

General Services Capital Plan 2019/20 Quarter 2 Monitoring 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 to incorporate new projects approved since the previous report to Council on 20 August 2018 and recommend further adjustments to expenditure and income budgets for projects already in the Capital Plan (Section 2);
- Information on rephasing of project expenditure & funding in 2019/20 (Section 3.1);
- Information on the projected performance against budget for 2019/20 (Section 3.2/3.3); and
- An update on the projected Capital Fund balance at 31 March 2020.

2 New Projects

2.1 Adjustment 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:-

- **Early Years Projects:** Updated position on Early Years projects based on current programme. Net effect of reflecting the updated position is a rephasing of expenditure of £0.277 million from 2020/21 back to 2019/20, fully funded by Scottish Government Early Years Capital Grant. See separate report also on today's agenda;
- **Penicuik THI:** Increase in capital expenditure budget of £0.296 million, to fund the increase in the road resurfacing element of the project (£0.258 million) due to the presence of coal tar; and to augment the Public Realm works (£0.038 million) to provide additional match funding to optimise drawdown of Heritage Lottery Grant. Increase of £0.296 million in expenditure fully funded by already collected developer contributions. Reduction of £0.189 million in A701/A702 works expenditure budget, reflecting the reallocation of developer contributions to fund part of the overspend on the road resurfacing element of the Penicuik THI project.
- **Lawfield Primary School Extension:** Reduction in overall project budget of £0.124 million (from £0.610 million to £0.486 million as a result of only 1 classroom being required (as opposed to the original 2) due to lower than projected pupil numbers. Works fully phased in 2019/20;
- **Contaminated Land & Public Sector Housing Grants:** Adjustment of £0.023 million to expenditure budgets to reflect forecast outturn position. Fully funded by Scottish Government Capital Grant.

2.2 Projects presented for approval

The following new projects are being presented for inclusion in the General Services Capital Plan, all of which were approved by Capital Plan and Asset Management Board on 08 October 2019:-

- **Gorebridge Community Cares:** Refurbishment of the old Gorebridge Police Station building to become a base for Gorebridge Community Cares to set up a centre for families & young people. £0.050 million capital expenditure budget (equating to grant funding which will be provided to Gorebridge Community Cares) which will be funded by the release of £0.050 million of already collected Gorebridge Community Facility contributions;
- **Learning Estate Strategy:-**
 - **Tynewater Primary School:** Adapt existing library space to use as a classroom. Capital expenditure budget of £0.010 million funded by prudential borrowing;
 - **Burnbrae Primary School:** Adapt part of existing nursery space into general purpose space. Capital expenditure budget of £0.062 million funded by prudential borrowing.

2.3 Projects presented for approval in principle subject to Capital Plan & Asset Management Board Sign-off

In addition, further consideration has been given to the Learning Estate Strategy solution for Dalkeith, as follows:-

- **Woodburn Primary School:** Provision for extension to school of 3 classrooms and activity hall. Provisionally costed at £2.2 million, with detailed costings to be submitted to the next meeting of Capital Plan and Asset Management Board for consideration and final approval.

3 2019/20 Budget

The Quarter 1 monitoring position for the General Services Capital Plan for 2019/20 was presented to Council on 20 August 2019 and, after accounting for known rephasing of projects, budgeted for expenditure of £44.383 million and funding of £27.205 million, therefore giving a budgeted in-year borrowing requirement of £17.178 million.

The inclusion of the projects outlined in Section 2 above revises the budgets for expenditure and income in 2019/20 to £47.455 million and £27.433 million respectively, giving a revised budgeted in-year borrowing requirement of £20.022 million.

