29,615	17,468	12,708	11,451	10,671	102,954