3.1 Adjustments to 2019/20 Budget

Expenditure and income forecasts for 2019/20 have been rephased based on the most recent information available. Material rephasing of project budgets are shown in Table 1 overleaf:-

Table 1: Rephasing of project expenditure budgets

Project	Description of amendment to budget	Previous Budget £000's	Revised Budget £000's	Budget Movement £000's
New Depot: EWiM Phase III	Objections from SEPA, who are requesting a further flood risk assessment, is holding up submission to Planning Committee.	1,709	100	-1,609
Destination Hillend	Interdependencies between the various new infrastructure elements are proving more complex than originally envisaged in relation to design, planning (e.g. the need to understand the development design and capacities for all services before installing utilities) have resulted in significant delay to programme in order to take a more measured and considered approach and management of risk. Programme being developed by design team will allow for full gateway review to ensure robust programme going forward, and will be reported to Council in due course. The delay to the project programme will impact on the timing of the receipts of the significant levels of income expected to be generated from this project, with a resulting impact on the medium term financial strategy.	1,994	656	-1,338
Gorebridge Connected	Unforeseen withdrawal of Gorebridge Community Development Trust as sub-lessee for the station café element of the project, resulting in a halt to project progress. Further report to be brought to Council to confirm next steps.	563	50	-513
Property Upgrades	Based on current provided programme.	1,620	1,171	-449
Learning Estate Strategy Project Additions	Further work being undertaken with regard to approach to primary school provision in Dalkeith.	816	408	-408
Vehicle & Plant Replacement Programme	The fleet asset management replacement programme is constantly under review with replacement of vehicles delayed where it is appropriate to do so.	2,334	1,956	-378
Digital Services Projects	Rephasing as a result of pressure on human resources to deliver originally planned suite of projects.	2,171	1,804	-366
Property Asset Management Programme Additions	Sport & Leisure upgrades requiring separate reports to Capital Plan Board and Council to progress.	208	62	-146
Rosewell Development Trust: Steading	Construction works progressing on site quicker than planning assumption.	764	1,064	+300
Cuiken Primary School	Construction works progressing on site quicker than planning assumption.	856	1,748	+892
Other	Minor variances.	2,326	1,989	-337
Total		15,361	11,008	-4,353

The rephasing of existing project budgets as outlined above revises the budgeted expenditure for 2019/20 from £47.455 million to £43.102 million for 2019/20 with a subsequent increase in future years budgets.

Funding

In line with this, the budgeted level of funding available to finance the plan has also been adjusted from £27.433 million to £28.181 million, with the increase reflecting additional Early Years Capital Grant funding being applied in 2019/20 along with additional developer contributions reflecting the increased pace of works at Cuiken and other primary school projects.

Borrowing

Based on the rephased expenditure and funding levels outlined above, the rephased budgeted borrowing required has decreased from £20.022 million to £14.921 million with a subsequent increase in future years' budgets.

3.2 Quarter 2 Projected Performance against Budget

Expenditure

Expenditure to 15 September 2019 is £11.155 million with a projected expenditure outturn of £43.287 million. At this stage it is anticipated that budgets for the projects detailed in Appendix 1 will be fully spent in the current year with the following exceptions:-

Table 2: Adjustment to expenditure budget of projects

Item	Description	Original Project Budget £000's	Forecast Total Expenditure £000's	Projected (Underspend)/ Overspend £000's
Modular Units Phase II	<p>St. David's: Overspend of £88k on the internal refurbishment/alterations in St. David's Primary to create Early Years space, due to removal of lowest tenderer and drainage issues that led to redesign work. Overspend funded by application of additional Early Years Capital Grant.</p> <p>Burnbrae: Overspend of £30k due to required variations including fire sprinkler works, teaching walls and the introduction of a cleaner's store.</p>	1,130	1,248	+118
Recovery Hub	Overspend due to asbestos removal, full Mechanical & Engineering replacement and an increase in number of staff occupying the building	848	920	+72
Hillend Preparatory Works	Overspend due to additional scope of works required in relation to the Environmental Impact and Transport Impact Assessment reports required by Midlothian Council planning, archaeological and landscape officers and also by Transport Scotland, beyond the original scope of works tendered by Sweco.	60	81	+21
Lasswade High School	Final retention payment for the MUGA	0	14	+14
Legend Leisure Management System	Kiosks no longer required	169	119	-50
Total		2,207	2,456	+186

It is therefore expected that there will be a net overspend against budget for the year of £0.186 million.

Funding

Funding received to 15 September 2019 is £9.261 million with a projected total funding available to finance the capital plan in 2019/20 of £28.181 million, in line with the rephased budget.

Borrowing

The rephased budgeted level of borrowing for 2019/20 was £14.921 million. Based on the revised expenditure and funding levels as outlined above, the projected estimate of the level of borrowing required to fund the investment identified in Appendix 1 is £15.107 million. The impact of this on the Council's borrowing costs is reflected in the Financial Monitoring 2019/20 – General Fund Revenue report elsewhere on today's agenda.

3.3 Overall Position 2019/20

Based on the above, the projected performance against budget for 2019/20 is shown in the table below:-

Item	2019/20 Budget At Q1 £000's	Rephased 2019/20 Budget At Q2 £000's	Actual To 15/09/19 £000's	2019/20 Projected Outturn £000's	2019/20 Variance £000's	2019/20 Carry Forward £000's
Expenditure	44,383	43,102	11,155	43,287	+186	4,353
Funding	27,205	28,181	9,261	28,181	0	0
Borrowing Required	17,178	14,921	1,893	15,107	+186	

4. Capital Fund

The balance on the Capital Fund at 1 April 2019 was £20.168 million. Capital Receipts of £2.758 million are forecast to be received in 2019/20, with £2.437 million of the Capital Fund balance earmarked to fund the new Hopefield Primary School. 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 Capital Receipts Flexibility Scheme to use Capital Receipts to fund severance costs associated with service redesign.

5. Report Implications

5.1 Resource

The borrowing required to finance the planned investment in 2019/20 is projected to be £15.107 million. The loan charges associated with this

borrowing are reported to Council in the '*Financial Monitoring 2019/20 – General Fund Revenue*' report presented elsewhere on today's agenda.

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.

There is a risk given the volume of construction work across the UK, Scotland and the Central Belt, and the current economic climate and uncertainty regarding Brexit, that projects costs more than originally budgeted and that supply issues drive the cost per square metre up beyond the SFT metric rate. Midlothian have delivered all recent schools projects under the SFT metric rate and the principles applied to previous and current projects in respect to scope, specification and value engineering will continue to be applied to future projects in order to mitigate against this risk.

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 IT Issues

There are no IT implications arising from this report.

6 Recommendations

Council is asked to:

- a) Approve the adjustments to the expenditure and income budgets for the following projects as outlined in Section 2.1: (a) Early Years Projects, (b) Penicuik THI, (c) Lawfield Primary School Extension, and (d) Contaminated Land & Public Sector Housing Grants;
- b) Approve the following projects for inclusion in the General Services Capital Plan as outlined in Section 2.2: (a) Gorebridge Community Cares, (b) Tynewater Primary School, and (c) Burnbrae Primary School;
- c) Approve in principle subject to Capital Plan & Asset Management Board scrutiny and final approval, the 3 class & activity hall extension to Woodburn Primary School as outlined in Section 2.3,
- d) Note the General Services Capital Plan Quarter 2 monitoring position for 2019/20;

Date 21 October 2019

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Background Papers:

Appendix 1 – Detailed General Services Capital Plan Expenditure 2019/20

Appendix 1

Detailed General Services Capital Plan Expenditure 2019/20

	Rephased 2019/20 Budget	Rephased 2019/20 Budget	2019/20 Actual to P6	2019/20 Forecast Outturn Q2	2019/20 Variance Q2	2019/20 Carry Forward Q2
GENERAL SERVICES CAPITAL PLAN	Q1	Q2	£000's	£000's	£000's	£000's
Q2 MONITORING	£000's	£000's	£000's	£000's	£000's	£000's
RESOURCES						
Finance & Integrated Service Support						
Newbattle Centre of Excellence	479	479	2	479	-	-
Business Applications	72	136	136	136	-	(64)
DS Corporate Solutions	185	105	25	105	-	80
Front Office - Hardware, Software & Services	331	396	396	396	-	(65)
Back Office - Hardware, Software & Services	313	200	20	200	-	113
Network, Software & Services	252	252	174	252	-	-
Schools - Hardware, Software & Services	538	236	56	236	-	302
Online Payments & Services	57	57	-	57	-	-
Commercial Operations						
Street Lighting Upgrades	1,464	1,464	399	1,464	-	-
Footway & Footpath Network Upgrades	456	456	62	456	-	-
Road Upgrades	1,554	1,554	247	1,554	-	-
Roads Asset Management Plan - Temple Gro	62	-	-	-	-	62
Cycling, Walking & Safer Streets Projects	172	172	-	172	-	-
Ironmills Park Steps	3	3	-	3	-	-
New recycling facility - Penicuik	0	0	-	0	-	-
Vehicle & Plant Replacement Programme	2,334	1,956	94	1,956	-	378
Outdoor Play Equipment - Rosewell	23	23	-	23	-	-
Outdoor Play Equipment - Gorebridge	20	20	-	20	-	-
Arniston Park Synthetic Pitch	1	1	-	1	-	-
Mauricewood Bing Cycling and Walking Path	8	8	1	8	-	-
Mauricewood Road Bus Shelter	13	13	9	13	-	-
Riverside Park Paths & Woodland	15	15	-	15	-	-
Property & Facilities Management						
New Depot: EWiM Phase III	1,709	100	20	100	-	1,609
Property Upgrades	1,620	1,171	280	1,171	-	449
Property - Poltonhall Astro & Training Area Re	93	-	-	-	-	93
Property - Penicuik Astro Resurfacing	62	62	-	62	-	-
Property - King's Park Tennis Courts Resurfac	16	-	-	-	-	16
Property - Penicuik Centre Flooring, Cardio &	31	-	-	-	-	31
Property - Lasswade Centre Flooring	6	-	-	-	-	6
Shawfair Town Centre Land Purchase	2,653	2,653	-	2,653	-	-
Purchase of 49 Abbey Road, Dalkeith	6	6	-	6	-	-
Hillend Preparatory Works	49	49	31	144	95	-
Destination Hillend	1,994	656	1	656	-	1,338
32-38 Buccleuch Street Ground Floor Redeve	175	175	13	175	-	-
Leisure Management System (Legend)	70	70	4	20	(50)	-
Cashless Catering	68	68	11	68	-	-
Non-Domestic Energy Efficiency Projects	172	172	(10)	172	-	-
TOTAL RESOURCES	17,077	12,729	1,970	12,711	(18)	3,011
<i>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</i>						

	Rephased 2019/20	Rephased 2019/20	2019/20	2019/20	2019/20	2019/20
GENERAL SERVICES CAPITAL PLAN	Budget	Budget	Actual	Forecast	Variance	Carry
Q2 MONITORING	Q1	Q2	to P6	Outturn Q2	Q2	Forward Q2
	£000's	£000's	£000's	£000's	£000's	£000's
EDUCATION, COMMUNITY AND ECONOMY						
Education - Early Years						
Gorebridge Development Trust - Early Years			3	-	-	-
Hawthorn Centre	515	-	-	-	-	515
Rosewell Primary School Alteration	74	20	-	20	-	54
Mount Esk Nursery School	307	20	-	20	-	287
Hawthorn Primary School		377	-	377	-	(377)
King's Park Primary School	170	25	-	25	-	145
Rosewell Primary School New Build	127	377	-	377	-	(250)
Gorebridge Primary School	274	201	-	201	-	73
Vogrie Outdoor Early Learning Centre	40	100	-	100	-	(60)
Penicuik Outdoor Early Learning Centre	40	50	-	50	-	(10)
Catering kitchens	53	53	-	53	-	-
Settings' kitchens	9	9	-	9	-	-
Capital grants to partner providers	100	100	-	100	-	-
Roslin Primary School		188	-	188	-	(188)
Mauricewood Primary School		113	-	113	-	(113)
Tyne water Primary School		5	-	5	-	(5)
Woodburn Primary School		45	-	45	-	(45)
Lasswade Primary School		50	-	50	-	(50)
Scots Corner		13	-	13	-	(13)
Bilston Primary School		5	-	5	-	(5)
Newtongrange Primary School		13	-	13	-	(13)
Moorfoot Primary School		5	-	5	-	(5)
Loanhead Primary School		5	-	5	-	(5)
Cuiken Primary School		3	-	3	-	(3)
St Andrew's Primary School		5	-	5	-	(5)
Education - Primary						
New Gorebridge North Primary	177	177	-	177	-	-
Paradykes Primary Replacement	821	821	-	821	-	-
Roslin Primary Replacement	100	100	-	100	-	-
New Hopefield Primary School	9,309	9,309	4,504	9,309	-	-
New Danderhall Primary hub	5,186	5,186	1,311	5,186	-	-
Cuiken Primary School Extension	856	1,748	817	1,748	-	(892)
Sacred Heart Primary School Extension	1,842	1,842	527	1,842	-	-
Lawfield Primary Extension	302	481	11	481	-	(179)
Easthouses Primary School	500	500	43	500	-	-
Education - Learning Estate Strategy						
Woodburn Primary extension (1 class plus)	634	100	-	100	-	-
Woodburn Primary 3 classroom & activity hall extension	-	2,200	-	2,200	-	-
Tyne water Primary School	-	10	-	10	-	-
Burnbrae Primary School GP Space	-	62	-	62	-	-
Lasswade High - core facilities for 1600 pupils	189	189	-	189	-	-
Kings Park PS extension to 3 stream incl EY	489	244	-	244	-	244
Area 23 Primary School (Dalkeith/Easthouses)	327	163	-	163	-	163
Strathesk Primary one class extension	31	31	-	31	-	-
Education - Secondary						
Lasswade High School	-	-	14	14	14	-
Newbattle High School	331	331	35	331	-	-
Education - General						
Parent Pay	-	-	(7)	-	-	-
Saltergate Alterations Phase III - Playground Improvement	126	126	1	126	-	-
Saltergate Phase IV - Internal Alterations	31	31	19	31	-	-
Modular Units - Session 2017/18	329	329	137	329	-	-
Modular Units - Session 2018/19	553	553	124	671	118	-
Children's Services						
Economy						
Contaminated Land	100	77	49	77	-	23
Public Sector Housing Grants	234	234	79	234	-	-
Borders Rail - Economic Development Projects	63	20	-	20	-	43
East High Street Public Realm & Burns Monument	1	1	-	1	-	-
Gorebridge Connected	563	50	(67)	50	-	513
Penicuik TH1	108	404	326	404	-	-
A701 & A702 Works	310	121	97	121	-	-
Communities						
Members Environmental Improvements	73	73	-	73	-	-
Participatory Budgets	100	90	-	90	-	10
Mayfield Town Centre Regeneration	40	20	-	20	-	20
Rosewell Development Trust	764	1,064	583	1,064	-	(300)
Gorebridge Community Cares	25	25	-	25	-	-
Town Centre Regeneration Fund	910	910	-	910	-	-
TOTAL EDUCATION, COMMUNITY AND ECONOMY	27,133	29,405	8,605	29,536	132	(426)
<i>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</i>						

	Rephased 2019/20	Rephased 2019/20	2019/20	2019/20	2019/20	2019/20
GENERAL SERVICES CAPITAL PLAN	Budget	Budget	Actual	Forecast	Variance	Carry
Q2 MONITORING	Q1	Q2	to P6	Outturn Q2	Q2	Forward Q2
	£000's	£000's	£000's	£000's	£000's	£000's
HEALTH AND SOCIAL CARE						
Adult & Social Care						
Assistive Technology	150	150	35	150	-	-
Travelling Peoples Site Upgrade	17	17	-	17	-	-
Homecare	28	28	-	28	-	-
Recovery Hub	483	483	480	555	72	-
Highbank Intermediate Care Reprovisioning	500	500	31	500	-	-
Customer & Housing Services						
TOTAL HEALTH AND SOCIAL CARE	1,178	1,178	546	1,250	72	-
COUNCIL TRANSFORMATION						
Purchase to Pay	2	2	0	2	-	-
EWiM - Buccleuch House Ground Floor	17	-	-	-	-	17
City Deal	-	-	-	-	-	-
City Deal - Centres of Excellence	-	-	-	-	-	-
Entrepreneurial Council	-	-	-	-	-	-
TOTAL COUNCIL TRANSFORMATION	18	2	0	2	-	17
GENERAL SERVICES CAPITAL PLAN TOTAL	45,406	41,638	11,155	41,407	186	2,601
<i>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</i>						